

SAINT GEORGE PLACE REDEVELOPMENT AUTHORITY

CITY OF HOUSTON, TEXAS

ANNUAL FINANCIAL REPORT

JUNE 30, 2018

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ANNUAL FINANCIAL REPORT
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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Saint George Place Redevelopment Authority
City of Houston, Texas

We have audited the accompanying financial statements of the governmental activities and each major fund of Saint George Place Redevelopment Authority (the "Authority"), **a component unit of the City of Houston, Texas**, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

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

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 each major fund of the Authority as of June 30, 2018, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The supplementary information required by the City of Houston, Texas and the 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 financial statements. The supplementary information, excluding that portion marked "Unaudited" on which we express no opinion or provide any assurance, has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

McCall Gibson Swedlund Barfoot PLLC
Certified Public Accountants
Houston, Texas

September 11, 2018

SAINT GEORGE PLACE REDEVELOPMENT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2018

Management's discussion and analysis of Saint George Place Redevelopment Authority's (the "Authority") financial performance provides an overview of the Authority's financial activities for the fiscal year ended June 30, 2018. Please read it in conjunction with the Authority's financial statements, which begin on page 9.

FINANCIAL HIGHLIGHTS

- The Authority's liabilities exceeded its assets by \$1,262,869 (net position) as of June 30, 2018. This compares to the previous year when liabilities and deferred inflows of resources exceeded assets by \$1,761,512, showing an increase of \$498,643 in assets during the current fiscal year.
- The total net position deficit of \$1,262,869 is due to several factors. The Authority issued bonds in a prior fiscal year in the amount of \$3,170,000 to refund certain 1992 Tax Increment Reinvestment Zone No. 1 bonds, of which \$765,000 remains outstanding as of June 30, 2018. In addition, the Authority owes the City of Houston, Texas (the "City") \$2,779,224 related to the Certificates of Obligation that the City issued in order to benefit redevelopment within the Authority and street abandonment costs as shown in Notes 8 and 9. The Authority anticipates that with continued development in the area, that tax increment revenues will be sufficient to cover operating costs and to pay off the above mentioned long-term liabilities.
- The Authority's governmental funds reported a total ending fund balance of \$2,295,232 this year. This compares to the prior year fund balance of \$1,969,592, showing an increase of \$325,640 during the current fiscal year. Of the fund balances, \$2,071,756 is unassigned, \$230,187 is restricted for future debt service, and a negative \$6,711 is restricted for the PID activities.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The basic financial statements include: (1) combined fund financial statements and government-wide financial statements and (2) notes to the financial statements. The combined fund financial statements and government-wide financial statements combine both: (1) the Statement of Net Position and Governmental Funds Balance Sheet and (2) the Statement of Activities and Governmental Funds 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

SAINT GEORGE PLACE REDEVELOPMENT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2018

GOVERNMENT-WIDE FINANCIAL STATEMENTS (Continued)

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. This information is found in the Statement of Net Position column on pages 9 and 10. The Statement of Net Position is the Authority-wide statement of its financial position presenting information that includes all of the Authority's assets and liabilities, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Authority as a whole is improving or deteriorating. Evaluation of the overall financial health of the Authority would extend to other non-financial factors.

The government-wide portion of the Statement of Activities on pages 12 and 13 reports how the Authority's net positions 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 three governmental fund types. The General Fund is the operating fund of the Authority and accounts for all operating activities of the Authority. The Special Revenue Fund is used to account for financial resources collected and administered by the Authority for operations of the Lamar Terrace Public Improvement District No. 2 (PID No. 2). The Debt Service Fund accounts for resources that will be used to service the debt on the Authority's Series 2001 Tax Increment Contract Revenue and Refunding Bonds.

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 Funds Balance Sheet to the Statement of Net Position on page 11 and the Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities on page 14 explain the differences between the two presentations and assist in understanding the differences between these two perspectives.

SAINT GEORGE PLACE REDEVELOPMENT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2018

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. The notes to the financial statements can be found on pages 15 through 26 in this report.

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 and Debt Service Fund combined (see page 28).

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of the Authority's financial position. In the case of the Authority, liabilities exceeded assets by \$1,262,869 as of June 30, 2018.

The following table provides a summary of the changes in the Statement of Net Position as of June 30, 2018, and June 30, 2017:

| | Summary of Changes in the Statement of Net Position | | |
|-------------------------------|---|-----------------------|------------------------------------|
| | 2018 | 2017 | Variance Positive (Negative) |
| Current and Other Assets | \$ 2,714,646 | \$ 2,125,356 | \$ 589,290 |
| TOTAL ASSETS | \$ 2,714,646 | \$ 2,125,356 | \$ 589,290 |
| Current Liabilities | \$ 433,291 | \$ 171,496 | \$ (261,795) |
| Long-Term Liabilities | <u>3,544,224</u> | <u>3,714,224</u> | <u>170,000</u> |
| TOTAL LIABILITIES | \$ 3,977,515 | \$ 3,885,720 | \$ (91,795) |
| Deferred Inflows of Resources | <u>\$ -0-</u> | <u>\$ 1,148</u> | <u>\$ 1,148</u> |
| NET POSITION: | | | |
| Restricted for Debt Service | \$ 216,310 | \$ 304,674 | \$ (88,364) |
| Restricted for PID Activities | (6,711) | (6,366) | (345) |
| Unrestricted | <u>(1,472,468)</u> | <u>(2,059,820)</u> | <u>587,352</u> |
| TOTAL NET POSITION | \$ (1,262,869) | \$ (1,761,512) | \$ 498,643 |

SAINT GEORGE PLACE REDEVELOPMENT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2018

