

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

CITY OF HOUSTON, TEXAS

ANNUAL FINANCIAL REPORT

JUNE 30, 2026

McCALL GIBSON SWEDLUND BARFOOT ELLIS PLLC
Certified Public Accountants

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McCall Gibson Swedlund Barfoot Ellis PLLC

Certified Public Accountants

*Chris Swedlund
Noel W. Barfoot
Joseph Ellis
Ashlee Martin*

*Mike M. McCall
(retired)
Debbie Gibson
(retired)*

INDEPENDENT AUDITOR'S REPORT

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

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of Memorial City Redevelopment Authority (the "Authority"), **a component unit of the City of Houston, Texas**, as of and for the year ended June 30, 2026, and the related notes to the financial statements, which collectively comprise the Authority'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 and each major fund of the Authority as of June 30, 2026, 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 Opinion

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 the Authority 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 opinion.

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 the Authority'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 opinion. 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, including omissions, 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 the Authority'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 the Authority'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.

Board of Directors
Memorial City Redevelopment Authority

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The supplementary information required by the City of Houston, Texas and other supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

McCall Gibson Swedlund Barfoot Ellis PLLC

McCall Gibson Swedlund Barfoot Ellis PLLC
Certified Public Accountants
Houston, Texas

September 22, 2026

MEMORIAL CITY REDEVELOPMENT AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED JUNE 30, 2026

Management's discussion and analysis of Memorial City Redevelopment Authority's, aka TIRZ 17 Redevelopment Authority (the "Authority") financial performance provides an overview of the Authority's financial activities for the fiscal year ended June 30, 2026. Please read it in conjunction with the Authority's financial statements.

OVERVIEW OF THE FINANCIAL STATEMENTS

FINANCIAL HIGHLIGHTS

- In the Statement of Net Position, the Authority's assets exceeded its liabilities by \$6,351,148 (net position) for the year ended June 30, 2026.
- The Authority anticipates that with continued development in the area, the Tax Increment Revenues will be sufficient to cover operating costs, project costs and debt service of the Authority.
- The Authority's governmental funds reported a total ending fund balance of \$51,050,815 this year. This compares to the prior year fund balance of \$43,815,123, showing an increase of \$7,235,692 during the current fiscal year.

USING THIS ANNUAL REPORT

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

MEMORIAL CITY REDEVELOPMENT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2026

GOVERNMENT-WIDE FINANCIAL STATEMENTS (continued)

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

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

FUND FINANCIAL STATEMENTS

The combined statements also include fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Authority has three governmental funds types. The General Fund is the operating fund of the Authority, the Debt Service Fund is used to account for the payment of interest and principal on the Authority's long-term debt, and the Capital Projects Fund accounts for capital project acquisition and or construction.

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

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

MEMORIAL CITY REDEVELOPMENT AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED JUNE 30, 2026

NOTES TO THE FINANCIAL STATEMENTS

The accompanying notes to the financial statements provide information essential to a full understanding of the government-wide and fund financial statements.

OTHER INFORMATION

In addition to the financial statements and the accompanying notes, this report also presents certain required supplementary information ("RSI"). A budgetary comparison schedule and notes to budgetary comparison schedule are included as RSI for all governmental funds.

FINANCIAL SUMMARY AND DETAILED ANALYSES

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of the Authority's financial position. In the case of the Authority, assets exceeded liabilities by \$6,351,148 as of June 30, 2026.

The following table provides a summary of the changes in the Statement of Net Position as of June 30, 2026, and June 30, 2025:

	Summary of Changes in the Statement of Net Position		
	2026	2025	Change Positive (Negative)
ASSETS:			
Current and Other Assets	\$ 55,066,204	\$ 44,753,945	\$ 10,312,259
Land	6,971,378	6,971,378	
TOTAL ASSETS	\$ 62,037,582	\$ 51,725,323	\$ 10,312,259
LIABILITIES:			
Current Liabilities	\$ 11,251,202	\$ 7,511,543	\$ (3,739,659)
Long-term Liabilities	44,435,232	26,145,034	(18,290,198)
TOTAL LIABILITIES	\$ 55,686,434	\$ 33,656,577	\$ (22,029,857)
NET POSITION:			
Net Investment in Capital Assets	\$ 6,971,378	\$ 6,971,378	\$
Restricted	8,278,640	7,912,587	366,053
Unrestricted	(8,898,870)	3,184,781	(12,083,651)
TOTAL NET POSITION	\$ 6,351,148	\$ 18,068,746	\$ (11,717,598)

The following table provides a comparative analysis of the Authority's operations for the years ending June 30, 2026 and June 30, 2025. The Authority's net position decreased by \$11,717,598. Revenues, of which are made up of 83% is made up of tax increment revenues, decreased by \$1,474,736 compared to last year. This decrease is largely due to \$3,393,176 of Grant revenue received in prior year. Expenditures this fiscal year were \$22,737,593 more than last fiscal year, a 193% increase, which is primarily due to an increase in planning capital expenditures, bond issuance costs and bond interest.

