

FIFTH WARD REDEVELOPMENT AUTHORITY

CITY OF HOUSTON, TEXAS

ANNUAL FINANCIAL REPORT

JUNE 30, 2016

FIFTH WARD REDEVELOPMENT AUTHORITY

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Fifth Ward Redevelopment Authority
City of Houston, Texas

We have audited the accompanying financial statements of the governmental activities and major fund of Fifth Ward Redevelopment Authority (the "Authority"), **a component unit of the City of Houston, Texas**, as of and for the year ended June 30, 2016, 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.

Auditor's 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 from 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 auditor's 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 Authority'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 the Authority as of June 30, 2016, 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 the Schedule of Revenues, Expenditures, and the changes in Fund Balance, Budget and Actual – General Fund 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 supplementary information required by the City of Houston, Texas is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The supplementary information, excluding that portion marked "Unaudited" on which we express no opinion or provide any assurance, has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

McCall Gibson Swedlund Barfoot PLLC
Certified Public Accountants
Houston, Texas

October 27, 2016

**FIFTH WARD REDEVELOPMENT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2016**

Management's discussion and analysis of Fifth Ward Redevelopment Authority's (the "Authority") financial performance provides an overview of the Authority's financial activities for the fiscal year ended June 30, 2016. Please read it in conjunction with the Authority's financial statements.

Financial Highlights

- The Authority's assets exceeded its liabilities by \$868,166 (net position) as of June 30, 2016. This compares to the previous year when assets exceeded liabilities by 665,419.
- The total net position of \$868,166 are mostly an accumulation of Tax Increment Revenues received from the City of Houston (the "City") and the Houston Independent School District. The Authority was mostly inactive until the fiscal year ended June 30, 2008, when it was able to reimburse the Developer for a project completed in 1999 and several years of administrative costs. The Authority anticipates that with continued development in the area, that tax increment revenues will be sufficient to cover operating costs and the retirement of any future debt issued.
- The Authority's governmental funds reported a total ending fund balance of \$651,276 this year. This compares to the prior year fund balance of \$448,529, showing an increase of \$202,747 during the current fiscal year.

USING THIS ANNUAL REPORT

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

**FIFTH WARD REDEVELOPMENT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2016**

GOVERNMENT-WIDE FINANCIAL STATEMENTS (Continued)

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

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

FUND FINANCIAL STATEMENTS

The combined statements also include fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Authority has one governmental fund type. The General Fund is the operating fund of the Authority and accounts for all operating activities of the Authority.

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

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

NOTES TO THE FINANCIAL STATEMENTS

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

**FIFTH WARD REDEVELOPMENT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2016**

OTHER INFORMATION

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as useful indicator of the Authority's financial position. In the case of the Authority, assets exceeded liabilities by \$868,166 as of June 30, 2016.

The following table provides a summary of the changes in the Statement of Net Position as of June 30, 2016, and June 30, 2015:

	<u>Summary of Changes in the Statement of Net Position</u>		
	2016	2015	Variance Positive (Negative)
Current and Other Assets	\$ 823,556	\$ 526,540	\$ 297,016
Land and Land Improvements	<u>216,890</u>	<u>216,890</u>	<u> </u>
TOTAL ASSETS	<u>\$ 1,040,446</u>	<u>\$ 743,430</u>	<u>\$ 297,016</u>
Current and Other Liabilities	\$ 172,280	\$ 78,011	\$ (94,269)
TOTAL LIABILITIES	<u>\$ 172,280</u>	<u>\$ 78,011</u>	<u>\$ (94,296)</u>
NET POSITION:			
Net Investment in Capital Assets	\$ 216,890	\$ 216,890	\$
Unrestricted	<u>651,276</u>	<u>448,529</u>	<u>202,747</u>
TOTAL NET POSITION	<u>\$ 868,166</u>	<u>\$ 665,419</u>	<u>\$ 202,747</u>

**FIFTH WARD REDEVELOPMENT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2016**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

The following table provides a summary of the changes in the Statement of Activities for the fiscal years ending June 30, 2016, and June 30, 2015:

