

**Midtown Management District**  
**FINANCIAL STATEMENTS AND**  
**REQUIRED SUPPLEMENTARY INFORMATION**

December 31, 2014

Midtown Management District  
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## **INDEPENDENT AUDITOR'S 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, 2014, 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.

### **Auditor's 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 auditor's 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 the Midtown Management District, as of December 31, 2014, 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 13 and 23 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.

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

Houston, Texas

May 6, 2015

## **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, 2014. This discussion and analysis includes comparative data for the year ended December 31, 2013 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 2014 remained at \$0.1181 per \$100 valuation of properties located in the District. Total assessment revenue for the year ended December 31, 2014 was budgeted at \$1,556,208. Throughout the course of the year as the certified tax rolls were calculated, the final assessed levy for tax year 2013 (fiscal year 2014) was \$1,577,057. The District received current year assessments totaling approximately \$1,546,000 at a collection rate of 98%.
- The Board of Directors and Committees spent a significant amount of time in the fiscal year working toward the new proposed Service and Improvement Plan and Assessment Plan (2015-2024). Each committee dedicated a portion of monthly meeting time to developing goals, objectives and programs based on information solicited from stakeholders at over 100 meetings, interviews, FOCUS Groups and Townhalls. Each committee worked to develop an estimated 10-Year budget based on new and enhanced programming.
- In October 2014, the District's Board of Directors recommended no change to the rate of assessment for year ten of the District's current ten year Service and Improvement Plan and Assessment Plan (2005-2014).
- Parks and green space continue to be a priority as the Midtown Redevelopment Authority (the Authority) completed the renovations for the City of Houston's (the City) Elizabeth Baldwin Park in February 2014. The City's Elizabeth Glover Park was completed in May 2014. The improvements to Midtown Park (now known as Bagby Park) began in April 2013 and were still under construction at the end of the fiscal year 2014. The upgraded amenities will better serve the residents and businesses in the area. Pursuant to Interlocal Agreements with the Authority, the District is obligated to maintain all park spaces and public rights of way.
- In October 2014 at a Special Board Meeting, the District's Board of Directors unanimously approved a preliminary draft of the proposed new Midtown 10-Year Service and Improvement Plan and Assessment Plan (2015-2024).

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

### FINANCIAL HIGHLIGHTS (Continued)

#### Public Safety Committee

- The District is committed to providing a safe environment within the jurisdictional boundaries of Midtown. In an effort to enhance public safety, the District contracts with Harris County for Deputy Constables to provide patrol services, online Patrol Alert filing, online Vacation Watch Requests, event security for Midtown coordinated events and community crime statistics at a monthly cost of \$37,334. The contract term of the Interlocal Agreement for Law Enforcement Services expired on February 28, 2015 and was renewed subsequent to year end through February 2016. The annual cost of the agreement for one supervising sergeant and five patrolling deputies is \$461,440.
- The District also funds the delta cost of electricity for the coach lights installed in Midtown. The calendar year 2014 delta payment for electricity in the District was \$201,196 and was paid in March 2015.
- At the February 2014 Board meeting the Board of Directors approved a contract with SMG Logistics to provide a bi-monthly survey to detect streetlight outages in Midtown. The streetlight outages are reported to CenterPoint Energy for repair and followed up on by SMG Logistics. The cost of the service is approximately \$2,100 annually.
- The Public Safety Committee Chair and the District Operations Manager continue to represent the Midtown community on the Houston Police Department South Central Patrol Division's Citizens Advisory Panel. The panel meets quarterly to discuss concerns that are specifically related to Midtown with HPD command staff.

#### Services and Maintenance Committee

- The District continued the Midtown Field Services Program. This program provides services and maintenance for public rights of way and certain parks located in Midtown. These services include landscaping, mowing, weed eating, edging, mulching, irrigation system maintenance and repair, street sweeping, tree pruning and seasonal planting. Additionally the Field Services Program provides Midtown logo street sign replacement, debris removal, new tree planting and other general maintenance of the public rights of way. Since implementing the Field Services Program, the District has been able to eliminate its vendor contracts for street sweeping, tree pruning, and fertilization and has assigned these duties to the Field Services Team. Having this team allows the District to fulfill its obligations under Interlocal Agreements with the Authority to maintain improvements constructed by the Authority. Total costs for this project during 2014 were approximately \$176,000.
- Due to the number of public assets being added to the community, the District's Board of Directors voted to authorize adding an additional member to the Field Services Team at a cost not to exceed \$20,000.