MEMORIAL CITY REDEVELOPMENT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2026

GOVERNMENT-WIDE FINANCIAL ANALYSIS (continued)

	Summary of Changes in the Statement of Activities		
	2026	2025	Change Positive (Negative)
Revenues:			
Tax Increment	\$ 19,042,966	\$ 19,396,400	\$ (353,434)
Capital Contribution	2,000,000		2,000,000
Grant Revenue	412	3,393,588	(3,393,176)
Interest and Others	1,772,179	1,500,305	271,874
Total revenues	<u>\$ 22,815,557</u>	<u>\$ 24,290,293</u>	<u>\$ (1,474,736)</u>
Expenses:			
Salaries and Benefits	\$ 120,000	\$ 145,000	\$ 25,000
Professional Services	188,850	138,977	(49,873)
Contracted Services	22,157	19,822	(2,335)
Other	5,814	3,623	(2,191)
Administration Fee	3,920,784	3,098,913	(821,871)
Bond Interest	1,800,766	656,065	(1,144,701)
Developer Interest	16,550	145,288	128,738
Bond Issuance Costs	1,019,929		(1,019,929)
Capital Improvements	27,438,305	7,587,874	(19,850,431)
Total expenses	<u>\$ 34,533,155</u>	<u>\$ 11,795,562</u>	<u>\$ (22,737,593)</u>
Changes in Net Position	\$ (11,717,598)	\$ 12,494,731	\$ (24,212,329)
Beginning Net Position	<u>18,068,746</u>	<u>5,574,015</u>	<u>12,494,731</u>
Ending Net Position	<u><u>\$ 6,351,148</u></u>	<u><u>\$ 18,068,746</u></u>	<u><u>\$ (11,717,598)</u></u>

FINANCIAL ANALYSIS OF THE AUTHORITY'S GOVERNMENTAL FUNDS

The Authority has three governmental funds, which are the General Fund, the Debt Service Fund and the Capital Projects Fund. As discussed, governmental funds are reported in the fund statements with a short-term, inflow and outflow of spendable resources focus. This information is useful in assessing resources available at the end of the year in comparison with upcoming financing requirements. The governmental funds reported cumulative ending fund balances of \$51,050,815, an increase of \$7,235,692. This increase is primarily due to the sale of the Tax Increment Contract Revenue Bonds, Series 2025 and capital contribution from the City. Of the fund balances, \$41,994,212 is unassigned, \$8,774,255 is restricted for future debt service and \$282,348 is restricted for future capital improvements. This is a \$7,235,692 increase compared to last year's cumulative fund balances of \$43,815,123.

MEMORIAL CITY REDEVELOPMENT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2026

BUDGETARY HIGHLIGHTS

The Board of the Authority adopted an appropriated budget and did not amend the budget during the current fiscal year. For additional information, see the budget comparison schedule and related notes presented as RSI.

SIGNIFICANT CAPITAL ASSET AND LONG-TERM DEBT ACTIVITY

CAPITAL ASSETS

In the current fiscal year, the Authority transferred \$27,438,305 to the City of Houston related to capital expenditures. These capital expenditures are related to public works improvements. In accordance with Section VIII of the Tri-Party Agreement between the City of Houston, Reinvestment Zone Number Seventeen, City of Houston, Texas and the Authority, it states: "all utilities, drainage facilities, public street improvements, sidewalks and light fixtures shall be conveyed to the City." Therefore, any current year expenditures related to such improvements are not recorded as assets of the Authority.

Additionally, the Authority is holding title to certain land associated with the detention basin and W-140 bridge improvements. This project has been completed but has not been accepted by the City as of fiscal year end. These land costs amount to \$6,971,378 at June 30, 2026.

LONG – TERM DEBT ACTIVITY

During the current fiscal year, the Authority paid amounts due to LIPEX Properties LP for capital improvements. As of June 30, 2026, no amounts are due to LIPEX Properties LP.

On July 2, 2025, the District closed on its \$28,100,000 of Tax Increment Contract Revenue Bonds, Series 2025. Proceeds were used to finance project costs, purchase reserve fund surety policy and to pay costs of issuance.

At the end of the current fiscal year, the Authority had total bond debt payable of \$48,685,000. This debt is secured with future tax increment contract revenue.

The District's Series 2016 Refunding bonds are not rated. The Series 2019 Refunding bonds and Series 2025 bonds carry an underlying rating of A- and an insured rating of AA by virtue of bond insurance issued by Assured Guaranty, Inc. Credit enhanced ratings provided through bond insurance policies are subject to change based on the rating of the bond insurance company.

MEMORIAL CITY REDEVELOPMENT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2026

CURRENTLY KNOWN FACTS, DECISIONS OR CONDITIONS

The adopted budget for fiscal year 2027 projects an increase in fund balance. Compared to the fiscal year 2026 results, revenues are expected to decrease by approximately \$1,872,000 primarily due to decrease in expected tax increment revenue. Budgeted expenditures are expected to decrease by approximately 11,900,000 from current year actual amounts primarily due to decreased capital outlay. The Authority also budgeted bond proceeds in the amount of \$101,000,000.