	Summary of Changes in the Statement of Activities		
	2016	2015	Variance Positive (Negative)
Revenues:			
Tax Increment Revenue	\$ 514,457	\$ 401,920	\$ 112,537
Interest Revenue	<u>1,633</u>	<u> </u>	<u>1,633</u>
Total Revenues	<u>\$ 516,090</u>	<u>\$ 401,920</u>	<u>\$ 114,170</u>
Expenses:			
Professional Services	\$ 97,548	\$ 44,033	\$ (53,515)
Contracted Services	51,000	52,019	1,019
City of Houston – Affordable Housing	115,627	78,011	(37,616)
Capital Projects	45,585	167,250	121,665
Other	<u>3,583</u>	<u>3,771</u>	<u>188</u>
Total Expenses	<u>\$ 313,343</u>	<u>\$ 345,084</u>	<u>\$ (31,741)</u>
Change in Net Position	\$ 202,747	\$ 56,836	\$ 145,911
Beginning Net Position	<u>665,419</u>	<u>608,583</u>	<u>56,836</u>
Ending Net Position	<u>\$ 868,166</u>	<u>\$ 665,419</u>	<u>\$ 202,747</u>

FINANCIAL ANALYSIS OF THE AUTHORITY'S GOVERNMENTAL FUND

The Authority's governmental fund is the General Fund. As previously discussed, the governmental fund is reported in the fund statements with a short-term, inflow and outflow of spendable resources focus. This information is useful in assessing resources available at the end of the year in comparison with upcoming financing requirements. The governmental fund reported a cumulative ending fund balance of \$651,276. This is a \$202,747 increase compared to last years fund balance of \$448,529.

**FIFTH WARD REDEVELOPMENT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2016**

BUDGETARY HIGHLIGHTS

The board of the Authority adopted, in accordance with the Tri-Party Agreement, a budget for the current fiscal year. The budget was not amended in the current fiscal year. Actual excess revenues were \$493,630 more than budgeted excess revenues due to capital expenditures not occurring in current year.

CAPITAL ASSETS

As of June 30, 2016, the Authority has land recorded as a capital asset in the amount of \$216,890, see Note 8.

LONG-TERM DEBT ACTIVITY

At the end of the current fiscal year, the Authority had no long-term debt.

CONTACTING THE AUTHORITY'S MANAGEMENT

This financial report is designed to provide a general overview of the Authority's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Fifth Ward Redevelopment Authority, c/o Fifth Ward Community Redevelopment Corporation, Zone Administrator, P. O. Box 21502, Houston, TX 77226-1502.

FIFTH WARD REDEVELOPMENT AUTHORITY
STATEMENT OF NET POSITION AND
GOVERNMENTAL FUND BALANCE SHEET
JUNE 30, 2016

	General Fund	Adjustments	Statement of Net Position
ASSETS			
Cash	\$ 806,463	\$	\$ 806,463
Other	17,093		17,093
Land and Land Improvements	<u> </u>	<u>216,890</u>	<u>216,890</u>
TOTAL ASSETS	<u>\$ 823,556</u>	<u>\$ 216,890</u>	<u>\$ 1,040,446</u>
LIABILITIES			
Accounts Payable	<u>\$ 172,280</u>	<u>\$ -0-</u>	<u>\$ 172,280</u>
TOTAL LIABILITIES	<u>\$ 172,280</u>	<u>\$ -0-</u>	<u>\$ 172,280</u>
FUND BALANCE			
Assigned	\$ 434,918	\$ (434,918)	\$
Unassigned	<u>216,358</u>	<u>(216,358)</u>	<u>-0-</u>
TOTAL FUND BALANCE	<u>\$ 651,276</u>	<u>\$ (651,276)</u>	<u>\$ -0-</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 823,556</u>		
NET POSITION			
Net Investment in Capital Assets		\$ 216,890	\$ 216,890
Unrestricted		<u>651,276</u>	<u>651,276</u>
TOTAL NET POSITION		<u>\$ 868,166</u>	<u>\$ 868,166</u>

