

**Midtown Management District**

**FINANCIAL STATEMENTS AND  
REQUIRED SUPPLEMENTARY INFORMATION**

**December 31, 2019**



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**Midtown Management District  
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December 31, 2019**

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## **INDEPENDENT AUDITORS' REPORT**

Board of Directors  
Midtown Management District  
Houston, Texas

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, 2019, 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, 2019, 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.

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

Houston, Texas  
August 5, 2020

## **Midtown Management District Management's Discussion and Analysis (Unaudited)**

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, 2019. This discussion and analysis includes comparative data for the year ended December 31, 2018 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 2019 remained at \$0.1181 per \$100 valuation of properties located in the District. The average taxable value for a multi-family property in Midtown was \$15,723,390 and based on that value the average assessment paid to the District was \$18,569. The average taxable value for a commercial property located in Midtown was \$1,401,962 and based on that value the average assessment paid to the District was \$1,655. The average taxable value for a single family residential homesteaded property in Midtown was \$258,168 and based on that value, the average assessment paid to the District on a residential homesteaded property was \$304.90\*. The total assessment revenue for the year ended December 31, 2019 was budgeted at \$2,375,917 and the final assessed levy for tax year 2018 (fiscal year 2019) was \$2,392,265. The District received current year assessments totaling \$2,378,367 resulting in a collection rate of 99%. The assessment rate has remained at \$0.1181 per \$100 of valuation for the past 15 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 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"). The Tri-Party Agreement provides for annual payments from the District to MIDCorp to pay for the management and maintenance services to be provided thereunder. In fiscal year 2019, the District paid \$242,610 to MIDCorp for such services.

#### **Public Safety Committee**

- Although the District is not responsible for law enforcement in the Midtown community, it does work to coordinate and enhance public safety in Midtown. The District contracts with Harris County for Precinct 7 Deputy Constables to provide additional patrol services. The Harris County Precinct 7 Constables' Office provides online patrol alert filing, online vacation watch requests, community crime statistical reports, event security for Midtown directed events, public safety education programs, and public safety information.

\*- Information obtained from Equi-Tax, Inc.

## **Midtown Management District Management's Discussion and Analysis (Unaudited)**

Pursuant to the terms of an Interlocal Agreement with Harris County for Law Enforcement Services, four (4) deputies and one (1) supervising sergeant provide general patrols and an enhanced law enforcement presence within the Midtown community. The Interlocal Agreement expired on February 28, 2019. A new Interlocal Agreement was entered into with Harris County for a one year period ending February 29, 2020. There was no increase in the contract cost. The annual cost for four patrolling deputy constables and one supervising sergeant for 2019 was \$405,476.

- The District has a contract with S.E.A.L. Security Solutions LLC to provide additional supplemental patrol services throughout the Midtown community to benefit the commercial and residential property owners. S.E.A.L. Security Solutions LLC also provides day of and overnight security for Midtown sponsored events. In 2019, S.E.A.L. Security Solutions LLC security officers made 2,267 contacts with Midtown residents, business owners, and visitors. The 2019 cost for three (3) patrolling armed security officers with Midtown branded automobiles was \$186,584.
- Midtown was one of the first Houston communities to participate in the CenterPoint LED Lighting Conversion Program which began in 2016. The program consisted of replacing the existing standard incandescent light bulbs in the signature Midtown Decorative Coach lighting fixtures with Light Emitting Diode (LED) bulbs in order to lower electricity costs, provide more lighting and reduce maintenance costs. The program has proven successful. Electricity costs have been reduced by approximately 30% since 2018. 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 decorative C lights installed in Midtown. For the calendar year 2018, the delta payment for electricity used by the signature LED Midtown street lights was \$154,040 which was paid in November 2019.
- Lighting is a key element for enhancing public safety within a community. The District continues to contract with SMC Logistics to provide a bi-monthly survey to detect light outages in Midtown parks, public right of ways and public streets. Street light outages are reported to CenterPoint Energy for repair and pending repairs are monitored by SMC Logistics. Light outages in park spaces and other public right of ways (other than street lights) are reported to Midtown staff/contractors for repair. The District continues to address concerns raised by Midtown stakeholders regarding lighting outages in park spaces and in the public rights of way. The cost of the service provided by SMC Logistics in 2019 was \$2,550.
- The District continues to employ a part time Security Coordinator. The Security Coordinator represents the District in various public safety related meetings to advocate on behalf of the Midtown community. The Security Coordinator serves as the District's liaison for Midtown area businesses and stakeholders. The Security Coordinator coordinates with the following agencies to advocate for and enhance public safety in Midtown: 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 2019 was \$26,810.

