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December 9, 2021

Board of Directors
El Paso Downtown Management District
201 East Main Street, Suite 107
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We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of El Paso Downtown Management District (the DMD) for the year ended September 30, 2021. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated November 17, 2021. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the DMD are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2021. We noted no transactions entered into by the DMD during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the DMD's financial statements was:

Management's estimate of the useful lives of capital assets is based on the DMD's estimate of the actual life of each asset. We evaluated the key factors and assumptions used to develop the estimate for the useful life in determining that it is reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosure affecting the financial statements was:

The disclosure of related party transactions in Note 6 to the financial statements provides detail on the amount and type of related party transactions and the effects of the transactions on the financial statements.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated December 9, 2021.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the DMD's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the DMD's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to Management's Discussion and Analysis and the Budgetary Comparison Schedule – General Fund, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

Restriction on Use

This information is intended solely for the use of the Board of Directors and management of the DMD and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

Strickler & Prieto, LLP

Strickler & Prieto, LLP

El Paso Downtown Management District
Financial Statements and Required Supplementary Information
For the Year Ended September 30, 2021
and Independent Auditor's Report

EL PASO DOWNTOWN MANAGEMENT DISTRICT

TABLE OF CONTENTS

	Page
INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS	1
REQUIRED SUPPLEMENTARY INFORMATION:	
Management's Discussion and Analysis	3
BASIC FINANCIAL STATEMENTS:	
Statement of Net Position	10
Statement of Activities	11
GOVERNMENTAL FUND FINANCIAL STATEMENTS	
Balance Sheet - Governmental Funds	12
Reconciliation of the Governmental Fund Balance Sheet to the Statement of Net Position	13
Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Funds	14
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balance to the Statement of Activities	15
Notes to Financial Statements	16
REQUIRED SUPPLEMENTARY INFORMATION:	
Budgetary Comparison Schedule - General Fund	25
INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS	26



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INDEPENDENT AUDITOR'S REPORT

The Board of Directors of
El Paso Downtown Management District

We have audited the accompanying financial statements of the governmental activities of El Paso Downtown Management District, as of and for the year ended September 30, 2021, and the related notes to the financial statements, which collectively comprise the El Paso Downtown Management District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States. 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities of the El Paso Downtown Management District, as of September 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 budgetary comparison information on pages 3-9, and 25 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 Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 9, 2021 on our consideration of the El Paso Downtown Management District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering El Paso Downtown Management District's internal control over financial reporting and compliance.

Strickler & Prieto, LLP

December 9, 2021

MANAGEMENT'S DISCUSSION AND ANALYSIS

EL PASO DOWNTOWN MANAGEMENT DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS SEPTEMBER 30, 2021

Our discussion and analysis of the El Paso Downtown Management District's (the DMD) financial performance provides an overview of the DMD's financial activities for the fiscal year ended September 30, 2021.

OPERATIONAL HIGHLIGHTS

During the fiscal year ending September 30, 2021, the Downtown Management District (DMD) shifted its projects, programs and services from a supportive mode to a reopening mode. This meant an aggressive effort to provide base services while reengaging the public with Downtown businesses and events.

- Despite a global pandemic, development and investment continued from small business and residential developments to skyline changing projects like WestStar Tower. These investments were reflected in the continued overall growth of property values within the DMD boundaries. An increase of nearly \$25 million in value was certified in July 2021.
- The DMD used available CARES Act funding provided by the City of El Paso to provide enhanced sanitation services throughout the downtown and host the Fresh Air Food Court for the final months of 2020.
- Strategic decisions to position the DMD for reopening paid off. In late spring, local restrictions on businesses and activities began to ease, and the DMD launched into event mode. In a span of four months, the DMD produced four events totaling 12 event days. These events proved to be wildly successful and generated business and exposure for Downtown restaurants, bars, and South El Paso Street retailers.
- Among the DMD's reopening strategy were restructured events and new events to reconnect the public with local businesses. The Tasting Tour consisted of four sold out events and exposed hundreds of people to Downtown restaurants and their offerings. The Fiesta de Las Luces was the first event held under the lights of the Paseo de las Luces on South El Paso Street. The three weekend events averaged over 9,000 people each weekend. Downtown Employee Appreciation Day showed some love to Downtown employees with a day of giveaways, contests, entertainment and fun.
- While activity, traffic and events returned to Downtown, the DMD Sanitation Program remained limited due to the ongoing suspension of the Community Service Program throughout the fiscal year. The DMD maintained an adequate level of service with the hiring of additional part-time staff, but the ongoing program suspension placed a significant strain on DMD staff and budgets.
- The Interlocal Agreement between the DMD and the City of El Paso establishes an efficient and effective method for projects, programs and service delivery that help to fuel Downtown's growth. Under this agreement, the DMD oversaw an update to the maps on Downtown Wayfinding kiosks. This first update since the installation of the system highlights a significant

amount of new investment.

