



Old Sixth Ward Redevelopment Authority

FINANCIAL STATEMENTS

June 30, 2022

	Page
FINANCIAL SECTION	
Independent Auditors' Report	1
Management's Discussion and Analysis (Unaudited)	4
Basic financial statements	
Governmental Fund Balance Sheet and Statement of Net Position	9
Governmental Fund Revenues, Expenditures and Change in Fund Balance and Statement of Activities	10
Notes to Basic Financial Statements	11
Required supplementary information	
Schedule of Revenues, Expenditures, and Change in Fund Balance – Budget to Actual – General Fund (Unaudited).....	19
Supplementary information	
Schedule of Operating Expenses and Capital Expenditures	21
Schedule of Estimated Project Costs to Actual Costs	22



Carr, Riggs & Ingram, LLC

Two Riverway

15th Floor

Houston, TX 77056

713.621.8090

713.621.6907 (fax)

CRIcpa.com

INDEPENDENT AUDITORS' REPORT

Board of Directors
Old Sixth Ward Redevelopment Authority
Houston, Texas

Opinions

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, 2022, 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 major fund of the Authority, as of June 30, 2022, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' 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 opinions.

Responsibilities of Management 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, 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.

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of 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 the schedule of revenues, expenditures and change in fund balance – budget to actual – general fund on pages 4 through 8 and 19 and 20 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.

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 schedule of operating expenses and capital expenditures for the year ended June 30, 2022 and the schedule of estimated project costs to actual costs for the period from November 7, 2002 (date of incorporation) through June 30, 2022 (supplementary information) are presented for purposes of additional analysis are 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 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 supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Carr, Riggs & Ingram, L.L.C.

Houston, Texas
September 21, 2022

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, 2022 and 2021. This discussion and analysis includes comparative data for the year ended June 30, 2022 with the year ended June 30, 2021 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 2022, the Authority continued work on their capital improvement program including the following:
 - Worked with HGAC to develop the RFP for the TIRZ mobility study phase 2 which is a partnership project for the TIRZ with Council Member Cisneros and HGAC.
 - Due to redistricting, the Sawyer and Edwards project is now in Precinct 1/Commissioner Ellis' district. The TIRZ worked with the commissioner to continue the partnership grant for design and construction of multimodal improvements to Sawyer and Edwards. The TIRZ also worked with HARC to amend the TCEQ grant and apply it to this project. The District also worked with several property owners to create pedestrian easements for this project. The District has reached verbal agreements with the property owners and the District's attorney, and the City of Houston's attorney are finalizing the documents.
 - Using the information obtained in the mobility planning study, the Authority worked with the City of Houston (the City) to define improvements for the Washington Avenue and North Memorial Way at Silver Street Intersections and to complete design on those 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 \$393 million in the Original Area, and an estimated \$253 million in the 2011 Annexed Area for Tax Year 2021.

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:

	2022	2021
Assets:		
Cash and cash equivalents	\$ 94,000	\$ 1,217,000
Investments	3,975,000	72,000
Tax increment receivables	-	1,381,000
Prepaid insurance	1,000	1,000
Total assets	4,070,000	2,671,000
Liabilities:		
Accounts payable	401,000	158,000
Interest payable	24,000	27,000
Loan payable - due within one year	170,000	165,000
Loan payable - due in more than one year	1,132,000	1,302,000
Total liabilities	1,727,000	1,652,000
Net position - unrestricted	\$ 2,343,000	\$ 1,019,000

The Authority's cash is held in demand deposits and money market accounts. In fiscal year 2022, there were no deposits in excess of FDIC limits. In fiscal year 2021, excess funds were adequately collateralized. Texas CLASS, a local government investment pool, is used to invest available cash not needed for operations.

Tax increments are based on calendar year taxes which are then received the next fiscal year. The Authority received tax increments for fiscal year 2022 in June 2022. The Authority received tax increments outstanding at June 30, 2021 in July 2021.

Accounts payable at June 30, 2022 and 2021, include amounts owed to vendors totaling approximately \$12,000 and \$15,000 for capital projects and consulting services, respectively. Accounts payable at June 30, 2022 and 2021, also includes amounts owed related to municipal service costs of approximately \$143,000 each year; and, in 2022, debt principal and interest payment of approximately \$245,000.