CONTACTING THE AUTHORITY'S MANAGEMENT

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

MEMORIAL CITY REDEVELOPMENT AUTHORITY
STATEMENT OF NET POSITION AND
GOVERNMENTAL FUNDS BALANCE SHEET
JUNE 30, 2026

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Net Position
ASSETS						
Cash	\$ 40,719	\$	\$	\$ 40,719	\$	\$ 40,719
Investments	44,228,575	8,774,255	1,924,985	54,927,815		54,927,815
Other Receivables	520			520		520
Due From Other Funds	762,703			762,703	(762,703)	0
Prepaid bond insurance, net					97,150	97,150
Land					6,971,378	6,971,378
TOTAL ASSETS	<u>\$ 45,032,517</u>	<u>\$ 8,774,255</u>	<u>\$ 1,924,985</u>	<u>\$ 55,731,757</u>	<u>\$ 6,305,825</u>	<u>\$ 62,037,582</u>
LIABILITIES						
Accounts Payable	\$ 3,038,305	\$	\$ 218,093	\$ 3,256,398	\$	\$ 3,256,398
Retainage Payable			661,841	661,841		661,841
Accrued Interest Payable					777,963	777,963
Due To Other Funds			762,703	762,703	(762,703)	
Long-Term Liabilities:						
Due Within One Year					6,555,000	6,555,000
Due After One Year					44,435,232	44,435,232
TOTAL LIABILITIES	<u>\$ 3,038,305</u>	<u>\$ - 0 -</u>	<u>\$ 1,642,637</u>	<u>\$ 4,680,942</u>	<u>\$ 51,005,492</u>	<u>\$ 55,686,434</u>
FUND BALANCES						
Restricted	\$	\$ 8,774,255	\$ 282,348	\$ 9,056,603	\$ (9,056,603)	
Unassigned	41,994,212			41,994,212	(41,994,212)	
TOTAL FUND BALANCES	<u>\$ 41,994,212</u>	<u>\$ 8,774,255</u>	<u>\$ 282,348</u>	<u>\$ 51,050,815</u>	<u>\$ (51,050,815)</u>	
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 45,032,517</u>	<u>\$ 8,774,255</u>	<u>\$ 1,924,985</u>	<u>\$ 55,731,757</u>		
Net Position:						
Net Investment in Capital Assets					\$ 6,971,378	\$ 6,971,378
Restricted					8,278,640	8,278,640
Unrestricted					(8,898,870)	(8,898,870)
Total Net Position					<u>\$ 6,351,148</u>	<u>\$ 6,351,148</u>

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

MEMORIAL CITY REDEVELOPMENT AUTHORITY
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2026

Total Fund Balance - Governmental Funds	\$	51,050,815
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Amounts reported for governmental activities in the *Statement of Net Position* are different because:

Prepaid bond insurance is recorded as an expenditure at the fund level, but is recorded as a prepaid asset and amortized to interest expense over the life of the bonds in the government wide statements.		97,150
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Land used in governmental activities is not a financial resource and therefore is not reported as an asset in governmental funds.		6,971,378
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Some liabilities, are not due and payable in the current period and are not included in the fund financial statement, but are included in the governmental activities of the <i>Statement of Net Position</i> .		
Bonds payable		(50,990,232)
Accrued interest on bonds payable		(777,963)

Total Net Position - Governmental Activities	\$	6,351,148
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The accompanying notes to the financial
statements are an integral part of this report.

MEMORIAL CITY REDEVELOPMENT AUTHORITY
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2026

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Activities
REVENUES						
Tax Increment	\$ 10,722,983	\$ 8,319,983	\$	\$ 19,042,966	\$	\$ 19,042,966
Capital Contribution	2,000,000			2,000,000		2,000,000
Grant Revenues	412			412		412
Interest and Other	1,305,648	90,423	376,108	1,772,179		1,772,179
TOTAL REVENUES	\$ 14,029,043	\$ 8,410,406	\$ 376,108	\$ 22,815,557	\$ - 0 -	\$ 22,815,557
EXPENDITURES/EXPENSES						
Service Operations						
Salaries and Benefits	\$ 120,000	\$	\$	\$ 120,000	\$	\$ 120,000
Professional Services	188,850			188,850		188,850
Contracted Services	22,157			22,157		22,157
Insurance Cost	3,770			3,770		3,770
Other	2,044			2,044		2,044
Administration Fees	3,920,784			3,920,784		3,920,784
Capital Improvement	370,002		27,068,303	27,438,305		27,438,305
Developer Reimbursement	3,275,076			3,275,076	(3,275,076)	
Bond Issuance Costs			1,019,929	1,019,929		1,019,929
Debt Service:						
Principal		6,315,000		6,315,000	(6,315,000)	
Interest		1,978,086		1,978,086	(177,320)	1,800,766
Developer Reimbursement Interest					16,550	16,550
TOTAL EXPENDITURES/EXPENSES	\$ 7,902,683	\$ 8,293,086	\$ 28,088,232	\$ 44,284,001	\$ (9,750,846)	\$ 34,533,155
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	\$ 6,126,360	\$ 117,320	\$ (27,712,124)	\$ (21,468,444)	\$ 9,750,846	\$ (11,717,598)
OTHER FINANCING SOURCES (USES)						
Internal Transfers	\$ 352,569	\$ 357,096	\$ (709,665)	\$	\$	\$
Proceeds from the Sale of Bonds			28,100,000	28,100,000	(28,100,000)	
Bond Premium			814,983	814,983	(814,983)	
Bond Discount			(210,847)	(210,847)	210,847	
TOTAL OTHER FINANCING SOURCES (USES)	\$ 352,569	\$ 357,096	\$ 27,994,471	\$ 28,704,136	\$ (28,704,136)	\$ - 0 -
NET CHANGE IN FUND BALANCES	\$ 6,478,929	\$ 474,416	\$ 282,347	\$ 7,235,692	\$ (7,235,692)	
CHANGE IN NET POSITION					(11,717,598)	(11,717,598)
FUND BALANCES/NET POSITION - JULY 1, 2025	35,515,283	8,299,839	1	43,815,123	(25,746,377)	18,068,746
FUND BALANCES/NET POSITION - JUNE 30, 2026	\$ 41,994,212	\$ 8,774,255	\$ 282,348	\$ 51,050,815	\$ (44,699,667)	\$ 6,351,148

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

**MEMORIAL CITY REDEVELOPMENT AUTHORITY
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES TO
THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2026**

Net Change in Fund Balances - Governmental Funds \$ 7,235,692

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

Governmental funds report developer reimbursements as expenditures. However, in the Statement of Net Position, developer payments are reported as a decrease in Due to Developer. 3,275,076

