

MIDLOTHIAN MUNICIPAL MANAGEMENT DISTRICT NO. 3

ELLIS COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

DECEMBER 31, 2021

McCALL GIBSON SWEDLUND BARFOOT PLLC
Certified Public Accountants

MIDLOTHIAN MUNICIPAL MANAGEMENT DISTRICT NO. 3
ELLIS COUNTY, TEXAS
ANNUAL FINANCIAL REPORT
DECEMBER 31, 2021

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Midlothian Municipal Management District No. 3
Ellis County, Texas

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of Midlothian Municipal Management District No. 3 (the "District") as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District as of December 31, 2021, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - General Fund be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Board of Directors
Midlothian Municipal Management District No. 3

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The supplementary information required by the Texas Commission on Environmental Quality as published in the *Water District Financial Management Guide* is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The supplementary information, excluding that portion marked "Unaudited" on which we express no opinion or provide an assurance, has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.



McCall Gibson Swedlund Barfoot PLLC
Certified Public Accountants
Houston, Texas

June 1, 2022

**MIDLOTHIAN MUNICIPAL MANAGEMENT DISTRICT NO. 3
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2021**

Management's discussion and analysis of the financial performance of Midlothian Municipal Management District No. 3 of Ellis County, Texas provides an overview of the District's financial activities for the fiscal year ended December 31, 2021. Please read it in conjunction with the District's financial statements.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The basic financial statements include: (1) combined fund financial statements and government-wide financial statements and (2) notes to the financial statements. The combined fund financial statements and government-wide financial statements combine both: (1) the Statement of Net Position and Governmental Funds Balance Sheet and (2) the Statement of Activities and Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances. This report also includes required and other supplementary information in addition to the basic financial statements.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The District's annual report includes two financial statements combining the government-wide financial statements and the fund financial statements. The government-wide financial statements provide both long-term and short-term information about the District's overall status. Financial reporting at this level uses a perspective similar to that found in the private sector with its basis in full accrual accounting and elimination or reclassification of internal activities.

The Statement of Net Position includes all of the District's assets, liabilities and, if applicable, deferred inflows and outflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District as a whole is improving or deteriorating. Evaluation of the overall health of the District would extend to other non-financial factors.

The Statement of Activities reports how the District's net position changed during the current fiscal year. All current year revenues and expenses are included regardless of when cash is received or paid.

FUND FINANCIAL STATEMENTS

The combined statements also include fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District has two governmental fund types. The General Fund accounts for resources not accounted for in another fund, maintenance tax revenues, costs and general expenditures. The Debt Service Fund accounts for ad valorem taxes and financial resources restricted, committed or assigned for servicing bond debt and the cost of assessing and collecting taxes.

**MIDLOTHIAN MUNICIPAL MANAGEMENT DISTRICT NO. 3
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2021**

FUND FINANCIAL STATEMENTS (Continued)

Governmental funds are reported in each of the financial statements. The focus in the fund statements provides a distinctive view of the District's governmental funds. These statements report short-term fiscal accountability focusing on the use of spendable resources and balances of spendable resources available at the end of the year. They are useful in evaluating annual financing requirements of the District and the commitment of spendable resources for the near-term.

Since the government-wide focus includes the long-term view, comparisons between these two perspectives may provide insight into the long-term impact of short-term financing decisions. The adjustments columns, the Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position and the Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities explain the differences between the two presentations and assist in understanding the differences between these two perspectives.

NOTES TO THE FINANCIAL STATEMENTS

The accompanying notes to the financial statements provide information essential to a full understanding of the government-wide and fund financial statements.

OTHER INFORMATION

In addition to the financial statements and accompanying notes, this report also presents certain required supplementary information ("RSI"). A budgetary comparison schedule is included as RSI for the General Fund.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of the District's financial position. In the case of the District, liabilities and deferred inflows of resources exceeded assets by \$4,207,473 as of December 31, 2021. The following is a comparative analysis of government-wide changes in net position:

**MIDLOTHIAN MUNICIPAL MANAGEMENT DISTRICT NO. 3
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2021**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

	Summary of Changes in the Statement of Net Position		
	2021	2020	Change Positive (Negative)
Current Assets	\$ 364,490	\$ 285,489	\$ 79,001
Total Assets	\$ 364,490	\$ 285,489	\$ 79,001
Due to Developer	\$ 1,857,547	\$ 975,678	\$ (881,869)
Bonds Payable	2,460,441	2,459,584	(857)
Other Liabilities	30,293	14,963	(15,330)
Total Liabilities	\$ 4,348,281	\$ 3,450,225	\$ (898,056)
Deferred Inflows of Resources	\$ 223,682	\$ 130,387	\$ (93,295)
Net Position:			
Net Investment in Capital Assets	\$ (4,317,988)	\$ (3,435,262)	\$ (882,726)
Restricted	33,777	118,747	(84,970)
Unrestricted	76,738	21,392	55,346
Total Net Position	\$ (4,207,473)	\$ (3,295,123)	\$ (912,350)

The following table provides a summary of the District's operations for the years ended December 31, 2021 and December 31, 2020.

	Summary of Changes in the Statement of Activities		
	2021	2020	Change Positive (Negative)
Revenues:			
Property Taxes	\$ 139,250	\$ 44,479	\$ 94,771
Other Revenues	6,104	5,547	557
Total Revenues	\$ 145,354	\$ 50,026	\$ 95,328
Total Expenses	1,057,704	3,348,504	2,290,800
Change in Net Position	\$ (912,350)	\$ (3,298,478)	\$ 2,386,128
Net Position, Beginning of Year	(3,295,123)	3,355	(3,298,478)
Net Position, End of Year	\$ (4,207,473)	\$ (3,295,123)	\$ (912,350)

**MIDLOTHIAN MUNICIPAL MANAGEMENT DISTRICT NO. 3
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2021**

FINANCIAL ANALYSIS OF THE DISTRICT'S GOVERNMENTAL FUNDS

The District's combined fund balances as of December 31, 2021, were \$133,044, a decrease of \$6,232 from the prior year.