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

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:

	2022	2021
Revenues:		
Tax increments	\$ 1,922,000	\$ 1,381,000
Grant proceeds	-	12,000
Investment income	5,000	3,000
Total revenues	1,927,000	1,396,000
Expenditures:		
Current	332,000	301,000
Capital outlay	193,000	193,000
Interest	78,000	87,000
Total expenditures	603,000	581,000
Change in net position	1,324,000	815,000
Net position, beginning of year	1,019,000	204,000
Net position, end of year	\$ 2,343,000	\$ 1,019,000

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)

Grant Proceeds

In 2021, the Authority was granted \$12,500 in grant proceeds under an Interlocal Agreement for mobility study funding.

Capital Outlay

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

	2022	2021
Sanitary Sewer Rehabilitation/Substitute Service	\$ 107,000	\$ -
Silver Street Improvements	76,000	-
Streetscape - Sidewalks, Bicycle Facilities, Curbs and Related Issues	5,000	168,000
Edwards Street Multimodal Improvements	2,000	-
Sawyer Street Multimodal Improvement	2,000	-
Dow School Park	1,000	5,000
Hemphill Road	-	20,000
Total	\$ 193,000	\$ 193,000

Governmental Fund

At June 30, 2022, the Authority’s General Fund balance was approximately \$3,668,000 representing an approximate \$1,156,000 increase from the prior year. The majority of the Authority’s fund balances are currently committed or assigned to debt service (\$242,000) and capital projects (\$1,951,000).

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The Authority had no capital assets as of June 30, 2022 or 2021.

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. The 2022 interest and principal payments under this loan agreement amounted to \$77,644 and \$165,000, respectively. The 2021 interest and principal payments under this loan agreement amounted to \$86,536 and \$160,000, respectively. More detailed information about the Authority’s debt is presented in the notes to the basic financial statements.

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

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:

- Improvements to Washington Avenue and Silver Street Intersection and the Memorial Way and Silver Street Intersection to improve safety and mobility within the Zone.
- Multimodal improvements on Sawyer between Washington and Buffalo Bayou Park.
- Multimodal improvements on Edwards between Sawyer and Silver.
- Rehabilitation or reconstruction of various streets within the zone.
- Multimodal improvements on various streets within 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, 2022</i>	General Fund	Adjustments	Statement of Net Position
Assets			
Cash and cash equivalents	\$ 94,344	\$ -	\$ 94,344
Investments	3,974,375	-	3,974,375
Prepaid insurance	-	1,664	1,664
Total assets	\$ 4,068,719	\$ 1,664	\$ 4,070,383
Liabilities			
Accounts payable	\$ 401,049	\$ -	\$ 401,049
Interest payable	-	23,865	23,865
Loan payable - due in one year	-	170,000	170,000
Loan payable - due in more than one year	-	1,131,715	1,131,715
Total liabilities	401,049	1,325,580	1,726,629
Fund balance			
Committed	36,755	(36,755)	-
Assigned	2,411,844	(2,411,844)	-
Unassigned	1,219,071	(1,219,071)	-
Total fund balance	3,667,670	(2,448,599)	-
Total liabilities and fund balance	\$ 4,068,719	-	-
Net position - unrestricted		\$ 2,343,754	\$ 2,343,754
Total fund balance of governmental fund			\$ 3,667,670
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			1,664
Loan payable and interest payable are not due and payable in the current period and therefore not reported in the general fund			(1,325,580)
Net position of governmental activities			\$ 2,343,754

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, 2022</i>	General Fund	Adjustments	Statement of Activities
Revenues			
Tax increments	\$ 1,921,709	\$ -	\$ 1,921,709
Investment income	5,254	-	5,254
Total revenues	1,926,963	-	1,926,963
Expenditures			
Current:			
Professional services	100,833	-	100,833
Administrative services	80,575	-	80,575
Municipal services agreement	142,891	-	142,891
Other	8,087	(478)	7,609
Capital outlay	193,329	-	193,329
Debt service:			
Principal payment	165,000	(165,000)	-
Interest expense	80,669	(3,025)	77,644
Total expenditures	771,384	(168,503)	602,881
Excess of revenues over expenditures	1,155,579	(1,155,579)	
Change in net position		1,324,082	1,324,082
Fund balance/net position:			
Beginning of year	2,512,091	(1,492,419)	1,019,672
End of year	\$ 3,667,670	\$ (1,323,916)	\$ 2,343,754
Net change in fund balance of governmental fund			\$ 1,155,579
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 loan payable in the statement of net position			165,000
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			3,503
Change in net position of governmental activities			\$ 1,324,082

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

Old Sixth Ward Redevelopment Authority Notes to Basic 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. In evaluating the Authority as a reporting entity, management has considered all potential component units in accordance with Section 2100: Defining the Financial Reporting Entity of the Governmental Accounting Standards Board (GASB) Codification.

