

# Midtown Management District

## FINANCIAL STATEMENTS AND REQUIRED SUPPLEMENTARY INFORMATION

December 31, 2018



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December 31, 2018**

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## **INDEPENDENT AUDITORS' REPORT**

Board of Directors  
Midtown Management District  
Houston, Texas

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the governmental activities and major fund of the Midtown Management District (the "District") as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### ***Management's Responsibility 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; this includes 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.

### ***Auditors' Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

**Opinions**

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, 2018, 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.

**Other Matters**

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 16 and 27 be presented to supplement the basic financial statements. Such information, 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.

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

Houston, Texas  
July 10, 2019

## 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, 2018. This discussion and analysis includes comparative data for the year ended December 31, 2017 and a brief explanation for significant changes between fiscal periods. Since the 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 assessment rate for the tax year 2018 remained at \$0.1181 per \$100 valuation of properties located in the District. The average taxable value for a single family residential homesteaded property in Midtown was \$261,504 and based on that value, the average assessment paid to the District on a residential homesteaded property was \$308.84.\* The total assessment revenue for the year ended December 31, 2018 was budgeted at \$2,328,653 and the final assessed levy for tax year 2017 (fiscal year 2018) was \$2,337,301. The District received current year assessments totaling \$2,321,737 resulting in a collection rate of 99%. The assessment rate has remained at \$0.1181 per \$100 of valuation for the past 14 years.
- The District's Board of Directors (the "Board") 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 has applied for and received such grants to assist in the construction of public right-of-way improvements 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 certain Legacy 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"). The Tri-Party Agreement provides for annual payments from the District to MIDCorp to pay the management and maintenance services to be provided thereunder. In fiscal year 2018, the District paid \$212,180 to MIDCorp for such services.

#### Public Safety Committee

In an effort to enhance public safety in Midtown, the District contracts with Harris County for Precinct 7 Deputy Constables to provide patrol services, online patrol alert filing, online vacation watch requests, community crime statistical reports, event security for Midtown coordinated events, public safety education programs, and public safety information. The contract term of the Interlocal Agreement with Harris County for Law Enforcement Services expired on February 28, 2018 and was renewed for a term ending February 28, 2019. There was no increase in the contract cost. The annual cost for four patrolling deputy constables and one supervising sergeant for 2018 was \$483,300.

\* – Information provided by Equi-Tax, Inc.

## Midtown Management District Management's Discussion and Analysis

### FINANCIAL HIGHLIGHTS (Continued)

- The District has a contract with S.E.A.L. Security Solutions LLC for additional patrols of the District to provide additional patrol services throughout the community and enhance safety. S.E.A.L. Security Solutions LLC also provides day of and overnight security for Midtown coordinated events. In 2018 the cost for 3 patrolling security officers with Midtown branded automobiles was \$190,600.
- The District pays the difference in the cost of electricity between what the City of Houston (the City) pays for its standard cobra head street lights and the signature LED coach lights installed in Midtown. For the calendar year 2017, the delta payment for electricity used by the signature LED Midtown street lights was approximately \$221,000 which was paid in November 2018.
- Lighting is a key element for the enhanced public safety of a community. The District continues to contract with SMC Logistics to provide a bi-monthly survey to detect street light outages in Midtown. Street light outages are then reported to CenterPoint Energy for repair and followed up on by SMC Logistics. The Board of Directors continues to respond to resident concerns regarding light outages in park spaces and in the public rights of way. 406 lights were reported out and repaired in 2018. The cost of the service was \$3,200.
- The District continues to employ a part time Security Coordinator. The Security Coordinator represents the community in various meetings and professional settings in order to advocate for the community. The Security Coordinator serves as the District's liaison for Midtown area businesses and stakeholders to the following agencies; Houston Police Department (South Central and Central Patrol Divisions), the City of Houston Homeless Outreach Team; Harris County Precinct 7 Constables' Office, S.E.A.L. Security Solutions, LLC., Metropolitan Transportation Authority Police Department, Rice University Police Department, Houston Community College Police Department, and City of Houston Public Intoxication Transport Team/Sobering Center. Additionally the Security Coordinator assists the District in developing and implementing public safety and crime prevention programs, Safety Blogs and Public Safety Alerts to publicize and increase the level of awareness within the District regarding public safety issues as well as personally meeting with concerned property and business owners. The cost for a part time Security Coordinator for 2018 was \$21,300.
- In 2018 the District continued its public safety parks programming to provide opportunities for positive interactions between Midtown stakeholders and law enforcement officers. The annual National Night Out was hosted in Midtown Park. Programming for the event included food, local business participants and the opportunity to meet and get to know the law enforcement officers that patrol the Midtown community. The District facilitates opportunities for residents and business owners to get one-on-one public safety counseling to enable them to better protect themselves, their families, and their businesses. Representatives from the Houston Police Department Command Staff and officers from both Central and South Central Divisions, Harris County Precinct 7 Deputy Constables, Houston Community College Police officers, and METRO Police officers participated in the event. Bicycle engraving was also made available to guests free of charge. The cost of National Night Out was \$2,550.