## **Midtown Management District Management's Discussion and Analysis (Unaudited)**

- In 2019 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, meet and greet with local business owners and law enforcement officers that patrol the Midtown community. The District offered free bike engraving to attendees as part of its efforts to combat bike thefts in Midtown. The District facilitated 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. Midtown was presented with certificates of appreciation from Congresswoman Sheila Jackson-Lee and State Senator Rodney Ellis. The cost of National Night Out was \$2,810.
- The District continues to assist the City as it attempts to deal with the complex issues surrounding homelessness, 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 help support the PIT Team Program. The District's out-of-pocket financial contribution to the program in fiscal year 2019 was \$66,790.
- The District has an Interlocal Agreement with the City pursuant to which the District assists the City by providing personnel and equipment to abate trash and debris, improve sanitation and ameliorate any public health related nuisances alongside roadways and underneath underpasses owned by TXDOT inside or in the immediate vicinity of the Midtown service area. In December 2019, 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 warehouse for storage.

### **Service and Maintenance Committee**

- The District continued its Midtown Field Services Program in 2019 to fulfill its obligations to maintain capital improvements constructed by the Authority. Under this Program, the District provides maintenance and other services in the public right-of-ways and maintains certain City-owned parks located in Midtown. The services provided include landscaping, mowing, weed eating, edging, mulching, irrigation system maintenance and repair, tree pruning, and seasonal planting. Additional services provided under the Field Services Program include replacing Midtown logo street signs, trash and debris removal, new tree planting, and other general maintenance of the public right-of-ways. 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 designated Field Services Team. Due to the increased amount of trash and debris in the community associated with the vagrant/homeless population, the District expanded the Field Services Program to add two additional Field Services Team members whose sole responsibility was to pick up trash and debris throughout the District and especially in hot spot areas. The cost of the additional personnel in 2019 was \$71,700. By adding additional personnel for trash and debris pick up, the District's remaining Field Services Team members were able to focus on their usual responsibilities and certain special projects. The total cost of the Field Services Program during 2019 was \$275,088.

## **Midtown Management District Management's Discussion and Analysis (Unaudited)**

- Pursuant to Interlocal Agreements with the City, the District provides regular complete maintenance of Elizabeth Baldwin Park and Elizabeth Glover Park. The cost of maintaining these two parks includes paying for utilities, maintaining and replacing decomposed granite in certain pathways, irrigation and landscape repairs, monthly and general landscape contracted maintenance, park lighting, and maintenance of the dog park. The cost to maintain Elizabeth Baldwin Park and Elizabeth Glover Park during 2019 was \$85,818.
- Replacing damaged or dead landscaping and planting and maintaining new trees and landscaping 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 during 2019 was \$49,069.
- In September of 2019 a dog water fountain was installed in the Glover Park Dog Park at a cost of \$8,528.
- In September of 2019 the Board authorized the use of restricted reserve funds to make certain future improvements in Elizabeth Baldwin Park. These improvements will include purchasing additional playground equipment suitable for use by younger children, installing certain electrical infrastructure for public safety lighting, and certain landscaping enhancements. The amount authorized for these improvements was \$180,000.
- In September of 2019 the Board authorized the use of restricted reserve funds to make certain future improvements in Bagby Park. These improvements will include public safety lighting enhancements and certain landscaping enhancements. The amount authorized for these improvements was \$150,000.
- 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 2019 was \$2,580.
- The District continues to use the SeeClickFix program to provide a streamlined process for to track and respond to a variety of maintenance calls for service, such as repair of broken sprinkler heads, trash and debris removal and tree trimming. The District has advised the public that public safety concerns are not to be reported to SeeClickFix, but rather to a law enforcement agency. The SeeClickFix program has a mobile application across a variety of digital platforms as well as an online presence. Between January 1, 2019 and December 31, 2019, the program data showed that 321 issues were opened, 305 issues were acknowledged, and 234 issues were completed. None of the completed issues were from the prior year. The cost of SeeClickFix for 2019 was \$7,648.
- The District has a contract with the East End Management District for graffiti abatement in Midtown. Graffiti abatement services are provided on a bi-monthly basis for sites in the public right-of-ways 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. In the third quarter of 2019 the District approved a \$5 per hour increase from \$80 to \$85. This is the first increase since the initial contract was approved in 2008 and became effective beginning in the fourth quarter of 2019. Residents assist the Graffiti Abatement Program by identifying sites in the public right-of-ways that need abatement and reporting these sites via SeeClickFix. In December of 2019 the Graffiti Abatement Program was expanded from 8 hours per month to 16 hours per month. The cost of the expanded Graffiti Abatement Program was shared equally between the