The General Fund fund balance increased by \$52,350, primarily due to tax revenues exceeding operating costs.

The Debt Service Fund fund balance decreased by \$58,582, primarily due to the structure of the District's outstanding debt.

GENERAL FUND BUDGETARY HIGHLIGHTS

The Board of Directors did not amend the budget during the current fiscal year. Actual revenues were \$15,906 more than budgeted revenues. Actual expenditures were \$8,540 more than budgeted expenditures. This resulted in a positive budget variance of \$7,366. See the budget to actual comparison on page 25.

CAPITAL ASSETS

Certain infrastructure is conveyed to the City of Midlothian for ownership and maintenance. The District retains ownership and maintenance of the drainage infrastructure which serves the District. During the current year, the District conveyed \$881,868 related to road infrastructure to the City of Midlothian.

LONG-TERM DEBT ACTIVITY

As of December 31, 2021, the District had total bond debt payable of \$2,485,000. The changes in the debt position of the District during the year ended December 31, 2021, are summarized as follows:

Bond Debt Payable, January 1, 2021	\$ 2,485,000
Less: Bond Principal Paid	<u>-0-</u>
Bond Debt Payable, December 31, 2021	<u>\$ 2,485,000</u>

The District's bonds do not carry an underlying rating or insured rating as of December 31, 2021.

CONTACTING THE DISTRICT'S MANAGEMENT

This financial report is designed to provide a general overview of the District's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Midlothian Municipal Management District No. 3, c/o Johnson Petrov LLP, 2929 Allen Parkway, Suite 3150, Houston, TX 77019.

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MIDLOTHIAN MUNICIPAL MANAGEMENT DISTRICT NO. 3
STATEMENT OF NET POSITION AND
GOVERNMENTAL FUNDS BALANCE SHEET
DECEMBER 31, 2021

	General Fund	Debt Service Fund
ASSETS		
Cash	\$ 62,057	\$ 117,289
Investments		78,992
Property Taxes Receivable	46,055	60,097
Due from Other Funds	62,449	
TOTAL ASSETS	\$ 170,561	\$ 256,378
 LIABILITIES		
Accounts Payable	\$ 1,554	\$
Accrued Interest Payable		
Due to Developer		
Due to Other Funds		62,449
Due to Taxpayers		2,351
Long-Term Liabilities:		
Bonds Payable, Due Within One Year		
Bonds Payable, Due After One Year		
TOTAL LIABILITIES	\$ 1,554	\$ 64,800
 DEFERRED INFLOWS OF RESOURCES		
Property Taxes	\$ 96,128	\$ 131,413
 FUND BALANCES		
Restricted for Debt Service	\$	\$ 60,165
Assigned to 2022 Budget Deficit	66,774	
Unrestricted	6,105	
TOTAL FUND BALANCES	\$ 72,879	\$ 60,165
 TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 170,561	\$ 256,378
 NET POSITION		
Net Investment in Capital Assets		
Restricted for Debt Service		
Unrestricted		
TOTAL NET POSITION		

The accompanying notes to the financial
statements are an integral part of this report.

<u>Total</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
\$ 179,346	\$	\$ 179,346
78,992		78,992
106,152		106,152
62,449	(62,449)	
<u>\$ 426,939</u>	<u>\$ (62,449)</u>	<u>\$ 364,490</u>
\$ 1,554	\$	\$ 1,554
	26,388	26,388
	1,857,547	1,857,547
62,449	(62,449)	
2,351		2,351
	55,000	55,000
	2,405,441	2,405,441
<u>\$ 66,354</u>	<u>\$ 4,281,927</u>	<u>\$ 4,348,281</u>
<u>\$ 227,541</u>	<u>\$ (3,859)</u>	<u>\$ 223,682</u>
\$ 60,165	\$ (60,165)	\$
66,774	(66,774)	
6,105	(6,105)	
<u>\$ 133,044</u>	<u>\$ (133,044)</u>	<u>\$ - 0 -</u>
<u>\$ 426,939</u>		
	\$ (4,317,988)	\$ (4,317,988)
	33,777	33,777
	76,738	76,738
	<u>\$ (4,207,473)</u>	<u>\$ (4,207,473)</u>

The accompanying notes to the financial statements are an integral part of this report.

MIDLOTHIAN MUNICIPAL MANAGEMENT DISTRICT NO. 3
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
DECEMBER 31, 2021

Total Fund Balances - Governmental Funds	\$	133,044
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Amounts reported for governmental activities in the Statement of Net Position are different because:

Deferred inflows of resources related to property taxes receivable for the 2020 tax levies became part of recognized revenue in the governmental activities of the District.		3,859
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Certain liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. These liabilities at year end consist of:

Due to Developer	\$ (1,857,547)	
Accrued Interest Payable	(26,388)	
Bonds Payable	<u>(2,460,441)</u>	<u>(4,344,376)</u>
Total Net Position - Governmental Activities	\$	<u><u>(4,207,473)</u></u>

The accompanying notes to the financial statements are an integral part of this report.

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MIDLOTHIAN MUNICIPAL MANAGEMENT DISTRICT NO. 3
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2021

	<u>General Fund</u>	<u>Debt Service Fund</u>
REVENUES		
Property Taxes	\$ 136,254	\$
Penalty and Interest		6,056
Investment Revenues	10	27
Miscellaneous Revenues		<u>11</u>
TOTAL REVENUES	<u>\$ 136,264</u>	<u>\$ 6,094</u>
EXPENDITURES/EXPENSES		
Service Operations:		
Professional Fees	\$ 12,750	\$
Contracted Services	18,406	6,479
Repairs and Maintenance	48,536	
Other	4,222	3,441
Conveyance of Capital Assets		
Debt Service:		
Bond Interest		<u>54,756</u>
TOTAL EXPENDITURES/EXPENSES	<u>\$ 83,914</u>	<u>\$ 64,676</u>
NET CHANGE IN FUND BALANCE	\$ 52,350	\$ (58,582)
CHANGE IN NET POSITION		
FUND BALANCES/NET POSITION - JANUARY 1, 2021	<u>20,529</u>	<u>118,747</u>
FUND BALANCES/NET POSITION - DECEMBER 31, 2021	<u>\$ 72,879</u>	<u>\$ 60,165</u>

The accompanying notes to the financial
statements are an integral part of this report.