## Midtown Management District Management's Discussion and Analysis

### FINANCIAL HIGHLIGHTS (Continued)

- In 2018 the District began an Engrave Your Bike Program. Midtown residents and business owners are asked to bring their bicycles and other valuables to be engraved free of charge with a personal identification number. In the event that the items are stolen and the owner files a police report, having an engraved identification number makes it easier for HPD to find and retrieve the stolen property. Engraving services are made available at the quarterly evening Midtown Public Safety Committee meetings and at National Night Out. There is no cost for the Engrave Your Bike Program.
- The District continues to assist the City as it attempts to deal with the complex issues surrounding public intoxication and vagrancy. The District participates in the City's Public Intoxication Transport Team Program (PIT). The PIT Team is comprised of a social worker and emergency medical technician personnel who patrol the area in a van and transport eligible individuals to the Houston Sobering Center. The District and other entities provide financial assistance to run the PIT Team Program. At the end of 2017 the District was notified that the costs for the PIT Team would increase due to one of the funding partners no longer participating in the program. The District's out-of-pocket financial contribution to the program in fiscal year 2018 was \$59,600.
- The District has an Interlocal Agreement with the City of Houston that allows the Midtown Management District to assist the City by providing personnel and equipment to abate trash and debris, to improve sanitation and ameliorate any public health related nuisances alongside roadways and underneath underpasses owned by TXDOT in or in the immediate vicinity of the Midtown service area. In March 2018, at the request of the City, the District assisted with transportation of personal items that were bagged and tagged by the City's Homeless Outreach Team. The items were transported by the District to a City of Houston Solid Waste Warehouse. In November 2018, at the request of the City, the District assisted in closing of the Wheeler Underpass Encampment by providing transportation of personal items that were bagged and tagged by the Homeless Outreach Team. These items were also transported by the District to a City Solid Waste Warehouse. At the request of the Houston Police Department the District also assisted in providing 24-hour security at the site until such time as the Texas Department of Transportation could install fencing around the property. Harris County Precinct 7 also participated in providing the 24-hour security at the Encampment Site as part of their contract with the District. There was no additional cost to the District for the additional patrol services provided by Precinct 7 at the Encampment Site.

### Service and Maintenance Committee

- Due to the heavy amount of debris in the community associated with the vagrant/homeless population in the last quarter of 2018 the District instituted a Field Services Pilot Project where it temporarily hired two additional Field Services Team members whose sole responsibility was to pick up trash and debris throughout the District, which allowed the remaining Field Services Team members to focus on their normal responsibilities and special projects. The cost of the Field Services Pilot Project for 2018 was \$6,000.

## Midtown Management District Management's Discussion and Analysis

### FINANCIAL HIGHLIGHTS (Continued)

- The District continued its Midtown Field Services Program. Under this Program, the District provides services and maintenance in public right-of-ways 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. Since implementing the Field Services Program, the District has been able to eliminate its vendor contracts for street sweeping, tree pruning, and fertilization and has assigned these duties to the Field Services Team. Having a dedicated Field Services Team allows the District to fulfill its obligations to maintain capital improvements constructed by the Authority. The cost for the Field Services Program during 2018 was \$209,000.
- Pursuant to Interlocal Agreements with the City, the District provides regular complete maintenance of Elizabeth Baldwin Park and Elizabeth Glover Park. The cost to maintain Elizabeth Baldwin Park and Elizabeth Glover Park for fiscal year 2018 was \$55,400.
- Replacing damaged or dead landscaping and planting and maintaining new trees in the public right-of-ways are of vital importance to maintain the beauty and walkability of Midtown. The cost to the District to replace damaged or dead landscaping, plant new trees and maintain trees and landscaping in the public right-of-ways was and for planting of new trees at a cost of \$40,900.
- The District provides and maintains numerous Pet Waste Stations located throughout Midtown. The District's cost for supplies for the Pet Waste Stations for fiscal year 2018 was \$3,400.
- The District continues to use the SeeClickFix program to provide a streamlined process for the District to track and respond to a variety of calls for service, such as maintenance or repair of broken sprinkler heads, trash and debris removal and tree trimming. Public Safety concerns are not to be reported to SeeClickFix, but rather to a policing agency. The SeeClickFix program has a mobile application across a variety of digital platforms as well as an online presence. Between January 1, 2018 and December 31, 2018, the program data showed that 235 issues were opened, 233 issues were acknowledged, and 279 issues were completed. 44 of the completed issues were from the prior year. The District's 2018 costs for SeeCickFix was \$7,400.
- The District completed maintenance and improvement projects in Elizabeth Glover Park caused in part by excessive flooding in the area in 2017. Specifically, the lighting in Elizabeth Glover Park was damaged by flooding and needed to be replaced at a cost of \$6,500. Additionally the bark mulch in the dog run area was replaced with decomposed granite. Construction of improvements to the dog run area, including design, permitting and infrastructure work began early in 2018 and cost \$64,600.
- The District has a contract with the Greater East End Management District for Graffiti abatement in Midtown. Graffiti abatement services are provided on a bi-monthly basis for areas in the public rights-of-way only. The program, which is well received by the community, has enhanced the District's core mission of providing a clean safe environment for its stakeholders. Residents assist the Graffiti Abatement Program by identifying areas in the public right-of-way that need abatement