## Midtown Management District Management's Discussion and Analysis (Unaudited)

Midtown Parks Conservancy and the District. A total of 617 sites were abated in 2019 compared to 521 sites abated in 2018, representing an approximate 18% increase in the number of sites abated over the prior year. The District's cost for the Graffiti Abatement Program for 2019 totaled \$4,335.

- The District implemented the Dark Blocks Project, which consisted of community volunteers working with Board Members and SMC Logistics to report 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 and advocate for 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 application 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, 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 cost to implement the District's the above was \$12,508.
- The District publishes the bi-annual Midtown Buzz, a printed media piece that provides the public with information regarding the Midtown community including new businesses, new development projects, infrastructure projects and other valuable information about the Midtown community including notices of important meetings, events and stakeholder participation opportunities. The cost of publishing and distributing the Midtown Buzz in 2019 was \$9,078.
- 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. At the end of 2019 the Midtown eNews had 6,100 subscribers. The annual cost to publish the weekly eNews during 2019 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 2019, the District saw the following growth in social media outreach:
  - Instagram: 4,371 to 8,293 a 90% increase
  - Twitter: 13,010 to 13,500 a 4% increase
  - Midtown Park Facebook: 1,764 to 2,160 a 22% increase
  - Bagby Park Facebook: 1,217 to 1,417 a 16% increase
  - Midtown Houston Facebook: 14,434 to 15,987 an 11% increase
- The Board continues to partner with BikeHouston to provide guided community bike rides, bike maintenance workshops, and marketing information to promote and encourage the use of healthy and affordable transportation options. This was a joint project of multiple committees. The cost of this project was \$3,000.

