



Midtown Management District

FINANCIAL STATEMENTS

December 31, 2023



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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Midtown Management District
Houston, Texas

Opinions

We have audited the accompanying financial statements of the governmental activities and major fund of Midtown Management District (the District), as of and for the year ended December 31, 2023, 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 major fund of Midtown Management District as of December 31, 2023, 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 Midtown Management 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 these 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 Midtown Management 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 Midtown Management 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 Midtown Management 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 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.

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 budgetary comparison schedule – General Fund (supplementary information) 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 information 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 supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Carr, Riggs & Ingram, L.L.C.

Houston, Texas
August 7, 2024

Midtown Management District Management's Discussion and Analysis

This discussion and analysis of Midtown Management District's (the District) financial statements provides an overview of the District's financial performance during the year ended December 31, 2023. This discussion and analysis includes comparative data for the year ended December 31, 2022 and a brief explanation for significant changes between fiscal periods. Since Management's Discussion and Analysis is designed to focus on current activities, resulting changes and current known facts, please read in conjunction with the District's basic financial statements and the notes.

FINANCIAL HIGHLIGHTS

General

The projects and programs presented in this discussion and analysis were developed in accordance with the approved 10-Year Service and Improvement Plan and Assessment Plan (2015-2024).

MIDTOWN MISSION: Midtown strives to provide an economically vibrant urban destination where arts and culture thrive alongside businesses and residents in a safe, active, diverse neighborhood.

- The average taxable value for a multi-family property in Midtown was \$19,421,129.
- Average annual assessment paid for a multi-family property was \$22,936.35.
- The average taxable value for a commercial property in Midtown was \$2,083,335.
- Average annual assessment for a commercial property was \$2,460.42.
- The average taxable value for a single family residential homesteaded property in Midtown was \$300,659.
- Average annual assessment paid by a residential homesteaded property was \$355.08.
- The total assessment revenue for the year ended December 31, 2023 was budgeted at \$3,493,100 and the final assessed levy for tax year 2022 (fiscal year 2023) was \$3,229,892. The District received assessments totaling \$3,201,466 for fiscal year 2023 resulting in a collection rate of 99%. The assessment rate has remained at \$0.1181 per \$100 of valuation for the past 19 years.*
* Information provided by Equi-Tax, Inc.
- The District continues to work closely with the Midtown Redevelopment Authority (the Authority) in making applications for federal and state grant funds for transportation improvement projects in Midtown. The District and the Authority will continue to work collaboratively to develop such projects that benefit the entire Midtown community.
- The Board continues to contract with the Midtown Improvement and Development Corporation (MIDCorp) doing business as Midtown Parks Conservancy (MPC) to manage and maintain

Midtown Management District Management's Discussion and Analysis

certain Legacy Improvements and New Improvements, as defined in that certain agreement by and between the District, the Authority and MIDCorp entered into in July 2015 (the Tri-Party Agreement).

Public Safety Committee

Although the District is not responsible for law enforcement in Midtown, it does strive to enhance, coordinate, and support public safety in Midtown.

- The District contracts with Harris County for Precinct 7 Deputy Constables to provides patrol services, online patrol alert filing, online vacation watch requests, community crime statistical reports, event security for Midtown directed/sponsored events, public safety education programs, and public safety information. The term of the contract, an Interlocal Agreement with Harris County for Law Enforcement Services, is from October 1, 2022 through September 30, 2023. The contract was renewed and the current Interlocal agreement will expire on September 30, 2024. There was a 4.98% increase in the fee for patrol services in the contract. Pursuant to the terms of the Interlocal Agreement with Harris County for Law Enforcement Services, four deputy constables and one supervising sergeant provide general patrol and enhanced law enforcement presence in the Midtown community. The amounts paid in 2023 for the Interlocal Agreement was \$450,864.
- The District contracts with S.E.A.L. Security Solutions LLC (S.E.A.L.) to provide additional patrol services in the community and a crime deterrence presence. S.E.A.L. provides monthly incident reports which are presented at the District's monthly Public Safety Committee meetings. S.E.A.L. also provides security services for Midtown directed/sponsored events. Year-end statistics show that in 2023, S.E.A.L. received 1,184 calls for service on the Midtown dedicated Hotline compared to 1,176 calls in 2022. This is a .06% increase in calls for service. S.E.A.L. reported 2,191 incidents and constituent contacts in Midtown in 2023 compared to 1,423 incidents and constituent contacts in 2022. This is a 53% increase over the prior year*. For 2023, the cost for three S.E.A.L. security officers to patrol the District in Midtown branded automobiles for 140 hours per week was \$305,533.
*- Statistics provided by S.E.A.L Security Solutions LLC
- In keeping with the overarching goals of the City of Houston to make homelessness rare, brief, and non-reoccurring, the Board of Directors have maintained an agreement with SEARCH Homeless Services to continue the Midtown Homeless Outreach Program. SEARCH Homeless Services is part of The Way Home continuum, which helps provide housing for the most vulnerable individuals. Two full-time Outreach Specialists worked to house individuals and families experiencing unsheltered homelessness in Midtown through December 31, 2023. The cost for the Midtown Homeless Outreach Program in 2023 was \$116,355. From January 1- December 31, 2023 the Midtown SEARCH Homeless Outreach Team:
 - Conducted 739 Coordinated Access assessments.
 - Housed 167 individuals.

Midtown Management District Management's Discussion and Analysis

- 538 individuals enrolled into the MMD Outreach program in the Homeless Information Management System (HMIS) making them eligible to receive supportive services to assist them in obtaining housing.
 - Of the 538 individuals, 18 individuals were added to the HMIS system for the first time, making them eligible to receive a Coordinated Access Assessment and supportive services.
- In June of 2023 there was one decommissioning of several encampments located in the following locations, the Alabama Spur, Richmond Spur, Main at Blodgett, and Main at Wentworth. 35 clients were assisted 19 clients moved to the Navigation Center, 16 clients self-resolved, and 0 clients refused assistance.
* Statistics provided by SEARCH Homeless Services

Service and Maintenance Committee

- The District continued its Midtown Field Services Program. Under this Program, the District provides services and maintenance in public rights-of-way and maintains certain City-owned parks located in Midtown. These services include landscaping, mowing, weed eating, edging, mulching, irrigation system maintenance and repair, tree pruning, and seasonal planting. Additional services provided by the Field Services Team also include replacing Midtown logo street signs, debris removal, new tree planting, and other general maintenance of the public rights-of-way. Having a dedicated Field Services Team allows the District to fulfill its obligations to maintain capital improvements constructed by the Authority. In January 2023 the Board authorized a two-year contract with SMC Landscaping for Field Services. The cost for the Field Services Program during 2023 was \$372,000.
- By Interlocal Agreement, MPC provides the District regular complete maintenance of Midtown Legacy Projects/Streets and New Improvement Streets. The Tri-Party Agreement provides for annual payments from the District to MPC to pay for management and maintenance services to be provided thereunder. In fiscal year 2023, the District paid \$519,227 to MPC for such services.