<u>Total</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
\$ 136,254	\$ 2,996	\$ 139,250
6,056		6,056
37		37
11		11
\$ 142,358	\$ 2,996	\$ 145,354
\$ 12,750	\$	\$ 12,750
24,885		24,885
48,536		48,536
7,663		7,663
	881,868	881,868
54,756	27,246	82,002
\$ 148,590	\$ 909,114	\$ 1,057,704
\$ (6,232)	\$ 6,232	\$
	(912,350)	(912,350)
139,276	(3,434,399)	(3,295,123)
\$ 133,044	\$ (4,340,517)	\$ (4,207,473)

The accompanying notes to the financial statements are an integral part of this report.

**MIDLOTHIAN MUNICIPAL MANAGEMENT DISTRICT NO. 3
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2021**

Net Change in Fund Balances - Governmental Funds	\$	(6,232)
Governmental funds report tax revenues when collected. However, in the Statement of Activities, revenue is recorded in the accounting period for which the taxes are levied.		2,996
Costs paid by the Developer for infrastructure assets that will be owned by the City of Midlothian are recorded as conveyance of capital assets and expensed in the Statement of Activities.		(881,868)
Governmental funds report interest expenditures on long-term debt as expenditures in the year paid. However, in the Statement of Net Position, interest is accrued on the long-term debt through fiscal year-end.		<u>(27,246)</u>
Change in Net Position - Governmental Activities	\$	<u>(912,350)</u>

The accompanying notes to the financial statements are an integral part of this report.

MIDLOTHIAN MUNICIPAL MANAGEMENT DISTRICT NO. 3
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 1. CREATION OF DISTRICT

Midlothian Municipal Management District No. 3 (the “District”) was created by House Bill 4347, an act of the 85th Legislature of the State of Texas on June 12, 2017, codified as Chapter 3952 of the Texas Special District Local Laws Code, pursuant to Article XVI, Section 59 and Article III, Section 52 of the Texas Constitution, and operates under the provisions of Chapter 49 of the Texas Water Code and Chapter 375 of the Texas Local Government Code. The District is located wholly within the corporate limits of the City of Midlothian, Texas (the “City”).

The District is empowered, among other things, to purchase, construct, operate and maintain all works, improvements, facilities and plants, and contract rights therefore, necessary for the supply and distribution of water; the collection, transportation, and treatment of wastewater; and the control and diversion of storm water. The District may issue bonds and other forms of indebtedness to purchase or construct such facilities or contract rights therefor. The District is also empowered to establish parks and recreational facilities for the residents of the District, and to issue bonds and other forms of indebtedness to purchase or construct such facilities, to contract for or employ its own peace officers and, after approval by the City, the TCEQ and the voters of the District, to establish, operate, and maintain fire-fighting facilities, independently or with one or more conservation and reclamation districts

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America as promulgated by the Governmental Accounting Standards Board (“GASB”). In addition, the accounting records of the District are maintained generally in accordance with the *Water District Financial Management Guide* published by the Commission.

The District is a political subdivision of the State of Texas governed by an appointed board. GASB has established the criteria for determining whether an entity is a primary government or a component unit of a primary government. The primary criteria are that it has a separately elected governing body, it is legally separate, and it is fiscally independent of other state and local governments. Under these criteria, the District is considered a primary government and is not a component unit of any other government. Additionally, no other entities meet the criteria for inclusion in the District’s financial statement as component units.

Financial Statement Presentation

These financial statements have been prepared in accordance with GASB Codification of Governmental Accounting and Financial Reporting Standards Part II, Financial Reporting (“GASB Codification”).

MIDLOTHIAN MUNICIPAL MANAGEMENT DISTRICT NO. 3
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Statement Presentation (Continued)

The GASB Codification sets forth standards for external financial reporting for all state and local government entities, which include a requirement for a Statement of Net Position and a Statement of Activities. It requires the classification of net position into three components: Net Investment in Capital Assets; Restricted; and Unrestricted. These classifications are defined as follows:

- Net Investment in Capital Assets – This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.
- Restricted Net Position – This component of net position consists of external constraints placed on the use of assets imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulation of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- Unrestricted Net Position – This component of net position consists of net position that do not meet the definition of Restricted or Net Investment in Capital Assets.

When both restricted and unrestricted resources are available for use, generally it is the District's policy to use restricted resources first.

Government-Wide Financial Statements

The Statement of Net Position and the Statement of Activities display information about the District as a whole. The District's Statement of Net Position and Statement of Activities are combined with the governmental fund financial statements. The District is viewed as a special-purpose government and has the option of combining these financial statements.

The Statement of Net Position is reported by adjusting the governmental fund types to report on the full accrual basis, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. Any amounts recorded due to and due from other funds are eliminated in the Statement of Net Position.

The Statement of Activities is reported by adjusting the governmental fund types to report only items related to current year revenues and expenditures. Items such as capital outlay are allocated over their estimated useful lives as depreciation expense. Internal activities between governmental funds, if any, are eliminated by adjustment to obtain net total revenue and expense of the government-wide Statement of Activities.

MIDLOTHIAN MUNICIPAL MANAGEMENT DISTRICT NO. 3
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Financial Statements

As discussed above, the District's fund financial statements are combined with the government-wide financial statements. The fund financial statements include a Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balances.

Governmental Funds

The District has two governmental funds and considers each to be a major fund.

General Fund – To account for resources not accounted for in another fund, maintenance tax revenues, costs and general expenditures.

Debt Service Fund – To account for ad valorem taxes and financial resources restricted, committed or assigned for servicing bond debt and the cost of assessing and collecting taxes.