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

**FIFTH WARD REDEVELOPMENT AUTHORITY
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2016**

Total Fund Balance - Governmental Fund	\$ 651,276
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Land used in governmental activities are not current financial resources and, therefore, are not reported as assets in the governmental funds.	<u>216,890</u>
Total Net Position - Governmental Activities	<u>\$ 868,166</u>

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

FIFTH WARD REDEVELOPMENT AUTHORITY
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUND STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2016

	General Fund	Adjustments	Statement of Activities
REVENUES			
Tax Increment Revenue (Net of Retention for Educational Facilities of \$105,434 and Administrative Costs of \$42,344)	\$ 514,457	\$	\$ 514,457
Interest Revenue	1,633		1,633
TOTAL REVENUES	\$ 516,090	\$ -0-	\$ 516,090
EXPENDITURES			
Service Operations:			
Professional Services	\$ 97,548	\$	\$ 97,548
Contracted Services	51,000		51,000
City of Houston – Affordable Housing	115,627		115,627
Capital Projects	45,585		45,585
Other	3,583		3,583
TOTAL EXPENDITURES/EXPENSES	\$ 313,343	\$ -0-	\$ 313,343
NET CHANGE IN FUND BALANCE	\$ 202,747	\$ (202,747)	\$
CHANGE IN NET POSITION		202,747	202,747
FUND BALANCE/NET POSITION – JULY 1, 2015	448,529	216,890	665,419
FUND BALANCE/NET POSITION – JUNE 30, 2016	\$ 651,276	\$ 216,890	\$ 868,166

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

FIFTH WARD REDEVELOPMENT AUTHORITY
RECONCILIATION OF THE GOVERNMENTAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016

Net Change in Fund Balance - Governmental Fund	\$ 202,747
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Amounts reported for governmental activities in the Statement of Activities are different because:

No current year reconciling items	<hr/>
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Change in Net Position - Governmental Activities	<u>\$ 202,747</u>
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The accompanying notes to the financial statements are an integral part of this report.

FIFTH WARD REDEVELOPMENT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 1. CREATION OF CORPORATION

The City of Houston, Texas (the “City”) authorized the creation of the Fifth Ward Redevelopment Authority (the “Authority”) by the Resolution No. 2001-23 adopted on May 9, 2001. The Authority was set up as a local government corporation pursuant to provisions of Chapter 431 of the Texas Transportation Code and Chapter 394 of the Texas Local Government Code. The Authority is organized as a public non-profit corporation for the purpose of aiding, assisting, and acting on behalf of the City in the performance of its governmental function to promote the common good and general welfare of Reinvestment Zone Number Eighteen (the “Zone”) and neighboring areas and to promote, develop, encourage and maintain housing, educational facilities, employment, commerce and economic development in the City. The Authority may issue bonds with consent of City Council. The Authority is managed by a Board of Directors consisting of seven members who are appointed by the Mayor with the approval of City Council. The Authority held its first meeting on January 30, 2001.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

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

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

Financial Statement Presentation

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

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

FIFTH WARD REDEVELOPMENT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Statement Presentation (Continued)

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

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

Government-Wide Financial Statements

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

The Statement of Net Position is reported by adjusting the governmental fund types to report on the full accrual basis, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. Any amounts recorded as due to and due from other funds are eliminated in the Statement of Net Position.

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

Fund Financial Statements

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

FIFTH WARD REDEVELOPMENT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Governmental Fund

The Authority has one major governmental fund type – the General Fund. The General Fund is the general operating fund of the Authority and accounts for the operating activities of the Authority.

Basis of Accounting

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

Amounts transferred from one fund to another fund are reported as other financing sources or uses. Loans by one fund to another fund and amounts paid by one fund for another fund are reported as interfund receivables and payables in the Governmental Fund Balance Sheet if there is intent to repay the amount and if the debtor fund has the ability to repay the advance on a timely basis.