Marketing and Economic Development Committee

- The District maintains a diverse communications plan. The District's current communication assets include the following: two websites with an event calendar, six social media channels that are updated daily, a weekly Midtown eNews and a Public Safety Alert eNews, educational videos on the District's website, various print pieces such as the Midtown Cultural Arts Guide, and the biannual Midtown Buzz. The District has a weekly Midtown Blog that provides topical information about various Midtown community projects. The District purchases ads in area publications and participates in live media appearances. All the various communication tools are intended to help educate the public on the activities of the District and to help spur economic growth and development in Midtown. The cost to educate and keep Midtowners and the public informed and to help promote activities within the District was \$67,168 for 2023.

Midtown Management District Management’s Discussion and Analysis

- The weekly Midtown eNews provides valuable information regarding upcoming meetings, events, and activities in Midtown. The monthly Midtown Public Safety alert provides topical information about safety tips. At the end of 2022 the Midtown eNews had 5,734 subscribers compared to the end of 2023 there were 6,713 subscribers representing an increase of 17%.
- Social media continues to be an invaluable resource for outreach to the public and to Midtown residents and businesses regardless of gender or age. During 2023, the District saw growth in social media outreach:

	2022	2023	%
Instagram	11,825	13,697	+ 15.8
X	13,596	13,594	-.01
Facebook	20,906	24,318	+16.3
Midtown Park	4,551	5,072	+11.4
Bagby Park	2,123	2,381	+12.1
MidtownHOU	18,143	25,112	+38.4

Cultural Arts and Entertainment District Committee

- For the fiscal year 2023, the Midtown Cultural Arts and Entertainment District used the remaining portion of the original \$250,000 grant from The Houston Endowment received in 2022 to build capacity and impact cultural tourism in Midtown. The seven cultural arts districts were awarded the funds with the caveat that they each contribute \$50,000 of said funding to co-develop a Houston Cultural Arts District Master Plan. In February 2023 the seven districts signed a contract with Trepwise, LLC to build a Houston Cultural District Strategic Framework. To build the framework the Districts hosted surveys, workshops, interviews, and meetings. Midtown also used the remaining funding to cover the cost of public art projects and the work directly associated with projects. The funding spent from the Houston Endowment Grant for FY 2023 was \$134,980.
- As part of general administrative responsibilities and to maintain the District’s State of Texas Cultural Arts Designation, the Midtown staff provided an Annual Report to the Texas Commission on the Arts detailing approved projects and activities.

Urban Planning Committee

- The Urban Planning Committee continues to work toward encouraging developers to include pedestrian enhancements on their projects that are in keeping with the urban nature of the Midtown community.
- In keeping with the mission of the community to continue to advocate for an urban, pedestrian and bike-friendly environment, the Board approved shared funding to facilitate the installation of an additional BCycle Station at The ION in the Main/Wheeler Street area. In 2022, B-Cycle

Midtown Management District Management's Discussion and Analysis

reported 31,290 trips started and or ended at one of 12 Midtown BCycle Stations. 28 % of trips starting in the Midtown network also end in Midtown.

* Statistics provided by Bike Share Houston

- The Midtown Parking Benefit District (PBD) Advisory Committee created by the City of Houston is a parking meter revenue sharing opportunity for the District, whereby a percentage of the annual parking meter revenue generated will be provided to the District to be spent on certain City approved improvements and enhancements that benefit the entire Midtown community. The revenue from the PBD for fiscal year 2023 was \$150,614. In fiscal year 2023 the following projects were approved by the City of Houston:
 - ✓ Funding for four (4) Houston Bike Share Stations. \$22,500
 - ✓ A speed feedback sign study. \$40,000
 - ✓ Artistic meter wrapping for 35 parking meters. \$30,275

Reports and other information regarding the District are available online at www.midtownhouston.com.

OVERVIEW OF THE FINANCIAL STATEMENTS

Management's Discussion and Analysis is intended to serve as an introduction to the District's basic financial statements. Under Governmental Accounting Standards Board, the District qualifies as a special purpose government with one program – revitalization of the Midtown area.

Government-wide statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private sector business. The Statement of Net Position includes all of the District's assets and deferred outflows of resources, and liabilities and deferred inflows of resources, with the difference between them presented as net position.

Over time, increases or decreases in the District's net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating. The Statement of Activities presents information showing how the District's net position changed during the most recent fiscal year. All the current year's revenues and expenses are accounted for in this statement, regardless of when cash is received or paid.

The fund financial statements report information about the District on the modified accrual basis, which only accounts for revenues that are measurable and available within the current period or soon enough thereafter to pay liabilities of the current period. 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. Fund accounting is used to ensure and demonstrate compliance with finance-related legal requirements. The District has one governmental fund.

Since the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with the similar information presented for governmental activities in the government-wide financial statements. Adjustments are provided to reconcile the government-wide statements to the fund

Midtown Management District Management's Discussion and Analysis

statements. Explanations for the reconciling items are provided as part of the basic financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Statement of Net Position

The Statement of Net Position includes all assets, liabilities and deferred inflows of resources using the accrual basis of accounting. The following table reflects condensed information (rounded to the nearest thousand) on the District's net position:

<i>December 31,</i>	2023	2022	Increase (Decrease)
Assets			
Cash and cash equivalents	\$ 772,000	\$ 813,000	\$ (41,000)
Investments	2,133,000	2,183,000	(50,000)
Assessment receivables, net	3,227,000	2,882,000	345,000
Other receivables	76,000	191,000	(115,000)
Prepaid expenses	46,000	44,000	2,000
Total assets	6,254,000	6,113,000	141,000
Liabilities			
	576,000	568,000	8,000
Deferred inflows of resources			
	3,546,000	3,405,000	141,000
Net position			
Restricted	275,000	186,000	89,000
Unrestricted	1,858,000	1,954,000	(96,000)
Net position	\$ 2,132,000	\$ 2,140,000	\$ (8,000)

Cash, cash equivalents and investments were held in money market accounts, certificates of deposit, and TexStar and Logic, local government investment pools, throughout the year. The fluctuation among categories is primarily due to depositing funds in accounts yielding higher interest rates. Assessment receivables increased mainly due to higher tax assessment levied in October 2023 while percentage collected remained fairly consistent to prior year. Other receivables represent primarily amounts owed to the District under the agreement with the City of Houston (the City) for a share of parking revenues.

