

**MEMORIAL-HEIGHTS
REDEVELOPMENT AUTHORITY**

**Annual Financial Statements
and
Supplementary Information**

**June 30, 2021
(With Independent Auditor's Report Thereon)**

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities and each major fund of Memorial-Heights 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 Budgetary Comparison Schedule – All Combined 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 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

McCall Gibson Swedlund Barfoot PLLC
Certified Public Accountants
Houston, Texas

September 23, 2021

MEMORIAL-HEIGHTS REDEVELOPMENT AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED JUNE 30, 2021

The discussion and analysis of Memorial-Heights Redevelopment Authority's (Authority or MHRA) financial statements provide an overview of the Authority's financial performance during the years ended June 30, 2021, and 2020. This discussion and analysis includes comparative data for the year ended June 30, 2021, with the year ended June 30, 2020, with a brief explanation for significant changes between fiscal years. Since the Management's Discussion and Analysis is designed to focus on current activities, resulting changes and currently known facts, please read in conjunction with the Authority's financial statements and footnotes.

HIGHLIGHTS

- Since its creation in 1996, Reinvestment Zone Number Five, City of Houston (Zone) has seen an increase in taxable value. As of tax year 2020, the projected taxable value was approximately \$2,541,586,101. This increase in value of \$1,529,905,879 over the base year value of \$1,011,680,222 was due to multiple factors including annexation of territory into the boundaries of the Zone and subsequent development of multi-family development and commercial projects in the Zone.
- The Authority recorded its annual Municipal Services Payment to the City of Houston in the amount of \$160,652.
- During Fiscal Years 2018, 2019 and 2020, MHRA continued work on the Shepherd/Durham Streets Reconstruction Project and has successfully obtained grant funding. During Fiscal Year 2021, MHRA completed design of Phase 1 (15th Street to 610) and started design on Phase 2 (15th Street to I-10). Construction is expected to start on Phase 1 in Fiscal Year 2022.
- Design was also completed for the Bicycle and Pedestrian facilities at the intersection of Washington/Center and Heights and improvements to the MKT Trail and a section of the trail connection between the White Oak Bayou Trail and Memorial Park. Design for the restriping of West Dallas between Dunlavy and Waugh to add bicycle facilities is expected to be complete in the first quarter of FY 2022.

OVERVIEW OF THE FINANCIAL STATEMENTS

Under Governmental Accounting Standards Board (GASB) Statement No. 34, the Authority qualifies as a special purpose government with one program – redevelopment of the Memorial-Heights Area, an area in central Houston consisting of commercial and recreational corridors within an area generally bounded by IH-610 to the North and West, IH-45 to the East, and West Clay Street to the South (the “Memorial-Heights Area”). GASB Statement No. 34 allows such entities to combine the fund financial statements and the government-wide financial statements rather than presenting separate statements.

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

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

Government-wide statements report information about the Authority as a whole using accounting methods similar to those used in private-sector companies. The Statement of Net Position includes all of the Authority's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid. The fund financial statements report information about the Authority 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. Adjustments are provided to reconcile the government-wide statements to the fund statements. Explanations for reconciling items in the "Adjustments" column are provided on the face of the statements.

STATEMENT OF NET POSITION

The Statement of Net Position includes all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector institutions. The Authority's cash deposits are collateralized by pledged securities. For a more detailed analysis of assets and liabilities, see the notes to the financial statements. The following table reflects condensed information (rounded to the nearest thousand) on the Authority's net position at June 30:

	Summary of Changes in the Statement of Net Position		
	2021	2020	Change Positive (Negative)
ASSETS:			
Cash and Investments	\$ 55,023,000	\$ 12,352,000	\$ 42,671,000
Tax Increments Receivable	7,689,000	4,493,000	3,196,000
TOTAL ASSETS	\$ 62,712,000	\$ 16,845,000	\$ 45,867,000
LIABILITIES:			
Due to Developer	\$ 2,086,000	\$ 2,350,000	\$ 264,000
Long -Term Liabilities	41,876,000	-	(41,876,000)
Other Liabilities	1,697,000	724,000	(973,000)
TOTAL LIABILITIES	\$ 45,659,000	\$ 3,074,000	\$ (42,585,000)
Net Position:			
Restricted	\$ (261,000)	\$	\$ (261,000)
Unrestricted	17,314,000	13,771,000	3,543,000
TOTAL NET POSITION	\$ 17,053,000	\$ 13,771,000	\$ 3,282,000