Measurement Focus and Basis of Accounting

Government-Wide Financial Statements

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.

Old Sixth Ward Redevelopment Authority Notes to Basic 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.

Fiduciary funds and fiduciary component units have not been included in the government-wide financial statements.

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 provisions of GASB Statement No. 54, Fund Balance Reporting and Government Fund Type Definitions, specifies the following classifications:

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, 2022.

Old Sixth Ward Redevelopment Authority Notes to Basic 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. The Authority did not have any restricted resources as of June 30, 2022.

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 Basic 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.

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.

Old Sixth Ward Redevelopment Authority Notes to Basic Financial Statements

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. Actual results could differ from those estimates.

Financial Instruments

The Authority's financial statements (primarily cash and cash equivalents, investments, 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, 2022, the carrying amount and bank balances of the Authority's deposits totaled \$94,344.

Investments include deposits of \$3,974,375, which the Authority has chosen to invest in 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.

Old Sixth Ward Redevelopment Authority Notes to Basic Financial Statements

Note 4: DEPOSITS AND INVESTMENTS (Continued)

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, 2022.

Note 5: LOAN PAYABLE

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

Balance at July 1, 2021	\$ 1,466,715
Additions	-
Retirements	(165,000)
<hr/>	
Balance at June 30, 2022	\$ 1,301,715
<hr/>	
Current portion due	\$ 170,000
<hr/>	

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
2023	\$ 170,000	\$ 71,594	\$ 241,594
2024	180,000	62,244	242,244
2025	190,000	52,344	242,344
2026	205,000	41,894	246,894
2027	220,000	30,619	250,619
2028-2029	336,715	24,389	361,104
<hr/>			
Total	\$ 1,301,715	\$ 283,084	\$ 1,584,799
<hr/>			

Old Sixth Ward Redevelopment Authority
Notes to Basic Financial Statements

Note 6: FUND BALANCES – GOVERNMENTAL FUND

As of June 30, 2022, fund balances of the general fund are classified as follows:

Committed to:	
Roadway and sidewalk improvements	\$ 31,700
Other commitments	5,055
Assigned to:	
Debt service	241,594
Roadway and sidewalk improvements	1,914,000
Fiscal year 2023 administrative budget	256,250
Unassigned	1,219,071
<hr/>	
Total fund balances	<u><u>\$ 3,667,670</u></u>

Note 7: TAX INCREMENT SUMMARY

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

<i>For the year ended June 30, 2022</i>	Gross Increment	Transfers	Net Increment
City of Houston	\$ 2,966,171	\$ (1,137,032)	\$ 1,829,139
Houston Independent School District	407,781	(315,211)	92,570
<hr/>			
Total tax increments	<u><u>\$ 3,373,952</u></u>	<u><u>\$ (1,452,243)</u></u>	<u><u>\$ 1,921,709</u></u>

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.

Old Sixth Ward Redevelopment Authority Notes to Basic Financial Statements

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.

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, 2022, the Authority had outstanding commitments under these agreements totaling approximately \$37,000.

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.

City Park Agreement

The Authority and the City entered into an 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 OTHER THAN
MANAGEMENT'S DISCUSSION AND ANALYSIS AND SUPPLEMENTARY 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, 2022</i>	Original and Final Budgeted Amounts	Actual Amounts (Budgetary Basis)	Variance With Final Budget
Budgetary fund balance - beginning of year	\$ 2,847,289	\$ 2,512,091	\$ (335,198)
Resources			
Tax increments	2,742,256	3,373,952	631,696
Grant proceeds	200,000	-	(200,000)
Other	6,284	5,254	(1,030)
Total available resources	5,795,829	5,891,297	95,468
Expenses			
Management consulting services	241,250	189,495	(51,755)
Capital expenditures	1,735,000	193,329	(1,541,671)
Debt service	245,669	245,669	-
Other interfund transfers:			
Municipal services	142,891	142,891	-
Affordable housing	914,085	1,124,651	210,566
HISD educational facilities	148,863	154,284	5,421
Administrative fees	134,721	173,308	38,587
Total uses of resources	3,562,479	2,223,627	(1,338,852)
Budgetary fund balance - end of year	\$ 2,233,350	\$ 3,667,670	\$ 1,434,320