- The DMD continues to serve as a valuable communicator and advocate for Downtown property and business owners. The organization's involvement in the planning and implementation of public projects such as the El Paso Street/San Antonio Avenue Roundabout, the Sixth & El Paso Roundabout, the start of CBD IV improvements and the construction of the Children's Museum continue to require intense communication and coordination. The DMD often serves as the point of contact, distributor of information, and organizer of outreach.
- Downtown El Paso's economic recovery resulted in a record setting year of grant projects and grant funding. With funds provided by both the DMD and TIRZ No. 5, 21 grants were provided for façade improvements, signature signage and lighting projects, pedestrian corridor improvements and a mural. The quantity of activity required an additional installment of \$100,000 into the program by TIRZ No. 5. Over \$369,000 in grant funds reflect an amazing amount of investment by the private sector and physical improvements to the Downtown environment.
- In the first full year of implementing a Brownfields Assessment Grant, the DMD, along with support from its hired consultant, Stantec, and coalition partners including El Paso County and the City of El Paso, expended over 70% of its grant funding and set the stage for another grant application. The DMD assisted with assessment work in Downtown El Paso as well as locations throughout the City and County.
- The Downtown Management District continues to utilize social media as a means to promote the Downtown and its stakeholders. Total reach on all platforms continues to surge. At the conclusion of the program year, the DMD has 28,518 followers on Facebook, 14,883 followers on Twitter, and 44,344 followers on Instagram in addition to 9,986 subscribers to the Downtown INSIDER electronic newsletter.
- The DMD once again harnessed the generosity of Downtown stakeholders and sponsors to help support DMD projects, programs and services. In total, the DMD generated nearly \$30,000 in support of various efforts.
- The DMD Board of Directors maintained a quorum at all ten meetings held during the program year. The board continues to take an active role in organizational oversight and advocacy.

FINANCIAL HIGHLIGHTS

The assets of the DMD exceeded its liabilities at the close of the most recent fiscal year by \$317,195. Of this amount, \$302,271 (unrestricted net position) may be used to meet the DMD's ongoing obligations.

At the end of the fiscal year, the DMD had a decrease in net position of \$(91,298) in the general fund.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the DMD's basic financial statements. The DMD's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements - The Statement of Net Position presents information on all of the DMD's assets and liabilities. Over time, increases and decreases in net position may serve as a useful indicator of whether the financial position of the DMD is improving or deteriorating.

The Statement of Activities includes all the revenue and expenses generated by the DMD's operations during the year. The accrual basis of accounting is used, which is similar to the accounting used by most private sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

REPORTING THE DMD'S MOST SIGNIFICANT FUNDS

The fund financial statements provide detailed information about the most significant funds, not the DMD as a whole. A fund is a grouping of related accounts that are used to maintain control over resources that have been segregated for specific activities or objectives. The DMD, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the DMD are combined in the governmental funds.

Governmental funds - Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash.

The governmental fund statements provide a detailed short-term view of the DMD's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the DMD's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in a reconciliation at the bottom of the fund financial statements.

The DMD adopts an annual budget for its General Fund. A budgetary comparison schedule has been provided for the General Fund to demonstrate compliance with this budget.

Notes to the financial statements - The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

GOVERNMENT - WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the DMD, assets exceeded liabilities by \$317,195 at the close of the most recent fiscal year.

The largest portion of the DMD's net position is unrestricted. The DMD may use these assets to provide future services to the consumers as needed.

El Paso Downtown Management DMD Statement of Net Position Government - Wide

Governmental Activities	2021	2020
Current and other assets	\$ 697,228	\$ 626,157
Capital assets	<u>11,687</u>	<u>20,119</u>
Total assets	<u>708,915</u>	<u>646,276</u>
Current liabilities	<u>391,720</u>	<u>237,783</u>
Total liabilities	<u>391,720</u>	<u>237,783</u>
Net position:		
Net investment in capital assets	11,687	20,119
Restricted for facade program	3,237	82,254
Unrestricted	<u>302,271</u>	<u>306,120</u>
Total net position	<u>\$ 317,195</u>	<u>\$ 408,493</u>

GOVERNMENTAL ACTIVITIES

Program revenues for the DMD's governmental activities were \$1,136,787, and general revenues were \$497,881, while total expenses were \$1,725,966.

