

**REINVESTMENT ZONE NO. 24
CITY OF HOUSTON, TEXAS**

**(A COMPONENT UNIT OF THE
CITY OF HOUSTON, TEXAS)**

FINANCIAL REPORT

February 28, 2021

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McGRATH & CO., PLLC

Certified Public Accountants
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Independent Auditor's Report

Board of Directors
Reinvestment Zone No. 24, City of Houston, Texas
Houston, Texas

We have audited the accompanying financial statements of the governmental activities and General Fund of Reinvestment Zone No. 24, City of Houston, Texas, as of and for the year ended February 28, 2021, which collectively comprise the basic financial statements as listed in the table of contents, and the related notes to the financial statements.

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 basic 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 basic financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting principles 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 to provide a basis for our audit opinions.

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Board of Directors

***Reinvestment Zone No. 24, City of Houston, Texas
(A Component Unit of the City of Houston, Texas)
Houston, Texas***

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and General Fund of the Reinvestment Zone No. 24, City of Houston, Texas, as of February 28, 2021, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other-Matters

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information 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 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.

McGrath & Co., P.C.C.

Houston, Texas
June 24, 2021

Management's Discussion and Analysis

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**Reinvestment Zone No. 24, City of Houston, Texas
(A Component Unit of the City of Houston, Texas)
Management's Discussion and Analysis
February 28, 2021**

Using this Annual Report

Within this section of the financial report of the Reinvestment Zone No. 24, City of Houston, Texas, also referred to as the Greater Houston Tax Increment Reinvestment Zone No. 24 (the “Zone”, or the “TIRZ”), the Zone’s Board of Directors provides a narrative discussion and analysis of the financial activities of the Zone for the year ended February 28, 2021. 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 Zone’s basic financial statements and
- Notes to the basic financial statements, which provide additional information essential to a full understanding of the data provided in the financial statements.

Government-Wide Financial Statements

The focus of government-wide financial statements is on the overall financial position and activities of the Zone, both long-term and short-term. The Zone’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 Zone’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 Zone as a whole is improving or deteriorating. The *Statement of Activities* reports how the Zone’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 Zone rather than the Zone as a whole, reported using modified accrual accounting. These statements report on the Zone’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 1 in the financial statements.

Financial Analysis of the Zone 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 Zone’s net position at February 28, 2021 was \$18,200,070. Accounting standards establish three components of net position. The net investment in capital assets component represents the Zone’s investments in capital assets, less any outstanding debt or other borrowings used to acquire those assets. The restricted component of net

Reinvestment Zone No. 24, City of Houston, Texas
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Management's Discussion and Analysis
February 28, 2021

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.

A comparative summary of the Zone's overall financial position, as of February 28, 2021 and February 29, 2020 is as follows:

	2021	2020
Current assets	\$ 18,306,810	\$ 13,515,944
Current liabilities	<u>106,740</u>	<u>119,648</u>
Net position		
Unrestricted	<u>18,200,070</u>	<u>13,396,296</u>
Total net position	<u><u>\$ 18,200,070</u></u>	<u><u>\$ 13,396,296</u></u>

The total net position of the Zone increased during the current fiscal year by \$4,803,774. Tax increment revenues for the current period were \$4,760,528. These revenues are primarily based on the change in taxable value of properties located within the Zone's boundaries since the base year and the participating jurisdiction's tax rates. A comparative summary of the Zone's *Statement of Activities* for the past two years is as follows:

	2021	2020
Revenues		
Tax increment revenues	\$ 4,760,528	\$ 5,075,833
Investment income	<u>30,339</u>	<u>136,771</u>
Total revenues	<u><u>4,790,867</u></u>	<u><u>5,212,604</u></u>
Expenses		
Grants	<u><u>69,009</u></u>	
Change in net position before other item	(4,790,867)	(5,143,595)
Other item		
Adjustment to due to other governments	<u>12,907</u>	<u></u>
Change in net position	4,803,774	5,143,595
Net position, beginning of year	<u>13,396,296</u>	<u>8,252,701</u>
Net position, end of year	<u><u>\$ 18,200,070</u></u>	<u><u>\$ 13,396,296</u></u>

