



**Midtown Management District**

**FINANCIAL STATEMENTS**

**December 31, 2021**



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## **INDEPENDENT AUDITORS' REPORT**

Board of Directors  
Midtown Management District  
Houston, Texas

### **Opinions**

We have audited the accompanying financial statements of the governmental activities and major fund of Midtown Management District (the District), as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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

### ***Basis for Opinions***

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

### ***Responsibilities of Management for the Financial Statements***

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

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

### ***Auditors' Responsibilities for the Audit of the Financial Statements***

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

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

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

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

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison schedule – general fund on pages 4 through 17 and 28 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 6, 2022

## **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, 2021. This discussion and analysis includes comparative data for the year ended December 31, 2020 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 COVID-19 pandemic continued throughout 2021. In accordance with directives and guidance provided by the City and the County, the executive director continued procedures intended to facilitate District operations during the COVID-19 pandemic and support employee and public safety, which included a rotating staff schedule and working remotely for certain employees.

To continue to provide the public with the opportunity to attend and participate in meetings of the District's Board of Directors (the Board) and Committees, the District secured a license for Cisco WebEx, an online video conferencing meeting platform. Information about how to access online meetings including links, phone numbers, passwords, and meeting ID numbers was provided in writing on all agendas and on the events calendar contained on the Midtown Houston website.

In accordance with section 418.016 of the Texas Government Code, as amended, the Texas Governor temporarily suspended certain open meeting statutes that require government officials and members of the public to be physically present at a specified meeting location. As a result, governmental entities, such as the Midtown Management District, were permitted to meet via video conferencing. Members of the public were invited to join Board and Committee meetings via video conference and were offered the opportunity to make public comments during the public comment portion of the meeting. In October 2021, the Board began hosting in person meetings with a virtual component.

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

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

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

- The assessment rate for the tax year 2021 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 \$14,622,920 and the average annual assessment paid to the District for a multi-family property was \$17,270. The average taxable value for a commercial property located in Midtown was \$1,798,510 and the average annual assessment paid to the District for a commercial property was \$2,124. The average taxable value for a single family residential homesteaded property in Midtown was \$266,015 and the average annual assessment paid to the District on a residential homesteaded property was \$314.16\*. The total assessment revenue for the year ended December 31, 2021 was budgeted at \$2,916,646 and the final assessed levy for tax year 2020 (fiscal year 2021) was \$2,850,407. The District received assessments totaling \$2,829,631 for fiscal year 2021 resulting in a collection rate of 99%. The assessment rate has remained at \$0.1181 per \$100 of valuation for the past 17 years.

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

- The District continues to work closely with the Midtown Redevelopment Authority (the Authority) in making applications for federal and state grant funds for transportation improvement projects in Midtown. The District 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 Midtown Parks Conservancy to pay for management and maintenance services to be provided thereunder. In fiscal year 2021, the District paid \$382,707 to Midtown Parks Conservancy for such services.

### **Public Safety Committee**

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

- The District contracts with Harris County for Precinct 7 Deputy Constables to provides patrol services, online patrol alert filing, online vacation watch requests, community crime statistical reports, event security for Midtown directed/sponsored events, public safety education programs, and public safety information. The term of the Interlocal Agreement with Harris County for Law Enforcement Services began on March 1, 2021 and expired on February 28, 2022. Pursuant to the Interlocal Agreement with Harris County for Law Enforcement Service, four deputies and one supervising sergeant provide general patrol and an enhanced law enforcement presence in the community. The annual cost for four patrolling deputy constables and one supervising sergeant for 2021 was \$435,100.

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

- The District contracts with S.E.A.L. Security Solutions LLC to provide additional patrol services in the community and crime deterrence. S.E.A.L. Security Solutions LLC provides monthly incident reports which are presented at the District's monthly Public Safety Committee meetings. S.E.A.L. Security Solutions LLC also provides security services for Midtown directed/sponsored events. Year-end statistics show that in 2021, S.E.A.L. Security Solutions LLC received 1,787 calls on the Midtown dedicated Hotline compared to 697 calls in 2020. This is a 159% increase in calls for service. S.E.A.L. Security Solutions LLC reported 1,608 incidents and constituent contacts in Midtown in 2021 compared to 1,065 incidents and constituent contacts in 2020. This is a 51% increase over the prior year\*. S.E.A.L. Security Solutions LLC participated in 5 Homeless Outreach Projects in 2021. The cost for three patrolling S.E.A.L. Security Solutions LLC security officers with Midtown branded automobiles was \$182,952.