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

The following table provides a summary of the changes in the Statement of Activities for the fiscal years ending June 30, 2018, and June 30, 2017:

| | Summary of Changes in the Statement of Activities | | |
|------------------------------|---|----------------|------------------------------------|
| | 2018 | 2017 | Variance Positive (Negative) |
| Revenues: | | | |
| Tax Increment Revenue | \$ 1,748,754 | \$ 1,633,656 | \$ 115,098 |
| PID Assessment Revenue | 1,148 | 225,345 | (224,197) |
| Penalty and Interest Revenue | 2,653 | 9,846 | (7,193) |
| Interest Revenue | 6,041 | 1,686 | 4,355 |
| Miscellaneous Revenue | 760 | 3,173 | (2,413) |
| Total Revenues | \$ 1,759,356 | \$ 1,873,706 | \$ (114,350) |
| Expenses: | | | |
| Professional Services | \$ 131,886 | \$ 125,676 | \$ (6,210) |
| Contracted Services | 94,859 | 252,693 | 157,834 |
| Capital Outlay | 963,129 | 276,574 | (686,555) |
| Interest Expense | 43,129 | 52,038 | 8,909 |
| Other | 27,710 | 38,200 | 10,490 |
| Total Expenses | \$ 1,260,713 | \$ 745,181 | \$ (515,532) |
| Change in Net Position | \$ 498,643 | \$ 1,128,525 | \$ (629,882) |
| Beginning Net Position | (1,761,512) | (2,890,037) | 1,128,525 |
| Ending Net Position | \$ (1,262,869) | \$ (1,761,512) | \$ 498,643 |

SAINT GEORGE PLACE REDEVELOPMENT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2018

FINANCIAL ANALYSIS OF THE AUTHORITY'S GOVERNMENTAL FUNDS

The Authority's governmental funds are the General Fund, the Special Revenue Fund and the Debt Service Fund. As previously 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 governmental funds reported cumulative ending fund balances of \$2,295,232 of which a \$2,071,756 is unassigned and \$230,187 is restricted for future debt service. The PID has recorded a fund negative balance of \$6,711. This is a \$325,640 increase compared to last years cumulative fund balances of \$1,969,592.

BUDGETARY HIGHLIGHTS

The Board of the Authority did not amend the budget during the current fiscal year. Actual excess revenues were \$10,449,717 less than budgeted excess revenues. See the budget to actual comparison on page 28.

CAPITAL ASSETS

In the current fiscal year, the Authority recorded capital outlay expenditures in the amount of \$963,129 related to capital expenditures for public works improvements and reimbursements to HISD. In accordance with Section VIII or the Tri-Party Agreement between the City of Houston, Reinvestment Zone Number One and the Authority, it states: "all utilities, drainage facilities, public street improvements, sidewalks and light fixtures shall be conveyed to the City."

LONG-TERM DEBT ACTIVITY

At the end of the current fiscal year, the Authority had a long-term debt balance of \$3,544,224 compared to last year's debt balance of \$3,714,224. The long-term liabilities relate to the Authority's Series 2001 Tax Increment Contract Revenue and Refunding Bonds and an amount due the City. See Notes 8 and 9 for additional information on this debt.

The Authority's Series 2001 Bonds have underlying ratings of "A3" from Moody's Investors Service, Inc. ("Moody's") and "A+" from Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc. ("S&P") and carry insured ratings of "Ba1 (Review for Possible Upgrade*)" from Moody's and "AA (Stable Outlook)" from S&P by virtue of bond insurance issued by Radian Asset Assurance, Inc. ("Radian Asset"). On April 1, 2016, Assured Guaranty Corp. ("AGC") acquired Radian Asset from Radian Guaranty Inc. Radian Asset immediately merged with, and into, AGC, with AGC as the surviving company. Subsequently, on April 2, 2015, S&P upgraded the insurer financial strength rating of Radian Asset from "B+" to "AA", the financial strength rating S&P assigns to AGC. The above ratings are as of June 30, 2018, and reflect all rating changes through such date.

*On April 2, 2015, Moody's withdrew the rating on Radian. AGC carries an A3 from Moody's.

**SAINT GEORGE PLACE REDEVELOPMENT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2018**

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 Saint George Place Redevelopment Authority, c/o Hawes Hill & Associates, LLP, Zone Administrator, P.O. Box 22167, Houston, TX 77227-2167.

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SAINT GEORGE PLACE REDEVELOPMENT AUTHORITY
STATEMENT OF NET POSITION AND
GOVERNMENTAL FUNDS BALANCE SHEET
JUNE 30, 2018

| | General Fund | Special Revenue Fund | Debt Service Fund |
|---|-----------------------------|-----------------------------|-----------------------------|
| ASSETS | | | |
| Cash, Note 3 | \$ 2,358,830 | \$ 1,379 | \$ |
| Investment, Note 3 | | | 230,187 |
| Due from City of Houston | 124,250 | | |
| Due from Other Funds | <u>8,090</u> | <u> </u> | <u> </u> |
| TOTAL ASSETS | <u>\$ 2,491,170</u> | <u>\$ 1,379</u> | <u>\$ 230,187</u> |
| LIABILITIES | | | |
| Accounts Payable | \$ 419,414 | \$ | \$ |
| Due to Other Funds | | 8,090 | |
| Accrued Interest Payable | | | |
| Long Term Liabilities: | | | |
| Due Within One Year | | | |
| Due After One Year | <u> </u> | <u> </u> | <u> </u> |
| TOTAL LIABILITIES | <u>\$ 419,414</u> | <u>\$ 8,090</u> | <u>\$ -0-</u> |
| FUND BALANCES | | | |
| Restricted for Future Debt Service | \$ | \$ | \$ 230,187 |
| Restricted for PID Activities | | (6,711) | |
| Unassigned, Reported in General Fund | <u>2,071,756</u> | <u> </u> | <u> </u> |
| TOTAL FUND BALANCES | <u>\$ 2,071,756</u> | <u>\$ (6,711)</u> | <u>\$ 230,187</u> |
| TOTAL LIABILITIES, DEFFERED INFLOWS OF RESOURCES AND FUND BALANCES | <u>\$ 2,491,170</u> | <u>\$ 1,379</u> | <u>\$ 230,187</u> |
| NET POSITION | | | |
| Unrestricted | | | |
| Restricted for PID Activities | | | |
| Restricted for Debt Service | | | |
| TOTAL NET POSITION | | | |