## Midtown Management District Management's Discussion and Analysis

### FINANCIAL HIGHLIGHTS (Continued)

and reporting areas via on SeeClickFix. In 2018 the program was expanded to include more hours of service for the community. A total of 521 sites were abated in comparison to 444 sites abated in 2017. This represents an approximate 17% increase in the number of sites abated over the prior year. The District's cost for the Graffiti Abatement Program for 2018 totaled \$4,260.

- At no cost to the District the committee implemented the Dark Blocks Project, which consisted of volunteers, Board Members and SMC Logistics reporting any dark areas in Midtown, including any street lights that are impacted by overgrown tree branches. The District uses the list of dark areas to arrange for site specific tree trimming and to recommend installation of additional street lights.

### Marketing and Economic Development Committee

- Based on user feedback and demand the District maintains a diverse communications plan. The District's current communication plan includes two websites that are constantly updated, five social media channels that are updated daily, a Midtown app that is available on both Android and iPhone platforms, a weekly Midtown eNews, educational videos on the District's website with in-depth education tools, regular committee meetings that are open to the general public, various print pieces such as the Midtown Cultural Arts Guide and the "Know Where to Go" roadmap, a weekly Midtown Blog, ads in area publications, and live media appearances. All of the various communication tools are intended to help educate the public on the activities of the Board of Directors and spur economic development in Midtown. The Midtown App was downloaded approximately 300 times in 2018. The cost to educate and keep Midtowners informed was \$29,600.
- The District publishes the bi-annual Midtown Buzz, a printed media piece that provides the public with information regarding new businesses, construction projects and other valuable information about the Midtown community including notices of important meetings, events and stakeholder participation opportunities. The cost of the Midtown Buzz is \$21,000.
- An updated Midtown Cultural Arts and Entertainment Guide was designed, printed and distributed at a cost of \$9,500.
- The Midtown eNews remains an efficient form of advertising for area businesses. This weekly Internet publication provides valuable information regarding upcoming meetings, events and activities in Midtown. The annual cost to publish the weekly eNews during 2018 was \$780.
- Social media continues to be an invaluable resource for outreach to the general public and to Midtown residents and businesses regardless of gender or age. During 2018, the District saw the following growth in social media outreach:
  - Instagram: 2,980 to 4,371 a 38% increase
  - Twitter: 12,102 to 13,010 a 7% increase
  - Midtown Park Facebook: 765 to 1,764 a 79% increase
  - Bagby Park Facebook: 807 to 1,217 a 40% increase
  - Midtown Houston Facebook: 12,699 to 14,434 a 13% increase

## Midtown Management District Management's Discussion and Analysis

### FINANCIAL HIGHLIGHTS (Continued)

#### Cultural Arts and Entertainment District Committee

- The annual Midtown Art in the Park event was held on April 2018 and 42 booths were sold. The event was expanded in 2018 to include 11 Art Car performances and 9 chalk artists. Two 4x8 interactive coloring book panels were designed, fabricated, and installed for the event. One 8x8 painted interactive panel with a toy motif was designed and installed for social media purposes. Young Audiences of Houston provided children's programming. The District received an event sponsorship in the amount \$5,000 from Central Bank Houston to cover the expenses related to the Wine Meadow Painting and Arts Alley. The approximate cost of Art in the Park 2018 was \$42,700.
- The Midtown Mistletoe Market was held in Midtown Park in November of 2018. By moving the event to Midtown Park we were able to double the size and scope of the event. The holiday inspired market featured 50 craft/artisan vendors and was very well attended. The night market featured crafts for sale and a holiday movie night. For 2018 the following additional programming was brought in to increase event attendance and create a destination market; 11 chalk artists, activation of the 27x18 chalk wall in the park; live music; Young Artists Houston with DIY Crafts for kids, Painting with a Twist, holiday décor suitable for family photographs. Two 4x8 interactive coloring book panels were designed, fabricated, and installed for the event. There was a Father Christmas and a Santa Paws available for photos. To reaffirm our commitment as a sustainable community a reusable Midtown Mistletoe Market bag was developed and distributed to shoppers. The cost of the Midtown Mistletoe Market was approximately \$49,000.
- In 2018 the District launched its Midtown Micro Arts Grants program. The District awarded micro grants totaling \$3,400 to three (3) small community based arts groups and one (1) vocalist to pay for the cost of performance art events in public spaces in Midtown.
- The Cultural Arts and Entertainment Committee continues to use its 10-Year Cultural Arts Master Plan (2015-2024) for Midtown as an in-depth guide to strategic decision-making regarding cultural arts policies, programs, and projects in Midtown. The District continues to implement programming in our park spaces. The District continues to work cooperatively with the City on scheduling events and activities in Elizabeth Baldwin and Elizabeth Glover Parks.