Basis of Accounting

The District uses the modified accrual basis of accounting for governmental fund types. The modified accrual basis of accounting recognizes revenues when both “measurable and available.” Measurable means the amount can be determined. Available means collectable within the current period or soon enough thereafter to pay current liabilities. The District considers revenue reported in governmental funds to be available if they are collectable within 60 days after year-end. Also, under the modified accrual basis of accounting, expenditures are recorded when the related fund liability is incurred except for principal and interest on long-term debt, which are recognized as expenditures when payment is due.

Property taxes considered available by the District and included in revenue include 2020 tax levy collections during the period October 1, 2020, to December 31, 2021, and taxes collected from January 1, 2021 to December 31, 2021, for the 2019 tax levy. The 2021 tax levy has been fully deferred to meet planned operating expenditures for the 2022 fiscal year.

Amounts transferred from one fund to another fund are reported as other financing sources or uses. Loans by one fund to another fund and amounts paid by one fund for another fund are reported as interfund receivables and payables in the Governmental Funds Balance Sheet if there is intent to repay the amount and if the debtor fund has the ability to repay the advance on a timely basis. As of December 31, 2021, the Debt Service Fund owed the General Fund \$62,449 for maintenance tax collections.

MIDLOTHIAN MUNICIPAL MANAGEMENT DISTRICT NO. 3
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets

Capital assets, which include certain storm drainage infrastructure, are reported in the government-wide Statement of Net Position. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated assets are valued at their fair market value on the date donated. Repairs and maintenance are recorded as expenditures in the governmental fund incurred and as an expense in the government-wide Statement of Activities. Capital asset additions, improvements and preservation costs that extend the life of an asset are capitalized and depreciated over the estimated useful life of the asset. Engineering fees and certain other costs are capitalized as part of the asset. Assets are capitalized, including infrastructure assets, if they have an original cost greater than \$5,000 and a useful life over two years. Depreciation is calculated on each class of depreciable property using the straight-line method of depreciation. Estimated useful lives range from 10 to 45 years.

Budgeting

An annual unappropriated budget is adopted for the General Fund by the District's Board of Directors. The budget is prepared using the same method of accounting as for financial reporting. The original General Fund budget for the current year was not amended. The Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund presents the original budget amounts compared to the actual amounts of revenues and expenditures for the current year.

Pensions

A pension plan has not been established. The District does not have employees, except that the Internal Revenue Service has determined that the directors are considered to be employees for federal payroll tax purposes only.

Measurement Focus

Measurement focus is a term used to describe which transactions are recognized within the various financial statements. In the government-wide Statement of Net Position and Statement of Activities, the governmental activities are presented using the economic resources measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position, financial position, and cash flows. All assets and liabilities associated with the activities are reported. Fund equity is classified as net position. Governmental fund types are accounted for on a spending or financial flow measurement focus. Accordingly, only current assets and current liabilities are included on the Balance Sheet, and the reported fund balances provide an indication of available spendable or appropriable resources. Operating statements of governmental fund types report increases and decreases in available spendable resources. Fund balances in governmental funds are classified using the following hierarchy:

MIDLOTHIAN MUNICIPAL MANAGEMENT DISTRICT NO. 3
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus (Continued)

Nonspendable: amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact. The District does not have any nonspendable fund balances.

Restricted: amounts that can be spent only for specific purposes because of constitutional provisions, or enabling legislation, or because of constraints that are imposed externally.

Committed: amounts that can be spent only for purposes determined by a formal action of the Board of Directors. The Board is the highest level of decision-making authority for the District. This action must be made no later than the end of the fiscal year. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the Board. The District does not have any committed fund balances.

Assigned: amounts that do not meet the criteria to be classified as restricted or committed, but that are intended to be used for specific purposes. The District has not adopted a formal policy regarding the assignment of fund balances. As of December 31, 2021, the District has assigned \$66,774 of the General Fund fund balance for a projected budget deficit for the year ending December 31, 2022.

Unassigned: all other spendable amounts in the General Fund.

When expenditures are incurred for which restricted, committed, assigned or unassigned fund balances are available, the District considers amounts to have been spent first out of restricted funds, then committed funds, then assigned funds, and finally unassigned funds.

Accounting Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

MIDLOTHIAN MUNICIPAL MANAGEMENT DISTRICT NO. 3
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 3. LONG-TERM DEBT

	<u>Series 2020 Road</u>
Amounts Outstanding – December 31, 2021	\$ 2,485,000
Interest Rates	2.00% - 3.50%
Maturity Dates – Serially Beginning/Ending	September 1, 2022/2050
Interest Payment Dates	March 1/ September 1
Callable Dates	September 1, 2025*

* On any date thereafter, at a price equal to the par value plus accrued interest from the most recent date fixed for redemption. Series 2020 road term bonds maturing September 1, 2031, September 1, 2033, September 1, 2036, September 1, 2039, September 1, 2045 and September 1, 2050 are subject to mandatory redemption beginning September 1, 2030, September 1, 2032, September 1, 2034, September 1, 2037, September 1, 2040 and September 1, 2046, respectively.

The following is a summary of transactions regarding bonds payable for the year ended December 31, 2021:

	January 1, 2021	Additions	Retirements	December 31, 2021
Bonds Payable	\$ 2,485,000	\$	\$	\$ 2,485,000
Unamortized Discounts	(25,416)		(857)	(24,559)
Bonds Payable, Net	<u>\$ 2,459,584</u>	<u>\$ -0-</u>	<u>\$ (857)</u>	<u>\$ 2,460,441</u>
			Amount Due Within One Year	\$ 55,000
			Amount Due After One Year	<u>2,405,441</u>
			Bonds Payable, Net	<u>\$ 2,460,441</u>

As of December 31, 2021, the District had authorized but unissued bonds in the amount of \$46,000,000 for the purpose of acquiring or constructing drainage facilities, \$43,515,000 for the purpose of financing and constructing road facilities and \$29,000,000 for the purpose of financing and constructing recreational facilities. As of December 31, 2021, the debt service requirements on the bonds outstanding were as follows:

MIDLOTHIAN MUNICIPAL MANAGEMENT DISTRICT NO. 3
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 3. LONG-TERM DEBT (Continued)

Fiscal Year	Principal	Interest	Total
2022	\$ 55,000	\$ 79,165	\$ 134,165
2023	55,000	78,065	133,065
2024	60,000	76,910	136,910
2025	60,000	75,560	135,560
2026	60,000	74,150	134,150
2027-2031	335,000	345,386	680,386
2032-2036	380,000	293,504	673,504
2037-2041	450,000	227,894	677,894
2042-2046	535,000	144,026	679,026
2047-2050	495,000	43,927	538,927
	\$ 2,485,000	\$ 1,438,587	\$ 3,923,587

The bonds are payable from an ad valorem tax levied upon all property subject to taxation within the District, within legal limit as to rate or amount.