Midtown Management District Management's Discussion and Analysis

Liabilities include a payable to the City for electricity costs for the period January through December totaling approximately \$60,000 and \$58,000, for the years ended December 31, 2023 and 2022, respectively. The City bills the District on its calendar year basis for the delta electric cost of the decorative street lights located within the District. Streetlights are installed by the Authority on an on-going basis. Invoices from the City are typically received in summer/fall of each year for the previous year.

Deferred inflows of resources relate to 2024 and 2023 assessments as of December 31, 2023 and 2022, respectively. Assessments levied on October 1 of calendar year 2023 and 2022 are recorded as accounts receivable and deferred revenue at date of the levy. All amounts are deferred until the following fiscal year.

Approximately \$275,000 of the ending net position is restricted for the parking benefits district.

Statement of Activities

The Statement of Activities presents the operating results of the District. The following table reflects condensed information (rounded to the nearest thousand) on the District's operations.

<i>For the years ended December 31,</i>	2023	2022	Increase (Decrease)
Revenues			
Assessments, net	\$ 3,239,000	\$ 3,049,000	\$ 190,000
Grant revenue	-	235,000	(235,000)
Parking revenue	151,000	187,000	(36,000)
Interest and other revenues	167,000	40,000	127,000
Total revenues	3,557,000	3,511,000	46,000
Expenses			
Security and public safety	\$ 1,153,000	\$ 982,000	\$ 171,000
Marketing and economic development	103,000	76,000	27,000
Urban planning	120,000	25,000	95,000
Service and maintenance	1,140,000	1,129,000	11,000
Cultural arts and entertainment	332,000	256,000	76,000
District administration	717,000	471,000	246,000
Total expenses	3,565,000	2,939,000	626,000
Change in net position	(8,000)	572,000	(580,000)
Net position - beginning of year	2,140,000	1,568,000	572,000
Net position - end of year	\$ 2,132,000	\$ 2,140,000	\$ (8,000)

Midtown Management District Management’s Discussion and Analysis

Assessment revenues received by the District are used to fund the District’s approved service plan. Assessment revenue includes the following:

<i>For the years ended December 31,</i>	2023	2022
Assessments collected	\$ 3,157,000	\$ 2,971,000
Delinquent collections, net of overpayments	40,000	45,000
Penalties and interest	42,000	33,000
Net assessments	\$ 3,239,000	\$ 3,049,000

The District’s collection rate for each of the years ended December 31, 2023 and 2022 was 99%.

Parking revenues represents amounts earned under agreement entered into in 2022 with the City of Houston for a share of parking revenues.

The District’s 10-Year Service and Improvement Plan and Assessment Plan, categorizes expenses into five committee areas, capital reserve for infrastructure replacement and administration. The five committee areas include: Public Safety which primarily includes contractual payments for the cost of electricity for streetlights, dedicated Harris County deputy and private security patrols; Service and Maintenance which includes landscaping and maintenance of certain public assets including two City of Houston parks and public rights of way in Midtown; Marketing and Economic Development which includes costs associated with producing stakeholder communications reports, the Midtown Buzz newsletter and the Midtown Cultural Arts and Entertainment Guide; Cultural Arts and Entertainment which provides arts programming, small arts grants, funds to pay the required local match for arts grant and maintain the State of Texas Cultural Arts District designation; and Urban Planning for special projects related to mobility, transportation and an enhanced pedestrian realm. Personnel costs and other consultant costs are included in administration expenses or allocated to the five committee areas based on estimates of time involved by personnel.

FINANCIAL ANALYSIS OF THE DISTRICT’S FUND

At the end of the current fiscal period, the District’s governmental fund reported an ending fund balance of approximately \$2,003,000. Approximately \$200,000, \$46,000 and \$1,057,000, of the ending fund balance is restricted for the parking benefits district, nonspendable due to prepayments and committed under executed agreements, respectively. The remainder of the fund balance, approximately \$700,000, is available for spending at the District’s discretion provided such expenditures are to pay project costs that are allowable under the District’s Service and Improvements Plan and Assessment Plan.

Midtown Management District Management's Discussion and Analysis

GENERAL FUND BUDGETARY HIGHLIGHTS

The District's Board of Directors approves the annual budget of the District. The District's budget was not amended during 2023.

2023 assessment revenues were under budget by \$243,005 due primarily to increased property value protests during 2023. Parking revenue is under budget by \$124,386 due to the parking program being in its primary years and the revenue is being based on estimated projections. Interest and other revenues is over budget by \$128,416 mainly due to improved market performance of the District's investments.

Overall expenses were under budget by \$243,173 mainly due to urban planning, and service and maintenance that were under budget by \$354,550 and \$114,100, respectively. Urban planning was underbudget mostly due to \$79,000 not spent for bike racks with the closure of the BCycle program and \$58,000 not spent on projects that were not performed by the Authority as those projects have seen delays. In addition, the parking benefits district which is part of the urban planning was below budget due to the fact that they are in the early stages of this program and have been working with the City to obtain approval and begin the implementation of the projects that are of focus of the committee. The service and maintenance was underbudget due to the Urban Forestry project completing the planning phases but not starting the implementation phase until 2024. Additionally, the service and maintenance team had several projects that were not executed due to a lack of staff to implement the projects. Offsetting the overall under budget was an overbudget of \$98,267 in district administration expenses due to additional costs necessary to handle unanticipated legal matters.