Table 2 presents the cost of each program of the DMD. The net cost shows the DMD's reliance on the DMD's property tax revenue.

	<u>2021</u>	<u>2020</u>
Revenues		
Program revenues		
Charges for services	\$ 252,189	\$ 281,552
Operating grants and contributions	<u>884,598</u>	<u>83,944</u>
Subtotal	<u>1,136,787</u>	<u>365,496</u>
General revenues		
Property taxes	497,074	411,169
Investment earnings	807	6,905
Miscellaneous	<u>-</u>	<u>(820)</u>
Subtotal	<u>497,881</u>	<u>417,254</u>
Total revenue	<u>1,634,668</u>	<u>782,750</u>
Expenses		
Administrative staff	361,098	347,958
Administrative office	87,805	81,618
Sanitation	323,507	206,391
Promotion and advertising	61,722	16,266
Community projects	448,522	136,412
Parking	-	3,260
Professional services	<u>443,312</u>	<u>20,325</u>
Total expenses	<u>1,725,966</u>	<u>812,230</u>
Decrease in net position	(91,298)	(29,480)
Beginning net position	<u>408,493</u>	<u>437,973</u>
Ending net position	<u>\$ 317,195</u>	<u>\$ 408,493</u>

FINANCIAL ANALYSIS OF THE DMD'S FUNDS

Governmental funds - As the DMD completed the year, its governmental funds (as presented in the balance sheet) reported a fund balance of \$284,802, which is an decrease of \$(96,981).

The focus of the DMD's governmental funds is to provide information on near term inflows, outflows, and balances of available resources. Such information is useful in assessing the DMD's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

The General Fund is the only operating fund of the DMD. At the end of the current fiscal year, fund balance in the General Fund of \$281,565 was designated for working capital to cover ongoing operations. As a measure of the General Fund's liquidity, it may be useful to compare unreserved fund balance to total fund expenditures. An analysis of significant balances follows:

Tax revenues including penalties and interest increased by 16%.
Charges for services decreased 10% from the prior year.
Grant revenue increased \$800,654 from the prior year.
Administration staff expenses increased \$13,140 from the prior year.
Sanitation expenses increased \$117,116 from the prior year.
Administration office increased \$6,305 from the prior year.
Promotion and advertising increased \$45,456 from the prior year.
Professional fees increased \$422,987 from the prior year.
Community projects increased \$312,110 from the prior year.

GENERAL FUND BUDGETARY HIGHLIGHTS

At the end of the fiscal year, the DMD's actual revenues were \$27,519 above projected revenues. There are two categories listed in the Budgetary Comparison Schedule that contain significant variances as identified by the DMD. These are as follows:

Tax revenue was \$45,314 more than expected. Grant revenue was \$19,549 less than anticipated.

The significant variance listed above will not significantly impact future services or liquidity.

CAPITAL ASSETS

Capital Assets - The DMD's investment in capital assets as of September 30, 2021 was \$11,687 (net of accumulated depreciation). This investment in capital assets includes equipment and vehicles.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The tax rate will remain at \$0.12 per \$100 valuation and tax revenue is estimated to be \$471,328 for the fiscal year 2021-2022. The budget for the fiscal year 2021-2022, has a deficit of \$70,684 that will be paid for using available funds from the beginning of the year.

REQUEST FOR INFORMATION

This financial report is designed to provide a general overview of the El Paso Downtown Management DMD's finances and the DMD's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the El Paso Downtown Management DMD's Finance Department, 201 E. Main, Suite 107, El Paso, TX, 79901-1336.

BASIC FINANCIAL STATEMENTS

EL PASO DOWNTOWN MANAGEMENT DISTRICT

STATEMENT OF NET POSITION SEPTEMBER 30, 2021

	<u>Primary Government</u>
	<u>Governmental Activities</u>
ASSETS	
Current assets	
Cash and cash equivalents	\$ 59,250
Investments	586,089
Property tax receivable	37,314
Other receivables	<u>14,575</u>
Total current assets	697,228
Capital assets, net	<u>11,687</u>
TOTAL ASSETS	<u>\$ 708,915</u>
LIABILITIES AND NET POSITION	
Current liabilities	
Accounts payable	\$ 1,000
Accrued expenses	30,437
Grants payable - facade program	330,491
Unearned revenue - facade program	<u>29,792</u>
Total current liabilities	391,720
Net position	
Net investment in capital assets	11,687
Restricted for facade program	3,237
Unrestricted net position	<u>302,271</u>
Total net position	<u>317,195</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 708,915</u>

See accompanying notes to financial statements.