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

### **FINANCIAL HIGHLIGHTS (Continued)**

- As part of the District's Interlocal Agreements with the City and the Authority, the District provides regular complete maintenance of the following: Elizabeth Baldwin Park, Elizabeth Glover Park (opened February 2014), Midtown Park (now known as Bagby Park), and Main Street and Elgin Street pedestrian enhancements. The cost to maintain Baldwin Park during the year ended December 31, 2014 was approximately \$12,600. Due to Midtown Park (Bagby Park) being under renovation for the 2014 fiscal year there was no cost involved in maintenance. The cost to maintain Main Street Pedestrian Enhancements during the year ended December 31, 2014 was approximately \$32,200. The cost to maintain Elgin Street Pedestrian Enhancements during the year ended December 31, 2014 was approximately \$14,700.
- At the March 2014 Board meeting the District's Board of Directors voted to amend the fiscal year 2014 budget for the Service and Maintenance Committee to include \$15,000 for seasonal planting. Total costs incurred during 2014 were approximately \$13,500.
- The District has a contract with the Greater East End Management District for the Midtown Graffiti Abatement Program. Abatement services are provided on a bi-monthly basis for areas in the public right of way only. The program which is well received by the community has enhanced the District's core mission, to provide a clean safe environment for its stakeholders. Residents have been asked to assist the Graffiti Abatement Program by identifying areas in the public right of way that need abatement. In 2014, a total of 328 sites in the public right of way were abated at a cost of approximately \$3,800.
- The District prides itself on being an urban community with pedestrian enhancements. In fiscal year 2014 approximately \$15,000 was budgeted for installing new sidewalks. In December 2014 the Board voted an additional \$15,000 be reallocated to the sidewalk project for a total of \$30,000 for fiscal year 2014. Total costs incurred for the sidewalk project were approximately \$33,000.
- Trees, tree maintenance and landscaping are an important role for the District. In fiscal year 2014 the District trimmed trees on approximately 40 city blocks and planted approximately 30 new trees at a budgeted cost of approximately \$18,000. In December of 2014 the Board approved a reallocation of an additional \$10,000 to plant new trees in the public right of way. The approximate total cost of maintaining existing trees and planting new trees in fiscal year 2014 was \$28,000.
- In September 2014 and October 2014 District's Field Services Team began maintaining the enhancements on Gray Street and Bagby Street, respectively.

### **Marketing and Perception Enhancement Committee**

- The Midtown Paper has a circulation of 15,000 and is published quarterly by Quantum/SUR. The paper is distributed by mail to Midtown property owners. The Midtown Staff continues to work to expand a secondary list of business owners and managers, City and County elected officials, and those who express general interest who also receive the Midtown Paper. The Midtown Paper is made available to the general public at 65 newspaper rack distribution sites and approximately 15 paper only sites in the Midtown area. The cost to publish and distribute the Midtown Paper for the year ended December 31, 2014 was approximately \$66,000.

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

### **FINANCIAL HIGHLIGHTS (Continued)**

- In the last quarter of 2014, in lieu of publishing the Midtown Paper, the Midtown staff developed a 10-Year Stakeholders Report which was published in October 2014. The Stakeholders Report highlighted demographic changes in the District as well as supplied key statistical information about each committee's projects and expenditures for years 2005-2014. The committee used this document in conjunction with public presentations and community discussions regarding the new proposed 10-Year Service and Improvement Plan and Assessment Plan (2015-2024).
- The Midtown eNews remains an efficient form of advertising for area businesses in Midtown. This weekly Internet publication provides valuable information regarding future meetings and events in Midtown. At the end of fiscal year 2013 there were approximately 1,950 registered members receiving the weekly Midtown eNews. At the same time in 2014 there were 2,039 subscribers. This is a 4.5% increase in the number of subscribers in 2014. The annual cost to publish the weekly eNews is approximately \$840.
- In 2014 the Marketing Committee hosted four Marketing 101 and Business Roundtable events. The goal of the series was to provide Midtown businesses, non-profits, cultural arts organizations information about how to use low cost marketing tools and tactics to broadcast to a wider audience. The cost of the program was approximately \$1,600.
- In the fourth quarter of 2014 the Marketing Committee began to work with the Authority to develop a new Midtown website for launch in the first half of 2015. The new website will have updated technologies and will be mobile friendly. The District budgeted \$4,000 to assist in the project.
- The District continues to maintain and manage the federal trademark registration for continued use of the Midtown Logo.