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

Principal payments	\$	6,315,000	
Bonds issued		(28,100,000)	
Bond premium		(814,983)	
Bond discount		210,847	
Accrued interest		177,320	
Developer Interest		<u>(16,550)</u>	<u>(22,228,366)</u>

Change in Net Position - Governmental Activities \$ (11,717,598)

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

MEMORIAL CITY REDEVELOPMENT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2026

NOTE 1. CREATION OF CORPORATION

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

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

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

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

Financial Statement Presentation

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

MEMORIAL CITY REDEVELOPMENT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2026

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial Statement Presentation (continued)

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

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

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

Government-Wide Financial Statements

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

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

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

MEMORIAL CITY REDEVELOPMENT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2026

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Fund Financial Statements

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

Governmental Funds

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

Basis of Accounting

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

Measurement Focus

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

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

MEMORIAL CITY REDEVELOPMENT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2026

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Fund Balances

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

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

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

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

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

Unassigned - all other spendable amounts in the General Fund.

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

Cash

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

Investments

Investments consist of amounts in the TexPool and TexSTAR.

Debt Service

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

MEMORIAL CITY REDEVELOPMENT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2026

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Due to and from other funds

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

Budgeting

In compliance with the Tri-Party Agreement (See Note 4), the Authority’s board members adopted an unappropriated budget for the combined governmental funds of the Authority for the fiscal year ending June 30, 2026. The budget was submitted and approved by the City. The Authority used this budget during the current year.

Accounting Estimates

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

New Accounting Pronouncements

GASB Statement No. 103 was issued in April 2024 and became effective for the Authority in fiscal year 2026. The objective of this statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing an entity’s accountability. For the Authority, GASB Statement No. 103 impacted Management’s Discussion and Analysis and the budgetary comparison information for the General Fund, Debt Service Fund and Capital Projects Fund Combined but did not have an impact on the Authority’s basic financial statements.

MEMORIAL CITY REDEVELOPMENT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2026

NOTE 3. DEPOSITS AND INVESTMENTS

Deposits

Custodial credit risk is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The Authority's deposit policy for custodial credit risk requires compliance with the provisions of Texas statutes. Texas statutes require that any cash balance in any fund shall, to the extent not insured by the Federal Deposit Insurance Corporation or its successor, be continuously secured by a valid pledge to the Authority of securities eligible under the laws of Texas to secure the funds of the Authority, having an aggregate market value, including accrued interest, at all times equal to the uninsured cash balance in the fund to which such securities are pledged. As of June 30, 2026, none of the Authority's bank balances were exposed to custodial credit risk.

The carrying values of the deposits are included in the Governmental Fund Balance Sheet and the Statement of Net Position at June 30, 2026, as listed below:

	Cash
Total Deposits - General Fund	<u>\$ 40,719</u>

Investments

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

MEMORIAL CITY REDEVELOPMENT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2026

NOTE 3. DEPOSITS AND INVESTMENTS (continued)

Investments (continued)

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

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

For fiscal year 2025, the Authority invested in the Texas Local Government Investment Pool ("TexPool") and the Texas Short Term Asset Reserve Program ("TexSTAR").

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

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

MEMORIAL CITY REDEVELOPMENT AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2026

NOTE 3. DEPOSITS AND INVESTMENTS (continued)

Investments (continued)

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

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

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

As of June 30, 2026, the Authority had the following investments and maturities:

Type	Fair Value	Maturities in Years			
		Less Than 1	1-5	6-10	More Than 10
TexPool	\$ 36,374,041	\$ 36,374,041	\$	\$	\$
TexSTAR	18,553,774	18,553,774			
Total	<u>\$ 54,927,815</u>	<u>\$ 54,927,815</u>	<u>\$ - 0 -</u>	<u>\$ - 0 -</u>	<u>\$ - 0 -</u>

Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. At June 30, 2026, the Authority’s investments in both TexPool and TexSTAR were rated ‘AAAm’ by Standard & Poor’s. The ‘AAAm’ rating indicates an extremely strong capacity to maintain principal stability and to limit exposure to principal losses due to credit, market, and/or liquidity risks. ‘AAAm’ is the highest principal stability rating assigned by Standard & Poor’s.

MEMORIAL CITY REDEVELOPMENT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2026

NOTE 3. DEPOSITS AND INVESTMENTS (continued)

Investments (continued)

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

Restrictions

All cash and investments of the Debt Service Fund are restricted for the payment of debt service and the cost of assessing and collecting taxes. All cash and investments of the Capital Projects Fund are restricted for financing the costs of public improvements as authorized in the Project Plan and described in the Authority's capital improvement program.

NOTE 4. TRI-PARTY AGREEMENT

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

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

MEMORIAL CITY REDEVELOPMENT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2026

NOTE 4. TRI-PARTY AGREEMENT (continued)

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

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

NOTE 5. TAX INCREMENTS

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

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

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

MEMORIAL CITY REDEVELOPMENT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2026

NOTE 6. CITY OF HOUSTON TAX INCREMENTS

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

As of June 30, 2026, tax increments relating to fiscal year 2026 of \$19,042,966 were collected by the trustee from the City of Houston. The City of Houston withheld \$952,148 to cover administrative costs.

