

Old Sixth Ward Redevelopment Authority

FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

June 30, 2020



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Old Sixth Ward Redevelopment Authority
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June 30, 2020

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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, 2020, 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, 2020, 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 7 and 20 through 21 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, 2020 and the schedule of estimated project costs to actual costs for the period from November 7, 2002 (date of incorporation) through June 30, 2020 (supplementary information) 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
September 16, 2020

Old Sixth Ward Redevelopment Authority Management's Discussion and Analysis (Unaudited)

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, 2020 and 2019. This discussion and analysis includes comparative data for the year ended June 30, 2020 with the year ended June 30, 2019 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 2020, the Authority continued work on their capital improvement program and conducted various negotiations including the following:
 - Completed construction of the improvements to Dow School Park.
 - Started preliminary design phase of Hemphill street improvements.
- 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 \$334.8 million in the Original Area, and an estimated \$120.6 million in the 2011 Annexed Area for Tax Year 2019.

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.

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.

Old Sixth Ward Redevelopment Authority Management's Discussion and Analysis (Unaudited)

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

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 at June 30:

	2020	2019
Assets:		
Cash and cash equivalents	\$ 1,093,000	\$ 778,000
Investments	72,000	1,003,000
Grant receivable	90,000	-
Tax increment receivables	770,000	1,089,000
Prepaid insurance	1,000	1,000
Total assets	2,026,000	2,871,000
Liabilities:		
Accounts payable	166,000	293,000
Retainage payable	-	32,000
Interest payable	29,000	32,000
Loan payable - due within one year	160,000	150,000
Loan payable - due in more than one year	1,467,000	1,627,000
Total liabilities	1,822,000	2,134,000
Net position - unrestricted	\$ 204,000	\$ 737,000

The Authority's cash is held in demand deposits and money market accounts. In fiscal year 2020, excess funds were adequately collateralized. Texas CLASS, a local government investment pool, is used to invest available cash not needed for operations.

Grant receivable at June 30, 2020, represents amount owed by the City of Houston totaling \$90,000 for Dow Elementary Park Improvements under an executed Interlocal Agreement. The balance was fully collected in August 2020.

Tax increments are based on calendar year taxes which are then received the next fiscal year. The Authority received tax increments outstanding at June 30, 2020 in July and August 2020. The Authority received tax increments outstanding at June 30, 2019 in July 2019.

Old Sixth Ward Redevelopment Authority Management's Discussion and Analysis (Unaudited)

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

Accounts payable at June 30, 2020 and 2019, include amounts owed to vendors totaling approximately \$8,000 and \$134,000 for capital projects, respectively. Accounts payable at June 30, 2020 and 2019, also includes amounts owed related to municipal service costs of approximately \$143,000. In addition, at June 30, 2019 the Authority recorded retainage payable totaling \$32,014 under its ongoing construction contracts. This retainage was paid during fiscal year 2020 and there is no retainage payable outstanding at June 30, 2020.

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:

	2020	2019
Revenues:		
Tax increments	\$ 770,000	\$ 1,088,000
Grant proceeds	90,000	-
Investment income	25,000	8,000
Total revenues	885,000	1,096,000
Expenditures:		
Current	304,000	307,000
Capital outlay	1,019,000	1,300,000
Interest	95,000	103,000
Total expenditures	1,418,000	1,710,000
Change in net position	(533,000)	(614,000)
Net position, beginning of year	737,000	1,351,000
Net position, end of year	\$ 204,000	\$ 737,000

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.

Old Sixth Ward Redevelopment Authority Management's Discussion and Analysis (Unaudited)

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

During fiscal year 2020, the City reviewed its tax increment revenue calculations for tax years 2014 through 2017 and identified an overpayment of \$755,826. The City's previous methodology for its calculations did not properly prorate properties that are not 100% within the TIRZ boundaries. Accordingly, the City processed a one-time adjustment to apply the overpayment against the tax increment deposit for tax year 2019 (fiscal year 2020).