## Midtown Management District Management's Discussion and Analysis (Unaudited)

### Cultural Arts and Entertainment District Committee

- In March of 2019 the Cultural Arts and Entertainment Committee District Committee presented to the City of Houston Mayor's Office of Cultural Affairs a proposal to enhance cultural tourism in the community. The District has worked continually to provide an avenue for accessibility and coordination among our arts organizations. In addition, we have worked to facilitate, manage, promote, and maintain cultural arts assets such as a robust cultural arts website, social media, and a cultural arts map and guide. The challenge is being able to continue to foster this synergy on a deeper and more sustained level. The District has demonstrated the capacity to succeed in meeting the overall challenge. In June 2019, the District executed a contract with the City and received Mayor's Office of Cultural Affairs City of Houston Initiative Grant in the amount of \$140,000.
- The annual Midtown Art in the Park event was held in April 2019 in conjunction with the monthly Midtown Farmers Market. The event included 36 creative vendor booths, 6 local arts organizations, 9 Art Car performances, 7 bands and 10 chalk artists. Two 4x8 interactive coloring book panels were designed, fabricated, and installed for the event. One anamorphic art panel was designed and installed for social media purposes. 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. DIY projects which participants could take home included Paint a Wine Glass, Painting with a Twist (which sold out), Make your Own Paper Flowers with Exquisite Details by Raquel, Photo at the Instagram Cube. The approximate cost of the Art in the Park 2019 event was \$46,363.
- In June of 2019 the District held their first Children's Performance Art Festival in Midtown Park. The event's theme was "When Arts meets Science!!" Children learned how digital elements can enhance art with cutting edge innovation. Visitors enjoyed live musical entertainment from bands comprised of children, artisan food, beverages and interactive art and science activities! A Dragon Dance and an outdoor recording studio was also available at the event. A portion of the cost of the Children's Performance Art Festival was paid through the City of Houston Initiative Grant. The cost of the inaugural Midtown Children's Performance Art Festival was \$26,962.
- A portion of the City of Houston Initiative Grant was devoted to the District's Midtown Micro Arts Grants program. The District awarded micro grants totaling \$30,000 in varying amounts to seven (7) individuals and arts organizations to pay the cost of performance art events in public spaces in Midtown. A variety of art performances and public projects will be completed in the community. Projects include murals, a pop up library, participation in the 2020 FotoFEST, music, dance and spoken word.
- The Midtown Mistletoe Market was held in Midtown Park in December of 2019. A portion of the funding for this event was provided by the City of Houston Initiative Grant from the Mayor's Office of Cultural Affairs to assist in expanding the project and deepening the opportunity to bring tourists to the community. The holiday inspired market featured 27 craft/artisan vendors and was very well attended. The night market featured crafts for sale and a holiday jazz night. For 2019 the following additional programming was added to increase event attendance and create a destination market; a public art display made out of balloons 20 feet tall that filled the elevator foyer, chalk artists, live bands, activation of the 27x18 chalk wall in the park; a write Letters to Santa with the U.S. Post Office table, Painting with a Twist, an interactive theater troupe participated on both days, food and drink, holiday décor suitable for family photographs. Two 4x8 interactive coloring book panels were designed, fabricated, and installed for the event. There was a Santa Paws with a sleigh available for

## **Midtown Management District Management's Discussion and Analysis (Unaudited)**

photos. To reaffirm our commitment as a sustainable community a reusable Midtown Mistletoe Market bag were distributed to event attendees. The cost of the Midtown Mistletoe Market was approximately \$70,556.

### **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 an additional B-Cycle Station in Midtown at Austin Street and Gray Street. This brings the total number of B-Cycle Stations in Midtown to ten. District resources were used to help coordinate and facilitate installation of this B-Cycle Station.
- In April 2019 the City of Houston brought Cigna Sunday Streets to Midtown. It is a city wide initiative to promote and improve the health of Houstonians. This family-friendly event closed several Midtown streets normally reserved for cars and other vehicles to allow cycling, walking, dancing, socializing and provides a family-friendly opportunity to be physically active. Street closures were at Gray St. between Baldwin St. & Brazos St. and Brazos St. between Gray St. & McGowen St. This highly interactive event gave Midtown businesses and arts organizations the opportunity to participate and be seen by Midtowners and visitors alike. District resources were used to help coordinate and promote the event.
- The Midtown Farmers Market continued service in 2019. The weekly Saturday event takes place at Baldwin Park providing the opportunity for visitors to purchase fresh fruits, vegetables and prepared foods. From time to time the market was held in conjunction with community art events or bike rides. The cost of the Midtown Farmers Market for 2019 was \$15,177.
- 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, 2019 to December 31, 2019, the District coordinated and participated in the following events:

## **Midtown Management District Management's Discussion and Analysis (Unaudited)**

### **General**

- Midtown Valentine's Market - February 2019
- Midtown Art in the Park – April 2019
- City of Houston - Cigna Sunday Streets April 2019
- Bike Houston Community Bike Rides in Midtown – April 2019
- Mother's Day Market – May 2019
- 12 Board of Directors' meetings, four of which four were quarterly evening meetings, including the Annual Board of Directors meeting held in August 2019.
- Midtown Mistletoe Market – December 2019
- Combined committee meetings – from time to time to increase attendance, awareness and seed new ideas for projects combined committee meetings are held. In 2019 Cultural Arts and Entertainment and Marketing and Economic Development held combined committee meetings
- 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 2019.
- 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
- 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 2019. Meetings and events are open to the public.

Reports and other information regarding the District is available online at [www.midtownhouston.com](http://www.midtownhouston.com).

### **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.

## Midtown Management District Management's Discussion and Analysis (Unaudited)

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.

