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January 5, 2024

Board of Directors
El Paso Downtown Management District
201 East Main Street, Suite 107
El Paso, Texas 79901

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, 2023. 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 October 30, 2023. 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 2023. 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 8 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. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

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 January 5, 2024.

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.

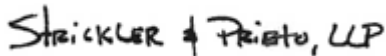
Other Matters

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,

Handwritten signature in black ink that reads "Strickler & Prieto, LLP". The signature is written in a cursive, slightly slanted style.

Strickler & Prieto, LLP

El Paso Downtown Management District
Financial Statements and Required Supplementary Information
For the Year Ended September 30, 2023
and Independent Auditor's Report

EL PASO DOWNTOWN MANAGEMENT DISTRICT

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INDEPENDENT AUDITOR'S REPORT

The Board of Directors of
El Paso Downtown Management District

Opinions

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, 2023, 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities of El Paso Downtown Management District, as of September 30, 2023, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 January 5, 2023 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

El Paso, Texas
January 5, 2023

MANAGEMENT'S DISCUSSION AND ANALYSIS

EL PASO DOWNTOWN MANAGEMENT DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS SEPTEMBER 30, 2023

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, 2023.

OPERATIONAL HIGHLIGHTS

During the fiscal year ending September 30, 2023, the Downtown Management District (DMD) took major steps in preparing and planning for the future, while continuing to contribute to the area's impressive recovery from the pandemic. As always, the organization focused on basic services and supporting local businesses and stakeholders, while encouraging investment, reactivation and the attraction of people to Downtown.

- According to data released by the University of Toronto School of Cities, Downtown El Paso has achieved the 2nd highest return of people to the area since the pandemic within the United States and Canada. Downtown El Paso ranks only behind Las Vegas, Nevada.
- In early 2023, the DMD Board of Directors initiated a months long Strategic Planning process to chart its goals and strategies over the next five years to maintain a strong organization and to further the transformation of Downtown El Paso. The plan paved the way to a reorganization and establishment of DMD committees, including a new Special Assessment Evaluation Committee tasked with evaluating the needs, benefits and feasibility of increasing the DMD's special assessment. The DMD's assessment rate has not changed since it was established in 1997. The work of the committees to achieve the identified goals began in 2023 and will continue into the future.
- Downtown redevelopment and investment continued from new small businesses to the continued construction of major public facilities in La Nube and the Mexican American Cultural Center. However, continued changes in the retail market, a slow recovery of cross border travel, challenges resulting for periodic migrant surges, and lingering questions about the Downtown arena have tempered some enthusiasm. Property valuation growth going into FY2022-2023 was less than 1%, however growth going into FY2023-2024 exceeded 2%.
- The DMD Board approved a FY2022-2023 budget reflecting an aggressive effort to achieve the goals identified in the newly adopted Strategic Plan, as well as expand services, events and impact. In partnership with the City of El Paso, the joint Interlocal Agreement was amended to facilitate the hiring of additional staff to support sanitation efforts in the district.
- DMD events continued to attract people to Downtown El Paso and into many area small businesses, restaurants and bars. The regularly sold-out Tasting Tour series continued its success and the 2nd Annual Restaurant Week highlighted Downtown restaurants and their offerings. Downtown Employee Appreciation Day returned for its third year with continued expansion to thank even more Downtown Employees with giveaways,

entertainment and fun.