CAPITAL ASSET AND DEBT ACTIVITY

As of December 31, 2023 and 2022, the District had no capital assets or long-term debt.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The annual budget is developed to provide efficient, effective, and economic uses of the District's resources, as well as a means to accomplish the highest priority objectives. Through the budget, the District's Board sets the direction of the District, allocates its resources, and establishes its priorities.

In considering the budget for the 2024, the Board and management took into account the areas outlined in the 2015-2024 Service Plan, estimated increases in property values and potential protests, as well as estimated increases to the assessment rate.

Midtown Management District Management's Discussion and Analysis

FUTURE PROJECTS

The District's Board of Directors is committed to seeking and obtaining stakeholder input into Midtown's future. The District will continue to host open meetings and focus groups for each committee to hear stakeholder's vision of what Midtown should be. In the 2nd quarter of 2023, the Board of Directors began working toward building a strategic framework for the new proposed 10-Year Service and Improvement Plan. Based on community feedback received at Focus Groups, in the community wide survey, and in one-on-one interviews about the current level of services and programs provided by the District, the Board of Directors voted to implement several Special Projects beginning in fiscal year 2024.

Board of Directors Special Projects

Security and Public Safety Committee

The Board of Directors approved funds to be allocated towards Directed Enforcement in addressing crime and vagrancy in a proactive and reactive way to maintain and improve community safety for our residents, businesses, and visitors. The objective is to increase the visibility of crime deterrence measures in the district as well as to maintain a proactive role in supporting and coordinating the safety efforts of the many public law enforcement entities with jurisdiction inside the District's boundaries. Funding was approved for Directed Enforcement for two years at \$113,500 per year.

The HPD Homeless Outreach Teams (HOT Team) budget was increased to supplement the current HOT Team budget and have them available the entire year. The goal of the HOT Team is to maintain and improve community safety for our residents, businesses, and visitors. The objective is to provide funding to help support a comprehensive public safety program that includes multifaceted approaches to law enforcement. The approved funding for the HOT Team is \$30,000.

Houston Police South Central Fleet Agreement (HPD Fleet Agreement) – To use funding for a fleet agreement to provide undercover vehicles to the Houston Police Department South-Central Patrol Division. Their current fleet is known by the criminals hindering their effectiveness to surveil and make arrests. The goal is to maintain and improve community safety for our residents, businesses, and visitors. The objective is to provide funding to help support a comprehensive public safety program that includes multifaceted approaches to law enforcement. Midtown aims to maintain a proactive role in supporting and coordinating the safety efforts of the many public law enforcement entities with jurisdiction inside the District's boundaries. The approved funding for HPD Fleet Agreement is \$25,000 for two vehicles per year (\$50,000).

The License Plate Reader Program was approved to fund 25 license plate reader cameras in tactically positioned ingress and egress points within the District. The goal is to maintain and improve community safety for our residents, businesses, and visitors. The objective is to provide funding to help support a comprehensive public safety program that includes multifaceted approaches to law enforcement. To maintain a proactive role in supporting and coordinating the safety efforts of the many public law enforcement entities with jurisdiction inside the District's boundaries and increase the visibility of crime deterrence measures in the district. The approved funding for License Plate Readers is \$83,750 for the first year and \$75,000 for the second year.

Midtown Management District Management's Discussion and Analysis

Service and Maintenance Committee

To utilize funding to address major repairs, replacements, or upgrades within the 65 blocks of legacy improvements. Projects that are a part of this recommendation will be prioritized based on need while maximizing the rate of return of the investment. This funding will be used for major repairs, replacements, and upgrades within 65 blocks of legacy improvements. The projects may include, but are not limited to, the following: long term tree management, tree pruning, landscape management and preservation, irrigation system calibration/upgrades, pedestrian lighting installation, pavement striping, replace missing or damaged landscape /tree/drain grates or utility covers, replace litter bins.

- \$250,000 - Elgin Street – 16 Blocks
- \$250,000 - Gray Street – 18 Blocks
- \$250,000 - Main Street – 31 Blocks

The goal is to enhance the District's pedestrian nature, viability, and image by providing well-maintained public spaces and public rights-of-way. The objective is to maintain public improvements constructed and/or installed by the Authority such as pedestrian amenities, streetlights, street signs, public parks, and green spaces.

Marketing and Economic Development Committee

Build a new Midtown Website

The committee has identified the need for improvements to the Midtown website based on feedback from the community. The goal is to provide residents and business owners the opportunity to foster community spirit with events and marketing strategies which bring the public and private sectors together in a partnership that communicates the positive aspects of living and working in Midtown. The objective is to foster a positive image of Midtown as a premier place to live, work, learn, play, shop, dine, relax, and transact business. To further develop a sense of community unique to Midtown while encouraging greater market penetration by area businesses. Midtown wants to attract more mixed-use development and other development compatible with Midtown land use and attract more retail services that support the needs of Midtown residents. All while fostering awareness of Midtown as an award-winning community. The approved funding totals \$75,000.

Cultural Arts and Entertainment District

Renew the Midtown Cultural Arts and Entertainment District Master Plan and to develop a new 5-Year Cultural Arts Master Plan. The new Cultural Arts Master Plan which will guide the District in the installation of temporary public art activations that employ Houston based artists, arts organizations, and companies. The artwork will be placed in Midtown park spaces. The approved budget for Plan development is \$60,000 and Temporary Public Art is \$200,000.

Midtown Management District Management's Discussion and Analysis

Urban Planning Committee

The committee plans to use funding to increase the walkability and enhance the urban nature of Midtown by installing sidewalks and repairing broken curbs in certain areas of the District. The approved funding for the project is \$165,000.

* * * * *

This financial report is designed to provide a general overview of the Midtown Management District's finances for all those with an interest in the government's finances and to show the District's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Mathias Thibodeaux, Executive Director, 410 Pierce Street, Suite 355, Houston, Texas 77002.

Midtown Management District
Basic Financial Statements

**Midtown Management District
Statement of Net Position**

	Primary Government
	Governmental
	Activities
<i>December 31, 2023</i>	
Assets	
Cash and cash equivalents	\$ 772,417
Investments	2,133,045
Assessment receivables, net	3,226,548
Other receivables	76,280
Prepaid expenses	46,073
<hr/>	
Total assets	6,254,363
Liabilities	
Accounts payable	500,964
Accrued liabilities	74,718
<hr/>	
Total liabilities	575,682
Deferred Inflows of Resources	
Deferred revenue	3,546,036
<hr/>	
Net Position	
Restricted	274,855
Unrestricted	1,857,790
<hr/>	
Total net position	\$ 2,132,645
<hr/> <hr/>	

The accompanying notes are an integral part of these basic financial statements.

