

Old Sixth Ward Redevelopment Authority

**FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION**

June 30, 2018



CRI CARR
RIGGS &
INGRAM

CPAs and Advisors

CRIcpa.com

Old Sixth Ward Redevelopment Authority
Table of Contents
June 30, 2018

REPORT

Independent Auditors' Report	1
------------------------------	---

REQUIRED SUPPLEMENTARY INFORMATION

Management's Discussion and Analysis (Unaudited)	3
--	---

FINANCIAL STATEMENTS

Governmental Fund Balance Sheet and Statement of Net Position as of June 30, 2018	9
--	---

Governmental Fund Revenues, Expenditures and Changes in Fund Balance and Statement of Activities for the year ended June 30, 2018	10
--	----

Notes to Financial Statements	11
-------------------------------	----

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Revenues, Expenditures, and Change in Fund Balance – Budget to Actual – General Fund for the year ended June 30, 2018	19
--	----

SUPPLEMENTARY INFORMATION

Schedule of Operating Expenses and Capital Expenditures for the Year Ended June 30, 2018	21
---	----

Schedule of Estimated Project Costs to Actual Costs for the Period November 7, 2002 (Date of Incorporation) through June 30, 2018	23
--	----



Carr, Riggs & Ingram, LLC
Two Riverway, 15th Floor
Houston, TX 77056

(713) 621-8090
(713) 621-6907 (fax)
www.cricpa.com

INDEPENDENT AUDITORS' REPORT

Board of Directors
Old Sixth Ward Redevelopment Authority
Houston, Texas

We have audited the accompanying financial statements of the governmental activities and major fund of Old Sixth Ward Redevelopment Authority (the Authority), a component unit of the City of Houston, Texas, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and major fund of Old Sixth Ward Redevelopment Authority as of June 30, 2018, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 8 and 19 through 20 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The schedule of operating expenses and capital expenditures for the year ended June 30, 2018 and the schedule of estimated project costs to actual costs for the period from November 7, 2002 (date of incorporation) through June 30, 2018 are presented for purposes of additional analysis and are not a required part of the basic financial statements. The supplementary information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Carly Riggs & Ingram, L.L.C.

Houston, Texas
October 10, 2018

Old Sixth Ward Redevelopment Authority Management's Discussion and Analysis

This discussion and analysis of Old Sixth Ward Redevelopment Authority's (the Authority) financial statements provides an overview of the Authority's financial performance during the years ended June 30, 2018 and 2017. This discussion and analysis includes comparative data for the year ended June 30, 2018 with the year ended June 30, 2017 and a brief explanation for significant changes between fiscal years. Since the Management's Discussion and Analysis is designed to focus on current activities, resulting changes and current known facts, please read in conjunction with the Authority's basic financial statements and the notes.

FINANCIAL HIGHLIGHTS

- During fiscal year 2018, the Authority continued work on their capital improvement program and conducted various negotiations including the following:
 - Finalized an agreement with the City of Houston Department of Public Works to aid in the reconstruction of Sabine Street, awarded a contract and commenced the reconstruction of said street.
 - Finalized an agreement with the City of Houston Department of Public Works to aid in the reconstruction of Dow School Park and continued work on the design and City of Houston's approval of such park.
 - Planted several dozen trees within the Zone to promote walkability.
 - Relocated, rehabilitated and/or replaced over 84 signs within the TIRZ boundary.
 - Coordinated with HARC to have them submit for a grant to assist in funding a low impact development (LID) project on Hemphill Street.
- Since the creation of the Zone in December 1998, the appraised value for property located within the Zone has increased from approximately \$34.3 million in the Original Area, and \$72 million in the 2011 Annexed Area, to an estimated \$277.5 million in the Original Area, and an estimated \$140.5 million in the 2011 Annexed Area for Tax Year 2016.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Authority's basic financial statements. According to the definition in Governmental Accounting Standards Board (GASB), the Authority qualifies as a special purpose government with one program - redevelopment of the Old Sixth Ward.

Old Sixth Ward Redevelopment Authority Management's Discussion and Analysis

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

The Statement of Net Position includes all of the Authority's assets and liabilities, with the difference between assets and liabilities presented as net position. Over time, increases or decreases in the Authority's net position may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid. The fund financial statements report information about the Authority on the modified accrual basis, which only accounts for revenues that are measurable and available within the current period or soon enough thereafter to pay liabilities of the current period. Adjustments are provided to reconcile the government-wide statements to the fund statements. Explanations for the reconciling items are provided as part of the financial statements.

