

**NORTH HOUSTON DISTRICT**

**HOUSTON, TEXAS**

**FINANCIAL REPORT**

**For the Year Ended October 31, 2019**



**NORTH HOUSTON DISTRICT**  
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**FINANCIAL SECTION**



## **REPORT OF INDEPENDENT AUDITORS**

To the Board of Directors  
North Houston District  
Houston, Texas

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities and each major fund of North Houston District (the "District"), as of and for the year ended October 31, 2019, and the related notes to the financial statements, which collectively comprise the District'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 entity'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.

To the Board of Directors  
North Houston District

### **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 District, as of October 31, 2019, and the respective changes in financial position for the year then ended in conformity 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 on pages 3 through 9 and budgetary comparison information on pages 31 through 32 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.

A handwritten signature in black ink that reads "Whitley Penn LLP". The signature is written in a cursive, slightly slanted style.

Houston, Texas  
February 25, 2020

## **NORTH HOUSTON DISTRICT**

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

Within this section of the financial report of North Houston District (the "District"), the District's Board of Directors provides a narrative discussion and analysis of the financial activities of the District for the fiscal year ended October 31, 2019. This analysis should be read in conjunction with the independent auditors' report and the basic financial statements that follow this section.

#### **Financial Highlights**

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components: (1) government-wide financial statements, (2) fund financial statements and (3) notes to the financial statements. This report also contains required supplementary information in addition to the basic financial statements themselves.

- The assets of the District exceeded its liabilities at the close of the most recent fiscal year by \$4,321,734. Of this amount, \$2,943,960 was investment in capital assets, which represents the carrying value of the capital assets. The remaining amount is comprised of restricted net position in the amount of \$221,515 and unrestricted net position in the amount of \$1,156,259.
- The District's total net position increased by \$391,646 during the current fiscal year.
- The District's general operating fund reported a total ending fund balance of \$1,143,904 as of October 31, 2019. The entire amount is classified as unassigned and is available for spending at the District's discretion. This is an increase of \$344,738 compared to the prior fiscal year. The unassigned fund balance represents 30 percent of total general fund expenditures.

#### **Government-wide Financial Statements**

The *government-wide financial statements* are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The *Statement of Net Position* presents information on all of the District's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator regarding the financial position of the District. Other factors that are not included in the financial statements, such as increased tax base in the District's boundaries, should be considered in evaluating the condition of the District's overall financial position.

The *Statement of Activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

#### **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 District, like other local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements established by external parties, governmental statutes or regulations.

The District maintains four major governmental funds. The *General Fund* is used to account for administrative operations of the District. *Special Revenue Funds* are used to account for the activities of the Skate Park, Bike Park, and Greenspoint Community Partners.

**NORTH HOUSTON DISTRICT**  
*MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)*

**Governmental Funds**

*Governmental funds* are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of *spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a District's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the District's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The Districts four governmental funds are considered major funds.

The District adopts an annual appropriated budget for its general fund. A budgetary comparison schedule has been provided for the general fund to demonstrate compliance with this budget.

**Notes to the Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

**Required Supplementary Information**

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information that further explains and supports the information in the financial statements. The required supplementary information relates to comparison of the original adopted budget, the final amended budget, and the actual amounts for the fiscal year. This is required supplementary information for the general fund.

**Government-wide Financial Analysis**

As noted earlier, net position may serve over time as a useful indicator of a District's financial position. In the case of the District, assets exceeded liabilities by \$4,321,734 at the close of the most recent fiscal year.

A significant portion of the District's net position reflects its investment in capital assets (e.g., land, equipment, park improvements, and leasehold improvements). The District uses these capital assets to provide services to citizens within the District; consequently, these assets are not available for future spending.

**NORTH HOUSTON DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)**

**Government-wide Financial Analysis (continued)**

The District's overall financial position and operations for the past two years is summarized in the statement of net position as follows, based on information included in the government-wide financial statements:

	<b>2019</b>	<b>2018</b>
Current and other assets	\$ 2,147,887	\$ 1,160,781
Capital assets	2,943,960	2,981,913
Total assets	<u>5,091,847</u>	<u>4,142,694</u>
Other liabilities	732,743	174,857
Long-term liabilities	37,370	37,749
Total liabilities	<u>770,113</u>	<u>212,606</u>
<b>Net Position:</b>		
Investment in capital assets	2,943,960	2,981,913
Restricted	221,515	110,470
Unrestricted	1,156,259	837,705
Total net position	<u>\$ 4,321,734</u>	<u>\$ 3,930,088</u>

Net position in the governmental activities are restricted for various purposes as follows:

	<b>2019</b>	<b>2018</b>
Greenspoint Community Partners	\$ 1,477	\$ 16,470
Bike Park	110,663	-
Skate Park	109,375	94,000
Total restricted net position	<u>\$ 221,515</u>	<u>\$ 110,470</u>

The remaining balance of net position in the governmental activities consists of an unrestricted net position of \$1,156,259 may be used to meet the District's ongoing obligations to citizens and creditors. The District's total net position increased by \$391,646 during the current fiscal year.