EL PASO DOWNTOWN MANAGEMENT DISTRICT

STATEMENT OF ACTIVITIES FOR THE YEAR ENDED SEPTEMBER 30, 2021

	<u>Expenses</u>	<u>Charges for Services</u>	<u>Program Revenues</u>	<u>Operating Grants and Contributions</u>	<u>Net (Expenses) Revenue and Changes in Net Assets</u>
					<u>Governmental Activities</u>
Primary Government:					
Government Activities:					
Administrative staff	\$ 361,098	\$ -	\$ -		\$ (361,098)
Administrative office	87,805	-	-		(87,805)
Sanitation	323,507	234,425	99,093		10,011
Promoting and advertising	61,722	-	-		(61,722)
Community projects	448,522	17,764	785,505		354,747
Professional fees	443,312	-	-		(443,312)
	<u>1,725,966</u>	<u>252,189</u>	<u>884,598</u>		<u>(589,179)</u>
Total governmental activities					
	<u>1,725,966</u>	<u>252,189</u>	<u>884,598</u>		<u>(589,179)</u>
Total primary government					
General revenues:					
Property taxes, levied for general purposes					497,074
Investment earnings					807
					<u>497,881</u>
Total general revenues					
					<u>497,881</u>
Change in net position					(91,298)
Net position, beginning of year					<u>408,493</u>
Net position, end of year					<u>\$ 317,195</u>

See accompanying notes to financial statements.

GOVERNMENTAL FUND FINANCIAL STATEMENTS

EL PASO DOWNTOWN MANAGEMENT DISTRICT

BALANCE SHEET - GOVERNMENTAL FUNDS SEPTEMBER 30, 2021

	General Fund	Facade Program	EPA Grant Fund	Total Government Funds
ASSETS				
Cash	\$ 59,250	\$ -	\$ -	\$ 59,250
TexPool investments	222,569	363,520	-	586,089
Property tax receivable	37,314	-	-	37,314
Other receivables	14,575	-	-	14,575
Total assets	<u>\$ 333,708</u>	<u>\$ 363,520</u>	<u>\$ -</u>	<u>\$ 697,228</u>
LIABILITIES				
Accounts payable	\$ 1,000	\$ -	\$ -	\$ 1,000
Accrued expenses	30,437	-	-	30,437
Grants payable - facade program	-	330,491	-	330,491
Unearned revenue - facade program	-	29,792	-	29,792
Total liabilities	31,437	360,283	-	391,720
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - property taxes	20,706	-	-	20,706
Total deferred inflows of resources	<u>20,706</u>	<u>-</u>	<u>-</u>	<u>20,706</u>
FUND BALANCES				
Assigned to facade program	-	3,237	-	3,237
Unassigned	281,565	-	-	281,565
Total fund balances	<u>281,565</u>	<u>3,237</u>	<u>-</u>	<u>284,802</u>
Total liabilities, deferred inflows, and fund balances	<u>\$ 333,708</u>	<u>\$ 363,520</u>	<u>\$ -</u>	<u>\$ 697,228</u>

See accompanying notes to financial statements.

EL PASO DOWNTOWN MANAGEMENT DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET TO THE STATEMENT OF NET POSITION SEPTEMBER 30, 2021

Total Fund Balances - Governmental Fund	\$ 284,802
Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. The net effect of including the balances for capital assets (net of depreciation) activities is to increase net position.	11,687
Recognition of unavailable tax revenue as revenue	<u>20,706</u>
Net Position of Governmental Activities	<u>\$ 317,195</u>

See accompanying notes to financial statements.

EL PASO DOWNTOWN MANAGEMENT DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS FOR THE YEAR ENDED SEPTEMBER 30, 2021

	General Fund	Facade Program	EPA Grant Fund	Total Government Funds
Revenues:				
Taxes (ad valorem)	\$ 482,959	\$ -	\$ -	\$ 482,959
Charges for services	252,189	-	-	252,189
Grants	227,671	224,858	432,069	884,598
Interest income	70	736	-	806
Total revenues	962,889	225,594	432,069	1,620,552
Expenditures:				
Sanitation	315,074	-	-	315,074
Administrative staff	354,534	-	6,564	361,098
Promotion and advertising	61,722	-	-	61,722
Administrative office	86,944	-	861	87,805
Community projects	143,911	304,611	-	448,522
Professional fees	18,668	-	424,644	443,312
Total expenditures	980,853	304,611	432,069	1,717,533
Net change in fund balances	(17,964)	(79,017)	-	(96,981)
Fund balances, October 1 2020	299,529	82,254	-	381,783
Fund balances, September 30, 2021	\$ 281,565	\$ 3,237	\$ -	\$ 284,802

See accompanying notes to financial statements.

