

**HARRIS COUNTY
REDEVELOPMENT AUTHORITY**
A Component Unit of Harris County, Texas

**FINANCIAL STATEMENTS WITH
INDEPENDENT AUDITOR'S REPORT REQUIRED BY
GOVERNMENT AUDITING STANDARDS AND UNIFORM GUIDANCE
AND SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
As of and for the year ended September 30, 2024**

HARRIS COUNTY REDEVELOPMENT AUTHORITY

TABLE OF CONTENTS

	<u>Page</u>
I. Financial Statements with Independent Auditor's Report and Schedule of Expenditures of Federal Awards	1
II. Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	28
III. Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the <i>Uniform Guidance</i>	30
IV. Schedule of Findings and Questioned Costs	33

HARRIS COUNTY REDEVELOPMENT AUTHORITY

TABLE OF CONTENTS

	<u>Page</u>
<u>FINANCIAL SECTION</u>	
Independent Auditor's Report	1
Management's Discussion and Analysis (unaudited)	3
Basic Financial Statements	
Government-wide Financial Statements:	
Statement of Net Position – Governmental Activities September 30, 2024	8
Statement of Activities – Governmental Activities For the Year Ended September 30, 2024	9
Governmental Fund Financial Statements:	
Balance Sheet – Governmental Funds September 30, 2024	10
Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Position September 30, 2024	11
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds For the Year Ended September 30, 2024	12
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds For the Year Ended September 30, 2024	13
Notes to Basic Financial Statements	14
<u>SUPPLEMENTARY FINANCIAL SCHEDULES AND INFORMATION</u>	
Summary Budgetary Comparison Schedule – Cash Basis	24
Notes to Summary Budgetary Comparison Schedule	25

PART I.

**FINANCIAL STATEMENTS
WITH INDEPENDENT AUDITOR'S REPORT AND SCHEDULE
OF EXPENDITURES OF FEDERAL AWARDS
As of and for the Year Ended September 30, 2024**

INDEPENDENT AUDITOR'S REPORT

The Board of Directors
Harris County Redevelopment Authority
Houston, Texas

Opinion

We have audited the financial statements of the governmental activities and each major fund of the Harris County Redevelopment Authority (the "Authority"), a component unit of Harris County, Texas, as of and for the year ended September 30, 2024, 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 accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Authority as of September 30, 2024, and the respective changes in financial position, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America ("U.S. GAAS") and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Authority, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of 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.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with U.S. GAAS and *Government 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 U.S. GAAS and *Government 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.

INDEPENDENT AUDITOR'S REPORT, CONTINUED

- 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

U.S. GAAP requires that the management's discussion and analysis on pages 3-7 and budgetary comparison information on pages 23-24 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 U.S. GAAS, 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 expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards 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 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 schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report, dated February 20, 2025, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. The report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

Hann, Langston & Brezina, LLP

Houston, Texas
February 20, 2025

HARRIS COUNTY REDEVELOPMENT AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Using this Annual Report

Within this section of the financial report of the Harris County Redevelopment Authority (the "Authority"), the Authority's Board of Directors provides a narrative discussion and analysis of the financial activities of the Authority as of September 30, 2024. This analysis should be read in conjunction with the independent auditors report and the basic financial statements that follow this section.

In addition to this discussion and analysis, this annual report consists of:

- The Authority's basic financial statements,
- Notes to the basic financial statements, which provide additional information essential to a full understanding of the data provided in the financial statements, and
- Supplementary information required by the Governmental Accounting Standards Board ("GASB") concerning the Authority's budget.

Government-Wide Financial Statements

The focus of government-wide financial statements is on the overall financial position and activities of the Authority, both long-term and short-term. The Authority's government-wide financial statements consist of the *Statement of Net Position* and the *Statement of Activities*, which are prepared using the accrual basis of accounting. The *Statement of Net Position* includes all of the Authority's assets, deferred outflows of resources, liabilities, and deferred inflows of resources with the residual reported as net position. Over time, changes in net position may provide a useful indicator of whether the financial position of the Authority as a whole is improving or deteriorating. The *Statement of Activities* reports how the Authority's net position has changed during the current period. All revenues and expenses are included on this statement, regardless of whether cash has been received or paid.

Fund Financial Statements

The fund financial statements include the *Governmental Funds Balance Sheet* and the *Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances*. The focus of fund financial statements is on specific activities of the Authority rather than the Authority as a whole, reported using modified accrual accounting. These statements report on the Authority's use of available financial resources and the balances of available financial resources at the end of the period.

For further discussion on the government-wide and fund financial statements, please refer to Note 2 in the basic financial statements.

Financial Analysis of the Authority as a Whole

In the government-wide statements, net position is the residual of assets plus deferred outflows of resources less liabilities less deferred inflows of resources. The Authority's net position at September 30, 2024 was \$8,369,195. Accounting standards establish three components of net position. The net investment in capital assets component represents the Authority's investments in capital assets, less any outstanding debt or other borrowings used to acquire those assets. The restricted component of net position consists of financial resources that are restricted for a specific purpose by enabling legislation or external parties. The unrestricted component of net position represents resources not included in the other components.

HARRIS COUNTY REDEVELOPMENT AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Financial Analysis of the Authority as a Whole, continued

Net Position

The total net position at September 30, 2024 was \$8,369,195 a 105% increase from September 30, 2023. (See Table A-1 Below).

Table A-1 Authority's Net Position

	September 30, 2024	September 30, 2023
Cash and investments	\$ 4,948,311	\$ 4,122,974
Receivables	1,390,171	-
Capital assets	<u>3,484,800</u>	<u>-</u>
Total assets	<u>\$ 9,823,282</u>	<u>\$ 4,122,974</u>
Current liabilities	\$ 77,958	\$ 38,534
Long-term liabilities	<u>1,376,129</u>	<u>-</u>
Total liabilities	<u>\$ 1,454,087</u>	<u>\$ 38,534</u>
Net position	<u>\$ 8,369,195</u>	<u>\$ 4,084,440</u>

The increase in cash and investments was due to contributing the unused fund as a result of the increase in the property tax increments and investment income during the year ended September 30, 2024 when compared to the year ended September 30, 2023.

In August 2024, grant under the American Rescue Plan Act ("ARPA") was received from the Harris County amounting to \$3,484,800 for the acquisition of the land that is used as the site for the "Upland Project", a construction of a 120-unit building to provide affordable housing for low-income households in Harris County, which is leased to the developer. The increase in receivables and long-term liabilities is a result of the recognition of lease receivable and deferred lease revenue of \$1,390,171 during 2024 which will be recognized over the life of the lease agreements.

Changes in Net Position

The increase in financial position for year ended September 30, 2024 when compared to the year ended September 30, 2023 was \$4,284,755. The total operating revenues increased by 91%, or \$4,889,413, and total operating expenses increased by 26%, or \$1,242,161. Operating income increased by 572% or \$3,647,252 (See Table A-2).

