

**HARDY/NEAR NORTHSIDE REDEVELOPMENT AUTHORITY**

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**JOINT MEETING OF THE BOARDS OF DIRECTORS**

**September 26, 2016**

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**REINVESTMENT ZONE NUMBER TWENTY-ONE,  
CITY OF HOUSTON, TEXAS  
(HARDY/NEAR NORTHSIDE ZONE)**

**HARDY/NEAR NORTHSIDE REDEVELOPMENT AUTHORITY**

**AND**

**REINVESTMENT ZONE NUMBER TWENTY-ONE, CITY OF HOUSTON, TEXAS  
NOTICE OF JOINT MEETING**

**TO: THE BOARD OF DIRECTORS OF THE HARDY/NEAR NORTHSIDE REDEVELOPMENT AUTHORITY AND REINVESTMENT ZONE NUMBER TWENTY-ONE, CITY OF HOUSTON, TEXAS, AND TO ALL OTHER INTERESTED PERSONS:**

Notice is hereby given that the Board of Directors of the Hardy/Near Northside Redevelopment Authority (the "Authority") will hold a joint meeting with the Board of Directors of the Reinvestment Zone Number Twenty-One, City of Houston, Texas (the "Zone") to be held on **Monday, September 26, 2016, at 4:00 p.m., at 218 Joyce Street, Houston, Texas, 77009**, open to the public, to consider, discuss and adopt such orders, resolutions or motions, and take other direct or indirect actions as may be necessary, convenient, or desirable with respect to the following matters:

1. Minutes of the previous meetings.
2. Audit report for fiscal year ending June 30, 2016.
3. Presentations, reports, or updates from the Directors, consultants, City of Houston Staff, or others regarding development in the Authority and the Zone and implementation of Project Plan and Reinvestment Zone Financing Plan.
4. Bookkeeper's Report, including:
  - a. payment of invoices.
5. Projects Report:
  - a. Agreement with Houston Parks Board--pedestrian pathways/hike and bike project.
  - b. Contract for Hardy Yards Improvements project Phases 1 and 2.
6. Capital improvements plan, economic development projects and Zone boundary extensions:
  - a. Resolution Adopting Third Amended Project Plan.
7. Attorney's Report; including
  - a. Resolution Regarding Annual Review of Investment Policy; and
  - b. Annual Disclosure Statement.
8. Executive Session – the Authority:
  - a. confer with legal counsel, Open Meetings Act, V.T.C.A., Government Code § 551.071;
  - b. purchase, exchange, lease or value of real property, Open Meetings Act, V.T.C.A., Government Code § 551.072; and
  - c. economic development negotiations, Open Meetings Act, V.T.C.A., Government Code § 551.087.
9. Executive Session – the Zone:
  - a. confer with legal counsel, Open Meetings Act, V.T.C.A., Government Code § 551.071;
  - b. purchase exchange, lease or value of real property, Open Meetings Act, V.T.C.A., Government Code §551.072; and
  - c. economic development negotiations, Open Meetings Act, V.T.C.A., Government Code § 551.087.
10. Public comments.



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Clark Stockton Lord  
Attorney for the Authority and the Zone

Tab 1

## MINUTES OF REGULAR MEETING

OF

### HARDY/NEAR NORTHSIDE REDEVELOPMENT AUTHORITY

June 27, 2016

The Board of Directors (the "Board") of Hardy/Near Northside Redevelopment Authority (the "Authority") convened in regular session, open to the public, at 218 Joyce Street, Houston, Texas, 77009, on the 27th day of June 2016, and the roll was called of the duly constituted officers and members of the Board, to-wit:

Edward Reyes	Chair/Assistant Secretary
Lloyd Burke	Vice Chair/Investment Officer
Sylvia Cavazos	Secretary
Richard Cantu	Assistant Secretary
Fernando Zamarripa	Assistant Secretary

and all of said persons were present except Directors Cavazos and Burke, thus constituting a quorum.

Also present were: Clark Lord and Debbie Russell of Bracewell LLP; Nomaan Ali of Bentley, Bratcher & Associates, P.C.; Rebecca Reyna of Greater Northside Management District; Ralph DeLeon of Tifworks; Gary Hill of the City of Houston; and Mario Castillo of Councilmember Cisneros' office.

#### **DETERMINE QUORUM; CALL TO ORDER**

Director Reyes noted that a quorum was present and called the meeting to order.

#### **MINUTES OF PREVIOUS MEETINGS**

The Board considered approval of the minutes of May 9, 2016. Following discussion, upon a motion made by Director Zamarripa and seconded by Director Cantu, the Board voted unanimously to approve the minutes of May 9, 2016.

#### **PRESENTATIONS REGARDING DEVELOPMENT IN THE AUTHORITY**

Mr. Lord reported on preliminary discussions regarding amendment of the project plan. Mr. DeLeon reported that he working on a map of proposed new boundaries with Council Member Cisneros' office. The Board requested that Ms. Russell arrange for a workshop meeting to discuss the proposed project plan amendment, but took no other action on the matter.

### **BOOKKEEPER'S REPORT**

Mr. Ali then presented the bookkeeper's report and invoices submitted for payment to the Board for review and approval. A copy of the bookkeeper's report is attached to these minutes.

Following discussion on the bookkeeper's report and the invoices submitted for payment, upon a motion made by Director Zamarripa and seconded by Director Cantu, the Board voted unanimously to approve the bookkeeper's report and the invoices submitted for payment.

### **CONTRACT FOR HARDY YARDS IMPROVEMENTS**

The Board next discussed the contract for the Hardy Yards Improvements including the pay estimates and change orders for same. Mr. Lord informed the Board that Grantworks has reviewed all of the pay estimates and change orders and certified that everything has been performed in accordance with the requirements of the GLO and the City. He then presented a Resolution Authorizing Draw 8 on City of Houston/GLO Grant Proceeds. After review and discussion, Director Cantu moved that the Board adopt the Resolution as presented, approve the pay estimates and change orders as presented and approve the draw on the contract for the Hardy Yards Improvements. Director Zamarripa seconded the motion and it carried by unanimous vote.

### **AGREEMENT WITH HOUSTON PARKS BOARD**

Mr. Lord reported the proposed agreement with the Houston Parks Board is still on hold. The Board took no action on the matter.

### **CONVENE IN EXECUTIVE SESSION PURSUANT TO SECTIONS 551.087, CHAPTER 551, TEXAS GOVERNMENT CODE**

The Board did not go into executive session.

There being no further business to come before the Board, the meeting was adjourned.

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Secretary

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## MINUTES OF REGULAR MEETING

OF

### REINVESTMENT ZONE NUMBER TWENTY-ONE, CITY OF HOUSTON

June 27, 2016

The Board of Directors (the "Board") of Reinvestment Zone Number Twenty-One, City of Houston (the "Zone") convened in regular session, open to the public, at 218 Joyce Street, Houston, Texas, 77009, on the 27th day of June 2016, and the roll was called of the duly constituted officers and members of the Board, to-wit:

Edward Reyes	Chair/Assistant Secretary
Lloyd Burke	Vice Chair/Investment Officer
Sylvia Cavazos	Secretary
Richard Cantu	Assistant Secretary
Fernando Zamarripa	Assistant Secretary

and all of said persons were present except Directors Cavazos and Burke, thus constituting a quorum.

Also present were: Clark Lord and Debbie Russell of Bracewell LLP; Nomaan Ali of Bentley, Bratcher & Associates, P.C.; Rebecca Reyna of Greater Northside Management District; Ralph DeLeon of Tifworks; Gary Hill of the City of Houston; and Mario Castillo of Councilmember Cisneros' office.

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There being no further business to come before the Board, the meeting was adjourned.

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Secretary

Tab 2

**HARDY/NEAR NORTHSIDE REDEVELOPMENT AUTHORITY**

**CITY OF HOUSTON, TEXAS**

**ANNUAL FINANCIAL REPORT**

**JUNE 30, 2016**

DRAFT SUBJECT TO CHANGE

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**INDEPENDENT AUDITOR'S REPORT**

Board of Directors  
Hardy/Near Northside Redevelopment Authority  
City of Houston, Texas

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities and major fund of Hardy/Near Northside Redevelopment Authority (the "Authority"), a component unit of the City of Houston, Texas, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

**Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

**Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and major fund of the Authority as of June 30, 2016, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

*Member of*  
*American Institute of Certified Public Accountants*  
*Texas Society of Certified Public Accountants*

Board of Directors  
Hardy/Near Northside Redevelopment Authority

**Other Matters**

*Required Supplementary Information*

Accounting principles generally accepted in the United State of America require that Management's Discussion and Analysis and the Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The supplementary information required by the City of Houston is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Government, and Non-Profit Organizations*, and is also not a required part of the basic financial statements. The supplementary information and the schedule of expenditures of federal awards are the responsibility of management and were derived from the related directly to the underlying accounting and other records used to prepare the basic financial statements. The supplementary information, excluding that portion marked "Unaudited" on which we express no opinion or provide any assurance, and the schedule of expenditures of federal awards, have been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated September 26, 2016, 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.

McCall Gibson Swedlund Barfoot PLLC  
Certified Public Accountants  
Houston, Texas

September 26, 2016



**HARDY/NEAR NORTHSIDE REDEVELOPMENT AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2016**

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

**FINANCIAL HIGHLIGHTS**

- The Authority anticipates that tax increment revenues derived from the development and redevelopment of the Authority will be sufficient to cover expenditures associated with certain design, construction and financing of planned infrastructure, and other specific project related costs throughout the duration of the Authority. The City of Houston ("City"), at its sole discretion, may issue bonds, notes or other obligations secured by the tax increment revenues; the proceeds of which could be used to pay for or reimburse developers for project costs. However, the City may elect to pay for project costs directly from tax increment proceeds as they become available without the sale of bonds or notes.
- Tax increment revenues received from the City in June 2016 totaled \$185,171 for the tax year 2015 versus budgeted revenues from tax increments of \$185,329, a budgeted shortfall of \$158. Total grant income received for the year ended June 30, 2016 was \$2,826,312 versus a budgeted amount of \$7,093,238. Grant income was used to reimburse Hardy Yards LP for development expenditures approved by the City through June 30, 2016.
- Total management and consulting expenses for the year ended June 30, 2016 were \$60,344, versus budgeted expenses of \$58,875, a budgeted shortfall of \$1,469. A total of \$2,826,312 was incurred during the year for development costs, versus a budgeted amount for capital expenditures of \$382,600.
- In the Authority's government-wide financial statements, assets exceeded liabilities by \$10,659,565 (net position) at June 30, 2016, compared to \$7,677,156 at June 30, 2015, a \$2,982,409 increase.

## USING THIS ANNUAL REPORT

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

## GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

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

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

## **FUND FINANCIAL STATEMENTS**

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

Governmental funds are reported in each of the financial statements. These statements report short-term fiscal accountability focusing on the use of spendable resources and balances of spendable resources available at the end of the year. They are useful in evaluating annual financing requirements of the Authority and the commitment of spendable resources for the near-term.

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

## **NOTES TO THE FINANCIAL STATEMENTS**

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

## **OTHER INFORMATION**

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

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as useful indicator of the Authority's financial position. In the case of the Authority, assets exceeded liabilities by \$10,659,565 as of June 30, 2016.

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

	<u>Summary of Changes in the Statement of Net Position</u>		
	<u>2016</u>	<u>2015</u>	<u>Variance Positive (Negative)</u>
<b>ASSETS</b>			
Cash and Investments	\$ 1,133,860	\$ 979,305	\$ 154,555
Accounts Receivable	947,849	2,366,584	(1,418,735)
Capital Assets-Development Costs	9,529,680	6,703,368	2,826,312
<b>TOTAL ASSETS</b>	<u>11,611,389</u>	<u>10,049,257</u>	<u>1,562,132</u>
<b>LIABILITIES</b>			
Accounts Payable	951,824	2,372,101	(1,420,277)
<b>TOTAL LIABILITIES</b>	<u>951,824</u>	<u>2,372,101</u>	<u>(1,420,277)</u>
<b>NET POSITION</b>			
Net Investment in Capital Assets	9,529,680	6,703,368	2,826,312
Unrestricted	1,129,885	973,788	156,097
<b>TOTAL NET POSITION</b>	<u>\$ 10,659,565</u>	<u>\$ 7,677,156</u>	<u>\$ 2,982,409</u>

**GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)**

The following table provides a summary of the Statement of Activities for the fiscal year ended June 30, 2016, and June 30, 2015:

	<u>Summary of Changes in the Statement of Activities</u>		
	<u>2016</u>	<u>2015</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Tax Increment Revenue	\$ 215,053	\$ 161,414	\$ 53,639
Grant Revenue	2,826,312	6,580,346	(3,754,034)
Interest Revenue	1,388	268	1,120
Total Revenues	<u>\$ 3,042,753</u>	<u>\$ 6,742,028</u>	<u>\$ (3,699,275)</u>
Expenses:			
Administrative Consultant	\$ 23,785	\$ 23,863	\$ 78
Accounting	15,635	11,727	(3,908)
Auditing	10,000	7,000	(3,000)
Legal Consultant	7,043	20,488	13,445
Insurance	877	949	72
Other Consultant	2,869	1,563	(1,306)
Bank Charges	135	133	(2)
Total Expenses	<u>\$ 60,344</u>	<u>\$ 65,723</u>	<u>\$ 5,379</u>
Change in Net Position	\$ 2,982,409	\$ 6,676,305	\$ (3,693,896)
Net Position, Beginning of Year	<u>7,677,156</u>	<u>1,000,851</u>	<u>6,676,305</u>
Net Position, End of Year	<u>\$ 10,659,565</u>	<u>\$ 7,677,156</u>	<u>\$ 2,982,409</u>

## **FINANCIAL ANALYSIS OF THE AUTHORITY'S GOVERNMENTAL FUND**

The Authority's only governmental fund is the General Fund. This fund is the operating fund of the Authority and is the source of the day-to-day operations. As discussed, governmental funds are reported in the fund statements with a short-term, inflow and outflow of spendable resources focus. This information is useful in assessing resources available at the end of the year in comparison with upcoming financing requirements. The General Fund reported an ending fund balance of \$1,129,885. All of the General Fund balance is unassigned.