Grant Proceeds

In 2020, the Authority was granted \$90,000 under Interlocal Agreements with the City for the Authority's Dow Elementary Park project. No grant proceeds were received in 2019.

Capital Outlay

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

	2020	2019
Dow School Park	\$ 901,000	\$ 158,000
Traffic Sign Replacement	76,000	-
Hemphill Road	27,000	-
Sustainable Streetscapes	6,000	39,000
Historic Sabine Street	5,000	1,008,000
Sawyer Street Reconstruction	2,000	7,000
Streetscape - Sidewalks, Curbs and Related Issues	2,000	-
Traffic Sign Rehabilitation	-	54,000
Sanitary Sewer Rehabilitation/Substitute	-	3,000
Sawyer Park	-	1,000
HAWK Pedestrian Crosswalk	-	1,000
Washington and Sawyer	-	29,000
Total	\$ 1,019,000	\$ 1,300,000

Governmental Fund

At June 30, 2020, the Authority's General Fund balance was approximately \$1,860,000 representing an approximate \$717,000 decrease from the prior year. The majority of the Authority's fund balances are currently committed or assigned to debt service (\$250,000) and capital projects (\$1,377,000).

Old Sixth Ward Redevelopment Authority Management's Discussion and Analysis (Unaudited)

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The Authority had no capital assets as of June 30, 2020 or 2019.

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 2020 and 2019 fiscal years the Authority paid \$94,969 and \$102,853 of interest payments related to the loan, respectively and principal payments of \$150,000 and \$140,000, 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:

- Complete design and reconstruction of Hemphill Road from Lubbock Street to Washington Avenue.
- 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.
- Complete walkability/bikeability study for the Zone.

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, 2020</i>	General Fund	Adjustments	Statement of Net Position
Assets			
Cash and cash equivalents	\$ 1,092,956	\$ -	\$ 1,092,956
Investments	71,851	-	71,851
Grant receivable	90,000	-	90,000
Tax increment receivables	770,186	-	770,186
Prepaid insurance	-	1,143	1,143
Total assets	\$ 2,024,993	\$ 1,143	\$ 2,026,136
Liabilities			
Accounts payable	\$ 165,380	\$ -	\$ 165,380
Interest payable	-	29,823	29,823
Loan payable - due in one year	-	160,000	160,000
Loan payable - due in more than one year	-	1,466,715	1,466,715
Total liabilities	165,380	1,656,538	1,821,918
Fund balance			
Committed	161,168	(161,168)	-
Assigned	1,698,445	(1,698,445)	-
Total fund balance	1,859,613	(1,859,613)	-
Total liabilities and fund balance	\$ 2,024,993	-	-
Net position - unrestricted		\$ 204,218	\$ 204,218
Total fund balance of governmental fund			\$ 1,859,613
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			1,143
Loan payable and interest payable are not due and payable in the current period and therefore not reported in the general fund			(1,656,538)
Net position of governmental activities			\$ 204,218

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, 2020</i>	General Fund	Adjustments	Statement of Activities
Revenues			
Tax increments	\$ 770,186	\$ -	\$ 770,186
Investment income	25,123	-	25,123
Grant proceeds	90,000	-	90,000
Total revenues	885,309	-	885,309
Expenditures			
Current:			
Professional services	62,014	-	62,014
Administrative services	94,740	-	94,740
Municipal services agreement	142,891	-	142,891
Other	4,142	233	4,375
Capital outlay	1,051,200	(32,014)	1,019,186
Debt service:			
Principal payment	150,000	(150,000)	-
Interest expense	97,720	(2,751)	94,969
Total expenditures	1,602,707	(184,532)	1,418,175
Excess of revenues over expenditures	(717,398)	717,398	
Change in net position		(532,866)	(532,866)
Fund balance/net position (deficit):			
Beginning of year	2,577,011	(1,839,927)	737,084
End of year	\$ 1,859,613	\$ (1,655,395)	\$ 204,218
Net change in fund balance of governmental fund			\$ (717,398)
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			150,000
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			34,532
Change in net position of governmental activities			\$ (532,866)

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, 2020.

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.