Table A-2 Changes in the Authority's Financial Position

	Year ended September 30, 2024	Year ended September 30, 2023
Operating revenues:		
Property tax increments	\$ 6,520,758	\$ 5,243,258
Grant proceeds	3,484,800	-
Investment earnings and others	<u>254,993</u>	<u>127,880</u>
Total operating revenues	<u>10,260,551</u>	<u>5,371,138</u>
Operating expenses:		
Community development	5,469,193	4,299,691
General government	<u>506,603</u>	<u>433,944</u>
Total operating expenses	<u>5,975,796</u>	<u>4,733,635</u>
Change in net position	4,284,755	637,503
Net position at beginning of year	<u>4,084,440</u>	<u>3,446,937</u>
Net position at end of year	<u>\$ 8,369,195</u>	<u>\$ 4,084,440</u>

HARRIS COUNTY REDEVELOPMENT AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Changes in Net Position, continued

The increase in operating revenues was due to the \$3,484,800 ARPA grant received for the land acquisition in relation to the Upland Project, and the increase in the property tax increments for the year ended September 30, 2024 when compared to the year ended September 30, 2023. The Authority's operating revenues are substantially derived from a portion of incremental tax revenues associated with a section 381 agreement and the City of Houston Tax Increment Reinvestment Zone - Number 24; which can decline and/or increase relative to prior revenue collections. Annually, the Harris County Tax Assessor's office calculates and may, from time to time, "adjust" remittances to the Authority based on fluctuations in taxable property values and experienced tax collection rates. Also, these revenue vehicles are tied to tax rates adopted by Commissioners Court. The increase in property tax increments between the current and prior reporting period is due to the increased tax rate, property tax valuations and collection rates applied during the calculations; as described above.

Operating expenses increased mainly due to construction and project consultant costs incurred during the year ended September 30, 2024 when compared to the year ended September 30, 2023.

Financial Analysis of the Authority's Funds

General Fund

The total fund balance of the Authority's General Fund at September 30, 2024 was \$4,870,033, a 19% increase from September 30, 2023. (See Table A-3 Below).

Table A-3 Fund Balance – General Fund

	<u>September 30, 2024</u>	<u>September 30, 2023</u>
Total assets	\$ 4,976,075	\$ 4,121,982
Total liabilities	\$ 106,042	\$ 38,534
Total fund balance	<u>4,870,033</u>	<u>4,083,448</u>
Total liabilities and fund balance	<u>\$ 4,976,075</u>	<u>\$ 4,121,982</u>

The increase in total assets and fund balance were due to the contributing the unused fund as a result of the increase in the property tax increments and investment income during the year ended September 30, 2024 when compared to the year ended September 30, 2023.

The increase in fund balance as of September 30, 2024 when compared to September 30, 2023 was \$786,585. Total operating revenues increased by 604%, or \$3,681,832, and total operating expenses increased by 1,335%, or \$3,607,356. Operating income increased by 22%, or \$74,476 (See Table A-4).

Table A-4 Changes in Authority's General Fund Balance

	<u>Year ended September 30 2024</u>	<u>Year ended September 30 2023</u>
Total revenues	\$ 4,291,874	\$ 610,042
Total expenditures	<u>3,877,496</u>	<u>270,140</u>
Revenues over expenditures	414,378	339,902
Transfer from other fund	<u>372,207</u>	<u>297,566</u>
Net change in fund balance	<u>\$ 786,585</u>	<u>\$ 637,468</u>

Total revenues and expenditures increased for the year ended September 30, 2024 when compared to the year ended September 30, 2023. This was mainly due to the ARPA grant received during the year amounting to \$3,484,800 for the acquisition of the land that is used as the site for the "Upland Project".

HARRIS COUNTY REDEVELOPMENT AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Financial Analysis of the Authority's Funds, continued

Springwoods 381 Fund

The total fund balance of the Authority's Springwoods 381 Fund at September 30, 2024 was \$1,036 and is consistent with September 30, 2023. (See Table A-5 Below).

Table A-5 Fund Balance – Springwoods 381 Fund

	<u>September 30, 2024</u>	<u>September 30, 2023</u>
Total assets	\$ 1,036	\$ 992
Total liabilities	\$ -	\$ -
Total fund balance	1,036	992
Total liabilities and fund balance	\$ 1,036	\$ 992

The increase in fund balance for the year ended September 30, 2024 when compared to the year ended September 30, 2023 was \$44. Total operating revenues increased by 25%, or \$1,194,255, and total operating expenses increased by 25%, or \$1,119,605. Operating income increased by 25%, or \$74,650 (See Table A-6).

Table A-6 Changes in Authority's Springwoods 381 Fund Balance

	<u>Year ended September 30 2023</u>	<u>Year ended September 30 2023</u>
Total revenues	\$ 5,955,351	\$ 4,761,096
Total expenditures	5,583,100	4,463,495
Revenues over expenditures	372,251	297,601
Transfer to other fund	(372,207)	(297,566)
Net change in fund balance	\$ 44	\$ 35

The increase in total revenues for the year ended September 30, 2024 compared to the year ended September 30, 2023 is due primarily to the increase in property tax increments. The incremental tax revenues can decline and/or increase relative to prior revenue collections. Annually, the Harris County Tax Assessor's office calculates and may, from time to time, "adjust" remittances to the Authority based on fluctuations in taxable property values and experienced tax collection rates. Also, these revenue vehicles are tied to tax rates adopted by Commissioners Court. The increase in property tax increments between the current and prior reporting period is due to the increased tax rate, property tax valuations and collection rates applied during the calculations; as described above.

The increase in total expenditures and transfer to other fund for the year ended September 30, 2023 compared to the year ended September 30, 2023 is in line with the increase in revenues.

Fund Budgetary Highlights

The Board of Directors adopts a combined annual unappropriated cash-basis budget for the General Fund and Springwoods 381 Fund each fiscal period. The Board did not amend the budget during the fiscal period. Since the budget is primarily a planning tool, actual results may vary from the budgeted amounts. For the current fiscal period, from September 30, 2024 to September 30, 2023, actual net change in fund balance was \$504,958 higher than budgeted. The difference between the net change is primarily due to the decrease in economic development expenditures which was mainly due to certain budget project consultant costs not incurred during the year ended September 30, 2024. The *Summary Budgetary Comparison Schedule* on page 23 of this report provides variance information per financial statement line item.

