

**NEAR NORTHSIDE REDEVELOPMENT AUTHORITY**

**CITY OF HOUSTON, TEXAS**

**ANNUAL FINANCIAL REPORT**

**JUNE 30, 2024**

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



## **TABLE OF CONTENTS**

	<u>PAGE</u>
INDEPENDENT AUDITOR'S REPORT	1-3
MANAGEMENT'S DISCUSSION AND ANALYSIS	4-8
BASIC FINANCIAL STATEMENTS	
STATEMENT OF NET POSITION AND GOVERNMENTAL FUND BALANCE SHEET	9
RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET TO THE STATEMENT OF NET POSITION	10
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUND REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE	11
RECONCILIATION OF THE GOVERNMENTAL FUND STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES	12
NOTES TO THE FINANCIAL STATEMENTS	13-21
REQUIRED SUPPLEMENTARY INFORMATION	
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND	23
SUPPLEMENTARY INFORMATION REQUIRED BY CITY OF HOUSTON	
OPERATING AND CAPITAL EXPENDITURES	25
PROJECT PLAN RECONCILIATION	26
OTHER SUPPLEMENTARY INFORMATION	
BOARD OF DIRECTORS	28



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## **INDEPENDENT AUDITOR'S REPORT**

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

### **Opinions**

We have audited the accompanying financial statements of the governmental activities and major fund of Near Northside Redevelopment Authority (the "Authority"), **a component unit of the City of Houston, Texas**, as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

In our opinion, the 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, 2024 and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinion**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Authority and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Responsibilities of Management for the Financial Statements**

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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*Texas Society of Certified Public Accountants*



### **Auditor's Responsibilities for the Audit of the Financial Statements**

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

### **Required Supplementary Information**

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





Board of Directors  
Near Northside Redevelopment Authority

### **Supplementary Information**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The supplementary information required by the City of Houston, Texas and other supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. This information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

*McCall Gibson Swedlund Barfoot PLLC*

McCall Gibson Swedlund Barfoot PLLC  
Certified Public Accountants  
Houston, Texas

September 25, 2024



# **NEAR NORTHSIDE REDEVELOPMENT AUTHORITY**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

### **FOR THE YEAR ENDED JUNE 30, 2024**

Management's discussion and analysis of 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, 2024. 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 of \$1,439,775 were received from the City subsequent to year-end, in July 2024 for the tax year 2023 versus budgeted revenues from tax increments of \$1,542,482, a budgeted deficit of \$102,707. The Authority received no grant income for year ended June 30, 2024.
- Total management and consulting expenses for the year ended June 30, 2024 were \$165,090 versus budgeted expenses of \$233,300, a budgeted surplus of \$68,210.
- In the Authority's government-wide financial statements, liabilities exceeded assets by \$2,750,820 (net position) at June 30, 2024, compared to \$3,862,561 at June 30, 2023, a \$1,111,741 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 Revenue, Expenditures, and Changes in Fund Balance. This report also includes required and other supplementary information in addition to the basic financial statements.

# **NEAR NORTHSIDE REDEVELOPMENT AUTHORITY**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

### **FOR THE YEAR ENDED JUNE 30, 2024**

#### **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 Statement of Net Position includes 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 is improving or deteriorating. Evaluation of the overall financial health of the Authority would extend to other non-financial factors.

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

#### **FUND FINANCIAL STATEMENTS**

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

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

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

**NEAR NORTHSIDE REDEVELOPMENT AUTHORITY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED JUNE 30, 2024**

**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, liabilities exceeded assets by \$2,750,820 as of June 30, 2024.

The following table provides a summary of changes in the Statement of Net Position as of June 30, 2024 and June 30, 2023.