**Reinvestment Zone No. 24, City of Houston, Texas
(A Component Unit of the City of Houston, Texas)
Management's Discussion and Analysis
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Financial Analysis of the Zone's General Fund

Fund balance in the Zone's General Fund as of February 28, 2021, was \$13,439,542. A comparative summary of the Zone's General Fund's financial position as of February 28, 2021 and February 29, 2020 is as follows:

	2021	2020
Total assets	<u>\$ 18,306,810</u>	<u>\$ 13,515,944</u>
Total liabilities	\$ 106,740	\$ 119,648
Total deferred inflows	4,760,528	5,075,833
Total fund balance	<u>13,439,542</u>	<u>8,320,463</u>
Total liabilities, deferred inflows and fund balance	<u>\$ 18,306,810</u>	<u>\$ 13,515,944</u>

A comparative summary of the General Fund's activities for the current and prior fiscal year is as follows:

	2021	2020
Total revenues	\$ 5,106,172	\$ 2,230,289
Total expenditures		69,009
Revenues over expenditures	<u>5,106,172</u>	<u>2,161,280</u>
Other changes in fund balance	12,907	
Net change in fund balance	<u>\$ 5,119,079</u>	<u>\$ 2,161,280</u>

General Fund Budgetary Highlights

The Board of Directors adopts an annual unappropriated cash-basis budget for the General Fund each fiscal year. The Board did not amend the budget during the fiscal year. Since the budget is primarily a planning tool, actual results may vary from the budgeted amounts. For the current fiscal year, actual net change in fund balance was \$284,873 greater than budgeted. The *Budgetary Comparison Schedule – Cash Basis* on page 24 of this report provides variance information per financial statement line item.

***Reinvestment Zone No. 24, City of Houston, Texas
(A Component Unit of the City of Houston, Texas)
Management's Discussion and Analysis
February 28, 2021***

Next Year's Budget

In establishing the budget for the next fiscal year, the Board considered various economic factors that may affect the Zone, most notably tax increment revenues. A comparison of next year's cash basis budget to current year cash basis actual amounts for the General Fund is as follows:

	<u>2021 Actual</u>	<u>2022 Budget</u>
Total revenues	\$ 5,106,172	\$ 4,780,847
Total expenditures		(8,051,908)
Revenues over/(under) expenditures	5,106,172	(3,271,061)
Beginning cash on hand	8,440,110	13,546,282
Ending cash on hand	<u>\$ 13,546,282</u>	<u>\$ 10,275,221</u>

Requests for Information

This financial report is designed to provide a general overview of the Zone's finances. Questions concerning any of the information provided in this report or request for additional information should be directed to Harris County Community Services Department, 8410 Lantern Point Drive, Houston, Texas 77054.

Basic Financial Statements

*Reinvestment Zone No. 24, City of Houston, Texas
 (A Component Unit of the City of Houston, Texas)
 Statement of Net Position - Governmental Activities
 February 28, 2021*

Assets

Cash	\$ 255,687
Investments	13,290,595
Due from other governments	4,760,528
Total Assets	18,306,810

Liabilities

Due to other governments	<u>106,740</u>
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Net Position

Unrestricted	18,200,070
Total Net Position	\$ 18,200,070

See notes to the basic financial statements.