EL PASO DOWNTOWN MANAGEMENT DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED SEPTEMBER 30, 2021

Total Net Change in Fund Balance - Governmental Fund \$ (96,981)

The effect of including the change in unavailable tax revenue of 2021
is to decrease net position. 14,115

Governmental funds report capital outlays as expenditures. However,
in the statement of activities, the cost of certain capital outlays is
allocated over the estimated useful lives of the assets acquired and
reported as depreciation expense. As a result, fund balance decreased
by the amount of financial resources expended, whereas net position
decreased by the amount of depreciation expense charged for the year:

Depreciation (8,432)

Change in Net Position of Governmental Activities \$ (91,298)

See accompanying notes to financial statements.

EL PASO DOWNTOWN MANAGEMENT DISTRICT

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 30, 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the El Paso Downtown Management District, (the "DMD") have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). The more significant of the government's accounting policies are described below.

Reporting Entity—The DMD was created pursuant to the Tex. Loc. Gov't Code Ann. 375.022 with a primary focus to make Downtown El Paso the center of commercial, civic and cultural activity. By mobilizing resources and affecting positive growth and change within the district, the DMD is committed to the revitalization of a vibrant Downtown El Paso.

The DMD was created in March of 1997 and funded by assessment revenue from property within the district and through collaboration on specific projects and programs with the City of El Paso.

Government-Wide and Fund Financial Statements—The Statement of Net Position and the Statement of Activities are government-wide financial statements. They report information on all of the DMD's nonfiduciary activities with most of the interfund activities removed. *Governmental activities* include programs supported primarily by taxes, State funds, grants, and other intergovernmental revenues.

The Statement of Activities demonstrates how other people or entities that participate in programs the DMD operates have shared in the payment of direct costs. The "grants and contributions" column includes amounts paid by organizations not affiliated with the DMD to help meet the operational or capital requirements of a given function. If a revenue is not a program revenue, it is a general revenue used to support all of the DMD's functions. Taxes are always general revenues.

The fund financial statements provide reports on the financial condition and result of operations for the governmental fund category.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation—The government-wide financial statements use the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements use the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets, deferred outflows of resources, current liabilities, deferred inflows of resources and fund balances are included on the balance sheet. Operating statements of these funds present net increases and decreases in current assets (i.e., revenues and other financing sources and expenditures and other financing uses).

The modified accrual basis of accounting recognizes revenues in the accounting period in which they become both measurable and available, and it recognizes expenditures in the accounting period in which the fund liability is incurred, if measurable. The DMD considers all revenues available if they are collectible within 60 days after year end.

Investment earnings are recorded as earned, since they are both measurable and available.

Unavailable revenue from property taxes arises only under modified accrual basis of accounting. The governmental funds report this unavailable revenue as deferred inflow of resources, which is recognized revenue in the period that the amounts become available.

Grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant. Accordingly when such funds are received, they are recorded as unearned revenues until related and authorized expenditures have been made. If balances have not been expended by the end of the project period, grantors might require the DMD to refund all or part of the unused amount.

Net Position on the Statement of Net Position

Net Investment in Capital Assets—Consists of capital assets, net of accumulated depreciation and reduced by outstanding balances of debt issued to finance the acquisition, improvement, or construction of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt will be included in this component of net position.

Restricted for facade—Represents amounts restricted specifically for use in the facade program which encourages downtown property owners to update the facade on their buildings.

Unrestricted Net Position—this component of net position is the net amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted components of net position.

Fund Accounting—The DMD reports the following major governmental funds:

The General Fund—The general fund is the DMD's primary operating fund.

The Facade Program Fund—The facade program fund's primary purpose to encourage downtown property owners to update the facade on their buildings. The program was established by an interlocal agreement with the City of El Paso and it jointly funded by the City and the DMD.

The EPA Grant Fund— This special revenue fund accounts for the proceeds of a federal grant relating to the EPA Brownfields Assessment, Cleanup and Revolving Loan Fund.

Fund Balance—DMD reports the following fund balance categories which describe the nature and the relative strength of the spending constraints:

Nonspendable fund balance—Represents amounts that are not in spendable form, such as inventory, or are required to be maintained intact.

Restricted fund balance—Represents amounts constrained to specific purposes by their providers, such as grantors, bondholders, and higher levels of government, through constitutional provisions, or by enabling legislation.