Statement of Net Position

The Statement of Net Position includes all assets and liabilities using the accrual basis of accounting. The following table reflects condensed information (rounded to the nearest thousand) on the Authority's net position (deficit) at June 30:

	2018	2017
Assets:		
Cash and cash equivalents	\$ 3,157,000	2,006,000
Grant receivables	600,000	-
Tax increment receivables	-	74,000
Prepaid insurance	2,000	2,000
Total assets	3,759,000	2,082,000
Liabilities:		
Accounts payable	351,000	28,000
Retainage payable	103,000	-
Interest payable	35,000	37,000
Loan payable - due within one year	140,000	135,000
Loan payable - due in more than one year	1,777,000	1,917,000
Total liabilities	2,406,000	2,117,000
Net position (deficit) - unrestricted	\$ 1,353,000	\$ (35,000)

The Authority's cash is held in demand deposits and money market accounts.

Old Sixth Ward Redevelopment Authority Management's Discussion and Analysis

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

Grant receivable at June 30, 2018, represents amount owed by the City of Houston totaling \$600,000 for Dow Elementary Park Improvements under an executed Interlocal Agreement. Balance was fully collected in August 2018.

Accounts payable at June 30, 2018 and 2017, include amounts owed to vendors totaling \$329,000 and \$19,000 for capital projects, respectively. In addition, at June 30, 2018 the Authority recorded retainage payable totaling \$103,868 under its ongoing construction contracts.

Statement of Activities

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

	2018	2017
Revenues:		
Tax increments	\$ 1,267,000	\$ 1,048,000
Grant proceeds	1,476,000	488,000
Investment and other income	4,000	11,000
Total revenues	2,747,000	1,547,000
Expenditures:		
Current	112,000	83,000
Capital outlay	1,136,000	309,000
Interest	111,000	118,000
Total expenditures	1,359,000	510,000
Change in net position	1,388,000	1,037,000
Net position (deficit), beginning of year	(35,000)	(1,072,000)
Net position (deficit), end of year	\$ 1,353,000	\$ (35,000)

Old Sixth Ward Redevelopment Authority Management's Discussion and Analysis

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

Tax Increments

The City and HISD have agreed, subject to certain limitations, to deposit to the Tax Increment Fund established for the Authority, a certain percentage of tax collections arising from their respective taxation of the increase, if any, in the appraised value of real property located in the Zone since a designated base year. The base year for the Zone is 2000. The City remits tax increments collected by the City and HISD on an annual basis.

Grant Proceeds

In 2018, the Authority received \$1,476,336 under Interlocal Agreements with the City for the Authority's Sabine street reconstruction project and Dow Elementary Park project. In 2017, the Authority received \$488,000 under an Interlocal Agreement with the City for the Authority's sanitary sewer capital project.

Capital Outlay

The Authority's capital projects consisted of the following during the years ended June 30:

	2018	2017
Historic Sabine Street	\$ 856,000	\$ 7,000
Sanitary Sewer Rehabilitation/Substitute	183,000	53,000
Sawyer Park	42,000	145,000
Dow School Park	32,000	17,000
Sustainable Streetscapes	22,000	3,000
Washington Avenue Curb and Sidewalk Rehab	1,000	4,000
Traffic Sign Rehabilitation	-	78,000
Concrete Street Markers	-	1,000
Sawyer Streetscape	-	1,000
Total	\$ 1,136,000	\$ 309,000

Governmental Fund

At June 30, 2018, the Authority's General Fund balance was approximately \$3,405,000 representing an approximate \$1,353,000 increase from the prior year. The majority of the Authority's fund balances are currently restricted, committed or assigned to debt service (\$245,000) and capital projects (\$3,068,000).

Old Sixth Ward Redevelopment Authority Management's Discussion and Analysis

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The Authority had no capital assets as of June 30, 2018 or 2017.

Debt

During fiscal year 2010, the Authority received a \$3.05 million loan from the City to finance certain capital projects. Under the loan agreement, annual principal and semi-annual interest payments were due beginning in March 2010. The note is secured by tax increments. During the 2018 and 2017 fiscal years the Authority paid \$110,356 and \$117,611 of interest payments related to the loan, respectively and principal payments of \$135,000 and \$130,000, respectively, under this loan agreement. More detailed information about the Authority's debt is presented in the notes to the basic financial statements.