*Reinvestment Zone No. 24, City of Houston, Texas
 (A Component Unit of the City Of Houston, Texas)
 Statement of Activities - Governmental Activities
 For the Year Ended February 28, 2021*

Expenses

Total Expenses	\$ _____ -
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General Revenues

Tax increments	4,760,528
Investment earnings	30,339
Total general revenues	<u>4,790,867</u>

Revenues over expenses	4,790,867
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Other Item

Adjustment to due to other governments	<u>12,907</u>
Change in net position	4,803,774

Net Position

Beginning of the year	13,396,296
End of the year	<u>\$ 18,200,070</u>

Reinvestment Zone No. 24, City of Houston, Texas
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Balance Sheet - Governmental Fund
February 28, 2021

	<u>General Fund</u>
Assets	
Cash	\$ 255,687
Investments	13,290,595
Property tax increment due from other governments	4,760,528
Total Assets	<u>\$ 18,306,810</u>
Liabilities	
Due to other governments	\$ 106,740
Deferred Inflows of Resources	
Deferred property tax increment due from other governments	4,760,528
Fund Balance	
Unassigned	13,439,542
Total Liabilities, Deferred Inflows and Fund Balance	<u>\$ 18,306,810</u>

***Reconciliation of the Balance Sheet of the Governmental Funds
to the Statement of Net Position***

Total fund balance, governmental fund - General Fund	\$ 13,439,542
Governmental funds do not report revenues that are not available to pay current obligations. In contrast, such revenues are reported in the <i>Statement of Activities</i> when earned.	4,760,528
Total net position - governmental activities	<u>\$ 18,200,070</u>

See notes to the basic financial statements.

Reinvestment Zone No. 24, City of Houston, Texas

(A Component Unit of the City of Houston, Texas)

Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Funds

For the Year Ended February 28, 2021

	<u>General Fund</u>
Revenues	
Taxes increment	\$ 5,075,833
Investment earnings	30,339
Total Revenues	<u>5,106,172</u>
Expenditures	
Total Expenditures	<u> </u>
Revenues over expenditures	5,106,172
Other Item	
Adjustment to due to other governments	<u>12,907</u>
Net change in fund balances	5,119,079
Fund Balances	
Beginning of the year	<u>8,320,463</u>
End of the year	<u>\$ 13,439,542</u>

***Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances
of the Governmental Funds to the Statement of Activities***

Revenues over expenditures - total governmental fund - General Fund	\$ 5,119,079
Revenues not collected by the Zone within sixty days of fiscal year end are not considered available to pay current expenditures and are, therefore, recorded as deferred inflows of resources in the governmental funds.	4,760,528
Revenues recognized in the current fiscal year that were deferred inflows in the previous period.	(5,075,833)
Change in net position - governmental activities	<u>\$ 4,803,774</u>

See notes to the basic financial statements.

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**Reinvestment Zone No. 24, City of Houston, Texas
(A Component Unit of the City of Houston, Texas)
Notes to Basic Financial Statements
February 28, 2021**

Note 1 – Summary of Significant Accounting Policies

The accounting policies of Reinvestment Zone No. 24, City of Houston, Texas (the “Zone”) conform with accounting principles generally accepted in the United States of America as promulgated by the Governmental Accounting Standards Board. The following is a summary of the most significant policies:

Creation and Purpose

The Zone was created on December 12, 2012, by Ordinance No. 2012-1048, pursuant to Chapter 431 of the Texas Transportation Act., as amended, for the purposes of development and redevelopment in the areas of the City generally known as the (1) eastern end of the central business district and (2) the area around NRG (formerly Reliant) Stadium. Additionally, the Harris County Redevelopment Authority (the “Authority”) was established to aid, assist and act on behalf of Harris County in the performance of its and the Zone’s governmental functions. The Authority is specifically tasked with 1) promoting and encouraging and maintaining employment, commerce and economic development programs on behalf of the County and 2) the administration and implementation of the Zone and Chapter 381 economic development agreements within Harris County.

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

Reporting Entity

Pursuant Chapter 391, of the Texas Local Government Code the Zone is a nonprofit public corporation in the State of Texas and governed by an appointed seven-member board. The Governmental Accounting Standards Board has established the criteria for determining whether or not an entity is a primary government or a component unit of a primary government. Under these criteria, the Zone is considered a component unit of the City of Houston, Texas; the Zone does not have any component units.

Government-Wide Financial Statements

Government-wide financial statements display information about the Zone as a whole. These statements focus on the sustainability of the Zone 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*.