### **GENERAL FUND BUDGETARY HIGHLIGHTS**

The Board of the Authority did not amend the budget during the current fiscal year. Actual revenues were \$4,236,146 less than budgeted due to less grant income being received than was budgeted. Actual expenditures were \$9,540,819 less than budgeted due to less capital outlay expenditures and developer reimbursements than budgeted. A budgetary comparison schedule is included as RSI for the General Fund.

### **CAPITAL ASSETS**

During the fiscal year ending June 30, 2016, the Authority incurred \$2,826,312 of development costs.

### **LONG-TERM DEBT ACTIVITY**

As of June 30, 2016, the Authority did not have any long-term debt.

### **CONTACTING THE AUTHORITY'S MANAGEMENT**

This financial report is designed to provide a general overview of the Authority's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Hardy/Near Northside Redevelopment Authority, c/o Bracewell & Giuliani, LLP, 711 Louisiana Street, Suite 2300, Houston, Texas 77002-2770.

**HARDY/NEAR NORTHSIDE REDEVELOPMENT AUTHORITY**  
**STATEMENT OF NET POSITION AND**  
**GOVERNMENTAL FUND BALANCE SHEET**  
**JUNE 30, 2016**

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
<b>ASSETS</b>			
Cash	\$ 479,969	\$ -	\$ 479,969
Investments	653,891	-	653,891
Accounts Receivable	947,849		947,849
Capital Assets - Development Costs	-	9,529,680	9,529,680
<b>TOTAL ASSETS</b>	<u>\$ 2,081,709</u>	<u>\$ 9,529,680</u>	<u>\$ 11,611,389</u>
<b>LIABILITIES</b>			
Accounts Payable	\$ 951,824	\$ -	\$ 951,824
<b>TOTAL LIABILITIES</b>	<u>\$ 951,824</u>	<u>\$ -</u>	<u>\$ 951,824</u>
<b>FUND BALANCE</b>			
Unassigned	\$ 1,129,885	\$ (1,129,885)	\$ -
<b>TOTAL FUND BALANCE</b>	<u>\$ 1,129,885</u>	<u>\$ (1,129,885)</u>	<u>\$ -</u>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<u>\$ 2,081,709</u>		
<b>NET POSITION</b>			
Net Investment in Capital Assets		\$ 9,529,680	\$ 9,529,680
Unrestricted		1,129,885	1,129,885
<b>TOTAL NET POSITION</b>		<u>\$ 10,659,565</u>	<u>\$ 10,659,565</u>

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

**HARDY/NEAR NORTHSIDE REDEVELOPMENT AUTHORITY**  
**RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET**  
**TO THE STATEMENT OF NET POSITION**  
**JUNE 30, 2016**

Total Fund Balance - Governmental Fund	\$ 1,129,885
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Development costs incurred in governmental activities are not a financial resource and therefore are not reported as an asset in governmental funds.	<u>9,529,680</u>
Total Net Position - Governmental Activities	<u><u>\$ 10,659,565</u></u>

DRAFT SUBJECT TO CHANGE

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



**HARDY/NEAR NORTHSIDE REDEVELOPMENT AUTHORITY**  
**STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUND STATEMENT OF**  
**REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**FOR THE YEAR ENDED JUNE 30, 2016**

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
<b>REVENUES</b>			
Tax Increment Revenue	\$ 185,171	\$ -	\$ 185,171
Grant Revenue	2,826,312	-	2,826,312
Interest Revenue	1,388	-	1,388
Other Revenue	29,882	-	29,882
<b>TOTAL REVENUES</b>	<u>\$ 3,042,753</u>	<u>\$ -</u>	<u>\$ 3,042,753</u>
<b>EXPENDITURES/EXPENSES:</b>			
Administrative Consultant	\$ 23,785	\$ -	\$ 23,785
Developer/Project Reimbursements	2,826,312	(2,826,312)	-
Accounting	15,635	-	15,635
Auditing	10,000	-	10,000
Legal Consultant	7,043	-	7,043
Other Consultant	2,869	-	2,869
Insurance	877	-	877
Bank Charges	135	-	135
<b>TOTAL EXPENDITURES/EXPENSES</b>	<u>\$ 2,886,656</u>	<u>\$ (2,826,312)</u>	<u>\$ 60,344</u>
<b>NET CHANGE IN FUND BALANCE</b>	\$ 156,097	\$ (156,097)	\$ -
<b>CHANGE IN NET POSITION</b>	-	2,982,409	2,982,409
<b>FUND BALANCE/NET POSITION - JULY 1, 2015</b>	<u>973,788</u>	<u>6,703,368</u>	<u>7,677,156</u>
<b>FUND BALANCE/NET POSITION - JUNE 30, 2016</b>	<u>\$ 1,129,885</u>	<u>\$ 9,529,680</u>	<u>\$ 10,659,565</u>

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

**HARDY/NEAR NORTHSIDE REDEVELOPMENT AUTHORITY  
RECONCILIATION OF THE GOVERNMENTAL FUND STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCE TO THE  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2016**

Net Change in Fund Balance - Governmental Fund \$ 156,097

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

Governmental funds report capital outlay for development costs as  
expenditures. However, such costs are not reported as expenses on the  
Statement of Activities, but are instead capitalized in the Statement of  
Net Position.

2,826,312

Change in Net Position - Governmental Activities

\$ 2,982,409

DRAFT SUBJECT TO CHANGE

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

**HARDY/NEAR NORTHSIDE REDEVELOPMENT AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**NOTE 1. CREATION OF CORPORATION**

The City of Houston, Texas (the "City") authorized the creation of the Hardy/Near Northside Authority (the "Authority") by Ordinance No. 2009-32 on November 10, 2009. The State of Texas Certificate of Incorporation became effective November 20, 2009. The Authority was created and organized as a local government corporation pursuant to provisions of Chapter 311 of the Texas Tax Code. The Authority is organized as a public non-profit corporation for the purpose of aiding, assisting, and acting on behalf of the City in the performance of its governmental function to promote the common good and general welfare of the Hardy/Near Northside Zone (the Zone), approximately 326.1 acres generally bounded by Quitman Street on the North, U.S. Highway 59 on the East, Interstate 10 on the South, and Interstate Highway 45 on the West. The Zone is described in City of Houston, Texas, Ordinance No 2003-1258. The primary focus of the Zone is to facilitate affordable housing, transit orientated mixed-use development, and the extension and potential grade separation of San Jacinto Street north from Interstate 10 to the southern terminus of Fulton Street. Additional efforts will focus on improvements to public utility systems, parks and the repositioning of distressed infrastructure conditions. The basis for the creation of the Authority in 2009 was to a) facilitate the implementation of the Project Plan and a Reinvestment Zone Financial Plan for the Hardy/Near Northside Zone and the implementation of amendments thereto; b) facilitate the development of a policy for and implementation of the financing and construction of public infrastructure improvements and open space improvements necessary for the development of residential, commercial, public and other land uses in the Hardy/Near Northside Zone; and c) facilitate the development and implementation of a redevelopment policy for the Hardy/Near Northside Zone, including the acquisition of land for redevelopment purposes. The Authority may issue tax-exempt bonds or notes with consent of City Council to fund improvements. The Authority is governed by a Board of Directors consisting initially of four (4) persons who are appointed by the Mayor with the approval of City Council. Additional persons may be added to the Board of the Authority in accordance with the provisions of the Bylaws.

**NOTE 2. SIGNIFICANT ACCOUNTING POLICIES**

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

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

**HARDY/NEAR NORTHSIDE REDEVELOPMENT AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Financial Statement Presentation

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

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

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

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

Government-Wide Financial Statements

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

The Statement of Net Position is reported by adjusting the General Fund to report on the full accrual basis, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations.

**HARDY/NEAR NORTHSIDE REDEVELOPMENT AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Government-Wide Financial Statements (Continued)

The Statement of Activities is reported by adjusting the general fund to report only items related to current year revenues and expenditures. Items such as land and land improvements are charged to cost of sales when sold. Internal activities between governmental funds, if any, are eliminated by adjustment to obtain net total revenue and expense in the government-wide Statement of Activities.

Fund Financial Statements

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

Governmental Funds

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

Basis of Accounting

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

Cash

The Authority's cash consists of amounts in demand deposits.

Investments

The Authority invests cash not needed for near term operating needs in the Texas Local Government Investment Pool (TexPool).

**HARDY/NEAR NORTHSIDE REDEVELOPMENT AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Budgeting

In compliance with the Tri-Party Agreement (see Note 4), the Authority's board members adopted an unappropriated budget for the General Fund.

Measurement Focus

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

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

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

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

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

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

*Unassigned* - all other spendable amounts in the General Fund.

**HARDY/NEAR NORTHSIDE REDEVELOPMENT AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Measurement Focus (Continued)

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

Accounting Estimates

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

**NOTE 3. DEPOSITS AND INVESTMENTS**

Deposits

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

Texas statutes require that any cash balance in any fund shall, to the extent not insured by the Federal Deposit Insurance Corporation or its successor, be continuously secured by a valid pledge to the Authority of securities eligible under the laws of Texas to secure the funds of the Authority, having an aggregate market value, including accrued interest, at all times equal to the uninsured cash balance in the fund to which such securities are pledged. At fiscal year-end, the carrying amount of the District's deposits was \$479,969 and the bank balance was \$482,373. Of the bank balance, \$250,000 was covered by federal depository insurance and the balance was covered in accordance with the Authority's Tri-Party Collateral Management Agreement.

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

Total Cash Deposits	\$ <u>479,969</u>
---------------------	-------------------

**HARDY/NEAR NORTHSIDE REDEVELOPMENT AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**NOTE 3. DEPOSITS AND INVESTMENTS (Continued)**

Investments

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

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

The Authority's adopted investment policy allows it to invest in any of the above listed investments, except items 6 and 14.



**HARDY/NEAR NORTHSIDE REDEVELOPMENT AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**NOTE 3. DEPOSITS AND INVESTMENTS (Continued)**

Investments (Continued)

All investments are recorded at cost, which the Authority considers to be fair value. The Authority invests in TexPool, an external investment pool that is not SEC-registered. The State Comptroller of Public Accounts of the State of Texas has oversight of the pool. Federated Investors manages the daily operations of the pool under a contract with the Comptroller. The fair value of the Authority's position in the pool is the same as the value of pool shares.

As of June 30, 2016, the Authority had the following investments and maturities:

Type	Fair Value	Maturities in Years			
		Less Than 1	1-5	6-10	More Than 10
<u>GENERAL</u> <u>FUND -</u> TexPool	\$ 653,891	\$ 653,891	\$ -	\$ -	\$ -

Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. At June 30, 2016, the Authority's investment in TexPool, an external investment pool, was rated AAAM by Standard & Poor's.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Authority considers the investment in TexPool to have a maturity of less than one year due to the fact the share position can usually be redeemed each day at the discretion of the Authority, unless there has been a significant change in value.

**NOTE 4. TRI-PARTY AGREEMENT**

The City of Houston, Reinvestment Zone Number Twenty-One, and the Authority entered into the Tri-Party Agreement pursuant to City Ordinance No. 2009-1271 effective December 15, 2009. The Tri-Party Agreement states in detail the scope of services to be provided to the Zone by the Authority. The services include management and administrative service for the Zone, as requested by the Zone Board, services with respect to the Project Plan and Reinvestment Zone Financing Plan (the "Plan"), including implementation and updating, and services with respect to the tax rolls pertaining to the Zone, including analysis and coordination with taxing units. The Authority is also required to assist the Zone Board in establishing a program to increase the level of safety within the Zone, preparing development plans, establishing a marketing and public relations program and in planning, design and construction of infrastructure improvements and land acquisition.