**HARRIS COUNTY REDEVELOPMENT AUTHORITY
MANAGEMENT’S DISCUSSION AND ANALYSIS (UNAUDITED)**

Next Year’s Budget – Cash Basis

In establishing the budget for the next fiscal year, the Board considered various economic factors that may affect the Authority, most notably tax increment revenues, proceeds from the issuance of bonds and planned community development projects. A comparison of next year’s cash basis budget to current year cash basis actual amounts for the General Fund is as follows:

	<u>Year Ended September 30 2024 Actual</u>	<u>Year Ending September 30 2025 Budget</u>
Total revenues	\$ 6,761,709	\$ 7,626,542
Total expenditures	<u>5,936,372</u>	<u>6,655,503</u>
Revenues over expenditures	825,337	971,039
Beginning cash on hand and investments	<u>4,122,974</u>	<u>4,971,131</u>
Ending cash on hand and investments	<u>\$ 4,948,311</u>	<u>\$ 5,942,170</u>

Contacting the Authority’s Financial Management

This financial report is designed to discuss issues that may be material to the operation of the Authority. If you have any questions about this report, please contact Harris County Community Services Department, 8410 Lantern Point Dr. Houston, Texas 77054.

HARRIS COUNTY REDEVELOPMENT AUTHORITY
STATEMENT OF NET POSITION - GOVERNMENTAL ACTIVITIES
SEPTEMBER 30, 2024

	<u>Total</u>
ASSETS	
Cash	\$ 1,483,913
Investments, at fair value	3,464,398
Lease receivable	464,741
Due from Harris County Housing Finance Corporation	925,430
Capital assets, land	<u>3,484,800</u>
Total assets	<u><u>\$ 9,823,282</u></u>
LIABILITIES	
Accounts payable and accrued liabilities	<u>\$ 77,958</u>
Total liabilities	<u><u>\$ 77,958</u></u>
DEFERRED INFLOWS OF RESOURCES	
Deferred lease revenue	<u>\$ 1,376,129</u>
Total deferred inflows of resources	<u><u>\$ 1,376,129</u></u>
NET POSITION	
Invested in capital assets	3,484,800
Restricted	14,042
Unrestricted	<u>4,870,353</u>
Total net position	<u><u>\$ 8,369,195</u></u>

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

HARRIS COUNTY REDEVELOPMENT AUTHORITY
STATEMENT OF ACTIVITIES - GOVERNMENTAL ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2024

	<u>Total</u>	<u>General Government</u>	<u>Economic & Community Development</u>
EXPENSES			
Administrative	\$ 506,603	\$ 506,603	\$ -
Professional fees	258,300	-	258,300
Grants	4,838,686	-	4,838,686
Community services-homeless programs	<u>372,207</u>	<u>-</u>	<u>372,207</u>
Total expenses	<u>5,975,796</u>	<u>506,603</u>	<u>5,469,193</u>
GENERAL REVENUES			
Property tax increments	6,520,758		
Grant proceeds	3,484,800		
Investment earnings	234,335		
Other revenues	<u>20,658</u>		
Total general revenues	<u>10,260,551</u>		
Change in net position	4,284,755		
Net position, beginning of year	<u>4,084,440</u>		
Net position, end of year	<u><u>\$ 8,369,195</u></u>		

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

**HARRIS COUNTY REDEVELOPMENT AUTHORITY
BALANCE SHEET - GOVERNMENTAL FUNDS
SEPTEMBER 30, 2024**

	General Fund	Springwoods 381 Fund	Total
ASSETS			
Cash	\$ 1,483,713	\$ 200	\$ 1,483,913
Investments, at fair value	3,463,562	836	3,464,398
Lease receivable	28,800	-	28,800
Total assets	<u>\$ 4,976,075</u>	<u>\$ 1,036</u>	<u>\$ 4,977,111</u>
LIABILITIES			
Accounts payable and accrued liabilities	\$ 77,958	\$ -	\$ 77,958
Total liabilities	<u>77,958</u>	<u>-</u>	<u>77,958</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred lease revenue	28,084	-	28,084
Total deferred inflows of resources	<u>28,084</u>	<u>-</u>	<u>28,084</u>
FUND BALANCE			
Restricted	716	-	716
Unrestricted	4,869,317	1,036	4,870,353
Total fund balance	<u>4,870,033</u>	<u>1,036</u>	<u>4,871,069</u>
Total liabilities, deferred inflows of resources, and fund balance	<u>\$ 4,976,075</u>	<u>\$ 1,036</u>	<u>\$ 4,977,111</u>

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

**HARRIS COUNTY REDEVELOPMENT AUTHORITY
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2024**

Total fund balance, governmental funds	\$	4,871,069
---	----	-----------

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not current financial resources and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Position.		3,484,800
---	--	-----------

Deferred lease revenues and lease receivables are not available to pay current obligations and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Position.

Lease receivable		435,941
Due from Harris County Housing Finance Corporation		925,430
Deferred lease revenue		(1,348,045)

Net position of governmental activities	\$	8,369,195
--	-----------	------------------

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

**HARRIS COUNTY REDEVELOPMENT AUTHORITY
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2024**

	General Fund	Springwoods 381 Fund	Total
REVENUES			
Property tax increments	\$ 565,452	\$ 5,955,306	\$ 6,520,758
Grant proceeds	3,484,800	-	3,484,800
Investment earnings	234,290	45	234,335
Other revenues	7,332	-	7,332
Total revenues	4,291,874	5,955,351	10,247,225
EXPENDITURES			
General government	77,075	372,207	449,282
Economic development	3,743,100	4,838,686	8,581,786
Community services - homeless programs	-	372,207	372,207
Other expenses	57,321	-	57,321
Total expenditures	3,877,496	5,583,100	9,460,596
Revenues over expenditures	414,378	372,251	786,629
Other Financing Sources (Uses)			
Transfer from (to) other funds	372,207	(372,207)	-
FUND BALANCES			
Beginning of year	4,083,448	992	4,084,440
End of year	\$ 4,870,033	\$ 1,036	\$ 4,871,069

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

**HARRIS COUNTY REDEVELOPMENT AUTHORITY
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2024**

Net change in fund balances, total governmental funds	\$	786,629
--	-----------	----------------

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures; however, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation and amortization expense.		3,484,800
--	--	-----------

Some expenses reported in the Statement of Activities do not require the use of current financial resources, and are therefore not reported as expenditures in governmental funds.

Lease receivable		435,941
Due from Harris County Housing Finance Corporation		925,430
Deferred lease revenue		(1,348,045)
		(1,348,045)

Change in net position of governmental activities	\$	4,284,755
--	-----------	------------------

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

HARRIS COUNTY REDEVELOPMENT AUTHORITY

NOTES TO BASIC FINANCIAL STATEMENTS

1. Organization and Nature of Operations

The Harris County Redevelopment Authority (the "Authority") is a non-profit public corporation established on November 29, 2012, with the approval of the Commissioners Court of Harris County, Texas, pursuant to Subchapter D of Chapter 31 of the Texas Transportation Act. The Authority was established to aid, assist and act on behalf of Harris County in the performance of its governmental functions. The Authority is specifically tasked with 1) promoting and encouraging community development and redevelopment, maintaining employment, and commerce on behalf of the County and 2) the administration and implementation of the Greater Houston Tax Increment Zone 24 ("TIRZ 24") and Chapter 381 Agreements within Harris County.