	Summary of Changes in the Statement of Net Position		
	2024	2023	Variance Positive (Negative)
<b>ASSETS</b>			
Cash and Investments	\$ 468,263	\$ 266,751	\$ 201,512
Tax Increment Receivable	1,439,775	978,337	461,438
Capital Assets	123,022	123,022	-
<b>TOTAL ASSETS</b>	<b>\$ 2,031,060</b>	<b>\$ 1,368,110</b>	<b>\$ 662,950</b>
<b>LIABILITIES</b>			
Accounts Payable	\$ 12,291	\$ 6,248	\$ (6,043)
Due to Developer	4,769,589	5,224,423	454,834
<b>TOTAL LIABILITIES</b>	<b>\$ 4,781,880</b>	<b>\$ 5,230,671</b>	<b>\$ 448,791</b>
<b>NET POSITION</b>			
Net Investment in Capital Assets	\$ 123,022	\$ 123,022	\$ -
Unrestricted	(2,873,842)	(3,985,583)	1,111,741
<b>TOTAL NET POSITION</b>	<b>\$ (2,750,820)</b>	<b>\$ (3,862,561)</b>	<b>\$ 1,111,741</b>

**NEAR NORTHSIDE REDEVELOPMENT AUTHORITY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED JUNE 30, 2024**

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

The following table provides a summary of the Statement of Activities for the fiscal year ended June 30, 2024, and June 30, 2023:

	Summary of Changes in the Statement of Activities		
	2024	2023	Variance Positive (Negative)
Revenues:			
Tax Increment Revenue	\$ 1,439,775	\$ 978,337	\$ 461,438
Interest Revenue	39,717	12,462	27,255
Total Revenues	<u>\$ 1,479,492</u>	<u>\$ 990,799</u>	<u>\$ 488,693</u>
Expenses:			
Administrative Consultant	\$ 42,000	\$ 46,029	\$ 4,029
Accounting	22,025	18,575	(3,450)
Auditing	17,750	10,250	(7,500)
Engineering Consultant	10,225	18,371	8,146
Planning Consultant	20,000	80,847	60,847
Legal Consultant	33,916	15,504	(18,412)
Insurance	2,426	1,249	(1,177)
Other Consultant	13,129	12,964	(165)
Bank Charges	1,022	2,949	1,927
Office Expense	2,597	1,208	(1,389)
Conveyance of Assets	202,661	124,180	(78,481)
Total Expenses	<u>\$ 367,751</u>	<u>\$ 332,126</u>	<u>\$ (35,625)</u>
Change in Net Position	\$ 1,111,741	\$ 658,673	\$ 453,068
Net Position, Beginning of Year	<u>(3,862,561)</u>	<u>(4,521,234)</u>	<u>658,673</u>
Net Position, End of Year	<u><u>\$ (2,750,820)</u></u>	<u><u>\$ (3,862,561)</u></u>	<u><u>\$ 1,111,741</u></u>

**NEAR NORTHSIDE REDEVELOPMENT AUTHORITY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED JUNE 30, 2024**

**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 \$1,895,747.

**GENERAL FUND BUDGETARY HIGHLIGHTS**

The Board of the Authority did not amend the budget during the current fiscal year. Actual revenues were \$525,990 less than budgeted. Actual expenditures were \$1,524,158 less than budgeted due to the timing of capital projects. A budgetary comparison schedule is included as RSI for the General Fund.

**CAPITAL ASSETS**

During the fiscal year ending June 30, 2024, the Authority did not incur any development costs.

**LONG-TERM DEBT ACTIVITY**

As of June 30, 2024, the Authority did not have any long-term bond debt, but has recorded an amount due to the Developer of \$4,769,589 which includes project costs for onsite and offsite public improvements as well as reimbursable interest.

**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 Near Northside Redevelopment Authority, c/o Bracewell LLP 711 Louisiana Street, Suite 2300, Houston, Texas 77002-2770.