**HARDY/NEAR NORTHSIDE REDEVELOPMENT AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**NOTE 4. TRI-PARTY AGREEMENT (Continued)**

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

Pursuant to the Agreement, the City and the Zone have agreed to pay the Authority not later than the first business day of each July in which a current approved budget is in effect for the Authority, all monies available in the Tax Increment Fund, less (a) a reserve of up to five percent of the monies then available in the Tax Increment Fund for administrative costs of the City, (b) the amount due to the City from the Zone pursuant to the affordable housing agreement, and (c) certain tax increments constituting educational facilities project costs to be paid to the Houston Independent School District. Notwithstanding the above, in the event the Authority's budget is not approved by the thirtieth (30<sup>th</sup>) day before the date of a principal and interest payment on the Authority's bonds or notes, the City shall pay from available funds sufficient monies to the Authority to allow for meeting the Authority's debt service obligations.

**NOTE 5. TAX INCREMENTS**

The City of Houston, Texas has agreed to deposit tax increments into the Tax Increment Fund established by the Zone (See Note 6).

The amount of a Participant's tax increment for a year is the amount of property taxes levied and collected by the Participant for that year on the Captured Appraised Value of real property taxable by the Participant and located in the Zone. The Captured Appraised Value of real property taxable by a Participant for a year is the total appraised value of all real property taxable by the Participant and located in the Zone for that year less the Tax Increment Base, which is the total appraised value of all real property taxable by the Participant and located in the Zone on January 1 of the year in which the Zone was designated as such under the Tax Increment Financing Act (the "TIF Act"). In the event property is annexed into the Zone by ordinance of the City, the Tax Increment Base for annexed property is the value of all real property taxable by a Participant and located in the annexed area on January 1 of the year of annexation. No Participant is required to deposit tax increments derived from property annexed into the Zone unless the Participant has agreed to do so.

Each Participant is required to collect taxes on property located within the Zone in the same manner as other taxes are collected. The Participant is required to pay into the tax increment fund the collected tax increments by no later than the 90<sup>th</sup> day after the delinquency date for the Participant's property taxes.

**HARDY/NEAR NORTHSIDE REDEVELOPMENT AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**NOTE 6. CITY OF HOUSTON TAX INCREMENTS**

Pursuant to City Ordinance No. 2009-1271, the City and the Zone have established the Tax Increment Fund, a separate fund in the City Treasury into which tax increments have and will be deposited.

Tax increments of \$185,171 were remitted from the fund to the Authority for tax year 2015. In addition, the City withheld \$100,093 from the tax increment to fund affordable housing and \$15,013 to pay City administrative fees.

**NOTE 7. 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 natural disasters. The Authority participates in the Texas Municipal League Intergovernmental Risk Pool ("TML") to provide general liability, errors and omission and automobile liability. The Authority, along with other participating entities, contributes annual amounts determined by TML's management. As claims arise they are submitted and paid by TML. During the year ended June 30, 2016, the Authority contributed \$877 to the fund for this insurance coverage. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past three years.

**NOTE 8. DEVELOPMENT AGREEMENT**

The Authority has entered into a Development Agreement dated March 4, 2010, and as amended on May 14, 2012, with CR V Hardy Yards, L.P. ("Hardy Yards LP"), the owner of property located within the Hardy/Near Northside Zone. Hardy Yards LP is responsible for the inspection, supervision and management of the construction and installation of the improvements to the Hardy/Near Northside Zone. The improvements are to be made in accordance with the terms of the Development Agreement and amendment thereto and relevant City ordinances or procedures.

The Authority shall reimburse Hardy Yards LP for the amount of actual project costs incurred plus accrued interest. Hardy Yards LP is responsible for determining that project costs are eligible in accordance with terms defined in the Developer Reimbursement Agreement and amendment thereto. The costs to be reimbursed are not to exceed \$33,312,000 as noted in the original agreement. Included in the original reimbursable amount were costs related to the purchase or condemnation of right-of-way for the San Jacinto Street Extension Project in the amount of \$2,700,000. During fiscal year 2012, an ordinance was passed that authorized the appropriation of \$2,033,223 out of the Woodlands Regional Participation Fund to fund these costs.

**HARDY/NEAR NORTHSIDE REDEVELOPMENT AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**NOTE 8. DEVELOPMENT AGREEMENT (Continued)**

The Authority will utilize available tax increments in order to reimburse Hardy Yards LP for the costs incurred until all project costs have been fully reimbursed. Hardy Yards LP has no right to claim any reimbursement other than from available tax increment, bond proceeds or grant income specifically allocated for this purpose. During the fiscal year ended June 30, 2016, Hardy Yards LP incurred \$2,826,312 of costs and was reimbursed for \$2,826,312 of costs in accordance with this Development Agreement.

**NOTE 9. CAPITAL ASSETS – DEVELOPMENT COSTS**

During the fiscal year ended June 30, 2016, the Authority did not incur any development costs with Central Houston Civic Improvement for planning and design work in connection with a project to construct a hike and bike trail within the Zone. Cumulative costs for this project as of June 30, 2016, totaled \$123,022.

During the fiscal year ended June 30, 2016, Hardy Yards LP incurred \$2,826,312 of costs and was reimbursed by the Authority for \$1,878,463 of development costs related to roadway and sidewalk improvements in accordance with the Development Agreement. Subsequent to year end, the Authority received \$947,849 of grant income from the City of Houston. The Authority used the grant income to reimburse Hardy Yards LP for \$947,849 of development costs related to roadway and sidewalk improvements in accordance with the Development Agreement.

Cumulative costs for this project as of June 30, 2016 totaled \$9,529,680.

**HARDY/NEAR NORTHSIDE REDEVELOPMENT AUTHORITY**

**REQUIRED SUPPLEMENTARY INFORMATION**

**JUNE 30, 2016**

DRAFT SUBJECT TO CHANGE

**HARDY/NEAR NORTHSIDE REDEVELOPMENT AUTHORITY**  
**SCHEDULE OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE – BUDGET AND ACTUAL – GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2016**

	General Fund		
	Original and Final Budget	Actual	Variance Positive (Negative)
<b>REVENUES</b>			
Tax Increment Revenue	\$ 185,329	\$ 185,171	\$ (158)
Grant Revenue	7,093,238	2,826,312	(4,266,926)
Other (Miscellaneous) Revenue	-	29,882	29,882
Interest Revenue	332	1,388	1,056
<b>TOTAL REVENUES</b>	<b>\$ 7,278,899</b>	<b>\$ 3,042,753</b>	<b>\$ (4,236,146)</b>
<b>EXPENDITURES</b>			
Maintenance and Operations	\$ 58,875	\$ 60,344	\$ (1,469)
Capital Expenditures	382,600	-	382,600
Developer/Project Reimbursements	11,986,000	2,826,312	9,159,688
<b>TOTAL EXPENDITURES</b>	<b>\$ 12,427,475</b>	<b>\$ 2,886,656</b>	<b>\$ 9,540,819</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>\$ (5,148,576)</b>	<b>\$ 156,097</b>	<b>\$ 5,304,673</b>
<b>FUND BALANCE - JULY 1, 2015</b>	<b>901,927</b>	<b>973,788</b>	<b>71,861</b>
<b>FUND BALANCE - JUNE 30, 2016</b>	<b>\$ (4,246,649)</b>	<b>\$ 1,129,885</b>	<b>\$ 5,376,534</b>

See accompanying independent auditor's report.

**HARDY/NEAR NORTHSIDE REDEVELOPMENT AUTHORITY**

**SUPPLEMENTARY INFORMATION –**

**REQUIRED BY GOVERNMENT AUDITING STANDARDS**

**JUNE 30, 2016**

**DRAFT SUBJECT TO CHANGE**

**McCALL GIBSON SWEDLUND BARFOOT PLLC**  
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September 26, 2016

Board of Directors  
Hardy/Near Northside  
Redevelopment Authority  
City of Houston, Texas

**Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statement Performed in Accordance with Government Auditing Standards**

We have audited, in accordance with 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 the governmental activities and major fund of Hardy/Near Northside Redevelopment Authority ("the Authority"), a component unit of the City of Houston, Texas, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated September 26, 2016.

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



Board of Directors  
Hardy/Near Northside Redevelopment Authority

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from 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*.

**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 Authority'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 Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

McCall Gibson Swedlund Barfoot PLLC  
Certified Public Accountants  
Houston, Texas

September 26, 2016

**McCALL GIBSON SWEDLUND BARFOOT PLLC**  
*Certified Public Accountants*

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September 26, 2016

Board of Directors  
Hardy/Near Northside  
Redevelopment Authority  
City of Houston, Texas

**Independent Auditor's Report on Compliance for Each Major Program and on Internal Control  
Over Compliance Required by OMB Circular A-133**

**Report on Compliance for Each Major Federal Program**

We have audited Hardy/Near Northside Redevelopment Authority's ("the Authority") compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each the Authority's major federal programs for the year ended June 30, 2016. The Authority's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of the Authority's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Authority's compliance.

Member of  
*American Institute of Certified Public Accountants*  
*Texas Society of Certified Public Accountants*

Board of Directors  
Hardy/Near Northside Redevelopment Authority

### **Opinion on Each Major Federal Program**

In our opinion, the Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016.

### **Report on Internal Control Over Compliance**

Management of the Authority is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Authority's internal control over compliance with types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Authority's 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 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 a material noncompliance with a type of compliance requirement of a federal 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 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 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. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

McCall Gibson Swedlund Barfoot PLLC  
Certified Public Accountants  
Houston, Texas

September 26, 2016

**HARDY/NEAR NORTHSIDE REDEVELOPMENT AUTHORITY**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2016**

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal CFDA Number	Loan/Contract/Warrant Grant Award Number	Federal Expenditures
Department of Housing and Urban Development:			
Passed through Texas General Land Office and the City of Houston			
Community Development Block Grant - Disaster Relief	14.228	14-236-000-8329 B-08-DI-48-0001	<u>\$ 2,826,312</u>

DRAFT SUBJECT TO CHANGE

See accompanying independent auditor's report.

**HARDY/NEAR NORTHSIDE REDEVELOPMENT AUTHORITY**  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2016**

**NOTE 1. BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Authority and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in or used in the preparation of the basic financial statements.

**NOTE 2. GRANT PROGRAMS**

The City of Houston

On December 10, 2014, the Authority executed an agreement with the City of Houston (the "City"). On behalf of the City, the City's Housing & Community Development Department submitted an application for federal assistance to the Texas General Land Office to receive an award of Community Development Block Grant Disaster Recovery Program funding in the amount of \$11,986,000 allocated for the repair, replacement, redesign and/or reconstruction of public infrastructure within the boundaries of the Authority.

Through June 30, 2016, the Authority has recorded a total of \$9,529,680 in engineering and construction costs. The Authority received \$1,878,463 related to the project in the current year. Subsequent to year-end, the Authority received \$947,849 from the City. The project is in progress as of June 30, 2016.

See accompanying independent auditor's report.

**HARDY/NEAR NORTHSIDE REDEVELOPMENT AUTHORITY**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED JUNE 30, 2016**

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**Section I — Summary of Auditor's Results**

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*Financial Statements*

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified?     yes     no
- Significant Deficiencies(s) identified  
that are not considered to be  
material weaknesses?     yes     None reported

Noncompliance material to financial  
statements noted?     yes     no

*Federal Awards*

Internal control over major programs:

- Material weakness(es) identified?     yes     no
- Significant Deficiencies(s) identified  
that are not considered to be material  
weakness(es)?     yes     None reported

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

Any audit findings disclosed that are  
required to be reported in accordance  
with section 510(a) of Circular A-133     yes     no

See accompanying independent auditor's report.

**HARDY/NEAR NORTHSIDE REDEVELOPMENT AUTHORITY**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED JUNE 30, 2016**

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Identification of major programs:

*CFDA Number(s) Name of Federal Program or Cluster*

**14.228 U.S. Department of Housing and Urban Development/Community Development Block Grant**

---

Dollar threshold used to distinguish

between type A and type B programs: \$750,000

Auditee Qualified as low-risk auditee?  yes  no

DRAFT SUBJECT TO CHANGE

See accompanying independent auditor's report.

**HARDY/NEAR NORTHSIDE REDEVELOPMENT AUTHORITY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2016**

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**Section II — Financial Statement Findings**

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None

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**Section III — Federal Award Findings and Questioned Costs**

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None

DRAFT SUBJECT TO CHANGE

See accompanying independent auditor's report.



**HARDY/NEAR NORTHSIDE REDEVELOPMENT AUTHORITY**  
**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**  
**FOR THE YEAR ENDED JUNE 30, 2016**

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None

DRAFT SUBJECT TO CHANGE

See accompanying independent auditor's report.