Cash, Cash Equivalents and Investments

Cash, cash equivalents and investments consist of demand and time deposits and funds maintained in a public funds investment pool.

Investments of the Authority consist of Texas Cooperative Liquid Assets Securities System (Texas CLASS), a local government investment pool created to meet the cash management and short-term investment needs of Texas governmental entities. Portfolio assets aim to comply with the Public Funds Investment Act, Texas Government Code (PFIA). Texas CLASS is administered by Public Trust Advisors, LLC and Wells Fargo Bank serves as the Custodian.

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).

Old Sixth Ward Redevelopment Authority Notes to Financial Statements

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

Old Sixth Ward Redevelopment Authority Notes to Financial Statements

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Financial Instruments

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

Note 3: AUTHORIZED INVESTMENTS

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.

Note 4: 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, 2020, the carrying amount and bank balances of the Authority's deposits totaled \$1,092,956. The Authority's deposits in excess of Federal Deposit Insurance Corporation (FDIC) totaling \$842,956 were adequately collateralized.

Old Sixth Ward Redevelopment Authority Notes to Financial Statements

Note 4: DEPOSITS AND INVESTMENTS (Continued)

Investments include deposits of \$71,851, which the Authority has chosen to invest in the Texas CLASS. Texas CLASS is specifically tailored to meet Texas state and local government investment objectives of preservation of principal, daily liquidity and competitive yield. The program seeks to maintain a constant dollar objective and fulfills all requirements of the Texas Public Funds Investment Act for local government investment pools.

Credit risk is the possibility that the issuer of a security will fail to make timely payments of interest or principal. To minimize credit risk, Texas CLASS investment policy restricts investments of the portfolio into designated investments only. Market risk is the potential for a decline in market value generally due to, but not limited exclusively to, rising interest rates.

The Authority's investment in Texas CLASS is rated AAAM by Standard and Poor's and maintains a weighted average maturity of 60 days or less. The Authority considers the investments in Texas CLASS to have maturities of less than one year due to the fact the share position can unusually be redeemed each day at the discretion of the Authority, unless there has been a significant change in value.

Investments are reported at fair value in accordance with GASB Statements No. 79 and Statement No. 31, and therefore is not required to be categorized within the fair value hierarchy for purposes of GASB Statement No. 72. There is no difference between the fair value of the Authority's position in TexasCLASS and the amortized costs of the pool shares at June 30, 2020.

Note 5: LOAN PAYABLE

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

Balance at July 1, 2019	\$ 1,776,715
Additions	-
Retirements	(150,000)
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Balance at June 30, 2020	\$ 1,626,715
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Current portion due	\$ 160,000
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Old Sixth Ward Redevelopment Authority
Notes to Financial Statements

Note 5: LOAN PAYABLE (Continued)

In September 2009, the Authority entered into a \$3.05 million loan agreement (direct borrowing) 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
2021	\$ 160,000	\$ 89,468	\$ 249,468
2022	165,000	80,669	245,669
2023	170,000	71,594	241,594
2024	180,000	62,244	242,244
2025	190,000	52,344	242,344
2026-2029	761,715	96,904	858,619
Total	\$ 1,626,715	\$ 453,223	\$ 2,079,938

Note 6: FUND BALANCES – GOVERNMENTAL FUND

As of June 30, 2020, fund balances of the general fund are classified as follows:

Committed to:

Roadway and sidewalk improvements	\$ 16,250
Public utilities	138,017
Parks and recreational areas	3,708
Other commitments	3,193

Assigned to:

Debt service	249,468
Roadway and sidewalk improvements	1,216,227
Fiscal year 2021 administrative budget	232,750

Total fund balances	\$ 1,859,613
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Old Sixth Ward Redevelopment Authority
Notes to Financial Statements

Note 7: 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	\$ 1,113,767	\$ (426,944)	\$ 686,823
Houston Independent School District	393,704	(310,341)	83,363
Total Tax Increments	\$ 1,507,471	\$ (737,285)	\$ 770,186

During fiscal year 2020, the City reviewed its tax increment revenue calculations for tax years 2014 through 2017 and identified an overpayment of \$755,826. The City's previous methodology for its calculations did not properly prorate properties that are not 100% within the TIRZ boundaries. Accordingly, the City processed a one-time adjustment to apply the overpayment against the tax increment deposit for tax year 2019 (fiscal year 2020). The tax year 2019 City increment payment is \$1,869,593 less the one-time adjustment of \$755,826 which resulted in an appropriated amount of \$1,113,767 for the year ended June 30, 2020.