During the year ended December 31, 2021, the District levied an ad valorem debt service tax at the rate of \$0.235 per \$100 of assessed valuation, which resulted in a tax levy of \$131,413 on the adjusted taxable valuation of \$55,920,449 for the 2021 tax year. The bond orders require the District to levy and collect an ad valorem debt service tax sufficient to pay interest and principal on bonds when due and the cost of assessing and collecting taxes. See Note 7 for the maintenance tax levy.

All property values and exempt status, if any, are determined by the appraisal district. Assessed values are determined as of January 1 of each year, at which time a tax lien attaches to the related property. Taxes are levied around October/November, are due upon receipt and are delinquent the following February 1. Penalty and interest attach thereafter.

NOTE 4. SIGNIFICANT BOND ORDERS AND LEGAL REQUIREMENTS

The bond order states that the District is required by the Securities and Exchange Commission to provide continuing disclosure of certain general financial information and operating data with respect to the District to certain information repositories. This information, along with the audited annual financial statements, is to be provided within six months after the end of each fiscal year and shall continue to be provided through the life of the bonds.

The District has covenanted that it will take all necessary steps to comply with the requirement that rebatable arbitrage earnings on the investment of the gross proceeds of the bonds, within the meaning of Section 148(f) of the Internal Revenue Code, be rebated to the federal government. The minimum requirement for determination of the rebatable amount is on the five-year anniversary of each issue.

MIDLOTHIAN MUNICIPAL MANAGEMENT DISTRICT NO. 3
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 5. DEPOSITS AND INVESTMENTS

Deposits

Custodial credit risk is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The District’s deposit policy for custodial credit risk requires compliance with the provisions of Texas statutes. Texas statutes require that any cash balance in any fund shall, to the extent not insured by the Federal Deposit Insurance Corporation or its successor, be continuously secured by a valid pledge to the District of securities eligible under the laws of Texas to secure the funds of the District, having an aggregate market value, including accrued interest, at all times equal to the uninsured cash balance in the fund to which such securities are pledged.

At fiscal year end, the carrying amount of the District’s deposits was \$179,346 and the bank balance was \$179,332. The District was not exposed to custodial credit risk at year-end. The carrying values of the deposits are included in the Governmental Funds Balance Sheet and the Statement of Net Position at December 31, 2021, as listed below:

	Cash
GENERAL FUND	\$ 62,057
DEBT SERVICE FUND	117,289
TOTAL DEPOSITS	\$ 179,346

Investments

Under Texas law, the District is required to invest its funds under written investment policies that primarily emphasize safety of principal and liquidity and that address investment diversification, yield, maturity, and the quality and capability of investment management, and all District funds must be invested in accordance with the following investment objectives: understanding the suitability of the investment to the District’s financial requirements, first; preservation and safety of principal, second; liquidity, third; marketability of the investments if the need arises to liquidate the investment before maturity, fourth; diversification of the investment portfolio, fifth; and yield, sixth. The District’s investments must be made “with judgment and care, under prevailing circumstances, that a person of prudence, discretion, and intelligence would exercise in the management of the person’s own affairs, not for speculation, but for investment, considering the probable safety of capital and the probable income to be derived.” No person may invest District funds without express written authority from the Board of Directors.

MIDLOTHIAN MUNICIPAL MANAGEMENT DISTRICT NO. 3
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 5. DEPOSITS AND INVESTMENTS (Continued)

Texas statutes include specifications for and limitations applicable to the District and its authority to purchase investments as defined in the Public Funds Investment Act. The District has adopted a written investment policy to establish the guidelines by which it may invest. This policy is reviewed annually. The District’s investment policy may be more restrictive than the Public Funds Investment Act.

The District invests in Texas Cooperative Liquid Assets Securities System Trust (“Texas CLASS”), an external public funds investment pool that is not SEC-registered. Public Trust Advisors, LLC serves as the pool’s administrator and investment advisor. The pool is subject to the general supervision of the Board of Trustees and its Advisory Board. Wells Fargo Bank, N.A. serves as custodian for the pool. Investments held by Texas CLASS are priced to market on a weekly basis. The investments are considered to be Level 1 investments because their fair value is measured by quoted prices in active markets. The fair value of the District’s position in the pool is the same as the value of the pool shares. There are no limitations or restrictions on withdrawals from Texas CLASS.

Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. As of December 31, 2021, the District’s investment in Texas CLASS was rated AAAm by Standard and Poor’s.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District considers the investment in Texas CLASS to have a maturity of less than one year due to the fact the share positions can usually be redeemed each day at the discretion of the District, unless there has been a significant change in value.

As of December 31, 2021, the District had the following investments and maturities:

Fund and Investment Type	Fair Value	Maturities of Less Than 1 Year
<u>DEBT SERVICE FUND</u>		
Texas CLASS	\$ 78,992	\$ 78,992
TOTAL INVESTMENTS	\$ 78,992	\$ 78,992

Restrictions

All cash and investments of the Debt Service Fund are restricted for the payment of debt service and the cost of assessing and collecting taxes.

MIDLOTHIAN MUNICIPAL MANAGEMENT DISTRICT NO. 3
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 6. CAPITAL ASSETS

Certain infrastructure is conveyed to the City of Midlothian for ownership and maintenance. The District retains ownership and maintenance of the drainage infrastructure which serves the District. During the current fiscal year, the District conveyed \$881,868 related to road infrastructure to the City of Midlothian.