Committed fund balance—Represents amounts constrained to specific purposes by the DMD itself, using its highest level of decision-making authority, i.e., Board of Directors. To be reported as committed, amounts cannot be used for any other purpose unless the DMD's Board of Directors approves the changes by Board Resolution.

Assigned fund balance—Represents amounts the DMD intends to use for a specific purpose. Intent can be expressed by the DMD Board of Directors.

Unassigned fund balance—Represents amounts that are available for any purpose. Positive amounts are reported only in the general fund.

The Board of Directors establishes (and modifies or rescinds) fund balance commitments by passage of a resolution. A fund balance commitment is further indicated in the budget document as commitments of the fund. Assigned fund balance is established by the Board of Directors.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the DMD considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the DMD considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the Board of Directors has provided otherwise in their commitment or assignment actions.

When the DMD incurs an expense for which it may use either restricted or unrestricted assets, it uses the restricted assets first unless unrestricted assets will have to be returned because they were not used.

Stewardship, Compliance and Accountability—The DMD follows these procedures in establishing the budgetary data for the General fund which are reflected in the financial statements:

Budgeted amounts are as originally adopted or as amended by the Board of Directors. Individual amendments were not material in relation to the original appropriations. Capital expenditures were not budgeted.

Cash and Cash Equivalents—The funds of the DMD must be deposited and invested under the terms of a contract, contents of which are set out in the Depository Contract Law. The depository bank places approved pledged securities for safekeeping and trust with the DMD's agent bank in an amount sufficient to protect DMD funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation ("FDIC") insurance.

The DMD considers cash and cash equivalents to be demand deposit accounts and time deposits with a maturity date of less than 90 days. The DMD's cash consists of a demand deposit

account held at a financial institution and time deposits at other financial institutions.

Investments—The *Public Funds Investment Act* (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports, and establishment of appropriate policies. Among other things, it requires the DMD to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, (9) and bid solicitation preferences for certificates of deposit. Statutes authorize the DMD to invest in (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas; (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers acceptances, (7) Mutual Funds, (8) Investment pools, (9) guaranteed investment contracts, (10) and common trust funds. The Act also requires the DMD to have independent auditors perform test procedures related to investment practices as provided by the Act. The DMD is in substantial compliance with the requirements of the Act and with local policies.

DMD invests in authorized investment pools. Investments are carried at fair market value.

Additional policies and contractual provisions governing deposits and investments for DMD are specified below:

Custodial Credit Risk :

Deposits— State law requires governmental entities to contract with financial institutions in which funds will be deposited to secure those deposits with insurance or pledged securities, with a fair value equaling or exceeding the amount on deposit at the end of each business day. The pledged securities must be in the name of the governmental entity and held by the entity or its agent. Since the DMD complies with this law, it has no custodial credit risk for deposits.

Temporary Investments—To limit the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in possession of an outside party the DMD requires counterparties to register the securities in the name of the district and hand them over to the DMD or its designated agent.

Foreign Currency Risk:

Deposits - The DMD eliminates the risk that changes in exchange rates will adversely affect a deposit by not having any deposits or investments denominated in a foreign currency.

Temporary Investments - The DMD eliminates the risk that changes in exchange rates will adversely affect the fair value of an investment by avoiding investment pools which are denominated in a foreign currency.

Credit Risk:

Deposits - The DMD is not exposed to credit risk.

Temporary Investments - To limit the risk that an issuer or other counterparty to an investment will not fulfill its obligations the DMD limits investments in public funds investment pools to the top ratings issued by nationally recognized statistical rating organizations (NRSROs). As of September 30, 2021, the DMD's investments in TexPool were rated AAAm by Standard & Pours.

Concentration of Credit Risk:

Deposits - The DMD is not exposed to concentration of credit risk.

Temporary Investments - To limit the risk of loss attributed to the magnitude of a government's investment in a single issuer, the DMD limits investments to less than 5% of its total investments. Concentration of Credit Risk is not applicable to these investment pools since the purpose of these pools and funds is to diversify the DMD's investment portfolio.

Interest Rate Risk:

Deposits - The DMD is not exposed to interest rate risk.

Temporary Investments - To limit the risk that changes in interest rates will adversely affect the fair value of investments, the DMD requires its investment portfolio to have maturities of less than one year on a weighted average maturity (WAM) basis. The DMD's portfolio is in compliance with its policy. All of the DMD's investment pools qualify as 2a7-like pools and are excluded

Capital Assets—The DMD defines capital assets as assets that have an initial individual cost of more than \$1,000 and an estimated useful life of more than two years. Additions are recorded at cost or, if contributed property, at their estimated fair value at time of contribution. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Depreciation is calculated using the straight line method over the estimated useful life of the assets. Vehicles and heavy equipment are depreciated over seven years and other equipment is depreciated over five years.