- 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 CBD IV roadway improvements, our Children's Museum – La Nube, and the Mexican American Cultural Center, along with private sector projects such as the Kress restoration, continue to require intense communication and coordination. The DMD often serves as the point of contact, distributor of information, and organizer of outreach. In addition, the DMD served a leadership role in planning efforts of the Downtown + Uptown & Surrounding Neighborhoods Master Plan which was adopted by the City of El Paso.
- Support for Downtown El Paso's economic recovery continued with 6 grants issued for façade improvements and signature signage and lighting projects. Over \$100,000 in grant funds awarded reflects continued investment by the private sector and physical improvements to the Downtown environment. To further support investment in the face of challenging economic conditions, the DMD Board voted to increase the maximum Façade grant by \$5,000 to a total of \$30,000.
- The DMD, along with support from its hired consultant, Stantec, closed out its FY2020 Brownfields Assessment Grant and began work under the FY2022 assessment grant awarded to the DMD following the successful implementation of the previous grant. Outreach was initiated and continues to make property owners aware of this assistance.
- 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. As of August 2023, the DMD has 34,572 followers on Facebook, 17,131 followers on X (formerly Twitter), 48,974 followers on Instagram, and 2,200 followers from a new push to utilize Tik Tok. In addition, the DMD's electronic newsletter – Downtown INSIDER – reached 9,344 subscribers weekly.
- 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 \$50,000 in support of various efforts.
- The DMD Board of Directors achieved a quorum at eight of 10 meetings held during the program year. The board continues to take an active role in organizational oversight and advocacy. The term limit policy implemented six years prior resulted in the departure of many long-term Board members. Seven new Board members were appointed to Board to take their places and fill a vacant position.

FINANCIAL HIGHLIGHTS

The assets of the DMD exceeded its liabilities at the close of the most recent fiscal year by \$280,469. Of this amount, \$192,007 (unrestricted net position) may be used to meet the DMD's ongoing obligations.

At the end of the fiscal year, the DMD had an increase in net position of \$39,604 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 \$280,469 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	2023	2022
Current and other assets	\$ 510,776	\$ 612,575
Capital assets	<u>129,322</u>	<u>110,543</u>
Total assets	<u>640,098</u>	<u>723,118</u>
Current liabilities	<u>319,517</u>	<u>410,848</u>
Long-term liabilities, net of current	<u>40,112</u>	<u>71,405</u>
Total liabilities	<u>359,629</u>	<u>482,253</u>
Net position:		
Net investment in capital assets	57,090	10,126
Restricted for facade program	31,372	35,458
Unrestricted	<u>192,007</u>	<u>195,281</u>
Total net position	<u>\$ 280,469</u>	<u>\$ 240,865</u>

GOVERNMENTAL ACTIVITIES

Program revenues for the DMD's governmental activities were \$426,063, and general revenues were \$551,152, while total expenses were \$937,611.

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>2023</u>	<u>2022</u>
Revenues		
Program revenues		
Charges for services	\$ 268,649	\$ 255,340
Operating grants and contributions	<u>157,414</u>	<u>397,962</u>
Subtotal	<u>426,063</u>	<u>653,302</u>
General revenues		
Property taxes	504,801	483,371
Investment earnings	29,542	5,222
Miscellaneous	<u>16,809</u>	<u>-</u>
Subtotal	<u>551,152</u>	<u>488,593</u>
Total revenue	<u>977,215</u>	<u>1,141,895</u>
Expenses		
Administrative staff	374,218	381,005
Administrative office	92,122	92,985
Sanitation	250,040	244,227
Promotion and advertising	9,830	11,596
Community projects	187,351	301,232
Professional services	12,147	172,096
Interest on long-term debt	<u>11,903</u>	<u>15,084</u>
Total expenses	<u>937,611</u>	<u>1,218,225</u>
Increase (decrease) in net position	39,604	(76,330)
Beginning net position	<u>240,865</u>	<u>317,195</u>
Ending net position	<u>\$ 280,469</u>	<u>\$ 240,865</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 \$195,333, which is a decrease of \$13,477.

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 \$163,961 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 3%.
 Charges for services increased 5% from the prior year.
 Grant revenue decreased (\$240,548) from the prior year.
 Administration staff expenses decreased \$6,787 from the prior year.
 Sanitation expenses increased \$50,410 from the prior year.
 Administration office decreased (\$125,539) from the prior year.
 Promotion and advertising decreased (\$1,766) from the prior year.
 Professional fees decreased (\$159,949) from the prior year.
 Community projects decreased (\$113,881) from the prior year.
 Debt service increased by \$3,677 from the prior year.

