

NORTH HOUSTON DISTRICT

HOUSTON, TEXAS

FINANCIAL REPORT

For the Year Ended October 31, 2022

NORTH HOUSTON DISTRICT

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FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
North Houston District
Houston, Texas

Report on the Audit of the Financial Statements

Opinions

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, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying 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, 2022, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

To the Board of Directors
North Houston District

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

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

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

Required Supplementary Information

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



Houston, Texas
February 28, 2023

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, 2022. 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 \$6,810,686. Of this amount, \$3,441,556 was net investment in capital assets, which represents the carrying value of the capital assets net of any related debt. The remaining amount is comprised of restricted net position in the amount of \$164,625 and unrestricted net position in the amount of \$3,204,505.
- The District's total net position increased by \$930,709 during the current fiscal year.
- The District's general fund reported a total ending fund balance of \$3,083,058 as of October 31, 2022. This is an increase of \$1,091,780 compared to the prior fiscal year. The unassigned fund balance, \$3,083,058, represents 76 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 assessment base within 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 District's 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 \$6,810,686 at the close of the most recent fiscal year.

A significant portion of the District's net position reflects its net investment in capital assets (e.g., land, equipment, park improvements, leasehold improvements, and right-to-use assets). 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)

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:

	<u>2022</u>	<u>2021</u>
Current and other assets	\$ 3,527,234	\$ 2,674,357
Capital assets	3,667,079	3,445,674
Total Assets	<u>7,194,313</u>	<u>6,120,031</u>
Other liabilities	99,941	221,629
Long-term liabilities	283,686	46,008
Total Liabilities	<u>383,627</u>	<u>267,637</u>
Net Position:		
Net investment in capital assets	3,441,556	3,445,674
Restricted	164,625	189,177
Unrestricted	3,204,505	2,217,543
Total Net Position	<u>\$ 6,810,686</u>	<u>\$ 5,852,394</u>

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

	<u>2022</u>	<u>2021</u>
Greenspoint Community Partners	\$ 4,447	\$ 4,447
Bike Park	25,303	38,144
Skate Park	134,875	146,586
Total Restricted Net Position	<u>\$ 164,625</u>	<u>\$ 189,177</u>

The remaining balance of net position in the governmental activities consists of an unrestricted net position of \$3,204,505 may be used to meet the District's ongoing obligations to citizens and creditors. The District's total net position increased by \$930,709 during the current fiscal year.

NORTH HOUSTON DISTRICT
MANAGEMENT'S DISCUSSION AND 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>2022</u>	<u>2021</u>
Program Revenues:		
Charges for services	\$ 1,250,000	\$ 1,250,000
General Revenues:		
Property assessments	5,004,716	4,996,265
Unrestricted investment earnings	151	4,138
Other	3,652	19,398
Total Revenues	<u>6,258,519</u>	<u>6,269,801</u>
Expenses		
Public safety	946,313	769,254
Planning, operations and infrastructure	39,207	19,999
Field services	1,164,821	1,069,233
Marketing and public affairs	135,295	194,432
Skate park operations	511,711	510,842
Bike park operations	762,841	745,369
Financial and support services	1,756,107	1,710,986
Interest	11,515	-
Total Expenses	<u>5,327,810</u>	<u>5,020,115</u>
Change in net position	930,709	1,249,686
Net Position - Beginning, as restated	<u>5,879,977</u>	<u>4,602,708</u>
Net Position - Ending	<u>\$ 6,810,686</u>	<u>\$ 5,852,394</u>

Governmental Activities

Governmental activities increased the District's net position by \$930,829. Revenues are generated primarily from two sources. Property assessments and charges for services represent 99.94 percent of total revenues. The remaining 0.06 percent is generated from other revenues.

	<u>Total Revenues</u>	<u>% of Total Revenues</u>
Property assessments	\$ 5,004,716	79.97%
Charges for services	1,250,000	19.97%
Other revenue	3,803	0.06%
	<u>\$ 6,258,519</u>	<u>100.00%</u>

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

The primary expenses of the District are financial and support services, field services, public safety, bike park operations, and skate park operations, which represent 96.5 percent of total expenses. The remaining expenses include marketing and public affairs, planning and infrastructure, Greenspoint Community Partners operations, and interest, which represent 3.5 percent of the District's total expenses.