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

| Total | Adjustments | Statement of Net Position |
|---------------------|-----------------------|------------------------------|
| \$ 2,360,209 | \$ | \$ 2,360,209 |
| 230,187 | | 230,187 |
| 124,250 | | 124,250 |
| <u>8,090</u> | <u>(8,090)</u> | <u></u> |
| <u>\$ 2,722,736</u> | <u>\$ (8,090)</u> | <u>\$ 2,714,646</u> |
| | | |
| \$ 419,414 | \$ | \$ 419,414 |
| 8,090 | (8,090) | |
| | 13,877 | 13,877 |
| | 175,000 | 175,000 |
| <u></u> | <u>3,369,224</u> | <u>3,369,224</u> |
| <u>\$ 427,504</u> | <u>\$ 3,550,011</u> | <u>\$ 3,977,515</u> |
| | | |
| \$ 230,187 | \$ (230,187) | \$ |
| (6,711) | 6,711 | |
| <u>2,071,756</u> | <u>(2,071,756)</u> | <u></u> |
| <u>\$ 2,295,232</u> | <u>\$ (2,295,232)</u> | <u>\$ -0-</u> |
| | | |
| <u>\$ 2,722,736</u> | | |
| | | |
| | \$ (1,472,468) | \$ (1,472,468) |
| | (6,711) | (6,711) |
| | <u>216,310</u> | <u>216,310</u> |
| | <u>\$ (1,262,869)</u> | <u>\$ (1,262,869)</u> |

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

SAINT GEORGE PLACE REDEVELOPMENT AUTHORITY
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2018

| | | |
|--|--------------------|-----------------------|
| Total Fund Balances – Governmental Funds | | \$ 2,295,232 |
| Amounts reported for governmental activities in the Statement of Net Position are different because: | | |
| Accrued interest on long-term liabilities is not payable with current financial resources and is not reported in the governmental funds. | | (13,877) |
| Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the governmental funds. There liabilities at year end consist of: | | |
| Liabilities Payable Within One Year | \$ (175,000) | |
| Liabilities Payable After One Year | <u>(3,369,224)</u> | <u>(3,544,224)</u> |
| Total Net Position – Governmental Activities | | <u>\$ (1,262,869)</u> |

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

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SAINT GEORGE PLACE REDEVELOPMENT AUTHORITY
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2018

| | General Fund | Special Revenue Fund | Debt Service Fund |
|---|---------------------|-------------------------|----------------------|
| REVENUES | | | |
| Tax Increment Revenue (Net of Retention for Affordable Housing of \$1,300,153, Educational Facilities of \$473,648, Administrative Costs of \$145,185, and Municipal Service Fees of \$232,718) | \$ 1,748,754 | \$ | \$ |
| PID Assessment Revenues | | 1,148 | |
| Penalty and Interest Revenues | | 2,653 | |
| Interest Revenues | 2,986 | 5 | 3,050 |
| Miscellaneous Revenues | | 760 | |
| TOTAL REVENUES | \$ 1,751,740 | \$ 4,566 | \$ 3,050 |
| EXPENDITURES | | | |
| Service Operations: | | | |
| Professional Services | \$ 129,386 | \$ 2,500 | \$ |
| Contracted Services | 89,918 | 2,406 | 2,535 |
| Insurance | 3,658 | | |
| Other | 24,047 | 5 | |
| Capital Outlay | 963,129 | | |
| Debt Service: | | | |
| Principal | | | 170,000 |
| Interest | | | 46,132 |
| TOTAL EXPENDITURES | \$ 1,210,138 | \$ 4,911 | \$ 218,667 |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES/EXPENSES | \$ 541,602 | \$ (345) | \$ (215,617) |
| OTHER FINANCING SOURCES (USES) | | | |
| Transfers In | \$ | \$ | \$ 124,250 |
| Transfers Out | (124,250) | | |
| TOTAL OTHER FINANCING SOURCES (USES) | \$ (124,250) | \$ -0- | \$ 124,250 |
| NET CHANGE IN FUND BALANCES | \$ 417,352 | \$ (345) | \$ (91,367) |
| CHANGE IN NET POSITION | | | |
| FUND BALANCE/NET POSITION – JULY 1, 2017 | 1,654,404 | (6,366) | 321,554 |
| FUND BALANCE/NET POSITION – JUNE 30, 2018 | \$ 2,071,756 | \$ (6,711) | \$ 230,187 |

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

| <u>Total</u> | <u>Adjustments</u> | <u>Statement of Activities</u> |
|---------------------|-----------------------|------------------------------------|
| \$ 1,748,754 | \$ | \$ 1,748,754 |
| 1,148 | | 1,148 |
| 2,653 | | 2,653 |
| 6,041 | | 6,041 |
| <u>760</u> | <u></u> | <u>760</u> |
| <u>\$ 1,759,356</u> | <u>\$ -0-</u> | <u>\$ 1,759,356</u> |
| | | |
| \$ 131,886 | \$ | \$ 131,886 |
| 94,859 | | 94,859 |
| 3,658 | | 3,658 |
| 24,052 | | 24,052 |
| 963,129 | | 963,129 |
| 170,000 | (170,000) | |
| <u>46,132</u> | <u>(3,003)</u> | <u>43,129</u> |
| <u>\$ 1,433,716</u> | <u>\$ (173,003)</u> | <u>\$ 1,260,713</u> |
| | | |
| <u>\$ 325,640</u> | <u>\$ 173,003</u> | <u>\$ 498,643</u> |
| | | |
| \$ 124,250 | \$ (124,250) | \$ |
| <u>(124,250)</u> | <u>124,050</u> | <u></u> |
| <u>\$ -0-</u> | <u>\$ -0-</u> | <u>\$ -0-</u> |
| | | |
| \$ 325,640 | \$ (325,640) | \$ |
| | 498,643 | 498,643 |
| <u>1,969,592</u> | <u>(3,731,104)</u> | <u>(1,761,512)</u> |
| <u>\$ 2,295,232</u> | <u>\$ (3,558,101)</u> | <u>\$ (1,262,869)</u> |