**Reinvestment Zone No. 24, City of Houston, Texas
(A Component Unit of the City of Houston, Texas)
Notes to Basic Financial Statements
February 28, 2021**

Note 1 – Summary of Significant Accounting Policies (continued)

Fund Financial Statements

Fund financial statements display information at the individual fund level. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for a specific purpose. Each fund is considered to be a separate accounting entity. Currently, the Zone uses only a General Fund to account for its operations. Expenditures include costs associated with the creation and operation of the Zone. Fund financial statements are the *Balance Sheet* and the *Statement of Revenues, Expenditures and Changes in Fund Balance*.

Measurement Focus and Basis of Accounting

The government-wide financial statements use the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property tax increments are recognized as revenue in the year for which they are levied.

The fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized in the accounting period in which it becomes both available and measurable to finance expenditures of the current period. For this purpose, the government considers revenues to be available if they are collected within sixty days of the end of the current period. Revenues susceptible to accrual include property tax increments and interest earned on investments. Expenditures are recognized in the accounting period in which the liability is incurred, if measurable.

Use of Restricted Resources

When both restricted and unrestricted resources are available for use, the Zone uses restricted resources first, then unrestricted resources as they are needed.

Receivables

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. At February 28, 2021, an allowance for uncollectible accounts was not considered necessary.

Deferred Inflows and Outflows of Financial Resources

A deferred inflow of financial resources is the acquisition of resources in one period that is applicable to a future period, while a deferred outflow of financial resources is the consumption of financial resources in one period that is applicable to a future period. A deferred inflow results from the acquisition of an asset without a corresponding revenue or assumption of a liability. A deferred outflow results from the use of an asset without a corresponding expenditure or reduction of a liability.

**Reinvestment Zone No. 24, City of Houston, Texas
(A Component Unit of the City of Houston, Texas)
Notes to Basic Financial Statements
February 28, 2021**

Note 1 – Summary of Significant Accounting Policies (continued)

Deferred Inflows and Outflows of Financial Resources (continued)

At the fund level, tax increment receivable not collected within 60 days of fiscal year end do not meet the availability criteria required for revenue recognition and are recorded as deferred inflows of financial resources.

Net Position

Governmental accounting standards establishes the following three components of net position:

Net investment in capital assets – represents the Zone's investments in capital assets, less any outstanding debt or other borrowings used to acquire those assets. The Zone does not have any capital assets and, accordingly, does not report net investment in capital assets.

Restricted – consists of financial resources that are restricted for a specific purpose by enabling legislation or external parties. The Zone does not have any restricted resources.

Unrestricted – resources not included in the other components.

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 Zone 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. Currently, the Zone does not have any restricted 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 Zone. 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 Zone 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 Zone 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.

**Reinvestment Zone No. 24, City of Houston, Texas
(A Component Unit of the City of Houston, Texas)
Notes to Basic Financial Statements
February 28, 2021**

Note 1 – Summary of Significant Accounting Policies (continued)

Fund Balances – Governmental Funds (continued)

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

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and revenues and expenses/expenditures during the period reported. Estimates and assumptions are reviewed periodically and the effects of revisions are reflected in the financial statements in the period they are determined to be necessary. Actual results could differ from the estimates.

Note 2 – Deposits and Investments

Investments

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

**Reinvestment Zone No. 24, City of Houston, Texas
(A Component Unit of the City of Houston, Texas)
Notes to Basic Financial Statements
February 28, 2021**

Note 2 – Deposits and Investments (continued)

Investments (continued)

As of February 28, 2021, the Zone's investments consist of the following:

Type	Carrying Value	Percentage of Total	Rating	Weighted Average Maturity
TexSTAR	\$ 3,831,915	29%	AAAm	48 days
Texas CLASS	9,458,680	71%	AAAm	54 days
	<u>\$ 13,290,595</u>	<u>100%</u>		

TexSTAR

The Zone 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.