### **Cultural Arts & Entertainment District Committee**

- The committee hosted four FOCUS Groups throughout the year to develop a Mission Statement and to assist all committees in developing programming and goals for the preliminary draft of the proposed new 10-Year Service and Improvement Plan and Assessment Plan (2015-2024).
- The District hosted its 8<sup>th</sup> Midtown Art in the Park event in April 2014 in Elizabeth Baldwin Park. Approximately eighty-eight artists were represented at the annual event. The Board budgeted \$30,000 for the event. Total costs for this event was approximately \$25,300.



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

### FINANCIAL HIGHLIGHTS (Continued)

- In March of 2014 the Board approved entering into an agreement to use Zapplication® an online artist application system. By using Zapplication® the committee hopes to garner more artists from a wider area to participate in Art in the Park and to provide a higher quality of original art work for the annual festival. The cost of the Zapplication® module was \$500 and the administration cost was \$1,000. The amounts were included in the 2014 Art in the Park budget.
- In May 2014 the Board of Directors participated in The Biggest Mural in Houston, *Preservons La Creation*, a 10,000 square foot mural on the back of the building located at 2800 San Jacinto Street. The mural is an artistic conception of Michael Angelo's *Creation* in The Sistine Chapel. The artists of Eyeful Art Murals and Designs, UP Art Studios and The Texan-French Alliance for the Arts completed the project during the month of May and unveiled it in June of 2014. The Midtown logo is prominently displayed on the mural. The project received local, state, national and international media coverage. The project is a Mayor's Proud Partner Honorable Mention Award Winner for 2014. The District's Board of Directors approved use of \$10,000 which was budgeted for a Midtown Mural Project to pay a portion of the costs associated with the mural project, *Preservons La Creation*.
- Truckin' Thursday was hosted four times on the SuperBlock at the site of the Midtown *Love you* Mural. The project involves securing gourmet food trucks to sell food for 3 hours during the lunch hours. The goal of the project is to facilitate interaction and communication with Midtown residents and stakeholders and to inform participants one on one about the plans for park space on the site as well as other activities in Midtown. The committee saw a consistent increase in Truckin' Thursday participants from month to month. The Board of Directors approved funding for Truckin' Thursday events in March, April, May and June. The cost of the program was budgeted at \$3,000.
- In the fourth quarter of 2014 the committee began to work on development of a Midtown Cultural Arts Master Plan. The Cultural Arts Master Plan will assist the committee in seeking opportunities for possible grant fund matching for public art and arts based programs.
- In December 2014 the District's Board of Directors voted a reallocation of funds not to exceed \$24,600 to pay for the costs associated with the development of a 10-Year Midtown Cultural Arts Master Plan (2015-2024).

### 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 February 2014 the committee began researching an Artistic Crosswalk Pilot Project. The project is designed to calm traffic in the area while increasing walkability. In December 2014 the District's Board of Directors voted to reallocate funds not to exceed \$6,000 to cover additional costs for implementing the project. The original 2014 budget for the project was \$6,000. The project was not completed in 2014 and will incur additional costs in fiscal year 2015.

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

## FINANCIAL HIGHLIGHTS (Continued)

- In December 2014 the District's Board of Directors voted a reallocation of funds not to exceed \$25,000 for the installation of an additional B-Cycle Bike Share Station in Midtown to encourage residents and visitors to use non-vehicular modes of transportation while in Midtown.