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

SAINT GEORGE PLACE REDEVELOPMENT AUTHORITY
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT
OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018

| | |
|--|-------------------|
| Net Change in Fund Balances - Governmental Funds | \$ 325,640 |
| <p>Amounts reported for governmental activities in the Statement of Activities are different because:</p> | |
| <p>Governmental funds report debt principal payments as expenditures. In the Statement of Net Position, debt principal payments decrease long-term liabilities.</p> | 170,000 |
| <p>Governmental funds report interest expenditures on bonds as expenditures in the year paid. However, in the Statement of Net Position, interest is accrued on bonds through fiscal year end.</p> | <u>3,003</u> |
| Changes in Net Position - Governmental Activities | <u>\$ 498,643</u> |

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

SAINT GEORGE PLACE REDEVELOPMENT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1. CREATION OF CORPORATION

The City of Houston, Texas (the “City”) authorized the creation of the Saint George Place Redevelopment Authority (the “Authority”) by the Resolution No. 98-3 passed on February 17, 1998. The Authority was set up as a local government corporation pursuant to provisions of Chapter 431 of the Texas Transportation Code and Chapter 394 of the Texas Local Government Code. The Authority is organized as a public non-profit corporation for the purpose of aiding, assisting, and acting on behalf of the City in the performance of its governmental function to promote the common good and general welfare of Reinvestment Zone Number One (the “Zone”) and neighboring areas and to promote, develop, encourage and maintain housing, educational facilities, employment, commerce and economic development in the City. The Authority may issue bonds with consent of City Council. The Authority is managed by a Board of Directors consisting of nine members who are appointed by the Mayor with the approval of City Council.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

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

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

Financial Statement Presentation

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

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

SAINT GEORGE PLACE REDEVELOPMENT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Statement Presentation (Continued)

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

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

Government-Wide Financial Statements

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

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

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

Fund Financial Statements

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

SAINT GEORGE PLACE REDEVELOPMENT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Governmental Funds

The Authority has three governmental funds and considers each to be a major fund.

General Fund – to account for the operating activities of the Authority.

Special Revenue Fund – to account for financial resources collected and administered by the Authority for operations of the Lamar Terrace Public Improvement District No. 2 (PID No. 2).

Debt Service Fund – to account for resources that will be used to service the debt on the Authority's Series 2001 Tax Increment Contract Revenue and Refunding Bonds.

Basis of Accounting

The Authority uses the modified accrual basis of accounting for governmental fund types. The modified accrual basis of accounting recognizes revenues when both "measurable and available." Measurable means the amount can be determined. Available means collectable within the current period or soon enough thereafter to pay current liabilities. The Authority considers revenues reported in the governmental funds to be available if they are collectable within 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.

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

Capital Assets

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

SAINT GEORGE PLACE REDEVELOPMENT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

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 governmental funds of the Authority. The budget was not amended during the current fiscal year.

Pensions

The Authority has not established a pension plan as the Authority does not have employees. The Internal Revenue Service has determined that fees of office received by Directors are considered to be wages subject to federal income tax withholding for payroll tax purposes only.

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.

Restricted: amounts that can be spent only for specific purposes because of constitutional provisions, or enabling legislation, or because of constraints that are imposed externally.

Committed: amounts that can be spent only for 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.

SAINT GEORGE PLACE REDEVELOPMENT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus (Continued)

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. The District did not have any assigned fund balances.

Unassigned: all other spendable amounts in the General Fund.

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

Accounting Estimates

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

NOTE 3. DEPOSITS AND INVESTMENTS

Deposits

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

Texas statutes require that any cash balance in any fund shall, to the extent not insured by the Federal Deposit Insurance Corporation or its successor, be continuously secured by a valid pledge to the Authority of securities eligible under the laws of Texas to secure the funds of the Authority, having an aggregate market value, including accrued interest, at all times equal to the uninsured cash balance in the fund to which such securities are pledged. At fiscal year end, the carrying amount of the Authority's deposits was \$2,360,209 and the bank balance was \$2,361,089. The Authority was not exposed to custodial credit risk at year-end.

SAINT GEORGE PLACE REDEVELOPMENT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 3. DEPOSITS AND INVESTMENTS (Continued)

Deposits (Continued)

The carrying values of the deposits are included in the Governmental Funds Balance Sheet and the Statement of Net Position at June 30, 2018 as listed below:

| | | |
|---|----|------------------|
| GENERAL FUND | \$ | 2,358,830 |
| SPECIAL REVENUE FUND – Restricted for PID No. 2 Activities | | <u>1,379</u> |
| TOTAL DEPOSITS | \$ | <u>2,360,209</u> |

Investments

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

Texas statutes include specifications for and limitations applicable to the District and its authority to purchase investments as defined in the Public Funds Investment Act. The District has adopted a written investment policy to establish the guidelines by which it may invest. This policy is reviewed annually. The District’s investment policy may be more restrictive than the Public Funds Investment Act.

The District invests in Bank of New York Mellon Government Money Market Fund (“BNY”), money market mutual fund which is SEC-registered. The District measures its investment in BNY at amortized cost for financial reporting purposes. There are no limitations or restrictions on withdrawals from BNY.