#### 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 committee facilitated the installation of two additional B-Cycle Stations in the community. One at Midtown Park and a second at Austin Street and Elgin in Elizabeth Baldwin Park. This brings the total number of B-Cycle Stations in Midtown to nine. The District's 2018 contribution toward the cost of funding provided to B-cycle station was \$28,000.

## Midtown Management District Management's Discussion and Analysis

### FINANCIAL HIGHLIGHTS (Continued)

- The Midtown Farmers Market began service in July of 2018. The weekly Saturday event takes place at Baldwin Park providing the opportunity for visitors to purchase fresh fruits, vegetables and prepared foods. The cost of the startup of the Midtown Farmers Market was \$24,000.
- The Board continues to partner with BikeHouston to provide a guided ride, bike maintenance workshop, and marketing to promote and encourage the use of healthy and affordable transportation options. The cost of this project was \$2,500.
- The Committee continues to engage with various stakeholders regarding the urban transportation needs of the Midtown community. Several Board members have participated in numerous meetings regarding the following proposed projects in Midtown: Wheeler Cap Park, the Pierce Elevated TXDOT Project, the City's Walkable Places Project, Austin Street Bikeways and the Market Based Parking Plan.

### Event Coordination and Participation

The Midtown Staff lends their expertise as advocates for the community throughout the year on various panels, workshops and discussion groups on a variety of topics and issues that impact Midtown.

During the period from January 1, 2018 to December 31, 2018, the District coordinated and participated in the following events:

#### General

- Midtown Art in the Park – April 2018
- Bike Houston Community Ride in Midtown – April 2018
- Mother's Day Market – May 2018
- 12 District Board of Directors' meetings, four of which were quarterly evening meetings, including the Annual Board of Director's meeting held in August 2018.
- Midtown Mistletoe Market – November 2018
- Combined committee meetings – from time to time to increase attendance, awareness and seed new ideas for projects combined committee meetings are held. In 2018 Cultural Arts and Entertainment and Marketing and Economic Development held combined committee meetings in the months of May, June, July September and November
- Supported various Cultural Arts based events held in Midtown parks.

#### Public Safety Committee Meetings/Events

- 12 District Public Safety Committee meetings, three of which were quarterly evening meetings and one of the evening meetings being held in conjunction with the District's annual National Night Out held in October 2018.
- Quarterly Houston Police Department Citizens Advisory Panel – represented by Midtown staff
- HPD Chief's Citywide PIP meetings – represented by Board members, stakeholders and staff
- Monthly evening HPD South Central PIP – represented by Board members, stakeholders, staff

## Midtown Management District Management's Discussion and Analysis

### FINANCIAL HIGHLIGHTS (Continued)

- Monthly evening HPD Central PIP - represented by Board members, stakeholders, staff provided assistance on a recurring basis as directed by the City of Houston to ameliorate the unsanitary conditions in and around areas of homeless encampments.

Approximately 72 committee meetings and 12 Board of Directors meetings were held in 2018. All meetings and events are open to the public.

### OVERVIEW OF THE FINANCIAL STATEMENTS

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

## Midtown Management District Management's Discussion and Analysis

### OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

#### *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>	<b>2018</b>	2017	Increase (Decrease)
<b>Assets</b>			
Cash and cash equivalents	\$ 1,064,000	\$ 394,000	\$ 670,000
Assessment receivables	1,967,000	2,058,000	(91,000)
Federal grant receivable	-	1,596,000	(1,596,000)
Prepaid expenses	57,000	55,000	2,000
Investments	714,000	1,018,000	(304,000)
<b>Total assets</b>	<b>3,802,000</b>	5,121,000	(1,319,000)
<b>Liabilities</b>			
	<b>517,000</b>	2,076,000	(1,559,000)
<b>Deferred inflows of resources</b>	<b>2,448,000</b>	2,369,000	79,000
<b>Net position - unrestricted</b>	<b>\$ 837,000</b>	\$ 676,000	\$ 161,000

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 maturity dates of certificates of deposits and additional funds held in local government investment pools.

At December 31, 2017, the District had a payable to the Authority totaling approximately \$1,596,000 for grant funds not received from the Federal Transit Administration (FTA) until 2018. The District passed through all FTA funds to the Authority in accordance with the interlocal agreement. No grant funds were received in 2018.