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

STATEMENT OF ACTIVITIES

The Statement of Activities presents the operating results of the Authority. The following table reflects condensed information on the Authority's operations for the years ended June 30:

	Summary of Changes in the Statement of Activities		
	2021	2020	Change Positive (Negative)
REVENUES:			
Tax Increment Revenue	\$ 8,093,000	\$ 6,606,000	\$ 1,487,000
Interest Revenue	17,000	172,000	155,000
Miscellaneous Revenue	-	430,000	(430,000)
TOTAL REVENUES	\$ 8,110,000	\$ 7,208,000	\$ 1,212,000
EXPENSES:			
Project Cost	\$ 2,703,000	\$ 1,845,000	\$ (858,000)
Other Costs	565,000	398,000	(167,000)
Support Services	233,000	216,000	(17,000)
Loan Costs	1,327,000	-	(1,327,000)
TOTAL EXPENSES	\$ 4,828,000	\$ 2,459,000	\$ (2,369,000)
CHANGE IN NET POSITION	\$ 3,282,000	\$ 4,749,000	\$ (1,467,000)
NET POSITION, BEGINNING OF YEAR	13,771,000	9,022,000	4,749,000
NET POSITION, END OF YEAR	\$ 17,053,000	\$ 13,771,000	\$ 3,282,000

Tax Increments

The City has agreed, subject to certain limitations, to deposit to the Tax Increment Fund established for the Authority, a certain percentage of tax collections arising from their taxation of the increase, if any, in the appraised value of real property located in the Zone since a designated base year. The City remits its tax increments on an annual basis.

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

Capital Assets

The Authority had no capital assets as of June 30, 2021. Under the Development Agreements, the Authority oversees the construction of certain public improvements in the Memorial-Heights Areas. Upon completion and inspection by the Authority's consultants and the City's inspectors, the public improvements are automatically conveyed to the City. Thus, although it may have obligations to reimburse construction participants, including developers, for the public improvements, the Authority never holds title to any public improvements.

Debt

As of June 30, 2021, the Authority authorized and issued bonds totaling \$40,000,000. As of June 30, 2021, the Authority owed developers \$2,085,681. The Series 2021 Tax Increment Contract Bonds carry an insured rating of "AA" by virtue of bond insurance issued by Assured Guaranty Municipal Corporation. The above ratings reflect changes if any through June 30, 2021.

GENERAL FUND BUDGETARY HIGHLIGHTS

The Authority's overall final budget for 2021 was in excess of \$63.8 million dollars.

Actual tax increments and other income received were more than budgeted. Total expenditures were less than budgeted. See the budget to actual comparison on page 22.

CURRENT AND FUTURE PROJECTS

The Authority is undertaking or considering the following projects in the Memorial Heights Area, including:

- Shepherd/Durham Streets Reconstruction Project including selected cross streets between Shepherd and Durham
- Bicycle and pedestrian facility improvement to improve safety at the intersection of Washington/Center and Heights and at various intersections along the MKT trail
- Selected streets between Shepherd and Durham
- Yale and Center Street Intersection Signalization Improvements
- Participating with the City of Houston, TxDOT, and the Harris County Flood Control District to develop and construct the North Canal Flood Control Project
- Restriping of West Dallas between Dunlavy and Waugh to add bicycle facilities.
- Section of the trail connection from the White Oak Bayou Trail to Memorial Park

This financial report is designed to provide a general overview of the Memorial-Heights Redevelopment Authority's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to John Kuhl, Attorney, SKLaw, 1980 Post Oak Boulevard, Suite 1380, Houston, Texas 77056.

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

	General Fund	Capital Projects Fund
ASSETS		
Cash	\$ 1,654,786	\$
Investments	11,582,141	41,786,806
Tax Increment Receivable	7,688,852	
Due from Other Funds	275,666	
TOTAL ASSETS	\$ 21,201,445	\$ 41,786,806
 LIABILITIES		
Accounts Payable	\$ 461,151	\$
Accrued Interest Payable		
Due to Developer		
Due to Other Funds		275,666
Long Term Liabilities:		
Due Within One Year		
Due After One Year		
TOTAL LIABILITIES	\$ 461,151	\$ 275,666
 FUND BALANCES		
Restricted for Authorized Construction	\$	\$ 30,179,801
Assigned to 2022 Budget Deficit		11,331,339
Unassigned	20,740,294	
TOTAL FUND BALANCES	\$ 20,740,294	\$ 41,511,140
 TOTAL LIABILITIES AND FUND BALANCES	\$ 21,201,445	\$ 41,786,806
 NET POSITION		
Restricted for Debt Service		
Unrestricted		
TOTAL NET POSITION		