## Event Coordination and Participation

During the period from January 1, 2014 to December 31, 2014, the District coordinated and participated in the following events:

- Midtown eWaste Recycle Event, February 2014
- 8<sup>th</sup> Annual Midtown Art in the Park, April 2014
- 15<sup>th</sup> Annual Midtown VISIONS Cultural Arts Tour, in April 2014
- Truckin' Thursday Gourmet Food Truck Events - March, April, May, and June 2014
- The Biggest Mural in Houston, *Preservons La Creation*, June 2014
- District Annual meeting August 2014
- Quarterly Midtown Business 101 Roundtable
- Quarterly Houston Police Department Citizens Advisory Panel
- Committee meetings, FOCUS Groups, interviews and Townhalls geared toward the development of the new proposed 10-Year Service and Improvement Plan and Assessment Plan (2015-2024)

## OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-wide statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private sector business. The Statement of Net Position includes all of the District's assets and deferred outflows of resources, and liabilities and deferred inflows of resources, with the difference between them presented as net position. Over time, increases or decreases in the District's net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating. The Statement of Activities presents information showing how the District's net position changed during the most recent fiscal year. All of the current year's revenues and expenses are accounted for in this statement, regardless of when cash is received or paid.

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

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

### OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

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>2014</b>	<b>2013</b>
<b>Assets</b>		
Cash and cash equivalents	\$ 759,000	\$ 914,000
Assessment receivables	1,467,000	1,288,000
Other receivables	8,000	-
Prepaid expenses	37,000	37,000
Investments	708,000	435,000
<b>Total assets</b>	<b>2,979,000</b>	<b>2,674,000</b>
<b>Liabilities</b>		
	<b>420,000</b>	<b>337,000</b>
<b>Deferred inflows of resources</b>		
	<b>1,815,000</b>	<b>1,588,000</b>
<b>Net position - unrestricted</b>	<b>\$ 744,000</b>	<b>\$ 749,000</b>

Cash, cash equivalents and investments were held in money market accounts, certificates of deposit, and TexStar, a local government investment pool, throughout the year. The fluctuation among categories is primarily due to maturities of certificates of deposits.

Current liabilities include a payable to the City of Houston (the City) for electricity costs for the period January through December. The City bills the District on its calendar year basis for the delta electric cost of the decorative street lights located within the District. Street lights are installed by the Authority on an on-going basis.

Deferred inflows of resources relate to 2015 and 2014 assessments as of December 31, 2014 and 2013, respectively. Taxes levied on October 1 of calendar year 2013 and 2014 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)**

**OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)**

Net position of the District's governmental activities remained consistent with the prior year.

***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>2014</b>	<b>2013</b>
<b>Revenues</b>		
Assessments, net	\$ 1,620,000	\$ 1,486,000
Federal grant revenue	422,000	-
Interest and other revenues	25,000	4,000
<b>Total revenues</b>	<b>2,067,000</b>	<b>1,490,000</b>
<b>Expenses</b>		
Security and public safety	660,000	655,000
Marketing and perception enhancement	92,000	117,000
Urban planning	21,000	80,000
Service and maintenance	373,000	318,000
Federal grant expense	422,000	-
District administration	504,000	431,000
<b>Total expenses</b>	<b>2,072,000</b>	<b>1,601,000</b>
<b>Change in net position</b>	<b>(5,000)</b>	<b>(111,000)</b>
<b>Net position - beginning of year</b>	<b>749,000</b>	<b>860,000</b>
<b>Net position - end of year</b>	<b>\$ 744,000</b>	<b>\$ 749,000</b>

**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>2014</b>	<b>2013</b>
Assessments collected	<b>\$ 1,566,000</b>	\$ 1,447,000
Delinquent collections, net of overpayments	<b>38,000</b>	23,000
Penalties and interest	<b>16,000</b>	16,000
<b>Net assessments</b>	<b>\$ 1,620,000</b>	<b>\$ 1,486,000</b>

The District's collection rate for each of the years ended December 31, 2014 and 2013 was 98% and 99%, respectively.

The District's ten year service plan, categorizes expenses into four committee areas and administration. Security and Public Safety expenses primarily include electricity costs for streetlights and payments under agreements for constables. Service and Maintenance expenses primarily include landscaping maintenance of all public assets including two parks and public rights of way in Midtown. Marketing and Perception Enhancement expenses include costs associated with producing the quarterly Midtown Paper, stakeholder reports and community based event participation. Urban Planning includes expenses related to neighborhood clean-ups. Personnel costs and other consultant costs are included in administration expenses.