SAINT GEORGE PLACE REDEVELOPMENT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 3. DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

As of June 30, 2018, the Authority had the following investments and maturities:

| Fund and Investment Type | Fair Value | Maturities in Years | | | |
|-----------------------------|------------|---------------------|----------|----------|-----------------|
| | | Less Than 1 | 1-5 | 6-10 | More Than 10 |
| <u>DEBT SERVICE</u> | | | | | |
| <u>FUND -</u> | | | | | |
| <u>(Restricted for</u> | | | | | |
| <u>Payment of Debt</u> | | | | | |
| <u>Service)</u> | | | | | |
| Money Market Fund | \$ 230,187 | \$ 230,187 | \$ _____ | \$ _____ | \$ _____ |
| TOTAL | | | | | |
| INVESTMENTS | \$ 230,187 | \$ 230,187 | \$ -0- | \$ -0- | \$ -0- |

Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. At June 30, 2018, the Authority's investment in the Money Market Mutual Fund was rated A-1+ by Standard and Poor's and P1 by Moody'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 the money market fund 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, the Zone Number One, and the Authority entered into the Tri-Party Agreement on May 19, 1999. This agreement was amended and restated on June 28, 2000, pursuant to Ordinance No. 2000-597. 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 with the Zone, preparing development plans, establishing a marketing and public relations program, planning and design and construction of infrastructure improvements, land acquisition, and establishing a plan to develop a public school to serve students in Saint George Place.

SAINT GEORGE PLACE REDEVELOPMENT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 4. TRI-PARTY AGREEMENT (Continued)

The Tri-Party Agreement also provides for the Authority to issue bonds and notes, (see Note 9), enter into obligations with developers or builders, and enter into contracts with consultants, to be repaid from contract tax increments. All bonds must be approved by City Council and agreements must be approved by the Director of the Finance Department of the City of Houston. This Agreement shall end upon termination of the Zone.

Pursuant to the Agreement, the City and the Zone have agreed to pay the Authority not later than the first business day of each July in which a current approved budget is in effect for the Authority, all money available in the Tax Increment Fund, less (a) any costs incurred by the City in connection with the collection of the tax increments, (b) the tax increments dedicated to affordable housing, (c) certain tax increments constituting educational facilities project costs to be paid to the Houston Independent School District and (b) a reserve of up to five percent of the money then available in the Tax Increment Fund for administrative costs of the City.

NOTE 5. TAX INCREMENTS

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

The amount of a Participant’s tax increment for a year is the amount of property taxes levied and collected by the Participant for that year on the Captured Appraised Value of real property taxable by the Participant and located in the Zone. The Captured Appraised Value of real property taxable by a Participant for a year is the total appraised value of all real property taxable by the Participant and located in the Zone for that year less the Tax Increment Base, which is the total appraised value of all real property taxable by the Participant and located in the Zone on January 1 of the year in which the Zone was designated as such under the Tax Increment 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 90th day after the delinquency date for the Participant’s property taxes.

SAINT GEORGE PLACE REDEVELOPMENT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 6. CITY OF HOUSTON TAX INCREMENTS

Pursuant to City Ordinance No. 90-1452, approved December 12, 1990, 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. As required by the TIF Act and Ordinance No. 90-1452, one-third of the tax increments are dedicated to providing affordable housing.

During the current fiscal year, tax increments of \$2,403,694 were collected from the City of Houston. Of this amount, \$801,231 was withheld to cover affordable housing provisions, \$120,185 was withheld for administrative costs and \$232,718 was paid for municipal service fees.

NOTE 7. HOUSTON INDEPENDENT SCHOOL DISTRICT TAX INCREMENTS

The HISD has agreed, pursuant to an Interlocal Agreement with the City and Zone approved by the City on January 29, 1997, as amended by a First Amendment approved by the City on August 18, 1999, to pay into the Tax Increment Fund all tax increments produced at HISD's then current rate. One-third of the HISD tax increments will be applied to the provision of affordable housing. Of the remaining two-thirds, the amount of taxes collected by HISD at a tax rate of \$0.42 2/3 per \$100 valuation and earnings thereon may be applied to costs other than educational facilities project costs, and the remainder plus earnings thereon is required to be paid to HISD on an annual basis to be used for educational facilities project costs with the Zone or the City. All funds paid to the HISD will come from the HISD tax increments.

During the current fiscal year, tax increments of \$1,496,764 were collected by the HISD. Of this amount \$498,922 was withheld by the HISD to cover affordable housing provisions, \$473,648 was withheld to fund educational facilities and \$25,000 was withheld to cover administrative costs. The HISD Agreement also provides that money in the Tax Increment Fund shall be used to pay the School Support Services, including the costs of abandonment of streets within the Zone required for HISD Educational Facilities. The City Council of the City, by Motion No. 2003-1019, approved the abandonment of various streets required for the HISD Educational Facilities in the Zone. In accordance with the HISD Agreement, money from the Tax Increment Fund will be used to pay the City for the cost of the abandonment of the aforementioned streets, once there is money available in the Tax Increment Fund. During 2010, the cost of the abandonment of the streets was determined to be \$2,779,224. This amount has been recorded as a long-term liability in the Statement of Net Position. See Note 8 for additional information regarding this liability.

SAINT GEORGE PLACE REDEVELOPMENT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 8. DUE TO THE CITY OF HOUSTON

On May 10, 2000, and as amended on October 21, 2008, the Authority entered into a financing agreement with the City and the Zone whereby the City agreed to design and construct certain public works (the “West Side Public Works”). The West Side Public Works consisted primarily of water and sanitary sewer replacements and paving of streets and storm sewer installation on the West Side. These projects have been completed. The City also agreed to make payments to Ironwood Homes on behalf of the Authority and the Zone for the public infrastructure and right of way acquisition costs funded under the Development Agreement and Acquisition Agreement with Ironwood.