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

<u>Total</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
\$ 1,654,786	\$	\$ 1,654,786
53,368,947		53,368,947
7,688,852		7,688,852
<u>275,666</u>	<u>(275,666)</u>	<u></u>
<u>\$ 62,988,251</u>	<u>\$ (275,666)</u>	<u>\$ 62,712,585</u>
\$ 461,151	\$	\$ 461,151
	261,056	261,056
	2,085,681	2,085,681
275,666	(275,666)	
	975,000	975,000
<u></u>	<u>41,876,432</u>	<u>41,876,432</u>
<u>\$ 736,817</u>	<u>\$ 44,922,503</u>	<u>\$ 45,659,320</u>
\$ 30,179,801	\$ (30,179,801)	\$
11,331,339	(11,331,339)	\$
<u>20,740,294</u>	<u>(20,740,294)</u>	<u></u>
<u>\$ 62,251,434</u>	<u>\$ (62,251,434)</u>	<u>\$ - 0 -</u>
<u>\$ 62,988,251</u>		
	\$ (261,056)	\$ (261,056)
	<u>17,314,321</u>	<u>17,314,321</u>
	<u>\$ 17,053,265</u>	<u>\$ 17,053,265</u>

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

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

Total Fund Balances - Governmental Funds \$ 62,251,434

Amounts reported for governmental activities in the Statement of Net Position are different because:

Certain liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. These liabilities at year end consist of:

Due to Developer	\$ (2,085,681)	
Accrued Interest Payable	(261,056)	
Due Within One Year	(975,000)	
Due After One Year	<u>(41,876,432)</u>	<u>(45,198,169)</u>

Total Net Position - Governmental Activities \$ 17,053,265

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

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MEMORIAL-HEIGHTS 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	Capital Projects Fund
REVENUES:		
Tax Increment Revenue	\$ 8,093,529	\$
Investment Revenues	15,543	1,369
TOTAL REVENUES	\$ 8,109,072	\$ 1,369
EXPENDITURES/EXPENSES:		
Service Operations:		
Municipal Services	\$ 160,652	
Administrative Fees-Transfer	404,677	
Project Cost	2,427,192	275,666
Administrative Consultant	88,620	
Accounting and Legal Fees	70,530	
Developer Reimbursement	264,284	
Other Consultants	54,286	
Other Cost	20,049	
Debt Service:		
Bond Interest		
Issuance Costs		1,086,687
TOTAL EXPENDITURES/EXPENSES	\$ 3,490,290	\$ 1,362,353
EXCESS (DEFICIENCY) OF REVENUES		
OVER EXPENDITURES/EXPENSES	\$ 4,618,782	\$ (1,360,984)
OTHER FINANCING SOURCES (USES)		
Bond Proceeds	\$ -0-	\$ 40,000,000
Bond Premium		2,872,124
TOTAL OTHER FINANCING SOURCES (USES)	\$ -0-	\$ 42,872,124
NET CHANGE IN FUND BALANCES	\$ 4,618,782	\$ 41,511,140
CHANGE IN NET POSITION		
FUND BALANCES/NET POSITION -		
JULY 1, 2020	16,121,512	
FUND BALANCES/NET POSITION -		
JUNE 30, 2021	\$ 20,740,294	\$ 41,511,140

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

<u>Total</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
\$ 8,093,529	\$	\$ 8,093,529
16,912		16,912
\$ 8,110,441	\$ - 0 -	\$ 8,110,441
\$ 160,652	\$	\$ 160,652
404,677		404,677
2,702,858		2,702,858
88,620		88,620
70,530		70,530
264,284	(264,284)	
54,286		54,286
20,049		20,049
	240,364	240,364
1,086,687		1,086,687
\$ 4,852,643	\$ (23,920)	\$ 4,828,723
\$ 3,257,798	\$ 23,920	\$ 3,281,718
\$ 40,000,000	\$ (40,000,000)	\$ -0-
2,872,124	(2,872,124)	
\$ 42,872,124	\$ (42,872,124)	\$ -0-
\$ 46,129,922	\$ (46,129,922)	\$
	3,281,718	3,281,718
16,121,512	(2,349,965)	13,771,547
\$ 62,251,434	\$ (45,198,169)	\$ 17,053,265