In accordance with Government Accounting Standards Board ("GASB") Statement No. 14, *The Financial Reporting Entity* ("GASB 14"), as amended by GASB Statement No. 61, *The Financial Reporting Entity: Omnibus* ("GASB 61"), the Authority is a component unit of Harris County, Texas for financial reporting purposes; the Authority does not have any component units. Pursuant Chapter 391, of the Texas Local Government Code the Authority is a nonprofit public corporation in the State of Texas and governed by an appointed seven-member board.

As required by generally accepted accounting principles in the United States of America ("U.S. GAAP"), the financial statements of the reporting entity include those of the Authority and its component units in conformity with GASB 14, GASB Statement No. 39, Determining Whether Certain Organizations are Component Units ("GASB 39"), GASB 61, and GASB Statement No. 80, Blending Requirements for Certain Component Units ("GASB 80"), clarifies the financial statement presentation requirements for certain component units which are incorporated as not-for-profit entities.

In accordance with these standards, the financial reporting entity consists of the Authority and its component units, HCRDA Upland GP, LLC ("Upland GP") and HCRDA Upland Landowner, LLC ("Upland Landowner"). Upland GP and Upland Landowner are legally separate entities for which the elected officials of the Authority are financially accountable, or the relationship to the Authority is such that exclusion would cause the Authority's financial statements to be misleading. Upland GP and Upland Landowner, although legally separate entities, are, in substance, part of the Authority's operations, so data from Upland GP and Upland Landowner are combined with data of the Authority.

The criteria used to determine whether an organization is a component unit of the Authority and whether it is a blended component unit includes: financial accountability of the Authority for the component unit, whether the Authority appoints a voting majority of the entity's governing board, the ability to impose the Authority's will on the component unit, fiscal dependency criterion, if it is a financial benefit to or burden on the Authority, and whether services are provided entirely or almost entirely to the Authority.

For financial reporting purposes, Upland GP and Upland Landowner are included in the operations and activities of the Authority as a blended component unit. Upland GP and Upland Landowner commenced principal operations during the year ended September 30, 2024. The basic financial statements include all activities of the Authority and its component units other than those associated with the mortgage and bond-related activities of the bond issuances.

The Authority has contracted with consultants to provide services to operate and administer the affairs of the Authority. The Authority has no employees, related payroll or pension costs. The Authority's Board of Directors held its first meeting on December 12, 2012 and has held at least one meeting each year since its inception.

A description of the Authority's major programs and operations are as follows:

381 Agreement

The Authority is responsible for a 381 Agreement with Harris County Improvement District 18 ("HCID 18") for the master planned community development known as Springwoods Village in north Harris County and has incurred costs related to the creation of the TIRZ 24 which was created to facilitate community development in Houston's eastern downtown and the NRG (formerly Reliant) Park areas. See Note 7 for additional information.

HARRIS COUNTY REDEVELOPMENT AUTHORITY

NOTES TO BASIC FINANCIAL STATEMENTS

1. Organization and Nature of Operations, continued

Multifamily Project

The Authority, through Upland GP, partners with third-parties to facilitate the acquisition, rehabilitation and operation of low- and moderate-income multi-family apartment complexes located within the jurisdictions of the Authority's sponsoring political subdivisions. The Authority receives federal grant to fund the project. The Authority serves as the general partner, through Upland GP, and landowner, through Upland Landowner, of the project and receive compensation in the form of lease revenue. The Authority may also serve as the contractor for the rehabilitation of the project and receive developer fees and general contractor fees as compensation.

2. Summary of Significant Accounting Policies

The Authority complies with accounting principles generally accepted in the United States of America ("U.S. GAAP") and applies all relevant GASB pronouncements. Proprietary funds apply Financial Accounting Standards Board pronouncements and Accounting Principles Board opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails.

Financial Statement Presentation

These financial statements are presented in accordance with GASB Statement No. 34 – *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. Accordingly, these financial statements include the following:

- A Management's Discussion and Analysis ("MD&A") section providing management's analysis of the Authority's overall financial position and changes in financial position.
- Government-wide financial statements prepared using the accrual basis of accounting for the Authority's governmental activities.
- Fund financial statements focusing on the major funds.

Government-Wide Financial Statements

Government-wide financial statements display information about the Authority as a whole. These statements focus on the sustainability of the Authority as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. These statements consist of the *Statement of Net Position* and the *Statement of Activities*.

In the government-wide statement of net position, governmental activities are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations.

The statement of activities presents a comparison between direct expenses and program revenues for each function or program of the Authority's governmental activities. Direct expenses are those that are specifically associated with a function or program and, therefore, are clearly identifiable to a particular function or program. Function or program revenues include amounts charged for goods or services and grant awards that are restricted to meeting the operational or capital requirements of a particular function or program. Revenues that are not classified as function or program revenues, such as investment earnings, are presented as general revenues.

Fund Financial Statements

Financial statements of the Authority are organized into funds, each of which is considered to be a separate accounting entity. Funds are accounted for in separate sets of self-balancing accounts reflecting their respective assets, liabilities, fund equity, revenues, and expenditures/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. Each of the fund statements should report separate columns for the general fund and for other major governmental and enterprise funds. A fund is considered major if it meets both of the following criteria:

HARRIS COUNTY REDEVELOPMENT AUTHORITY

NOTES TO BASIC FINANCIAL STATEMENTS

2. Summary of Significant Accounting Policies, continued

Fund Financial Statements, continued

- (a) Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental or enterprise fund are at least 10% of the corresponding total for all funds of that category or type; and
- (b) The element that met the 10% criteria above is at least 5% of the aggregate amount for all governmental and enterprise funds.

Any other fund may be reported as a major fund, whether or not it meets the criteria in both (a) and (b) above, if the Authority believes that the fund is particularly important to financial statement users. Currently, the Authority uses two funds: the General Fund and the Springwoods 381 Fund, which are both considered major funds. Expenditures include costs associated with the creation and operation of the Authority. Fund financial statements are the *Balance Sheet* and the *Statement of Statement of Revenues, Expenditures and Changes in Fund Balance*.

The following is a description of the funds used by the Authority:

- The General Fund is used to account for the general operations of the Authority and all financial transactions not reported in other fund. During the current fiscal period, the General Fund's principal financial resources were from property tax increments. Expenditures include costs associated with the operation of the Authority and TIRZ 24.
- The Springwoods 381 Fund is a special revenue fund used to account for the Authority's Section 381 Agreement with HCID 18. This fund's primary financial resources are from property tax increments.