Capital Assets

Capital assets are reported as assets in the government-wide Statement of Net Position. Capital assets are recorded at historical cost and depreciated over their estimated useful lives unless they are inexhaustible, such as land. Depreciation is not recorded on items classified as construction in progress. Depreciation expense is reported in the government-wide Statement of Activities. Depreciation is recorded using the straight-line method over the estimated useful lives of the capital assets.

Budgeting

In compliance with the Tri-Party Agreement (see Note 4), the Authority’s board members should adopt annually an unappropriated budget for the General Fund. In accordance with the agreement, the Authority’s Board approved the fiscal year end 2016 budget. The budget was not amended in the current fiscal year.

FIFTH WARD REDEVELOPMENT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus

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

Governmental fund types are accounted for on a spending or financial flow measurement focus. Accordingly, only current assets and current liabilities are included on the balance sheet, and the reported fund balances provide an indication of available spendable or appropriable resources. Operating statements of governmental fund types report increases and decreases in available spendable resources. Fund balances in governmental funds are classified using the following hierarchy:

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

Restricted - amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally required. The Authority does not have any restricted fund balances.

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

Assigned - amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. The Authority has not adopted a formal policy regarding the assignment of fund balances. As of June 30, 2016, the Authority has assigned \$434,918 of the General Fund fund balance to the 2017 budget.

FIFTH WARD REDEVELOPMENT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus (Continued)

Unassigned - all other spendable amounts in the General Fund.

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

Accounting Estimates

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

NOTE 3. DEPOSITS AND INVESTMENTS

Deposits

Custodial credit risk is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The Authority's deposit policy for custodial credit risk requires compliance with the provisions of Texas statutes.

Texas statutes require that any cash balance in any fund shall, to the extent not insured by the Federal Deposit Insurance Corporation or its successor, be continuously secured by a valid pledge to the Authority of securities eligible under the laws of Texas to secure the funds of the Authority, having an aggregate market value, including accrued interest, at all times equal to the uninsured cash balance in the fund to which such securities are pledged. At fiscal year end, the carrying amount of the Authority's deposits was \$806,463 and the bank balance was \$818,028. Of the bank balance \$250,000 was covered by federal depository insurance and the balance was covered by collateral pledged in the name of the District and held in a third-party depository.

The carrying values of the deposits are included in the Governmental Fund Balance Sheet and the Statement of Net Position at June 30, 2016, as listed below:

TOTAL DEPOSITS	<u>\$ 806,463</u>
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FIFTH WARD REDEVELOPMENT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 3. DEPOSITS AND INVESTMENTS (Continued)

Investments

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

Texas statutes include specifications for and limitations applicable to the Authority and its authority to purchase investments as defined in the Public Funds Investment Act. Authorized investments are summarized as follows: (1) obligations of the United States or its agencies and instrumentalities, (2) direct obligations of the State of Texas or its agencies and instrumentalities, (3) certain collateralized mortgage obligations, (4) other obligations, the principal of and interest on which are unconditionally guaranteed or insured by the State of Texas or the United States or its agencies and instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation or by the explicit full faith and credit of the United States, (5) certain A rated or higher obligations of states, agencies, counties, cities, and other political subdivisions of any state, (6) bonds insured, assumed or guaranteed by the State of Israel, (7) insured or collateralized certificates of deposit, (8) certain fully collateralized repurchase agreements secured by delivery, (9) certain bankers' acceptances with limitations, (10) commercial paper rated A-1 or P-1 or higher and a maturity of 270 days or less, (11) no-load money market mutual funds and no-load mutual funds with limitations, (12) certain guaranteed investment contracts (13) certain qualified governmental investment pools and (14) a qualified securities lending program.

As of June 30, 2016, the Authority had no investments.

FIFTH WARD REDEVELOPMENT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 4. TRI-PARTY AGREEMENT

The City, the Zone, and the Authority entered into the Tri-Party Agreement on July 6, 2007, pursuant to City Ordinance No. 2007-849. The Tri-Party Agreement states in detail the scope of services to be provided to the Zone by the Authority. The services include management and administrative service for the Zone, as requested by the Zone Board, services with respect to the Project Plan and Reinvestment Zone Financing Plan (the “Plan”), including implementation and updating, and services with respect to the tax rolls pertaining to the Zone, including analysis and coordination with taxing units. The Authority is also required to assist the Zone Board in establishing a program to increase the level of safety within the Zone, preparing development plans, establishing a marketing and public relations program, planning and design and construction of infrastructure improvements and land acquisition.