**NEAR NORTHSIDE REDEVELOPMENT AUTHORITY**  
**STATEMENT OF NET POSITION AND**  
**GOVERNMENTAL FUND BALANCE SHEET**  
**JUNE 30, 2024**

	General Fund	Adjustments	Statement of Net Position
<b>ASSETS</b>			
Cash	\$ 188,170	\$ -	\$ 188,170
Investments	280,093	-	280,093
Tax Increment Receivable	1,439,775	-	1,439,775
Capital Assets - Development Costs	-	123,022	123,022
<b>TOTAL ASSETS</b>	<u>\$ 1,908,038</u>	<u>\$ 123,022</u>	<u>\$ 2,031,060</u>
<b>LIABILITIES</b>			
Accounts Payable	\$ 12,291	\$ -	\$ 12,291
Due to Developer	-	4,769,589	4,769,589
<b>TOTAL LIABILITIES</b>	<u>\$ 12,291</u>	<u>\$ 4,769,589</u>	<u>\$ 4,781,880</u>
<b>FUND BALANCE</b>			
Unassigned	<u>\$ 1,895,747</u>	<u>\$ (1,895,747)</u>	<u>\$ -</u>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<u><u>\$ 1,908,038</u></u>		
<b>NET POSITION</b>			
Net Investment in Capital Assets		\$ 123,022	\$ 123,022
Unrestricted		<u>(2,873,842)</u>	<u>(2,873,842)</u>
<b>TOTAL NET POSITION</b>		<u><u>\$ (2,750,820)</u></u>	<u><u>\$ (2,750,820)</u></u>

The Accompanying notes to the financial  
Statements are an integral part of this report.



**NEAR NORTHSIDE REDEVELOPMENT AUTHORITY**  
**RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET**  
**TO THE STATEMENT OF NET POSITION**  
**JUNE 30, 2024**

Total Fund Balance - Governmental Fund	\$ 1,895,747
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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.	123,022
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Certain liabilities are not due and payable in the current period and therefore are not reported as liabilities in the governmental funds. These liabilities at year end consisted of an amount due to the Developer for development costs.	<u>(4,769,589)</u>
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Total Net Position - Governmental Activities	<u><u>\$ (2,750,820)</u></u>
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The Accompanying notes to the financial  
Statements are an integral part of this report.

**NEAR NORTHSIDE REDEVELOPMENT AUTHORITY**  
**STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUND REVENUES,**  
**EXPENDITURES AND CHANGES IN FUND BALANCE**  
**FOR THE YEAR ENDED JUNE 30, 2024**

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
<b>REVENUES</b>			
Tax Increment Revenue	\$ 1,439,775	\$ -	\$ 1,439,775
Interest Revenue	39,717	-	39,717
<b>TOTAL REVENUES</b>	<u>\$ 1,479,492</u>	<u>\$ -</u>	<u>\$ 1,479,492</u>
<b>EXPENDITURES/EXPENSES:</b>			
Administrative Consultant	\$ 42,000	\$ -	\$ 42,000
Accounting	22,025	-	22,025
Auditing	17,750	-	17,750
Capital Expenditures	202,661	(202,661)	-
Engineering Consultant	10,225	-	10,225
Legal Consultant	33,916	-	33,916
Planning Consultant	20,000	-	20,000
Insurance	2,426	-	2,426
Other Consultant	13,129	-	13,129
Bank Charges	1,022	-	1,022
Office Expense	2,597	-	2,597
Developer Reimbursement	454,834	(454,834)	-
Conveyance of Assets	-	202,661	202,661
<b>TOTAL EXPENDITURES/EXPENSES</b>	<u>\$ 822,585</u>	<u>\$ (454,834)</u>	<u>\$ 367,751</u>
<b>NET CHANGE IN FUND BALANCE</b>	\$ 656,907	\$ (656,907)	\$ -
<b>CHANGE IN NET POSITION</b>	-	1,111,741	1,111,741
<b>FUND BALANCE/NET POSITION - JULY 1, 2023</b>	<u>1,238,840</u>	<u>(5,101,401)</u>	<u>(3,862,561)</u>
<b>FUND BALANCE/NET POSITION - JUNE 30, 2024</b>	<u><u>\$ 1,895,747</u></u>	<u><u>\$ (4,646,567)</u></u>	<u><u>\$ (2,750,820)</u></u>

The Accompanying notes to the financial  
Statements are an integral part of this report.