**HARDY/NEAR NORTHSIDE REDEVELOPMENT AUTHORITY**

**SUPPLEMENTARY INFORMATION**

**REQUIRED BY THE CITY OF HOUSTON**

**JUNE 30, 2016**

**DRAFT SUBJECT TO CHANGE**

**HARDY/NEAR NORTHSIDE REDEVELOPMENT AUTHORITY  
OPERATING AND CAPITAL EXPENDITURES  
FOR THE YEAR ENDED JUNE 30, 2016**

Category	Vendor	Budget	Actual Expenditures	Variance Positive (Negative)
<b>ADMINISTRATION AND OVERHEAD</b>				
Accounting	Bentley, Bratcher & Associates, P.C.	\$ 10,000	\$ 15,635	\$ (5,635)
Administrative Consultant	Bracewell & Giuliani, LLP	15,000	23,785	(8,785)
Auditor	McCall Gibson Swedlund Barfoot PLLC	8,000	10,000	(2,000)
Insurance	Texas Municipal League	800	877	(77)
Office Administration	Bank of America	75	135	(60)
<b>SUBTOTAL</b>		<u>\$ 33,875</u>	<u>\$ 50,432</u>	<u>\$ (16,557)</u>
<b>PROGRAM AND PROJECT CONSULTANTS</b>				
Legal Consultant	Bracewell & Giuliani, LLP	\$ 25,000	\$ 7,043	\$ 17,957
Other Consultant	TIFWorks, LLC	-	2,869	(2,869)
<b>SUBTOTAL</b>		<u>\$ 25,000</u>	<u>\$ 9,912</u>	<u>\$ 15,088</u>
<b>TOTAL MANAGEMENT CONSULTING SERVICES</b>		<u>\$ 58,875</u>	<u>\$ 60,344</u>	<u>\$ (1,469)</u>
<b>CAPITAL EXPENDITURES</b>				
Project T-2101: Pedestrian Pathways/Hike and Bike Trails		<u>\$ 382,600</u>	<u>\$ -</u>	<u>\$ 382,600</u>
<b>DEVELOPER/PROJECT REIMBURSEMENTS</b>				
CRV Hardy Yards: Roadway and Sidewalk Improvements		<u>11,986,000</u>	<u>9,529,680</u>	<u>2,456,320</u>

See accompanying independent auditor's report.

DRAFT SUBJECT TO CHANGE

**HARDY/NEAR NORTHSIDE REDEVELOPMENT AUTHORITY  
PROJECT PLAN RECONCILIATION  
FOR THE YEAR ENDED JUNE 30, 2016**

	Project Plan Estimated Amount	Cumulative Expenditures as of the Fiscal Year Ended 2016	Variance Positive (Negative)
<b>ESTIMATED PROJECT COSTS</b>			
Roadway and Sidwalk Improvements	\$ 37,692,000	\$ 9,529,680	\$ 28,162,320
Public Utility Improvements	7,884,000	-	7,884,000
Parks, Plazas and Recreational Facilities	4,328,000	-	4,328,000
Affordable Housing	24,920,874	828,696	24,092,178
Financing Costs	1,700,000	-	1,700,000
Zone Creation and Administration	2,200,000	391,047	1,808,953
<b>TOTAL ESTIMATED PROJECT COSTS</b>	<b>\$ 78,724,874</b>	<b>\$ 10,749,423</b>	<b>\$ 67,975,451</b>

See accompanying independent auditor's report

**HARDY/NEAR NORTHSIDE REDEVELOPMENT AUTHORITY**

**OTHER SUPPLEMENTARY INFORMATION**

**JUNE 30, 2016**

DRAFT SUBJECT TO CHANGE

**HARDY/NEAR NORTHSIDE REDEVELOPMENT AUTHORITY**  
**BOARD OF DIRECTORS**  
**JUNE 30, 2016**

Authority Mailing Address - HARDY/NEAR NORTHSIDE REDEVELOPMENT  
AUTHORITY  
C/O Bracewell & Giuliani, LLP  
711 Louisiana Street, Suite 2300  
Houston, TX 77002-2770

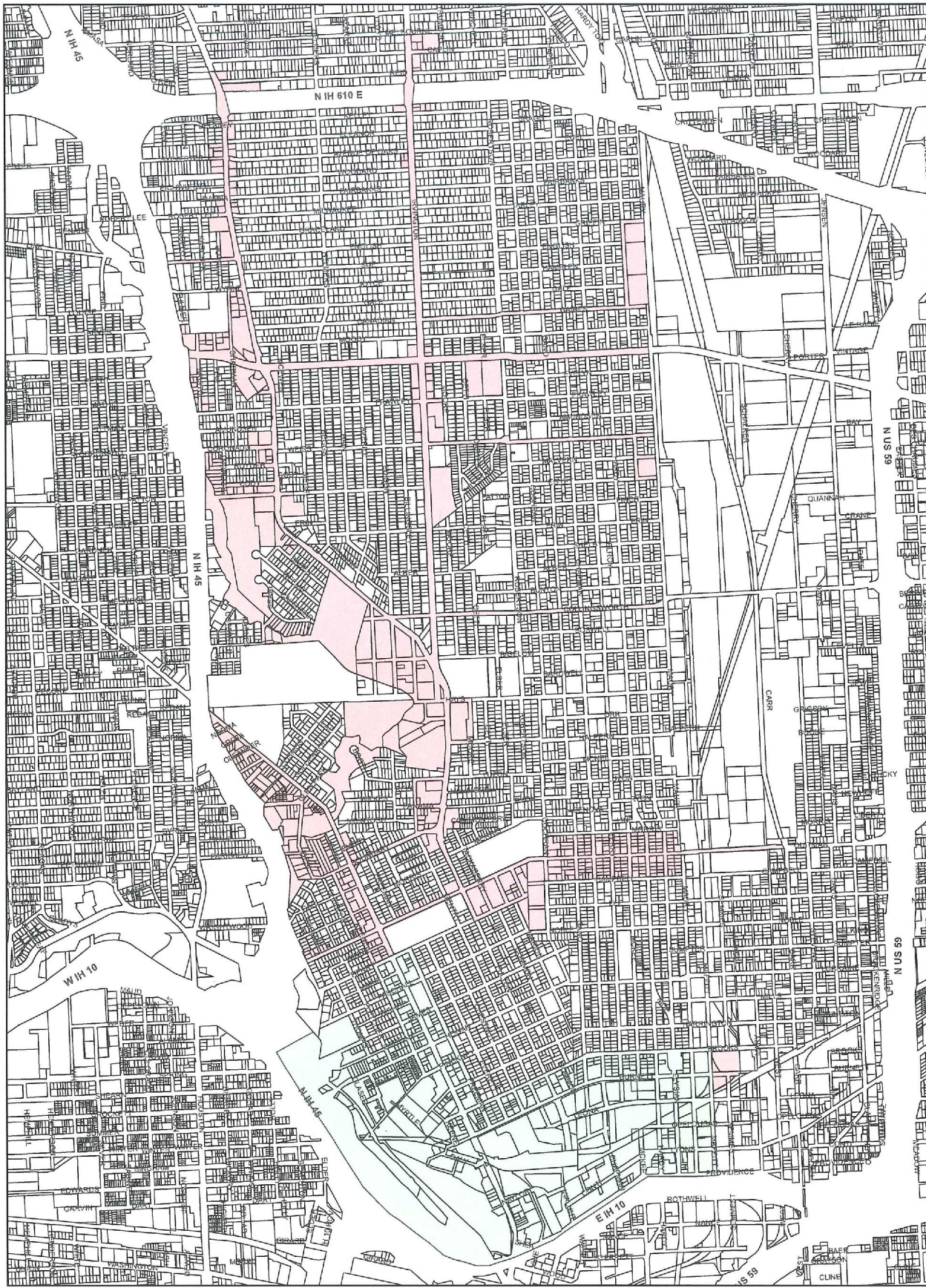
Authority Telephone Number - (713) 223-2300

<b>Board Members</b>	<b>Position</b>
Edward Reyes	Chair/Assistant Secretary
Lloyd Burke	Vice Chair/ Investment Officer
Sylvia Cavazos	Secretary
Richard Cantu	Assistant Secretary
Fernando Zamarripa	Assistant Secretary




DRAFT SUBJECT TO CHANGE

Tab 3





**Legend**

-  Parcels
-  Proposed Annexaion
-  Hardy/Near Northside

**City of Houston  
Proposed Hardy/ Near Northside  
Annexation**



Source: COHGIS Data

Date: September 2016

Reference: P19190\_Hardy\_Near Northside

This map is made available for reference purposes only and should not be substituted for a survey product. The City of Houston will not accept liability of any kind in conjunction with its use.



**PLANNING &  
DEVELOPMENT  
DEPARTMENT**

Tab 4

**HARDY/NEAR NORTHSIDE TIRZ # 21**

**Balance Sheet**

As of September 26, 2016

	<u>Sep 26, 16</u>
<b>ASSETS</b>	
Current Assets	
Checking/Savings	
BANK OF AMERICA	479,968.81
TEX POOL AC 7932300001	654,303.21
Total Checking/Savings	<u>1,134,272.02</u>
Total Current Assets	1,134,272.02
Fixed Assets	
CIP - Hardy Yards Phase 1 Imp.	8,458,809.28
Devel. Cost - Hlke and Bike Tr	123,022.07
Total Fixed Assets	<u>8,581,831.35</u>
<b>TOTAL ASSETS</b>	<b><u>9,716,103.37</u></b>
<b>LIABILITIES &amp; EQUITY</b>	
Liabilities	
Current Liabilities	
Accounts Payable	12,829.32
Total Current Liabilities	<u>12,829.32</u>
Total Liabilities	12,829.32
Equity	
*Fund Balance	9,711,715.50
Net Income	-8,441.45
Total Equity	<u>9,703,274.05</u>
<b>TOTAL LIABILITIES &amp; EQUITY</b>	<b><u>9,716,103.37</u></b>

**HARDY/NEAR NORTHSIDE TIRZ # 21**

**Profit Loss Budget vs. Actual**

July 1 through September 26, 2016

	Actual	Budget		
	July 1, 2016 -	July 1, 2016 -		
	Sep 26, 2016	Sep 26, 2016	\$ Over Budget	% of Budget
<b>Ordinary Income/Expense</b>				
<b>Income</b>				
Grant Income - Construction	0.00	4,027,518.00	-4,027,518.00	0.0%
Interest on TexPool	412.51	162.00	250.51	254.64%
Interest on TIRZ revenue	0.00	170.00	-170.00	0.0%
Tax increments	0.00	189,263.00	-189,263.00	0.0%
<b>Total Income</b>	<b>412.51</b>	<b>4,217,113.00</b>	<b>-4,216,700.49</b>	<b>0.01%</b>
<b>Gross Profit</b>	<b>412.51</b>	<b>4,217,113.00</b>	<b>-4,216,700.49</b>	<b>0.01%</b>
<b>Expense</b>				
<b>Program and Project Consultants</b>				
Engineering Consultants	0.00	45,000.00	-45,000.00	0.0%
General Counsel Representation	0.00	25,000.00	-25,000.00	0.0%
Planning Consultants	0.00	45,000.00	-45,000.00	0.0%
<b>Total Program and Project Consultants</b>	<b>0.00</b>	<b>115,000.00</b>	<b>-115,000.00</b>	<b>0.0%</b>
<b>TIRZ Administration Overhead</b>				
Accounting Services	7,172.00	10,000.00	-2,828.00	71.72%
Administrative Services	1,681.96	25,000.00	-23,318.04	6.73%
Audit Services	0.00	10,000.00	-10,000.00	0.0%
Insurance - Liability	0.00	1,000.00	-1,000.00	0.0%
Office Expense	0.00	250.00	-250.00	0.0%
<b>Total TIRZ Administration Overhead</b>	<b>8,853.96</b>	<b>46,250.00</b>	<b>-37,396.04</b>	<b>19.14%</b>
Property Improvements	0.00	4,410,118.00	-4,410,118.00	0.0%
<b>Total Expense</b>	<b>8,853.96</b>	<b>4,571,368.00</b>	<b>-37,396.04</b>	<b>0.19</b>
<b>Net Ordinary Income</b>	<b>-8,441.45</b>	<b>-354,255.00</b>	<b>345,813.55</b>	<b>2.38%</b>
<b>Net Income</b>	<b>-8,441.45</b>	<b>-354,255.00</b>	<b>345,813.55</b>	<b>2.38%</b>