Use of Estimates

The process of preparing financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect reported amounts of certain assets, liabilities, revenues and expenses. Management believes its estimates and assumptions are reasonable; however, actual results could differ from those estimates.

Cash and Cash Equivalents

The Authority considers all cash and short term, highly liquid investments with original maturities of three months or less to be cash and cash equivalents, respectively. The Authority maintains demand deposits with financial institutions that are insured by the Federal Deposit Insurance Corporation ("FDIC").

Investments

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

The Authority has adopted a written investment policy to establish the principles by which the Authority's investment program should be managed. This policy further restricts the types of investments in which the Authority may invest.

HARRIS COUNTY REDEVELOPMENT AUTHORITY

NOTES TO BASIC FINANCIAL STATEMENTS

2. Summary of Significant Accounting Policies, continued

Interfund Balances

In the ordinary course of operations, transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as “due from other funds” and “due to other funds”, respectively, are reported in the statement of net position.

Lease

The Authority accounts for leases pursuant to the guidance of GASB Statement No. 87 – *Leases*, which requires lessees to establish a right-of-use (“ROU”) lease asset and corresponding lease liability for most operating leases. ROU lease assets are amortized over the term of the lease. Under GASB Statement No. 87, lessors are required to establish a lease receivable and corresponding deferred lease revenue to be recognized over the term of the lease.

Capital Assets, Land

Land is recorded at historical cost and are not depreciated since it is inexhaustible.

Net Position

GASB Statement No. 34 – *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments* establishes standards for external financial reporting for all state and local government entities including a statement of net position and a statement of activities. It requires the classification of net position of enterprise funds into three components: invested in capital assets, net of related debt, restricted and unrestricted.

These classifications are defined as follows:

- Invested in capital assets, net of related debt – 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 improvement of those assets. Net position invested in capital assets at September 30, 2024 relate to parcels of contributed land to be used to maintain affordable housing in the City. See Notes 1, 5, and 6.
- Restricted – This component of net position consists of restricted assets, reduced by liabilities and deferred inflows of resources related to those assets, upon which constraints have been externally 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 – This component of net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

Fund Balances – Governmental Funds

Governmental accounting standards establish the following fund balance classifications:

Non-spendable - amounts that cannot be spent either because they are in non-spendable form or because they are legally or contractually required to be maintained intact. The Authority does not have any non-spendable 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 imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

HARRIS COUNTY REDEVELOPMENT AUTHORITY

NOTES TO BASIC FINANCIAL STATEMENTS

2. Summary of Significant Accounting Policies, continued

Fund Balances – Governmental Funds, continued

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. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements. The Authority does not have any committed fund balances.

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

Unassigned - all other spendable amounts in the General Fund.

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

Revenue Recognition

The Authority generates revenue from a variety of sources, including fees that arise from developer fees and general contractor fees. Such revenues are generally recognized when the services are provided and the associated eligibility requirements are met.

The Authority also recognizes property tax increment revenues. Property tax increment revenues are paid to the Authority by the District pursuant to the Interlocal Participation Agreement discussed in Note 7 with Harris County and the City of Houston and are derived from property taxes for Harris County and the Harris County Flood Control District. Property tax increments are recognized as revenues in the year for which they are levied.

The Authority recognizes revenues from ARPA grant as a subrecipient from Harris County Housing Finance Corporation ("HCHFC"), another component unit of Harris County, Texas, and lease income from the multifamily project and an affordable housing program sponsored by the City which are recognized pursuant to GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions* ("GASB 33"). Pursuant to GASB 33, revenues and expenditures are recognized when all applicable eligibility requirements are met. See Note 5 for additional information.

Deferred Inflows of Resources

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. This represents an acquisition of net position that applies to the performance of obligations in future periods and will not be recognized as revenues until the performance obligation has been fulfilled.

Deferred inflows consist of deferred lease revenue. Deferred lease revenue represents the discounted value of future payments pursuant to the terms of a lease pursuant to GASB 87. See Note 5. Leases relate to future payments for the use of land and are recognized over the term of the agreement.

Income Taxes

No income tax provision has been included in the financial statements since the Authority is a Texas public not-for-profit instrument of the local government; thus, its revenues are non-taxable for federal income tax purposes under section 115 of the IRC.

Fair Value Measurements

The Authority categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

HARRIS COUNTY REDEVELOPMENT AUTHORITY

NOTES TO BASIC FINANCIAL STATEMENTS

2. Summary of Significant Accounting Policies, continued

Fair Value Measurements, continued

As of September 30, 2024, investment securities, consisting of government investment pools, are measured at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Unrealized and realized gains and losses on investments, dividends and interest income are reported in the statement of activities as increases or decreases in net position.

Concentration of Credit Risk

Financial instruments which potentially subject the Authority to concentrations of credit risk consist principally of cash and investments. The Authority maintains its cash and investments with major financial institutions selected based upon management's assessment of the institution's financial stability.

As of September 30, 2024, all of the Authority's demand deposits were either insured by the FDIC or collateralized with obligations of the United States of America or its agencies and instrumentalities or local government rated securities. All of the financial investments are held in creditworthy financial institutions in the name of the Authority which protects against credit risk of the financial institution holding the investments. Balances at these institutions periodically exceed FDIC limits; however, the Authority has not experienced any losses from these deposits and management believes the risk of loss is minimal due to the strength of the financial institutions in which the funds are held.

Investment Credit and Interest Rate Risk

Investment credit risk is the risk that the investor may not recover the value of an investment from the issuer, while interest rate risk is the risk that the value of an investment will be adversely affected by changes in interest rates. The Authority's investment policies do not address investment credit and interest rate risk beyond the rating and maturity restrictions established by state statutes.

Risk Management

The Authority is exposed to various risks of loss related to torts: theft of, damage to and destruction of assets; errors and omissions; and personal injuries. The risk of loss is covered by commercial insurance.

Recently Issued Accounting Pronouncements

GASB Statement No. 100, Accounting Changes and Error Corrections – an amendment to GASB Statement No. 62. This statement enhances accounting and financial reporting requirements or accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. GASB 100 will be adopted by the Authority in fiscal year 2025 and the impact has not yet been determined.

3. Investments

The Board of Directors of the Authority adopted an investment policy pursuant to Chapter 2256 of the Texas Government Code (the "Code"), and authorized investments generally include obligations of the United States of America or its agencies and instrumentalities; fully collateralized certificates of deposit from approved public depositories; direct obligations of the State of Texas or its agencies and instrumentalities; 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 of America or their respective agencies and instrumentalities; fully collateralized repurchase agreements; and other instruments and obligations authorized by the Code.

