

**MEMORIAL CITY REDEVELOPMENT AUTHORITY
(AKA TIRZ 17 REDEVELOPMENT AUTHORITY)**

CITY OF HOUSTON, TEXAS

ANNUAL FINANCIAL REPORT

JUNE 30, 2021

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Memorial City Redevelopment Authority
City of Houston, Texas

We have audited the accompanying financial statements of the governmental activities and each major fund of Memorial City Redevelopment Authority (the "Authority"), **a component unit of the City of Houston, Texas**, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Authority'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 from 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 Authority'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 each major fund of the Authority as of June 30, 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – All Governmental Funds 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The supplementary information required by the City of Houston, Texas and other supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The supplementary information, excluding that portion marked "Unaudited" on which we express no opinion or provide any assurance, has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.



McCall Gibson Swedlund Barfoot PLLC
Certified Public Accountants
Houston, Texas

October 26, 2021

MEMORIAL CITY REDEVELOPMENT AUTHORITY
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2021

Management’s discussion and analysis of Memorial City Redevelopment Authority’s, aka TIRZ 17 Redevelopment Authority (the “Authority”) financial performance provides an overview of the Authority’s financial activities for the fiscal year ended June 30, 2021. Please read it in conjunction with the Authority’s financial statements, which begin on page 8.

FINANCIAL HIGHLIGHTS

- In the Statement of Net Position, the Authority’s liabilities exceeded its assets by \$33,140,878 (net position) for the year ended June 30, 2021.
- The Authority anticipates that with continued development in the area, the Tax Increment Revenues will be sufficient to cover operating costs, project costs and debt service of the Authority.
- The Authority’s governmental funds reported a total ending fund balance of \$34,032,783 this year. This compares to the prior year fund balance of \$29,919,824, showing an increase of \$4,112,959 during the current fiscal year.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The basic financial statements include: (1) combined fund financial statements and government-wide financial statements and (2) notes to the financial statements. The combined fund financial statements and government-wide financial statements combine both: (1) the Statement of Net Position and Governmental Funds Balance Sheet and (2) the Statement of Activities and Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances. This report also includes other supplementary information in addition to the basic financial statements.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The Authority’s annual report includes two financial statements combining the government-wide financial statements and the fund financial statements. The government-wide portion of these statements provides both long-term and short-term information about the Authority’s overall status. Financial reporting at this level uses a perspective similar to that found in the private sector with its basis in full accrual accounting and elimination or reclassification of internal activities.

MEMORIAL CITY REDEVELOPMENT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2021

GOVERNMENT-WIDE FINANCIAL STATEMENTS (continued)

The first of the government-wide statements is the Statement of Net Position. This information is found in the Statement of Net Position column on page 8. The Statement of Net Position is the Authority-wide statement of its financial position presenting information that includes all of the Authority's assets, deferred outflows of resources, liabilities, and deferred inflows of resources with the residual reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Authority as a whole is improving or deteriorating. Evaluation of the overall financial health of the Authority would extend to other non-financial factors.

The government-wide portion of the Statement of Activities on page 10 reports how the Authority's net position changed during the current fiscal year. All current year revenues and expenses are included regardless of when cash is received or paid.

FUND FINANCIAL STATEMENTS

The combined statements also include fund financial statements. 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. The Authority has three governmental funds types. The General Fund is the operating fund of the Authority, the Debt Service Fund is used to account for the payment of interest and principal on the Authority's long-term debt, and the Capital Projects Fund accounts for capital project acquisition and or construction.

Governmental funds are reported in each of the financial statements. The focus in the fund statements provides a distinctive view of the Authority's governmental funds. These statements report short-term fiscal accountability focusing on the use of spendable resources and balances of spendable resources available at the end of the year. They are useful in evaluating annual financing requirements of the Authority and the commitment of spendable resources for the near-term.

Since the government-wide focus includes the long-term view, comparisons between these two perspectives may provide insight into the long-term impact of short-term financing decisions. The adjustments columns, the Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position and the Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities explain the differences between the two presentations and assist in understanding the differences between these two perspectives.

MEMORIAL CITY REDEVELOPMENT AUTHORITY
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2021

NOTES TO THE FINANCIAL STATEMENTS

The accompanying notes to the financial statements provide information essential to a full understanding of the government-wide and fund financial statements. The notes to the financial statements can be found on pages 13 through 26 in this report.

OTHER INFORMATION

In addition to the financial statements and the accompanying notes, this report also presents certain required supplementary information (“RSI”). A budgetary comparison schedule is included as RSI for all governmental funds and can be found on page 28.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of the Authority’s financial position. In the case of the Authority, liabilities exceeded assets by \$33,140,878 as of June 30, 2021.

The following table provides a summary of the changes in the Statement of Net Position as of June 30, 2021, and June 30, 2020:

	Summary of Changes in the Statement of Net Position		
	2021	2020	Variance Positive (Negative)
ASSETS:			
Current and Other Assets	\$ 36,688,263	\$ 46,329,783	\$ (9,641,520)
Land	6,971,378	9,185,874	(2,214,496)
TOTAL ASSETS	\$ 43,659,641	\$ 55,515,657	\$ (11,856,016)
LIABILITIES:			
Current Liabilities	\$ 8,441,760	\$ 21,998,236	\$ 13,556,476
Long-term Liabilities	68,358,759	74,294,136	5,935,377
TOTAL LIABILITIES	\$ 76,800,519	\$ 96,292,372	\$ 19,491,853
NET POSITION:			
Net Investment in Capital Assets	\$ 6,971,378	\$ 9,185,874	\$ (2,214,496)
Restricted	19,073,657	23,082,713	(4,009,056)
Unrestricted	(59,185,913)	(73,045,302)	13,859,389
TOTAL NET POSITION	\$ (33,140,878)	\$ (40,776,715)	\$ 7,635,837

MEMORIAL CITY REDEVELOPMENT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2021

GOVERNMENT-WIDE FINANCIAL ANALYSIS (continued)

The following table provides a summary of the changes in the Statement of Activities for the fiscal years ending June 30, 2021, and June 30, 2020.