**NORTH HOUSTON DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)**

**Government-wide Financial Analysis (continued)**

The District's statement of activities for the past two years is summarized as follows, based on information included in the government-wide financial statements:

	<u>2019</u>	<u>2018</u>
<b>Program revenue:</b>		
Charges for services	\$ 730,000	\$ 500,000
Grants and contributions	9,000	11,500
<b>General revenues:</b>		
Property assessments	4,057,398	3,920,702
Unrestricted investment earnings	1,451	1,154
Other	3,459	2,528
Total Revenues	<u>4,801,308</u>	<u>4,435,884</u>
<b>Expenses</b>		
Public Safety	797,837	785,845
Planning and infrastructure	1,244,490	986,505
Marketing and public affairs	169,823	124,912
Skate Park Operations	484,625	506,046
Bike Park Operations	119,337	-
Program support services	1,593,550	1,477,794
Total Expenses	<u>4,409,662</u>	<u>3,881,102</u>
Change in net position	391,646	554,782
<b>Net Position - beginning</b>	<u>3,930,088</u>	<u>3,375,306</u>
<b>Net Position - ending</b>	<u>\$ 4,321,734</u>	<u>\$ 3,930,088</u>

**Governmental Activities**

Governmental activities increased the District's net position by \$391,646. Revenues are generated primarily from two sources. Property assessments and charges for services represent 99.7 percent of total revenues. The remaining 0.3 percent is generated from other revenues.

	<u>Total Revenues</u>	<u>% of Total Revenues</u>
Property Assessments	\$ 4,057,398	76.2%
Charges for Services	1,250,000	23.5%
Other revenue	13,910	0.3%
	<u>\$ 5,321,308</u>	<u>100%</u>

**NORTH HOUSTON DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)**

**Governmental Activities (continued)**

The primary expenses of the District are planning and infrastructure, program support services, public safety, and skate park operations, which represent 45.8 percent of total expenses. The remaining expenses include marketing and public affairs and bike park operations, which represent 36.1 percent of the Districts total expenses.

	<b>Total Expenses</b>	<b>% of Total Expenses</b>
Public safety	\$ 797,837	18.1%
Planning and infrastructure	1,244,490	28.2%
Marketing and public affairs	169,823	3.9%
Skate park operations	484,625	11.0%
Bike park operations	119,337	2.7%
Program support services	1,593,550	36.1%
	<u>\$ 4,409,662</u>	<u>100%</u>

**Financial Analysis of the District's Funds**

As noted earlier, the District's general fund and special revenue funds are governmental funds. The focus of the District's governmental fund is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

The general fund is the chief operating fund of the District. At the end of the current fiscal year, the total fund balance of the general fund was \$1,143,904, an increase of \$344,738 in comparison with the prior year. This entire amount represents unassigned fund balance, which is available for spending at the District's discretion. As a measure of the general fund's liquidity, it may be useful to compare unassigned fund balance to total fund expenditures. Unassigned fund balance represents 30 percent of expenditures.

**General Fund Budgetary Highlights**

Differences between the original appropriated budget and the final amended budget of the general fund are summarized as follows:

	<b>Budget</b>	
	<b>Original</b>	<b>Final Amended</b>
Total revenues	\$ 3,739,790	\$ 4,489,790
Total expenditures	4,005,414	4,225,414
Net change in fund balance	<u>\$ (265,624)</u>	<u>\$ 264,376</u>

**NORTH HOUSTON DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)**

**Capital Assets**

The District's investment in capital assets for its governmental activities as of October 31, 2019, includes land, equipment, park improvements, and leasehold improvements. The following table summarizes the investment in capital assets as of the current and prior fiscal years.

	<u>2019</u>	<u>2018</u>
<b>Capital assets not being depreciated:</b>		
Land	\$ 259,607	\$ 259,607
Total Capital Assets, not being depreciated	<u>259,607</u>	<u>259,607</u>
<b>Capital assets being depreciated:</b>		
Park & Other Improvements	4,369,607	4,240,996
Office Equipment	54,211	40,713
Leasehold Improvements	264,836	264,836
Park Office Equipment	5,698	5,698
Public Safety Equipment	<u>59,614</u>	<u>-</u>
Total capital assets, being depreciated	4,753,966	4,552,243
Less accumulated depreciation	<u>(2,069,613)</u>	<u>(1,829,937)</u>
<b>Capital assets, net of accumulated depreciation</b>	<u>\$ 2,943,960</u>	<u>\$ 2,981,913</u>

The investment in capital assets (capital outlays) during the current fiscal year amounted to \$0. Additional information on the District's capital assets can be found in the notes to the financial statements.

**Long-term Liabilities**

The following table summarizes the District's compensated absences payable as of the current and prior fiscal years.

	<u>2019</u>	<u>2018</u>
Compensated Absences	\$ 37,370	37,749
Total long-term liabilities	<u>\$ 37,370</u>	<u>\$ 37,749</u>

The District's total long term liabilities decreased by \$379 for the year ended October 31, 2019. Additional information on the District's long-term liabilities can be found in the notes to the financial statements.

**Economic Factors and Next Year's Budgets and Rates**

**Assessments**

The District is a political subdivision of the State of Texas, created in 1991 by a special act of the 72<sup>nd</sup> Texas Legislature. The District levies an assessment on real property within its boundaries. Estimated assessment revenues for the year ending October 31, 2020, are approximately \$4,150,340, net of the refund reserve, amazon grant, and allowance for delinquencies. The District's assessment rate for the 2019 tax year is \$0.16742 per \$100 of assessed value.

**NORTH HOUSTON DISTRICT**  
*MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)*

**Economic Factors and Next Year's Budgets and Rates (continued)**

*Office space*

The North Houston District has more than 20 million square feet of commercial development. Class A office space is at 35% occupancy. Our B and C space is at a combined 68% occupancy. The District continues to attract major companies, such as Amazon and Coca-Cola, and leasing activity remains strong in warehouse and distribution facilities.

*Hotels*

The District's proximity to Bush Intercontinental Airport and the I-69 and I-45 Corridors continues to attract business travelers. Major brands in the area included Hilton, Marriott, Hampton Inn, Hyatt, Sheraton, DoubleTree and many more. These hotels provide an abundance of both guest rooms and meeting space to meet the needs of area businesses.