GENERAL FUND BUDGETARY HIGHLIGHTS

The Board of Directors adopts an annual budget for the General Fund. The Authority's annual budget was not amended during the year. Actual tax increments received by the Authority will be less than budgeted each year because the Authority's adopted budget is based on gross tax increments to be remitted to the Old Sixth Ward TIRZ. The Authority only receives, and records, amounts available for the Authority's operations. Tax increments used for educational facilities, affordable housing and City administrative fees are withheld by the City and paid directly to the City or paid back to HISD.

FUTURE PROJECTS

The Authority is pursuing the following projects within the Old Sixth Ward Zone:

- Redevelopment of the Dow School Park.
- Reconstruction of Sabine Street including the preservation of existing historic brick street pavers from Lubbock Street to Washington Avenue and to remedy the existing storm water inlets that improperly were connected to sanitary sewer infrastructure.
- Reconstruction of Hemphill Road from Lubbock Street to Washington Avenue.
- Pursue the installation of Phase 2B of the Substitute Sanitary Sewer Service and Sidewalk Improvement Project.
- Improvements to Washington Avenue driven by the Livable Center Study, the character of the neighborhood and the former Mayor's Complete Streets program
- Re-construction of existing roadways within the Zone.
- Installation of a signalized pedestrian crosswalk across Washington Ave. to facilitate safe pedestrian crossing



Old Sixth Ward Redevelopment Authority Management's Discussion and Analysis

This financial report is designed to provide a general overview of the Old Sixth Ward Redevelopment Authority's finances for all those with an interest in the government's finances and to show the Authority's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the City of Houston, 611 Walker, 10th Floor, Houston, TX 77002.

**Old Sixth Ward Redevelopment Authority
Governmental Fund Balance Sheet
and Statement of Net Position**

<i>June 30, 2018</i>	General Fund	Adjustments	Statement of Net Position
Assets			
Cash and cash equivalents	\$ 3,156,291	\$ -	\$ 3,156,291
Grant receivable	600,000	-	600,000
Prepaid insurance	-	1,474	1,474
Total assets	\$ 3,756,291	\$ 1,474	\$ 3,757,765
Liabilities			
Accounts payable	\$ 351,109	\$ -	\$ 351,109
Retainage payable	-	103,868	103,868
Interest payable	-	35,140	35,140
Loan payable - due in one year	-	140,000	140,000
Loan payable - due in more than one year	-	1,776,715	1,776,715
Total liabilities	351,109	2,055,723	2,406,832
Fund balance			
Restricted	840,448	(840,448)	-
Committed	822,522	(822,522)	-
Assigned	1,742,212	(1,742,212)	-
Total fund balance	3,405,182	(3,405,182)	-
Total liabilities and fund balance	\$ 3,756,291	-	-
Net position - unrestricted		\$ 1,350,933	\$ 1,350,933
Total fund balance of governmental fund			\$ 3,405,182
Amounts reported for governmental activities in the statement of net position are different because:			
Prepaid Insurance is expensed when incurred and therefore not reported in the fund			1,474
Certain liabilities are not due and payable in the current period and therefore are not reported in the fund			(103,868)
Loan payable and interest payable are not due and payable in the current period and therefore not reported in the general fund			(1,951,855)
Net position of governmental activities			\$ 1,350,933

The accompanying notes are an integral part of these financial statements.

**Old Sixth Ward Redevelopment Authority
Governmental Fund Revenues, Expenditures and
Change in Fund Balance and Statement of Activities**