**HARDY/NEAR NORTHSIDE TIRZ #21**  
**Profit & Loss Detail**  
 July 1 through September 26, 2016

Type	Date	Num	Memo	Paid Amount
<b>Ordinary Income/Expense</b>				
<b>Income</b>				
Interest on TexPool				
Deposit	07/31/2016		July 2016 Interest	204.92
Deposit	08/31/2016		August 2016 Interest	207.59
Total Interest on TexPool				<u>412.51</u>
Total Income				<u>412.51</u>
Gross Profit				412.51
<b>Expense</b>				
TIRZ Administration Overhead				
Accounting Services				
Bill	08/31/2016	13030-001-016	Preparation for June Bookkeeping and Board Meeting. Provide information for FIA	7,172.00
Total Accounting Services				<u>7,172.00</u>
Administrative Services				
Bill	07/31/2016	21656532	Meeting Services through May 31, 2016	1,096.93
Bill	08/31/2016	21659161	Meeting Services through May 31, 2016	585.03
Total Administrative Services				<u>1,681.96</u>
Total TIRZ Administration Overhead				<u>8,853.96</u>
Total Expense				<u>8,853.96</u>
Net Ordinary Income				<u>-8,441.45</u>
Net Income				<u><u>-8,441.45</u></u>

HARDY/NEAR NORTHSIDE TIRZ # 21

Unpaid Bills Detail

July 1 through September 26, 2016

	Type	Date	Num	Open Balance	Page(s)
Bentley, Bratcher & Associates, P.C.					
	Bill	08/31/2016	13030-001-016	7,172.00	5
BRACEWELL & GIULIANI, LLP					
	Bill	06/30/2016	21653372	785.25	6
	Bill	06/30/2016	21653373	3,190.11	7-10
	Bill	07/31/2016	21656532	1,096.93	11-12
	Bill	08/31/2016	21659161	585.03	13-14
Total BRACEWELL & GIULIANI, LLP				<u>5,657.32</u>	
TOTAL				<u><u>12,829.32</u></u>	



# BENTLEY, BRATCHER & ASSOCIATES, P.C.

Certified Public Accountants

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Hardy/Near Northside Redevelopment Authority  
515 W. Greens Rd., Suite 710  
Houston, TX 77067

**Invoice Date:** September 2, 2016

**Invoice Number:** 13030-001-016

For professional services rendered through August 31, 2016 in connection with the following:

- ❖ June bookkeeping
- ❖ June Board Meeting- prepare, attend and post meeting procedures
- ❖ Provide information per the Freedom of Information Act- Houston Chronicle
- ❖ Draft audited financial statements
- ❖ Meetings and assistance to auditors

as well as miscellaneous advice and consultation related thereto

\$ 7,172

*As a reminder, our invoices are due and payable within 30 days from the invoice date, noted above. Interest commences at the rate of 1.5% per month for any portion of a month the invoice is outstanding beyond this time period.*

**Bracewell LLP**  
ATTORNEYS AT LAW

P. O. Box 848566  
Dallas, TX 75284-8566  
713 223-2300  
TAX ID 74-1024827

Hardy/Near Northside Redevelopment Authority  
c/o John R. Madsen, Bookkeeper  
6750 West Loop South Freeway  
Bellaire, TX 77401-4108

July 5, 2016  
Invoice: 21653372  
B/A: 04674

Our Matter #: 037619.000001 For Services Through June 30, 2016  
General Counsel

			Hours	Rate/Hr	Amount
06/27/16	Prepare for and attend Board meeting	Clark Stockton Lord	1.00	400.00	400.00
06/30/16	Review documents and draft response to TPIA request	Sandra Andersson Staine	1.50	315.00	472.50

Summary of Fees

	Hours	Rate/Hr	Amount
Clark Stockton Lord	1.00	400.00	400.00
Sandra Andersson Staine	1.50	315.00	472.50
Total	2.50	357.50	872.50

Less Discount (87.25)

**Total Fees for Professional Services** **\$ 785.25**

Fees for Professional Services.....\$ 785.25

**Total Current Billing for this Matter** **\$ 785.25**

STATEMENT FOR PROFESSIONAL SERVICES IS PAYABLE UPON PRESENTATION  
INVOICE AMOUNT DUE IN UNITED STATES DOLLARS



Bracewell LLP  
ATTORNEYS AT LAW

P. O. Box 848566  
Dallas, TX 75284-8566  
713 223-2300  
TAX ID 74-1024827

Page 1

Hardy/Near Northside Redevelopment Authority  
c/o John R. Madsen  
6750 West Loop South Freeway  
Bellaire, Texas 77401-4108

July 5, 2016  
Invoice: 21653373  
B/A: 04674

Our Matter #: 037619.000003 For Services Through June 30, 2016  
Meeting Services

			Hours	Rate/Hr	Amount
06/06/16	Email correspondence with E Phalan regarding the pay estimates and change orders for the Cypress project; email correspondence with the bookkeeper regarding the representative for the District; implement revisions to the distribution list regarding same	Deborah Russell	0.25	292.50	73.13
06/07/16	Prepare email to the Board transmitting the draft agenda for review and comment; prepare the minutes for the zone	Deborah Russell	0.75	292.50	219.38
06/09/16	Prepare email to L Rodriguez transmitting the agenda for the June meeting for posting; prepare email to the distribution list transmitting the agenda; email correspondence with the bookkeeper regarding the status of the financial report for the meeting; telephone conference with E Phalan regarding the pay estimate and change order documentation	Deborah Russell	0.50	292.50	146.25
06/10/16	Email correspondence with the auditor regarding the need for a Form 1295 for the audit engagement; prepare email to the Board regarding quorum for the June meeting; discussions regarding finalization of the Board packets; prepare email to the Board transmitting the first part of the package	Deborah Russell	0.25	292.50	73.13
06/13/16	Email correspondence regarding quorum for the meeting; discussions regarding preparation of the board packets; email correspondence with E Phalan of Grantworks regarding the pay estimates and change orders for approval; telephone conference with E Reyes regarding	Deborah Russell	0.50	292.50	146.25

STATEMENT FOR PROFESSIONAL SERVICES IS PAYABLE UPON PRESENTATION  
INVOICE AMOUNT DUE IN UNITED STATES DOLLARS

Bracewell LLP  
ATTORNEYS AT LAW

Hardy/Near Northside Redevelopment Authority

July 5, 2016  
Invoice: 21653373

			Hours	Rate/Hr	Amount
	the possible cancellation of the meeting; prepare email to the distribution list cancelling the meeting; discussions with C Lord regarding dates for rescheduling; email correspondence with the auditor regarding the status of the engagement letter approval by the City; scan a copy of same and email to the auditor				
06/14/16	Prepare transmittal of the engagement letter for the 2016 audit to the auditor	Deborah Russell	0.25	292.50	73.13
06/16/16	Review email from E Phalan regarding a request for copies of the wire transfer receipts from the Authority to CRV Hardy Yards; research emails for same; prepare email to the bookkeeper requesting copies of same; prepare email to E Phalan transmitting the receipt for draw no. 6	Deborah Russell	0.25	292.50	73.13
06/17/16	Review request for information under the Public Information Act from the Houston Chronicle; review email from the bookkeeper regarding draw no. 7; email correspondence with E Phalan regarding same; discussions regarding ordering archived documents from storage; telephone conferences with D Edwards at the City of Houston regarding the status of approval of draw no. 7 for the Cypress project; email correspondence with the bookkeeper regarding the need for copies of checks and bank statements; telephone conference with the bookkeeper regarding the information needed for the PIA request; discussions with C Lord regarding same	Deborah Russell	0.75	292.50	219.38
06/20/16	Prepare email to E Phalan regarding the status of the final pay estimates	Deborah Russell	0.25	292.50	73.13
06/22/16	Email correspondence with E Phalan regarding the status of the research on Draw No. 7 from the City; email to the Board regarding quorum for the meeting; prepare the agenda for the June 27, 2016, meeting; email from the bookkeeper regarding the check registers for the PIA request; discussions regarding research	Deborah Russell	0.50	292.50	146.25

STATEMENT FOR PROFESSIONAL SERVICES IS PAYABLE UPON PRESENTATION  
INVOICE AMOUNT DUE IN UNITED STATES DOLLARS

Bracewell LLP  
ATTORNEYS AT LAW

Hardy/Near Northside Redevelopment Authority

July 5, 2016  
Invoice: 21653373

			Hours	Rate/Hr	Amount
	on old banking records				
06/23/16	Email correspondence with E Phalan regarding the status of the final pay requests; discussions with R Weist regarding same	Deborah Russell	0.25	292.50	73.13
06/24/16	Email correspondence with E Phalan and R Weist regarding the final pay estimates; email correspondence with R Weist regarding adding the payment requests to the Board packets and emailing to the board and regarding sending the agenda for posting with the City	Deborah Russell	0.25	292.50	73.13
06/27/16	Email from L Burke regarding a possible conflict for the meeting; prepare the resolution authorizing draw no. 8 prepare email to R Cantu to confirm attendance; prepare email to the Board regarding quorum issues; discussions with R Weist regarding the binding of the Board packets for the meeting; prepare the meeting file; travel to and attend the June meeting; filing in accordance with the requirements of the Records Management Act	Deborah Russell	2.00	292.50	585.00
06/28/16	Review the Authority's files to mark the documentation that is responsive to the Houston Chronicle's request for public information; discussions regarding the addition of the materials relating to the GLO funds; review files to locate the budget and CIP as requested by G Hill of Public Works; prepare email transmitting same	Deborah Russell	1.25	292.50	365.63
06/29/16	Prepare email to F Zamarripa transmitting the resolution approving draw no. 8 for execution; discussions regarding preparation of a clarification letter to the Houston Chronicle regarding the TPIA request for Authority documentation and regarding the status of the scanning of same	Deborah Russell	0.25	292.50	73.13
06/30/16	Discussions regarding the finalization of the documentation for the TPIA request and transmittal of same to the Chronicle	Deborah Russell	0.25	292.50	73.13

STATEMENT FOR PROFESSIONAL SERVICES IS PAYABLE UPON PRESENTATION  
INVOICE AMOUNT DUE IN UNITED STATES DOLLARS

Bracewell LLP  
ATTORNEYS AT LAW

Hardy/Near Northside Redevelopment Authority

July 5, 2016  
Invoice: 21653373

Summary of Fees

	Hours	Rate/Hr	Amount
Deborah Russell	8.50	292.50	2,486.31
<b>Total</b>	<b>8.50</b>	<b>292.50</b>	<b>2,486.31</b>

**Total Fees for Professional Services \$ 2,486.31**

Costs

**Amount**

Binding

06/27/16	Binding BATCH 2897 GBC BINDINGS	13.50
06/27/16	Binding BATCH 2897 TABS	3.60
	<i>Total: Binding</i>	<i>17.10</i>

Color Reproductions

06/27/16	Color Reproductions EQUITRAC COPIES 603 pages BATCH 153HO	603.00
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Reproductions

06/27/16	Reproductions EQUITRAC COPIES 387 pages BATCH 153HO	58.05
06/27/16	Reproductions EQUITRAC COPIES 171 pages BATCH 153HO	25.65
	<i>Total: Reproductions</i>	<i>83.70</i>

Fees for Professional Services .....\$ 2,486.31

Costs .....703.80

**Total Current Billing for this Matter \$ 3,190.11**

STATEMENT FOR PROFESSIONAL SERVICES IS PAYABLE UPON PRESENTATION  
INVOICE AMOUNT DUE IN UNITED STATES DOLLARS

Bracewell LLP  
ATTORNEYS AT LAW

P. O. Box 848566  
Dallas, TX 75284-8566  
713 223-2300  
TAX ID 74-1024827

Page 1

Hardy/Near Northside Redevelopment Authority  
c/o John R. Madsen  
6750 West Loop South Freeway  
Bellaire, Texas 77401-4108

August 3, 2016  
Invoice: 21656532  
B/A: 04674

Our Matter #: 037619.000003 For Services Through July 31, 2016  
Meeting Services

			Hours	Rate/Hr	Amount
07/01/16	Filing in accordance with the requirements of the Records Management Act	Deborah Russell	0.25	292.50	73.13
07/05/16	Email correspondence with E Phalan regarding the wire transfers from the City to the Authority; scan and email a copy of the resolution authorizing draw no. 8	Deborah Russell	0.25	292.50	73.13
07/06/16	Email correspondence with E Phalan and the bookkeeper regarding the wire confirmation for draw no. 4; email correspondence with R De Leon regarding the workshop to discuss annexation; email to the board regarding same; review correspondence from TML regarding trustee nomination to the board of the risk pool; route for filing	Deborah Russell	0.25	292.50	73.13
07/08/16	Email to the Board confirming the date of the workshop meeting; review email from L Burke regarding his status on the board	Deborah Russell	0.25	292.50	73.13
07/11/16	Prepare email to CM Cisneros regarding the date of annexation workshop; email correspondence from M Morris regarding the TPIA request and the conversion of bookkeeping records to Excel; email to the bookkeeper to request the bookkeeping software used	Deborah Russell	0.25	292.50	73.13
07/13/16	Prepare the agenda for the workshop meeting to be held on July 18; discussions with C Lord regarding same	Deborah Russell	0.25	292.50	73.13
07/14/16	Prepare email to the agenda distribution list transmitting the agenda for the July workshop	Deborah Russell	0.25	292.50	73.13