\*- Statistics provided by S.E.A.L Security Solutions LLC

- The District pays the difference in the cost of electricity between what the City pays for its standard cobra head streetlights and the signature LED coach lights installed in Midtown. Midtown is part of the CenterPoint LED Lighting Conversion Program. The program consists of changing out the signature Midtown Coach lighting from standard incandescent bulbs to Light Emitting Diode (LED) bulbs in hopes of lowering costs, providing more lighting, and requiring less maintenance. The project has proven successful by addressing all three of the concerns. Electricity costs have been consistently decreasing since 2012. For the calendar year 2020, the delta payment for electricity used by the signature LED Midtown streetlights was \$78,571 which represents a 47% decrease from the prior year. This was paid in July 2021.
- 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 light outages in Midtown park spaces, public right of ways and on streets. Streetlight outages are then reported directly to CenterPoint Energy for repair and followed up on by SMC Logistics. Light outages in park spaces and other public rights-of-way that are not streetlights are reported to Midtown staff for additional follow up and repair. The District continues to respond to resident concerns regarding light outages in park spaces and in the public rights-of-way. In 2020, 146 light outages were reported and in 2021 180 light outages were reported, representing an increase of approximately 23% in light outages in the public rights-of-way and on streets of Midtown. The cost of the service in 2021 was \$2,550.
- In June 2021, the District employed a full-time Security Coordinator. The Security Coordinator represents Midtown in various meetings and professional settings to advocate for the community. The Security Coordinator served as the District's liaison for Midtown area businesses and stakeholders. He coordinates with the following agencies to advocate for and enhance the safety of Midtown: the 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., the Midtown SEARCH Homeless Outreach Team, the City of Houston Public Intoxication Transport Team/Sobering Center, Metropolitan Transportation Authority Police Department, Rice University Police Department, and the Houston Community College Police Department, and. Additionally, the Security Coordinator



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

assists the District in developing and implementing public safety and crime prevention programs, including the District's Annual National Night Out.

- The District continues to assist the City as it attempts to deal with the complex issues surrounding public intoxication, homelessness and vagrancy. The District participates in the City's Public Intoxication Transport Team Program (PIT). The PIT Team is composed of a social worker and emergency medical technician personnel who patrol the area in a van and transport eligible individuals who are willing to accept assistance to the Houston Sobering Center. The District and other entities provide financial assistance to the PIT Team Program. In 2021, 22 individuals were transported to the Sobering Center to receive services\*. All individuals who engagement with the PIT Team receive a wellness check. The District's out-of-pocket financial contribution to the program in 2021 was \$66,790.

\*- Statistics provided by the Houston Sobering Center

- SEARCH Homeless Services is part of The Way Home continuum, which helps provide housing for the most vulnerable individuals. The Board voted to enter into an agreement with SEARCH Homeless Services for a 6-month pilot program for a dedicated Midtown Homeless Outreach Specialist beginning in December 2020 and ending in May 2021. During the pilot program the Midtown Homeless Outreach Program housed 18 vulnerable individuals\*. On July 1, 2021, Midtown entered into an agreement with SEARCH Homeless Services to continue the Midtown Homeless Outreach Program and add a second Outreach Specialist. As of December 31, 2021 the outreach program has housed 64 individuals. At the same time there were 500 individuals added to the Homeless Information Management System making them eligible for housing. The Midtown Homeless Outreach Program conducted a total of 36 outreach projects in addition to their daily work to house vulnerable populations. 5 of the outreach projects were conducted during the initial pilot project\*. The cost for the Midtown Homeless Outreach Program in 2021 was \$72,530.

\*- Statistics provided by SEARCH Homeless Services

- The District has an Interlocal Agreement with the City that allows the 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 2021 the SEARCH Homeless Outreach Team paved the way in their efforts to work with the City of Houston and the Midtown Management District to decommission the homeless encampment located at Hamilton and Pierce streets. The encampment was decommissioned in November 2021.
- In 2021, 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 to get one-on-one public safety counseling including tips and suggestions and general information to enable them to better protect themselves, their families, and their businesses. Local elected officials including the Mayor,

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

Police Chief, the Congresswoman for the 18<sup>th</sup> U.S. Congressional District and certain City Council Members as well as executive staff members of the Houston Police Department, both Central and South Central Divisions, Harris County Precinct 7 Deputy Constables, Houston Community College officers, and METRO Police officers participated. The cost of National Night Out was \$4,441.