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

This Agreement shall end upon termination of the Zone.

Pursuant to the Agreement, the City and the Zone have agreed to pay the Authority not later than the first business day of each July in which a current approved budget is in effect for the Authority, all monies available in the Tax Increment Fund, less a reserve of up to five percent of the monies then available in the Tax Increment Fund for administrative costs of the City. Notwithstanding the above, in the event the Authority’s budget is not approved by the thirtieth (30th) day before the date of a principal and interest payment on the Authority’s bonds or notes, the City shall pay from available funds sufficient monies to the Authority to allow for meeting the Authority’s debt service obligations.

NOTE 5. TAX INCREMENTS

The City and the Houston Independent School District (the “HISD” and collectively the “Participants”) have agreed to deposit their tax increments into the Tax Increment Fund established by the Zone (See Notes 6 and 7).

The amount of a Participant’s tax increment for a year is the amount of property taxes levied and collected by the Participant for that year on the Captured Appraised Value of real property taxable by the Participant and located in the Zone. The Captured Appraised Value of real property taxable by a Participant for a year is the total appraised value of all real property taxable by the Participant and located in the Zone for that year less the Tax Increment Base, which is the total appraised value of all real property taxable by the Participant and located in the Zone on January 1 of the year in which the Zone was designated as such under the Tax Increment

FIFTH WARD REDEVELOPMENT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 5. TAX INCREMENTS (Continued)

Financing Act (the “TIF Act”). In the event property is annexed into the Zone by ordinance of the City, the Tax Increment Base for annexed property is the value of all real property taxable by a Participant and located in the annexed area on January 1 of the year of annexation. No Participant is required to deposit tax increments derived from property annexed into the Zone unless the Participant has agreed to do so.

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

NOTE 6. CITY OF HOUSTON TAX INCREMENTS

Pursuant to City Ordinance No. 2001-404 adopted on May 9, 2001, the City and the Zone have established the Tax Increment Fund, a separate fund in the City Treasury into which tax increments have and will be deposited.

During the current fiscal year, tax increments of \$346,881 were collected by the City of which \$17,344 was withheld to cover administrative costs.

NOTE 7. HOUSTON INDEPENDENT SCHOOL DISTRICT TAX INCREMENTS

The HISD has agreed, pursuant to an Interlocal Agreement with the City and Zone approved by Ordinance No. 1999-913, to pay into the Tax Increment Fund all tax increments produced at HISD’s then current rate. The Authority will be entitled to keep the portion of the HISD tax increment equal to the amount of taxes collected by HISD each year during the term of this agreement at the lesser of the actual HISD tax rate or \$0.96 per \$100 valuation of the captured appraised value. The amount of taxes collected by HISD at a tax rate of \$0.64 per \$100 valuation and interest and earnings thereof, shall be applied to the payment of Non-Educational Facilities project costs, including administrative costs and school support expenses. The remaining portion and interest earned thereon, shall be paid to HISD on an annual basis to be used for Educational Facilities project costs within the Zone or the City. All funds paid to the HISD will come from the HISD tax increments.

During the current fiscal year, tax increments of \$315,354 were collected by the HISD of which \$105,434 was withheld to fund educational facilities and \$25,000 was withheld to cover administrative costs. The net amount received from HISD totaled \$184,920

FIFTH WARD REDEVELOPMENT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 8. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2016:

	<u>July 1, 2015</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2016</u>
Capital Assets Not Being Depreciated				
Land and Land Improvements	\$ 216,890	\$ -0-	\$ -0-	\$ 216,890