	Summary of Changes in the Statement of Activities		
	2021	2020	Variance Positive (Negative)
Revenues:			
Tax Increment	\$ 18,148,263	\$ 16,864,544	\$ 1,283,719
Capital Contribution		95,669	(95,669)
Interest and Others	26,362	195,119	(168,757)
Total revenues	\$ 18,174,625	\$ 17,155,332	\$ 1,019,293
Expenses:			
Salaries and Benefits	\$ 102,000	\$ 102,000	\$
Professional Services	152,433	130,773	(21,660)
Contracted Services	15,781	16,985	1,204
Other	3,953	65,488	61,535
Administration Fee	3,164,032	3,099,846	(64,186)
Bond Interest	1,569,922	1,147,567	(422,355)
Debt Issuance Costs		798,407	798,407
Capital Improvements	5,530,667	43,357,660	37,826,993
Total expenses	\$ 10,538,788	\$ 48,718,726	\$ 38,179,938
Changes in Net Position	\$ 7,635,837	\$ (31,563,394)	\$ 39,199,231
Beginning Net Position	(40,776,715)	(9,213,321)	(31,563,394)
Ending Net Position	\$ (33,140,878)	\$ (40,776,715)	\$ 7,635,837

FINANCIAL ANALYSIS OF THE AUTHORITY'S GOVERNMENTAL FUNDS

The Authority has three governmental funds, which are the General Fund, the Debt Service Fund, and the Capital Projects Fund. As discussed, governmental funds are reported in the fund statements with a short-term, inflow and outflow of spendable resources focus. This information is useful in assessing resources available at the end of the year in comparison with upcoming financing requirements. Governmental funds reported ending fund balances totaling \$34,032,783, an increase of \$4,112,959 from the prior year.

GOVERNMENTAL FUND BUDGETARY HIGHLIGHTS

The Board of the Authority did not amend the budget during the current fiscal year. Actual net change in fund balance was \$31,801,677 less than budgeted primarily due to the Authority budgeting for proceeds from the issuance of bonds and the receipt of grants which did not occur. See the budget to actual comparisons on page 28.

MEMORIAL CITY REDEVELOPMENT AUTHORITY
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2021

CAPITAL ASSETS

In the current fiscal year, the Authority transferred \$5,530,667 to the City of Houston related to capital expenditures. These capital expenditures are related to public works improvements. In accordance with Section VIII of the Tri-Party Agreement between the City of Houston, Reinvestment Zone Number Seventeen, City of Houston, Texas and the Authority, it states: “all utilities, drainage facilities, public street improvements, sidewalks and light fixtures shall be conveyed to the City.” Therefore, any current year expenditures related to such improvements are not recorded as assets of the Authority.

Additionally, the Authority is holding title to certain land associated with the detention basin and W-140 bridge improvements. This project has been completed but has not been accepted by the City as of fiscal year end. These land costs amount to \$6,971,378 at June 30, 2021. This amount decreased by \$2,214,496 from the prior year as a result of the completion and conveyance of Town and Country West Drainage and Mobility Improvements and the public improvement extension of Town and Country Way from Town and Country Boulevard west toward Beltway 8 to the City.

LONG –TERM DEBT AND RELATED LIABILITIES

At the end of the current fiscal year, the Authority owes \$19,230,743 to LIPEX Properties LP for capital improvements. This amount is reimbursable from approved bond proceeds or other lawfully available funds.

At the end of the current fiscal year, the Authority had total bond debt payable of \$49,885,000. This debt is secured with future tax increment contract revenue.

CONTACTING THE AUTHORITY’S MANAGEMENT

This financial report is designed to provide a general overview of the Authority’s finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Memorial City Redevelopment Authority, c/o Hawes Hill and Associates, LLP, Zone Administrator, P.O. Box 22167, Houston, TX 77227-2167.

MEMORIAL CITY REDEVELOPMENT AUTHORITY
STATEMENT OF NET POSITION AND
GOVERNMENTAL FUNDS BALANCE SHEET
JUNE 30, 2021

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
ASSETS						
Cash	\$ 3,922	\$	\$	\$ 3,922	\$	\$ 3,922
Investments	6,715,021	4,187	12,464,703	19,183,911		19,183,911
Tax Increment Receivable	17,240,850			17,240,850		17,240,850
Other Receivables	520			520		520
Due From Other Funds		7,290,107		7,290,107	(7,290,107)	
Prepaid bond insurance, net					259,060	259,060
Land					6,971,378	6,971,378
TOTAL ASSETS	<u>\$ 23,960,313</u>	<u>\$ 7,294,294</u>	<u>\$ 12,464,703</u>	<u>\$ 43,719,310</u>	<u>(59,669)</u>	<u>43,659,641</u>
LIABILITIES						
Accounts Payable	\$ 38,914	\$	\$	\$ 38,914	\$	\$ 38,914
Retainage Payable	99,951			99,951		99,951
Accrued Interest Payable					685,340	685,340
Due To Other Funds	7,290,107			7,290,107	(7,290,107)	
Due to Other Governments	2,257,555			2,257,555		2,257,555
Due To Developer					19,230,743	19,230,743
Long-Term Liabilities:						
Due Within One Year					5,360,000	5,360,000
Due After One Year					49,128,016	49,128,016
TOTAL LIABILITIES	<u>9,686,527</u>			<u>9,686,527</u>	<u>67,113,992</u>	<u>76,800,519</u>
FUND BALANCES						
Restricted	\$	\$ 7,294,294	\$ 12,464,703	\$ 19,758,997	\$ (19,758,997)	
Unassigned	14,273,786			14,273,786	(14,273,786)	
TOTAL FUND BALANCES	<u>14,273,786</u>	<u>7,294,294</u>	<u>12,464,703</u>	<u>34,032,783</u>	<u>(34,032,783)</u>	
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 23,960,313</u>	<u>\$ 7,294,294</u>	<u>\$ 12,464,703</u>	<u>\$ 43,719,310</u>		
Net Position:						
Net Investment in Capital Assets					\$ 6,971,378	\$ 6,971,378
Restricted					19,073,657	19,073,657
Unrestricted					(59,185,913)	(59,185,913)
Total Net Position					<u>\$ (33,140,878)</u>	<u>\$ (33,140,878)</u>

The accompanying notes to the financial
statements are an integral part of this report.

MEMORIAL CITY REDEVELOPMENT AUTHORITY
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2021

Total Fund Balance - Governmental Funds	\$ 34,032,783
<p>Amounts reported for governmental activities in the <i>Statement of Net Position</i> are different because:</p>	
<p>Prepaid bond insurance is recorded as an expenditure at the fund level, but is recorded as a prepaid asset and amortized to interest expense over the life of the bonds in the government wide statements.</p>	259,060
<p>Land used in governmental activities is not a financial resource and therefore is not reported as an asset in governmental funds.</p>	6,971,378
<p>Amounts due to a developer for the acquisition of land is recorded as a liability in the <i>Statement of Net Position</i>.</p>	(19,230,743)
<p>Some liabilities, are not due and payable in the current period and are not included in the fund financial statement, but are included in the governmental activities of the <i>Statement of Net Position</i>.</p>	
Bonds payable	(54,488,016)
Accrued interest on bonds payable	(685,340)
	(60,152,704)
Total Net Position - Governmental Activities	\$ (33,140,878)

The accompanying notes to the financial statements are an integral part of this report.