### **Service and Maintenance Committee**

- The District entered into an Interlocal Agreement with the Metropolitan Transit Authority (METRO) regarding landscape maintenance services for the 3 esplanades that are adjacent to the METRO Rail Line on Main Street between the Wheeler Transit Center and Gray street. The terms of the Joint Landscaping Maintenance Agreement with METRO for Maintenance of a portion of the Main Street Median pursuant to which the District or its subcontractor will perform certain ongoing routine maintenance of landscaping and the irrigation system for the 3 esplanades and pay the associated costs. Pursuant to the Interlocal Agreement, METRO will reimburse the District for the actual costs of such services in an amount not to exceed \$46,000 per year for each of the next 7 years, provided the total reimbursement shall not exceed \$368,000. The District received and passed-through \$46,000 to MIDCorp in connection with this agreement in 2021.
- The District continued its Midtown Field Services Program. Under this Program, the District provides services and maintenance in public rights-of-way and maintains certain City-owned parks located in Midtown. These services include landscaping, mowing, weed eating, edging, mulching, irrigation system maintenance and repair, tree pruning, and seasonal planting. Additional services provided by the Field Services Team also include replacing Midtown logo street signs, debris removal, new tree planting, and other general maintenance of the public rights-of-way. Having a dedicated Field Services Team allows the District to fulfill its obligations to maintain capital improvements constructed by the Authority. The cost for the Field Services Program during 2021 was \$203,388.
- In 2019 the District added two additional team members to the Field Services Team whose sole responsibility is to pick up trash and debris throughout the District and especially in hot spot areas which allows the remaining Field Services Team members to focus on their regular responsibilities and special projects. The District continued to utilize these two additional team members in 2021 at a cost of \$71,700.
- Pursuant to Interlocal Agreements with the City, the District provides regular complete maintenance of Elizabeth Baldwin Park and Elizabeth Glover Park. The cost of maintenance for these two parks includes paying for utilities, maintaining, and replacing path decomposed granite, irrigation, and landscape repairs, monthly general landscape maintenance services, park lighting, and maintenance of the dog park. The cost to maintain Elizabeth Baldwin Park and Elizabeth Glover Park for 2021 was \$31,783.
- Replacing damaged or dead landscaping and planting and maintaining new trees and landscaping in the public rights-of-way are of vital importance to maintain the beauty and

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

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 rights-of-way was \$73,372 in 2021.

- The District provides and maintains numerous Pet Waste Stations located throughout Midtown. The District's cost for supplies for the Pet Waste Stations for 2021 was \$1,280.
- The District continues to use the SeeClickFix maintenance app to provide a streamlined process to track and respond to a variety of maintenance calls for service, such as repair of broken sprinklers heads, trash and debris removal and tree trimming. SeeClickFix has a mobile application across a variety of digital platforms as well as an online presence. Between January 1, 2021 and December 31, 2021, the program data showed that 351 issues were opened, 342 issues were acknowledged, and 298 issues were completed. The cost of SeeClickFix for 2021 was \$8,113.
- 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 areas in the public rights-of-way only. Residents assist the Graffiti Abatement Program by identifying areas in the public rights-of-way that need abatement and reporting such areas via the SeeClickFix app. A total of 548 sites were abated in 2020 compared to 499 sites abated in 2021. This represents an 8% decrease in the number of sites abated over the prior year. The District's cost for the Graffiti Abatement Program for 2021 totaled \$4,596.

### **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, a weekly Midtown Blog, ads in area publications, and live media appearances. All the various communication tools are intended to help educate the public on the activities of the District and to help spur economic development in Midtown. The cost to educate and keep Midtowners and the public informed was \$10,714 for 2021.
- The District publishes the bi-annual Midtown Buzz newspaper. The paper provides information regarding new businesses, construction projects and other items of interest about the Midtown community including notices of important meetings, events, and stakeholder participation opportunities. In 2021, due to the COVID-19 pandemic, the Midtown Buzz was not printed but was published digitally and made available online on the Midtown Houston website. The cost to design, write, edit, and prepare the digital version of the Midtown Buzz for 2021 was \$4,250.
- The weekly Midtown eNews provides valuable information regarding upcoming meetings, events, and activities in Midtown. At the end of 2021, the Midtown eNews had 4,500 subscribers. The annual cost to publish the weekly eNews during 2020 was \$960.