NOTE 9. CAPITAL OUTLAY

In 2015 the Authority contributed \$167,250 to the City for renovation of the Deluxe Theater in the Fifth Ward Neighborhood. Additionally, in 2016, capital of \$28,895 was expended for additional capital improvements to complete the Deluxe and included exterior perimeter fencing and lighting and permanent fixtures and equipment for the interior. Occupancy was awarded in November 2015 and additional buildout completed in March 2016. In 2013, other capital projects totaling \$114,760 in funds were expended for two parks – Lyons Ave., and Benson, street toppers, installed graphics and trash receptacles along the Lyons Avenue corridor in the 5th Ward. In 2014, \$165,673 in capital expenditures allowed for additional park improvements and maintenance, a livable centers study, land use planning for Lyons Ave, and prioritizing infrastructure improvements in the 5th Ward to further implement the Bike and Pedestrian study completed in 2011.

FIFTH WARD REDEVELOPMENT AUTHORITY

REQUIRED SUPPLEMENTARY INFORMATION

JUNE 30, 2016

FIFTH WARD REDEVELOPMENT AUTHORITY
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE – BUDGET AND ACTUAL – GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2016

	Original and Final Budget	Actual	Variance Positive (Negative)
REVENUES			
Tax Increment Revenue (net)	\$ 401,247	\$ 514,457	\$ 113,210
Interest Revenue	1,752	1,633	(119)
Land Sale	150,000		(150,000)
Grant Proceeds	<u>6,983,047</u>	<u> </u>	<u>(6,983,047)</u>
TOTAL REVENUES	<u>\$ 7,536,046</u>	<u>\$ 516,090</u>	<u>\$ (7,019,956)</u>
EXPENDITURES			
Maintenance and Operations	\$ 192,800	\$ 152,131	\$ 40,669
Affordable Housing	85,082	115,627	(30,545)
Capital Outlay	356,000	45,585	310,415
Developer Reimbursements	<u>7,193,047</u>	<u> </u>	<u>7,193,047</u>
TOTAL EXPENDITURES	<u>\$ 7,826,929</u>	<u>\$ 313,343</u>	<u>\$ 7,513,586</u>
NET CHANGE IN FUND BALANCE	\$ (290,883)	\$ 202,747	\$ 493,630
FUND BALANCE – JULY 1, 2015	<u>448,529</u>	<u>448,529</u>	<u>-0-</u>
FUND BALANCE – JUNE 30, 2016	<u>\$ 157,646</u>	<u>\$ 651,276</u>	<u>\$ 493,630</u>

See accompanying independent auditor's report.

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FIFTH WARD REDEVELOPMENT AUTHORITY

SUPPLEMENTARY INFORMATION

REQUIRED BY CITY OF HOUSTON

JUNE 30, 2016

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**FIFTH WARD REDEVELOPMENT AUTHORITY
OPERATING EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2016**

Category	Vendor	Budget
ADMINISTRATION AND OVERHEAD		
Accounting	Fifth Ward CRC	\$ 12,000
Administration Consultant	Fifth Ward CRC	60,000
Auditor	McCall Gibson Swedlund Barfoot PLLC	5,500
Insurance	Protectors Insurance	1,000
Office Expenditures	Fifth Ward CRC	12,500
Property Account Consultant	Equi-Tax	<u>1,800</u>
SUBTOTAL		\$ 92,800
PROGRAM AND PROJECT CONSULTANTS		
Planning Consultants	Van Meter , Asakura Robinson	\$ 50,000
Legal-General Counsel	Coats, Rose, Yale, Ryman & Lee, P.C.	<u>50,000</u>
SUBTOTAL		\$ 100,000
TOTAL MANAGEMENT CONSULTING SERVICES		\$ 192,800
CITY OF HOUSTON – AFFORDABLE HOUSING		\$ 85,082
DEVELOPER REIMBURSEMENTS		\$ 7,193,047

See accompanying independent auditor's report.

<u>Actual</u>	<u>Variance Positive (Negative)</u>
\$ 6,000	\$ 6,000
45,000	15,000
5,750	(250)
640	360
2,943	9,557
<u>1,800</u>	<u> </u>
<u>\$ 62,133</u>	<u>\$ 30,667</u>
\$ 30,905	\$ 19,095
<u>59,093</u>	<u>(9,093)</u>
<u>\$ 89,998</u>	<u>10,002</u>
<u>\$ 152,131</u>	<u>40,669</u>
<u>\$ 115,627</u>	<u>\$ (30,545)</u>
<u>\$ -0-</u>	<u>\$ 7,193,047</u>

See accompanying independent auditor's report.