*Recreational Development*

The N. Houston Development Corp. has been a partner with the District in the development of parks and recreational facilities within the area. The North Houston Skate Park and Dylan Park, developed by the Development Corp. and operated by the District, is seeing high attendance numbers and very positive feedback domestically and internationally. The Development Corp. also developed RockStar Energy Drink Bike Park, which opened in August 2019. The park will host National and World BMX competitions in 2020.

**Requests for Information**

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to 16945 Northchase Dr., Suite 1900, Houston, TX 77060.

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## **BASIC FINANCIAL STATEMENTS**

**NORTH HOUSTON DISTRICT**  
**STATEMENT OF NET POSITION- GOVERNMENTAL ACTIVITIES**  
*October 31, 2019*

**Assets**

Cash and cash equivalents	\$ 2,097,853
Receivables	50,034
Capital assets, net of depreciation	<u>2,943,960</u>
Total Assets	<u>5,091,847</u>

**Liabilities**

Accounts payable and accrued expenses	209,390
Other payables	3,353
Unearned revenue	520,000
Long-term liabilities - compensated absences	<u>37,370</u>
Total Liabilities	<u>770,113</u>

**Net Position**

Investment in capital assets	2,943,960
Restricted	221,515
Unrestricted	<u>1,156,259</u>
Total Net Position	<u>\$ 4,321,734</u>

*See Notes to the Financial Statements.*

**NORTH HOUSTON DISTRICT**

*STATEMENT OF ACTIVITIES*

*For the Year Ended October 31, 2019*

<b>Functions/Programs</b>	<b>Expenses</b>	<b>Program Revenue</b>		<b>Net</b>
		<b>Charges for Services</b>	<b>Operating Grants and Contributions</b>	<b>(Expense)</b>
				<b>Revenue and Changes in Net Position</b>
				<b>Governmental Activities</b>
				<b>Total</b>
<b>Governmental Activities</b>				
Public safety	\$ 797,837	\$ -	\$ -	\$ (797,837)
Planning and infrastructure	1,244,490	-	-	(1,244,490)
Marketing and public affairs	169,823	-	-	(169,823)
Skate park operations	484,625	500,000	-	15,375
Bike park operations	119,337	230,000	-	110,663
Program support services	1,593,550	-	-	(1,593,550)
Greenspoint Community Partners	-	-	9,000	9,000
Total governmental activities	<u>\$ 4,409,662</u>	<u>\$ 730,000</u>	<u>\$ 9,000</u>	<u>(3,670,662)</u>
<b>General revenues:</b>				
Assessments				4,022,950
Penalties and interest				34,448
Investment earnings				1,451
Other				3,459
Total general revenues				<u>4,062,308</u>
Change in net position				391,646
<b>Net position - beginning</b>				<u>3,930,088</u>
<b>Net position - ending</b>				<u>\$ 4,321,734</u>

*See Notes to the Financial Statements.*

**NORTH HOUSTON DISTRICT**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
*October 31, 2019*

	<b>General Fund</b>	<b>Special Revenue Fund - Skate Park</b>	<b>Special Revenue Fund - Bike Park</b>	<b>Special Revenue Fund - GCP</b>	<b>Total Governmental Funds</b>
<b>Assets</b>					
Cash and cash equivalents	\$ 1,302,172	\$ 131,772	\$ 662,432	\$ 1,477	\$ 2,097,853
Assessments receivable	49,725	-	-	-	49,725
Other receivables	309	-	-	-	309
Due from other funds	44,206	-	-	-	44,206
Total assets	<u>\$ 1,396,412</u>	<u>\$ 131,772</u>	<u>\$ 662,432</u>	<u>\$ 1,477</u>	<u>\$ 2,192,093</u>
<b>Liabilities</b>					
Accounts payable	\$ 199,430	\$ 1,812	\$ 8,148	\$ -	\$ 209,390
Other payables	3,353	-	-	-	3,353
Due to other funds	-	20,585	23,621	-	44,206
Unearned revenue	-	-	520,000	-	520,000
Total liabilities	<u>202,783</u>	<u>22,397</u>	<u>551,769</u>	<u>-</u>	<u>776,949</u>
<b>Deferred inflows of resources</b>					
Deferred inflows - assessments	49,725	-	-	-	49,725
Total deferred inflows of resources	<u>49,725</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>49,725</u>
<b>Fund balance</b>					
Restricted	-	109,375	110,663	1,477	221,515
Unassigned	1,143,904	-	-	-	1,143,904
Total fund balance	<u>1,143,904</u>	<u>109,375</u>	<u>110,663</u>	<u>1,477</u>	<u>1,365,419</u>
Total liabilities, deferred inflows of resources, and fund balance	<u>\$ 1,396,412</u>	<u>\$ 131,772</u>	<u>\$ 662,432</u>	<u>\$ 1,477</u>	<u>\$ 2,192,093</u>

*See Notes to the Financial Statements.*

**NORTH HOUSTON DISTRICT**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO**  
**THE STATEMENT OF NET POSITION**  
*October 31, 2019*

Total fund balance, governmental funds	\$ 1,365,419
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. Capital assets at historical cost, net of accumulated depreciation, where applicable	2,943,960
Assessments receivable have been levied and are due this year, but are not available soon enough to pay for the current period's expenditures, these assessments and related penalty and interest amounts (net of allowance for uncollectible accounts).	49,725
Long-term liabilities are not due and payable in the current period, and therefore are not reported as liabilities in the funds. Long-term liabilities at year end consist of:	
Compensated absences	<u>(37,370)</u>
<b>Total net position - governmental activities</b>	<b><u><u>\$ 4,321,734</u></u></b>