The Zone's investment in TexSTAR is reported at fair value because TexSTAR uses fair value to report investments. Governmental accounting standards establish a hierarchy of inputs used to measure fair value as follows: Level 1 inputs are based on quoted prices in active markets, Level 2 inputs are based on significant other observable inputs, and Level 3 inputs are based on significant unobservable inputs. The Zone's investment in TexSTAR is measured using published fair value per share (level 1 inputs).

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 Zone 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 administer and Wells Fargo Bank as the custodian.

The Zone'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 Zone's investment in Texas CLASS is measured using published fair value per share (level 1 inputs).

**Reinvestment Zone No. 24, City of Houston, Texas
(A Component Unit of the City of Houston, Texas)
Notes to Basic Financial Statements
February 28, 2021**

Note 2 – Deposits and Investments (continued)

Texas CLASS (continued)

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.

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 Zone's investment policies do not address investment credit and interest rate risk beyond the rating and maturity restrictions established by state statutes.

Note 3 – Due from Other Governments and Tax Increment Revenues

Due from Other Governments as of February 28, 2021, consists of the tax increment revenues due from the Authority related to the Interlocal Participation Agreement discussed in Note 6 with Harris County and the City of Houston. Tax increment revenues each year are based on the difference between the 2014 base year taxable value of \$3,131,617,812 and the current year's taxable value (i.e., the tax increment) and the tax rates for Harris County and the Harris County Flood Control District (HCFCD). The 2020 tax rates for the County and HCFCD were \$0.39116 per \$100 of assessed value and \$0.03142 per \$100 of assessed value, respectively.

Tax increments receivable from the Authority as of February 28, 2021, are \$4,760,528. As discussed in Note 1, these amounts are reported as deferred inflows of financial resources in the General fund because they did not meet the availability criteria for revenue recognition. Current year tax increment revenues in the amount of \$5,075,833 represent amounts recorded as receivables and deferred inflows in the previous fiscal year and collected during the current fiscal year.

Note 4 – Due to Other Governments

Due to Other Governments as of February 28, 2021, consists of \$106,740 due to the City of Houston pursuant to the Buffalo Pointe Reimbursement Agreement discussed in Note 6.

Note 5 – Risk Management

The Zone 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 the Texas Municipal League, an intergovernmental risk pool.

**Reinvestment Zone No. 24, City of Houston, Texas
(A Component Unit of the City of Houston, Texas)
Notes to Basic Financial Statements
February 28, 2021**

Note 6 – Economic Development Agreements

Tripartite Operating Agreement

On June 13, 2014, the Zone’s board approved an Operating (Tripartite) Agreement (the “Tripartite Agreement”) with the Harris County Redevelopment Authority (the “Authority”) and the City of Houston, Texas (the “City”). The Tripartite Agreement established the Authority’s responsibility to manage and account for the operations of Zone, as explained in Note 1.

Interlocal Participation Agreement

On June 13, 2014, the Zone entered into an Interlocal (Participation) Agreement (the “Participation Agreement”) with the Authority, the City, and Harris County, Texas (the “County”) that specified the City and County’s level of participation in community development activities within Zone. The Participation Agreement also established a 2014 base year for determining the change in taxable values of property located within Zone as it related to the County’s participation. It is expected that the Authority will receive sixty-five percent (65%) of the tax increment collections attributable to the County’s participation, plus interest. This amount is ultimately remitted to the Zone for use according to the Project Plan and Reinvestment Zone Financing Plan (the “Project Plan”). Additionally, the Participation Agreement stipulates that the Authority will receive five percent (5%) additional increment to be retained by the Authority for operating and administrative expenses and another ten percent (10%) which is to be remitted to the Harris County Community Services Department for homeless initiatives and administration; five percent (5%) each. These additional amounts are exclusive of the Project Plan and are not subject to section 311 of the Texas Local Government Code.