STATEMENT FOR PROFESSIONAL SERVICES IS PAYABLE UPON PRESENTATION  
INVOICE AMOUNT DUE IN UNITED STATES DOLLARS

Bracewell LLP  
ATTORNEYS AT LAW

Hardy/Near Northside Redevelopment Authority

August 3, 2016  
Invoice: 21656532

		Hours	Rate/Hr	Amount
	meeting			
07/15/16	Review the Summary of Claim Experience Report received from TML; print same and route for filing	0.25	292.50	73.13
07/20/16	Filing in accordance with the requirements of the Records Management Act	0.25	292.50	73.13
07/21/16	Conduct follow up from the June Board meeting; assemble attachments to minutes; route for filing; begin drafting the minutes of the June Board meeting	0.75	292.50	219.38
07/22/16	Complete the draft minutes of the June meeting; proof and revise same	0.50	292.50	146.25
07/29/16	Discussions with C Lord regarding meeting matters	0.25	292.50	73.13

Summary of Fees

	Hours	Rate/Hr	Amount
Deborah Russell	3.75	292.50	1,096.93
Total	3.75	292.50	1,096.93

**Total Fees for Professional Services** **\$ 1,096.93**

Fees for Professional Services .....\$ 1,096.93

**Total Current Billing for this Matter** **\$ 1,096.93**

Billing Summary

Balance Forward	\$ 3,190.11
Total Current Billing for this Matter	\$ 1,096.93
<b>Please Remit Total Balance Due</b>	<b>\$ 4,287.04</b>

STATEMENT FOR PROFESSIONAL SERVICES IS PAYABLE UPON PRESENTATION  
INVOICE AMOUNT DUE IN UNITED STATES DOLLARS

**Bracewell LLP**  
ATTORNEYS AT LAW

P. O. Box 848666  
Dallas, TX 75284-8566  
713 223-2300  
TAX ID 74-1024827

Hardy/Near Northside Redevelopment Authority  
c/o John R. Madsen  
6750 West Loop South Freeway  
Bellaire, Texas 77401-4108

September 6, 2016  
Invoice: 21659161  
B/A: 04674

Our Matter #: 037619.000003 For Services Through August 31, 2016  
Meeting Services

			Hours	Rate/Hr	Amount
08/01/16	Prepare email to E Reyes regarding the possible cancellation of the August meeting; prepare email to the distribution list regarding the cancellation of the meeting	Deborah Russell	0.25	292.50	73.13
08/03/16	Filing in accordance with the requirements of the records management act	Deborah Russell	0.25	292.50	73.13
08/12/16	Email from the bookkeeper regarding the increment appropriation for the Authority; prepare email to K Imandar at the City regarding same	Deborah Russell	0.25	292.50	73.13
08/18/16	Review bank websites for changes to the broker/dealer list; implement revisions to same	Deborah Russell	0.50	292.50	146.25
08/19/16	Review the statement from TML and route for filing	Deborah Russell	0.25	292.50	73.13
08/25/16	Review correspondence received from TML and route for filing	Deborah Russell	0.25	292.50	73.13
08/30/16	Review correspondence received by the Authority and route for filing	Deborah Russell	0.25	292.50	73.13

Summary of Fees

	Hours	Rate/Hr		Amount
Deborah Russell	2.00	292.50		585.03
Total	2.00	292.50		585.03

**Total Fees for Professional Services**

**\$ 585.03**

Fees for Professional Services .....\$ 585.03

STATEMENT FOR PROFESSIONAL SERVICES IS PAYABLE UPON PRESENTATION  
INVOICE AMOUNT DUE IN UNITED STATES DOLLARS

Bracewell LLP  
ATTORNEYS AT LAW

Page 2

Hardy/Near Northside Redevelopment Authority

September 6, 2016  
Invoice: 21659161

Total Current Billing for this Matter \$ 585.03

Billing Summary

Balance Forward	\$ 4,287.04
Total Current Billing for this Matter	\$ 585.03
Please Remit Total Balance Due	\$ 4,872.07

STATEMENT FOR PROFESSIONAL SERVICES IS PAYABLE UPON PRESENTATION  
INVOICE AMOUNT DUE IN UNITED STATES DOLLARS



Tab 7

MEMORANDUM

Date: September 26, 2016

To: Board of Directors  
Hardy/Near Northside Redevelopment Authority (the "Authority")

Copy: Board of Directors  
Attorney for the Authority  
Bookkeeper for the Authority  
Texas Ethics Commission

From: Lloyd Burke, Investment Officer  
John Madsen, Bookkeeper

Subject: DISCLOSURE UNDER THE PUBLIC FUNDS INVESTMENT ACT

As investment officer/bookkeeper for the Authority, I submit this disclosure of my relationships with entities or individuals who are offering, have offered, or may offer to engage in an investment transaction with the Authority as of the date of this memorandum, in compliance with the Public Funds Investment Act and with the Authority's Investment Policy.

1. I have the following "personal business relationships" with individuals or entities who are offering to engage, have offered to engage or may offer to engage in an investment transaction with the District:

(a) I own (i) ten per cent (10%) or more of the voting stock or shares or (b) \$5,000 or more of the fair market value of the following business organizations:

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(b) I have received from the following business organizations funds that exceed ten percent (10%) of my gross income for the previous year:

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(c) During the previous year, I acquired for my personal account investments with a book value of \$2,500 or more from the following business organizations:

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2. I am related within the second degree of affinity (marriage) or consanguinity (blood) as determined by Chapter 573, Government Code, to the following individuals who are seeking, have sought or may seek to sell an investment to the District:

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(SIGNATURE)

**RESOLUTION REGARDING ANNUAL REVIEW OF INVESTMENT POLICY AND  
LIST OF QUALIFIED BROKER/DEALERS OF HARDY/NEAR NORTHSIDE  
REDEVELOPMENT AUTHORITY**

WHEREAS, Hardy/Near Northside Redevelopment Authority (the "Authority"), has been legally created and operates pursuant to the general laws of the State of Texas applicable to local government corporations, and has such authority as has been delegated to it by the City of Houston, Texas to act on behalf of Reinvestment Zone Number Twenty-One, City of Houston, Texas; and

WHEREAS, the Board of Directors (the "Board") of the Authority has convened on this date to conduct the Authority's annual review of its investment policy pursuant to Section 2256.005, *et seq.*, Texas Government Code, as amended; and

WHEREAS, the Board has also convened on this date to conduct the Authority's annual review of its list of qualified broker/dealers that are authorized to engage in investment transactions with the Authority, pursuant to Section 2256.025, Texas Government Code, as amended; and

WHEREAS, the Authority has determined not to amend the Authority's Investment Policy dated September 19, 2011;

WHEREAS, the Authority has determined to amend the list of qualified broker/dealers that are authorized to engage in investment transactions with the Authority; Now, Therefore,

BE IT RESOLVED BY THE BOARD OF DIRECTORS OF HARDY/NEAR NORTHSIDE REDEVELOPMENT AUTHORITY THAT:

Section 1: The Board hereby conducted the annual review of the Authority's Amended Investment Policy, dated September 19, 2011, attached hereto as Exhibit A and confirms that same shall remain in effect until modified by action of the Board of Directors.

Section 2: The Board hereby adopts the amended list of qualified broker/dealers, attached hereto as Exhibit B, and confirms that same shall be in effect until modified by action of the Board of Directors.

Section 3: The provisions of this Resolution shall be effective as of the date of adoption and shall remain in effect until modified by action of the Board.

[Signature page follows]

PASSED AND APPROVED THIS 26th day of September 2016.

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Chair

ATTEST:

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Secretary

**EXHIBIT A**

AMENDED INVESTMENT POLICY – SEPTEMBER 19, 2011

## AMENDED INVESTMENT POLICY

This Amended Investment Policy (the "Policy") is adopted by the Board of Directors of Hardy/Near Northside Redevelopment Authority (the "Authority") pursuant to Chapter 2256 of the Texas Government Code, effective as of September 19, 2011.

### ARTICLE I PURPOSE

Section 1.01. Purpose. This Policy with respect to Authority investments has been adopted to establish the principles and criteria by which the funds of the Authority should be invested and secured and to comply with various provisions of Texas law relating to the investment and security of funds of local government corporations (the "Investment Laws"). As of the date of the adoption of this Policy, the following laws are applicable to the investment of the Authority's funds: Chapter 2256, Texas Government Code; Chapter 791, Texas Government Code; Chapter 2257, Texas Government Code; and Section 404.101 et seq., Texas Government Code. The Investment Laws generally provide the minimum criteria for the authorized investment and security of the Authority's funds and require the Authority to adopt rules to ensure the investment of Authority funds in accordance with such laws. This Policy will specify the scope of authority of Authority Officials who are responsible for the investment of Authority funds.

### ARTICLE II DEFINITIONS

Section 2.01. Definitions. Unless the context requires otherwise, the following terms and phrases used in this Policy shall mean the following:

- (a) "Authority Officials" means the Investment Officer, Directors, Employees, and persons and business entities engaged in handling the investment of Authority funds.
- (b) "Authorized Collateral" means any means or method of securing the deposit of Authority funds authorized by Chapter 2257, Texas Government Code.
- (c) "Authorized Investment" means any security in which the Authority is authorized to invest under Chapter 2256, Texas Government Code.
- (d) "Board" means the Board of Directors of the Authority.
- (e) "Collateral" means any means or method of securing the deposit of Authority funds under Article IV hereof.
- (f) "Collateral Act" means Chapter 2257, Texas Government Code, as amended from time to time.

- (g) "Director" means a person appointed to serve on the Board of Directors of the Authority.
- (h) "Employee" means any person employed by the Authority, but does not include independent contractors or professionals hired by the Authority as outside consultants, such as the Authority's financial advisor, accountant or general counsel.
- (i) "FDIC" means the Federal Deposit Insurance Corporation or any successor entity.
- (j) "Investment Act" means Chapter 2256, Texas Government Code, as amended from time to time.
- (k) "Investment Officer(s)" means the Director(s) or Employee(s) of the Authority appointed from time to time by the Board to invest and reinvest the funds of the Authority held in its various accounts.
- (l) "State" means the State of Texas.

### ARTICLE III INVESTMENT OFFICER

#### Section 3.01. Investment Officer.

From time to time, the Authority shall appoint one or more of its Directors or Employees to serve as Investment Officer(s) to handle the investment of Authority funds. The Investment Officer(s) shall be responsible for investing Authority funds in accordance with this Policy. The Investment Officer(s) shall invest the Authority's funds, not for speculation, but for investment, considering the probable safety of capital and the probable income to be derived, with all investment decisions to be governed by the objectives set forth in Section 7.01 hereof.

Section 3.02. Training. The Investment Officer(s) shall attend training sessions and receive the number of hours of instruction as required by the Investment Act.

Section 3.03. Reporting by the Investment Officer and Authority Officials. Not less than quarterly and within a reasonable time after the end of the period reported, the Investment Officer and Authority Officials shall prepare and submit to the Board a written report of the investment transactions for all funds of the Authority for the preceding reporting period. The report must (1) describe in detail the investment position of the Authority on the date of the report, (2) be prepared jointly by all the Investment Officers of the Authority, if the Authority appoints more than one, (3) be signed by all Investment Officers and Authority Officials who prepare the report, (4) contain a summary statement of each pooled fund group that states the beginning market value for the reporting period; ending market value for the period; and fully accrued interest for the reporting period; (5) state the book value and the market value of each separately invested asset at the beginning and end of the reporting period by the type of asset and fund type invested, (6) state the maturity date of each separately invested asset that has a maturity date, (7) state the Authority fund for which each individual investment was acquired,

and (8) state the compliance of the investment portfolio as it relates to this Policy and the Investment Act.

Section 3.04. Assistance with Certain Duties of the Investment Officer. The Board hereby authorizes and directs the Authority Officials requested by the Investment Officer to assist the Investment Officer(s) with any of his/her duties, including but not limited to the following:

- (a) Presenting a copy of this Policy to any person or business organization seeking to sell an investment to the Authority and obtaining the necessary written certification from such seller referred to in this section;
- (b) Handling investment transactions;
- (c) Preparing and submitting to the Board the written report of all investment transactions for the Authority as required by this section;
- (d) Researching investment options and opportunities;
- (e) Obtaining written depository pledge agreements as required herein;
- (f) Obtaining safe-keeping receipts from the Texas financial institution which serves as a depository for pledged Collateral; and
- (g) Reviewing the market value of the Authority's investments and of the Collateral pledged to secure the Authority's funds.

#### **ARTICLE IV PROCEDURES FOR INVESTMENT OF AUTHORITY MONIES**

Section 4.01. Qualified Broker/Dealers. The list of qualified broker/dealers with whom the Authority may engage in investment transactions is attached hereto as **Exhibit A.**

Section 4.02. Disclosures of Relationships with Entities Offering to Enter into Investment Transactions with the Authority. The Investment Officer(s) and the Authority Officials shall disclose in writing (a) any "personal business relationship" with a business organization offering to engage in an investment transaction with the Authority and (b) any relationship within the second degree by affinity or consanguinity, as determined by Chapter 573, Texas Government Code, to any individual seeking to sell an investment to the Authority, as required by the Investment Act. The existence of a "personal business relationship" shall be determined in accordance with the Investment Act. Such disclosure statement shall be filed with the Board and the Texas Ethics Commission.