Deferred Inflows of Resources-Deferred Revenues—Within the government-wide financial statements, deferred revenues represent unearned revenues advanced to the DMD. Such advances are reported as deferred revenue until the earnings process is complete. Deferred revenues may include grants received reflected as a receivable but not recognized as revenues since all criteria have not been met. Within the governmental funds, revenues must be available in order to be recognized.

Property Tax Receivable—The unpaid amounts due on property taxes are shown as property tax receivable. No allowance for uncollectible accounts is maintained as accounts are written off when they are determined to be uncollectible. Generally accepted accounting principles require that an allowance for uncollectible accounts be maintained in lieu of the direct charge-off method. However, in this case management has determined that such an allowance would be immaterial with respect to the financial statements taken as a whole.

Interfund Balances—The interfund balances are a result of normal operations and are cleared out periodically. Management intends to payout these balances within one year.

Compensated Absences—Accrued vacation includes the DMD's liability for the cost of unused employee compensated absences payable in the event of employee terminations up to a maximum of 40 hours. Employees may accrue up to a maximum of two times the annual vacation benefit. Vacation is accrued as follows:

- Up to 5 years: 10 working days per year
- 5 through 15 years: 12 working days per year
- 15 years or more 15 working days per year

Use of Estimates—The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results can differ from those estimates.

Subsequent Events—Management has evaluated subsequent events through December 9, 2021, the date the financial statements were available to be issued.

2. CASH AND INVESTMENTS

The DMD maintains cash in two financial institutions. At September 30, 2021 the carrying amount of the DMD's deposits (cash) was \$137,638, and the bank balance was \$59,249.

Custodial Credit Risk—Custodial credit risk is the risk that, in the event of a bank failure The DMD deposits may not be returned to it. The DMD investment policy for custodial credit risk requires financial institutions that hold deposits in excess of the federal depository insurance (FDIC) insured amount will be required to sign a depository agreement with the DMD's safekeeping agent. As of September 30, 2021, the DMD's deposits were insured by the the FDIC or collateralized by securities held in trust by a third-party bank for the depository bank in the DMD's name and thus was not exposed to custodial credit risk.

Investments—The DMD's temporary investments as of September 30, 2021 were as follows:

	Carrying Value	Market Value
Certificates of Deposit	\$ 202,442	\$ 202,442
TexPool	383,647	383,647
	<u>\$ 586,089</u>	<u>\$ 586,089</u>

The State Comptroller of Public Accounts exercises responsibility over TexPool. This oversight includes the ability to significantly influence operations, designation of management, and accountability for fiscal matters. Additionally, the State Comptroller has established an advisory board composed of both participants in TexPool and other persons who do not have a business relationship with TexPool. TexPool operates in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. TexPool uses amortized costs rather than market value to report net position and to compute share prices. Accordingly, the fair value of the position in TexPool is the same as the value of TexPool shares.

3. CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2021 was as follows:

	<u>Balance at 2020</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance at 2021</u>
Capital assets, being depreciated:				
Furniture and equipment	\$ 220,828	\$ -	\$ -	\$ 220,828
Less accumulated depreciation for:				
Furniture and equipment	<u>200,709</u>	<u>8,432</u>	<u>-</u>	<u>209,141</u>
	<u>\$ 20,119</u>	<u>\$ (8,432)</u>	<u>\$ -</u>	<u>\$ 11,687</u>

Depreciation expense for the year ended September 30, 2021 was charged to functions (programs) as follows:

Sanitation	\$ 8,432
Administrative	<u>-</u>
	<u>\$ 8,432</u>

4. PROPERTY TAX

Levy and Collection—Property is appraised and a lien on such appraised property becomes enforceable as of January 1, subject to certain established procedures relating to rendition, appraisal, appraisal review and judicial review. Property taxes are levied on October 1 of each year and are due and payable at that time. Taxes becomes delinquent on February 1, of the following year and are then subject to interest and penalty charges.

On October 1, 2020, property taxes of approximately \$498,860 were levied for the general fund. These revenues were budgeted for and recorded in fiscal year 2021.