### **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>2019</b>	2018	Increase (Decrease)
<b>Assets</b>			
Cash and cash equivalents	\$ 840,000	\$ 1,064,000	\$ (224,000)
Investments	1,096,000	714,000	382,000
Assessment receivables	2,224,000	1,967,000	257,000
Other receivables	7,000	-	7,000
Prepaid expenses	42,000	57,000	(15,000)
<b>Total assets</b>	<b>4,209,000</b>	3,802,000	407,000
<b>Liabilities</b>			
	<b>452,000</b>	517,000	(65,000)
<b>Deferred inflows of resources</b>			
	<b>2,644,000</b>	2,448,000	196,000
<b>Net position - unrestricted</b>	<b>\$ 1,113,000</b>	\$ 837,000	\$ 276,000

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.

## Midtown Management District Management's Discussion and Analysis (Unaudited)

Liabilities include a payable to the City of Houston (the City) for electricity costs for the period January through December totaling approximately \$150,000 and \$226,000, for the years ended December 31, 2019 and 2018, 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. The decrease in the accrual is due to the street lights were upgraded to LED lightning which is an energy-saving alternative. 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.

Deferred inflows of resources relate to 2020 and 2019 assessments as of December 31, 2019 and 2018, respectively. Taxes levied on October 1 of calendar year 2019 and 2018 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 an increase in net position of the District's governmental activities from 2018 to 2019 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>2019</b>	2018	Increase (Decrease)
<b>Revenues</b>			
Assessments, net	\$ 2,441,000	\$ 2,378,000	\$ 63,000
Grant revenue	105,000	-	105,000
Interest and other revenues	62,000	60,000	2,000
<b>Total revenues</b>	<b>2,608,000</b>	2,438,000	170,000
<b>Expenses</b>			
Security and public safety	836,000	929,000	(93,000)
Marketing and economic development	57,000	65,000	(8,000)
Urban planning	36,000	97,000	(61,000)
Service and maintenance	730,000	645,000	85,000
Cultural arts and entertainment	261,000	183,000	78,000
District administration	412,000	358,000	54,000
<b>Total expenses</b>	<b>2,332,000</b>	2,277,000	55,000
<b>Change in net position</b>	<b>276,000</b>	161,000	115,000
<b>Net position - beginning of year</b>	<b>837,000</b>	676,000	161,000
<b>Net position - end of year</b>	<b>\$ 1,113,000</b>	\$ 837,000	\$ 276,000

## Midtown Management District Management's Discussion and Analysis (Unaudited)

### 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>2019</b>	2018
Assessments collected	<b>\$ 2,378,000</b>	\$ 2,322,000
Delinquent collections, net of overpayments	<b>29,000</b>	32,000
Penalties and interest	<b>34,000</b>	24,000
<b>Net assessments</b>	<b>\$ 2,441,000</b>	\$ 2,378,000

The District's collection rate for both of the years ended December 31, 2019 and 2018 was 99%.

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. 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.

In July 2019, the District entered into an interlocal agreement with Midtown Redevelopment Authority to promote, facilitate, support and fund certain cultural arts, entertainment, cultural tourism and economic development projects inside the boundaries of the Midtown area. The total grant award is \$140,000. For the year ended December 31, 2019, the District recognized grant revenue in the amount of \$105,000. Eligible costs under the grant totaled \$71,915 for the year ended December 31, 2019.

#### **Governmental Fund**

At the end of the current fiscal period, the District's governmental fund reported an ending fund balance of approximately \$1,075,000. Approximately \$330,000, of this total amount has been committed by the District's Board of Directors for public safety and landscaping enhancements in Bagby Park (\$150,000) and Baldwin Park (\$180,000) and approximately \$33,000, of this total amount has been restricted for the cultural art grant discussed above. The remainder of the fund balance, approximately \$712,000, 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 (Unaudited)

### OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

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

As of December 31, 2019 and 2018, 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 2019.