<i>For the year ended June 30, 2018</i>	General Fund	Adjustments	Statement of Activities
Revenues			
Tax increments	\$ 1,267,141	\$ -	1,267,141
Investment income	3,050	-	3,050
Grant proceeds	1,476,336	-	1,476,336
Income from operations	2,746,527	-	2,746,527
Expenditures			
Current:			
Professional services	90,911	-	90,911
Administrative services	19,738	-	19,738
Other	1,983	332	2,315
Capital outlay	1,033,036	103,868	1,136,904
Debt service:			
Principal payment	135,000	(135,000)	-
Interest expense	112,831	(2,475)	110,356
Total expenditures	1,393,499	(33,275)	1,360,224
Excess of revenues over expenditures	1,353,028	(1,353,028)	
Change in net position		1,386,303	1,386,303
Fund balance/net position (deficit):			
Beginning of year	2,052,154	(2,087,524)	(35,370)
End of year	\$ 3,405,182	\$ (2,054,249)	\$ 1,350,933
Net change in fund balance of governmental fund			\$ 1,353,028
Amounts reported for governmental activities in the statement of activities are different because:			
Repayment of loan principal is an expenditure in the governmental fund, but the repayment reduces loans payable in the statement of net position			135,000
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental fund			(101,725)
Change in net position of governmental activities			\$ 1,386,303

The accompanying notes are an integral part of these financial statements.

Old Sixth Ward Redevelopment Authority Notes to Financial Statements

NOTE 1: DESCRIPTION OF ORGANIZATION

Old Sixth Ward Redevelopment Authority (the Authority) is a not-for-profit local government corporation, incorporated on November 7, 2002 under the laws of the State of Texas, and operating under Chapter 431, Texas Transportation Code. On August 16, 2000, the City of Houston (the City) adopted Resolution No. 2000-40, which authorized the Authority to aid, assist and act on behalf of the City, in the performance of the City's governmental and proprietary functions with respect to the common good and general welfare of Reinvestment Zone Number Thirteen, City of Houston, Texas (Old Sixth Ward TIRZ or Zone).

Reinvestment Zone Number Thirteen

Old Sixth Ward TIRZ was created on December 22, 1998, under Chapter 311, Texas Tax Code, by City Ordinance No. 98-1256, as a tax increment reinvestment zone (TIRZ). The TIRZ is created for the purpose of revitalizing and advancing the improvement of the Old Sixth Ward area. The TIRZ will provide a source of funding through the tax increments generated by redevelopment of the Old Sixth Ward area.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

As required by accounting principles generally accepted in the United States of America, these basic financial statements represent all the funds of the Old Sixth Ward Redevelopment Authority. The Authority is a component unit of the City of Houston, Texas. Component units are legally separate entities for which the primary government is financially accountable. The City appoints voting Board Members and approves the Authority's budget. There are no separate legal entities that are a part of the Authority's reporting entity.

Measurement Focus and Basis of Accounting

Government-Wide Financial Statement

The statement of net position and the statement of activities display information about the reporting government as a whole. These statements are prepared on the "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all of the Authority's assets, deferred outflows of resources, liabilities, and deferred inflows of resources are included in the accompanying Statement of Net Position. The Statement of Activities presents changes in net position. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred, regardless of the timing of the related cash flow. Annual assessments are recognized as revenues in the year for which they are levied. Expenses are recorded when liabilities are incurred.

Old Sixth Ward Redevelopment Authority Notes to Financial Statements

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government-wide statements distinguish between governmental-type and business-type activities. Governmental activities are those financed through taxes, intergovernmental revenues, and other non-exchange revenues and are usually reported in governmental and internal service funds. Business-type activities are financed in whole or in part through fees charged for goods or services to the general public and are usually reported in proprietary funds. The Authority does not have any business-type activities.

Fund Financial Statements

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a current financial resources measurement focus and have been prepared using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they are “measurable and available”). “Measurable” means the amount of the transaction can be determined and “available” means collectible within the current period or soon enough thereafter to pay liabilities of the current period. The Authority considers all revenue available if it is collected within 60 days after the year-end. Expenditures are recorded when the related fund liability is incurred as under accrual accounting. The only fund of the Authority is the General Fund.

Fund Accounting

The Authority uses funds to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions relating to certain government functions or activities. A fund is a separate entity with a self-balancing set of accounts. The fund the Authority uses, the general fund, is the general operating fund of the Authority. It accounts for all activities except those required to be accounted for in other funds.

Fund Balance Classification

The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the Authority is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are 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 did not have any nonspendable resources as of June 30, 2018.

Old Sixth Ward Redevelopment Authority Notes to Financial Statements

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Restricted – amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.

Committed – amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the Authority's Board of Directors. These amounts cannot be used for any other purpose unless the Board of Directors removes or changes the specified use by taking the same type of action (resolution) that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements.

Assigned – amounts that are constrained by the Authority's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the Board of Directors or through the Board of Directors delegating this responsibility to the Authority's Board Chair through the budgetary process.