Liabilities also include a payable to the City of Houston (the City) for electricity costs for the period January through December totaling approximately \$226,000 and \$253,000, for the years ended December 31, 2018 and 2017, 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. Street lights are installed by the Authority on an on-going basis. Invoices from the City are typically received in March of each year for the previous year. As of June 2019, the City had not yet billed the District for 2018. The District accrued \$226,000 in anticipation of receiving this invoice.

## Midtown Management District Management's Discussion and Analysis

### OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

Deferred inflows of resources relate to 2019 and 2018 assessments as of December 31, 2018 and 2017, respectively. Taxes levied on October 1 of calendar year 2018 and 2017 are recorded as accounts receivable and deferred revenue at date of the levy. All amounts are deferred until the following fiscal year.

Overall, there was no significant change in net position of the District's governmental activities from 2017 to 2018. The increase over 2017 was primarily due to increase in assessment revenue.

#### **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>	<b>2018</b>	2017	Increase (Decrease)
<b>Revenues</b>			
Assessments, net	\$ 2,378,000	\$ 2,249,000	\$ 129,000
Grant revenue	-	2,975,000	(2,975,000)
Interest and other revenues	<b>60,000</b>	29,000	31,000
<b>Total revenues</b>	<b>2,438,000</b>	5,253,000	(2,815,000)
<b>Expenses</b>			
Security and public safety	<b>929,000</b>	929,000	-
Marketing and economic development	<b>65,000</b>	83,000	(18,000)
Urban planning	<b>97,000</b>	31,000	66,000
Service and maintenance	<b>645,000</b>	525,000	120,000
Cultural arts and entertainment	<b>183,000</b>	143,000	40,000
District administration	<b>358,000</b>	347,000	11,000
Grant expense	-	2,975,000	(2,975,000)
<b>Total expenses</b>	<b>2,277,000</b>	5,033,000	(2,756,000)
<b>Change in net position</b>	<b>161,000</b>	220,000	(59,000)
<b>Net position - beginning of year</b>	<b>676,000</b>	456,000	220,000
<b>Net position - end of year</b>	<b>\$ 837,000</b>	\$ 676,000	\$ 161,000

## Midtown Management District Management's Discussion and Analysis

### OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

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>	<b>2018</b>	2017
Assessments collected	<b>\$ 2,322,000</b>	\$ 2,195,000
Delinquent collections, net of overpayments	<b>32,000</b>	34,000
Penalties and interest	<b>24,000</b>	20,000
<b>Net assessments</b>	<b>\$ 2,378,000</b>	\$ 2,249,000

The District's collection rate for each of the years ended December 31, 2018 and 2017 was 99% and 98%, respectively.

The District's ten year service 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 four parks and public rights of way in Midtown and sidewalk repair/replacement; 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 and funds to pay the required local match for arts grant; and Urban Planning for special projects. For 2018 and 2017, 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.

The District serves as the grant recipient of grant funds received from the FTA. The District partners with the Authority on FTA funded projects. The Authority manages the development and construction of FTA funded projects and is responsible for any required matching funds and any costs which are not reimbursed by FTA. Eligible costs under the FTA grant award totaled \$2,974,912 for the year ended December 31, 2017. This FTA grant was fully funded as of December 31, 2017 and no new FTA grants were awarded in 2018.

#### **Governmental Fund**

At the end of the current fiscal period, the District's governmental fund reported an ending fund balance of approximately \$780,000. Approximately \$330,000, of this total amount has been committed by the District's Board of Directors for future electricity payments for the enhanced street lights (\$230,000) and an emergency disaster reserve (\$100,000). The remainder of the fund balance, approximately \$450,000, 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

## OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

### *Capital Assets and Long-Term Debt*

As of December 31, 2018 and 2017, the District had no capital assets or long-term debt.

## 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 2018.

## 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 in order to hear stakeholder's vision of what Midtown should be.

### Security and Public Safety

In January 2019, the Board approved an Interlocal Agreement with Harris County to continue to provide Deputy Constables to patrol the community at a cost of \$405,476. The contract with Harris County provides for the services of four (4) Deputy Constables and a supervising sergeant, for a total of five (5) deputies and extends through February 28, 2020, unless earlier terminated. There was no increase in the cost of the contract from 2019 to 2020.

In January 2019, the Board of Directors approved an amended contract with S.E.A.L. Security Solutions, LLC ("S.E.A.L.") for additional patrol services. S.E.A.L. provides three licensed, bonded, and insured armed security officers who will patrol for approximately 120 hours a week with a DPS licensed K-9 unit. The S.E.A.L. officers will patrol the areas inside the District's boundaries in marked Midtown Patrol Vehicles. S.E.A.L. will continue to provide a dedicated hotline for use by Midtown residents and business owners to call for assistance or report suspicious activity. The S.E.A.L. officers will work cooperatively with law enforcement officers from Harris County and Houston Police Department. The cost is approximately \$16,640 per month.

The District plans to continue to maintain a Security Coordinator to coordinate the work of law enforcement and private security officers in Midtown. The Security Coordinator will also evaluate public safety needs in Midtown and make recommendations of best practices to enhance public safety.