NOTE 7. MAINTENANCE TAX

On November 7, 2017, the voters of the District approved the levy and collection of a maintenance tax in an amount not to exceed \$0.40 per \$100 of assessed valuation of taxable property within the District. This maintenance tax is to be used by the General Fund to pay expenditures of operating the District's systems and other operating and maintenance expenses. During the current fiscal year, the District levied an ad valorem maintenance tax rate of \$0.165 per \$100 of assessed valuation, which resulted in a tax levy of \$92,269 on the adjusted taxable valuation of \$55,920,449 for the 2021 tax year.

NOTE 8. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets, errors and omissions and natural disasters for which the District carries commercial insurance. There have been no significant changes in coverage from the prior year and settlements have not exceeded coverage in the past two years.

NOTE 9. UNREIMBURSED DEVELOPER COSTS

The District and the Developers have entered into agreements which require the Developers to fund costs associated with water, sanitary sewer and drainage facilities, roads and operating advances. Reimbursement to the Developers for these projects and operating advances is contingent upon approval from the Commission and the future sale of bonds. The following table summarizes the current year activity related to unreimbursed costs:

Due to Developers, beginning of year	\$ 975,678
Additions	881,869
Due to Developers, end of year	<u>\$ 1,857,547</u>

MIDLOTHIAN MUNICIPAL MANAGEMENT DISTRICT NO. 3
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 10. ECONOMIC DEPENDENCY

The District's Developers own a substantial portion of the taxable property within the District. The Developer's ability to make full and timely payment of taxes (to the extent levied by the District) could directly affects the District's ability to meet its financial obligations.

NOTE 11. SUBSEQUENT EVENT - BOND SALE

On March 10, 2022, subsequent to year end, the District issued \$1,250,000 of Limited Tax Road Bonds, Series 2022. Proceeds from the bonds were used to reimburse a Developer for construction costs for roads in Hawkins Meadows, Phase 2 and 14th Street. Additional proceeds were used to pay for capitalized interest and issuance costs of the bonds.

NOTE 12. ECONOMIC UNCERTAINTIES

On March 11, 2020, the World Health Organization declared the COVID-19 virus a global pandemic. Since that time, the District has not experienced any decrease in property values or unusual tax delinquencies as a result of COVID-19. The District will continue to carefully monitor the situation and evaluate the financial statement impact, if any, that results from the pandemic.

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MIDLOTHIAN MUNICIPAL MANAGEMENT DISTRICT NO. 3

REQUIRED SUPPLEMENTARY INFORMATION

DECEMBER 31, 2021

MIDLOTHIAN MUNICIPAL MANAGEMENT DISTRICT NO. 3
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2021

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
REVENUES			
Property Taxes	\$ 120,334	\$ 136,254	\$ 15,920
Investment Revenues	<u>24</u>	<u>10</u>	<u>(14)</u>
TOTAL REVENUES	<u>\$ 120,358</u>	<u>\$ 136,264</u>	<u>\$ 15,906</u>
EXPENDITURES			
Service Operations:			
Professional Fees	\$ 53,700	\$ 12,750	\$ 40,950
Contracted Services	12,500	18,406	(5,906)
Repairs and Maintenance		48,536	(48,536)
Other	<u>9,174</u>	<u>4,222</u>	<u>4,952</u>
TOTAL EXPENDITURES	<u>\$ 75,374</u>	<u>\$ 83,914</u>	<u>\$ (8,540)</u>
NET CHANGE IN FUND BALANCE	\$ 44,984	\$ 52,350	\$ 7,366
FUND BALANCE - JANUARY 1, 2021	<u>20,529</u>	<u>20,529</u>	<u>_____</u>
FUND BALANCE - DECEMBER 31, 2021	<u>\$ 65,513</u>	<u>\$ 72,879</u>	<u>\$ 7,366</u>

See accompanying independent auditor's report.

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MIDLOTHIAN MUNICIPAL MANAGEMENT DISTRICT NO. 3

SUPPLEMENTARY INFORMATION – REQUIRED BY THE

WATER DISTRICT FINANCIAL MANAGEMENT GUIDE

DECEMBER 31, 2021

**MIDLOTHIAN MUNICIPAL MANAGEMENT DISTRICT NO. 3
SERVICES AND RATES
FOR THE YEAR ENDED DECEMBER 31, 2021**

1. SERVICES PROVIDED BY THE DISTRICT DURING THE FISCAL YEAR:

<u> </u> Retail Water	<u> </u> Wholesale Water	<u> </u> Drainage
<u> </u> Retail Wastewater	<u> </u> Wholesale Wastewater	<u> </u> Irrigation
<u> </u> Parks/Recreation	<u> </u> Fire Protection	<u> </u> Security
<u> </u> Solid Waste/Garbage	<u> </u> Flood Control	<u> </u> Roads
<u> </u> Participates in joint venture, regional system and/or wastewater service (other than emergency interconnect)		
<u> </u> Other (specify): _____		

2. RETAIL SERVICE PROVIDERS – NOT APPLICABLE

3. TOTAL WATER CONSUMPTION – NOT APPLICABLE

4. STANDBY FEES – NOT APPLICABLE

5. LOCATION OF DISTRICT:

Is the District located entirely within one county?

Yes X No

County in which District is located:

Ellis County, Texas

Is the District located within a city?

Entirely X Partly Not at all

City in which District is located:

City of Midlothian, Texas

Are Board Members appointed by an office outside the District?

Yes X No

See accompanying independent auditor’s report.

MIDLOTHIAN MUNICIPAL MANAGEMENT DISTRICT NO. 3
GENERAL FUND EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2021

PROFESSIONAL FEES:	
Auditing	\$ 11,250
Engineering	<u>1,500</u>
TOTAL PROFESSIONAL FEES	<u>\$ 12,750</u>
BOOKKEEPER FEES	<u>\$ 18,406</u>
REPAIRS AND MAINTENANCE	<u>\$ 48,536</u>
ADMINISTRATIVE EXPENDITURES:	
Director Fees, Including Payroll Taxes	\$ 1,956
Insurance	1,750
Office Supplies, Postage and Other	<u>516</u>
TOTAL ADMINISTRATIVE EXPENDITURES	<u>\$ 4,222</u>
TOTAL EXPENDITURES	<u>\$ 83,914</u>

See accompanying independent auditor's report.