Unassigned – residual fund balance for the General Fund.

The Authority would typically use restricted fund balances first, followed by committed resources, and then assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend unassigned resources first to defer the use of these other classified funds.

Tax Increments

The City and the Houston Independent School District (HISD) (each a Participant) has agreed to deposit to the Tax Increment Fund established for the Old Sixth Ward TIRZ (the Tax Increment Fund) a certain percentage of tax collections arising from their taxation of the increase, if any, in the appraised value of real property located in the Old Sixth Ward TIRZ since January 1, 2000 (the Tax Increments).

Each Participant is required to collect taxes on real property located within the Old Sixth Ward TIRZ in the same manner as other taxes are collected by the Participant. The Participant is then required to pay into the Tax Increment Fund the Tax Increments, as agreed upon in accordance with such Participant's agreement with the City and the Old Sixth Ward TIRZ (collectively, the Participation Agreements) by not later than the 90th day after the delinquency date for the Participant's property taxes. Thus, Tax Increments are due to be deposited in the Tax Increment Fund on May 1. The Tax Increment Financing Act under which the Old Sixth Ward TIRZ presently operates requires that for a petition created TIRZ, such as Old Sixth Ward TIRZ, one-third of the Tax Increments from each Participant be dedicated to providing affordable housing during the term of the Old Sixth Ward TIRZ. The City has agreed to pay 100% of their Tax Increments to the Tax Increment Fund beginning January 1, 1999.

Old Sixth Ward Redevelopment Authority Notes to Financial Statements

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

HISD has agreed to pay 100% of the collected Tax Increments based on its then current tax rate per \$100 valuation of the Captured Appraised Value beginning January 1, 2000. As with the City, one-third of the HISD Tax Increments will apply to affordable housing. Of the remaining two-thirds of the HISD Tax Increment, \$0.32 per \$100 valuation will be applied to payment of non-educational facilities with the remaining amount paid to HISD for educational facilities. Under the provisions of the HISD interlocal agreement, taxes collected by HISD in any year on actual Captured Appraised Value that exceeds the estimate of Captured Appraised Value for that year shown in the Project Plan approved before September 1, 1999, shall be retained by HISD.

The Authority is dependent upon the Tax Increments. Default by any of the governmental entities involved in the Zone would impact the Authority's ability to repay its outstanding note and other obligations.

Debt

All debt to be repaid from governmental resources is reported as a liability in the government-wide statements. Debt consists of a loan payable.

Debt for the governmental funds is not reported as a liability in the fund financial statements. The debt proceeds are reported as other financing sources and the payment of principal and interest is reported as expenditures.

Federal Income Tax

The Authority is exempt from Federal income taxes under section 509(a) as an organization described in Section 501(c)3 of the Internal Revenue Code. Furthermore, the Internal Revenue Service has ruled that the Authority is a publicly-supported organization and is not a private foundation. Under the provisions of Internal Revenue Procedure 95-48, the Authority is not required to file public information returns on Form 990.

Use of Estimates

The preparation of the Authority's basic financial statements in conformity with accounting principles generally accepted in the United States of America requires the Authority's management to make estimates and assumptions that affect the amounts 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.

**Old Sixth Ward Redevelopment Authority
Notes to Financial Statements**

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Instruments

The Authority's financial statements (primarily cash and cash equivalents, receivables, payables and debt) are carried in the accompanying basic financial statements at amounts which reasonably approximate fair value.

NOTE 3: DEPOSITS AND INVESTMENTS

Custodial credit risk for deposits with financial institutions is the risk that in the event of a bank failure, the Authority's deposits may not be returned to it. As of June 30, 2018, the carrying amount and bank balances of the Authority's deposits totaled \$3,156,291. The Authority's deposits in excess of Federal Deposit Insurance Corporation (FDIC) totaling \$2,906,291 were adequately collateralized.

The Board of Directors has adopted a written investment policy regarding the investments of its funds as defined in the Public Funds Investment Act of 1997 (Chapter 2256, Texas Government Code). Such investments include (1) obligations of the United States or its agencies; (2) direct obligations of the State of Texas or its agencies; (3) other obligations, the principal and interest of which are unconditionally guaranteed or insured by or backed by the full faith and credit of the State of Texas or the United States or their respective agencies; (4) certificates of deposit; and (5) various other items that comply with the Public Funds Investment Act. During the year ended June 30, 2018, the Authority held no investments.