The City financed these costs through the issuance of \$5,298,564 of tax and revenue certificates of obligation, secured by the City’s annual ad valorem tax levied on taxable property within the City and by a subordinate and junior lien on and pledge of mixed beverage tax revenues.

Pursuant to this agreement, the Authority and the Zone have agreed to reimburse the City for the amounts paid to Ironwood Homes, interest paid by the City on the certificates of obligation and the actual cost of the design and construction of the West Side Public Works, except for a portion of the work allocated to the City and any costs of the West Side Public Works paid or attributed to the City from the levy and collection of a public improvement assessment in Lamar Terrace Public Improvement District No. 2 (“PID No. 2”), not to exceed \$950,000. As of June 30, 2018, the Authority has recorded a due to the City in the amount of \$2,779,224. This amount includes the street abandonment costs as shown in Note 7 of \$2,779,224. The Authority will use PID No. 2 assessment collections to reimburse the amount due to the City in relation to PID No. 2 projects. As of June 30, 2018, the Authority has paid \$8,232,283, to the City to pay a portion of the amounts due on the certificates of obligation. In accordance with revised agreement, the Authority agrees to reimburse the City the amounts owed by making one payment each year, on September 1st, until the obligation is retired. The amount of each annual payment due to the City will be calculated by using the amount of the prior fiscal year’s transfer to the Authority from the City of the tax increment revenue from each of the taxing jurisdictions participating in the Zone, less the Authority’s current fiscal year’s annual expenditures for administrative costs and capital expenditures, if any. The agreement allows the Zone to retain a maximum contingency amount of \$50,000.

Current year activity related to the amount due to the City of Houston was as follows:

| | Balance at July 1, 2017 | Increase | Decrease | Balance at June 30, 2018 |
|--------------|----------------------------|------------|---------------|-----------------------------|
| Right of Way | <u>\$ 2,779,224</u> | <u>-0-</u> | <u>\$ -0-</u> | <u>\$ 2,779,224</u> |

SAINT GEORGE PLACE REDEVELOPMENT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 9. BONDS PAYABLE

| | |
|--|------------------------------|
| | <u>Refunding Series 2001</u> |
| Amount Outstanding - June 30, 2018 | \$ 765,000 |
| Interest Rates | 5.10% - 5.50% |
| Maturity Dates – Serially Beginning/Ending | September 1, 2018/2021 |
| Interest Payment Dates | September 1/March 1 |
| Callable Dates | September 1, 2010* |

* Or any interest payment date thereafter, at the option of the Authority, in whole or in part, in inverse numerical order, at par plus accrued interest to the date fixed for redemption.

The following is a summary of transactions regarding bonds payable for the year ended June 30, 2018:

| | |
|---|-------------------|
| Bond Debt Payable – July 1, 2017 | \$ 935,000 |
| Less Bond Principal Retirements – Series 2001 | <u>170,000</u> |
| Bond Debt Payable – June 30, 2018 | <u>\$ 765,000</u> |
| Bond Debt Payable - | |
| Due Within One Year | \$ 175,000 |
| Due After One Year | <u>590,000</u> |
| Bond Debt Payable – June 30, 2018 | <u>\$ 765,000</u> |

The bonds are payable from the proceeds of the pledged tax increments reserves to be received from the City and the HISD, see Notes 6 and 7. As of June 30, 2018, the debt service requirements on the bonds outstanding were as follows:

| Fiscal Year | Principal | Interest | Total |
|-------------|-------------------|------------------|-------------------|
| 2019 | \$ 175,000 | \$ 36,946 | \$ 211,946 |
| 2020 | 185,000 | 27,270 | 212,270 |
| 2021 | 195,000 | 16,913 | 211,913 |
| 2022 | <u>210,000</u> | <u>5,775</u> | <u>215,775</u> |
| | <u>\$ 765,000</u> | <u>\$ 86,904</u> | <u>\$ 851,904</u> |

SAINT GEORGE PLACE REDEVELOPMENT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 10. FINANCIAL SERVICE AGREEMENT

On April 30, 2003, the Authority entered into a Financial Service Agreement with the Zone and the City. In accordance with the agreement, the Authority is to assist the Zone in administering and disbursing Lamar Terrace Public Improvement District No. 1 and Lamar Terrace Public Improvement District No. 2 (the "PIDs") funds in accordance with the terms of the Memorandum of Agreement ("MOA") between the City and the Zone authorizing the board of directors of the Zone to carry out various functions with respect to the PIDs, including the expenditure of PID funds. The Authority will establish and administer separate and distinct accounts for the purpose of receiving assessment revenues and disbursing the funds held in such accounts to carry out the functions and obligations of the Zone in accordance with the MOA. In accordance with the agreement, the Authority will maintain separate and distinct accounts for each PID. During the current fiscal year, the Authority only administered accounts in relation to PID No. 2. The Zone will reimburse the Authority for actual expenses related to providing the financial services. The Authority will cause an accounting to be performed in conjunction with the Authority's annual audit. The Authority will furnish copies of such audit without cost to the Zone and the City. The activities of PID No. 2 have been included in the audit of the Authority as a Special Revenue Fund.

The term of the agreement shall begin as of May 6, 2003, and end 30 days following written notice of termination by one party to the other. Upon termination, the Authority will provide the Zone and the City with access to all accounts administered under the contract and shall disburse any funds held on behalf of the PID's in accordance with the Zone board's written instructions.

NOTE 11. ZONING ENFORCEMENT SERVICES

On August 8, 2017, the Authority entered into the Agreement Regarding Zoning Enforcement Services with Saint George Place Management District (the "District") and Reinvestment Zone No. One, City of Houston, Texas (the "Zone"). The Zone, the District and the Authority (collectively, the "Parties") understand that the efficient enforcement of the Zoning Ordinance is in their common best interests, and that the District has the resources and expertise to best carry out such enforcement. The Zone delegates to the District the enforcement of the Zoning Ordinance on behalf of the Zone. The Authority agrees to pay the District \$1,000 per month for the enforcement of the Zone Ordinance.