TexSTAR

The Authority participates in Texas Short Term Asset Reserve fund ("TexSTAR") which is managed by Hilltop Securities, Inc., and J.P. Morgan Investment Management, Inc. Hilltop Securities provides participant and marketing services while J.P. Morgan provides investment management services. Custodial and depository services are provided by J.P. Morgan Chase Bank N.A. or its subsidiary.

HARRIS COUNTY REDEVELOPMENT AUTHORITY

NOTES TO BASIC FINANCIAL STATEMENTS

3. Investments, continued

TexSTAR, continued

The Authority's investment in TexSTAR is reported at fair value because TexSTAR uses fair value to report investments. Investments in TexSTAR may be withdrawn via wire transfer on a same day basis, as long as the transaction is executed by 4 p.m. ACH withdrawals made by 4 p.m. will settle on the next business day.

Texas CLASS

The Authority also participates in Texas Cooperative Liquid Assets Securities System ("Texas CLASS"). Texas CLASS is managed by an elected Board of Trustees consisting of members of the pool. Additionally, the Board of Trustees has established an advisory board, the function of which is to provide guidance on investment policies and strategies. The Board of Trustees has selected Public Trust Advisors, LLC as the program administrator and UMB Bank N.A. as the custodian.

The Authority's investment in Texas CLASS is reported at fair value because Texas CLASS uses fair value to report investments (other than repurchase agreements which are valued at amortized cost). The Authority's investment in Texas CLASS is measured using published fair value per share. Investments in Texas CLASS may be withdrawn via wire transfer on a same day basis, as long as the transaction is executed by 4 p.m. ACH withdrawals made by 4 p.m. will settle on the next business day.

The following is a summary of the Authority's investments at September 30, 2024:

	<u>Carrying Value</u>	<u>Percentage of Total</u>	<u>Rating</u>	<u>Weighted Average Maturity</u>
TexSTAR:				
General Fund	\$ 1,147,841	33%	AAAm	36 days
Texas CLASS:				
General Fund	2,315,721			
Springwoods 381 Fund	<u>836</u>			
Total Texas CLASS	<u>2,316,557</u>	<u>67%</u>	AAAm	12 days
Total investments	<u>\$ 3,464,398</u>	<u>100%</u>		

Investments are reported at fair value in accordance with GASB 72, *Fair Value Measurement and Application*, which defines fair value, establishes a framework for measuring fair value, and establishes disclosures about fair value measurements. GASB 72 establishes a hierarchical disclosure framework which prioritizes and ranks the level of market price observability used in measuring investments at fair value. Market price observability is impacted by a number of factors, including the type of investment and the specific characteristics of the investment. Fair value represents the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Investments with readily available actively quoted prices or for which fair value can be measured from actively quoted prices generally will have a higher degree of market price observability and lesser degree of judgment used in measuring fair value.

Investments measured and reported at fair value are classified and disclosed in one of the following categories:

Level 1 – Investments traded in an active market with available quoted prices for identical assets as of the reporting date.

Level 2 – Investments not traded on an active market but for which observable market inputs are available for an asset, either directly or indirectly, as of the reporting date.

Level 3 – Investments not traded in an active market and for which no significant observable market inputs are available as of the reporting date.

HARRIS COUNTY REDEVELOPMENT AUTHORITY

NOTES TO BASIC FINANCIAL STATEMENTS

3. Investments, continued

The Authority has established a framework to consistently measure the fair value of the Authority's assets and liabilities in accordance with applicable accounting, legal, and regulatory guidance. This framework has been provided by establishing valuation policy and procedures that will provide reasonable assurance that assets and liabilities are carried at fair value. In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. The Authority's assessment of the significance of a particular input to the fair value measurement requires judgment and considers factors specific to the investment. As of September 30, 2024, the Authority valued the government investment at net asset value provided by the custodians.

4. Interfund Balances and Transactions

Amounts reported as due to/from between funds are considered temporary loans needed for normal operations and will be repaid during the following fiscal year. During the year ended September 30, 2024, the Authority recorded an internal balance and transfer of \$372,207 for the portion of the tax increment from HCID 18 designated for the Authority's costs as presented below:

	<u>Interfund Balances</u>	
	<u>Other Financial Source</u>	<u>Other Financial Use</u>
General Fund	\$ 372,207	\$ -
Springwoods 381 Fund	-	372,207
Net change in fund balance	<u>\$ 372,207</u>	<u>\$ 372,207</u>

5. Capital Assets, Land and Leases

On August 29, 2024, the Authority, through its 95% ownership interest subsidiary Upland GP, entered into a partnership agreement with Upland Housing Development, LP (the "Upland Partnership") and serves as the general partner. The Authority also, through its wholly owned subsidiary Upland Landowner leases a land to the Upland Partnership to facilitate the acquisition, rehabilitation and operation of low- and moderate-income multi-family apartment complexes located within the jurisdictions of the Corporation's sponsoring political subdivisions (collectively "Upland Project"). During the year ended September 30, 2024, the Authority was awarded and entered into a federal grant agreement for \$3,484,800 as a subrecipient to fund the Upland Project and the proceed was funded and used to acquire the land to lease to the Upland Partnership. As of September 30, 2024, the Authority recorded the capital assets, land in the statement of net position – governmental activities.

The Upland Landowner, as lessor, entered into a 99-year ground lease agreement ("The Upland Ground Lease") with Upland Partnership. The lease requires an upfront rent of \$925,430 and annual lease payments of \$28,800 on September 1, 2025 and each anniversary of the ground lease through maturity on September 1, 2123. As the interest rate implicit in the ground lease is not readily determinable, the Authority estimates the interest rate utilizing the prevailing rates for similar instruments to discount the lease payments.

The Partnership paid the upfront rent of \$925,430 to HCHFC as the Authority is the subrecipient of HCHFC's ARPA grant. As of September 30, 2024, the Authority has recorded lease receivable of \$464,741, due from HCHFC of \$925,430, and a corresponding deferred lease revenue of \$1,376,129, in the statement of net position – governmental activities. As of September 30, 2024, the Authority has recorded lease receivable and corresponding deferred lease revenue related to the Upland Ground lease of \$28,800 and \$28,084, respectively, in the balance sheet – governmental funds. During the year ended September 30, 2024, lease income of \$14,042 and \$716 were recognized as other revenues in the statement of activities – governmental activities and statement of revenues, expenditures, and changes in fund balance – governmental funds for the year ended September 30, 2024, respectively.