NOTE 4: LOAN PAYABLE

A summary of changes in the Authority's loan payable follows:

Balance at July 1, 2017	\$ 2,051,715
Additions	-
Retirements	(135,000)
<hr/>	
Balance at June 30, 2018	\$ 1,916,715
<hr/>	
Current portion due	\$ 140,000
<hr/>	

Old Sixth Ward Redevelopment Authority
Notes to Financial Statements

NOTE 4: LOAN PAYABLE (Continued)

In September 2009, the Authority entered into a \$3.05 million loan agreement with the City to fund certain capital projects. The loan bears interest at a rate of 5.5%. Annual principal and semi-annual interest payments are due beginning March 1, 2010. The note matures on March 1, 2029. The note is secured by the Authority's City Tax Increments. Future debt payments are as follows:

	Principal	Interest	Total
2019	\$ 140,000	\$ 105,420	\$ 245,420
2020	150,000	97,720	247,720
2021	160,000	89,468	249,468
2022	165,000	80,669	245,669
2023	170,000	71,594	241,594
2024-2028	1,025,000	205,622	1,230,622
2029	106,715	5,869	112,584
Total	\$ 1,916,715	\$ 656,362	\$ 2,573,077

NOTE 5: FUND BALANCES – GOVERNMENTAL FUND

As of June 30, 2018, fund balances of the general fund are classified as follows:

Restricted to:		
Public utilities		\$ 251,959
Parks and recreational areas		568,225
Roadway Construction		20,264
Committed to:		
Roadway and sidewalk improvements		813,227
Other commitments		9,295
Assigned to:		
Debt service		245,420
Roadway and sidewalk improvements		1,404,992
Fiscal year 2019 administrative budget		91,800
Total fund balances		\$ 3,405,182

Old Sixth Ward Redevelopment Authority Notes to Financial Statements

NOTE 6: TAX INCREMENT SUMMARY

The Authority's tax increment revenues, net of transfers, were received from the following participants:

	Gross Increment	Transfers	Net Increment
City of Houston	\$ 1,931,178	\$ (740,285)	\$ 1,190,893
Houston Independent School District	389,044	(312,796)	76,248
Total Tax Increments	\$ 2,320,222	\$ (1,053,081)	\$ 1,267,141

NOTE 7: ENFORCEMENT AGREEMENT

In connection with the City's purchase of Dow School and transfer of the title of Dow School to Multicultural Education and Counseling through the Arts (MECA), the City entered into a Declaration of Conditions and Restrictions (Declaration) agreement with MECA restricting the use of the property for community-based cultural and education purposes and requiring the historic character be maintained and the façade preserved. Since purchase of the Dow School was a part of the Old Sixth Ward TIRZ project plan, the City, the Zone and the Authority entered into an Enforcement Agreement (Agreement) whereas the Authority will assist the City in its monitoring and enforcing the Declaration to ensure compliance with the restrictions. The Authority will furnish a report to the City annually regarding MECA's compliance with the Declaration no later than January 31. The Authority will also notify the City of any other violations occurring throughout the year.

NOTE 8: 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; personal injuries; and natural disasters. The risk of loss is covered by commercial insurance. There have been no significant reductions in insurance coverage and no settlements.

NOTE 9: COMMITMENTS AND CONTINGENCIES

Consultants

The Authority has entered into agreements with various consultants to provide professional services. At June 30, 2018, the Authority had outstanding commitments under consulting agreements related to various capital projects totaling approximately \$100,000.

Old Sixth Ward Redevelopment Authority Notes to Financial Statements

NOTE 9: COMMITMENTS AND CONTINGENCIES (Continued)

Interlocal Agreements

The Zone, the Authority, and the City entered into an Interlocal Agreement to provide for the upgrade of sanitary sewer within the boundaries of the Zone, the Sabine Street reconstruction and utilities improvements. The City entered into this cost sharing agreement for certain portions of the reconstruction. The City will pay the Authority upon acceptance by the City of the project for estimated costs of sanitary sewer construction and Sabine street reconstruction of the City's portion of the projects in an amount not to exceed \$1,900,310. The City's payment is subject to appropriation of funds for its portion of the project. As of June 30, 2018, the Authority has expended \$1,091,668 under the Interlocal Agreement.