NOTE 7. TRANSFER TO THE CITY OF HOUSTON

During the current fiscal year, the Authority recorded capital improvements of \$27,438,305 for capital assets transferred to the City. This transfer is related to capital improvements made by the Authority to City facilities. The Authority finances these facilities for the benefit of the City. Any capital assets the Authority purchases related to public improvements and facilities have been conveyed to the City of Houston. See page 33 for information on current year capital improvement expenditures. The Authority is holding title to certain land associated with the detention basin and W-140 bridge improvements. These land costs amount to \$6,971,378 at June 30, 2026.

NOTE 8. DUE TO DEVELOPERS

The Authority has entered into a development agreement with LIPEX Properties, L.P. ("Developer") for the financing of the land for public improvements, the construction of certain facilities, and other costs. Under the agreements, the developer will advance funds for the acquisition of land, construction of facilities, and other costs associated with public improvements in the project area. The developer will be reimbursed from available tax increment in the project area.

During the year ended June 30, 2026, the following changes occurred in amounts due to developers.

Due to developer, beginning of year	\$ 3,258,526
Developer Interest	16,550
Developer reimbursements	(3,275,076)
Due to developer, end of year	<u>\$ - 0 -</u>

MEMORIAL CITY REDEVELOPMENT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2026

NOTE 9. LONG-TERM DEBT

During the year ended June 30, 2026, the following changes occurred in long-term liabilities:

	Balance July 1, 2025	Additions	Reductions	Balance June 30, 2026	Amounts Due Within One Year
Governmental Activities:					
Bonds and notes payable:					
Tax Increment Contract Bonds	\$ 26,900,000	\$ 28,100,000	\$ (6,315,000)	\$ 48,685,000	\$ 6,555,000
Deferred amount for bond premium	2,301,508	814,983	(609,149)	2,507,342	
Deferred amount for bond discount		(210,847)	8,737	(202,110)	
Bonds payable, end of year	<u>\$ 29,201,508</u>	<u>\$ 28,704,136</u>	<u>\$ (6,915,412)</u>	<u>\$ 50,990,232</u>	<u>\$ 6,555,000</u>

On April 27, 2021, the Authority's Board of Directors authorized the issuance of bonds and notes by the Authority in the aggregate principal amount not to exceed \$250,000,000 outstanding at any one time.

The terms of the current debt obligations are as follows:

Series	Original Issue	Matures	Interest Rate (%)	Debt Outstanding
Governmental Activities:				
Tax Increment Contract Bonds				
Tax Increment Contract Revenue Refunding Bonds, Series 2016	\$ 17,955,000	9/1/27	2.41%	\$ 3,875,000
Tax Increment Contract Revenue and Refunding Bonds, Series 2019	\$ 37,400,000	9/1/28	5.00%	16,710,000
Tax Increment Contract Revenue Bonds, Series 2025	\$ 28,100,000	9/1/49	5.00%	28,100,000
Total General Obligation Bonds				<u>\$ 48,685,000</u>

The annual requirements to amortize governmental activity tax increment contract revenue bonds at June 30, 2026 are as follows:

Tax Increment Contract Revenue Bonds			
Governmental Activities			
Fiscal Year	Principal	Interest	Total
2027	\$ 6,555,000	\$ 2,212,359	\$ 8,767,359
2028	6,845,000	1,927,540	8,772,540
2029	7,185,000	1,584,625	8,769,625
2030	775,000	1,385,625	2,160,625
2031	815,000	1,345,875	2,160,875
2032-2036	4,750,000	6,057,000	10,807,000
2037-2041	6,095,000	4,708,875	10,803,875
2042-2046	7,825,000	2,976,875	10,801,875
2047-2050	7,840,000	808,500	8,648,500
	<u>\$ 48,685,000</u>	<u>\$ 23,007,274</u>	<u>\$ 71,692,274</u>

See pages 36 through 39 for debt service schedules on each bond series outstanding as of June 30, 2026.

MEMORIAL CITY REDEVELOPMENT AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2026

NOTE 10. INTERFUND TRANSACTIONS

For the fiscal year ended June 30, 2026, an operating transfer is summarized as follows:

Transfers Out	Transfers In	Amounts	Purpose
General Fund	Debt Service Fund	\$ 357,096	Debt Service Obligations
Capital Projects Fund	General Fund	709,665	Prior year Capital expenses

NOTE 11. INTERLOCAL AGREEMENT WITH THE CITY OF BUNKER HILL VILLAGE

The Authority originally entered into an Interlocal Agreement (the “Bunker Hill Agreement”) with the City of Bunker Hill Village (“Bunker Hill”) effective October 10, 2018, which was amended and restated as of November 16, 2021. Pursuant to the Bunker Hill Agreement, the Authority and Bunker Hill agreed to coordinate to expand the Memorial Drive Phase I project described under “THE REDEVELOPMENT PLAN—Completed Capital Improvement Projects” to cover Memorial Drive from Tallowood Drive to Gessner Road. Pursuant to the Bunker Hill Agreement, Bunker Hill was required to submit a grant application to secure federal funding for the project and act as the project sponsor in coordinating construction of the project with TxDOT. The Authority and Bunker Hill shared the 20% local match commitment for the project. The Authority and Bunker Hill entered into a Second Amended and Restated Interlocal Agreement with respect to this project effective November 22, 2024. Under this agreement, the parties recognized that the project had been awarded \$3,000,000 in funding under a grant to be administered by the United States Department of Housing and Urban Development (“HUD”). According to the agreement, the City will be designated as the project sponsor for the purpose of administering the HUD grant and any grants awarded by TxDOT through Houston-Galveston Area Council. The Authority and Bunker Hill entered into a third Amended and Restated Interlocal Agreement with respect to this project effective August 19, 2025. According to this agreement, the HUD grant has no local matching requirement.