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

**MEMORIAL-HEIGHTS 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 \$ 46,129,922

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

Governmental funds report bond premiums as other financing sources in the year received. However, in the Statement of Net Position, the bond premiums are amortized over the life of the bonds and the current year amortized portion is recorded in the Statement of Activities. (2,872,124)

Governmental funds report interest expenditures on long-term debt as expenditures in the year paid. However, in the Statement of Net Position, interest is accrued on the long-term debt through fiscal year-end. (240,364)

Governmental funds report developer reimbursements as expenditures. Developer reimbursements decrease long-term liabilities in the Statement of Net Position. 264,284

Governmental funds report bond proceeds as other financing sources. Issued bonds increase long-term liabilities in the Statement of Net Position. (40,000,000)

Change in Net Position - Governmental Activities \$ 3,281,718

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

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

NOTE 1. DESCRIPTION OF ORGANIZATION

Description of Organization

Memorial-Heights Redevelopment Authority (the Authority) is a nonprofit local government corporation, incorporated December 11, 1997 under the laws of the State of Texas, and operating under Chapter 431, Texas Transportation Code. On December 10, 1997, the City of Houston (the City) adopted Resolution No. 97-67, which authorized the Authority to aid, assist and act on behalf of the City, in the performance of the City's obligation with respect to Reinvestment Zone Number Five, City of Houston, Texas (Memorial-Heights TIRZ or TIRZ).

City of Houston Reinvestment Zone Number Five

Memorial-Heights TIRZ was created pursuant to Chapter 311, Texas Tax Code, by City Ordinance No. 96-1337, effective December 24, 1996, as a tax incremental reinvestment zone. The TIRZ is authorized to provide new capital for public works and public improvements in specified corridors and areas in the Memorial-Heights Area. The TIRZ will provide a source of funding through the tax increments generated by redevelopment of those areas within the Memorial-Heights TIRZ.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

As required by accounting principles generally accepted in the United States of America, these financial statements represent all of the funds of Memorial-Heights Redevelopment Authority. The Authority is a component unit of the City of Houston. Component units are legally separate entities for which the primary government is financially accountable. There are no separate legal entities that are a part of the Authority's reporting entity.

Tax Increments and Participation Agreements

The City has agreed to deposit to the Tax Increment Fund established for the TIRZ (the Tax Increment Fund) a certain percentage of the tax collections arising from its taxation of the increase, if any, in the appraised value of real property located in the TIRZ since January 1, 1996 (the Tax Increments). The City is required to collect taxes on real property located within the TIRZ in the same manner as other taxes are collected by the City. The City is then required to pay the Tax Increment Fund the Tax Increments, as agreed upon in accordance with the City's agreement with the TIRZ (the Participation Agreement). Thus, Tax Increments are due to be deposited from the Tax Increment Fund to the Authority's account by the end of each quarter in which they are collected in the Tax Increment Fund. The City has agreed to pay 100% of their Tax Increments to the Tax Increment Fund. During the current fiscal year, tax increments of \$8,093,529 were collected by the City of which \$404,677 was withheld to cover administrative costs.

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

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus and Basis of Accounting:

Government-Wide Financial Statement

The Statement of Net Position and the Statement of Activities display information about the reporting government as a whole. The Statement of Net Position and the Statement of Activities were prepared using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is 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 Authority does not have any business-type activities.

Fund Financial Statements

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a current financial resources measurement focus and have been prepared using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they are “measurable and available”). “Measurable” means the amount of the transaction that can be determined and “available” means collectible within the current period or soon enough thereafter to pay liabilities of the current period. The Authority considers all revenue available if it is collected within 60 days after the year end. Expenditures are recorded when the related fund liability is incurred. The Authority only has two major funds, the General Fund, which accounts for resources not required to be accounted for in another fund, tax increment revenues, costs and general expenditures, and the Capital Projects Fund to account for resources restricted, committed or assigned for acquisition or construction of facilities and related costs. As of June 30, 2021, the Capital Projects Fund owes the General Fund \$275,666 for capital expenditures previously made by the General Fund.

Fund Balances

Fund balances in governmental funds are classified using the following hierarchy:

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 does not have any restricted fund balances.

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

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus and Basis of Accounting: (Continued)

Fund Balances (Continued)

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. The Authority assigned \$11,331,339 of its Capital Projects Fund fund balance to offset a fiscal year 2022 budgeted deficit.

Unassigned - all other spendable amounts in the General Fund.

When an expenditure is 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.