The Zone, the Authority, and the City entered into an Interlocal Agreement to provide for the improvements to Dow Elementary Park. In August 2018, the City paid \$600,000 to the Authority towards the costs incurred and to be incurred for the Dow Elementary Park improvements. Upon the City's acceptance of the project, the Authority shall remit back to the City any portion of the project amount not expended for project costs.

Municipal Services Agreement

The Authority, the Zone, and the City entered into an agreement whereby the Authority will pay to the City incremental costs of providing municipal services incurred as a result of the creation of the Zone and the development of the land within the Zone. Payment of the incremental services costs is from the City's tax increment and is limited to the tax increment received by the Authority and the amount included in the Authority's annual approved budget. If the City increment is not sufficient in any year to pay the amount included in the approved budget, the amount due will accrue. Accrued amounts will not bear interest. The agreement renews annually each June 30.

Lease Agreement

The Authority and the City entered into a lease agreement in November 2011 for purposes of constructing and maintaining a City park. The park will be open to the general public and primarily for the use and enjoyment of the surrounding neighborhood. Upon completion of the park, the Authority has certain obligations, as defined in the agreement, to maintain the park during the term of the agreement. The agreement is for an initial term of thirty (30) years. After the initial term, the term of the agreement continues for annual terms until either party terminates the agreement.



**Required Supplementary Information
and
Supplementary Information**

**Old Sixth Ward Redevelopment Authority
Schedule of Revenues, Expenditures, and Change in
Fund Balance – Budget to Actual – General Fund**

<i>For the year ended June 30, 2018</i>	Original and Final Budgeted Amounts	Actual Amounts (Budgetary Basis)	Variance With Final Budget
Budgetary fund balance - beginning of year	\$ 1,707,914	\$ 2,052,154	\$ 344,240
Resources			
Tax increments	2,217,554	2,320,222	102,668
Grant proceeds	-	1,476,336	1,476,336
Other	2,434	3,050	616
Total available resources	3,927,902	5,851,762	1,923,860
Expenses			
Maintenance and operations	121,700	112,632	9,068
Capital outlay	2,345,000	1,033,036	1,311,964
Debt service	247,844	247,831	13
Other interfund transfers:			
Affordable housing	739,184	773,407	(34,223)
HISD educational facilities	155,398	158,114	(2,716)
Administrative fees	116,737	121,560	(4,823)
Total uses of resources	3,725,863	2,446,580	1,279,283
Budgetary fund balance - end of year	\$ 202,039	\$ 3,405,182	\$ 3,203,143

See independent auditors' report.

**Old Sixth Ward Redevelopment Authority
Schedule of Revenues, Expenditures, and Change in
Fund Balance – Budget to Actual – General Fund (Continued)**

Explanation of differences between budgetary inflows and outflows
and GAAP revenues and expenses

Sources/inflows of resources:

Actual amounts (budgetary basis) \$ 5,851,762

Differences - Budget to GAAP:

The fund balance at the beginning of the year is a budgetary resource
but is not a current year revenue for financial reporting purposes (2,052,154)

Budgeted revenues include HISD educational facilities transfers, city
administrative charges and the affordable housing transfer to the city,
while the Authority's fund reports revenues net of these transfers (1,053,081)

Total revenue as reported on the statement of revenues, expenditures, and
change in fund balance - governmental fund \$ 2,746,527

Uses/outflows of resources:

Actual amounts (budgetary basis) \$ 2,446,580

Differences - budget to GAAP

Budgeted expenditures include HISD educational facilities transfers, city
administrative charges and the affordable housing transfer to the city,
while the Authority's fund reports revenues net of these transfers (1,053,081)

Total expenditures as reported on the statement of revenues, expenditures,
and change in fund balance - governmental fund \$ 1,393,499

See independent auditors' report.