### FUTURE PROJECTS

#### Security and Public Safety

At the January 8, 2020 regular Board of Director's meeting, the Board approved an Interlocal Agreement with Harris County to continue to provide Deputy Constables to patrol the community at a cost of \$425,347. The contract with Harris County provides for the services of four (4) deputy constables and a supervising sergeant, for a total of five (5) deputy constables and extends through February 28, 2021, unless earlier terminated. This is a 4.9% increase in the cost of the contract over the prior year.

In January 2020 the hours for the Security Coordinator were increased from 40 hours per month to 80 hours per month.

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 periodically by the Public Safety Committee.

#### 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.



## Midtown Management District Management's Discussion and Analysis (Unaudited)

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

The District continues to 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 will continue to encourage the installation and repair of Midtown signature coach lights 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. The Midtown staff will develop and launch Calls to Creatives for repeat events such as the Valentine and Mother's Day Markets and Art in the Park. Artists who received the MidtownHOU Arts Micro Grants will have additional time to complete projects due to COVID-19. The new deadline for grant recipients to complete their projects is December 31, 2020.

### 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 development 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.

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.

## **Midtown Management District Management's Discussion and Analysis (Unaudited)**

\* \* \* \* \*

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, 2019*

	General Fund	Adjustments	Statement of Net Position
<b>Assets</b>			
Cash and cash equivalents	\$ 839,958	\$ -	\$ 839,958
Investments	1,096,009	-	1,096,009
Assessment receivables	2,224,242	-	2,224,242
Other receivables	7,410	-	7,410
Prepaid expenses	41,667	-	41,667
<b>Total assets</b>	<b>\$ 4,209,286</b>	<b>\$ -</b>	<b>\$ 4,209,286</b>
<b>Liabilities</b>			
Accounts payable	\$ 301,862	\$ -	\$ 301,862
Accrued liabilities	150,132	-	150,132
<b>Total liabilities</b>	<b>451,994</b>	<b>-</b>	<b>451,994</b>
<b>Deferred inflows of resources</b>			
Deferred revenue	2,682,089	(37,528)	2,644,561
<b>Fund balances</b>			
Restricted	33,085	(33,085)	-
Committed	330,000	(330,000)	-
Unassigned	712,118	(712,118)	-
<b>Total fund balances</b>	<b>1,075,203</b>	<b>(1,075,203)</b>	<b>-</b>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>\$ 4,209,286</b>	<b>-</b>	<b>-</b>
<b>Net position - unrestricted</b>		<b>\$ 1,112,731</b>	<b>\$ 1,112,731</b>
Total fund balance of governmental fund			\$ 1,075,203
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			37,528
<b>Net position of governmental activities</b>			<b>\$ 1,112,731</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, 2019*

	General Fund	Adjustments	Statement of Activities
<b>Revenues</b>			
Assessments, net	\$ 2,460,231	\$ (19,621)	\$ 2,440,610
Grant revenue	105,000	-	105,000
Interest and other revenues	62,330	-	62,330
<b>Total revenues</b>	<b>2,627,561</b>	<b>(19,621)</b>	<b>2,607,940</b>
<b>Expenditures/expenses</b>			
Security and public safety	836,389	-	836,389
Marketing and economic development	57,392	-	57,392
Urban planning	36,161	-	36,161
Service and maintenance	730,057	-	730,057
Cultural arts and entertainment	260,770	-	260,770
District administration	411,518	-	411,518
<b>Total expenditures/expenses</b>	<b>2,332,287</b>	<b>-</b>	<b>2,332,287</b>
Excess of revenues over expenditures	295,274	(295,274)	-
Change in net position	-	275,653	275,653
<b>Fund balance/net position</b>			
Beginning of year	779,929	57,149	837,078
End of year	\$ 1,075,203	\$ 37,528	\$ 1,112,731
Net change in fund balance of general fund			\$ 295,274
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			(19,621)
Change in net position of governmental activities			\$ 275,653

*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, 2019.

**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.

## 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, 2019.

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, 2019, the carrying amount of the District's deposits totaled \$242,116 and the bank balances totaled \$457,080. The District's funds were fully insured under FDIC limits or collateral at December 31, 2019.