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

- Social media continues to be an invaluable resource for outreach to the public and to Midtown residents and businesses regardless of gender or age. During 2021 the District saw growth in social media outreach:
  - Instagram: 9,715 to 10,877 a 12 % increase
  - Twitter: 13,609 to 13,537 a .5 % decrease
  - Midtown Park Facebook: 3,266 to 4,041 a 23 % increase
  - Bagby Park Facebook: 1,696 to 1,924 a 13% increase
  - Midtown Houston Facebook: 16,266 to 17,087 a 5% increase

### **Cultural Arts and Entertainment District Committee**

- In its 9<sup>th</sup> year as a State of Texas designated Cultural Arts and Entertainment District, the District has worked to provide an avenue for accessibility and coordination among arts organizations located in Midtown. In addition, the District has 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.
- Due to the COVID-19 pandemic, the District's annual Midtown Art in the Park event was not permitted to be held in the City of Houston owned Elizabeth Baldwin Park. The District produced a virtual event in the Park with the theme "Art is Still in our Heart". The event was produced with the assistance of a local production team, with music, graphics, scripts, subtitles and opening and closing montages with credits that were posted to the District's YouTube Channel. The event featured on location portions with the history of Midtown, performances by local musicians, ArtJams (art classes) and local artists with their works for sale. This was the first video production developed by the Cultural Arts and Entertainment District. The cost of Art in the Park in 2021 was \$41,970.
- The 2021 Midtown Mistletoe Market in Midtown Park was the first in person event since the beginning of the COVID-19 pandemic. Held in Bagby Park, the two-day event with the theme "Holidays Around the World" was well received with good attendance. The event featured high end crafts and unusual gift items for sale, ArtJams (art classes) and food vendors geared to the season. The Midtown Sign was wrapped in a festive design for the entire season. Holiday decorations were also placed throughout the park. The cost of the event was \$50,670.
- As part of general administrative responsibilities and to maintain the District's State of Texas Cultural Arts Designation, the Midtown staff provided an Annual Report to the Texas Commission on the Arts detailing approved projects and activities.
- 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 work cooperatively with the City of Houston Office of Special Events and the Midtown Parks Conservancy to provide virtual events until such time as in person events and activities can be held in Midtown owned park spaces and City of Houston Parks.

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

### 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.
- Midtown is a Walkable Places Pilot Community. Inclusion as a Walkable Places Pilot Community, the community participates in crafting proposed regulations and ordinances before they are considered and approved by the Houston Planning Commission and City Council. Midtown residents and businesses can benefit greatly from the new regulation framework proposed in the Walkable Places Project which will prioritize a quality pedestrian realm and people-oriented site and building design over car-oriented features such as setbacks and surface parking.
- 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 the Main street wheeler area. In 2020 B-Cycle reported 20,949 bike check outs while in 2021 B-Cycle reported 15,177 bike check outs or a 27% decrease in ridership.

\*- Statistics provided by Bike Share

- The Committee continues to engage with various stakeholders and the City regarding the urban transportation and pedestrian needs of the Midtown community. Several Board members and Midtown staff have participated in numerous meetings to advocate for Midtown regarding the following proposed projects that impact the community: Wheeler Cap Park, North Highway Improvement Project (NHIP), Steps Program, the City's Major Thoroughfare Plan (MTFP), and the Walkable Places Project.

### Advocacy

During the period from January 1, 2021 to December 31, 2021, the District and or Board members advocated for the community on the following community boards, panels, meetings, or workshops.

- Coalition for the Homeless
- Super Neighborhood #62
- South Main Alliance Advisory Council Member
- Monthly evening HPD Central and South-Central Patrol Division PIP meetings represented by Board members and staff

Approximately 72 committee meetings and 11 Board of Directors meetings were held in 2021. 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).