Federal Income Taxes

The Authority is exempt from Federal income taxes as an organization described in Section 501(c) (3) of the Internal Revenue Code. Under Section 6501 (c) (4), the Authority has also requested an advance ruling allowing it to be treated as a publicly supported organization under Section 170 (b) (1) (A) (vi) of the Internal Revenue Code. Furthermore, as an adjunct of local government, the Authority is exempt from Federal income taxes under Section 115 (2) of the Internal Revenue Code and qualifies as a publicly supported organization within the meaning of Section 509 (a) of the Internal Revenue Code.

Use of Estimates

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

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

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. At June 30, 2021, none of the Authority’s bank balances were exposed to custodial credit risk.

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

	Cash
GENERAL FUND	\$ 1,654,786

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 Board of Directors has adopted a written investment policy regarding the investments of its funds as defined in the Public Funds Investment Act of 1997 (Chapter 2256, Texas Government Code). Such investment include (1) obligations of the United States or its agencies; (2) direct obligations of the State of Texas or its agencies; (3) other obligations, the principal and interest of which are unconditionally guaranteed or insured by or backed by the full faith and credit of the State of Texas or the United States or their respective agencies; (4) certificates of deposit, and (5) commercial paper that complies with the Public Funds Investment Act.

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

NOTE 3. DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

The Authority invests in TexPool, an external investment pool that is not SEC-registered. The State Comptroller of Public Accounts of the State of Texas has oversight of the pool. Federated Investors, Inc. manages the daily operations of the pool under a contract with the Comptroller. TexPool meets the criteria established in GASB Statement No. 79 and measures all of its portfolio assets at amortized cost. As a result, the Authority also measures its investments in TexPool at amortized cost for financial reporting purposes. There are no limitations or restrictions on withdrawals from TexPool.

The Authority invests in Goldman Sachs Financial Square Government Fund-Institutions Share (FGTXX). The fund normally invests at least 99.5% of the fund's total assets in cash, U.S. Government securities and/or repurchase agreements that are fully collateralized. The fund invests in compliance with industry-standard regulatory requirements for money market funds for the quality, maturity, liquidity and diversification of investments. The fund seeks to maintain a net asset value (NAV) of \$1.00 per share. NAV is calculated daily. The fund's assets are managed by Goldman Sachs Liquidity Solutions Team.

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

<u>Fund and Investment Type</u>	<u>Fair Value</u>	<u>Maturities in Less Than 1 Year</u>
<u>GENERAL FUND</u>		
TexPool	\$11,582,141	\$11,582,141
<u>CAPITAL PROJECTS FUND</u>		
FGTXX	<u>41,786,806</u>	<u>41,786,806</u>
TOTAL INVESTMENTS	<u>\$53,368,947</u>	<u>\$53,368,947</u>

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 investment in TexPool, an external investment pool, and FGTXX were rated AAAM 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 investment in TexPool and FGTXX to have a maturity 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.

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

NOTE 4. LONG-TERM DEBT

A summary of changes in the Authority's long-term debt follows:

	July 1, 2020	Additions	Retirements	June 30 2021
Loans Payable	\$	\$ 40,000,000	\$	\$ 40,000,000
Unamortized Discounts		2,872,124	20,692	2,851,432
Total Long-Term Liabilities	\$ -0-	\$ 42,872,124	\$ 20,692	\$ 42,851,432
		Amount Due Within One Year		\$ 975,000
		Amount Due After One Year		41,876,432
		Total Long-Term Liabilities		\$ 42,851,432

The Authority's bonds payable at June 30, 2021, consist of the following:

	Series 2021 Tax Increment Contract Revenue Bonds
Amounts Outstanding – June 30, 2021	\$ 40,000,000
Interest Rates	2.0% - 5.0%
Due Dates – Serially Beginning/Ending	September 1, 2021/2048
Interest Payment Dates	September 1/ March 1
Callable Dates	September 1, 2030*

*Or on any date thereafter in whole or in part at a price of par plus accrued interest on the date of redemption. Series 2021 term bonds maturing September 1, 2039, September 1, 2043, and September 1, 2048 are subject to mandatory redemption on September 1, 2038, September 1, 2040, and September 1, 2044, respectively.