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

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

***Deposits (Continued)***

Cash and cash equivalents at December 31, 2019 consist of the following:

Bank deposits:	
Demand deposits	\$ 242,116
Cash and cash equivalents:	
Money market funds	597,842
<hr/>	
Total cash and cash equivalents	\$ 839,958
<hr/>	

***Investments***

As of December 31, 2019, 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	\$ 1,096,009	\$ 1,096,009	\$ -	\$ -	\$ -
Total investments	\$ 1,096,009	\$ 1,096,009	\$ -	\$ -	\$ -

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 continues to install 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 \$179 per street light. As of December 31, 2019, approximately 840 street lights have been installed by the Authority and approximately \$150,000 has been accrued for related electricity costs owed to the City of Houston.

### Note 6: FUND BALANCE – GOVERNMENTAL FUND

As of December 31, 2019, the fund balance of the District's general fund is classified as follows:

Restricted to:	
Cultural art grant	\$ 33,085
Committed to:	
Public safety and landscaping enhancements in Bagby Park	150,000
Public safety and landscaping enhancements in Baldwin Park	180,000
Unassigned	712,118
<hr/>	
Total fund balance	\$ 1,075,203

### 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 2018, 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 2019 tax year, the District levied an ad valorem assessment of \$0.1181 per \$100 of assessed valuation, resulting in an assessment of \$2,644,561 on the assessed valuation of \$2,234,853,355. As of December 31, 2019, \$457,847 of the 2019 assessment was collected. Revenue recognition for the 2019 assessment collections has been fully deferred to 2020.

## 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 \$474,000 for the year ended December 31, 2019. At December 31, 2019, approximately \$121,000 was payable to the Authority under this contract.

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 \$243,000 for the year ended December 31, 2019. At December 31, 2019, approximately \$42,000 was payable to 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 Improvement). The District will budget and contribute funds annually for the Legacy Improvements. For the year ended December 31, 2019, the District remitted approximately \$243,000 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. In 2019, Holman Street was added to the Legacy Improvement projects.

#### ***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 29, 2020 and was renewed for a one year term through February 28, 2021. The annual cost for the agreement beginning March 1, 2020 for four patrolling deputy constables and one supervising sergeant is \$425,347.

## Midtown Management District Notes to Basic Financial Statements

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

#### ***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. Additionally, in 2019, the District hired two additional staff to the field service team which resulted in an additional \$71,700 paid under this agreement.

#### ***Other***

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

### **Note 10: SUBSEQUENT EVENTS**

In March 2020, the World Health Organization made the assessment that the outbreak of a novel coronavirus (COVID-19) can be characterized as a pandemic. As a result, uncertainties have arisen that may have a significant negative impact on the operating activities and results of the District. The occurrence and extent of such an impact will depend on future developments, including (i) the duration and spread of the virus, (ii) government quarantine measures, (iii) voluntary and precautionary restrictions on travel or meetings, (iv) the effects on the financial markets, and (v) the effects on the economy overall, all of which are uncertain.

**Required Supplementary Information**

## Midtown Management District Budgetary Comparison Schedule – General Fund (Unaudited)

*For the year ended December 31, 2019*

	Original and Final Budgeted Amounts	Actual Amounts (Budgetary Basis)	Favorable/ (Unfavorable)
<b>Revenues</b>			
Assessments, net	\$ 2,394,039	\$ 2,460,231	\$ 66,192
Grant revenue	-	105,000	105,000
Interest and other revenues	62,046	62,330	284
<b>Total revenues</b>	<b>2,456,085</b>	<b>2,627,561</b>	<b>171,476</b>
<b>Expenditures</b>			
Security and public safety	1,001,532	836,389	165,143
Marketing and economic development	105,012	57,392	47,620
Urban planning	112,081	36,161	75,920
Service and maintenance	683,958	730,057	(46,099)
Cultural arts and entertainment	196,350	260,770	(64,420)
District administration	357,152	411,518	(54,366)
<b>Total expenditures</b>	<b>2,456,085</b>	<b>2,332,287</b>	<b>123,798</b>
Change in fund balance	-	295,274	295,274
Fund balance - beginning of year	779,929	779,929	-
<b>Fund balance - end of year</b>	<b>\$ 779,929</b>	<b>\$ 1,075,203</b>	<b>\$ 295,274</b>

*See independent auditors' report.*