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

### **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 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 (Unaudited)

### **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>2021</b>	2020	Increase (Decrease)
<b>Assets</b>			
Cash and cash equivalents	\$ 1,443,000	\$ 912,000	\$ 531,000
Investments	955,000	1,060,000	(105,000)
Assessment receivables	2,712,000	2,480,000	232,000
Other receivables	-	3,000	(3,000)
Prepaid expenses	50,000	50,000	-
<b>Total assets</b>	<b>5,160,000</b>	4,505,000	655,000
<b>Liabilities</b>			
	<b>403,000</b>	467,000	(64,000)
<b>Deferred inflows of resources</b>			
	<b>3,189,000</b>	2,951,000	238,000
<b>Net position - unrestricted</b>	<b>\$ 1,568,000</b>	\$ 1,087,000	\$ 481,000

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 additional funds held in banks instead of local government investment pools as bank accounts were yielding higher interest rate. Assessment receivables increased mainly due to higher tax assessment levied in October 2021 while percentage collected remained consistent to prior year.

Liabilities include a payable to the City of Houston (the City) for electricity costs for the period January through December totaling approximately \$100,000 and \$160,000, for the years ended December 31, 2021 and 2020, 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 streetlights were upgraded to LED lightning which is an energy-saving alternative. Streetlights are installed by the Authority on an on-going basis. Invoices from the City are typically received in summer of each year for the previous year.

Deferred inflows of resources relate to 2022 and 2021 assessments as of December 31, 2021 and 2020, respectively. Assessments levied on October 1 of calendar year 2021 and 2020 are recorded as accounts receivable and deferred revenue at date of the levy. All amounts are deferred until the following fiscal year.

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

### *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>2021</b>	2020	Increase (Decrease)
<b>Revenues</b>			
Assessments, net	\$ 2,962,000	\$ 2,602,000	\$ 360,000
Interest and other revenues	4,000	16,000	(12,000)
<b>Total revenues</b>	<b>2,966,000</b>	2,618,000	348,000
<b>Expenses</b>			
Security and public safety	886,000	1,095,000	(209,000)
Marketing and economic development	45,000	42,000	3,000
Urban planning	42,000	106,000	(64,000)
Service and maintenance	834,000	828,000	6,000
Cultural arts and entertainment	199,000	129,000	70,000
District administration	479,000	444,000	35,000
<b>Total expenses</b>	<b>2,485,000</b>	2,644,000	(159,000)
<b>Change in net position</b>	<b>481,000</b>	(26,000)	507,000
<b>Net position - beginning of year</b>	<b>1,087,000</b>	1,113,000	(26,000)
<b>Net position - end of year</b>	<b>\$ 1,568,000</b>	\$ 1,087,000	\$ 481,000



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

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>2021</b>	2020
Assessments collected	<b>\$ 2,834,000</b>	\$ 2,590,000
Delinquent collections, net of overpayments	<b>92,000</b>	(12,000)
Penalties and interest	<b>36,000</b>	24,000
<b>Net assessments</b>	<b>\$ 2,962,000</b>	\$ 2,602,000

The District's collection rate for each of the years ended December 31, 2021 and 2020 was 98% and 99%, respectively.

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

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 from which \$105,000 has been recognized as grant revenue in 2019. The remaining \$35,000 will be recognized as grant revenue in 2022 when the required final report was submitted, accepted and approved by the grantor.

### **Governmental Fund**

At the end of the current fiscal period, the District's governmental fund reported an ending fund balance of approximately \$1,512,000. Approximately \$180,000, of this total amount has been committed by the District's Board of Directors for Baldwin Park as discussed above. Approximately \$50,000, of the ending fund balance is nonspendable due to prepayments. The remainder of the fund balance, approximately \$1,282,000, is available for spending at the District's discretion

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

provided such expenditures are to pay project costs that are allowable under the District's Service and Improvements Plan and Assessment Plan.

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

As of December 31, 2021 and 2020, 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 2021.

### **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**

Harris County Constable's Precinct 7, the S.E.A.L. Security Solutions LLC, the SEARCH Homeless Outreach Team and the Public Intoxication Team continue to provide services to the community.

### **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 rights-of-way and park spaces in Midtown.

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

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

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

### **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.

Staff submitted the final report for the City of Houston Initiative Grant to receive the final grant payment from the City.

Staff will submit to the Texas Commission on the Arts in June 2022 a 10-year report on the activities and economic impact of the Cultural Arts 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.