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

NOTE 4. LONG-TERM DEBT (Continued)

As of June 30, 2021, the debt service requirements on the bonds outstanding were as follows:

Fiscal Year	Principal	Interest	Total
2022	\$ 975,000	\$ 1,145,309	\$ 2,120,309
2023	835,000	1,284,350	2,119,350
2024	880,000	1,241,475	2,121,475
2025	925,000	1,196,350	2,121,350
2026	970,000	1,148,975	2,118,975
2027-2031	5,665,000	4,944,250	10,609,250
2032-2036	6,880,000	3,729,872	10,609,872
2037-2041	7,775,000	2,836,684	10,611,684
2042-2046	9,005,000	1,605,075	10,610,075
2047-2049	6,090,000	277,650	6,367,650
	<u>\$ 40,000,000</u>	<u>\$ 19,409,990</u>	<u>\$ 59,409,990</u>

NOTE 5. DEVELOPER ADVANCES AND INTEREST PAYABLE

The Authority and Memorial-Heights TIRZ have executed a development agreement with ArchStone Smith to provide funding for all reasonable and necessary expenses for the maintenance, operation and administration of the Authority and Memorial-Heights TIRZ. ArchStone Smith has agreed to extend a loan not to exceed the aggregate principal amount of \$16,706,921. The loan shall bear interest on the unpaid principal amount at the Base Rate (the prime rate of J.P. Morgan Chase Bank) plus 1% per annum until maturity. If applicable, the interest rate shall be adjusted quarterly based on any changes in the Base Rate. Principal and interest shall be repaid from the deposits made by the participating taxing entities to the Tax Increment Fund until the obligation is retired. Providing the availability of funds in the Tax Increment Fund, scheduled payments shall commence on April 1, 1998, with subsequent payments to be made annually each July. Accordingly, \$167,382 and \$49,052 of principal and interest, respectively, was paid during the fiscal year ended June 30, 2009. At the end of the fiscal years 2010 through 2021 the balance due was zero on the loan.

The Authority has also entered into a reimbursement agreement with Legacy Partners Memorial Houston, L.P. (Legacy). In accordance with this agreement, Legacy has agreed to fund various right-of-way improvements on behalf of the Authority. As of June 30, 2009, Legacy has funded \$192,294 in reimbursable costs. This amount was recorded as a liability in the Statement of Net Position for 2009 and paid in 2010. The Authority also accrued and paid an additional \$28,000 in 2010 making the total paid to Legacy Partners in 2010 \$220,294. There were no payments made to Legacy in 2011 through 2021 and no amount due as of June 30, 2021.

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

NOTE 5. DEVELOPER ADVANCES AND INTEREST PAYABLE (Continued)

In addition, the Authority has also entered into a reimbursement agreement with Regent Square AB LLC, Regent Square CD LLC, and AH Borrower LLC (Regent). In 2012, a partial assignment of the reimbursement agreement was made by Regent to Sovereign Regent Square LLC (Sovereign). In accordance with the reimbursement agreement, Regent and Sovereign have agreed to fund on behalf of the Authority certain design and construction costs for public infrastructure improvements in connection with a mixed-use development. As of June 30, 2021, the Developer has reported expenditures of \$71,676,614, of which \$3,211,252 is reimbursable under the agreement. This amount, less \$861,287 reimbursed in prior fiscal years and \$264,284 reimbursed in the current fiscal year, is recorded as an expense in the Statement of Activities.

During 2019 MHRA entered into a Development Agreement which will improve the intersections at Allen Parkway and a new public street within the development, at Dallas and the new public street, Shepherd and Allen Parkway, Shepherd and Memorial, West Dallas and Shepherd. Marston Street will be extended to Allen Parkway and a new street will be constructed from Allen Parkway to West Dallas. Streetscapes will be improved on Marston, the new public street, West Dallas, Shepherd, Allen Parkway, Tirell and West Dallas. The work on West Dallas will include separated bike lanes. There were no payments made and no amount due as of June 30, 2021.

NOTE 6. 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. The Authority participates in the Texas Municipal League's Intergovernmental Risk Pool ("TML") to provide general liability, errors and omission and automobile liability. The Authority, along with other participating entities, contributes annual amounts determined by TML's management. As claims arise, they are submitted and paid by TML. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past three years.

NOTE 7. ECONOMIC UNCERTAINTIES

On March 11, 2020, the World Health Organization declared the COVID-19 virus a global pandemic. Since that time, the Authority has not experienced any decrease in property values, unusual tax delinquencies, or interruptions to service as a result of COVID-19. The Authority will continue to carefully monitor the situation and evaluate the financial statement impact, if any, that results from the pandemic.