Old Sixth Ward Redevelopment Authority Schedule of Operating Expenses and Capital Expenditures

For the Year Ended June 30, 2018

Management consulting services	Vendor	Budget	Actual Expenditures	Variance
Administration and overhead:				
Administrative support	Bracewell LLP	\$ 25,000	\$ 19,738	\$ 5,262
Insurance	N/A	2,250	1,608	642
Accounting	The Morton Accounting Services	12,000	9,918	2,082
Auditor - financial	Carr Riggs & Ingram, LLC	7,500	7,200	300
Bond/services/trustee/financial advisor	Equi-Tax	1,950	1,914	36
Office expenses/bank fees	Various	3,000	374	2,626
Total administration and overhead		51,700	40,752	10,948
Legal - general matters				
	Bracewell LLP	20,000	25,139	(5,139)
	Edminster, Hinshaw, Russ & Associates	30,000	46,741	(16,741)
Engineering consultant		20,000	-	20,000
Planning consultant		20,000	-	20,000
Total program and project consultants		70,000	71,880	(1,880)
Total management consulting services		\$ 121,700	\$ 112,632	\$ 9,068
Capital expenditures				
Sanitary Sewer Rehabilitation/Substitute Service Program (T-1304):				
Construction	Edminster, Hinshaw, Russ & Associates/Texas Pride Utilities	\$ 172,000	\$ 182,872	\$ (10,872)
Total Sanitary/Sewer Rehabilitation/Substitute Service Program (T-1304)		172,000	182,872	(10,872)
Historic Sabine Street (T-1307)				
Design	Edminster, Hinshaw, Russ & Associates	30,000	21,193	8,807
Construction	Millis Equipment	640,000	834,879	(194,879)
Total Historic Sabine Street (T-1307)		670,000	856,072	(186,072)
Sawyer Park (T-1311):				
Construction	Renfrow Metalsmiths LLC/City of Houston/Asakura Robinson	-	42,735	(42,735)
Total Sawyer Park (T-1311)		-	42,735	(42,735)
Sustainable Streetscapes (T-1312)	Vossos Landscape Designs	38,000	22,000	16,000

See independent auditors' report.

Old Sixth Ward Redevelopment Authority
Schedule of Operating Expenses and Capital Expenditures (Continued)

For the Year Ended June 30, 2018

Capital expenditures	Vendor	Budget	Actual Expenditures	Variance
Dow School Park (T-1313)				
Construction	Edminster, Hinshaw, Russ & Associates/Asakura Robinson Company/Bracewell & Giuliani	\$ 200,000	\$ 31,775	\$ 168,225
Total Dow School Park (T-1313)		200,000	31,775	168,225
HAWK Pedestrian Crosswalk (T-1315)				
Construction		75,000	-	75,000
Total HAWK Pedestrian Crosswalk (T-1315)		75,000	-	75,000
Washington Avenue Curb and Sidewalk Rehab (T-1317)				
Design	Asakura Robinson Company	125,000	1,450	123,550
Construction		850,000	-	850,000
Total Washington Avenue Curb and Sidewalk Rehab (T-1317)		975,000	1,450	973,550
Traffic Sign Rehabilitation (T-1318)				
Construction		45,000	-	45,000
Total Traffic Sign Rehabilitation (T-1318)		45,000	-	45,000
Sawyer Street Re-Construction (T-1319)				
Design/Engineering		100,000	-	100,000
Construction		50,000	-	50,000
Total Sawyer Street Re-Construction (T-1319)		150,000	-	150,000
Concrete Panel Replacement Program (T-1399)		20,000	-	20,000
Total capital expenditures		\$ 2,345,000	\$ 1,136,904	\$ 1,208,096

See independent auditors' report.

Old Sixth Ward Redevelopment Authority
Schedule of Estimated Project Costs to Actual Costs
For the Period November 7, 2002 (Date of Incorporation) through June 30, 2018

	Estimated Total Costs	Total Expenditures	Variance
Infrastructure improvements			
Public utilities	\$ 15,400,000	\$ 3,830,877	\$ 11,569,123
Roadway and sidewalk improvements	21,912,000	1,513,202	20,398,798
Total infrastructure improvements	37,312,000	5,344,079	31,967,921
Other project costs			
Historic preservation	6,000,000	1,013,867	4,986,133
Parks and recreational facilities	6,134,000	997,827	5,136,173
Mitigation and remediation	100,000	-	100,000
Affordable housing	11,765,306	5,901,922	5,863,384
Education related projects	4,854,691	2,055,266	2,799,425
Financing costs	-	1,459,266	(1,459,266)
Zone creation	60,000	-	60,000
Zone administration	1,339,973	1,083,455	256,518
Total other costs	30,253,970	12,511,603	17,742,367
Project plan total	\$ 67,565,970	\$ 17,855,682	\$ 49,710,288

See independent auditors' report.