The District serves as the grant recipient of grant funds received from the Federal Transit Administration (FTA). The District partners with the Authority on FTA funded projects. The Authority manages the development and construction of FTA funded projects and is responsible for any required matching funds and any costs which are not reimbursed by FTA.

***Governmental Fund***

At the end of the current fiscal period, the District's governmental fund reported an ending fund balance of approximately \$699,000. Approximately \$655,000, of this total amount has been committed by the District's Board of Directors for future electricity payments for the enhanced street lights (\$230,000), a replacement reserve (\$325,000) and an emergency disaster reserve (\$100,000). The remainder of the fund balance, approximately \$44,000, is available for spending at the District's discretion provided such expenditures are allowable by the District's Service and Improvements Plan and Assessment Plan.

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

As of December 31, 2014 and 2013, the District had no capital assets or long-term debt.

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

### 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 2014.

### 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 additional meetings and focus groups for each committee in order to hear stakeholder's vision of what Midtown should become in the next 10 years. The Board will also host a public hearing in 2015 to present and gain feedback on the proposed new ten year Service and Improvement Plan and Assessment Plan.

#### Security and Public Safety

In January 2015 the District's Board of Directors approved a contract with Harris County to continue to provide deputy constables to patrol the community. The contract with Harris County is for the services of 6 Deputy Constables, one of whom is a supervising sergeant, and extends through February 2016, unless earlier terminated.

#### Service and Maintenance

The Service and Maintenance Committee will continue to provide programs for the District that offer a leveraged use of District's maintenance dollars, where possible, to improve the overall aesthetic appearance of Midtown and to help ensure that Midtown continues to be a clean, safe place to live and work. The committee will also continue the Midtown Field Service Program which provides maintenance and upkeep of the public right of way and park spaces in Midtown.

The District plans to leverage its maintenance dollars by participating with the Authority and the Midtown Improvement and Development Corporation (MidCorp). The District is currently negotiating and expects to enter into a tri-party maintenance agreement pursuant to which it will pool funds with the Authority and MidCorp to provide certain maintenance services within the District. As part of the tri-party agreement, the District anticipates advancing \$250,000 from its reserve funds to MidCorp as a pre-payment for certain assigned maintenance contracts and other obligations. MidCorp is a Texas non-profit corporation, currently with a 3 person board of directors. The District's Board Chair and Executive Director sit on the MidCorp Board.

#### Marketing and Perception

In January 2015, the District's Board of Directors voted to discontinue publishing the Midtown Paper. In lieu of a printed newspaper, the committee will focus on maintaining a more robust, mobile friendly website with curated online content, and a printed Midtown Cultural Arts and Entertainment Guide.

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

### FUTURE PROJECTS (Continued)

#### Cultural Arts and Entertainment

The Cultural Arts and Entertainment District Committee will continue to work to develop projects that will maintain and enhance Midtown's State of Texas designation as a Cultural Arts Entertainment District.

The committee anticipates that its 10-Year Cultural Arts Master Plan (2015-2024) will be completed in June of 2015. The plan will work in tandem with the 10-Year Service and Improvement Plan and Assessment Plan to solidify Midtown as an arts destination.

#### Urban Planning

The Urban Planning Committee will work to help implement an Artistic Crosswalk Pilot Program at the intersections of Louisiana and Elgin streets. The goal of the project is to improve the quality of life in Midtown, calm traffic and enhance pedestrian access. This is characteristic and consistent with the urban character of the District.

The committee is working to install an interactive "Before I Die" wall at Bagby Park during the 2<sup>nd</sup> quarter of 2015. The international project is a temporary structure.