HARRIS COUNTY REDEVELOPMENT AUTHORITY

NOTES TO BASIC FINANCIAL STATEMENTS

5. Capital Assets, Land and Leases, continued

Minimum lease payments receivable are as follows:

Year Ending September 30,	Principal	Interest	Total
2025	\$ 28,800	\$ -	\$ 28,800
2026	27,018	1,782	28,800
2027	25,347	3,453	28,800
2028	23,779	5,021	28,800
2029	22,308	6,492	28,800
2030-2034	92,472	51,528	144,000
2035-2039	67,197	76,803	144,000
2040-2044	48,831	95,169	144,000
2045-2049	35,484	108,516	144,000
2050-2054	25,785	118,215	144,000
2055-2059	18,738	125,262	144,000
2060-2064	13,616	130,384	144,000
2065-2069	9,895	134,105	144,000
2070-2074	7,190	136,810	144,000
2075-2079	5,225	138,775	144,000
2080-2084	3,797	140,203	144,000
2085-2089	2,759	141,241	144,000
2090-2094	2,005	141,995	144,000
2095-2099	1,457	142,543	144,000
2100-2104	1,059	142,941	144,000
2105-2109	769	143,231	144,000
2110-2113	559	143,441	144,000
2115-2119	406	143,594	144,000
2120-2123	243	114,957	115,200
Total	<u>\$ 464,741</u>	<u>\$ 2,386,459</u>	<u>\$ 2,851,200</u>

6. Liquidity

The Authority is substantially supported by property tax increment revenues which are not subject to restrictions; thus, all financial assets are available for general expenditure within one year. As part of the Authority's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

7. Development Agreements

Harris County Improvement District No. 18 (Springwoods 381)

On December 12, 2012, the Authority entered into a 381 Agreement (the "381 Agreement") with Harris County and Harris County Improvement District No. 18 (the "District"), whereby the District will construct the infrastructure necessary to support development within the boundaries of the District and the County will facilitate this development by rebating a portion of the County's tax revenue generated as a result of new development in the District. As part of the 381 Agreement, the Authority will retain 5% of the tax revenue generated for operating and administrative expenses and is obligated to remit the remainder of the revenues to the District and the Harris County Community Services Department; 65% and 10% respectively. These rebated tax revenues will be used by the District to finance certain major thoroughfare roads and certain park improvements within the District.

HARRIS COUNTY REDEVELOPMENT AUTHORITY

NOTES TO BASIC FINANCIAL STATEMENTS

7. Development Agreements, continued

Harris County Improvement District No. 18 (Springwoods 381), continued

The 381 Agreement obligates the County to rebate up to \$82,000,000, plus interest, to the District to finance these improvements. The term of the 381 Agreement is through the tax year ending December 31, 2042. During the year ended September 30, 2024, the Authority remitted \$4,838,686 of rebated tax revenues to the District and Harris County Community Services Department, respectively, pursuant to the 381 Agreement.

City of Houston, Tax Increment Reinvestment Zone No. 24

The City of Houston approved the creation of Tax Increment Reinvestment Zone No. 24 ("TIRZ 24") on December 18, 2012. On June 13, 2014, the Authority's board approved an Operating (Tripartite) Agreement (the "Tripartite Agreement") with TIRZ 24 and the City of Houston. The Tripartite Agreement established the Authority's responsibility to manage and account for the operations of TIRZ 24.

On that same date, the Authority entered into an Interlocal (Participation) Agreement ("Participation Agreement") with the City of Houston, the County and TIRZ 24 that specified the City and County's level of participation in community development activities within TIRZ 24.

The Participation Agreement also established a 2014 "base year" in determining the change in taxable values of property located within TIRZ 24 as it relates to the County's participation. It is expected that the Authority will receive 65% of the tax increment collections attributable to the County's participation, plus interest. Effective December 2022, the County's participation was increased from 5% to 75%. This amount is ultimately remitted to TIRZ 24 for use according to the approved TIRZ "plan" document. Additionally, the Agreement stipulates that the Authority will receive 5% additional increment to be retained by the Authority for operating and administrative expenses and another 10% which is to be remitted to the Harris County Community Services Department for homeless initiatives and administration; 5% each. These additional amounts are exclusive of the TIRZ "plan" and are not subject to section 311 of the Texas Local Government Code. The Agreement also stipulates TIRZ 24 board of directors are appointed by the City of Houston, with the County having continuing and unequivocal right to recommend nomination and appointment of five board members and exclusive right to appoint one board member without action by the City. The TIRZ 24 board is substantively the same as the Authority's board of directors. During the year ended September 30, 2024, the Authority remitted \$7,350,876 of tax increments to TIRZ 24 pursuant to the Participation Agreement.

In November of 2014, the Authority board approved and entered into a development agreement with the City of Houston and the TIRZ 24 for reimbursing eligible public infrastructure costs in the development of an area within TIRZ 24 known as Buffalo Pointe. The only matter effecting the Authority regarding the Reimbursement Agreement is the responsibility to administer the fiscal affairs of the Reimbursement Agreement on behalf of the TIRZ.

8. Subsequent Events

On November 26, 2024, the Authority entered into a \$3.8 million note receivable with HCHFC Burnett Street Landowner, LLC, another component unit of HCHFC, with 1% interest rate that will be maturing on November 26, 2039 for temporary funding for HCHFC's multifamily project. The Authority has evaluated all subsequent events through February 20, 2025, which is the date the financial statements were issued, and has concluded that there are no other significant events to be reported.

SUPPLEMENTARY FINANCIAL SCHEDULES AND INFORMATION
(Unaudited)

**HARRIS COUNTY REDEVELOPMENT AUTHORITY
SUMMARY BUDGETARY COMPARISON SCHEDULE - CASH BASIS
FOR THE YEAR ENDED SEPTEMBER 30, 2024**

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES			
Property tax increments	\$ 6,549,471	\$ 6,520,758	\$ (28,713)
Investment earnings and others	<u>225,886</u>	<u>240,951</u>	<u>15,065</u>
Total revenues	<u>6,775,357</u>	<u>6,761,709</u>	<u>(13,648)</u>
EXPENDITURES			
General government	484,612	467,179	(17,433)
Economic development	5,563,208	5,096,986	(466,222)
Community services - homeless programs	<u>379,862</u>	<u>372,207</u>	<u>(7,655)</u>
Total expenditures	<u>6,427,682</u>	<u>5,936,372</u>	<u>(491,310)</u>
REVENUES OVER (UNDER) EXPENDITURES	347,675	825,337	477,662
FUND BALANCE (CASH)			
Beginning of year	<u>4,122,938</u>	<u>4,122,974</u>	<u>36</u>
End of year	<u><u>\$ 4,470,613</u></u>	<u><u>\$ 4,948,311</u></u>	<u><u>\$ 477,698</u></u>

HARRIS COUNTY REDEVELOPMENT AUTHORITY

NOTES TO SUMMARY BUDGETARY COMPARISON SCHEDULE

1. Budgets and Budgetary Accounting

On April 27, 2022, the Authority adopted a consolidated cash basis budget for all funds. The primary differences between this method and the method used for the modified accrual GAAP based financial statements are that, under the cash basis, revenues are recognized when received and expenditures are recognized when paid.