Section 4.03. Certifications from Sellers of Investments. The Investment Officer(s) or the Authority Officials shall present this Policy to any person or business organization offering to engage in an investment transaction with the Authority and obtain a certificate stating that such potential seller has reviewed the Policy as provided in the Investment Act. This certificate shall be in a form acceptable to the Authority and shall state that the potential seller has received and



reviewed the Policy and has acknowledged that the potential seller has implemented reasonable procedures and controls in an effort to preclude investment transactions with the Authority that are not authorized by this Policy, except to the extent that this authorization is dependent on an analysis of the makeup of the Authority's entire portfolio or requires an interpretation of subjective investment standards. Neither the Investment Officer nor the Authority Officials shall purchase or make any investment from a potential seller that has not delivered to the Authority this required certification. A form of certificate acceptable to the Authority is attached hereto as **Exhibit B**.

Section 4.04. Solicitation of Bids for Certificates of Deposit. Bids for certificates of deposit may be solicited orally, in writing, electronically or in any combination of those methods.

Section 4.05. Settlement Basis. All purchases of investments, except investment in investment pools or in mutual funds, shall be made on a delivery versus payment basis. The safekeeping entity for all Authority investments and for all Collateral pledged to secure Authority funds shall be one approved by the Investment Officer(s).

Section 4.06. Monitoring of the Market Value of Investments and Collateral. The Investment Officer(s), with the help of such Authority Officials as needed, shall determine the market value of each investment and of all Collateral pledged to secure deposits of Authority funds at least quarterly and at a time as close as practicable to the closing of the reporting period for investments. Such values shall be included on the investment report. The following methods shall be used:

- (a) Certificates of deposit shall be valued at their face value plus any accrued but unpaid interest.
- (b) Shares in money market mutual funds and investment pools shall be valued at par plus any accrued but unpaid interest.
- (c) Other investment securities with a remaining maturity of one year or less may be valued in any of the following ways:
  - (1) the lower of two bids obtained from securities broker/dealers for such security;
  - (2) the average of the bid and asked prices for such investment security as published in The Wall Street Journal or The New York Times;
  - (3) the bid price published by any nationally recognized security pricing service; or
  - (4) the market value quoted by the seller of the security or the owner of such Collateral.
- (d) Other investment securities with a remaining maturity greater than one year shall be valued at the lower of two bids obtained from securities broker/dealers for such

security, unless two bids are not available, in which case the securities may be valued in any manner provided in 4.06(c) hereof.

Section 4.07. Monitoring the Rating Changes in Investments. Consistent with Section 2256.021, Texas Government Code, as amended, the Investment Officer shall monitor all investments that require a minimum rating under subchapter A of Chapter 2256, Texas Government Code, as amended, such that any such investment that does not have the minimum rating shall no longer constitute an authorized investment. Such investments that do not have the required minimum rating shall be liquidated within 30 days of the investment's failure to maintain its required minimum rating.

## ARTICLE V PROVISIONS APPLICABLE TO ALL FUNDS

### Section 5.01. Provisions Applicable to All Fund Groups.

- (a) All funds of the Authority shall be invested only in accordance with this Policy and shall comply with any additional requirements imposed by bond resolutions or trust indentures of the Authority and applicable state law or federal tax law, including the Investment Laws.
- (b) The Board, by separate resolution, may provide that the Authority's Executive Director may withdraw or transfer funds from and to accounts of the Authority only in compliance with this Policy.
- (c) No fund groups shall be pooled for the purposes of investment, e.g. the funds in the Operating Account and in the Project Account shall not be commingled or pooled for purposes of investment.

### Section 5.02. Policy of Securing Deposits of Authority Funds -- Applicable to All Deposited Authority Funds.

- (a) The Authority recognizes that FDIC (or its successor) insurance is available for Authority funds deposited at any one Texas Financial Institution (including branch banks) only up to a maximum of \$250,000 (including accrued interest) for each of the following: (i) demand deposits, (ii) time and savings deposits, and (iii) deposits made pursuant to an indenture or pursuant to law in order to pay bondholders or noteholders.<sup>1</sup> It is the policy of the Authority that all deposited funds in each of the Authority's accounts shall be insured by the FDIC, or its successor, and to the extent the deposit surpasses the FDIC Deposit Insurance Coverage limit at any given time, shall be secured by Collateral pledged to the extent of the fair market value of the principal amount deposited plus accrued interest as required by the Collateral Act.
- (b) If it is necessary for the Authority's depositories to pledge Collateral to secure the Authority's deposits, (1) the Collateral pledge agreement must be in writing, (2)

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<sup>1</sup> The \$250,000 limit is temporary and may change from time to time under applicable law.

the Collateral pledge agreement must be approved by the depository's board of directors or loan committee, (3) the depository's approval of the Collateral pledge agreement must be reflected in the minutes of the meeting of the depository's board or loan committee approving same, and (4) the Collateral pledge agreement must be kept in the official records of the depository. The depository must provide to the Investment Officer or Authority Officials with written proof of the depository's approval of the pledge agreement as required herein in a form acceptable to the Authority. A signed or certified copy of the minutes of the meeting of the depository's board or loan committee reflecting the approval of the Collateral pledge agreement or other written documentation of such approval acceptable to the Investment Officer will be accepted. It is the preference of the Board that all requirements of this section be met prior to the deposit of any Authority funds in such financial institution when a pledge of Collateral is required; however, the Board recognizes that compliance with this preference might not be practicable due to time constraints for making a deposit. In such event, the Board directs the Investment Officer and Authority Officials to proceed diligently to have such agreement approved and documented to assure protection of the Authority's funds. If the decision is made to forego the protection of a Collateral pledge agreement with any depository, the Authority's Executive Director shall be responsible for maintaining the balance of deposit(s) in such depository plus any accrued but unpaid interest at or below FDIC insurance levels.

- (c) Collateral pledged by a depository shall be held in safekeeping at an independent third party institution, and the Authority's Executive Director shall obtain safekeeping receipts from the Texas financial institution or the safekeeping institution that reflect that Collateral as allowed by this Investment Policy and in the amount required was pledged to the Authority. Principal and accrued interest on deposits in a financial institution shall not exceed the FDIC's, or its successor's, insurance limits or the market value of the Collateral pledged as security for the Authority's deposits. It shall be acceptable for the Authority's Executive Director to periodically receive interest on deposits to be deposited to the credit of the Authority if needed to keep the amount of the funds under the insurance or Collateral limits. It is the preference of this Board that there be no sharing, splitting or cotenancy of Collateral with other secured parties or entities; however, in the event that a depository cannot accommodate this preference due to the denominations of the securities to be pledged, the Board directs the Investment Officer and Authority Officials to obtain appropriate protections in the pledge agreement with the depository to assure that the Collateral is liquidated and the funds distributed appropriately to all parties with a security interest in such Collateral. The Authority's Executive Director shall monitor the pledged Collateral to assure that it is pledged only to the Authority, review the fair market value of the Collateral to ensure that the Authority's funds are fully secured, and report periodically to the Investment Officer and the Board regarding the Collateral.

- (d) The Authority's funds deposited in any Texas financial institution, to the extent that they are not insured, may be secured by the pledge of any of the following:
- (1) Surety bonds;
  - (2) An obligation that in the opinion of the Attorney General of the United States is a general obligation of the United States and backed by its full faith and credit;
  - (3) A general or special obligation that is (a) payable from taxes, revenues, or a combination of taxes and revenues and (b) issued by a state or political or governmental entity, agency, instrumentality or subdivision of the state, including a municipality, an institution of higher education as defined by Section 61.003, Texas Education Code, a junior college, a district created under Article XVI, Section 59, of the Texas Constitution, and a public hospital;
  - (4) A fixed-rate collateralized mortgage obligation that has an expected weighted average life of 10 years or less and does not constitute a "high-risk mortgage security" under the Collateral Act;
  - (5) A floating-rate collateralized mortgage obligation that does not constitute a "high-risk mortgage security" under the Collateral Act;
  - (6) A letter of credit issued by a federal home loan bank; or
  - (7) A security in which a public entity may invest under the Investment Act. As of the date of this Policy, the following are the securities in which a public entity may invest under the Investment Act and, therefore, may be used as Collateral:
    - (i) Obligations, including letters of credit, of the United States or its agencies and instrumentalities;
    - (ii) Direct obligations of the State of Texas or its agencies and instrumentalities;
    - (iii) Collateralized mortgage obligations directly issued by a federal agency or instrumentality or the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States;
    - (iv) Other obligations, the principal and interest of which are unconditionally guaranteed or insured by or backed by the full faith and credit of the United States or the State of Texas or their respective agencies and instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit

Insurance Corporation or by the explicit full faith and credit of the United States;

- (v) Obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than A or its equivalent;
- (vi) Certificates of deposit issued by a depository institution that has its main office or a branch office in the State of Texas that are (1) guaranteed by the Federal Deposit Insurance Corporation or its successor or the National Credit Union Share Insurance Fund or its successor, (2) secured by the obligations in which the Authority may invest under the Investment Act, or (3) secured in any other manner and amount provided by law for deposits of the Authority;
- (vii) Certificates of deposit made in accordance with the following conditions: (1) a broker that has its main office or a branch office in this state and is selected from a list adopted by the Authority; (2) the funds are invested by the Authority through a depository institution that has its main office or a branch office in the State of Texas and that is selected by the Authority; (3) the broker or the depository institution selected by the Authority under Subdivision (2) arranges for the deposit of the funds in certificates of deposit in one or more federally insured depository institutions, wherever located, for the account of the Authority; (4) the full amount of the principal and accrued interest of each of the certificates of deposit is insured by the United States or an instrumentality of the United States; and (5) the depository institution selected by the Authority under Subdivision (2), an entity described by Section 2257.041(d), or a clearing broker dealer registered with the Securities and Exchange Commission and operating pursuant to Security and Exchange Commission Rule 15c3 3 (17C.F.R. Section 240.15c3 3) as custodian for the Authority with respect to the certificates of deposit issued for the account of the Authority;
- (viii) Acts as custodian for the Authority with respect to the certificates of deposit issued for the account of the Authority; and (5) the investing entity appoints the depository institution selected by the investing entity under subdivision (a), an entity described by Section 2257.041(d), Texas Government Code, as amended, or a clearing broker-dealer registered with the Securities and Exchange Commission and operating pursuant to Securities and Exchange Commission Rule 15(c)(3) (17 C.F.R. Section 240.15c3-3) as custodian for the investing entity with respect to the certificates of deposit issued for the account of the investing entity;

- (ix) Repurchase agreements that comply with the Investment Act;
  - (x) Bankers' acceptances that comply with the Investment Act;
  - (xi) Commercial paper that complies with the Investment Act;
  - (xii) No-load money market mutual funds that comply with the Investment Act;
  - (xiii) No-load mutual funds that comply with the Investment Act; and
  - (xiv) Guaranteed investment contracts that comply with the Investment Act.
- (e) Notwithstanding anything to the contrary provided above, the following may not be used as Collateral and are not authorized as investments for the Authority under the Investment Act:
- (1) Obligations whose payment represents the coupon payments on the outstanding principal balance of the underlying mortgage-backed security collateral and pays no principal;
  - (2) Obligations whose payment represents the principal stream of cash flow from the underlying mortgage-backed security collateral and bears no interest;
  - (3) Collateralized mortgage obligations that have a final stated maturity date of greater than 10 years other than those listed in Sections 5.02(d)(4) and 5.02(d)(5) above; or
  - (4) Collateralized mortgage obligations the interest rate of which is determined by an index that adjusts opposite to the changes in a market index.

Section 5.03. Diversification. The Investment Officer may invest up to 100% of the funds of the Authority in any investment instrument authorized in this Policy.