MEMORIAL CITY REDEVELOPMENT AUTHORITY
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2021

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Activities
REVENUES						
Tax Increment	\$ 10,858,156	\$ 7,290,107	\$	\$ 18,148,263	\$	\$ 18,148,263
Interest and Other	10,664	1,772	13,926	26,362		26,362
TOTAL REVENUES	\$ 10,868,820	\$ 7,291,879	\$ 13,926	\$ 18,174,625	\$	\$ 18,174,625
EXPENDITURES/EXPENSES						
Service Operations						
Salaries and Benefits	\$ 102,000	\$	\$	\$ 102,000	\$	\$ 102,000
Professional Services	152,433			152,433		152,433
Contracted Services	15,781			15,781		15,781
Insurance Cost	963			963		963
Other	2,990			2,990		2,990
Administration Fees	3,164,032			3,164,032		3,164,032
Capital Improvement, Note 7	2,719,766		596,405	3,316,171	2,214,496	5,530,667
Debt Service:						
Principal		5,115,000		5,115,000	(5,115,000)	
Interest		2,183,541	8,755	2,192,296	(622,374)	1,569,922
TOTAL EXPENDITURES/EXPENSES	\$ 6,157,965	\$ 7,298,541	\$ 605,160	\$ 14,061,666	\$ (3,522,878)	\$ 10,538,788
EXCESS (DEFICIENCY) OF REVENUES						
OVER (UNDER) EXPENDITURES	\$ 4,710,855	\$ (6,662)	\$ (591,234)	\$ 4,112,959	\$ 3,522,878	\$ 7,635,837
OTHER FINANCING SOURCES (USES)						
Internal Transfers	\$ 3,490,539	\$	\$ (3,490,539)	\$	\$	\$
NET CHANGE IN FUND BALANCES	\$ 8,201,394	\$ (6,662)	\$ (4,081,773)	\$ 4,112,959	\$ (4,112,959)	
CHANGE IN NET POSITION					7,635,837	7,635,837
FUND BALANCES/NET POSITION -						
JULY 1, 2020	6,072,392	7,300,956	16,546,476	29,919,824	(70,696,539)	(40,776,715)
FUND BALANCES/NET POSITION -						
JUNE 30, 2021	\$ 14,273,786	\$ 7,294,294	\$ 12,464,703	\$ 34,032,783	\$ (67,173,661)	\$ (33,140,878)

The accompanying notes to the financial statements are an integral part of this report.

**MEMORIAL CITY REDEVELOPMENT AUTHORITY
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES TO
THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021**

Net Change in Fund Balances - Governmental Funds \$ 4,112,959

Amounts reported for governmental activities in the *Statement of Activities* are different because:

Certain capital assets conveyed to the City of Houston upon completion of construction do not use financial resources in the fund financial statements; however, in the *Statement of Activities*, these transactions result in a reduction of net position. (2,214,496)

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal uses current financial resources. However, neither transaction has any effect on net assets. Other elements of debt financing are reported differently between the fund and government wide statements.

Principal payments	\$	5,115,000	
Accrued interest		622,374	
		5,737,374	

Change in Net Position - Governmental Activities	\$	<u>7,635,837</u>
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The accompanying notes to the financial statements are an integral part of this report.

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MEMORIAL CITY REDEVELOPMENT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1. CREATION OF CORPORATION

The City of Houston, Texas (the “City”) authorized the creation of the Memorial City Redevelopment Authority (the “Authority”) by the Resolution No. 2002-0026 passed on August 14, 2002. The Authority was created and organized as a local government corporation pursuant to provisions of Subchapter D of Chapter 431 of the Texas Transportation Code and Chapter 394 of the Texas Local Government Code. The Authority is organized as a public non-profit corporation for the purpose of aiding, assisting, and acting on behalf of the City in the performance of its governmental function to promote the common good and general welfare of Reinvestment Zone Number Seventeen, City of Houston, Texas (the “Zone”) and neighboring areas in the preparation and implementation of a project plan and a reinvestment zone financing plan for the Zone; in the development of a policy to finance development and redevelopment of properties in the Memorial City area; and in the development and implementation of a redevelopment policy for the Memorial City area, including the acquisition of land for redevelopment purposes; in the development and implementation of a policy for improving vehicular and pedestrian circulation in the Memorial City area including the acquisition of street rights-of-way. The Authority may issue bonds with consent of City Council. The Authority is managed by a Board of Directors consisting of up to seven members who are appointed by the Mayor with the approval of City Council. The Authority held its first meeting on November 22, 2002.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

The accompanying basic financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America as promulgated by the Governmental Accounting Standards Board (“GASB”).

The GASB has established the criteria for determining whether or not a given entity is a component unit. The criteria are: (1) is the potential component unit a legally separate entity, (2) does the primary government appoint a voting majority of the potential component unit’s board, (3) is the primary government able to impose its will on the potential component unit, (4) is there a financial benefit or burden relationship. The Authority was created as an instrumentality of the City of Houston (the “City”). The Authority does meet the criteria for inclusion as a component unit of the City. Copies of the financial statements for the City may be obtained from the City Secretary’s office.

Financial Statement Presentation

These financial statements have been prepared in accordance with GASB Codification of Governmental Accounting and Financial Reporting Standards Part II, Financial Reporting (“GASB Codification”).

MEMORIAL CITY REDEVELOPMENT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial Statement Presentation (continued)

The GASB Codification sets forth standards for external financial reporting for all state and local government entities, which includes a requirement for a Statement of Net Position and a Statement of Activities. It requires the classification of net position into three components: Net Investment in Capital Assets, Restricted, and Unrestricted. These classifications are defined as follows:

- Net Investment in Capital Assets – This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.
- Restricted Net Position – This component of net position consists of external constraints placed on the use of assets imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulation of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- Unrestricted Net Position – This component of net position consist of assets that do not meet the definition of “Restricted” or “Net Investment in Capital Assets.”

When both restricted and unrestricted resources are available for use, generally it is the Authority’s policy to use restricted resources first.

Government-Wide Financial Statements

The Statement of Net Position and the Statement of Activities display information about the Authority as a whole. The Authority’s Statement of Net Position and Statement of Activities are combined with the governmental fund financial statements. The Authority is viewed as a special purpose government and has the option of combining these financial statements.

The Statement of Net Position is reported by adjusting the general fund, debt service fund and capital projects fund to report on the full accrual basis, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations.

The Statement of Activities is reported by adjusting the general fund, debt service fund, and capital projects fund to report only items related to current year revenues and expenditures. Items such as capital outlay are allocated over their estimated useful lives as depreciation expense. Internal activities between governmental funds, if any, are eliminated by adjustment to obtain net total revenue and expense in the government-wide Statement of Activities.

MEMORIAL CITY REDEVELOPMENT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Fund Financial Statements

As discussed above, the Authority's fund financial statements are combined with the government-wide statements. The fund financial statements include a Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balances.