**Midtown Management District
Statement of Activities**

<i>For the year ended December 31, 2023</i>	Program Revenues	Primary Government	Net (Expense) Revenue and Changes in Net Position
Functions/Programs	Expenses	Charges for Services	Governmental Activities
<hr/>			
Primary Government			
Governmental activities	\$ 3,563,969	\$ 3,396,380	\$ (167,589)
<hr/>			
Total primary government	3,563,969	3,396,380	(167,589)
General revenues			
Interest			160,371
Total general revenues			160,371
<hr/>			
Change in net position			(7,218)
Net position, beginning of year			2,139,863
<hr/>			
Net position, end of year			\$ 2,132,645
<hr/> <hr/>			

The accompanying notes are an integral part of these basic financial statements.

Midtown Management District Balance Sheet – Governmental Fund

<i>December 31, 2023</i>	General Fund
Assets	
Cash and cash equivalents	\$ 772,417
Investments	2,133,045
Assessment receivables, net	3,226,548
Other receivables	76,280
Prepaid expenses	46,073
<hr/>	
Total assets	\$ 6,254,363
<hr/>	
Liabilities, Deferred Inflows of Resources, and Fund Balance	
Liabilities	
Accounts payable	\$ 500,964
Accrued liabilities	74,718
<hr/>	
Total liabilities	575,682
Deferred Inflows of Resources	
Deferred revenue	3,675,184
<hr/>	
Fund balance	
Nonspendable-prepayments	46,073
Restricted	200,300
Committed	1,056,640
Unassigned	700,484
<hr/>	
Total fund balance	2,003,497
<hr/>	
Total liabilities, deferred inflows of resources, and fund balance	\$ 6,254,363
<hr/>	

The accompanying notes are an integral part of these basic financial statements.

Midtown Management District
Reconciliation of the Balance Sheet of the Governmental Fund
to the Statement of Net Position

December 31, 2023

Total fund balance - governmental fund	\$ 2,003,497
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Amounts reported for governmental activities in the statement of net position are different because:

Some revenues will not be collected within 60 days after the close of the District's fiscal year-end are not considered as "available" revenue in the governmental fund, and therefore, are reported as deferred inflows of resources. In the statement of net position, which is on the full accrual basis, the revenue is fully recognized in the statement of activities.

	129,148
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Net position of governmental activities	\$ 2,132,645
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The accompanying notes are an integral part of these basic financial statements.

**Midtown Management District
Statement of Revenues, Expenditures and
Changes in Fund Balance – Governmental Fund**

<i>For the year ended December 31, 2023</i>	General Fund
Revenues	
Assessments, net	\$ 3,250,095
Parking revenue	76,059
Interest and other revenues	167,458
Total revenues	3,493,612
Expenditures	
Security and public safety	1,153,179
Marketing and economic development	102,577
Urban planning	120,243
Service and maintenance	1,139,824
Cultural arts and entertainment	331,603
District administration	716,543
Total expenditures	3,563,969
Net change in fund balance	(70,357)
Fund balance, beginning of year	2,073,854
Fund balance, end of year	\$ 2,003,497

The accompanying notes are an integral part of these basic financial statements.

**Midtown Management District
Reconciliation of the Statement of Revenues, Expenditures, and Changes
in Fund Balance - Governmental Fund to the Statement of Activities**

For the year ended December 31, 2023

Net change in fund balance - general fund	\$	(70,357)
---	----	----------

Amounts reported for governmental activities in the statement of activities are different because:

Some revenues will not be collected within 60 days after the close of the District's fiscal year-end are not considered as "available" revenues in the governmental fund. In the statement of net position, presented on the full accrual basis, these revenues are recognized.		63,139
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Change in net position of governmental activities	\$	(7,218)
---	----	---------

The accompanying notes are an integral part of these basic financial statements.

Midtown Management District Notes to Basic Financial Statements

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

Midtown Management District (the District), a municipal management district over the City of Houston's Midtown Area, was created by the State of Texas on May 26, 1999, as a body of politic and corporate, and a governmental agency of the State of Texas. A 17 member Board of Directors governs the District.

The District's five main areas of operation include security and public safety; marketing and economic development; urban planning; service and maintenance; cultural arts and entertainment; and District administration. All programs are under a ten-year service plan for the Midtown Area revitalization. Security and public safety consists of providing patrols by various law enforcement agencies and street lighting. Marketing and economic development include a marketing plan to attract people back to the Midtown Area, by developing a positive image and community relations program. Urban planning includes enhancing the midtown Area's image and amenities by developing an overall master plan for parks, landscaping, maintenance and signage. Service and maintenance includes maintaining Midtown parks and all public assets. Cultural arts and entertainment include arts programming and arts grant matching. District administration includes the successful creation of the District and implementation of the service plan.

The accounting policies of the District conform to generally accepted accounting principles (GAAP) as applied to governmental units. The more significant accounting policies used by the District are described below.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. Governmental activities, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from business-type activities, which rely to a significant extent on fees and charges to external customers for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable. The District does not have any component units or business-type activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Interest earnings are reported as *general revenues*.

Midtown Management District Notes to Basic Financial Statements

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government-Wide and Fund Financial Statements (Continued)

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and enterprise funds are reported as separate columns in the fund financial statements. The District only has one governmental fund: the general fund. The District does not have any proprietary or fiduciary funds.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Annual assessments are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility and timing requirements imposed by the provider have been met.

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

Assessments and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Parking revenue is recognized as revenue when the amount is received during the period or within the availability period for this revenue source (within 60 days of year end).

Government-Wide Financial Statements

While separate government-wide and fund financial statements are presented, they are interrelated.

Midtown Management District Notes to Basic Financial Statements

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Financial Statements

The fund financial statements provide information about the District's funds. The District reports the following major governmental fund:

The *General Fund* is the District's primary operating fund. It accounts for all financial resources of the general government which are used to implement the District's service plan.

Budgetary Information

Budgetary Basis of Accounting

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund. As the budget is not legally adopted, as defined by GASB, the budgetary comparison schedule – general fund is presented as supplementary information.