The District will continue its commitment to work with the City on its homeless initiatives. The District, will also continue to provide financial support for the PIT Team. The work of the PIT Team will be reviewed monthly by the Public Safety Committee.



## Midtown Management District Management's Discussion and Analysis

### **FUTURE PROJECTS (Continued)**

#### Service and Maintenance

The Service and Maintenance Committee will continue to pursue programs for the District that offer a leveraged use of District's maintenance dollars to improve the overall aesthetic appearance of Midtown and to help ensure that it continues to be a clean, safe place to live and work. The District will continue the Midtown Field Services Program to provide maintenance of the public right of ways and park spaces in Midtown.

The District continues to leverage its maintenance dollars by working cooperatively with the Authority and MPC to maintain public right of way improvements in Midtown.

The Committee will continue to encourage the installation and repair of sidewalks throughout the District.

The Committee plans to maintain SeeClickFix as a viable option for stakeholders to report maintenance issues.

#### Marketing and Economic Development

The Marketing and Economic Development Committee plans to continue to publish the newspaper (the "Midtown Buzz"). The Committee will also continue to improve and grow its social media presence and direct the design of collateral media as a means of promoting Midtown.

#### Cultural Arts and Entertainment

The Cultural Arts and Entertainment Committee will continue its efforts to develop cultural arts projects and arts-based parks programming that will maintain and enhance Midtown's stature as a State of Texas designated Cultural Arts Entertainment District.

#### Urban Planning

The Urban Planning Committee will continue to develop projects and programs that encourage and enhance the walkability and pedestrian features of Midtown. The Committee will work to encourage developers to include pedestrian enhancements on their projects that are suitable for an urban community. The Committee will seek opportunities to provide input to the Authority, the City and the Texas Department of Transportation on their respective capital improvements projects in Midtown.



## Midtown Management District Management's Discussion and Analysis

### **FUTURE PROJECTS (Continued)**

The Committee is committed to continuing to partner with other organizations such as B-Cycle, BikeHouston and ZipCar to reduce Midtown's carbon footprint by encouraging and supporting sustainable design and alternative modes of transportation.

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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**  
**Governmental Fund Balance Sheet and Statement of Net Position**

*December 31, 2018*

	General Fund	Adjustments	Statement of Net Position
<b>Assets</b>			
Cash and cash equivalents	\$ 1,064,353	\$ -	\$ 1,064,353
Assessment receivables	1,967,072	-	1,967,072
Prepaid expenses	57,378	-	57,378
Investments	713,502	-	713,502
<b>Total assets</b>	<b>\$ 3,802,305</b>	<b>\$ -</b>	<b>\$ 3,802,305</b>
<b>Liabilities</b>			
Accounts payable	\$ 291,594	\$ -	\$ 291,594
Accrued liabilities	226,000	-	226,000
<b>Total liabilities</b>	<b>517,594</b>	<b>-</b>	<b>517,594</b>
<b>Deferred inflows of resources</b>			
Deferred revenue	2,504,782	(57,149)	2,447,633
<b>Fund balances</b>			
Committed	330,000	(330,000)	-
Unassigned	449,929	(449,929)	-
<b>Total fund balances</b>	<b>779,929</b>	<b>(779,929)</b>	<b>-</b>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>\$ 3,802,305</b>	<b>-</b>	<b>-</b>
<b>Net position - unrestricted</b>		<b>\$ 837,078</b>	<b>\$ 837,078</b>
Total fund balance of governmental fund			\$ 779,929
Amounts reported for governmental activities in the statement of net position are different because:			
Deferred revenue is not available for current period expenditures and therefore deferred in the general fund			57,149
<b>Net position of governmental activities</b>			<b>\$ 837,078</b>

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

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

*For the year ended December 31, 2018*

	General Fund	Adjustments	Statement of Activities
<b>Revenues</b>			
Assessments, net	\$ 2,383,304	\$ (5,037)	\$ 2,378,267
Interest and other revenues	60,196	-	60,196
<b>Total revenues</b>	<b>2,443,500</b>	<b>(5,037)</b>	<b>2,438,463</b>
<b>Expenditures/expenses</b>			
Security and public safety	929,001	-	929,001
Marketing and economic development	65,345	-	65,345
Urban planning	96,513	-	96,513
Service and maintenance	644,814	-	644,814
Cultural arts and entertainment	183,008	-	183,008
District administration	358,311	-	358,311
<b>Total expenditures/expenses</b>	<b>2,276,992</b>	<b>-</b>	<b>2,276,992</b>
Excess of revenues over expenditures	166,508	(166,508)	-
Change in net position	-	161,471	161,471
<b>Fund balance/net position</b>			
Beginning of year	613,421	62,186	675,607
End of year	\$ 779,929	\$ 57,149	\$ 837,078
Net change in fund balance of general fund			\$ 166,508
Amounts reported for governmental activities in the statement of activities are different because:			
Assessment revenues in the statement of activities that provide current financial resources are reported as revenue in the general fund			(5,037)
Change in net position of governmental activities			\$ 161,471

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

## Midtown Management District Notes to Basic Financial Statements

### NOTE 1: DESCRIPTION OF ORGANIZATION

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; services 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.

### NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### *Measurement Focus and Basis of Accounting*

##### Government-Wide Financial Statements

The Statement of Net Position and the Statement of Activities display information about the reporting government as a whole. These statements are prepared on the "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all of the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources are included in the accompanying Statement of Net Position. The Statement of Activities presents changes in net position. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred, regardless of the timing of the related cash flow. Annual assessments are recognized as revenues in the year for which they are levied. Expenses are recorded when liabilities are incurred.

Government-wide statements distinguish between governmental-type and business-type activities. Governmental activities are those financed through taxes, intergovernmental revenues, and other non-exchange revenues and are usually reported in governmental and internal service funds. Business activities are financed in whole or in part through fees charged for goods or services to the general public and are usually reported in proprietary funds. The District does not have any business-type activities.

## Midtown Management District Notes to Basic Financial Statements

### NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Fund Financial Statements

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a “current financial resources” measurement focus and have been prepared using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they are “measurable and available”). “Measurable” means the amount of the transaction that can be determined and “available” means collectible within the current period or soon enough thereafter to pay liabilities of the current period. The District considers all revenue available if it is collected within 60 days after the year-end. Expenditures are recorded when the related fund liability is incurred as under accrual accounting.

#### ***Fund Accounting***

The District uses funds to report its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions relating to certain government functions or activities. A fund is an accountability unit used to maintain control over resources segregated for specific activities or objectives.

The District uses a General Fund (a Governmental Fund Type) to account for an annual assessment of \$0.1181 per \$100 valuation of taxable real property according to the tax rolls of the Harris County Appraisal district (Appraisal District). These funds are to be used to implement the District’s service plan.

#### ***Fund Balance Classification***

The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

**Nonspendable** – This classification includes 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 did not have any nonspendable resources as of December 31, 2018.

**Restricted** – This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. The District did not have any restricted resources as of December 31, 2018.

## Midtown Management District Notes to Basic Financial Statements

### **NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Committed – This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the District’s Board of Directors. These amounts cannot be used for any other purpose unless the Board of Directors removes or changes the specified use by taking the same type of action (resolution) that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements.

Assigned – This classification includes amounts that are constrained by the District’s intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the Board of Directors or through the Board of Directors delegating this responsibility to the District’s Executive Director through the budgetary process. The District did not have any assigned resources as of December 31, 2018.

Unassigned – This classification includes the residual fund balance for the General Fund.

When both restricted and unrestricted resources are available for use, it is the District’s policy to use restricted resources first, then unrestricted resources (committed, assigned, and unassigned) as they are needed. When unrestricted resources (committed, assigned, and unassigned) are available for use in the General Fund, it is the District’s policy to use unassigned resources first, then assigned, and then committed, as needed.

#### ***Deferred Inflows of Resources***

The District’s collection or billing of the subsequent year’s assessment 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.

#### ***Budget and Budgetary Accounting***

The District’s Board of Directors adopts an annual budget for the General Fund. The budget is based on projected assessment revenues and may be amended during the year, as determined necessary, by the Board of Directors. Additionally, after adoption, increases and decreases in the budget may be made only upon the Board of Directors’ approval. A review of revenues and expenditures compared to budget is conducted on a monthly basis with the Board of Directors.

#### ***Cash, Cash Equivalents, and Investments***

Cash and cash equivalents include all cash on hand and demand and time deposits held in banks with maturities of three months or less at date of purchase.

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.

## Midtown Management District Notes to Basic Financial Statements

### **NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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. The fair value of TexSTAR and LOGIC is based on quoted market values of the underlying investments of the pool and/or fund. TexSTAR and LOGIC use amortized cost to value portfolio assets and follow the criteria for GASB Statement No. 79 for use of amortized cost.

#### ***Federal Income Tax***

The District is exempt from Federal income taxes under section 115 of the Internal Revenue Code.

#### ***Use of Estimates***

The preparation of the District's basic financial statements in conformity with accounting principles generally accepted in the United States of America requires the District's management to make estimates and assumptions that affect the amounts reported in these basic financial statements and accompanying notes. Actual results could differ from those estimates.

### **NOTE 3: AUTHORIZED INVESTMENTS**

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.

### **NOTE 4: DEPOSITS AND INVESTMENTS**

#### ***Deposits***

Custodial credit risk for deposits with financial institutions is the risk that in the event of a bank failure, the District's deposits may not be returned to it. 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, 2018, the carrying amount of the District's deposits totaled \$469,820 and the bank balances totaled \$552,825. The District's funds were fully insured under FDIC limits or collateral at December 31, 2018.