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

NOTE 8. BOND SALE

On April 20, 2021, the Authority issued \$40,000,000 of Tax Increment Contract Revenue Bonds, Series 2021. The bonds were issued to fund projects included in the Authority's five-year capital improvements program, to satisfy the reserve requirement for the debt reserve fund and pay certain costs of issuance. Those projects include Houston Avenue and White Oak Drive intersection improvements, Little Thicket park improvements, Shepherd, Durham and selected cross street reconstruction project, North Canal project, Heights Boulevard pedestrian and bicycle safety improvements, West Dallas restriping project, Yale and Center intersection, segment of trail between White Oak Bayou and Memorial Park, and safe sidewalk program.

The bonds were issued on April 20, 2021, with \$20,115,000 of serial bonds maturing annually starting September 1, 2021, and ending September 1, 2037, with an interest rates of 2.0% to 5.0%. Term bonds in the amount of \$3,145,000 mature on September 1, 2039, with an interest rate of 3.0%, term bonds in the amount of \$6,885,000 mature on September 1, 2043, with an interest rate of 3.0%, and term bonds in the amount of \$9,855,000 mature on September 1, 2048, with an interest rate of 3.0%.

MEMORIAL-HEIGHTS REDEVELOPMENT AUTHORITY
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE – ALL COMBINED GOVERNMENTAL
FUNDS
FOR THE YEAR ENDED JUNE 30, 2021

	Original and Final Budget	Actual	Variance Positive (Negative)
Budgetary Fund Balance - Beginning of Year	\$ 16,921,162	\$ 16,121,512	\$ (799,650)
Resources:			
Tax Increments	\$ 6,877,206	\$ 8,093,529	\$ 1,216,323
Contract Revenue Bond Proceeds	40,000,000	40,000,000	
Bond Premium		2,872,124	2,872,124
Investment Revenues	29,210	16,912	(12,298)
Total Available Resources	\$ 63,827,578	\$ 67,104,077	\$ 3,276,499
Expenditures:			
Maintenance and Operations	\$ 426,000	\$ 233,485	\$ 192,515
Capital Expenditures and Developer	17,371,000	2,691,476	14,679,524
Transfers	504,512	565,329	(60,817)
Bond Costs		1,086,687	(1,086,687)
Total Expenditures	\$ 18,301,512	\$ 4,576,977	\$ 13,724,535
Budgetary Fund Balance - End of Year	\$ 45,526,066	\$ 62,527,100	\$ 17,001,034
Explanation of Differences between Budgetary Inflow and Outflows and GAAP Revenues and Expenditures			
Sources/Inflows of Resources			
Actual amounts (budgetary basis)			\$ 67,104,077
Differences - Budget to GAAP:			
The fund balance at the beginning of the year is a budgetary resource but is not a current-year revenue for financial reporting purposes			(16,121,512)
Revenues that are reported as Other Financing Sources in the Statement of Revenues, Expenditures and Changes in Fund Balances.			(42,872,124)
Total revenues as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances			\$ 8,110,441

See accompanying independent auditor's report.

MEMORIAL-HEIGHTS REDEVELOPMENT AUTHORITY
SCHEDULE OF ESTIMATE OF PROJECT COSTS TO ACTUAL COSTS
PERIOD FROM DECEMBER 11, 1997 (DATE OF INCORPORATION)
THROUGH JUNE 30, 2021
(UNAUDITED)

Vendor	Estimated Total Costs	Total Expenditures	Variance Positive (Negative)
Public Utility Improvements	\$ 138,144,635	\$ 2,893,549	\$ 135,251,086
Roadway and Sidewalk Improvements	131,738,100	13,601,491	118,136,609
Parks and Park Improvements	88,499,375	10,414,387	78,084,988
Professional Services/TIRZ Administration	11,513,853	7,007,949	4,505,904
Property Assemblage/Clean-up	52,100,000	882,382	51,217,618
Financing Cost	29,879,513	4,515,595	25,363,918
Creation Costs	175,300	175,300	0
School and Educational Facilities	23,123,754	12,705,295	10,418,459
Affordable Housing	<u>33,332,210</u>	<u>7,262,210</u>	<u>26,070,000</u>
Total Reimbursement	<u>\$ 508,506,740</u>	<u>\$ 59,458,158</u>	<u>\$ 449,048,582</u>

See accompanying independent auditor's report.