**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, 2024**

Net Change in Fund Balance - Governmental Fund	\$ 656,907
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Amounts reported for governmental activities in the Statement of Activities  
are different because:

Governmental funds report developer reimbursements as expenditures in the  
year paid. However, such costs are not reported as expenses on the  
Statement of Activities, but are instead used to reduce the long-term liability  
in the Statement of Net Position.

<u>454,834</u>
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Change in Net Position - Governmental Activities	<u><u>\$ 1,111,741</u></u>
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The Accompanying notes to the financial  
Statements are an integral part of this report.

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**NEAR NORTHSIDE REDEVELOPMENT AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2024**

**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. The Authority has filed documents to be known as Near Northside Redevelopment Authority.

**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”).

The GASB has established the criteria for determining whether or not a given entity is a component unit. The criteria are: (1) is the potential component unit a legally separate entity, (2) does the primary government appoint a voting majority of the potential component unit’s board, (3) is the primary government able to impose its will on the potential component unit 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.

**NEAR NORTHSIDE REDEVELOPMENT AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2024**

**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”).

The 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 assets 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.

**NEAR NORTHSIDE REDEVELOPMENT AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2024**

**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 financial statements. The fund financial statements include a Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balance.

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").

**NEAR NORTHSIDE REDEVELOPMENT AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2024**

**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 does not have any assigned fund balances.



**NEAR NORTHSIDE REDEVELOPMENT AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2024**

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

Measurement Focus (Continued)

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

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

Accounting Estimates

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

**NOTE 3.      DEPOSITS AND INVESTMENTS**

Deposits

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

Texas statutes require that any cash balance in any fund shall, to the extent not insured by the Federal Deposit Insurance Corporation or its successor, be continuously secured by a valid pledge to the Authority of securities eligible under the laws of Texas to secure the funds of the Authority, having an aggregate market value, including accrued interest, at all times equal to the uninsured cash balance in the fund to which such securities are pledged. At June 30, 2024, none of the Authority's bank balances were exposed to custodial credit risk.

The carrying values of the deposits are included in the Governmental Fund Balance Sheet and the Statement of Net Position at June 30, 2024, as listed below:

Total Cash Deposits	\$ <u>188,170</u>
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**NEAR NORTHSIDE REDEVELOPMENT AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2024**

**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. The Authority has adopted a written investment policy to establish the guidelines by which it may invest. This policy is reviewed annually. The Authority's investment policy may be more restrictive than the Public Funds Investment Act.

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 Hermes manages the daily operations of the pool under a contract with the Comptroller. TexPool measures its investments in TexPool at amortized cost for financial reporting purposes. There are no limitations or restrictions on withdrawals from TexPool.

As of June 30, 2024, 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	\$ 280,093	\$ 280,093	\$ -	\$ -	\$ -

Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. At June 30, 2024, the Authority's investment in TexPool, an external investment pool, was rated AAAm by Standard & Poor's.

**NEAR NORTHSIDE REDEVELOPMENT AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2024**

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

Investments (Continued)

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.

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.

**NEAR NORTHSIDE REDEVELOPMENT AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2024**

**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.

**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 \$2,334,770 were remitted from the fund to the Authority for tax year 2023. In addition, the City withheld \$778,257 from the tax increment to fund affordable housing and \$116,738 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, 2024, the Authority contributed \$2,426 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.

**NEAR NORTHSIDE REDEVELOPMENT AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2024**

**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.

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 or bond proceeds.

As of June 30, 2024, Hardy Yards LP has incurred a total of \$7,849,582 in development costs on behalf of the Authority. The Authority has reimbursed the Developer \$3,079,993, of which \$454,834 was reimbursed during the fiscal year ended June 30, 2024, leaving a balance of \$4,769,589 due to the Developer at June 30, 2024. The total is comprised of \$3,977,654 for onsite public improvements and \$791,935 for offsite public improvements.