*See Notes to the Financial Statements.*

**NORTH HOUSTON DISTRICT**

*STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE*

**GOVERNMENTAL FUNDS**

*For the Year Ended October 31, 2019*

	<b>General Fund</b>	<b>Special Revenue Fund - Skate Park</b>	<b>Special Revenue Fund - Bike Park</b>	<b>Special Revenue Fund - GCP</b>	<b>Total Governmental Funds</b>
<b>Revenues</b>					
Assessments	\$ 4,049,513	\$ -	\$ -	\$ -	\$ 4,049,513
Penalties and interest	34,448	-	-	-	34,448
Investment earnings	1,444	-	-	7	1,451
Charges for services	-	500,000	230,000	-	730,000
Reimbursements and contributions	3,455	-	-	-	3,455
Donations	-	-	-	9,000	9,000
Other	4	-	-	-	4
Total revenues	<u>4,088,864</u>	<u>500,000</u>	<u>230,000</u>	<u>9,007</u>	<u>4,827,871</u>
<b>Expenditures</b>					
Current:					
Public safety	828,588	-	-	-	828,588
Planning and infrastructure	1,401,964	-	-	-	1,401,964
Marketing and public affairs	169,823	-	-	-	169,823
Skate park operations	-	484,625	-	-	484,625
Bike park operations	-	-	119,337	-	119,337
Program support services	1,367,751	-	-	-	1,367,751
Total expenditures	<u>3,768,126</u>	<u>484,625</u>	<u>119,337</u>	<u>-</u>	<u>4,372,088</u>
Excess (deficiency) of revenues over expenditures	<u>320,738</u>	<u>15,375</u>	<u>110,663</u>	<u>9,007</u>	<u>455,783</u>
<b>Other financing sources (uses)</b>					
Transfers in (out)	<u>24,000</u>	<u>-</u>	<u>-</u>	<u>(24,000)</u>	<u>-</u>
<b>Total other financing sources (uses)</b>	<u>24,000</u>	<u>-</u>	<u>-</u>	<u>(24,000)</u>	<u>-</u>
Net change in fund balance	344,738	15,375	110,663	(14,993)	455,783
<b>Fund balance - beginning of year</b>	<u>799,166</u>	<u>94,000</u>	<u>-</u>	<u>16,470</u>	<u>909,636</u>
<b>Fund balance - end of year</b>	<u>\$ 1,143,904</u>	<u>\$ 109,375</u>	<u>\$ 110,663</u>	<u>\$ 1,477</u>	<u>\$ 1,365,419</u>

*See Notes to the Financial Statements.*

**NORTH HOUSTON DISTRICT**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
For the Year Ended October 31, 2019**

Net change in fund balances - total governmental funds:	\$ 455,783
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	
Capitalized expenditures reclassified to assets.	201,723
Depreciation expense taken to Statement of Activities.	(239,676)
Assessment revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(26,563)
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds:	
Decrease in long-term portion of accrued compensated absences	379
<b>Change in net position of governmental activities</b>	<u><u>\$ 391,646</u></u>

*See Notes to the Financial Statements.*

# **NORTH HOUSTON DISTRICT**

## ***NOTES TO THE FINANCIAL STATEMENTS***

### **Note 1 - Summary of Significant Accounting Policies**

The financial statements of the North Houston District (“the District”) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Government Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and reporting principles. The following is a summary of the most significant policies:

#### **Creation**

The District was organized, created, and established pursuant to an act of the Texas State Legislature, effective under the terms and provisions of Article III, Section 52 and Article XVI, Section 59 of the Texas Constitution. The Board of Directors held its organizational meeting on August 27, 1991. Additional disclosure regarding significant legal provisions contained in the legislative act creating the District follows.

The District has all the rights, powers, privileges and authority conferred by the general law of the State of Texas applicable to districts created under Chapter 375, Local Government Code, as added by S.B. No. 232, Acts of the 72nd Legislature, Regular Session, 1991. The Board of Directors may not finance services and improvement projects unless a written petition has been filed with the Board requesting those improvements or services signed by:

- a) the owners of a majority of the assessed value of real property in the District as determined by the most recent certified county property tax roll; or
- b) If there are more than fifty persons who own property in the District as determined by the most recent certified county property tax roll, by at least fifty persons who own land within the District.

Because the District is created in an area that is devoted primarily to commercial and business activity, the District may not impose an impact fee or assessment on a detached single-family residential property or a residential duplex, triplex, quadruplex or condominium. A condominium is exempt under this section only if, for the year in which the impact fee or assessment is imposed on the condominium, the condominium receives a residence homestead exemption.

#### **Reporting Entity**

The District is a political subdivision of the State of Texas, governed by an appointed eighteen member board, and is considered a primary government. As required by accounting principles generally accepted in the United States of America, these financial statements have been prepared, based on considerations regarding the potential for inclusion of other entities, organizations, or functions, as part of the District's financial reporting entity. Based on these considerations, no other entities, organizations or functions have been included in the District's financial reporting entity. Additionally, as the District is considered a primary government for financial reporting purposes, its activities are not considered a part of any other governmental or other type of reporting entity.

Considerations regarding the potential for inclusion of other entities, organizations, or functions in the District's financial reporting entity are based on criteria prescribed by accounting principles generally accepted in the United States of America. These same criteria are evaluated in considering whether the District is a part of any other governmental or other type of reporting entity. The overriding elements associated with prescribed criteria considered in determining that the District's financial reporting entity status is that of a primary government are: that it has a separately elected governing body; it is legally separate; and it is fiscally independent of other state and local governments.