NOTE 12. RISK MANAGEMENT

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

MEMORIAL CITY REDEVELOPMENT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2026

NOTE 13. BOND SALE

On July 2, 2025, the District closed on its \$28,100,000 of Tax Increment Contract Revenue Bonds, Series 2025. Proceeds were used to finance project costs, purchase reserve fund surety policy and to pay costs of issuance.

NOTE 14. GRANT AGREEMENT

On September 19, 2023, the Authority executed a grant contract with the U.S. Environmental Protection Agency. The agreement provides for the Authority to participate in a Congressionally Mandated Project for the purpose of improving and deepening an existing detention basin and extending stormwater improvements along adjacent roads to better connect area stormwater management infrastructure. Total grant funding allocated to the Authority is \$3,394,000. The Authority is required by the grant agreement to spend \$848,500 of its own funds for the engineering and construction costs of the project. As of June 30, 2026, the Authority has recorded a project total of \$12,805,645 in engineering and construction costs related to this project, which \$6,422,235 being in current year and \$412 is reimbursable under this grant. This project was in progress at year-end.

NOTE 15. INTERLOCAL AGREEMENT WITH CITY OF HOUSTON

The Authority entered into an Interlocal Agreement with the City of Houston (the “City”) effective January 27, 2026. Under this agreement, the Authority agrees to contract for and manage the demolition and abatement portion of the combined underground detention basis and a joint police and fire station at the property for a cost of which will exceed \$2,000,000. The City agrees to contribute \$2,000,000 to the Authority for the demolition and abatement of the Project. The improvements and property shall be owned, operated and maintained by the City, and the Authority shall not be responsible for such ownership, operations or maintenance. The Authority received \$2,000,000 from the City in the current fiscal year.

MEMORIAL CITY REDEVELOPMENT AUTHORITY

REQUIRED SUPPLEMENTARY INFORMATION

JUNE 30, 2026

MEMORIAL CITY REDEVELOPMENT AUTHORITY
BUDGETARY COMPARISON SCHEDULE –
GENERAL FUND, DEBT SERVICE FUND AND
CAPITAL PROJECTS FUND COMBINED
FOR THE YEAR ENDED JUNE 30, 2026

	Budgeted Amounts <u>Original and Final Budget</u>	Actual Amounts Budgetary <u>Basis</u>	Variance with Final Budget Over (Under) <u>Actual Amounts</u>
BUDGETARY REVENUES			
Tax Increment	\$ 19,291,155	\$ 19,042,966	\$ (248,189)
Capital Contribution		2,000,000	2,000,000
Grant Revenues		412	412
Interest and Other	1,356,637	1,772,179	415,542
TOTAL BUDGETARY REVENUES	<u>\$ 20,647,792</u>	<u>\$ 22,815,557</u>	<u>\$ 2,167,765</u>
BUDGETARY EXPENDITURES/EXPENSES			
Management Consulting Services	\$ 305,750	\$ 336,821	\$ 31,071
Capital Outlay	38,025,867	27,438,305	(10,587,562)
Developer Reimbursement	3,275,406	3,275,076	(330)
Municipal Services	3,313,425	2,968,636	(344,789)
Administration Fees	964,558	952,148	(12,410)
Debt Service:			-
Principal	6,315,000	6,315,000	-
Interest	1,978,088	1,978,086	(2)
Debt Issuance Costs		1,019,929	1,019,929
TOTAL BUDGETARY EXPENDITURES	<u>\$ 54,178,094</u>	<u>\$ 44,284,001</u>	<u>\$ (9,894,093)</u>
BUDGETARY EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>\$ (33,530,302)</u>	<u>\$ (21,468,444)</u>	<u>\$ 12,061,858</u>
BUDGETARY OTHER FINANCING SOURCES (USES)			
Proceeds from the Sale of Bonds	\$ 122,824,678	\$ 28,100,000	\$ (94,724,678)
Bond Premium		814,983	814,983
Bond Discount		(210,847)	(210,847)
TOTAL BUDGETARY OTHER FINANCING SOURCES (USES)	<u>\$ 122,824,678</u>	<u>\$ 28,704,136</u>	<u>\$ (94,120,542)</u>
NET CHANGE IN FUND BALANCE	\$ 89,294,376	\$ 7,235,692	\$ (82,058,684)
BUDGETARY FUND BALANCE - JULY 1, 2025	<u>43,815,123</u>	<u>43,815,123</u>	
BUDGETARY FUND BALANCE - JUNE 30, 2026	<u><u>\$ 133,109,499</u></u>	<u><u>\$ 51,050,815</u></u>	<u><u>\$ (82,058,684)</u></u>

MEMORIAL CITY REDEVELOPMENT AUTHORITY
BUDGETARY COMPARISON SCHEDULE –
GENERAL FUND, DEBT SERVICE FUND AND
CAPITAL PROJECTS FUND COMBINED
FOR THE YEAR ENDED JUNE 30, 2026

The unappropriated budget is adopted annually for the General Fund, Debt Service Fund and Capital Projects Fund by the Authority's Board of Directors. The budget is prepared using the same method of accounting as for financial reporting, the modified accrual basis of accounting which is consistent with generally accepted accounting principles. The original budget for the current year was adopted on June 24, 2025, and adopted by the City on January 14, 2026. The budget was not amended during the current fiscal year.

For the fiscal year ended June 30, 2026, actual revenues were \$2,167,765 more than budgeted primarily due to a capital contribution from City of Houston of \$2,000,000. In addition, expenditure were lower than budget primarily due to capital outlay costs coming in lower than anticipated. Many projects budgeted for 2026 have yet to commence. The Authority budgeted \$94,724,678 more than the Tax Increment Contract Revenue Bonds, Series 2025. Overall, the District finished the year \$82,058,684 less than budgeted.