5. COMMITMENTS AND CONTINGENCIES

Operating Leases—In January 2013, the DMD entered into a lease for office space which expired. The DMD renewed the office lease in December 2020, and extended its terms to five years. The lease calls for monthly payments of \$2,658 the first year, \$2,711 the second year, \$2,766 the third year, \$2,821 the fourth year, and \$2,876 the fifth year. The lease expires on December 31, 2025.

In February 2021, the DMD entered into a 39 month lease for a copy machine. The lease term calls for monthly payments of \$273 and expires in July 2024.

In February 2021, the DMD entered into a 60 month lease for computer equipment. The lease term calls for monthly payments of \$308 and expires in January 2025.

Future minimum payments under the operating leases are as follows:

September 30, 2022	39,341
September 30, 2023	39,996
September 30, 2024	39,292
September 30, 2025	35,578
September 30, 2026	8,628
Total	<u>\$ 162,835</u>

Rent expense under these operating leases for the year ended September 30, 2021 amounted to \$37,370.

Risk Management—The DMD is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions, workers compensation; and natural disasters. The Board maintains insurance policies acquired from independent insurance carriers covering all structural property, automobiles, dishonesty, errors and omissions, boiler and machinery, personal property and general liability. There have been no significant reductions in insurance coverage from prior years and settlements did not exceed insurance coverage for each of the past three years.

Litigation—During the normal course of business, the DMD may be subject to various legal claims. As of September 30, 2021, administration is not aware of any claims which would have a material adverse effect on the DMD.

COVID-19 Pandemic—In early March 2020, the COVID-19 virus was declared a global pandemic, and it unfortunately continues to spread rapidly. Business continuity, including supply chains and consumer demand across a broad range of industries and countries could be severely impacted for months or more, as governments and their citizens take significant and unprecedented measures to mitigate the consequences of the pandemic. Management is carefully monitoring the situation and evaluating its options during this time. No adjustments have been made to these financial statements as a result of the uncertainty. During the year ended September 30, 2021, the DMD received and expended \$169,324 in Coronavirus Aid, Relief and Economic Security (CARES) Act funding received from the City of El Paso pursuant to a subrecipient agreement.

6. RELATED PARTY TRANSACTIONS

The DMD maintains one bank account at a financial institution which one board member is employed.

The DMD rents its office space from an organization that employs one of the board members. Annual rent paid during the year was \$31,252.

The DMD entered into an agreement with a board member for street pole banner rentals. Total amount received for these services was \$1,552.

The DMD entered into agreements with two board members participating in DMD Facade grant programs. The awards amounted to \$69,808 and \$25,000, awarded on January 28, 2021 and December 3, 2020, respectively.

The Board of Directors is aware of the above mentioned transactions and believes all transactions with Board members are "arm's length" transactions.

REQUIRED SUPPLEMENTARY INFORMATION

EL PASO DOWNTOWN MANAGEMENT DISTRICT

BUDGETARY COMPARISON SCHEDULE GENERAL FUND FOR THE YEAR ENDED SEPTEMBER 30, 2021

	General Fund			
	Original Budget	Final Budget	Actual	Variance With Final Budget Positive or (Negative)
Revenues:				
Taxes (ad valorem)	\$ 437,645	\$ 437,645	\$ 482,959	\$ 45,314
Interest income	2,030	2,030	70	(1,960)
Charges for services	248,475	248,475	252,189	3,714
Grants	247,220	247,220	227,671	(19,549)
Total revenues	935,370	935,370	962,889	27,519
Expenditures:				
Administrative staff	386,519	386,519	354,534	31,985
Parking and transportation	4,300	4,300	-	4,300
Contracted services	12,000	12,000	18,668	(6,668)
Administration - office	91,545	91,545	86,944	4,601
Community projects	186,013	186,013	143,911	42,102
Security	25,000	25,000	-	25,000
Sanitation	304,812	304,812	315,074	(10,262)
Promoting and advertising	33,270	33,270	61,722	(28,452)
Total expenditures	1,043,459	1,043,459	980,853	62,606
Excess of revenue over (under) expenditures	(108,089)	(108,089)	(17,964)	90,125
Net change in fund balance	\$ (108,089)	\$ (108,089)	\$ (17,964)	\$ 90,125



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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

The Board of Directors
El Paso Downtown Management District

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the government activities of El Paso Downtown Management District, as of and for the year ended September 30, 2021, and the related notes to the financial statements, which collectively comprise the El Paso Downtown Management District's basic financial statements, and have issued our report thereon dated December 9, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered El Paso Downtown Management District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and other matters

As part of obtaining reasonable assurance about whether El Paso Downtown Management District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and contracts, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Governments Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Strickler & Prieto, LLP

El Paso, Texas
December 9, 2021