MIDLOTHIAN MUNICIPAL MANAGEMENT DISTRICT NO. 3
INVESTMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

<u>Fund and Investment Type</u>	<u>Identification or Certificate Number</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Balance at End of Year</u>	<u>Accrued Interest Receivable at End of Year</u>
<u>DEBT SERVICE FUND</u>					
Texas CLASS	XXXX0001	Varies	Daily	<u>\$ 78,992</u>	<u>\$ -0-</u>

See accompanying independent auditor's report.

MIDLOTHIAN MUNICIPAL MANAGEMENT DISTRICT NO. 3
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED DECEMBER 31, 2021

	Maintenance Taxes		Debt Service Taxes	
TAXES RECEIVABLE -				
JANUARY 1, 2021	\$	100,166	\$	-0-
Adjustments to Beginning				
Balance		<u>8,863</u>	\$	109,029
			<u> </u>	\$
				-0-
Original 2021 Tax Levy	\$	92,269	\$	131,413
Adjustment to 2021 Tax Levy		<u> </u>	<u>92,269</u>	<u>131,413</u>
TOTAL TO BE				
ACCOUNTED FOR		\$	201,298	\$
				131,413
TAX COLLECTIONS:				
Prior Years	\$	105,170	\$	
Current Year		<u>50,073</u>	<u>71,316</u>	<u>71,316</u>
TAXES RECEIVABLE -				
DECEMBER 31, 2021		<u>\$</u>	<u>46,055</u>	<u>\$</u>
				<u>60,097</u>
TAXES RECEIVABLE BY				
YEAR:				
2021		\$	42,196	\$
2020			3,613	60,097
2019			<u>246</u>	
TOTAL		<u>\$</u>	<u>46,055</u>	<u>\$</u>
				<u>60,097</u>

See accompanying independent auditor's report.

MIDLOTHIAN MUNICIPAL MANAGEMENT DISTRICT NO. 3
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED DECEMBER 31, 2021

	2021	2020	2019
PROPERTY VALUATIONS:			
Land	\$ 21,793,431	\$ 15,073,321	\$ 10,038,290
Improvements	38,416,954	19,949,554	2,627,340
Personal Property	718,080		
Exemptions	(5,008,016)	(2,426,049)	(707,120)
TOTAL PROPERTY VALUATIONS	\$ 55,920,449	\$ 32,596,826	\$ 11,958,510
TAX RATES PER \$100 VALUATION:			
Debt Service	\$ 0.235	\$ 0.00	\$ 0.00
Maintenance	0.165	0.40	0.40
TOTAL TAX RATES PER \$100 VALUATION	\$ 0.400	\$ 0.40	\$ 0.40
ADJUSTED TAX LEVY*	\$ 223,682	\$ 130,387	\$ 47,834
PERCENTAGE OF TAXES COLLECTED TO TAXES LEVIED	54.27 %	97.23 %	99.49 %

* Based upon the adjusted tax levy at the time of the audit for the fiscal year in which the tax was levied.

Maintenance Tax – Maximum tax rate of \$0.40 per \$100 assessed valuation approved by voters on November 7, 2017

See accompanying independent auditor’s report.

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MIDLOTHIAN MUNICIPAL MANAGEMENT DISTRICT NO. 3
LONG-TERM DEBT SERVICE REQUIREMENTS
DECEMBER 31, 2021

S E R I E S - 2 0 2 0 R O A D

Due During Fiscal Years Ending December 31	Principal Due September 1	Interest Due March 1/ September 1	Total
2022	\$ 55,000	\$ 79,165	\$ 134,165
2023	55,000	78,065	133,065
2024	60,000	76,910	136,910
2025	60,000	75,560	135,560
2026	60,000	74,150	134,150
2027	65,000	72,650	137,650
2028	65,000	70,944	135,944
2029	65,000	69,156	134,156
2030	70,000	67,368	137,368
2031	70,000	65,268	135,268
2032	70,000	63,168	133,168
2033	75,000	61,068	136,068
2034	75,000	58,818	133,818
2035	80,000	56,475	136,475
2036	80,000	53,975	133,975
2037	85,000	51,475	136,475
2038	85,000	48,606	133,606
2039	90,000	45,738	135,738
2040	95,000	42,700	137,700
2041	95,000	39,375	134,375
2042	100,000	36,050	136,050
2043	105,000	32,550	137,550
2044	105,000	28,876	133,876
2045	110,000	25,200	135,200
2046	115,000	21,350	136,350
2047	120,000	17,326	137,326
2048	120,000	13,126	133,126
2049	125,000	8,925	133,925
2050	130,000	4,550	134,550
	<u>\$ 2,485,000</u>	<u>\$ 1,438,587</u>	<u>\$ 3,923,587</u>

See accompanying independent auditor's report.

MIDLOTHIAN MUNICIPAL MANAGEMENT DISTRICT NO. 3
CHANGE IN LONG-TERM BOND DEBT
FOR THE YEAR ENDED DECEMBER 31, 2021

Description	Original Bonds Issued	Bonds Outstanding January 1, 2021	
Midlothian Municipal Management District No. 3 Limited Tax Road Bonds - Series 2020	<u>\$ 2,485,000</u>	<u>\$ 2,485,000</u>	
Bond Authority:	<u>Drainage Bonds</u>	<u>Road Bonds</u>	<u>Recreational Bonds</u>
Amount Authorized by Voters	\$ 46,000,000	\$ 46,000,000	\$ 29,000,000
Amount Issued	<u> </u>	<u>2,485,000</u>	<u> </u>
Remaining to be Issued	<u>\$ 46,000,000</u>	<u>\$ 43,515,000</u>	<u>\$ 29,000,000</u>
Debt Service Fund cash and investment balances as of December 31, 2021 :		<u>\$ 196,281</u>	
Average annual debt service payment (principal and interest) for remaining term of all debt:		<u>\$ 135,296</u>	

See Note 3 for interest rates, interest payment dates and maturity dates.