SAINT GEORGE PLACE REDEVELOPMENT AUTHORITY

REQUIRED SUPPLEMENTARY INFORMATION

JUNE 30, 2018

SAINT GEORGE PLACE REDEVELOPMENT AUTHORITY
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE – BUDGET AND ACTUAL –
GENERAL FUND AND DEBT SERVICE FUND COMBINED
FOR THE YEAR ENDED JUNE 30, 2018

| | Original and Final Budget | Actual Amount | Variance Positive (Negative) |
|--|------------------------------|---------------------|------------------------------------|
| REVENUES | | | |
| Tax Increment Revenue | \$ 1,841,562 | \$ 1,748,754 | \$ (92,808) |
| Interest Income | <u>2,130</u> | <u>6,036</u> | <u>3,906</u> |
| TOTAL REVENUES | <u>\$ 1,843,692</u> | <u>\$ 1,754,790</u> | <u>\$ (88,902)</u> |
| EXPENDITURES | | | |
| Maintenance and Operations | \$ 276,600 | \$ 249,544 | \$ 27,056 |
| Capital Improvements | 1,213,500 | 963,129 | 250,371 |
| Debt Service | <u>1,195,863</u> | <u>216,132</u> | <u>979,731</u> |
| TOTAL EXPENDITURES | <u>\$ 2,685,963</u> | <u>\$ 1,428,805</u> | <u>\$ 1,257,158</u> |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES | <u>\$ (842,271)</u> | <u>\$ 325,985</u> | <u>\$ 1,168,256</u> |
| OTHER FINANCING SOURCES(USES) | | | |
| Contract Revenue Bond Proceeds | <u>\$ 11,617,973</u> | <u>\$ -0-</u> | <u>\$ (11,617,973)</u> |
| NET CHANGE IN FUND BALANCE | \$ 10,775,702 | \$ 325,985 | \$ (10,449,717) |
| FUND BALANCE – JULY 1, 2017 | <u>1,975,958</u> | <u>1,975,958</u> | <u>-0-</u> |
| FUND BALANCE – JUNE 30, 2018 | <u>\$ 12,751,660</u> | <u>\$ 2,301,943</u> | <u>\$ (10,449,717)</u> |

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SAINT GEORGE PLACE REDEVELOPMENT AUTHORITY

SUPPLEMENTARY INFORMATION

REQUIRED BY CITY OF HOUSTON

JUNE 30, 2018

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SAINT GEORGE PLACE REDEVELOPMENT AUTHORITY
OPERATING EXPENSES – GENERAL FUND AND
DEBT SERVICE FUND COMBINED
FOR THE YEAR ENDED JUNE 30, 2018

| Category | Vendor | Budget |
|---|--|--------------------------|
| ADMINISTRATION AND OVERHEAD | | |
| Administration Consultant | Hawes Hill & Associates, LLP | \$ 24,000 |
| Insurance | TML | 3,000 |
| Bookkeeping | Municipal Accounts & Consulting, L.P. | 13,700 |
| Annual Financial Report | Burton Accounting, P.L.L.C. | 4,000 |
| Auditor | McCall Gibson Swedlund Barfoot PLLC | 8,250 |
| Financial Advisor | | 1,500 |
| Bond Paying Agent | | 2,500 |
| Website | Busy Bee Creatives | 3,150 |
| Property Account Consultant | Equi-Tax | 3,000 |
| Investment Maintenance Fee | | |
| Office Expenses | | <u>8,000</u> |
| SUBTOTAL | | \$ <u>71,100</u> |
| PROGRAM AND PROJECT CONSULTANTS | | |
| Engineering Consultants | Lockwood, Andrews & Newman, Inc | 80,500 |
| Legal-General Counsel | Allen Boone Humphries Robinson LLP | 25,000 |
| Legal-Zoning | Blank Rome LLP | 40,000 |
| Project Management | Hawes Hill & Associates, LLP | 48,000 |
| Zoning Enforcement | Saint George Place Management District | <u>12,000</u> |
| SUBTOTAL | | \$ <u>205,500</u> |
| TOTAL MANAGEMENT CONSULTING SERVICES | | \$ <u>276,600</u> |

See accompanying independent auditor's report.

| Actual Expenditure | Variance Positive (Negative) |
|-----------------------|------------------------------------|
| \$ 24,000 | \$ -0- |
| 3,658 | (658) |
| 11,044 | 2,656 |
| 4,000 | -0- |
| 8,500 | (250) |
| 7,000 | (5,500) |
| 2,535 | (35) |
| 4,200 | (1,050) |
| 2,874 | 126 |
| 1,800 | (1,800) |
| <u>6,047</u> | <u>1,953</u> |
| <u>\$ 75,658</u> | <u>\$ (4,588)</u> |
| | |
| \$ 95,150 | \$ (14,650) |
| 18,736 | 6,264 |
| 0 | 40,000 |
| 48,000 | -0- |
| <u>12,000</u> | <u>-0-</u> |
| <u>\$ 173,886</u> | <u>\$ 31,614</u> |
| | |
| <u>\$ 249,544</u> | <u>\$ 27,056</u> |

See accompanying independent auditor's report.