Governmental Funds

The Authority has three major governmental funds – the General Fund, Debt Service Fund and Capital Projects Fund. The General Fund is the general operating fund of the Authority and accounts for all resources of the Authority not accounted for in another fund. The principal source of revenue is tax increment collections and expenditures are primarily for operations. The Debt Service Fund is used to account for the accumulation of resources for the payment of interest and principal on the Authority's long-term debt. The Capital Projects Fund is used to account for the proceeds of tax increment debt and the corresponding expenditures primarily consisting of construction projects.

Basis of Accounting

The Authority uses the modified accrual basis of accounting for governmental fund types. The modified accrual basis of accounting recognizes revenues when both "measurable and available." Measurable means the amount can be determined. Available means collectable within the current period or soon enough thereafter to pay current liabilities. The Authority considers revenues reported in the governmental funds to be available if they are collectable within sixty (60) days after year-end. Also, under the modified accrual basis of accounting, expenditures are recorded when the related fund liability is incurred, except for principal and interest on long-term debt, which are recognized as expenditures when payment is due. The Authority uses the full accrual basis of accounting for the government wide statements.

Measurement Focus

Measurement focus is a term used to describe which transactions are recognized within the various financial statements. In the government-wide Statement of Net Position and Statement of Activities, the governmental activities are reported using the economic resources measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position, financial position, and cash flows. All assets and liabilities associated with the activities are reported, regardless of the timing of related cash flows. Fund equity is classified as net position.

Governmental fund types are accounted for on a spending or financial flow measurement focus. Accordingly, only current assets and current liabilities are included on the balance sheet, and the reported fund balances provide an indication of available spendable or appropriable resources.

MEMORIAL CITY REDEVELOPMENT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Fund Balances

The Authority's governmental fund balances are classified as follows:

Nonspendable - amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact. The Authority does not have any nonspendable fund balances.

Restricted - amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally required. The Authority's restricted fund balances consist of unspent bond proceeds in the Capital Projects Fund and tax increment receipts in the Debt Service Fund.

Committed - amounts that can be used only for specific purposes determined by a formal action of the Board of Directors. The Board is the highest level of decision-making authority for the Authority. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the Board. The Authority does not have any committed fund balances.

Assigned - amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. The Authority has not adopted a formal policy regarding the assignment of fund balances and does not have any assigned fund balances.

Unassigned - all other spendable amounts in the General Fund.

When expenditures are incurred for which restricted, committed, assigned, or unassigned fund balances are available, the Authority considers amounts to have been spent first out of restricted funds, then committed funds, then assigned funds, and finally unassigned funds.

Cash

The Authority's cash consist of amounts in demand deposits.

Investments

Investments consist of amounts in the TexPool and TexSTAR.

Debt Service

Tax increment contract revenue is pledged for debt service on bond obligations.

MEMORIAL CITY REDEVELOPMENT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Due to and from other funds

Interfund receivable and payables arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed. These receivables and payables are, for the most part, eliminated from the Government-Wide Statement of Net Position and are recorded as “due from other funds” and “due to other funds” in the fund financial statements.

Budgeting

In compliance with the Tri-Party Agreement (See Note 4), the Authority’s board members adopted an unappropriated budget for the combined governmental funds of the Authority for the fiscal year ending June 30, 2021. The budget was submitted and approved by the City. The Authority used this budget during the current year.

Accounting Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

NOTE 3. DEPOSITS AND INVESTMENTS

Deposits

Custodial credit risk is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The Authority’s deposit policy for custodial credit risk requires compliance with the provisions of Texas statutes. Texas statutes require that any cash balance in any fund shall, to the extent not insured by the Federal Deposit Insurance Corporation or its successor, be continuously secured by a valid pledge to the Authority of securities eligible under the laws of Texas to secure the funds of the Authority, having an aggregate market value, including accrued interest, at all times equal to the uninsured cash balance in the fund to which such securities are pledged. As of June 30, 2021, none of the Authority’s bank balances were exposed to custodial credit risk.

MEMORIAL CITY REDEVELOPMENT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 3. DEPOSITS AND INVESTMENTS (continued)

Deposits (continued)

The carrying values of the deposits are included in the Governmental Fund Balance Sheet and the Statement of Net Position at June 30, 2021, as listed below:

	Cash
Total Deposits - General Fund	\$ 3,922

Investments

Under Texas statute, the Authority is required to invest its funds under written investment policies that primarily emphasize safety of principal and liquidity and that address investment diversification, yield, maturity, and the quality and capability of investment management, and all Authority funds must be invested in accordance with the following investment objectives: understanding the suitability of the investment to the Authority’s financial requirements, first; preservation and safety of principal, second; liquidity, third; marketability of the investments if the need arises to liquidate the investment before maturity, fourth; diversification of the investment portfolio, fifth; and yield, sixth. Authority’s investments must be made “with judgment and care, under prevailing circumstances, that a person of prudence, discretion, and intelligence would exercise in the management of the person’s own affairs, not for speculation, but for investment, considering the probable safety of capital and the probable income to be derived.” No person may invest Authority funds without express written authority from the Board of Directors.

The Authority is authorized by the Public Funds Investment Act (Chapter 2256, Texas Government Code) to invest in the following: (1) obligations, including letters of credit, of the United States or its agencies and instrumentalities, including Federal Home Loan Banks, (2) direct obligations of the State of Texas or its agencies and instrumentalities, (3) certain collateralized mortgage obligations, (4) other obligations, which are unconditionally guaranteed or insured by the State of Texas or the United States or its agencies or instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation or by the explicit full faith and credit of the United States, (5) certain A rated or higher obligations of states and political subdivisions of any state, (6) bonds issued, assumed or guaranteed by the State of Israel, (7) certain insured or collateralized certificates of deposit and share certificates, (8) certain fully collateralized repurchase agreements, (9) bankers’ acceptances with limitations, (10) commercial paper rated A-1 or P-1 or higher and a maturity of 270 days or less, (11) no-load money market mutual funds and no-load mutual funds, with limitations, (12) certain guaranteed investment contracts, (13) certain qualified governmental investment pools and (14) a qualified securities lending program.

The Authority’s adopted investment policy allows it to invest in any of the above listed investments, except items 3, 4, 5, 6, 8, 9, 10, 11, 12 and 14.

MEMORIAL CITY REDEVELOPMENT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 3. DEPOSITS AND INVESTMENTS (continued)

Investments (continued)

For fiscal year 2021, the Authority invested in the Texas Local Government Investment Pool (“TexPool”), the Texas Short Term Asset Reserve Program (“TexSTAR”) and certificates of deposit.