## ARTICLE VI AUTHORIZED INVESTMENTS

Section 6.01. Authorized Investments. Unless specifically prohibited by law or elsewhere by this Policy, Authority funds may be invested and reinvested only in the following types of investments:

- (a) Obligations, including letters of credit, of the United States or its agencies and instrumentalities;
- (b) Direct obligations of the State or its agencies and instrumentalities;

- (c) Collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States;
- (d) 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 or the United States or their respective agencies and instrumentalities;
- (e) Obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than A or its equivalent;
- (f) Certificates of deposit issued by a depository institution that has its main office or a branch office in the State of Texas that are (1) guaranteed by the Federal Deposit Insurance Corporation or its successor or the National Credit Union Share Insurance Fund or its successor, (2) secured by the obligations in which the Authority may invest under the Investment Act, or (3) secured in any other manner and amount provided by law for deposits of the Authority;
- (g) Certificates of deposit made in accordance with the following conditions: (1) a broker that has its main office or a branch office in this state and is selected from a list adopted by the Authority (2) the funds are invested by the Authority through a depository institution that has its main office or a branch office in the State of Texas and that is selected by the Authority; (3) the broker or the depository institution selected by the Authority under Subdivision (4) arranges for the deposit of the funds in certificates of deposit in one or more federally insured depository institutions, wherever located, for the account of the Authority; (5) the full amount of the principal and accrued interest of each of the certificates of deposit is insured by the United States or an instrumentality of the United States; and (6) the depository institution selected by the Authority under Subdivision (1), an entity described by Section 2257.041(d), or a clearing broker dealer registered with the Securities and Exchange Commission and operating pursuant to Security and Exchange Commission Rule 15c3 3 (17C.F.R. Section 240.15c3 3) as custodian for the Authority with respect to the certificates of deposit issued for the account of the Authority;
- (h) Repurchase agreements that comply with the Investment Act;
- (i) Bankers' acceptances that comply with the Investment Act;
- (j) Commercial paper that complies with the Investment Act;
- (k) No-load money market mutual funds that comply with the Investment Act;
- (l) No-load mutual funds that comply with the Investment Act;

- (m) Investment Pools which meet the requirements set forth in Section 2256.016 and Section 2256.019 of the Texas Government Code, as amended, and which are specifically authorized by a resolution that is approved by the Board; and
- (n) With respect to bond proceeds, guaranteed investment contracts that comply with the Investment Act.

Section 6.02. Prohibited Investments. Notwithstanding anything to the contrary stated herein, no funds of the Authority may be invested in the following or in any other type of investment prohibited by the Investment Act or other applicable law:

- (a) Obligations whose payment represents the coupon payments on the outstanding principal balance of the underlying mortgage-backed security collateral and pays no principal (IO's);
- (b) Obligations whose payment represents the principal stream of cash flow from the underlying mortgage-backed security collateral and bears no interest (PO's);
- (c) Collateralized mortgage obligations that have a stated final maturity date of greater than 10 years; and
- (d) Collateralized mortgage obligations the interest rate of which are determined by an index that adjusts opposite to the changes in the market index (inverse floaters).

Section 6.03. Investment of Funds Held Under Trust Indentures. Anything in this Policy to the contrary notwithstanding, to the extent that any funds are held by a trustee under a trust indenture relating to the Authority's bonds, such funds may be invested as provided by the resolution authorizing the issuance of the bonds or the trust indenture.

## ARTICLE VII INVESTMENT STRATEGIES

Section 7.01. Strategy Applicable to All Funds. The Authority's general investment strategy for all fund groups shall be to invest such monies from such fund groups so as to accomplish the following objectives, which are listed in the order of importance:

- (a) Understanding of the suitability of the investment to the financial requirements of the Authority;
- (b) Preservation and safety of principal;
- (c) Liquidity;
- (d) Marketability of the investment if the need arises to liquidate the investment before maturity;
- (e) Diversification of the investment portfolio; and



(f) Yield.

Section 7.02. Investment Strategy for the Operating Account. Funds in the Operating Account shall be invested to meet the operating and cash flow requirements of the Authority as determined by the annual operating budget adopted by the Board. Operating funds shall not be invested for longer than three years.

#### ARTICLE VIII MISCELLANEOUS

Section 8.01. Annual Review. The Authority shall review this Investment Policy at least annually and adopt a resolution confirming the continuance of the Investment Policy without amendment or adopt an Amended Investment Policy.

Section 8.02. Superseding Clause. This Policy supersedes any prior policies adopted by the Board of Directors regarding investment or securitization of Authority funds.

Section 8.03. Open Meeting. The Board officially finds, determines and declares that this Policy was reviewed, carefully considered, and adopted at a regular meeting of the Board, and that a sufficient written notice of the date, hour, place and subject of this meeting was posted at a place readily accessible and convenient to the public within the Authority and on a bulletin board located at a place convenient to the public in the City of Houston, Texas for the time required by law preceding this meeting, as required by the Open Meetings Act, Chapter 551, Texas Government Code, and that this meeting had been open to the public as required by law at all times during which this Policy was discussed, considered and acted upon. The Board further ratifies, approves and confirms such written notice and the contents and posting thereof.

[Execution page follows]

## EXHIBIT A

### List of Qualified Broker/Dealer

Allegiance Bank of Texas	Merril Lynch & Co., Inc.
Trustmark National Bank	Metro Bank, N.A.
Amegy Bank, N.A.	Midkiff & Stone Capital Group, Inc.
Bank of America, N.A.	MidSouth Bancorp, Inc.
Bank of Houston	Moody National Bank
Bank of Texas, N.A.	Morgan Keegan & Co., Inc.
Beal Bank, s.s.b.	Morgan Stanley
Capital Bank	New First National Bank
Capital Markets Group, Inc.	Northwest Investment Services, Inc.
Capital One Financial Corp.	Omni Bank, N.A.
Central Bank	Patriot Bank
Chase Investments Services Corp.	Post Oak Bank
Chasewood Bank (Inc)	Preferred Bank
Coastal Securities, Inc.	Prosperity Bancshares, Inc.
Comerica Bank	Prudential Securities Group, Inc.
Commercial State Bank	Raymond James & Associates, Inc.
Community State Bank	RBC Capital Markets
BBVA Compass Bank	Regions Bank
Crosby State Bank	Morgan Stanley Smith Barney
Encore Bank	Security State Bank
Enterprise Bank	Southwest Securities, Inc.
First Bank	State Bank of Texas
First Bank of Conroe	State Street Bank & Trust Co.
First Bank of Texas	Sterling Bancshares, Inc.
First Bank & Trust Company (Inc)	Sun America Securities, Inc.
First Choice Bank	Tex Star Investment Pool
First Community Bank	Texas Capital Bank, N.A.
First National Bank Bastrop	Texas CLASS
First National Bank	Texas Citizens Bank
FiServ Investor Services, Inc.	Texas Community Bank
First National Bank of Texas	Texas First Bank
Texas First Bank	Texas Independent Bank
Frost Bank	Texas Savings Bank, s.s.b.
Green Bank	Texas State Bank
Herring National Bank	Texpool/Texpool Prime
Hometown Bank, N.A.	The Bank of River Oaks
Houston Community Bank, N.A.	Tradition Bank

International Bank of Commerce

Ironstone Bank

JP Morgan Chase Bank, N.A.

JP Morgan Securities Inc.

Legacy Texas Bank

Legg Mason.

LOGIC (Local Gov't. Investment Cooperative) Wallis State Bank

Lone Star Bank, s.s.b.

Lone Star Investment Pool

LPL Financial Services

Main Street Bank

Memorial City Bank

Merchants Bank, N.A.

Tri Star Financial

Trustmark National Bank

UBS Financial Services, Inc.

Union Planters Bank

Unity National Bank

Wachovia Bank, N.A.

Wells Fargo Bank, N.A.

Wells Fargo Brokerage Services, LLC

Westbound Bank

Whitney National Bank

Woodforest National Bank

**EXHIBIT B**

**CERTIFICATE OF COMPLIANCE FROM SELLERS OF  
INVESTMENTS AS REQUIRED BY THE PUBLIC FUNDS INVESTMENT ACT**

To: Hardy/Near Northside Redevelopment Authority (the "Authority")

From: \_\_\_\_\_  
[Name of the person offering or the "qualified representative of the business organization" offering to engage in an investment transaction with the Authority] [Office such person holds]

of \_\_\_\_\_ (the "Business Organization")  
[name of financial institution, business organization or investment pool]

Date: \_\_\_\_\_, 20\_\_

In accordance with the provisions of Chapter 2256 of the Texas Government Code, I hereby certify that:

1. I am an individual offering to enter into an investment transaction with the Authority or a "qualified representative" of the Business Organization offering to enter an investment transaction with the Authority, as applicable, as such terms are used in the Public Funds Investment Act, Chapter 2256, Texas Government Code, and that I meet all requirements under such act to sign this Certificate.
2. I or the Business Organization, as applicable, anticipate selling to the Authority investments that comply with the Authority's Investment Policy and the Investment Act (collectively referred to herein as the "Investments") dated \_\_\_\_\_ (the "Investment Policy").
3. I or a registered investment professional that services the Authority's account, as applicable, have received and reviewed the Investment Policy, which the Authority has represented is the complete Investment Policy of the Authority now in full force and effect. The Authority has further acknowledged that I or the Business Organization, as applicable, may rely upon the Investment Policy until the Authority provides me or the Business Organization, as applicable, with any amendments to or any newly adopted form of the Investment Policy.
4. I or the Business Organization, as applicable, have/has implemented reasonable procedures and controls in an effort to preclude investment transactions between the Authority and me or the Business Organization, as applicable, that are not authorized by the Investment Policy, except to the extent that this authorization is dependent upon an analysis of the Authority's entire portfolio or requires an interpretation of subjective investment standards.

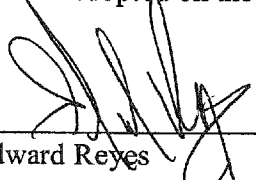
5. I or the Business Organization, as applicable, have/has reviewed or will review prior to sale, the terms, conditions and characteristics of the investments to be sold to the Authority and determined (i) that each of the Investments is an authorized investment for local governments under the Investment Act and (ii) each of the Investments is an authorized investment under the Investment Policy. The Business Organization makes no representation as to whether any limits on the amount of Authority monies to be invested in the Investments exceeds or in any way violates the Investment Policy.
6. The Business Organization makes no representations or guarantees regarding the prudence, reasonableness or adequacy of the Investment Policy.
7. The Business Organization has attached hereto, for return to the Authority, or will provide a prospectus or disclosure document for each of the Investments other than certificates of deposit and direct obligations of the United States.

By: \_\_\_\_\_

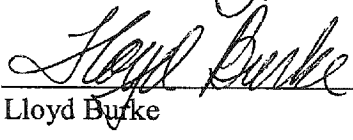
Name: \_\_\_\_\_

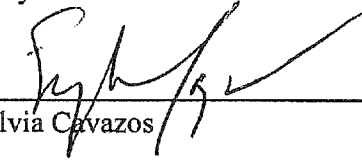
Title: \_\_\_\_\_

Adopted on the 19th September 2011.

  
\_\_\_\_\_  
Edward Reyes

  
\_\_\_\_\_  
Mary Lawler

  
\_\_\_\_\_  
Lloyd Burke

  
\_\_\_\_\_  
Sylvia Cavazos

## EXHIBIT B

### List of Qualified Broker/Dealers

Allegiance Bank Texas  
Amegy Bank, N.A.  
Bank of America, N.A.  
Bank of Houston  
Bank of Texas, N.A.  
BBVA Compass Bank  
Beal Bank, s.s.b.  
Capital Bank  
Capital Markets Group, Inc.  
Capital One Financial Corp.  
Central Bank  
Chasewood Bank  
Coastal Securities, Inc.  
Comerica Bank  
Commercial State Bank  
Community Bank of Texas  
Community State Bank  
Encore Bank  
Enterprise Bank  
First Bank  
First Bank & Trust Company  
First Bank Texas  
First Choice Bank  
First Citizens Bank  
First Community Bank  
First National Bank  
First National Bank of Bastrop  
First National Bank Texas  
FiServ  
Frost Bank  
Green Bank  
Herring Bank  
Hilltop Securities  
Hometown Bank, N.A.  
IBC Bank  
Independent Bank  
JP Morgan Chase Bank, N.A.  
JP Morgan Securities LLC  
LegacyTexas  
Legg Mason.  
LOGIC (Local Gov't. Investment Cooperative)  
Lone Star Bank, s.s.b.  
Lone Star Investment Pool  
LPL Financial  
Main Street Bank  
Merchants Bank, N.A.

Merrill Lynch & Co., Inc.  
Metro Bank, N.A.  
Midkiff & Stone Capital Group, Inc.  
MidSouth Bank  
Moody National Bank  
Morgan Stanley  
New First National Bank  
Patriot Bank  
Post Oak Bank  
Preferred Bank  
Prosperity Bank  
Raymond James  
RBC Capital Markets  
Regions Bank  
Security State Bank  
State Bank of Texas  
State Street Bank  
Sterling Bank  
Sun America Securities, Inc.  
Tex Star Investment Pool  
Texas Capital Bank, N.A.  
Texas Citizens Bank  
Texas CLASS  
Texas Community Bank  
Texas First Bank  
Texas Savings Bank, s.s.b.  
Texas State Bank  
Texpool/Texpool Prime  
The Bank of River Oaks  
TIB  
Tri Star Financial  
Trustmark National Bank  
UBS Financial Services, Inc.  
Unity National Bank  
Wallis State Bank  
Wells Fargo Advisors LLC  
Wells Fargo Bank, N.A.  
Westbound Bank  
Whitney Bank  
Woodforest National Bank