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

\* \* \* \* \*

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, 2021

	General Fund	Adjustments	Statement of Net Position
<b>Assets</b>			
Cash and cash equivalents	\$ 1,443,085	\$ -	\$ 1,443,085
Investments	954,763	-	954,763
Assessment receivables	2,711,803	-	2,711,803
Prepaid expenses	50,253	-	50,253
<b>Total assets</b>	<b>\$ 5,159,904</b>	<b>\$ -</b>	<b>\$ 5,159,904</b>
<b>Liabilities</b>			
Accounts payable	\$ 302,854	\$ -	\$ 302,854
Accrued liabilities	100,000	-	100,000
<b>Total liabilities</b>	<b>402,854</b>	<b>-</b>	<b>402,854</b>
<b>Deferred inflows of resources</b>			
Deferred revenue	3,244,478	(55,305)	3,189,173
<b>Fund balances</b>			
Nonspendable-prepayments	50,253	(50,253)	-
Committed	180,000	(180,000)	-
Unassigned	1,282,319	(1,282,319)	-
<b>Total fund balances</b>	<b>1,512,572</b>	<b>(1,512,572)</b>	<b>-</b>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>\$ 5,159,904</b>	<b>-</b>	<b>-</b>
<b>Net position - unrestricted</b>		<b>\$ 1,567,877</b>	<b>\$ 1,567,877</b>
Total fund balance of governmental fund			\$ 1,512,572
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			55,305
<b>Net position of governmental activities</b>			<b>\$ 1,567,877</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, 2021*

	General Fund	Adjustments	Statement of Activities
<b>Revenues</b>			
Assessments, net	\$ 2,946,446	\$ 15,639	\$ 2,962,085
Interest and other revenues	3,898	-	3,898
<b>Total revenues</b>	<b>2,950,344</b>	<b>15,639</b>	<b>2,965,983</b>
<b>Expenditures/expenses</b>			
Security and public safety	886,328	-	886,328
Marketing and economic development	44,595	-	44,595
Urban planning	42,132	-	42,132
Service and maintenance	834,313	-	834,313
Cultural arts and entertainment	198,899	-	198,899
District administration	479,042	-	479,042
<b>Total expenditures/expenses</b>	<b>2,485,309</b>	<b>-</b>	<b>2,485,309</b>
Excess of expenditures over revenues	465,035	(465,035)	-
Change in net position	-	480,674	480,674
<b>Fund balance/net position</b>			
Beginning of year	1,047,537	39,666	1,087,203
End of year	\$ 1,512,572	\$ 55,305	\$ 1,567,877
Net change in fund balance of general fund			\$ 465,035
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			15,639
Change in net position of governmental activities			\$ 480,674

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

## Midtown Management District Notes to Basic Financial Statements

### Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### ***Reporting Entity***

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

The District's five main areas of operation include security and public safety; marketing and economic development; urban planning; 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.

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

In evaluating the District as a reporting entity, management has considered all potential component units in accordance with Section 2100: Defining the Financial Reporting Entity of the Governmental Accounting Standards Board (GASB) Codification.

#### ***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.

## Midtown Management District Notes to Basic Financial Statements

### Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### *Measurement Focus and Basis of Accounting (Continued)*

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.

Fiduciary funds and fiduciary component units have not been included in the government-wide financial statements.

#### 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.

## Midtown Management District Notes to Basic Financial Statements

### Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### ***Fund Balance Classification (Continued)***

The provision of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, specifies the following classifications:

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

**Restricted fund balance** – Restricted fund balances are restricted when constraints placed on the use of the resources are either: (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation. The District did not have any restricted resources as of December 31, 2021.

**Committed fund balance** – The committed fund balance 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 fund balance** – Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes but do not meet criteria to be classified as 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, 2021.

**Unassigned fund balance** – Unassigned fund balance is 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.



## Midtown Management District Notes to Basic Financial Statements

### Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### ***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. 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 generally accepted accounting principles requires the District's management to make various estimates. Actual results could differ from those estimates.

#### ***Subsequent Events***

Management has evaluated subsequent events through the date that the financial statements were available to be issued, July 6, 2022, and determined there were no events that occurred that required disclosure other than the subsequent event disclosed in Note 8. No subsequent events occurring after this date have been evaluated for inclusion in these financial statements.

## Midtown Management District Notes to Basic Financial Statements

### Note 2: 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 3: 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, 2021, the carrying amount of the District's deposits totaled \$994,256 and the bank balances totaled \$1,229,125. The District's funds were fully insured under FDIC limits or collateral at December 31, 2021.