TexPool has been organized in conformity with the Interlocal Cooperation Act and is overseen by the Comptroller of Public Accounts (the “Comptroller”). The Comptroller is the sole officer, director and shareholder of the Texas Treasury Safekeeping Trust Company (the “Trust Company”), which is authorized to operate TexPool. Pursuant to the TexPool Participation Agreement, administrative and investment services to TexPool are provided by Federated Investors, Inc. (“Federated”), under an agreement with the Comptroller, acting on behalf of the Trust Company. The Comptroller maintains oversight of the services provided to TexPool by Federated. State Street Bank serves as custodian to TexPool. The primary objectives of TexPool are preservation and safety of principal, liquidity and yield. TexPool will only invest in investments that authorized under both the Public Funds Investment Act and the TexPool Investment Policy.

As permitted by GAAP, TexPool uses amortized cost (which excludes unrealized gains and losses) rather than market value to compute share price and seeks to maintain a constant dollar value per share. Accordingly, the fair value of the Authority’s position in TexPool is the same as the value of TexPool shares. Investments in TexPool may be withdrawn on a same day basis, as long as the transaction is executed by 3:30 p.m.

TexSTAR has been organized in conformity with the Interlocal Cooperation Act and is administered by J.P. Morgan Investment Management, Inc. (“JPMIM”) and First Southwest Asset Management, Inc. (“FSAM”). JPMIM provides investment services, and FSAM provides participant services and marketing. Custodial, transfer agency, fund accounting, and depository services are provided by JPMorgan Chase Bank and/or its subsidiary J.P. Morgan Investor Services Co. The primary objectives of TexSTAR are, in order of priority, preservation and protection of principal, maintenance of sufficient liquidity to meet Participant’s needs, diversification to avoid unreasonable or avoidable risks, and yield. TexSTAR will only invest in investments that are authorized under both the Public Funds Investment Act and the current TexSTAR Investment Policy.

The Authority’s investment in TexSTAR is reported at fair value because TexSTAR uses fair value to report investments. The Authority has implemented GASB Statement No. 72, “Fair Value Measurement and Application.” This statement establishes a hierarchy of inputs used to measure fair value as follows: Level 1 inputs are based on quoted prices in active markets, Level 2 inputs are based on significant other observable inputs, and Level 3 inputs are based on significant unobservable inputs. The Authority’s investment in TexSTAR is measured using published fair value per share (level 1 inputs).

MEMORIAL CITY REDEVELOPMENT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 3. DEPOSITS AND INVESTMENTS (continued)

Investments (continued)

Investments in TexSTAR may be withdrawn via wire transfer on a same day basis, as long as the transaction is executed by 4 p.m. ACH withdrawals made by 4 p.m. will settle on the next business day.

As of June 30, 2021, the Authority had the following investments and maturities:

<u>Type</u>	<u>Fair Value</u>	<u>Maturities in Years</u>			
		<u>Less Than 1</u>	<u>1-5</u>	<u>6-10</u>	<u>More Than 10</u>
TexPool	\$ 19,178,381	\$ 19,178,381	\$	\$	\$
TexSTAR	5,530	5,530			
Total	\$ 19,183,911	\$ 19,183,911	\$	\$	\$

Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. At June 30, 2021, the Authority’s investments in both TexPool and TexSTAR were rated ‘AAAm’ by Standard & Poor’s. The ‘AAAm’ rating indicates an extremely strong capacity to maintain principal stability and to limit exposure to principal losses due to credit, market, and/or liquidity risks. ‘AAAm’ is the highest principal stability rating assigned by Standard & Poor’s.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Authority considers the investments in TexPool and TexSTAR to have maturities of less than one year due to the fact the share position can usually be redeemed each day at the discretion of the Authority, unless there has been a significant change in value.

Restrictions

All cash and investments of the Debt Service Fund are restricted for the payment of debt service and the cost of assessing and collecting taxes.

All cash and investments of the Capital Projects Fund are restricted for financing the costs of public improvements as authorized in the Project Plan and described in the Authority’s capital improvement program.

MEMORIAL CITY REDEVELOPMENT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 4. TRI-PARTY AGREEMENT

On November 22, 2002, the Authority and on December 11, 2002, the City of Houston, Texas in accordance with Ordinance No. 2002-1145 executed a Tri-Party Agreement between the City of Houston, Texas, the Zone and the Authority. The Tri-Party Agreement states in detail the scope of services to be provided to the Zone by the Authority. The services include management and administrative service for the Zone, as requested by the Zone Board, services with respect to the Project Plan and Reinvestment Zone Financing Plan (the “Plan”), including enlarging the zone and amendments to the project plan and financing plan, and services with respect to the special tax rolls pertaining to the Zone, including analysis and coordination with taxing units. The Authority is also required to assist the Zone Board in establishing a program to increase the level of safety within the Zone, preparing development plans, establishing a marketing and public relations program, planning and design and construction of infrastructure improvements and land acquisition in the Memorial City area.

The Tri-Party Agreement also provides for the Authority to issue bonds and notes, enter into obligations with developers or builders, and enter into contracts with consultants, to be repaid from Contract Tax Increments. All bonds must be approved by City Council of the City of Houston and the Director of the Finance Department of the City of Houston must approve all development agreements. This Agreement shall end upon termination of the Zone.

Pursuant to the Agreement, the City and the Zone have agreed to pay the Authority not later than the first business day of each July in which a current approved budget is in effect for the Authority, all monies available in the Tax Increment Fund, less (a) certain tax increments constituting educational facilities project costs to be paid to the Spring Branch Independent School District (if any), and (b) a reserve of up to five percent of the monies then available in the Tax Increment Fund for administrative costs of the City. Currently, no monies are owed or are being paid to the Spring Branch Independent School District. Notwithstanding the above, in the event the Authority’s budget is not approved by the thirtieth (30th) day before the date of a principal and interest payment on the Authority’s bonds or notes, the City shall pay from available funds sufficient monies to the Authority to allow for meeting the Authority’s debt service obligations.

The Tri-Party Agreement allows the City to recover the costs of municipal services pursuant to the Agreement among the City, the Authority, and the TIRZ.

MEMORIAL CITY REDEVELOPMENT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 5. TAX INCREMENTS

The City of Houston, Texas has agreed to deposit their tax increments into the Tax Increment Fund established by the Zone (See Note 6).

The amount of a Participant's tax increment for a year is the amount of property taxes levied and collected by the Participant for that year on the Captured Appraised Value of real property taxable by the Participant and located in the Zone. The Captured Appraised Value of real property taxable by a Participant for a year is the total appraised value of all real property taxable by the Participant and located in the Zone for that year less the Tax Increment Base, which is the total appraised value of all real property taxable by the Participant and located in the Zone on January 1 of the year in which the Zone was designated as such under the Tax Increment Financing Act (the "TIF Act"). In the event property is annexed into the Zone by ordinance of the City, the Tax Increment Base for annexed property is the value of all real property taxable by a Participant and located in the annexed area on January 1 of the year of annexation. No Participant is required to deposit tax increments derived from property annexed into the Zone unless the Participant has agreed to do so.