See accompanying independent auditor's report.

<u>Current Year Transactions</u>				
<u>Bonds Sold</u>	<u>Retirements</u>		<u>Bonds Outstanding December 31, 2021</u>	<u>Paying Agent</u>
	<u>Principal</u>	<u>Interest</u>		
<u>\$ - 0 -</u>	<u>\$ - 0 -</u>	<u>\$ 54,756</u>	<u>\$ 2,485,000</u>	UMB Bank, N.A., Austin, TX

See accompanying independent auditor's report.

MIDLOTHIAN MUNICIPAL MANAGEMENT DISTRICT NO. 3
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
GENERAL FUND – TWO YEARS

	Amounts		Percentage of Total Revenues	
	2021	2020	2021	2020
REVENUES				
Property Taxes	\$ 136,254	\$ 43,616	100.0 %	88.7
Penalty and Interest		4,923		10.0
Investment Revenues	10	8		
Miscellaneous Revenues		616		1.3
TOTAL REVENUES	<u>\$ 136,264</u>	<u>\$ 49,163</u>	<u>100.0 %</u>	<u>100.0</u>
EXPENDITURES				
Service Operations:				
Professional Fees	\$ 12,750	\$ 12,968	9.4 %	26.4
Contracted Services	18,406	12,755	13.5	25.9
Repairs and Maintenance	48,536		35.6	
Other	4,222	6,266	3.1	12.7
TOTAL EXPENDITURES	<u>\$ 83,914</u>	<u>\$ 31,989</u>	<u>61.6 %</u>	<u>65.0</u>
NET CHANGE IN FUND BALANCE	\$ 52,350	\$ 17,174	<u>38.4 %</u>	<u>35.0</u>
BEGINNING FUND BALANCE	<u>20,529</u>	<u>3,355</u>		
ENDING FUND BALANCE	<u>\$ 72,879</u>	<u>\$ 20,529</u>		

See accompanying independent auditor's report.

MIDLOTHIAN MUNICIPAL MANAGEMENT DISTRICT NO. 3
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
DEBT SERVICE FUND - TWO YEARS

	Amounts		Percentage of Total Revenues	
	2021	2020	2021	2020
REVENUES				
Penalty and Interest	\$ 6,056	\$	99.4 %	
Investment Revenues	27		0.4	
Miscellaneous Revenues	11		0.2	
TOTAL REVENUES	<u>\$ 6,094</u>	<u>\$ -0-</u>	<u>100.0 %</u>	<u>N/A %</u>
EXPENDITURES				
Tax Collection Expenditures	\$ 9,920	\$	162.8 %	
Debt Service Interest and Fees	54,756		898.5	
TOTAL EXPENDITURES	<u>\$ 64,676</u>	<u>\$ -0-</u>	<u>1,061.3 %</u>	<u>N/A %</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ (58,582)</u>	<u>\$ -0-</u>	<u>(961.3) %</u>	<u>N/A %</u>
OTHER FINANCING SOURCES (USES)				
Proceeds From Issuance of Long-Term Debt	<u>\$ -0-</u>	<u>\$ 118,747</u>		
NET CHANGE IN FUND BALANCE	\$ (58,582)	\$ 118,747		
BEGINNING FUND BALANCE	<u>118,747</u>			
ENDING FUND BALANCE	<u><u>\$ 60,165</u></u>	<u><u>\$ 118,747</u></u>		
TOTAL ACTIVE RETAIL WATER CONNECTIONS	<u>N/A</u>	<u>N/A</u>		
TOTAL ACTIVE RETAIL WASTEWATER CONNECTIONS	<u>N/A</u>	<u>N/A</u>		

See accompanying independent auditor's report.

MIDLOTHIAN MUNICIPAL MANAGEMENT DISTRICT NO. 3
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
DECEMBER 31, 2021

District Mailing Address - Midlothian Municipal Management District No. 3
c/o Johnson Petrov LLP
2929 Allen Parkway, Suite 3150
Houston, TX 77019

District Telephone Number - (713) 860-6406

Board Members	Term of Office (Elected or <u>Appointed</u>)	Fees of Office for the year ended <u>December 31, 2021</u>	Expense Reimbursements for the year ended <u>December 31, 2021</u>	<u>Title</u>
Terrance Jobe	12/20 05/24 (Appointed)	\$ 450	\$ -0-	Chair
Jonathan Jobe	12/20 05/24 (Appointed)	\$ 450	\$ -0-	Vice President
Tiffany Jobe	12/20 05/24 (Appointed)	\$ 300	\$ -0-	Secretary
Tiffany Roath	12/20 05/22 (Appointed)	\$ 450	\$ -0-	Director
Travis Hudson	12/20 05/22 (Appointed)	\$ 150	\$ -0-	Director

Notes: No Director has any business or family relationships (as defined by the Texas Water Code) with major landowners in the District, with the District’s developers or with any of the District’s consultants.

Submission date of most recent District Registration Form: March 26, 2020

The limit on Fees of Office that a Director may receive during a fiscal year is \$7,200. Fees of Office are the amounts actually paid to a Director during the District’s current fiscal year.

See accompanying independent auditor’s report.

MIDLOTHIAN MUNICIPAL MANAGEMENT DISTRICT NO. 3
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
DECEMBER 31, 2021

Consultants:	<u>Date Hired</u>	<u>Fees for the year ended December 31, 2021</u>	<u>Title</u>
Johnson Petrov LLP	08/16/17	\$ -0-	General Counsel
McCall Gibson Swedlund Barfoot PLLC	10/06/20	\$ 11,250 \$ -0-	Auditor Bond Related
Municipal Accounts & Consulting, L.P.	10/29/19	\$ 18,709 \$ -0-	Bookkeeper Bond Related
Macatee Engineering, LLC	10/29/19	\$ 1,500	Engineer
Specialized Public Finance Inc.	10/26/20	\$ -0-	Financial Advisor
Bob Leared Interests	09/25/19	\$ 8,050	Tax Assessor/Collector

See accompanying independent auditor's report.