**FIFTH WARD REDEVELOPMENT AUTHORITY
CAPITAL EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2016**

Category	Vendor	Budget
Project T-1801: Land Acquisition – Affordable Housing	Geo Tech Environmental, Fifth Ward CRC	\$ 115,000
Project T -1802: Deluxe Theater	Semper- Fi	75,000
Project T -1803: Fifth Ward Jam & Legends Park		60,000
Project T -1804: Lyons Avenue Streetscape		106,000
Total Capital Expenditures		<u>\$ 356,000</u>

See accompanying independent auditor's report.

<u>Actual</u>	<u>Variance Positive (Negative)</u>
\$ 16,600	\$ 98,400
28,985	46,015
-0-	60,000
-0-	106,000
<u>\$ 45,585</u>	<u>\$ 310,415</u>

See accompanying independent auditor's report.

FIFTH WARD REDEVELOPMENT AUTHORITY
PROJECT PLAN RECONCILIATION
AS OF THE YEAR ENDED JUNE 30, 2016

	Project Plan Estimated Amount	Cumulative Expenditures as of the Fiscal Year Ended 2016	Variance Positive (Negative)
Capital Projects:			
Land Assembly for Affordable Housing, Homeownership and Economic Development Purposes	\$ 4,847,671	\$ 273,490	\$ 4,574,181
Affordable Housing Capital Projects	2,604,457		2,604,457
Historic Preservation	1,000,000		1,000,000
Environmental Remediation	6,398,000		6,398,000
Demolition	400,000		400,000
Public Utility Improvements	51,813	26,813	25,000
Park and Recreation Facilities	620,231	126,061	494,170
Roadway and Sidewalk Improvements	3,698,004	24,118	3,673,886
Gateway Branding and Monument Improvements	100,000		100,000
Streetscape, Landscaping, Lighting and Median Improvements	2,433,930	110,930	2,323,000
Bus Shelters	80,000		80,000
Lyons Avenue Improvements	8,450,000	417,250	8,032,750
Developer Reimbursement Facilities and Improvements – Economic Development	12,375,656 1,000,000		12,375,656 1,000,000
Buffalo Bayou Improvements	891,100		891,100
Cultural and Public Facilities	9,600,000	28,985	9,571,015
Total Capital Projects	\$ 54,550,862	\$ 1,007,647	\$ 53,543,215
Affordable Housing	\$ 7,395,543	\$ 450,766	\$ 6,944,777
Educational Facilities	610,199	812,549	(202,350)
Financing Costs	1,000,000		1,000,000
Administration Costs/Professional Services	8,690,075	1,269,022	7,421,053
	<u>\$ 17,695,817</u>	<u>\$ 2,532,337</u>	<u>\$ 15,163,480</u>
Total Project Plan	\$ 72,246,679	\$ 3,539,984	\$ 68,706,695

See accompanying independent auditor's report.

FIFTH WARD REDEVELOPMENT AUTHORITY

OTHER SUPPLEMENTARY INFORMATION

JUNE 30, 2016

FIFTH WARD REDEVELOPMENT AUTHORITY
BOARD OF DIRECTORS AND CONSULTANTS
JUNE 30, 2016

District Mailing Address - Fifth Ward Redevelopment Authority
P.O. Box 21502
Houston, TX 77226-1502

District Telephone No. - (713) 674-0175

Board Members	Position
Richard Farias	1
Harvey Clemons, Jr., Chairman	2
Kathy Payton	3
Eleanor Jones	4
Vacant	5
Edwina Loche-Barrett	6
Vacant	7

Zone Administrator

Zarana Sanghani
Fifth Ward CRC
P.O. Box 21502
Houston, TX 77226-1502

See accompanying independent auditor's report.