(Continued)

**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)	\$ 5,891,297
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	(2,512,091)
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	(1,452,243)

Total revenue as reported on the statement of revenues, expenditures, and change in fund balance - governmental fund	\$ 1,926,963
---	--------------

Uses/outflows of resources:

Actual amounts (budgetary basis)	\$ 2,223,627
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	(1,452,243)

Total expenditures as reported on the statement of revenues, expenditures, and change in fund balance - governmental fund	\$ 771,384
--	------------

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

For the year ended June 30, 2022

Management consulting services	Vendor	Budget	Actual Expenditures	Variance
Administration and overhead:				
Administrative support	Bracewell/SMW Principle Solutions	\$ 100,000	\$ 80,575	\$ (19,425)
Insurance	N/A	2,250	1,814	(436)
Accounting	The Morton Accounting Services	17,000	14,592	(2,408)
Auditor - financial	Carr, Riggs & Ingram, LLC	15,000	8,600	(6,400)
Bond/services/trustee/financial advisor	Equi-Tax	2,000	1,941	(59)
Office expenses/bank fees	Various	15,000	6,273	(8,727)
Total administration and overhead		151,250	113,795	(37,455)
Legal - general matters	Bracewell LLP	35,000	18,473	(16,527)
Engineering and program consultants	Edminster, Hinshaw, Russ & Associates	35,000	57,227	22,227
Planning consultant		20,000	-	(20,000)
Total program and project consultants		90,000	75,700	(14,300)
Total management consulting services		\$ 241,250	\$ 189,495	\$ (51,755)
Capital expenditures				
Historic District Monumentation (T-1301)				
		\$ 15,000	\$ -	\$ (15,000)
Sanitary Sewer Rehabilitation/Substitute Service (T-1304)	Edminster, Hinshaw, Russ & Associates/Texas Pride Utilities, LLC	-	106,982	106,982
Historic Sabine Street (T-1307):				
Construction		10,000	-	(10,000)
Total Historic Sabine Street (T-1307)		10,000	-	(10,000)
Dow School Park (T-1313):				
		-	808	808
Streetscape - Sidewalks, Bicycle Facilities, Curbs and Related Issues (T-1314):				
Planning	SMW Principle Solutions/Traffic Engineers Inc	100,000	5,838	(94,162)
Total Streetscape - Sidewalks, Curbs and Related Issues (T-1314)		100,000	5,838	(94,162)
Pedestrian Crossing Improvements on Washington Avenue (T-1320)		790,000	-	(790,000)
Sawyer Street Multimodal Improvement (T-1322)	SMW Principle Solutions	452,000	1,838	(450,162)
Silver Street Improvements (T-1324)				
Planning	SMW Principle Solutions	-	1,650	1,650
Engineering and program consultants	Edminster Hinshaw Russ & Associates Inc	-	74,300	74,300
Total Silver Street Improvement (T-1324)		-	75,950	75,950
Edwards Street Multimodal Improvements (T-1325)		368,000	1,913	(366,087)
Total capital expenditures		\$ 1,735,000	\$ 193,329	\$ (1,541,671)

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, 2022

	Estimated Total Costs	Total Expenditures	Variance
Infrastructure improvements			
Public utilities	\$ 15,400,000	\$ 3,941,202	\$ 11,458,798
Roadway and sidewalk improvements	21,912,000	3,041,302	18,870,698
Total infrastructure improvements	37,312,000	6,982,504	30,329,496
Other project costs			
Historic preservation	6,000,000	1,013,867	4,986,133
Parks and recreational facilities	6,134,000	2,064,382	4,069,618
Mitigation and remediation	100,000	-	100,000
Affordable housing	11,765,306	9,036,147	2,729,159
Education related projects	4,854,691	2,674,543	2,180,148
Financing costs	-	1,821,268	(1,821,268)
Zone creation	60,000	-	60,000
Zone administration	1,339,973	1,757,700	(417,727)
Total other costs	30,253,970	18,367,907	11,886,063
Project plan total	\$ 67,565,970	\$ 25,350,411	\$ 42,215,559