MEMORIAL CITY REDEVELOPMENT AUTHORITY

SUPPLEMENTARY INFORMATION

REQUIRED BY CITY OF HOUSTON

JUNE 30, 2026

MEMORIAL CITY REDEVELOPMENT AUTHORITY
OPERATING EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2026

<i>Category</i>	<i>Vendor</i>	<i>Budget</i>	<i>Actual Expenditures</i>	<i>Variance Positive (Negative)</i>
ADMINISTRATION AND OVERHEAD				
Management Consultant	Hawes Hill & Associates LLC	\$ 120,000	\$ 120,000	\$
Administrative Operating				
Property Account Consultant	Equi-tax, Inc.		5,100	(5,100)
Accounting/Audit				
Accounting	ETI Accounting Services	22,000	17,057	4,943
Auditor	Burton Accounting PLLC &			
	McCall Gibson Swedlund Barfoot Ellis PLLC	21,500	20,750	750
Insurance	Texas Municipal League	2,250	3,770	(1,520)
Bond Services/Trustee/ Financial Advisor	Bank of New York, Omnicap Group LLC, Deal Sikes	25,000	6,750	18,250
Other			2,044	(2,044)
Subtotal		\$ 190,750	\$ 175,471	\$ 15,279
PROGRAM AND PROJECT CONSULTANTS				
Legal-General Counsel	Allen Boone Humphries Robinson, LLP	50,000	53,456	(3,456)
Engineering Consultants	The Goodman Corporation	60,000	94,894	(34,894)
	Gauge Engineering			
Construction Audit	McCall Gibson Swedlund Barfoot PLLC	5,000	13,000	(8,000)
Planning Consultants (TIRZ Plan Amendment)				
Subtotal		\$ 115,000	\$ 161,350	\$ (46,350)
TOTAL MANAGEMENT CONSULTING SERVICES		\$ 305,750	\$ 336,821	\$ (31,071)
Municipal Services Fees	City of Houston	\$ 3,313,425	\$ 2,968,636	\$ 344,789
City Administration Fees	City of Houston	\$ 964,558	\$ 952,148	\$ 12,410
DEBT SERVICE				
Principal		\$ 6,315,000	\$ 6,315,000	\$
Interest		1,978,088	1,978,086	2
Debt Issuance Costs			1,019,929	(1,019,929)
Subtotal		\$ 8,293,088	\$ 9,313,015	\$ (1,019,927)
TOTAL OPERATING EXPENDITURES		\$ 12,876,821	\$ 13,570,620	\$ (693,799)

MEMORIAL CITY REDEVELOPMENT AUTHORITY
PROJECT PLAN RECONCILIATION
AS OF THE YEAR ENDED JUNE 30, 2026

<i>Project</i>	<i>Vendor</i>	<i>Budget</i>	<i>Actual Expenditures</i>	<i>Variance Positive (Negative)</i>
Project T-1725: Park and Green Space Improvements				
Design		\$ 25,000	\$	\$ 25,000
Construction		100,000		100,000
Project T-1735: Detention Basin A				
Acquisition		10,000,000		10,000,000
Other		4,520		4,520
Project T-1737: MetroNational Detention & Roads				
Developer Reimbursement	Lipex Properties, MetroNational	3,275,406	3,275,076	330
Project T-1738A: Memorial Drive - Drainage and Mobility Improvement - Phase 1				
Construction		496,347		496,347
Project T-1738B: Memorial Drive - Drainage and Mobility Improvement - Phase 2				
Engineering/Design Services	Gauge Engineering		16,075	(16,075)
Project T-1741: W140 Detention Deepening and Straw Extensions				
Engineering/Design Services	Gauge Engineering/		463,654	(463,654)
	The Goodman Corporation		33,282	(33,282)
Construction	Reytec Construction Resources Inc.	7,000,000	5,866,048	1,133,952
Other	HR Green		59,251	(59,251)
Project T-1742: Detention Basin C with Public Safety Facilities				
Acquisition	Newmark Title Services	20,000,000	18,358,124	1,641,876
Construction	RNDI Companies Inc		1,827,141	(1,827,141)
Other	LJA Environmental Services		29,000	(29,000)
	HR Green		344,085	(344,085)
	Seal Security Solutions		393,857	(393,857)
	SMC Landscape Services		10,015	(10,015)
	Spring Branch ISD		17,799	(17,799)
	Harris County Tax Assessor		19,974	(19,974)
Project T-1799: Sidewalk Improvement Program				
Other		400,000		400,000
Total Capital Expenditures		\$ 41,301,273	\$ 30,713,381	\$ 10,587,892

MEMORIAL CITY REDEVELOPMENT AUTHORITY
PROJECT PLAN RECONCILIATION
AS OF THE YEAR ENDED JUNE 30, 2026

	<i>Project Plan Estimated Amount</i>	<i>Cumulative Expenditures as of the Fiscal Year Ended 2026</i>	<i>Variance Positive (Negative)</i>
Capital Projects:			
Roadway and Sidewalk Improvements	\$ 115,829,681	\$ 39,733,413	\$ 76,096,268
Public Utility Improvements	188,456,453	148,904,034	39,552,419
Park and Recreational Facilities	16,989,119	382,265	16,606,854
Public Facilities	150,000,000		150,000,000
Total Capital Projects Costs	\$ 471,275,253	\$ 189,019,712	\$ 282,255,541
Financing Costs	287,914,817	56,152,688	231,762,129
Creation and Administration Costs	783,142,921	23,562,189	759,580,732
Total Project Plan	\$ 1,542,332,991	\$ 268,734,589	\$ 1,273,598,402