**NORTH HOUSTON DISTRICT**  
*NOTES TO THE FINANCIAL STATEMENTS (continued)*

**Note 1 - Summary of Significant Accounting Policies (continued)**

**Reporting Entity (continued)**

Although not considered significant in the District's reporting entity evaluation, other prescribed criteria under accounting principles generally accepted in the United States of America include considerations pertaining to organizations for which the primary government is financially accountable; and considerations pertaining to other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The District's primary activities include security, landscaping, maintenance, and marketing for the benefit of the Greenspoint area's commercial property owners.

Greenspoint Community Partners is a 501(c)(3) not-for-profit entity, which is dedicated to strengthening programs that enhance the quality of life and establish a renewed sense of area identity and pride. It was established by the Greenspoint District in 2004 to sustain and grow financial and community support for programs that would otherwise be absent in the community. Greenspoint Community Partners is governed by a volunteer board of directors, composed of business partners and residents. Although a separate entity, the board of Greenspoint Community Partners works in partnership with the North Houston District to support community programs that focus on three key areas: developing parks and trails, ensuring public safety, and creating an attractive community.

**Government-wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the District. The effect of interfund activity has been removed from these statements. *Governmental activities* normally are supported by taxes and charges for services.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges for services or users who use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Assessments and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

**Measurement Focus, Basis of Accounting and Financial Statement Presentation**

The government-wide financial statements are reported using the *economic resources measurement focus*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

**NORTH HOUSTON DISTRICT**  
*NOTES TO THE FINANCIAL STATEMENTS (continued)*

**Note 1 - Summary of Significant Accounting Policies (continued)**

**Measurement Focus, Basis of Accounting and Financial Statement Presentation (continued)**

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures related to compensated absences, are recorded only when payment is due.

Grant revenues and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the District.

The District has four major governmental funds:

The *General Fund* is used to account for administrative operations of the District. The principal sources of operating revenue are from assessments. The principal source of non-operating revenues is from property assessments and donations. Expenditures include all costs associated with the daily operations of the District.

The *Special Revenue Fund* is used to account for financial resources that are restricted by law or contractual agreement for specific purposes other than debt service or major capital projects. The District has three Special Revenue Funds as follows:

The North Houston Skate Park was developed by the Greater Greenspoint Redevelopment Authority and opened in 2014. The facility includes over 77,000 square feet of skateable surface and is the largest skate park in North America. The District operates and maintains the facility through an agreement with the Greater Greenspoint Redevelopment Authority.

The North Houston Development Corporation's 20-acre Bike Park opened in August 2019. The park is located next to the North Houston Skate Park and Dylan Park and features a world-class BMX race track and event center that can seat approximately 3,500 people. The District operates and maintains the facility through an agreement with the North Houston Development Corporation.

GCP is used to account for the activities of the Greenspoint Community Partners. The principal sources of revenue are from contributions and grants. Expenditures include operational activities and special projects relating to parks and recreation, public safety, and beautification.

**Deposits and Investments**

Investments for the District are reported at fair value. The funds of the District must be deposited and invested under the terms of a depository contract, the contents of which are set out in the Depository Contract Law. The depository bank may either place approved pledged securities for safekeeping and trust with the District's agent bank or file a corporate surety bond in an amount sufficient to protect district funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of FDIC insurance. The depository cash balances were covered by FDIC insurance and by collateral held by the District's agent in the District's name.

**NORTH HOUSTON DISTRICT**  
*NOTES TO THE FINANCIAL STATEMENTS (continued)*

**Note 1 - Summary of Significant Accounting Policies (continued)**

**Deposits and Investments (continued)**

The District categorizes fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The District's local government investment pools are recorded at amortized costs as permitted by GASB Statement No. 79 *Certain Investment Pools and Pool Participants*.

**Receivables**

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. At October 31, 2019, no allowance is recorded as all receivables were considered collectible.

**Prepays**

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. As of October 31, 2019, the District did not have any prepaid items.

**Capital Assets**

Capital assets are reported in the governmental activities column in the government-wide financial statements. The District defines capital assets with an initial, individual cost of \$5,000 and an estimated useful life in excess of one year. All purchased capital assets are valued at cost where historical records exist. Donated capital assets are valued at their acquisition value on the date received. Assets are depreciated over their remaining useful lives using the straight-line method. Capital assets include improvements, machinery, and equipment depreciated over useful lives of five to 20 years.

**Net Position**

Net position represents the differences between assets, deferred outflows, liabilities, and deferred inflows. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings, used for the acquisition, construction, or improvement of those assets. Net investment in capital assets excludes unspent bond proceeds. Net position is reported as restricted when there are limitations imposed on its use through external grantors, laws, or regulations of other governments. As of October 31, 2019, the District did not have any borrowings, used for the acquisition, construction, or improvement of assets.

**Fund Balance**

In the fund financial statements, governmental funds report classifications of fund balance based on controls placed upon the funds. In accordance with the Governmental Accounting Standards Board (GASB) Statement No. 54, effective June 30, 2011, fund balance classifications are recorded as follows:

- Non-spendable fund balance – amounts that are not in spendable form or are required to be maintained intact.

**NORTH HOUSTON DISTRICT**  
*NOTES TO THE FINANCIAL STATEMENTS (continued)*

**Note 1 - Summary of Significant Accounting Policies (continued)**

**Fund Balance (continued)**

- Restricted fund balance – amounts that can be spent only for specific purposes because of local, state or federal laws, or externally imposed conditions by grantors or creditors. The fund balances for the Special Revenue Funds are classified as restricted. At October 31, 2019, the District reports a restricted fund balance of \$221,515.
- Committed fund balance – amounts constrained to specific purposes by the District itself, using its highest level of decision making authority (i.e. the Board of Directors). To be reported as committed, amounts cannot be used for any other purposes unless the District takes the same highest level of action to remove or change the constraint. The District has not committed any fund balance.
- Assigned fund balance – amounts the District intends to use for a specific purpose. Intent can be expressed by a governing board or by an official to whom the Board of Directors delegates the authority. The District has not assigned fund balance.
- Unassigned fund balance – amounts that are available for any purpose. As of October 31, 2019, the District reports an unassigned fund balance of \$1,143,904.