GENERAL FUND BUDGETARY HIGHLIGHTS

At the end of the fiscal year, the DMD's actual revenues were \$55,311 below projected revenues. There is one category listed in the Budgetary Comparison Schedule that contains a significant variance as identified by the DMD. It is as follows:

Grants revenue was \$92,591 less than expected.

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

CAPITAL ASSETS AND LONG-TERM LIABILITIES

Capital Assets - The DMD's investment in capital assets as of September 30, 2023 was \$129,322 (net of accumulated depreciation). Capital assets held by the DMD at the end of the current and prior years are summarized as follows:

	<u>2023</u>	<u>2022</u>
Furniture and equipment	\$ 67,114	\$ 17,102
Lease assets	<u>62,208</u>	<u>93,441</u>
 Total capital assets, net of accumulated depreciation and amortization	 <u>\$ 129,322</u>	 <u>\$ 110,543</u>

Additional information on the DMD's capital assets can be found beginning page 23 of this report. Capital asset additions totaled \$61,939 as follows:

- acquisition of a \$49,739 vehicle
- acquisition of \$12,200 of equipment

During 2022, the DMD issued long-term debt in the form of lease agreements totaling \$121,744 for the purpose of leasing a copy machine, computer equipment and office space. The debt will be paid over four years.

As of September 30, 2023 and 2022, the DMD had \$71,405 and \$99,307 in outstanding long-term debt, respectively. Long-term debt held by the DMD at the end of the current and prior years is summarized as follows:

	<u>2023</u>	<u>2022</u>
Lease asset	\$ 71,405	\$ 99,307

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 \$487,395 for the fiscal year 2023-2024. The budget for the fiscal year 2023-2024 is forecast to end with a surplus of \$2,868.

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, 2023

	<u>Primary Government</u>
	<u>Governmental Activities</u>
ASSETS	
Current assets	
Cash and cash equivalents	\$ 35,416
Investments	406,555
Property tax receivable	54,684
Other receivables	14,121
	<hr/>
Total current assets	510,776
Capital assets (net of depreciation/amortization)	
Furniture and equipment	67,114
Right to use leased assets	62,208
	<hr/>
Total capital assets	129,322
	<hr/>
TOTAL ASSETS	\$ 640,098
	<hr/>
LIABILITIES AND NET POSITION	
Current liabilities	
Accrued expenses	\$ 21,396
Grants payable - facade program	225,900
Unearned revenue - facade program	40,928
Current portion of long-term liabilities	31,293
	<hr/>
Total current liabilities	319,517
Long-term liabilities, net of current portion	
	<hr/>
	40,112
	<hr/>
TOTAL LIABILITIES	359,629
	<hr/>
Net position	
Net investment in capital assets	57,090
Restricted for facade program	31,372
Unrestricted net position	192,007
	<hr/>
Total net position	280,469
	<hr/>
TOTAL LIABILITIES AND NET POSITION	\$ 640,098
	<hr/>

See accompanying notes to financial statements.

EL PASO DOWNTOWN MANAGEMENT DISTRICT

STATEMENT OF ACTIVITIES FOR THE YEAR ENDED SEPTEMBER 30, 2023

	<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	\$ 374,218	\$ -	\$ -		\$ (374,218)
Administrative office	92,122	-	-		(92,122)
Sanitation	250,040	234,075	-		(15,965)
Promoting and advertising	9,830	-	-		(9,830)
Community projects	187,351	34,574	157,414		4,637
Professional fees	12,147	-	-		(12,147)
Interest on long-term debt	11,903	-	-		(11,903)
	<u>937,611</u>	<u>268,649</u>	<u>157,414</u>		<u>(511,548)</u>
Total governmental activities					
	<u>937,611</u>	<u>268,649</u>	<u>157,414</u>		<u>(511,548)</u>
General revenues:					
Property taxes, levied for general purposes					504,801
Investment earnings					29,542
Miscellaneous					16,809
					<u>551,152</u>
Total general revenues					
					39,604
Change in net position					
Net position, beginning of year					<u>240,865</u>
Net position, end of year					<u>\$ 280,469</u>

See accompanying notes to financial statements.