MEMORIAL-HEIGHTS REDEVELOPMENT AUTHORITY
SCHEDULE OF OPERATING EXPENDITURES AND CAPITAL EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2021

Category	Vendor	Budget	Actual Expenditure	Variance Positive (Negative)
ADMINISTRATION AND OVERHEAD				
Administration Support	SKLaw/SMW Principle eLsqrd Media Group, Texas	\$ 120,000	\$ 88,620	\$ 31,380
Office Administration	Comptroller	20,000	19,084	916
Insurance	TML Insurance	1,000	965	35
Accounting	The Morton Accounting Services	25,000	19,705	5,295
Auditor	McCall Gibson Swedlund Barfoot PLLC	10,000	8,500	1,500
Tax Consultant	Equi-Tax, Inc.	<u>25,000</u>	<u>2,400</u>	<u>22,600</u>
SUBTOTAL		<u>\$ 201,000</u>	<u>\$ 139,274</u>	<u>\$ 61,726</u>
PROGRAM AND PROJECT CONSULTANTS				
Legal-General Matters	SKLaw Goodman Corp, McCall Gibson Swedlund Barfoot	\$ 100,000	\$ 50,825	\$ 49,175
Planning Consultants	PLLC	50,000	11,854	38,146
Engineering Consultants	Jones & Carter	<u>75,000</u>	<u>31,532</u>	<u>43,468</u>
SUBTOTAL		<u>\$ 225,000</u>	<u>\$ 94,211</u>	<u>\$ 130,789</u>
TOTAL MANAGEMENT/CONSULTING SERVICES		<u>\$ 426,000</u>	<u>\$ 233,485</u>	<u>\$ 192,515</u>
Regents Square GID	Sovreign Regent Square	<u>\$ 306,000</u>	<u>\$ 264,284</u>	<u>\$ 41,716</u>
Municipal Services	City of Houston	<u>\$ 160,652</u>	<u>\$ 160,652</u>	<u>\$ -0-</u>

See accompanying independent auditor's report.

MEMORIAL-HEIGHTS REDEVELOPMENT AUTHORITY
SCHEDULE OF OPERATING EXPENDITURES AND CAPITAL EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2021

<u>Category</u>	<u>Vendor</u>	<u>Budget</u>	<u>Actual Expenditure</u>	<u>Variance Positive (Negative)</u>
CAPITAL EXPENDITURES				
Project T-0511-MKT Hike & Bike Trail	SKLaw	<u>\$ - 0 -</u>	<u>\$ 41</u>	<u>\$ (41)</u>
Project T-0512-White Oak Bayou Trail System	SKLaw	<u>\$ - 0 -</u>	<u>\$ 40</u>	<u>\$ (40)</u>
Project T-0520-Houston Ave & White Oak Dr Intersection	SKLaw/Jones & Carter/SMW/RAC Industries	<u>\$ 300,000</u>	<u>\$ 8,414</u>	<u>\$ 291,586</u>
Project T-0521-Little Thicket Park Improvements	SKLaw/Jones & Carter/SMW	<u>\$ 300,000</u>	<u>\$ 24,788</u>	<u>\$ 275,212</u>
Project T-0523A-Shepherd/Durham Reconstruction	SKLaw/Jones & Carter/SMW/The Goodman Corp	<u>\$ 1,500,000</u>	<u>\$ 2,588,484</u>	<u>\$ (1,088,484)</u>
Project T-0525-North Canal Project	SKLaw/SMW	<u>\$ 13,000,000</u>	<u>\$ 8,321</u>	<u>\$ 12,991,679</u>
Project T-0527-Heights Boulevard Pedestrian and Bicycle Safety Improvements	SKLaw/Jones & Carter/SMW	<u>\$ 1,220,000</u>	<u>\$ 16,927</u>	<u>\$ 1,203,073</u>
Project T-0528-Selected Streets Between Shepherd and Durham	Jones & Carter/SMW	<u>\$ 500,000</u>	<u>\$ 12,795</u>	<u>\$ 487,205</u>
Project T-0530-Segment of Trail Between White Oak Bayou and Memorial Park	Jones & Carter/SMW	<u>\$ 220,000</u>	<u>\$ 43,048</u>	<u>\$ 176,952</u>
Project T-0599-Safe Sidewalk Program		<u>\$ 25,000</u>	<u>\$ - 0 -</u>	<u>\$ 25,000</u>
TOTAL CAPITAL EXPENDITURES		<u><u>\$ 17,065,000</u></u>	<u><u>\$ 2,702,858</u></u>	<u><u>\$ 14,362,142</u></u>

See accompanying independent auditor's report.