For purposes of fund balance classification, expenditures are to be spent from restricted fund balance first and then unrestricted. Expenditures incurred in the unrestricted fund balances shall be reduced first from the committed fund balance, then from the assigned fund balance, and lastly, the unassigned fund balance.

**Compensated Absences**

The District's employees earn vacation leave, which may either be taken or accumulated, up to certain amounts, until paid upon termination or retirement. The amounts are recorded as a liability on the Statement of Net Position.

**Use of Estimates**

The preparation of financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**Deferred Inflows of Resources**

A deferred inflow of resources is an acquisition of a government's net assets (an increase in assets in excess of any related increase in liabilities or a decrease in liabilities in excess of any related decrease in assets) by the government that is applicable to a future reporting period. The District has one item that qualify for reporting in this category:

- Deferred inflows of resources for unavailable revenues – Reported only in the governmental funds balance sheet, unavailable revenues from assessments arise under the modified accrual basis of accounting. The amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

**NORTH HOUSTON DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**Note 2 - Deposits and Investments**

**Cash Deposits**

In the event of the failure of a depository financial institution, a government will not be able to recover collateral securities that are in the possession of an outside party. As of October 31, 2019, the District's cash in bank totaled \$202,711 while the carrying value was \$61,146. Pledged collateral and FDIC insurance for these deposits totaled \$3,781,600.

**Investments**

The District has adopted a written investment policy to establish the principles by which the District's investment program should be managed, which is in compliance with the *Public Funds Investment Act* (Chapter 2256.016 Texas Government Code). District funds can only be invested in the following: (1) obligations of the United States or its agencies and instrumentalities, (2) direct obligations of the State of Texas or its agencies and instrumentalities, (3) certain collateralized mortgage obligations, (4) other obligations, which are unconditionally guaranteed or insured by the State of Texas or the United States or its agencies or instrumentalities, (5) certain A-rated or higher obligations of states and political subdivisions of any state, (6) bonds issued, assumed or guaranteed by the State of Israel, (7) insured or collateralized certificates of deposit, (8) certain fully collateralized repurchase agreements, (9) a qualified securities lending program, (10) bankers' acceptances with limitations, (11) commercial paper rated A-1 or P-1 or higher and a maturity of 270 days or less, (12) no-load money market mutual funds and no-load mutual funds, with limitations, (13) certain guaranteed investment contracts, and (14) certain qualified governmental investment pools.

In fiscal year 2019, the District invested in the State of Texas' TexPool. TexPool operates in a manner consistent with the Security and Exchange Commission's Rule 2a7 of the Investment Company Act of 1940.

TexPool is a public funds investment pool created by the Texas Treasury Safekeeping Trust Company (Trust Company) to provide a safe environment for the placement of local government funds in authorized short-term, fully-collateralized investments, including direct obligations of, or obligations guaranteed by, the United States or State of Texas or their agencies; federally insured certificates of deposit issued by Texas banks or savings and loans; and fully collateralized direct repurchase agreements secured by United States Government agency securities and placed through a primary government securities dealer.

The Trust Company was incorporated by the State Treasurer by authority of the Texas Legislature as a special purpose trust company with direct access to the services of the Federal Reserve Bank to manage, disburse, transfer, safe keep, and invest public funds and securities more efficiently and economically. The State Comptroller of Public Accounts exercises oversight responsibility over TexPool. Oversight includes the ability to significantly influence operations, designation of management, and accountability for fiscal matters. TexPool uses amortized cost rather than fair value to report net position to compute share prices. The fair value of the position in TexPool is the same as the value of TexPool shares. Accordingly, the District's investments in TexPool are stated at amortized cost, which approximates fair value. TexPool is currently rated AAAM by Standard and Poor's. This rating indicates excellent safety and a superior capacity to maintain principal value and limit exposure to loss.

**NORTH HOUSTON DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**Note 2 - Deposits and Investments (continued)**

**Investments (continued)**

As of October 31, 2019, the District’s investment balances and the weighted average maturity of these investments were as follows:

<b>Investments</b>	<b>Fair Value</b>	<b>Weighted Average Maturity (Days)</b>
TexPool	\$ 2,036,605	36
Total Investments	\$ 2,036,605	36

**Interest Rate Risk**

Interest rate risk is the risk that changes in interest rates may adversely affect the value of the investments. The District monitors interest rate risk utilizing weighted average maturity analysis. In accordance with its investment policy, the District reduces its exposure to declines in fair values by limiting the weighted average maturity of internally created pooled fund groups to no more than 24 months.

**Credit Risk**

State law and the District’s investment policy limits investments in all categories to top ratings issued by nationally recognized rating agency. As of October 31, 2019, the District’s investment in TexPool is currently rated AAAM by Standard and Poor's. This rating indicates excellent safety and a superior capacity to maintain principal value and limit exposure to loss.

**Concentration of Credit Risk**

The District’s investment policy requires the investment portfolio to be diversified in terms of investment instruments and maturity in order to reduce the risk of loss resulting from over-concentration of assets in a specific class of investments, specific maturity, or specific issuer.

The District reports its local government investment pools at amortized cost as permitted by GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*. In addition, TexPool does not have any limitations and restrictions on withdrawals such as notice periods or maximum transaction amounts. This pool does not impose any liquidity fees or redemption gates.