GOVERNMENTAL FUND FINANCIAL STATEMENTS

EL PASO DOWNTOWN MANAGEMENT DISTRICT

BALANCE SHEET - GOVERNMENTAL FUNDS SEPTEMBER 30, 2023

	General Fund	Facade Program	EPA Grant Fund	Total Government Funds
ASSETS				
Cash	\$ 35,416	\$ -	\$ -	\$ 35,416
TexPool investments	108,355	298,200	-	406,555
Property tax receivable	54,684	-	-	54,684
Other receivables	14,121	-	-	14,121
Total assets	<u>\$ 212,576</u>	<u>\$ 298,200</u>	<u>\$ -</u>	<u>\$ 510,776</u>
LIABILITIES				
Accrued expenses	\$ 20,569	\$ -	\$ -	\$ 20,569
Grants payable - facade program	-	225,900	-	225,900
Unearned revenue - facade program	-	40,928	-	40,928
Total liabilities	20,569	266,828	-	287,397
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - property taxes	28,046	-	-	28,046
Total deferred inflows of resources	<u>28,046</u>	<u>-</u>	<u>-</u>	<u>28,046</u>
FUND BALANCES				
Assigned to facade program	-	31,372	-	31,372
Unassigned	163,961	-	-	163,961
Total fund balances	<u>163,961</u>	<u>31,372</u>	<u>-</u>	<u>195,333</u>
Total liabilities, deferred inflows, and fund balances	<u>\$ 212,576</u>	<u>\$ 298,200</u>	<u>\$ -</u>	<u>\$ 510,776</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, 2023

Total Fund Balances - Governmental Fund	\$ 195,333
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.	67,114
Right to use lease assets used in governmental activities are not financial resources and therefore are not reported in the funds. The net effect of including the balances for right of use lease assets at historical cost (net of amortization)	62,208
Recognition of unavailable tax revenue as revenue	28,046
Long-term debt included as net position below (includes the addition of long-term debt and principal payments during the year and accrued interest.)	<u>(72,232)</u>
Net Position of Governmental Activities	<u>\$ 280,469</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, 2023

	General Fund	Facade Program	EPA Grant Fund	Total Government Funds
Revenues:				
Taxes (ad valorem)	\$ 498,682	\$ -	\$ -	\$ 498,682
Charges for services	268,649	-	-	268,649
Grants	86,679	68,012	2,723	157,414
Miscellaneous income	16,809	-	-	16,809
Interest income	86	29,456	-	29,542
Total revenues	870,905	97,468	2,723	971,096
Expenditures:				
Sanitation	300,052	-	-	300,052
Administrative staff	371,495	-	2,723	374,218
Promotion and advertising	9,830	-	-	9,830
Administrative office	60,887	-	-	60,887
Community projects	99,339	88,012	-	187,351
Professional fees	12,147	-	-	12,147
Debt Service:				
Principal	27,902	-	-	27,902
Interest and other charges	12,186	-	-	12,186
Total expenditures	893,838	88,012	2,723	984,573
Other financing sources (uses)				
Transfers in	13,542	-	-	13,542
Transfers out	-	(13,542)	-	(13,542)
Total other financing sources	13,542	(13,542)	-	-
Net change in fund balances	(9,391)	(4,086)	-	(13,477)
Fund balances, October 1 2022	173,352	35,458	-	208,810
Fund balances, September 30, 2023	\$ 163,961	\$ 31,372	\$ -	\$ 195,333