2. Reconciliation to GAAP Based Financial Statements

Following is a reconciliation of actual financial resources and uses of financial resources on the budgetary basis of accounting to actual revenues, other financing sources and other items and expenditures and other financing uses to the GAAP basis financial statements:

	<u>General Fund</u>	<u>Springwoods 381 Fund</u>
Actual total financing resources – budgetary basis	\$ 6,761,709	\$ -
Adjustment for lease receivable	28,800	-
Adjustment for deferred lease revenue	(28,084)	-
Non-cash grant revenue used in purchase of land	3,484,800	-
Reclassification of tax increment revenue and investment earnings	<u>(5,955,351)</u>	<u>5,955,351</u>
Actual total revenues, other financing sources, and other items – GAAP basis	<u>\$ 4,291,874</u>	<u>\$ 5,955,351</u>
	<u>General Fund</u>	<u>Springwoods 381 Fund</u>
Actual total uses of financial resources – budgetary basis	\$ 353,272	\$ 5,583,100
Adjustment for other accrued liabilities	39,424	-
Non-cash grant revenue used in purchase of land	<u>3,484,800</u>	<u>-</u>
Actual total expenditures and other financing uses – GAAP basis	<u>\$ 3,877,496</u>	<u>\$ 5,583,100</u>

SCHEDULE OF EXPENDITURES OF FEDERAL AWARD

**HARRIS COUNTY REDEVELOPMENT AUTHORITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARD
FOR THE YEAR ENDED SEPTEMBER 30, 2024**

Federal or State Grantor/Pass-through Grantor/ Program Title	Federal ALS Number	Pass-through Grantor Number	Expenditures
U.S. Department of Treasury			
Pass-Through Programs from Harris County, TX			
Coronavirus State and Local Fiscal Recovery			
Funds ("ARPA")	21.027	ZYSQLLDW37F1	<u>3,484,800</u>
Total expenditures under federal grants			<u><u>\$ 3,484,800</u></u>

See accompanying note to schedule of expenditures of federal awards.

HARRIS COUNTY REDEVELOPMENT AUTHORITY
NOTES TO SCHEDULE of EXPENDITURES OF FEDERAL AWARD

1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activities of the Authority, under programs of the federal government for the year ended September 30, 2024. The information in the Schedule is presented in accordance with the requirements of Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements*, Cost Principals, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Authority, it is not intended to, and does not, present the net position, changes in net position of the Authority. Therefore, amounts presented in the Schedule may differ from amounts presented in, or used in, the preparation of the basic financial statements.

2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

3. Indirect Cost Rates

The Authority did not elect to use the 10-percent de minimis indirect cost rate as allowed by Uniform Guidance.

PART II.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

The Board of Directors
Harris County Redevelopment Authority
Houston, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Harris County Redevelopment Authority (the "Authority"), a component unit of Harris County, Texas), which comprise the governmental activities and each major fund of the Authority as of and for the year ended September 30, 2024, and the related notes to the financial statements, which collectively which comprise the Authority's basic financial statements as listed in the table of contents, and have issued our report thereon dated February 20, 2025.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weakness may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS, continued

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Hann, Langston & Brezina, LLP

Houston, Texas
February 20, 2025

PART III.

**INDEPENDENT AUDITOR'S REPORT ON
COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE *UNIFORM GUIDANCE***

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE *UNIFORM GUIDANCE*

The Board of Directors
Harris County Redevelopment Authority
Houston, Texas

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Harris County Redevelopment Authority's (the "Authority") compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Authority's major federal program for the year ended September 30, 2024. The Authority's major federal program is identified in the Summary of Independent Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

In our opinion, the Authority complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal program for the year ended September 30, 2024.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America ("U.S. GAAS"); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States ("Government Auditing Standards"); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Authority and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Authority's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contract or grant agreement applicable to the Authority's federal program.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Authority's compliance based on our audit. 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 GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgement made by a reasonable user of the report on compliance about the Authority's compliance with the requirements of each major federal program as a whole.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE *UNIFORM GUIDANCE*, continued

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 Authority's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Authority's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal or state program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal or state program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal or state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that might be material weakness or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the *Uniform Guidance*. Accordingly, this report is not suitable for any other purpose.

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL
CONTROL OVER COMPLIANCE REQUIRED BY THE *UNIFORM GUIDANCE*, continued**

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the Authority as of and for the year ended September 30, 2024, and have issued our report thereon dated February 20, 2025, which contained an unmodified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

Hann, Langston & Brezina, LLP

Houston, Texas
February 20, 2025

PART IV.

**SCHEDULE OF FINDINGS AND
QUESTIONED COSTS**

**HARRIS COUNTY REDEVELOPMENT AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2024**

SECTION I – SUMMARY OF INDEPENDENT AUDITOR'S RESULTS

FINANCIAL STATEMENTS

Type of independent auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness identified? ☐ Yes ☒ No
- Significant deficiency identified that is not considered to be a material weakness? ☐ Yes ☒ No

Noncompliance material to financial statements noted? ☐ Yes ☒ No

FEDERAL AWARDS

Internal control over major programs:

- Material weakness identified? ☐ Yes ☒ No
- Significant deficiency identified that is not considered to be a material weakness? ☐ Yes ☒ No

Type of independent auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with *Uniform Guidance* or *Uniform Grants Management Standards*? ☐ Yes ☒ No

Identification of major program:

<i>Name of Federal Program</i>	<i>CFDS Number</i>
U.S. Department of Treasury Coronavirus State and Local Fiscal Recovery Funds (ARPA)	21.027

Dollar threshold used to distinguish between type A and type B programs: \$ 750,000

Auditee qualified as low-risk auditee? ☐ Yes ☒ No

**HARRIS COUNTY REDEVELOPMENT AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2024**

SECTION II – FINANCIAL STATEMENT FINDINGS

There were no findings related to the financial statements which are required to be reported in accordance with generally accepted government auditing standards (“GAGAS”).

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

FEDERAL AWARD FINDINGS

There were no findings related to the schedule of expenditures of federal and state awards which are required to be reported in accordance with Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements*, Cost Principals, and Audit Requirements for Federal Awards (“Uniform Guidance”).

FEDERAL AWARD QUESTIONED COSTS

There were no questioned costs related to the schedule of expenditures of federal and state awards which are required to be reported in accordance with Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements*, Cost Principals, and Audit Requirements for Federal Awards (“Uniform Guidance”).

SECTION IV – SCHEDULE OF PRIOR YEAR FINDINGS

There were no findings related to the schedule of expenditures of federal awards for the year ended December 31, 2023 which are required to be reported in accordance with Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements*, Cost Principals, and Audit Requirements for Federal Awards (“Uniform Guidance”).