The appropriated budget is based on projected assessment revenues and is prepared by the main areas of operations according to the District's service plan. The budget may be amended during the year, as determined necessary, by the Board of Directors. After adoption, increases and decreases in the budget may be made upon Board of Director's approval. A review of revenues and expenditures compared to budget is provided monthly to the Board of Directors. The level of budgetary control (i.e., the level at which expenditures may not exceed appropriations) is the fund level.

Cash and Cash Equivalents

The District's cash and cash equivalents are considered to be cash on hand, and demand and time deposits held in banks with original maturities of three months or less from the date of acquisition.

Investments

Investments consist of funds maintained by a trustee in a public funds investment pool that are based on quoted market prices with maturities greater than three months at date of purchase. Investments of the District consist of Texas Short Term Asset Reserve Program (TexSTAR) and Local Government Investment Cooperative (LOGIC), both local government investment pools created under the Interlocal Cooperation Act, Chapter 791, Texas Government Code, and the Public Funds Investment Act, Chapter 2256, Texas Government Code. TexSTAR and LOGIC are administered by First Southwest Asset Management, Inc. and JPMorgan Chase Asset Management, Inc.

Investments for the District meets all of the specified criteria in GASBSC Section 150: *Investments* to qualify to elect to measure their investments as amortized cost. Accordingly, the value of the District's position in the pool is equal to the value of the pooled shares.

Midtown Management District Notes to Basic Financial Statements

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position or Fund Balance

Receivables

Assessment receivables – Amounts due from tax collector is recorded in the general fund for annual assessments levied during current and prior tax rolls not collected before year-end.

Allowance for delinquent accounts – Assessment receivables have been reported net of the allowance for delinquent accounts. Assessment receivables in excess of one year are subject to being considered as uncollectible.

Other receivables – Revenue earned at year-end and not yet received primarily related to agreement with the City of Houston (the City) for a share of parking revenues.

Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District had no deferred outflows as of December 31, 2023.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has one item that qualifies for reporting as deferred inflows of resources related to collection or billing of the subsequent year's assessment as it represents an acquisition of net position or fund balance that applies to a future period and thus, will not be recognized as an inflow of resources (revenue) until that time. In addition, billing of assessments and parking revenue not available within the current period or soon enough thereafter to pay liabilities of the current period are also deferred in the governmental fund and recognized as an inflow of resources in the period the amounts becomes available.

Midtown Management District Notes to Basic Financial Statements

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position or Fund Balance (Continued)

Categories and Classification of Net Position and Fund Balance

Net position flow assumption – Sometimes the District will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. The District considers restricted – net position to have been depleted before unrestricted – net position is applied.

Fund balance flow assumptions – Sometimes the District will fund outlays for a particular purpose from both restricted and unrestricted resources. In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. The District considers restricted fund balance to have been depleted before using any of the components of unrestricted fund balance as required under GASB No. 54. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

Fund balance policies – Fund balance of governmental funds is reported in various classifications based on the nature of any limitations requiring the use of resources for specific purposes. The District itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The provisions of GASBC Section 1800, *Classification and Terminology*, specifies the following classifications:

Nonspendable fund balance – Nonspendable fund balances are amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

Restricted fund balance – Restricted fund balances are restricted when constraints placed on the use of resources are either: (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Midtown Management District Notes to Basic Financial Statements

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position or Fund Balance (Continued)

Categories and Classification of Net Position and Fund Balance (Continued)

Committed fund balance – The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the District’s highest level of decision-making authority. The Board of Directors is the highest level of decision-making authority for the District that can, by adoption of a resolution prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the resolution remains in place until a similar action is taken (the adoption of another resolution) to remove or revise the limitation. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements.

Assigned fund balance – Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as committed. Only the Board of Directors may assign amounts for specific purposes. The Board of Directors may also assign fund balance, as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year’s appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment. The District did not have any assigned resources as of December 31, 2023.

Unassigned fund balance – Unassigned fund balance is the residual classification for the General Fund.

Revenues and Expenditures/Expenses

Program revenues – Amounts reported as *program revenues* include charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment (annual assessments and events fees). Interest earnings are reported as general revenues rather than as program revenues.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles in requires management to make various estimates. Actual results could differ from those estimates. Estimates that are particularly susceptible to significant change in the near term are related to the allowance for delinquent accounts and expense allocation.

Midtown Management District Notes to Basic Financial Statements

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position or Fund Balance (Continued)

Subsequent Events

Management has evaluated subsequent events through the date that the financial statements were available to be issued, August 7, 2024 and determined there were no events that occurred that required disclosure. No subsequent events occurring after this date have been evaluated for inclusion in these financial statements.

Recently Issued Accounting Pronouncements

The Governmental Accounting Standards Board has issued statements that will become effective in future years. These statements are as follows:

GASB Statement No. 100, Accounting Changes and Error Corrections. This Statement establishes accounting and financial reporting requirements for (a) accounting changes and (b) the correction of an error in previously issued financial statements (error correction). This Statement defines accounting changes as changes in accounting principles, changes in accounting estimates, and changes to or within the financial reporting entity and describes the transactions or other events that constitute those changes. This Statement prescribes the accounting and financial reporting for (1) each type of accounting change and (2) error corrections. This Statement requires that (a) changes in accounting principles and error corrections be reported retroactively by restating prior periods, (b) changes to or within the financial reporting entity be reported by adjusting beginning balances of the current period, and (c) changes in accounting estimates be reported prospectively by recognizing the change in the current period. This Statement requires disclosure in notes to financial statements of descriptive information about accounting changes and error corrections, such as their nature. In addition, information about the quantitative effects on beginning balances of each accounting change and error correction should be disclosed by reporting unit in a tabular format to reconcile beginning balances as previously reported to beginning balances as restated. Furthermore, this Statement addresses how information that is affected by a change in accounting principle or error correction should be presented in required supplementary information (RSI) and supplementary information (SI). The requirements of this Statement are effective in fiscal years beginning after June 15, 2023, and all reporting periods thereafter.

In December 2023, the GASB issued GASB Statement No. 102, Certain Risk Disclosure. This Statement establishes financial reporting requirements for risks related to vulnerabilities due to certain concentrations or constraints. The requirements of this Statement apply to the financial statements of all state and local governments, and is effective for fiscal years beginning after June 15, 2024.