Note 8: 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 9: 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.

Old Sixth Ward Redevelopment Authority Notes to Financial Statements

Note 10: COMMITMENTS AND CONTINGENCIES

Construction contracts and Consultant Agreements

The Authority has entered into agreements with various engineering and construction contractors relating to capital projects. In addition, the Authority has entered into agreement with various consultants to provide professional services. These contracts will be paid in future periods as work is performed and services are provided. At June 30, 2020, the Authority had outstanding commitments under these agreements totaling approximately \$161,000.

Interlocal Agreements

The Zone, the Authority, and the City entered into an Interlocal Agreement to provide for the improvements to Dow Elementary School Park. In August 2018, the City paid \$600,000 to the Authority towards the costs incurred and to be incurred for the Dow Elementary School Park improvements. In September 2019, an amendment to the Interlocal Agreement was executed for another \$90,000 towards this project. 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. As of June 30, 2020, the Authority has expended \$1,091,628 under the Interlocal Agreement and therefore, no amount is expected to be remitted back to the City.

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.

Old Sixth Ward Redevelopment Authority Notes to Financial Statements

Note 11: SUBSEQUENT EVENTS

The continued spread of COVID-19 pandemic is affecting the United States economies. As a result, uncertainties have arisen that may have a significant negative impact on the operating activities and results of the Authority. The occurrence and extent of such an impact will depend on future developments, including (i) the duration and spread of the virus, (ii) government quarantine measures, (iii) voluntary and precautionary restrictions on travel or meetings, (iv) the effects on the financial markets, and (v) the effects on the economy overall, all of which are uncertain.

**REQUIRED SUPPLEMENTARY INFORMATION
AND OTHER INFORMATION**

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

<i>For the year ended June 30, 2020</i>	Original and Final Budgeted Amounts	Actual Amounts (Budgetary Basis)	Variance With Final Budget
Budgetary fund balance - beginning of year	\$ 2,991,644	\$ 2,577,011	\$ (414,633)
Resources			
Tax increments	2,317,593	1,507,471	(810,122)
Grant proceeds	90,000	90,000	-
Other	6,284	25,123	18,839
Total available resources	5,405,521	4,199,605	(1,205,916)
Expenses			
Maintenance and operations	204,750	160,896	43,854
Capital outlay	1,630,000	1,051,200	578,800
Debt service	247,720	247,720	-
Other interfund transfers:			
Municipal services	142,891	142,891	-
Affordable housing	772,531	502,491	270,040
HISD educational facilities	163,218	154,106	9,112
Administrative fees	120,599	80,688	39,911
Total uses of resources	3,281,709	2,339,992	941,717
Budgetary fund balance - end of year	\$ 2,123,812	\$ 1,859,613	\$ (264,199)

See independent auditors' report.

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

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

Sources/inflows of resources:

Actual amounts (budgetary basis)	\$ 4,199,605
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	(2,577,011)
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	(737,285)

Total revenue as reported on the statement of revenues, expenditures, and change in fund balance - governmental fund	\$ 885,309
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Uses/outflows of resources:

Actual amounts (budgetary basis)	\$ 2,339,992
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	(737,285)

Total expenditures as reported on the statement of revenues, expenditures, and change in fund balance - governmental fund	\$ 1,602,707
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See independent auditors' report.