Each Participant is required to collect taxes on property located within the Zone in the same manner as other taxes are collected. The Participant is required to pay into the tax increment fund the collected tax increments by no later than the 90th day after the delinquency date for the Participant's property taxes.

NOTE 6. CITY OF HOUSTON TAX INCREMENTS

Pursuant to City Ordinance No. 1999-759, the City and the Zone have established the Tax Increment Fund, a separate fund in the City Treasury into which tax increments have and will be deposited.

Subsequent to year end, on July 14, 2021, tax increments relating to fiscal year 2021 of \$18,148,263 were collected by the trustee from the City of Houston. The City of Houston withheld \$907,413 to cover administrative costs. As a result, \$17,240,850 is recorded as Tax Increment Receivable as of June 30, 2021.

MEMORIAL CITY REDEVELOPMENT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 7. TRANSFER TO THE CITY OF HOUSTON

During the current fiscal year, the Authority recorded capital improvements of \$5,530,667 for capital assets transferred to the City. This transfer is related to capital improvements made by the Authority to City facilities. The Authority finances these facilities for the benefit of the City. Any capital assets the Authority purchases related to public improvements and facilities have been conveyed to the City of Houston. See page 31 for information on current year capital improvement expenditures. The Town and Country West Drainage and Mobility Improvements project was transferred to the City during the current year. The Authority is holding title to certain land associated with the detention basin and W-140 bridge improvements. These land costs amount to \$6,971,378 at June 30, 2021.

NOTE 8. DUE TO DEVELOPERS

The Authority has entered into development agreements with T&C Way Partners, LLC and LIPEX Properties, L.P. (“Developers”) for the financing of the land for public improvements, the construction of certain facilities, and other costs. Under the agreements, the developers will advance funds for the acquisition of land, construction of facilities, and other costs associated with public improvements in the project area. The developers will be reimbursed from available tax increment in the project area.

During the year ended June 30, 2021, the following changes occurred in amounts due to developers.

Due to developers, beginning of year	\$ 19,230,743
Developer funded construction and other costs	596,405
Developer reimbursements	<u>(596,405)</u>
Due to developers, end of year	<u><u>\$ 19,230,743</u></u>

NOTE 9. LONG-TERM DEBT

During the year ended June 30, 2021, the following changes occurred in long-term liabilities:

	Balance July 1, 2020	Additions	Reductions	Balance June 30, 2021	Amounts Due Within One Year
Governmental Activities:					
Bonds and notes payable:					
Tax Increment Contract Bonds	\$ 55,000,000	\$	\$ (5,115,000)	\$ 49,885,000	\$ 5,360,000
Deferred amount for bond premium	5,178,393		<u>(575,377)</u>	4,603,016	
Bonds payable, end of year	<u><u>\$ 60,178,393</u></u>	<u><u>\$</u></u>	<u><u>\$ (5,690,377)</u></u>	<u><u>\$ 54,488,016</u></u>	<u><u>\$ 5,360,000</u></u>

MEMORIAL CITY REDEVELOPMENT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 9. LONG-TERM DEBT (continued)

On April 27, 2021, the Authority's Board of Directors authorized the issuance of bonds and notes by the Authority in the aggregate principal amount not to exceed \$90,000,000 outstanding at any one time.

The terms of the current debt obligations are as follows:

Series	Original Issue	Matures	Interest Rate (%)	Debt Outstanding
Governmental Activities:				
Tax Increment Contract Bonds				
Refunding Tax Increment Contract Bonds, Series 2016	\$ 17,955,000	9/1/27	2.41%	\$ 16,920,000
Tax Increment Contract Revenue and Refunding Bonds, Series 2019	37,400,000	9/1/28	5.00%	32,965,000
Total General Obligation Bonds				\$ 49,885,000

The annual requirements to amortize governmental activity tax increment contract revenue bonds at June 30, 2021 are as follows:

Tax Increment Contract Revenue Bonds			
Governmental Activities			
Fiscal Year	Principal	Interest	Total
2022	\$ 5,360,000	\$ 1,931,022	\$ 7,291,022
2023	5,660,000	1,703,049	7,363,049
2024	5,870,000	1,492,823	7,362,823
2025	6,095,000	1,273,664	7,368,664
2026	6,315,000	1,045,323	7,360,323
2027	6,555,000	807,359	7,362,359
2028	6,845,000	522,540	7,367,540
2029	7,185,000	179,625	7,364,625
	<u>\$ 49,885,000</u>	<u>\$ 8,955,404</u>	<u>\$ 58,840,404</u>

See pages 34 through 36 for debt service schedules on each bond series outstanding as of June 30, 2021.

NOTE 10. INTERFUND TRANSACTIONS

At year end, interfund receivables and payables were as follows:

Receivable Fund	Payable Fund	Amounts	Purpose
Debt Service Fund	General Fund	\$ 7,290,107	Debt Service tax increment revenue owed by General Fund

MEMORIAL CITY REDEVELOPMENT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 10. INTERFUND TRANSACTIONS (continued)

For the fiscal year ended June 30, 2021, an operating transfer is summarized as follows:

<u>Transfers Out</u>	<u>Transfers In</u>	<u>Amounts</u>	<u>Purpose</u>
Capital Projects Fund	General Fund	\$ (3,490,539)	Capital improvements

NOTE 11. ADVANCED FUNDING AGREEMENTS WITH THE TEXAS DEPARTMENT OF TRANSPORTATION

On August 15, 2017, the Authority entered into an Advanced Funding Agreement (the “Agreement”) with the State of Texas through Texas Department of Transportation (“State”) for funding the reconstruction of Gessner Road from Long Point to Interstate Highway 10, including drainage improvements and sidewalk construction. The Authority approved entering into this Agreement by resolution dated January 23, 2017 and will be effective until the project is completed or otherwise terminated.

Pursuant to the Agreement, the Authority made an initial payment of \$14,000 to the State. At least sixty (60) days prior to the date set for receipt of the construction bids, the Authority was obligated to remit its remaining financial share for their estimated construction costs. The Authority is responsible for 100% of the costs after the federal funding reaches the maximum obligated amount. During a prior year, the project was accepted, and the Authority remitted \$12,425,043 to the State, which included the Authority’s remaining share of \$5,218,545 in addition to \$7,206,498, the excess of federal funding.

After the project is completed, the State will perform an audit of the costs to determine any liability or amounts due back. Any amounts due back will be applied to other advanced funding agreements between the parties. The State is responsible for the performance of architectural and engineering services and advertise for bids, award and administer the contract for construction of the project. The Authority is responsible for the adjustment, removal or relocation of utility facilities before the scheduled beginning of construction. The Authority will also be responsible for the maintenance of locally owned roads after completion.