The District is evaluating the requirements of the above statements and the impact on reporting.

Midtown Management District
Notes to Basic Financial Statements

Note 2: DETAILED NOTES ON THE GENERAL FUND

Deposits and Investments

Cash and cash equivalents at December 31, 2023 consist of the following:

Bank deposits:	
Demand deposits	\$ 500,680
Cash and cash equivalents:	
Certificate of deposit	125,000
Money market funds	146,737
<hr/>	
Total cash and cash equivalents	\$ 772,417
<hr/>	

Custodial credit risk for deposits is the risk that in the event of the failure of a depository financial institution a government may not be able to recover deposits. The District's investment policy requires pledging of collateral for all bank balances in excess of Federal Deposit Insurance Corporation (FDIC) limits. At December 31, 2023, the carrying amount of the District's deposits totaled \$500,680 and the bank balances totaled \$730,867. The amount over the FDIC limit totaled \$448,481 as of December 31, 2023. The District's funds were fully insured under FDIC limits or collateral at December 31, 2023.

The Board of Directors of the District has adopted a written investment policy regarding the investment of its funds as defined in the Public Funds Investment Act (sec. 2256 Texas Government Code). Such investments may include (1) obligations of the United States or its agencies, (2) certificates of deposit, and (3) TexStar and LOGIC, investment pools; and (4) various other items provided that it complies with the Public Funds Investment Act.

Investments that are obligations of or guaranteed by the U.S. Government do not require disclosure of credit quality. The District's investment in TexSTAR and LOGIC, local government investment pools created under the Interlocal Cooperation Act, are rated AAA by Standard and Poor's. Each investment pool maintains a weighted average maturity of 60 days or less, with a maximum weighted average maturity of 13 months for any individual security. The District considers the investments in TexSTAR and LOGIC to have maturities of less than one year due to the fact that the share position 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, 2023, the District held \$2,133,045 in TexStar and LOGIC.

Under GASBC Section 150: *Investments*, if a participant has an investment in a qualifying external investment pool that measures for financial reporting purposes all of its investments at amortized cost it should disclose the presence of any limitations or restrictions on withdrawals (such as redemption notice periods, maximum transactions amounts, and the qualifying external investment pool's authority to impose liquidity fees or redemption gates) in notes to the financial statements. As of December 31, 2023, there were no redemption fees or maximum transaction amounts, or any other requirements that serve to limit the District's access to 100 percent of their account value in either external investment pool.

Midtown Management District Notes to Basic Financial Statements

Note 2: DETAILED NOTES ON THE GENERAL FUND

Deposits and Investments (Continued)

Interest rate risk is the risk that changes in the interest rates will adversely affect the fair value of an investment. In accordance with its investment policy, the District limits its exposure to interest risk by structuring its portfolio to provide for liquidity of operating funds by maximizing yields for funds not immediately needed. The investment policy limits the maximum maturity of operating funds and assessment revenue funds to three (3) years.

Concentration of credit risk is the risk of loss attributed to the magnitude of investment in a single issuer. The District places no limit on the amount the District may invest in any one authorized investment instrument.

Receivables

Assessment receivables are shown net of allowances for delinquent accounts. A reserve for delinquent accounts has been established in the amount of \$38,606 as of December 31, 2023. Other receivables are considered fully collectible. There are no reserves for other receivables balance as of December 31, 2023.

Accrued Liabilities

The City of Houston is responsible for the standard electricity costs for the street lights in the District. The Midtown Redevelopment Authority (the Authority) has and continues to install enhanced street lights in the District for which the District has agreed to pay the delta electricity cost differential. Approximately \$60,000 has been accrued for related electricity costs owed to the City of Houston.

Note 3: RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, theft, damage, and destruction of assets, errors and omissions, personal injuries, and natural disasters.

The District purchases separate commercial insurance coverage for property damage, and directors and officers. Coverage for general liability claims and hired car and non-ownership automobile liability claims are a maximum of \$1,000,000 per occurrence and \$3,000,000 general aggregate each. Coverage for the directors and officers is \$2,000,000 per claim with no aggregate limit. There has been no significant reductions in insurance coverage and no settlements.

The commercial insurance carried is a claims incurred policy for which the District is covered for claims originating against the District during the policy period. The amount of coverage is dependent on the date of the liability-imposing event. The District has maintained continuous coverage and does not believe it has any exposure to events which occurred prior to the year ended December 31, 2023.

Midtown Management District Notes to Basic Financial Statements

Note 4: COMMITMENTS

Midtown Improvement and Development Corporation (MIDCorp)

The District, the Authority and MIDCorp entered into a 10-year joint management and maintenance agreement effective July 1, 2015. MIDCorp was created to assist the District by providing maintenance services of certain public improvements that are beyond the maintenance responsibility of the City, and are within the service area as defined by the agreement (the Legacy Improvements and New Improvements). The District will budget and contribute funds annually for the Legacy Improvements and New Improvements. For the year ended December 31, 2023, the District remitted approximately \$519,000 to MIDCorp in accordance with the terms of the agreement. The District contributes an amount equal to the prior year's contribution plus three percent (3%) for the Legacy Improvements and New Improvements.

Harris County Constables Agreement

The District contracts with Harris County for Precinct 7 Deputy Constables to provide patrol services, online patrol alert filing, online vacation watch requests, event security for Midtown coordinated events, public safety education programs and information, as well as community crime statistical reports. The contract term of the Interlocal Agreement with Harris County for Law Enforcement Services expires on September 30, 2024. The cost for the agreement in 2023 for four patrolling deputy constables and one supervising sergeant is \$450,864.

Field Service Contract

The District has a contract with SMC Logistics, LLC dba SMC Landscape Services through December 31, 2025 to provide service and maintenance in public right-of-ways and maintain certain City-owned parks located in Midtown. These services include landscaping, mowing, weed eating, edging, mulching, irrigation system maintenance and repair, tree pruning, and seasonal planting. Services provided also include replacing Midtown logo street signs, debris removal, new tree planning, and other general maintenance of the public right-of-ways. The annual cost of these services is approximately \$372,000.