Cash and cash equivalents at December 31, 2021 consist of the following:

Bank deposits:	
Demand deposits	\$ 994,256
Cash and cash equivalents:	
Certificate of deposit	125,000
Money market funds	323,829
Total cash and cash equivalents	\$ 1,443,085

#### *Investments*

As of December 31, 2021, 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	\$ 954,763	\$ 954,763	\$ -	\$ -	\$ -
Total investments	\$ 954,763	\$ 954,763	\$ -	\$ -	\$ -

## Midtown Management District Notes to Basic Financial Statements

### Note 3: DEPOSITS AND INVESTMENTS (Continued)

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

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

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.

### Note 4: 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 \$116 per street light. As of December 31, 2021, approximately 865 street lights have been installed by the Authority and approximately \$100,000 has been accrued for related electricity costs owed to the City of Houston.

### Note 5: FUND BALANCE – GOVERNMENTAL FUND

As of December 31, 2021, the fund balance of the District's general fund is classified as follows:

Nonspendable-prepayments	\$ 50,253
Committed to:	
Public safety and landscaping enhancements in Baldwin Park	180,000
Unassigned	1,282,319
<hr/>	
Total fund balance	\$ 1,512,572
<hr/>	

## Midtown Management District Notes to Basic Financial Statements

### Note 6: 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 2020, 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 2021 tax year, the District levied an ad valorem assessment of \$0.1181 per \$100 of assessed valuation, resulting in an assessment of \$3,189,173 on the assessed valuation of \$2,700,400,280 (uncertified). As of December 31, 2021, \$554,981 of the 2021 assessment was collected. Revenue recognition for the 2021 assessment collections has been fully deferred to 2022.

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 7: 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 \$515,000 for the year ended December 31, 2021. At December 31, 2021, the District owed the Authority approximately \$138,000 under this contract.

The District's Executive Director is also member of the Midtown Improvement and Development Corporation (MIDCorp) Board of Directors. MIDCorp provided maintenance services and public improvements, as required under an executed agreement (see Note 8), totaling \$383,000 for the year ended December 31, 2021. At December 31, 2021, approximately \$26,000 was payable to MIDCorp.

## Midtown Management District Notes to Basic Financial Statements

### Note 8: 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, 2021, the District remitted approximately \$383,000 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.

#### ***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, 2022 and was renewed for a half year term through September 30, 2022. The cost for the agreement beginning March 1, 2022 through September 30, 2022 for four patrolling deputy constables and one supervising sergeant is \$254,322.

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

The District has a contract with Metropolitan Landscape Management, Inc. through December 31, 2022 to provide service and maintenance in public right-of-ways and maintain certain City-owned parks located in Midtown. These services include landscaping, mowing, weed eating, edging, mulching, irrigation system maintenance and repair, tree pruning, and seasonal planting. Services provided also include replacing Midtown logo street signs, debris removal, new tree planning, and other general maintenance of the public right-of-ways. The annual cost of these services is approximately \$274,000.

#### ***Homeless Outreach Specialist Pilot Program Contract***

The District has a contract with SEARCH Homeless Services through December 31, 2022 to use the services of a homeless outreach specialist to assist with addressing homelessness in Midtown. At the conclusion of the initial term, this agreement will automatically renew on a month to month basis, unless otherwise terminated. These services include assessment, care coordination, data management, and other assistance with the project. The cost of these services in 2022 will be approximately \$119,000.

#### ***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 (Unaudited)

*For the year ended December 31, 2021*

	Original and Final Budgeted Amounts	Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
<b>Revenues</b>			
Assessments, net	\$ 2,910,013	\$ 2,946,446	\$ 36,433
Interest and other revenues	10,200	3,898	(6,302)
<b>Total revenues</b>	<b>2,920,213</b>	<b>2,950,344</b>	<b>30,131</b>
<b>Expenditures</b>			
Security and public safety	1,044,431	886,328	158,103
Marketing and economic development	101,089	44,595	56,494
Urban planning	152,941	42,132	110,809
Service and maintenance	887,258	834,313	52,945
Cultural arts and entertainment	217,936	198,899	19,037
District administration	516,558	479,042	37,516
<b>Total expenditures</b>	<b>2,920,213</b>	<b>2,485,309</b>	<b>434,904</b>
Change in fund balance	-	465,035	465,035
Fund balance - beginning of year	1,047,537	1,047,537	-
<b>Fund balance - end of year</b>	<b>\$ 1,047,537</b>	<b>\$ 1,512,572</b>	<b>\$ 465,035</b>