The Participation Agreement also stipulates the Zone board of directors are appointed by the City of Houston, with the County having continued and unequivocal right to recommend nomination and appointment of five (5) board members and exclusive right to appoint one (1) board member without action by the City. The Zone board is substantively the same as the Authority’s board of directors.

Buffalo Pointe Reimbursement Agreement

On November 20, 2014, the City, the Authority and the Zone entered into a “Reimbursement Agreement” limited to \$3.5 million in reimbursement to the City for public improvements costs paid by the City for improvements in the “target area” known as Buffalo Pointe. Reimbursement payments are limited to the increment within the target area boundaries as defined by the reimbursement agreement. No other liabilities exist beyond the collection of tax increment revenues.

***Reinvestment Zone No. 24, City of Houston, Texas
(A Component Unit of the City of Houston, Texas)
Notes to Basic Financial Statements
February 28, 2021***

Note 6 – Economic Development Agreements (continued)

Cullen Gulf Freeway, LLC Reimbursement Agreement

On November 1, 2016, the Zone and the Authority boards entered into a development agreement with Cullen Gulf Freeway, LLC. (“Cullen”) that provides for the reimbursement of eligible public improvement costs up to \$3,061,330 from tax increments in the area to be developed by Cullen (“Development Tax Increment”), subject to a target value increase in Development Tax Increment in the amount of \$30,000,000. The only matter effecting the Authority regarding this agreement is the responsibility to administer the fiscal affairs of the Reimbursement Agreement on behalf of TIRZ 24. As of February 28, 2021, Cullen has not incurred any eligible public improvement costs.

Urban Intown, LLC Reimbursement Agreement

On November 1, 2016, the Zone and the Authority boards enter into a development agreement with Urban Intownhomes, LLC. (“Urban”) that provides for the reimbursement of eligible public improvement costs up to \$330,000 from tax increments in area under development by Urban, subject to a target value increase in Development Tax Increment in the amount of \$12,000,000. The only matter effecting the Authority regarding this agreement is the responsibility to administer the fiscal affairs of the Reimbursement Agreement on behalf of the TIRZ 24. As of February 28, 2021, Urban has not incurred any eligible public improvement costs.

Required Supplementary Information

Reinvestment Zone No. 24, City of Houston, Texas

(A Component Unit of the City of Houston, Texas)

Required Supplementary Information – Budgetary Comparison Schedule – Cash Basis

February 28, 2021

	Original and Final Budget	Actual	Variance
Revenues			
Taxes	\$ 5,075,833	\$ 5,075,833	\$ -
Investment earnings	21,104	30,339	9,235
Total Revenues	<u>5,096,937</u>	<u>5,106,172</u>	<u>9,235</u>
Expenditures			
Current			
General Government	225,000		225,000
Grants - Economic Development	50,638		50,638
Total Expenditures	<u>275,638</u>	<u>-</u>	<u>275,638</u>
Revenues Over Expenditures	4,821,299	5,106,172	284,873
Fund Balances (Cash)			
Beginning of the year	2,977,403	8,440,110	5,462,707
End of the year	<u>\$ 7,798,702</u>	<u>\$ 13,546,282</u>	<u>\$ 5,747,580</u>

**Reinvestment Zone No. 24, City of Houston, Texas
(A Component Unit of the City of Houston, Texas)
Notes to Required Supplementary Information
February 28, 2021**

Note 1 - Budgets and Budgetary Accounting

On June 18, 2020, the Zone adopted a cash basis budget for the General Fund. 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 with received and expenditures are recognized when paid.

Note 2 – Reconciliation to GAAP Based Financial Statements

Budgetary Funds

Financial Statement Funds	General Fund
Actual total financial resources - budgetary basis	\$ 5,106,172
To adjust revenues for accruals and deferrals	12,907
Actual total revenues, other financing sources, and other items - GAAP basis	<u>\$ 5,119,079</u>
Actual total uses of financial resources - budgetary basis	\$ -
To adjust expenditures for accruals and deferrals	-
Actual total expenditures and other financing uses - GAAP basis	<u>\$ -</u>