**Note 3 - Receivables and Assessments**

The Board of Directors has authorized annual assessments to commercial property owners in the District to finance the cost of improvement projects and other authorized services. These annual assessments become liens on the property effective January 1 of each assessment year, they are billed each December of the assessment year and are levied based on commercial property values established by the Harris County Appraisal District as of January 1 of the assessment year. Assessments become due when billed and become delinquent February 1 of the year following the assessment year. The total assessment for fiscal year 2019 was \$4,421,293, which is based on an assessment rate of \$0.016742 per \$100 of commercial property value. The adjusted property value used for the assessment for fiscal year 2019 (the 2018 assessment year) was \$2,640,839,363 after reductions and exemptions.

**NORTH HOUSTON DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**Note 3 - Receivables and Assessments (continued)**

Assessments receivable by year as of October 31, 2019, are shown below.

<u>Fiscal Year</u>	<u>Tax Year</u>	<u>Receivable</u>
2019	2018	\$ 25,575
2018	2017	5,071
Prior	Prior	19,079
		<u>\$ 49,725</u>

Receivables in the governmental activities include \$49,725 of assessments receivable and \$309 of other receivables.

**Note 4 - Interfund Receivables and Payables**

Interfund balances consist of short-term lending/borrowing arrangements that result primarily from payroll and other regularly occurring charges that are paid by the general fund and then charged back to the appropriate other fund.

The composition of interfund balances as of October 31, 2019, is as follows:

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>	<u>Total</u>
<b>Governmental funds</b>			
General Fund	\$ 44,206	\$ -	\$ 44,206
Special Revenue Fund - Skate Park	-	20,585	(20,585)
Special Revenue Fund - Bike Park	-	23,621	(23,621)
Total governmental funds	<u>\$ 44,206</u>	<u>\$ 44,206</u>	<u>\$ -</u>

**NORTH HOUSTON DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**Note 5 - Capital Assets**

A summary of changes in capital assets, for the year ended October 31, 2019, is as follows:

	<b>Balance as of November 01, 2018</b>	<b>Additions</b>	<b>Balance as of October 31, 2019</b>
<b>Capital assets, not being depreciated</b>			
Land	\$ 259,607	\$ -	\$ 259,607
<b>Total Capital Assets, not being depreciated</b>	<u>259,607</u>	<u>-</u>	<u>259,607</u>
<b>Capital assets, being depreciated</b>			
Park & Other Improvements	4,240,996	128,611	4,369,607
Office Equipment	40,713	13,498	54,211
Leasehold Improvements	264,836	-	264,836
Park Office Equipment	5,698	-	5,698
Public Safety Equipment	-	59,614	59,614
<b>Total capital assets, being depreciated</b>	<u>4,552,243</u>	<u>201,723</u>	<u>4,753,966</u>
<b>Less accumulated depreciation for:</b>			
Leasehold Improvements	(70,018)	-	(70,018)
Park & Other Improvements	(1,713,355)	(225,207)	(1,938,562)
Office Equipment	(40,866)	(2,547)	(43,413)
Park Office Equipment	(5,698)	-	(5,698)
Public Safety Equipment	-	(11,922)	(11,922)
<b>Total accumulated depreciation</b>	<u>(1,829,937)</u>	<u>(239,676)</u>	<u>(2,069,613)</u>
<b>Net Governmental Capital Assets</b>	<u>\$ 2,981,913</u>	<u>\$ 441,399</u>	<u>\$ 2,943,960</u>

Depreciation expense amounted to \$239,676 in the current fiscal year. The District did not have any capital projects in progress as of October 31, 2019.

**Note 6 - Long-term Liabilities**

The District's Long-term liabilities consist solely of accrued compensated employee absences. Employees must have worked a minimum of six months before taking any vacation. Vacation accounts may accumulate up to 240 hours; however, only one half of your annual accrual may be carried into the following year. Vacation not used by the anniversary hire date that would surpass the 240 hours limit will be lost and no more vacation may accrue until the employee uses some of the 240 hours.

The following summarizes the District's liability and the changes for the year:

Balance, November 1, 2018	\$ 37,749
Additions	48,981
Reductions	<u>(49,360)</u>
Balance, October 31, 2019	<u>\$ 37,370</u>

Eligible vacation pay is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental funds only if they have met the District's retirement eligibility requirements.

**NORTH HOUSTON DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**Note 7 - Line of Credit**

On November 1, 2019, the District renewed a line of credit with Amegy Bank for \$400,000. The line of credit is payable upon demand and expires on October 22, 2020. Interest will be computed on the basis of a 365-day year and the actual days elapsed with a fluctuating rate per annum equal to The Wall Street Journal prime rate of interest. As of October 31, 2019, there have not been any draws against this line of credit.

**Note 8 - Operating Leases**

The District has entered into various operating leases for office space and equipment. The total cost under these leases in the current fiscal year was \$326,707. The District's lease for office space is one of the most significant of these leases with monthly payments of approximately \$11,392 per month for base rent and related costs. In addition, the District pays monthly rent of \$16,000 per month for a temporary space for the Houston Police Department to increase security in the area. Future minimum lease payments for the leases are as follows:

<u>Year ending October 31,</u>	<u>Office Space</u>	<u>HPD</u>
2019	\$ 130,051	\$ 192,000
2020	136,703	176,000
2021	136,703	-
<b>Total</b>	<u>\$ 403,457</u>	<u>\$ 368,000</u>

**Note 9 - Pension Plan**

The District established a simplified employee pension plan (SEP) that covers substantially all of the District's employees on November 6, 1991. A SEP is a tax-deferred retirement plan, with an individual account for each participant, which provides pension benefits in return for services rendered and specifies how contributions to the individual's account are to be determined instead of specifying the amount of benefits the individual is to receive.