\* \* \* \* \*

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, 2014*

	General Fund	Adjustments	Statement of Net Position
<b>Assets</b>			
Cash and cash equivalents	\$ 758,585	\$ -	\$ 758,585
Assessment receivables	1,466,783	-	1,466,783
Other receivables	7,747	-	7,747
Prepaid expenses	37,334	-	37,334
Investments	708,395	-	708,395
<b>Total assets</b>	<b>\$ 2,978,844</b>	<b>\$ -</b>	<b>\$ 2,978,844</b>
<b>Liabilities</b>			
Accounts payable	\$ 218,823	\$ -	\$ 218,823
Accrued liabilities	201,197	-	201,197
<b>Total liabilities</b>	<b>420,020</b>	<b>-</b>	<b>420,020</b>
<b>Deferred inflows of resources</b>			
Deferred revenue	1,859,726	(44,640)	1,815,086
<b>Fund balances</b>			
Committed	655,000	(655,000)	-
Unassigned	44,098	(44,098)	-
<b>Total fund balances</b>	<b>699,098</b>	<b>(699,098)</b>	<b>-</b>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>\$ 2,978,844</b>	<b>\$ -</b>	<b>\$ -</b>
Commitments and contingencies			
<b>Net position - unrestricted</b>		<b>\$ 743,738</b>	<b>\$ 743,738</b>
Total fund balance of governmental fund			\$ 699,098
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			44,640
<b>Net position of governmental activities</b>			<b>\$ 743,738</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, 2014*

	General Fund	Adjustments	Statement of Activities
<b>Revenues</b>			
Assessments, net	\$ 1,607,437	\$ 12,166	\$ 1,619,603
Federal grant revenue	421,741	-	421,741
Interest and other revenues	25,265	-	25,265
<b>Total revenues</b>	<b>2,054,443</b>	<b>12,166</b>	<b>2,066,609</b>
<b>Expenditures/expenses</b>			
Security and public safety	660,406	-	660,406
Marketing and perception enhancement	92,446	-	92,446
Urban planning	20,979	-	20,979
Service and maintenance	373,089	-	373,089
Federal grant expense	421,741	-	421,741
District administration	503,565	-	503,565
<b>Total expenditures/expenses</b>	<b>2,072,226</b>	<b>-</b>	<b>2,072,226</b>
Excess of expenditures over revenues	(17,783)	17,783	-
Change in net position	-	(5,617)	(5,617)
<b>Fund balance/net position</b>			
Beginning of year	716,881	32,474	749,355
End of year	\$ 699,098	\$ 44,640	\$ 743,738
Net change in fund balance of general fund			\$ (17,783)
Amounts reported for governmental activities in the statement of activities are different because:			
Assessment revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the general fund			12,166
Change in net position of governmental activities			\$ (5,617)

*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 perception enhancement; urban planning; services and maintenance; 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 perception enhancements 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. 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)**

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, 2014.

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, demand and time deposits held in banks, and certificates of deposit 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 and certificates of deposits with maturities greater than three months at date of purchase.

**Required Supplementary Information**

**Midtown Management District  
Budgetary Comparison Schedule – General Fund**

*For the year ended December 31, 2014*

	Original and Final Budgeted Amounts	Actual Amounts (Budgetary Basis)	Variance With Budget
<b>Revenues</b>			
Assessments, net	\$ 1,640,704	\$ 1,607,437	\$ (33,267)
Federal Grant Revenue (1)	-	421,741	421,741
Interest and other revenues	21,000	25,265	4,265
<b>Total revenues</b>	<b>1,661,704</b>	<b>2,054,443</b>	<b>392,739</b>
<b>Expenditures</b>			
Security and public safety	669,453	660,406	9,047
Marketing and perception enhancement	129,496	92,446	37,050
Urban planning	104,400	20,979	83,421
Service and maintenance	284,994	373,089	(88,095)
Federal Grant Expense (1)	-	421,741	(421,741)
District administration	447,731	503,565	(55,834)
<b>Total expenditures</b>	<b>1,636,074</b>	<b>2,072,226</b>	<b>(436,152)</b>
Change in fund balance	25,630	(17,783)	(43,413)
Fund balance - beginning of year	872,109	716,881	(155,228)
<b>Fund balance - end of year</b>	<b>\$ 897,739</b>	<b>\$ 699,098</b>	<b>\$ (198,641)</b>

(1) The District does not include in the budget Federal Transit Administration (FTA) grant funds as all funds are passed through to Midtown Redevelopment Authority upon receipt.

*See independent auditor's report.*