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

For the year ended June 30, 2020

Management consulting services	Vendor	Budget	Actual Expenditures	Variance
Administration and overhead:				
Administrative support	Bracewell/SMW Principle Solutions	\$ 100,000	\$ 94,740	\$ 5,260
Insurance	N/A	2,250	1,247	1,003
Accounting	The Morton Accounting Services	15,000	17,684	(2,684)
Auditor - financial	Carr Riggs & Ingram, LLC	8,500	7,800	700
Bond/services/trustee/financial advisor	Equi-Tax	2,000	1,932	68
Office expenses/bank fees	Various	7,000	2,895	4,105
Total administration and overhead		134,750	126,298	8,452
Legal - general matters	Bracewell LLP	25,000	13,276	11,724
	Edminster, Hinshaw, Russ & Associates	25,000	21,322	3,678
Engineering and program consultants		20,000	-	20,000
Planning consultant		70,000	34,598	35,402
Total program and project consultants		70,000	34,598	35,402
Total management consulting services		\$ 204,750	\$ 160,896	\$ 43,854
Capital expenditures				
Sanitary Sewer Rehabilitation/Substitute (T-1304)		\$ 150,000	\$ -	\$ 150,000
Historic Sabine Street (T-1307):				
Construction	Gonzalo Camacho	10,000	4,661	5,339
Total Historic Sabine Street (T-1307)		10,000	4,661	5,339
Hemphill Road (T-1310):				
Design	Edminster, Hinshaw, Russ & Associates	60,000	24,750	35,250
Consulting	SMW Principle Solutions	-	2,588	(2,588)
Total Hemphill Road (T-1310)		60,000	27,338	32,662
Sustainable Streetscapes (T-1312)	Trees for Houston	20,000	5,700	14,300
Dow School Park (T-1313):				
Design and Consulting	Edminster, Hinshaw, Russ & Associates/SMW Principles Solutions/Facility Solutions/Tolunay-Wong Engineers, Inc.	-	28,893	(28,893)
Construction	Millis Equipment, Inc/Asakura Robinson Company/Millis Development	1,100,000	872,492	227,508
Total Dow School Park (T-1313)		1,100,000	901,385	198,615

See independent auditors' report.

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

Capital expenditures	Vendor	Budget	Actual Expenditures	Variance
Streetscape - Sidewalks, Curbs and Related Issues (T-1314):				
Planning	SMW Principles Solutions/Houston Business Journal	\$ 80,000	\$ 2,741	\$ 77,259
Total Streetscape - Sidewalks, Curbs and Related Issues (T-1314)		80,000	2,741	77,259
Traffic Sign Replacement (T-1318):				
Consulting	SMW Principles Solutions/William Arch. Signage & Consulting LLC	-	75,598	(75,598)
Traffic Sign Replacement (T-1318)		-	75,598	(75,598)
Sawyer Street Re-Construction (T-1319):				
Consulting	SMW Principles Solutions	-	1,763	(1,763)
Total Sawyer Street Re-Construction (T-1319)		-	1,763	(1,763)
Pedestrian Crossing Improvements on Washington (T-1320)		180,000	-	180,000
Memorial Silver Triangle Park (T-1321)		30,000	-	30,000
Total capital expenditures		\$1,630,000	\$ 1,019,186	\$ 610,814

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, 2020
(Unaudited)

	Estimated Total Costs	Total Expenditures	Variance
Infrastructure improvements			
Public utilities	\$ 15,400,000	\$ 3,833,957	\$ 11,566,043
Roadway and sidewalk improvements	21,912,000	2,767,983	19,144,017
Total infrastructure improvements	37,312,000	6,601,940	30,710,060
Other project costs			
Historic preservation	6,000,000	1,013,867	4,986,133
Parks and recreational facilities	6,134,000	259,030	5,874,970
Mitigation and remediation	100,000	-	100,000
Affordable housing	11,765,306	7,081,546	4,683,760
Education related projects	4,854,691	2,371,396	2,483,295
Financing costs	-	1,657,088	(1,657,088)
Zone creation	60,000	-	60,000
Zone administration	1,339,973	1,409,614	(69,641)
Total other costs	30,253,970	13,792,541	16,461,429
Project plan total	\$ 67,565,970	\$ 20,394,481	\$ 47,171,489

See independent auditors' report.