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

During the fiscal year ended June 30, 2024, the Authority did not incur development costs with Central Houston Civic Improvement for planning and design work in connection with a project for a hike and bike trail within the Zone. Cumulative costs for this project as of June 30, 2024, totaled \$123,022.

During the fiscal year ended June 30, 2024, Hardy Yards LP did not incur development costs related to onsite and offsite public improvements within the boundaries of the Authority. The project has been completed and assets were conveyed to the City of Houston for maintenance and operation. The Authority will reimburse the Developer for project costs in the amount of the actual costs of the public improvements to the extent that the Developer’s project generates tax increment revenues.

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**NEAR NORTHSIDE REDEVELOPMENT AUTHORITY**

**REQUIRED SUPPLEMENTARY INFORMATION**

**JUNE 30, 2024**





**NEAR NORTHSIDE REDEVELOPMENT AUTHORITY**  
**SCHEDULE OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE – BUDGET AND ACTUAL – GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2024**

	Original and Final Budget	Actual	Variance Positive (Negative)
<b>REVENUES</b>			
Tax Increment Revenue	\$ 1,542,482	\$ 1,439,775	\$ (102,707)
Grant Revenue	456,000	-	(456,000)
Interest Revenue	7,000	39,717	32,717
<b>TOTAL REVENUES</b>	<b>\$ 2,005,482</b>	<b>\$ 1,479,492</b>	<b>\$ (525,990)</b>
<b>EXPENDITURES</b>			
Maintenance and Operations	\$ 233,300	\$ 165,090	\$ 68,210
Capital Expenditures	1,554,000	202,661	1,351,339
Developer/Project Reimbursements	559,443	454,834	104,609
<b>TOTAL EXPENDITURES</b>	<b>\$ 2,346,743</b>	<b>\$ 822,585</b>	<b>\$ 1,524,158</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>\$ (341,261)</b>	<b>\$ 656,907</b>	<b>\$ 998,168</b>
<b>OTHER FINANCING SOURCES(USES)</b>			
Long-Term Debt Issued	\$ 500,000	\$ -	\$ (500,000)
<b>NET CHANGE IN FUND BALANCE</b>	<b>\$ 158,739</b>	<b>\$ 656,907</b>	<b>\$ 498,168</b>
<b>FUND BALANCE - JULY 1, 2023</b>	<b>1,238,840</b>	<b>1,238,840</b>	<b>-</b>
<b>FUND BALANCE - JUNE 30, 2024</b>	<b>\$ 1,397,579</b>	<b>\$ 1,895,747</b>	<b>\$ 498,168</b>

See accompanying independent auditor's report.

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**NEAR NORTHSIDE REDEVELOPMENT AUTHORITY**

**SUPPLEMENTARY INFORMATION**

**REQUIRED BY THE CITY OF HOUSTON**

**JUNE 30, 2024**



**NEAR NORTHSIDE REDEVELOPMENT AUTHORITY**  
**OPERATING AND CAPITAL EXPENDITURES**  
**FOR THE YEAR ENDED JUNE 30, 2024**