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, 2023

Total Net Change in Fund Balance - Governmental Fund \$ (13,477)

The effect of including the change in unavailable tax revenue of 2023 is to decrease net position. 6,118

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:

Capital Outlay	61,939	
Depreciation	<u>(11,927)</u>	50,012

Amortization expense for intangible assets	<u>(31,233)</u>	(31,233)
--------------------------------------------	-----------------	----------

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Principal payments on long-term debt	27,902	
Decrease in accrued interest payable	<u>282</u>	<u>28,184</u>

Change in Net Position of Governmental Activities \$ 39,604

See accompanying notes to financial statements.

EL PASO DOWNTOWN MANAGEMENT DISTRICT

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 30, 2023

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, 2023, the DMD's investments in TexPool were rated AAAM by Standard & Poors.

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.

Right to Use Assets—The DMD has recorded right to use lease assets as a result of implementing GASB 87. The right to use assets are initially measured at an amount equal to the initial measurement of the related lease liability plus any lease payments made prior to the lease term, less lease incentives, and plus ancillary charges necessary to place the lease into service. The right to use assets are amortized on a straight-line basis over the life of the related lease.

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 January 5, 2023, the date the financial statements were available to be issued.

2. CASH AND INVESTMENTS

The DMD maintains cash in one financial institution. At September 30, 2023 the carrying amount of the DMD's deposits (cash) was \$38,148, and the bank balance was \$35,416.

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, 2023, 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, 2023 were as follows:

	Carrying Value	Market Value
TexPool	\$ 406,555	\$ 406,555

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, 2023 was as follows:

	<u>Balance at 2022</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance at 2023</u>
Capital assets, being depreciated:				
Furniture and equipment	\$ 235,087	\$ 61,939	\$ 51,305	\$ 245,721
Lease assets	<u>124,674</u>	<u>-</u>	<u>-</u>	<u>124,674</u>
	359,761	61,939	51,305	370,395
Less accumulated depreciation and amortization for:				
Furniture and equipment	217,985	11,927	51,305	178,607
Lease assets	<u>31,233</u>	<u>31,233</u>	<u>-</u>	<u>62,466</u>
Total accumulated depreciation and amortization	<u>249,218</u>	<u>43,160</u>	<u>51,305</u>	<u>241,073</u>
Total	<u>\$ 110,543</u>	<u>\$ 18,779</u>	<u>\$ -</u>	<u>\$ 129,322</u>

Depreciation and amortization expense for the year ended September 30, 2023 was charged to functions (programs) as follows:

Sanitation	\$ 11,927
Administrative office	<u>31,233</u>
	<u>\$ 43,160</u>

4. RIGHT TO USE LEASED ASSETS

The DMD has recorded three right to use leased assets. The assets are right to use assets for leased equipment and building rent. The related leases are discussed in the Leases subsection of the Long-Term Lease Liability section of this note. The right to use lease assets are amortized on a straight-line basis over the term of the related leases. Lease expense for the year ended September 30, 2023 was as follows:

Amortization expense by class of underlying asset:	
Copy Machine	\$ 3,103
Computer	3,439
Building	<u>24,691</u>
Total amortization expense	31,233
Interest on lease liabilities	<u>11,903</u>
Total lease expense	<u>\$ 43,136</u>

Right to use asset lease activity for the year ended September 30, 2023 was as follows:

	<u>Balance at 2022</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance at 2023</u>	<u>Amounts due within one year</u>
Lease assets					
Copy Machine	\$ 8,275	\$ -	\$ -	\$ 8,275	
Computer	11,464	-	-	11,464	
Building	<u>104,935</u>	<u>-</u>	<u>-</u>	<u>104,935</u>	
Total lease assets	124,674	-	-	124,674	
Less accumulated amortization for:					
Copy Machine	(3,103)	(3,103)	-	(6,206)	
Computer	(3,439)	(3,439)	-	(6,878)	
Building	<u>(24,691)</u>	<u>(24,691)</u>	<u>-</u>	<u>(49,382)</u>	
Total accumulated amortization	<u>(31,233)</u>	<u>(31,233)</u>	<u>-</u>	<u>(62,466)</u>	
Total lease assets, net	<u>\$ 93,441</u>	<u>\$ (31,233)</u>	<u>\$ -</u>	<u>\$ 62,208</u>	
Lease liabilities	<u>\$ 99,307</u>	<u>\$ -</u>	<u>\$ (27,902)</u>	<u>\$ 71,405</u>	<u>\$ 31,293</u>

5. LONG-TERM LIABILITIES

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. As a result of the lease, the DMD recorded a Right to Use Asset with a net book value of \$104,935 at September 30, 2022.

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. As a result of the lease, the DMD recorded a Right to Use Asset with a net book value of \$8,275 at September 30, 2022.

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. As a result of the lease, the DMD recorded a Right to Use Asset with a net book value of \$11,464 at September 30, 2022.

The following is a schedule of the future minimum lease payments together with the present value of the net minimum lease payments:

	<u>Principal</u>	<u>Interest</u>	<u>Total Payments</u>
2024	\$ 31,293	\$ 8,272	\$ 39,565
2025	31,699	3,879	35,578
2026	<u>8,413</u>	<u>215</u>	<u>8,628</u>
Total	<u>\$ 71,405</u>	<u>\$ 12,366</u>	<u>\$ 83,771</u>

The following is a summary of changes in long-term liability activity for the year ended September 30, 2023:

	<u>Balance September 30, 2022</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance September 30, 2023</u>	<u>Current Portion of Balance</u>
Lease liabilities	<u>\$ 99,307</u>	<u>\$ -</u>	<u>\$ 27,902</u>	<u>\$ 71,405</u>	<u>\$ 31,293</u>

6. 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, 2022, property taxes of approximately \$512,905 were levied for the general fund. These revenues were budgeted for and recorded in fiscal year 2023.

7. COMMITMENTS AND CONTINGENCIES

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, 2023, 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.

8. 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 \$33,025.

The DMD entered into an agreement with two board members for street pole banner rentals. Total amount received for these services was \$5,936.

The DMD entered into agreements with two board members participating in DMD Facade grant programs. The amounts awarded in 2021 and 2022 amounted to \$85,433, and were paid out on November 28, 2022, May 25, 2023 and August 24, 2023.

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, 2023

	General Fund			Variance with Final Budget Positive of (Negative)
	Original Budget	Final Budget	Actual	
Revenues:				
Taxes (ad Valorem)	\$ 477,421	\$ 477,421	\$ 498,682	\$ 21,261
Interest income	3,000	3,000	86	(2,914)
Charges for services	266,525	266,525	268,649	2,124
Miscellaneous income	-	-	16,809	16,809
Grants	179,270	179,270	86,679	(92,591)
Total revenues	926,216	926,216	870,905	(55,311)
Expenditures				
Administrative staff	412,637	412,637	371,495	41,142
Parking and transportation	3,700	3,700	3,951	(251)
Contracted services	16,300	16,300	12,147	4,153
Administrative - office	100,178	100,178	83,482	16,696
Community projects	181,038	181,038	91,276	89,762
Security	8,000	8,000	8,063	(63)
Sanitation	228,198	228,198	300,052	(71,854)
Promoting and advertising	13,200	13,200	9,830	3,370
Total expenditures	963,251	963,251	880,296	82,955
Net change in fund balance	\$ (37,035)	\$ (37,035)	\$ (9,391)	\$ 27,644



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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, 2023, 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 January 5, 2023.

Report on 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) as a basis for designing 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.

Report on 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 and grant agreements, 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
January 5, 2023