The Authority also entered into an advanced funding agreement with the State for funding the reconstruction of the roadway including drainage, access management and bicycle/pedestrian accommodations on Memorial Drive from Beltway 8 to Tallowood Road. The Authority approved entering into this agreement by resolution dated December 5, 2017 and will be effective until the project is completed or otherwise terminated.

MEMORIAL CITY REDEVELOPMENT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 11. ADVANCED FUNDING AGREEMENTS WITH THE TEXAS DEPARTMENT OF TRANSPORTATION (continued)

The Authority is responsible to make an initial payment of \$16,000 to the State and another \$160,000 before construction begins. At least sixty (60) days prior to the date set for receipt of the construction bids, the Authority shall remit its remaining financial share for their estimated construction costs. The Authority will be responsible for 100% of the costs after the federal funding reaches the maximum obligated amount. As with the other previously entered Advanced Funding Agreement, the State and Authority will be assigned the same duties. During the prior year, the project was bid and awarded, and the Authority remitted \$10,682,909 to the State for its share of the project. This amount exceeded initial estimates due to the project inclusion of items that were not eligible for Federal reimbursement.

NOTE 12. INTERLOCAL AGREEMENT WITH THE CITY OF BUNKER HILL VILLAGE

On March 27, 2018, the Authority approved an Interlocal Agreement with City of Bunker Hill Village (“City”), for a term of 60 months or until completion, for the reconstruction of signalization, paving, sidewalks, landscaping and sub-surface utilities, along Memorial Drive (“Project”). The City has been designated as the project sponsor, who will submit grant applications, enter agreements, contracting with engineers, and other related duties to leading the construction of the project. The Houston-Galveston Area Council funding grant application of the project will reflect an approximate ratio of 76% federal funding and 24% local funding. The parties will share the 20% local match commitment for the Project based upon each entities proportion share of the final engineering costs estimates prepared for the grant application. The current estimates reflect \$12,677,344 (64.02%) of the Authority portion of the project and \$7,123,286 for the City portion of the Project for a total of \$19,800,630. The parties in the agreement also agree to a program management firm to provide support for duties associated with project sponsors, with the Authority expected to pay \$138,500 for that management support.

NOTE 13. RISK MANAGEMENT

The Authority is exposed to various risks of loss related to torts: theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the Authority participates along with 2,800 other entities in the Texas Municipal League’s Intergovernmental Risk Pool. The Pool purchases commercial insurance at group rates for participants in the Pool. The Authority has not significantly reduced insurance coverage or had settlements that exceeded coverage amounts for the past three years.

MEMORIAL CITY REDEVELOPMENT AUTHORITY

REQUIRED SUPPLEMENTARY INFORMATION

JUNE 30, 2021

MEMORIAL CITY REDEVELOPMENT AUTHORITY
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
- BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2021

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
REVENUES			
Tax Increment	\$ 17,655,053	\$ 18,148,263	\$ 493,210
Interest and Other	400,000	26,362	(373,638)
TOTAL REVENUES	<u>\$ 18,055,053</u>	<u>\$ 18,174,625</u>	<u>\$ 119,572</u>
EXPENDITURES/EXPENSES			
Maintenance and Operations	\$ 262,000	\$ 274,167	\$ (12,167)
Capital Outlay	13,312,954	3,316,171	9,996,783
Municipal Services	2,256,619	2,256,619	
Administration Fees	882,753	907,413	(24,660)
Debt Service:			
Principal	5,115,000	5,115,000	
Interest	2,175,091	2,192,296	(17,205)
TOTAL EXPENDITURES	<u>\$ 24,004,417</u>	<u>\$ 14,061,666</u>	<u>\$ 9,942,751</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>\$ (5,949,364)</u>	<u>\$ 4,112,959</u>	<u>\$ 10,062,323</u>
OTHER FINANCING SOURCES (USES)			
Proceeds from grants	\$ 2,959,000	\$	\$ (2,959,000)
Proceeds from the Sale of Contract Revenue Bonds	38,905,000		(38,905,000)
TOTAL OTHER FINANCING SOURCES (USES)	<u>\$ 41,864,000</u>	<u>\$</u>	<u>\$ (41,864,000)</u>
NET CHANGE IN FUND BALANCE	\$ 35,914,636	\$ 4,112,959	\$ (31,801,677)
FUND BALANCE - JULY 1, 2020	<u>29,919,824</u>	<u>29,919,824</u>	
FUND BALANCE - JUNE 30, 2021	<u>\$ 65,834,460</u>	<u>\$ 34,032,783</u>	<u>\$ (31,801,677)</u>

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MEMORIAL CITY REDEVELOPMENT AUTHORITY

SUPPLEMENTARY INFORMATION

REQUIRED BY CITY OF HOUSTON

JUNE 30, 2021

MEMORIAL CITY REDEVELOPMENT AUTHORITY
OPERATING EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2021

<i>Category</i>	<i>Vendor</i>	<i>Budget</i>	<i>Actual Expenditures</i>	<i>Variance Positive (Negative)</i>
ADMINISTRATION AND OVERHEAD				
Management Consultant	Hawes Hill & Associates LLP	\$ 102,000	\$ 102,000	\$
Administrative Operating				
Property Account Consultant	Equi-tax, Inc.	7,500	750	6,750
Accounting/Audit				
Accounting	ETI Accounting Services	15,000	15,781	(781)
Auditor	McGrath & Co. PLLC & McCall Gibson Swedlund Barfoot PLLC	11,250 15,250	11,250 16,800	 (1,550)
Insurance	Texas Municipal League	1,000	963	37
Other			2,990	(2,990)
Subtotal		<u>152,000</u>	<u>150,534</u>	<u>1,466</u>
PROGRAM AND PROJECT CONSULTANTS				
Legal-General Counsel	Allen Boone Humphries Robinson, LLP	50,000	15,928	34,072
Engineering Consultants	The Goodman Corporation Gauge Engineering	60,000	22,550 85,155	 (85,155)
Subtotal		<u>110,000</u>	<u>123,633</u>	<u>(13,633)</u>
TOTAL MANAGEMENT CONSULTING SERVICES		<u>262,000</u>	<u>274,167</u>	<u>(12,167)</u>
City Administration Fees	City of Houston	<u>882,753</u>	<u>907,413</u>	<u>(24,660)</u>
Municipal Services Fess	City of Houston	<u>2,256,619</u>	<u>2,256,619</u>	
DEBT SERVICE				
Principal		5,115,000	5,115,000	
Interest		<u>2,175,091</u>	<u>2,192,296</u>	<u>(17,205)</u>
Subtotal		<u>7,290,091</u>	<u>7,307,296</u>	<u>(17,205)</u>
Total Operating Expenditures		<u>\$ 10,691,463</u>	<u>\$ 10,745,495</u>	<u>\$ (54,032)</u>