Homeless Outreach Specialist Pilot Program Contract

The District has a contract with SEARCH Homeless Services through February 28, 2025 to use the services of a homeless outreach specialist to assist with addressing homelessness in Midtown. At the conclusion of the amended term, this agreement will automatically renew on a month to month basis, unless otherwise terminated. These services include assessment, care coordination, data management, and other assistance with the project. The cost of these services in 2024 will not exceed \$179,657.

Midtown Management District
Notes to Basic Financial Statements

Note 5: RELATED PARTY TRANSACTIONS

The District has an administrative contract with the Authority whereby the Authority provides administrative and management services to the District, primarily staffing and office sharing costs. The District and the Authority share the same Executive Director. The Authority provided services to the District amounting to approximately \$748,000 for the year ended December 31, 2023. At December 31, 2023, the District owed the Authority approximately \$165,000 related to the unpaid portion of salary and related benefits and overhead expenses paid by the Authority and billed to the District for its portion of the expenses.

The District’s Executive Director is also a member of the MIDCorp Board of Directors. MIDCorp provided maintenance services and public improvements, as required under an executed agreement (see Note 4), totaling approximately \$519,000 for the year ended December 31, 2023. MIDCorp also provided maintenance services on behalf of the District, as required under an executed agreement with the Metropolitan Transit Authority (METRO). Under the terms of the Joint Landscaping Maintenance Agreement with METRO for Maintenance of a portion of the Main Street Median, the District or its subcontractor performs certain ongoing routine maintenance of landscaping and the irrigation system for 3 esplanades that are adjacent to the METRO Rail Line on Main Street between the Wheeler Transit Center and Gray street and pay the associated costs. METRO reimburses the District for the actual costs of such services in an amount not to exceed \$46,000 per year. The District received and passed-through \$46,000 to MIDCorp in connection with this agreement in 2023. At December 31, 2023, approximately \$90,000 was payable to MIDCorp.

Note 6: FUND BALANCE – GOVERNMENTAL FUND

As of December 31, 2023, the fund balance of the District’s general fund is classified as follows:

Nonspendable-prepayments	\$	46,073
Restricted for parking benefits district		200,300
Committed to:		
Law enforcement		271,600
Field maintenance services of Midtown Houston		41,040
Field maintenance services of Baldwin and Glover Park		744,000
Unassigned		700,484
<hr/>		
Total fund balance	\$	2,003,497
<hr/>		

Midtown Management District Notes to Basic Financial Statements

Note 7: REVENUES

Annual Assessment

The District adopted a ten-year assessment plan and levies the assessment each year in October. The assessment was levied at the rate of \$0.1181 per \$100 valuation of taxable real property for tax year 2022, based upon the values approved by the Harris County Appraisal District's Appraisal Review Board. The assessments are levied in accordance with the due dates and delinquent dates for penalty and interest rates as provided in the Texas Tax Code.

The rate is determined annually by the District's Board of Directors provided however, that the assessment rate may not increase greater than 105% of the previous year. Beginning with the second year, the total dollar assessment is capped at 110% of the assessment for the previous year. This cap does not apply to new improvements or to rehabilitation of existing improvements that increase the value of the improvements by 125% or greater. The District contracts with Equi-Tax, Inc. for assessment collection services.

For the 2023 tax year, the District levied an ad valorem assessment of \$0.1181 per \$100 of assessed valuation, resulting in an assessment of \$3,546,036 on the assessed valuation of \$3,002,571,057 (uncertified). As of December 31, 2023, \$349,787 of the 2023 assessment was collected. Revenue recognition for the 2023 assessment collections has been fully deferred to 2024.

Key dates in the property tax cycle are as follows:

Levy Date	- October 1, or as soon thereafter as practicable
Lien Date	- January 1
Due Date	- Not later than January 31
Delinquent Date	- February 1, at which time the taxpayer is liable for penalty and interest

Parking Revenue

In 2022, the District entered into an inter-local agreement with City of Houston (the City) in which the City designated Midtown as a parking benefit district for which a portion of the revenue from additional parking meters and permit fees net of expenses is dedicated to public safety and public amenities that enhance the quality of life in the Midtown area. In the event of termination, any unused funds are required to be returned to the City. For the year ended December 31, 2023, the District earned a total of \$150,614 from the City under the agreement of which \$74,555 were outstanding as of December 31, 2023 and recorded as other receivable in the accompanying financial statements.

SUPPLEMENTARY INFORMATION

Midtown Management District Budgetary Comparison Schedule – General Fund

<i>For the year ended December 31, 2023</i>	Original and Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues			
Assessments, net	\$ 3,493,100	\$ 3,250,095	\$ (243,005)
Parking revenue	275,000	76,059	(198,941)
Interest and other revenues	39,042	167,458	128,416
Total revenues	3,807,142	3,493,612	(313,530)
Expenses			
Security and public safety	1,173,871	1,153,179	20,692
Marketing and economic development	133,290	102,577	30,713
Urban planning	474,793	120,243	354,550
Service and maintenance	1,253,924	1,139,824	114,100
Cultural arts and entertainment	422,675	331,603	91,072
District administration	618,276	716,543	(98,267)
Total expenses	4,076,829	3,563,969	512,860
Net change in fund balance	(269,687)	(70,357)	199,330
Fund balance, beginning of year	2,003,497	2,073,854	70,357
Fund balance, end of year	\$ 1,733,810	\$ 2,003,497	\$ 269,687

Note that this schedule is prepared on a budgetary basis, but it is not different from Generally Accepted Accounting Principles (GAAP) in presentation.

The accompanying notes to supplementary information are an integral part of this schedule.

Midtown Management District Budgetary Notes to Supplementary Information

Note 1: BUDGETARY INFORMATION

The District follows these procedures in establishing the budgetary data reflected in the financial statements:

- a. The maximum assessment rate is set prior to the first year of a new ten-year service plan. On an annual basis, the District's Board of Directors will set the assessment rate in the fourth quarter for the succeeding year of a service plan not to exceed the initial maximum rate established. Prior to December 31, the District's Board of Directors will review and approve the budget for the succeeding year.
- a) Budget preparation also involves the following before adoption:
 - a. Review of needs and priorities within the District for each committee.
 - b. Review of draft budget by Board committees and the community.
 - c. Review of draft budget by the District's Board.

Prior to December 31, the budget is adopted through passage of a Board resolution by the favorable vote of a majority of the members of the Board of Directors. Amendments made to the original budget during the year must be approved by the Board of Directors. The budget was not amended during the year.