SAINT GEORGE PLACE REDEVELOPMENT AUTHORITY
CAPITAL EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2018

| Category | Vendor | Budget |
|---|---|---------------------|
| Project T-0103: McCulloch Circle/Fairdale | Iron Access, Gomez Concrete, Four Seasons Development Co., Inc. | \$ |
| Sound Barrier Construction | SPARK | 35,500 |
| Project T-0105: Mandarin School Perimeter Fence | | |
| Construction | | |
| Project T-0106: Richmond Avenue Tree Replacement | | |
| Design | Lockwood, Andrews & Newman, Inc. | 83,000 |
| Construction | Teamwork Construction Services, Inc. | 150,000 |
| Project T-0107: Chimney Rock(Westheimer) | | |
| Planning | Lockwood, Andrews & Newman, Inc. | 125,000 |
| Project T-0109: Street Lighting Reconstruction Project | | |
| Design | | 50,000 |
| Construction | Neon Electric Corp, City of Houston | 50,000 |
| Project T-0110: North South Connection | | |
| Design | | 100,000 |
| Planning | | 50,000 |
| Other | Lockwood, Andrews & Newman, Inc. | 150,000 |
| Project T-0112: Sun-Regional Detention | | |
| Design | | 200,000 |
| Planning | Lockwood, Andrews & Newman, Inc. | 100,000 |
| Project T-0113: Hidalgo Street Park | | |
| Design | Clark Condon Associates, Inc. | 20,000 |
| Construction | | 80,000 |
| Project T-0199: Concrete Panel Replacement Program | | |
| Other | | <u>20,000</u> |
| TOTAL CAPITAL EXPENDITURES | | <u>\$ 1,213,500</u> |

See accompanying independent auditor's report.

| <u>Actual Expenditure</u> | <u>Variance Positive (Negative)</u> |
|-------------------------------|---|
| \$ 3,771 | \$ (3,771) |
| 40,000 | (4,500) |
| 78,578 | 4,422 |
| 241,530 | (91,530) |
| 203,145 | (78,145) |
| 1,575 | 50,000 |
| | 48,425 |
| | 100,000 |
| | 50,000 |
| 260,686 | (110,686) |
| | 200,000 |
| 101,000 | (1,000) |
| 32,844 | (12,844) |
| | 80,000 |
| <u> </u> | <u>20,000</u> |
| <u>\$ 963,129</u> | <u>\$ 250,371</u> |

See accompanying independent auditor's report.

SAINT GEORGE PLACE REDEVELOPMENT AUTHORITY
PROJECT PLAN RECONCILIATION
AS OF THE YEAR ENDED JUNE 30, 2018

| | Project Plan Estimated Amount | Cumulative Expenditures as of the Fiscal Year Ended 2018 | Variance Positive (Negative) |
|---|-------------------------------------|--|------------------------------------|
| Project Costs | | | |
| Capital Costs: | | | |
| Storm Drainage, Water, Wastewater and other Utilities | \$ 24,973,315 | \$ 1,290,711 | \$ 23,682,604 |
| Roadway, Sidewalk, Intersection, Pedestrian Pathways, and other Mobility-Related Corridor Improvements | 60,875,419 | 7,033,708 | 53,841,711 |
| Landscaping and Barrier Fencing | 14,393,480 | 758,817 | 13,634,663 |
| Parks, Open Space and Amenities | 1,000,000 | | 1,000,000 |
| Contingencies | 11,027,913 | 518 | 11,027,395 |
| Other Costs: | | | |
| Financing Costs* | 2,280,000 | 6,269,076 | (3,989,076) |
| Engineering, Planning and Legal Advice and Services | 793,000 | 832,283 | (39,283) |
| Organizational, Operating Costs and Zoning Enforcement | 542,000 | 4,734,748 | (4,192,748) |
| Educational Facilities | 18,771,094 | 6,601,343 | 12,169,751 |
| Affordable Housing | 31,785,702 | 14,184,473 | 17,601,229 |
| Total Project Costs | <u>\$ 166,441,923</u> | <u>\$ 41,705,677</u> | <u>\$ 124,736,246</u> |

* Includes issuance of \$3,170,000 of Series 2001 Tax Increment Contract Revenue and Refunding Bonds to refund \$2,100,000 of previously issued TIRZ bonds issued by the City of Houston, Texas for the construction of water and sanitary sewer facilities within the TIRZ.

See accompanying independent auditor's report.

SAINT GEORGE PLACE REDEVELOPMENT AUTHORITY

OTHER SUPPLEMENTARY INFORMATION

JUNE 30, 2018

SAINT GEORGE PLACE REDEVELOPMENT AUTHORITY
LONG-TERM DEBT SERVICE REQUIREMENTS, BY YEARS
JUNE 30, 2018

TAX INCREMENT CONTRACT
REVENUE AND REFUNDING BONDS
SERIES - 2001

| Due During Fiscal Years Ending June 30 | Principal Due September 1 | Interest Due September 1/ March 1 | Total |
|--|------------------------------|---|-------------------|
| 2019 | \$ 175,000 | \$ 36,946 | \$ 211,946 |
| 2020 | 185,000 | 27,270 | 212,270 |
| 2021 | 195,000 | 16,913 | 211,913 |
| 2022 | <u>210,000</u> | <u>5,775</u> | <u>215,775</u> |
| TOTAL | <u>\$ 765,000</u> | <u>\$ 86,904</u> | <u>\$ 851,904</u> |

See accompanying independent auditor's report.

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SAINT GEORGE PLACE REDEVELOPMENT AUTHORITY
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
JUNE 30, 2018

Authority Mailing Address - Saint George Place Redevelopment Authority
P.O. Box 22167
Houston, TX 77227-2167

Authority Telephone No. - (713) 595-1200

| Board Members | Position |
|----------------------------------|-----------------|
| Berzin Bhandara, Asst. Secretary | 1 |
| Frank Donnelly, III, Secretary | 2 |
| Mark Worscheh | 3 |
| Randy Sim | 4 |
| Bill Hutz, Chairman | 5 |
| Christine Stewart | 6 |
| Edward Taravella | 7 |
| Stuart Kensinger | 8 |
| Steve Rochelle, Vice Chairman | 9 |

Zone Administrator

Mr. David Hawes
Hawes Hill & Associates, LLP
P.O. Box 22167
Houston, TX 77227-2167

See accompanying independent auditor's report.