Category	Vendor	Budget	Actual Expenditures	Variance Positive (Negative)
<b>ADMINISTRATION AND OVERHEAD</b>				
Accounting	Municipal Accounts and Consulting	\$ 12,000	\$ 22,025	\$ (10,025)
Administrative Consultant	TIFWorks, LLC	55,000	42,000	13,000
Auditor	McCall Gibson Swedlund Barfoot PLLC and Burton Accounting P.L.L.C.	11,000	17,750	(6,750)
Tax Advisor	Equitax, Inc	15,000	13,129	1,871
Insurance	Texas Municipal League	1,300	2,426	(1,126)
Office Administration	Equitax, Inc, Texas Capital and Bracewell LLP	4,000	3,619	381
<b>SUBTOTAL</b>		<b>\$ 98,300</b>	<b>\$ 100,949</b>	<b>\$ (2,649)</b>
<b>PROGRAM AND PROJECT CONSULTANTS</b>				
Engineering Consultant	Gauge Engineering	\$ 50,000	\$ 10,225	\$ 39,775
Planning Consultant	SWA Group	50,000	20,000	30,000
Legal Consultant	Bracewell LLP	35,000	33,916	1,084
<b>SUBTOTAL</b>		<b>\$ 135,000</b>	<b>\$ 64,141</b>	<b>\$ 70,859</b>
<b>TOTAL MANAGEMENT CONSULTING SERVICES</b>		<b>\$ 233,300</b>	<b>\$ 165,090</b>	<b>\$ 68,210</b>
<b>CAPITAL EXPENDITURES</b>				
Project T-2103: METRO Parcel Acquisition & Planning		\$ 12,000	\$ -	\$ 12,000
Project T-2104: 2600-3500 Blk Main St Pedestrian/Bicycle		270,000		270,000
Project T-2105: Pickney Street Hike & Bike Trail		700,000	16,161	683,839
Project T-2106: ADA Compliant Sidewalks and Related Pedestrian		75,000	-	75,000
Project T-2107: Hogan/Lorraine Corridor Schematic Design		372,000	181,000	191,000
Project T-2109: Street Trees		100,000	5,500	94,500
Project T-2199: Concrete Panel & Sidewalk Replacement		25,000	-	25,000
<b>TOTAL CAPITAL EXPENDITURES</b>		<b>\$ 1,554,000</b>	<b>\$ 202,661</b>	<b>\$ 1,351,339</b>
<b>DEVELOPER/PROJECT REIMBURSEMENTS</b>				
CRV Hardy Yards: Roadway and Sidewalk Improvements		\$ 559,443	\$ 454,834	\$ 104,609

See accompanying independent auditor's report.

**NEAR NORTHSIDE REDEVELOPMENT AUTHORITY**  
**PROJECT PLAN RECONCILIATION**  
**FOR THE YEAR ENDED JUNE 30, 2024**

	Project Plan Estimated Amount	Cumulative Expenditures as of the Fiscal Year Ended 2024	Variance Positive (Negative)
<b>ESTIMATED PROJECT COSTS</b>			
Roadway, Sidewalk and Landscape Improvements	\$ 97,692,000	\$ 13,493,128	\$ 84,198,872
Roadway, Sidewalk and Bridge Improvements	200,000,000		200,000,000
Public Utility Improvements	147,884,000	-	147,884,000
Parks, Plazas and Recreational Facilities	79,328,000	-	79,328,000
Land Cost	9,820,000	-	9,820,000
Affordable Housing	32,920,000	3,863,674	29,056,326
Financing Costs	1,700,000	-	1,700,000
Zone Creation and Administration	5,200,000	1,886,087	3,313,913
<b>TOTAL ESTIMATED PROJECT COSTS</b>	<b>\$ 574,544,000</b>	<b>\$ 19,242,889</b>	<b>\$ 555,301,111</b>

See accompanying independent auditor's report.

**NEAR NORTHSIDE REDEVELOPMENT AUTHORITY**

**OTHER SUPPLEMENTARY INFORMATION**

**JUNE 30, 2024**





**NEAR NORTHSIDE REDEVELOPMENT AUTHORITY**  
**BOARD OF DIRECTORS**  
**JUNE 30, 2024**

Authority Mailing Address -      Near Northside Redevelopment Authority  
   c/o Bracewell 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/Investment Officer
Jorge Bustamante	Vice Chair
Sylvia Cavazos	Secretary
Elia Quiles	Assistant Secretary
Daniel Ortiz	Treasurer
Fernando Zamarripa	Director
Monte Large	Director

See accompanying independent auditor's report.