MEMORIAL CITY REDEVELOPMENT AUTHORITY
CAPITAL EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2021

<i>Project</i>	<i>Vendor</i>	<i>Budget</i>	<i>Actual Expenditures</i>	<i>Variance Positive (Negative)</i>
Project T-1717 and T-1721: Town and Country West Drainage and Mobility Improvements				
Other	Allen Boone Humphries Robinson LLP	\$	\$ 1,235	\$ (1,235)
Project T-1722: Town and Country Blvd at Queensbury Signalization				
Other	Allen Boone Humphries Robinson LLP		540	(540)
Project T-1725: Park and Green Space Improvements				
Other	SWA Group	125,000	9,100	115,900
Project T-1732A: N. Gessner Drainage and Mobility Improvement, I-10 to Longpoint				
Engineering/Design Services	Klotz Associates, Inc.	236,000		91,422
	Gauge Engineering		125,861	
Other	SWA Group		17,627	
	Allen Boone Humphries Robinson LLP		1,090	
Project T-1734: W140 Channel Improvements with Bridge and Staws				
Other	Allen Boone Humphries Robinson LLP	3,869,495	2,333	1,627,950
	SWA Group		14,541	
	Gauge Engineering		355,507	
Construction	Reytec Construction Resources, Inc		1,869,164	
Project T-1735: Detention Basin A				
Other	Allen Boone Humphries Robinson LLP	5,000,000	138	4,991,834
Engineering/Design Services	Gauge Engineering		8,028	
Project T-1737: MetroNational Detention & Roads				
Developer Reimbursement	TC Blvd Partners	3,013,459	596,405	2,417,054
Project T-1738A: Memorial Drive - Drainage and Mobility Improvement - Phase 1				
Engineering/Design Services	Gauge Engineering	500,000	110,559	361,040
Other	Allen Boone Humphries Robinson LLP		3,970	
	SWA Group		24,431	
Project T-1738B: Memorial Drive - Drainage and Mobility Improvement - Phase 2				
Engineering/Design Services	Gauge Engineering	50,000	1,189	48,811
Project T-1799: Concrete Panel Replace Program at Town & Country Blvd.				
		60,000		60,000
Project T-1741: W140 Detention				
Engineering/Design Services	Gauge Engineering	459,000	174,453	284,547
Total Capital Expenditures		\$ 13,312,954	\$ 3,316,171	\$ 9,996,783

MEMORIAL CITY REDEVELOPMENT AUTHORITY
PROJECT PLAN RECONCILIATION
AS OF THE YEAR ENDED JUNE 30, 2021

	<i>Project Plan Estimated Amount</i>	<i>Cumulative Expenditures as of the Fiscal Year Ended 2021</i>	<i>Variance Positive (Negative)</i>
	<u> </u>	<u> </u>	<u> </u>
Capital Projects:			
Roadway and Sidewalk Improvements	\$ 53,429,681	\$ 39,733,953	\$ 13,695,728
Public Utility Improvements	120,856,453	95,125,730	25,730,723
Park and Recreational Facilities	11,889,119	382,265	11,506,854
Total Capital Projects Costs	<u>\$ 186,175,253</u>	<u>\$ 135,241,948</u>	<u>\$ 50,933,305</u>
Financing Costs	25,000,000	50,663,340	(25,663,340)
Creation and Administration Costs	5,952,851	6,093,351	(140,500)
Total Project Plan	<u>\$ 217,128,104</u>	<u>\$ 191,998,639</u>	<u>\$ 25,129,465</u>

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MEMORIAL CITY REDEVELOPMENT AUTHORITY

OTHER SUPPLEMENTARY INFORMATION

JUNE 30, 2021

MEMORIAL CITY REDEVELOPMENT AUTHORITY
LONG-TERM DEBT SERVICE REQUIREMENTS, BY YEARS
AS OF THE YEAR ENDED JUNE 30, 2021

TAX INCREMENT CONTRACT
REVENUE BONDS
SERIES - 2016 Refunding

Due During Fiscal Years Ending June 30	Principal Due September 1	Interest Due September 1/ March 1	Total
2022	\$ 695,000	\$ 399,397	\$ 1,094,397
2023	2,975,000	355,174	3,330,174
2024	3,050,000	282,573	3,332,573
2025	3,125,000	208,164	3,333,164
2026	3,200,000	131,948	3,331,948
2027	3,270,000	53,984	3,323,984
2028	605,000	7,290	612,290
TOTAL	\$ 16,920,000	\$ 1,438,529	\$ 18,358,529

MEMORIAL CITY REDEVELOPMENT AUTHORITY
LONG-TERM DEBT SERVICE REQUIREMENTS, BY YEARS
AS OF THE YEAR ENDED JUNE 30, 2021

TAX INCREMENT CONTRACT
REVENUE BONDS
SERIES - 2019 Refunding

Due During Fiscal Years Ending June 30	Principal Due September 1	Interest Due September 1/ March 1	Total
2022	\$ 4,665,000	\$ 1,531,625	\$ 6,196,625
2023	2,685,000	1,347,875	4,032,875
2024	2,820,000	1,210,250	4,030,250
2025	2,970,000	1,065,500	4,035,500
2026	3,115,000	913,375	4,028,375
2027	3,285,000	753,375	4,038,375
2028	6,240,000	515,250	6,755,250
2029	7,185,000	179,625	7,364,625
TOTAL	\$ 32,965,000	\$ 7,516,875	\$ 40,481,875

MEMORIAL CITY REDEVELOPMENT AUTHORITY
LONG-TERM DEBT SERVICE REQUIREMENTS, BY YEARS
AS OF THE YEAR ENDED JUNE 30, 2021

ANNUAL REQUIREMENTS
FOR ALL SERIES

Due During Fiscal Years Ending June 30	Total Principal Due	Total Interest Due	Total Principal and Interest Due
2022	\$ 5,360,000	\$ 1,931,022	\$ 7,291,022
2023	5,660,000	1,703,049	7,363,049
2024	5,870,000	1,492,823	7,362,823
2025	6,095,000	1,273,664	7,368,664
2026	6,315,000	1,045,323	7,360,323
2027	6,555,000	807,359	7,362,359
2028	6,845,000	522,540	7,367,540
2029	7,185,000	179,625	7,364,625
TOTAL	\$ 49,885,000	\$ 8,955,404	\$ 58,840,404

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MEMORIAL CITY REDEVELOPMENT AUTHORITY
BOARD MEMBERS AND CONSULTANTS
JUNE 30, 2021

Authority Mailing Address - Memorial City Redevelopment Authority
P.O. Box 22167
Houston, TX 77227-2167

Authority Telephone Number- 713-595-1200

Board Members	Position
Marshall B. Heins – Director	1
John Rickel – Director	2
David P. Durham – Director	3
Ann T. Givens – Chair	4
Dr. Zachary R. Hodges – Director	5
Brad Freels – Vice – Chair	6
Vacant	7