**Midtown Management District  
Notes to Basic Financial Statements**

**NOTE 4: DEPOSITS AND INVESTMENTS (Continued)**

Cash and cash equivalents at December 31, 2018 consist of the following:

Bank deposits:	
Demand deposits	\$ 469,820
Cash and cash equivalents:	
Money market funds	594,533
<hr/>	
Total cash and cash equivalents	\$ 1,064,353
<hr/>	

**Investments**

As of December 31, 2018, the District has the following investments and maturities:

Fund and investment type	Total	Maturities in years			
		Less Than 1	1-5	6-10	More than 10
Local government investment pools	\$ 713,502	\$ 713,502	\$ -	\$ -	\$ -
<hr/>		<hr/>			
Total investments	\$ 713,502	\$ 713,502	\$ -	\$ -	\$ -
<hr/>		<hr/>			

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.

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.

## Midtown Management District Notes to Basic Financial Statements

### NOTE 5: 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 is installing enhanced street lights in the District for which the District has agreed to pay the delta electricity cost differential. The current estimated delta electricity cost per year will be approximately \$269 per street light. As of December 31, 2018, approximately 840 street lights have been installed by the Authority and approximately \$226,000 has been accrued for related electricity costs owed to the City of Houston.

### NOTE 6: FUND BALANCE – GOVERNMENTAL FUND

As of December 31, 2018, the fund balance of the District's general fund is classified as follows:

Committed to:	
Electricity costs related to enhanced street lights	\$ 230,000
Emergency disaster reserve	100,000
Unassigned	449,929
<hr/>	
Total fund balance	\$ 779,929
<hr/>	

### NOTE 7: 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 2017, 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 2018 tax year, the District levied an ad valorem assessment of \$0.1181 per \$100 of assessed valuation, resulting in an assessment of \$2,447,633 on the assessed valuation of \$2,072,508,675. As of December 31, 2018, \$537,710 of the 2018 assessment was collected. Revenue recognition for the 2018 assessment collections has been fully deferred to 2019.

## Midtown Management District Notes to Basic Financial Statements

### **NOTE 7: ANNUAL ASSESSMENT (Continued)**

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

### **NOTE 8: RELATED PARTY TRANSACTIONS**

The District has an administrative contract with the Authority whereby the Authority provides administrative and management services to the District. The District and the Authority share the same executive director. The Authority provided services to the District amounting to approximately \$418,000 for the year ended December 31, 2018. At December 31, 2018, approximately \$108,000 was payable to the Authority under this contract. The Authority also carried out a street design workshop for which District agreed to pay \$10,000 to Authority. At December 31, 2018, District still owes this amount to the Authority.

The District's Executive Director and Board Chairman are also members of the Midtown Improvement and Development Corporation ("MIDCorp") Board of Directors. MIDCorp provided maintenance services and public improvements amounting to \$212,000 for the year ended December 31, 2018. At December 31, 2018, approximately \$16,000 was payable to the MIDCorp.

### **NOTE 9: COMMITMENTS**

#### ***Midtown Improvement and Development Corporation***

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"). The District will budget and contribute funds annually for the Legacy Improvements. For the year ended December 31, 2018, the District remitted \$212,000 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. The agreement will be reviewed in calendar year 2019 and amended at that time if appropriate.



## Midtown Management District Notes to Basic Financial Statements

### **NOTE 9: COMMITMENTS (Continued)**

#### ***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 expired on February 28, 2019 and was renewed for a one year term through February 29, 2020. The annual cost for four patrolling deputy constables and one supervising sergeant is approximately \$405,000.

#### ***Field Service Contract***

The District has a contract with Metropolitan Landscape Management, Inc. through December 31, 2020 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 planting, and other general maintenance of the public right-of-ways. The annual cost of these services is approximately \$203,000.

#### ***Other***

The District has entered into agreements with various consultants to provide professional services.



**Required Supplementary Information**

## Midtown Management District Budgetary Comparison Schedule – General Fund

*For the year ended December 31, 2018*

	Original and Final Budgeted Amounts	Actual Amounts (Budgetary Basis)	Variance With Budget
Revenues			
Assessments, net	\$ 2,346,775	\$ 2,383,304	\$ 36,529
Interest and other revenues	33,458	60,196	26,738
Total revenues	2,380,233	2,443,500	63,267
Expenditures			
Security and public safety	969,752	929,001	40,751
Marketing and economic development	106,124	65,345	40,779
Urban planning	99,255	96,513	2,742
Service and maintenance	671,771	644,814	26,957
Cultural arts and entertainment	187,421	183,008	4,413
District administration	345,910	358,311	(12,401)
Total expenditures	2,380,233	2,276,992	103,241
Change in fund balance	-	166,508	166,508
Fund balance - beginning of year	613,421	613,421	-
Fund balance - end of year	\$ 613,421	\$ 779,929	\$ 166,508

*See independent auditors' report.*