MEMORIAL CITY REDEVELOPMENT AUTHORITY

OTHER SUPPLEMENTARY INFORMATION

JUNE 30, 2026

MEMORIAL CITY REDEVELOPMENT AUTHORITY
LONG-TERM DEBT SERVICE REQUIREMENTS, BY YEARS
AS OF THE YEAR ENDED JUNE 30, 2026

TAX INCREMENT CONTRACT
REVENUE REFUNDING BONDS
SERIES - 2016

Due During Fiscal Years Ending June 30	Principal Due September 1	Interest Due September 1/ March 1	Total
2027	\$ 3,270,000	\$ 53,984	\$ 3,323,984
2028	605,000	7,290	612,290
TOTAL	<u>\$ 3,875,000</u>	<u>\$ 61,274</u>	<u>\$ 3,936,274</u>

MEMORIAL CITY REDEVELOPMENT AUTHORITY
LONG-TERM DEBT SERVICE REQUIREMENTS, BY YEARS
AS OF THE YEAR ENDED JUNE 30, 2026

TAX INCREMENT CONTRACT
REVENUE AND REFUNDING BONDS
SERIES - 2019

Due During Fiscal Years Ending June 30	Principal Due September 1	Interest Due September 1/ March 1	Total
2027	\$ 3,285,000	\$ 753,375	\$ 4,038,375
2028	6,240,000	515,250	6,755,250
2029	7,185,000	179,625	7,364,625
TOTAL	<u>\$ 16,710,000</u>	<u>\$ 1,448,250</u>	<u>\$ 18,158,250</u>

MEMORIAL CITY REDEVELOPMENT AUTHORITY
LONG-TERM DEBT SERVICE REQUIREMENTS, BY YEARS
AS OF THE YEAR ENDED JUNE 30, 2026

TAX INCREMENT CONTRACT
REVENUE BONDS
SERIES - 2025

Due During Fiscal Years Ending June 30	Principal Due September 1	Interest Due September 1/ March 1	Total
2027	\$	\$ 1,405,000	\$ 1,405,000
2028		1,405,000	1,405,000
2029		1,405,000	1,405,000
2030	775,000	1,385,625	2,160,625
2031	815,000	1,345,875	2,160,875
2032	860,000	1,304,000	2,164,000
2033	900,000	1,260,000	2,160,000
2034	950,000	1,213,750	2,163,750
2035	995,000	1,165,125	2,160,125
2036	1,045,000	1,114,125	2,159,125
2037	1,100,000	1,060,500	2,160,500
2038	1,155,000	1,004,125	2,159,125
2039	1,215,000	944,875	2,159,875
2040	1,280,000	882,500	2,162,500
2041	1,345,000	816,875	2,161,875
2042	1,415,000	747,875	2,162,875
2043	1,485,000	675,375	2,160,375
2044	1,560,000	599,250	2,159,250
2045	1,640,000	519,250	2,159,250
2046	1,725,000	435,125	2,160,125
2047	1,815,000	346,625	2,161,625
2048	1,910,000	253,500	2,163,500
2049	2,005,000	155,625	2,160,625
2050	2,110,000	52,750	2,162,750
TOTAL	\$ 28,100,000	\$ 21,497,750	\$ 49,597,750

MEMORIAL CITY REDEVELOPMENT AUTHORITY
LONG-TERM DEBT SERVICE REQUIREMENTS, BY YEARS
AS OF THE YEAR ENDED JUNE 30, 2026

ANNUAL REQUIREMENTS
FOR ALL SERIES

Due During Fiscal Years Ending June 30	Total Principal Due	Total Interest Due	Total Principal and Interest Due
2027	\$ 6,555,000	\$ 2,212,359	\$ 8,767,359
2028	6,845,000	1,927,540	8,772,540
2029	7,185,000	1,584,625	8,769,625
2030	775,000	1,385,625	2,160,625
2031	815,000	1,345,875	2,160,875
2032	860,000	1,304,000	2,164,000
2033	900,000	1,260,000	2,160,000
2034	950,000	1,213,750	2,163,750
2035	995,000	1,165,125	2,160,125
2036	1,045,000	1,114,125	2,159,125
2037	1,100,000	1,060,500	2,160,500
2038	1,155,000	1,004,125	2,159,125
2039	1,215,000	944,875	2,159,875
2040	1,280,000	882,500	2,162,500
2041	1,345,000	816,875	2,161,875
2042	1,415,000	747,875	2,162,875
2043	1,485,000	675,375	2,160,375
2044	1,560,000	599,250	2,159,250
2045	1,640,000	519,250	2,159,250
2046	1,725,000	435,125	2,160,125
2047	1,815,000	346,625	2,161,625
2048	1,910,000	253,500	2,163,500
2049	2,005,000	155,625	2,160,625
2050	2,110,000	52,750	2,162,750
TOTAL	\$ 48,685,000	\$ 23,007,274	\$ 71,692,274

MEMORIAL CITY REDEVELOPMENT AUTHORITY
BOARD MEMBERS
JUNE 30, 2026

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

Authority Telephone Number - 713-595-1200

Board Members	Position
Andy Iversen – Vice Chair	1
Alex Massa – Assistant Secretary	2
Marlen J. Trujillo – Secretary	3
Ann T. Givens – Chair	4
Dr. Zachary R. Hodges – Secretary	5
Ben Pisklak – Director	6
Pete Delongchamps - Director	7