Under a defined contribution pension plan, the benefits a participant will receive depend solely on the amount contributed to the participant's account, the returns earned on investments of those contributions and forfeitures of other participants' benefits that may be allocated to such participant's account. As established by the plan, all full-time employees over the age of 21 with 12 months of service are eligible to become a participant under the plan. Contributions made by the District vest immediately. An employee who leaves the employment of the District is entitled to all contributions, plus any accumulated earnings, in that employee's account.

The amount set by the District to be paid into the plan is determined by the Board of Directors and the rules that govern SEP plans. For the year ended October 31, 2019, the District contributed \$52,427 (8% for each covered employee).

The plan is fully funded on a current basis and is administered by an independent brokerage firm.

**NORTH HOUSTON DISTRICT**  
*NOTES TO THE FINANCIAL STATEMENTS (continued)*

**Note 10 - Deferred Compensation Plan**

The District offers its employees a Deferred Compensation Plan created in accordance with Internal Revenue Code Section 457. Employees may participate in the plan upon completion of one year of service. The plan permits employees to defer a portion of their salary until future years. The District matches employee contributions up to 6% of total compensation, depending on a combination of the employee's tenure and contribution level. Employees may contribute above the 6% match, up to the limit set annually by the Internal Revenue Service. The plan is administered by Vantagepoint Transfer Agents. For the year ended October 31, 2019, the District contributed \$29,860 to the Deferred Compensation Plan.

**Note 11 - Related Party Transactions**

Effective January 1, 2013, the District entered into an agreement with Greens Bayou Corridor Coalition (GBCC) whereby the District will provide "basic services" as outlined below.

The District will provide the necessary personnel to accomplish the management and administrative services for the Coalition described as:

- Administrative services, basic financial services and program monitoring systems that are necessary to assist in the management of the GBCC for the hourly rate of \$30.00;
- Use of the District's office space, furniture and such shared basic office equipment needed to enable the Coalition to function at no additional costs;
- Coordinate with and help the Coalition to arrange for engineering, planning, legal, financial, real estate, accounting, and other services through consultants engaged by the Coalition as may be requested by the Coalition.

The GBCC reimburses the District at cost for expenses incurred specifically on behalf of the GBCC.

The project fee for special services shall be determined on a project-by-project basis consistent with the written proposal for special services as agreed to from time to time by the District and GBCC.

**Note 12 - Risk Management**

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; personal injuries; and natural disasters. The risk of loss is covered by commercial insurance. There have been no significant reductions in insurance coverage. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

**REQUIRED SUPPLEMENTARY INFORMATION SECTION**

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**NORTH HOUSTON DISTRICT**  
**GENERAL FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES - BUDGET AND ACTUAL**  
**For the Year Ended October 31, 2019**

	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>	<b>Variance with Final Budget - Positive (Negative)</b>
	<b>Adopted</b>	<b>Amended</b>		
<b>Revenues</b>				
Assessments	\$ 3,723,790	\$ 3,723,790	\$ 4,049,513	\$ 325,723
Penalties and interest	10,000	10,000	34,448	24,448
Investment earnings	1,000	1,000	1,444	444
Reimbursements and contributions	5,000	5,000	3,455	(1,545)
Other	-	-	4	4
Total Revenues	<u>3,739,790</u>	<u>3,739,790</u>	<u>4,088,864</u>	<u>349,074</u>
<b>Expenditures</b>				
<b>Current:</b>				
Public safety	833,480	863,480	828,588	34,892
Planning and infrastructure	1,532,744	1,532,744	1,401,964	130,780
Marketing and public affairs	195,000	195,000	169,823	25,177
Program support services	1,449,190	1,449,190	1,367,751	81,439
Total Expenditures	<u>4,010,414</u>	<u>4,040,414</u>	<u>3,768,126</u>	<u>272,288</u>
Excess (deficiency) of revenues over expenditures	(270,624)	(300,624)	320,738	621,362
<b>Other financing sources</b>				
Transfers In	<u>15,000</u>	<u>15,000</u>	<u>24,000</u>	<u>9,000</u>
Net change in fund balance	(255,624)	(285,624)	344,738	630,362
<b>Fund balances - beginning of year</b>	<u>799,166</u>	<u>799,166</u>	<u>799,166</u>	<u>-</u>
<b>Fund balances - end of year</b>	<u>\$ 543,542</u>	<u>\$ 513,542</u>	<u>\$ 1,143,904</u>	<u>\$ 630,362</u>

**NORTH HOUSTON DISTRICT**  
***NOTES TO REQUIRED SUPPLEMENTARY INFORMATION***

**Budgets and Budgetary Accounting**

The District has complied with all material budget requirements for the year ended October 31, 2019.

An annual unappropriated budget is adopted for the General Fund by the District's Board of Directors, using the same basis of accounting as for financial reporting.

Expenditures may not legally exceed budgeted appropriations at the functional level (i.e. public safety, planning and infrastructure, etc.). Expenditure requests that require an increase in total budgeted appropriation, must be approved by the Board of Directors through a budget amendment. At any time during the fiscal year, the Board of Directors may make emergency appropriations to meet a pressing need for public expenditure in order to protect the public health, safety, or welfare. The Board of Directors has the power to transfer any unencumbered funds allocated by the budget from one activity, function, or department, to another activity, function, or department, to re-estimate revenues and expenditures, and to amend the budget.

Amounts reported in the accompanying financial statements represent the adopted budgeted amount plus all supplemental appropriations.