	<u>Total Expenses</u>	<u>% of Total Expenses</u>
Financial and support services	\$ 1,756,107	33.0%
Field services	1,164,821	21.9%
Public safety	946,313	17.8%
Bike park operations	762,841	14.3%
Skate park operations	511,711	9.6%
Other expenses	186,017	3.5%
	<u>\$ 5,327,810</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 \$3,083,058, an increase of \$1,091,780 in comparison with the prior year. Of this amount, \$3,083,058 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 76 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:

	<u>Budget</u>	
	<u>Original</u>	<u>Final</u>
Total revenues	\$ 4,793,440	\$ 4,793,440
Total expenditures	5,110,000	5,138,500
Net change in fund balance	<u>\$ (316,560)</u>	<u>\$ (345,060)</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, 2022, includes land, construction in progress, equipment, park improvements, leasehold improvements, and right-to-use assets. The following table summarizes the investment in capital assets as of the current and prior fiscal years.

	<u>2022</u>	<u>2021</u>
Capital Assets Not Being Depreciated:		
Land	\$ 259,607	\$ 259,607
Construction-in-progress	233,439	117,260
Total Capital Assets Not Being Depreciated	<u>493,046</u>	<u>376,867</u>
Capital Assets, Being Amortized/Depreciated:		
Leasehold improvements	264,836	264,836
Office equipment	72,277	72,277
Park & other improvements	5,458,197	5,299,273
Park office equipment	5,698	5,698
Public safety equipment	69,931	69,931
Right-to-use assets	336,510	-
Total Capital Assets, Being Amortized/Depreciated	<u>6,207,449</u>	<u>5,712,015</u>
Less accumulated amortization/depreciation	<u>(3,033,416)</u>	<u>(2,643,208)</u>
Capital Assets, Net of Accumulated Amortization/Depreciation	<u>\$ 3,667,079</u>	<u>\$ 3,445,674</u>

The investment in capital assets (capital outlays) during the current fiscal year amounted to \$302,472. 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>2022</u>	<u>2021</u>
Compensated absences	\$ 58,163	\$ 46,008
Lease payable	225,523	-
Total long-term liabilities	<u>\$ 283,686</u>	<u>\$ 46,008</u>

The District's total long term liabilities increased by \$237,678 as of October 31, 2022 compared to the prior fiscal year primarily due to the implementation of the new lease standard. Additional information on the District's long-term liabilities can be found in the notes to the financial statements.

NORTH HOUSTON DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

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 72nd Texas Legislature. The District levies an assessment on real property within its boundaries. Estimated assessment revenues for the year ending October 31, 2023, are approximately \$5,204,672, net of the refund reserve, Amazon grant, and allowance for delinquencies. The District's assessment rate for the 2022 tax year is \$0.16742 per \$100 of assessed value.

Office space

The North Houston District has more than 20 million square feet of commercial development. 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.

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.



BASIC FINANCIAL STATEMENTS

NORTH HOUSTON DISTRICT
STATEMENT OF NET POSITION
October 31, 2022

	Governmental Activities
Assets	
Cash and cash equivalents	\$ 3,330,346
Receivables	196,888
Capital assets, net of a mortization/depreciation	<u>3,667,079</u>
Total Assets	<u>7,194,313</u>
Liabilities	
Accounts payable	96,588
Other payables	3,353
Noncurrent liabilities:	
Due within one year	
Compensated absences	58,163
Lease payable	111,851
Due in more than one year	
Lease payable	<u>113,672</u>
Total Liabilities	<u>383,627</u>
Net Position	
Net investment in capital assets	3,441,556
Restricted	164,625
Unrestricted	<u>3,204,505</u>
Total Net Position	<u>\$ 6,810,686</u>

NORTH HOUSTON DISTRICT
STATEMENT OF ACTIVITIES
For the Year Ended October 31, 2022

Functions/Programs	Expenses	Net (Expense) Revenue and Changes in Net Position	
		Program Revenues	Governmental Activities
		Charges for Services	Total
Governmental Activities			
Public safety	\$ 946,313	\$ -	\$ (946,313)
Planning, operations and infrastructure	39,207	-	(39,207)
Field services	1,164,821	-	(1,164,821)
Marketing and public affairs	135,295	-	(135,295)
Skate park operations	511,711	500,000	(11,711)
Bike park operations	762,841	750,000	(12,841)
Financial and support services	1,756,107	-	(1,756,107)
Interest	11,515	-	(11,515)
Total Governmental Activities	<u>\$ 5,327,810</u>	<u>\$ 1,250,000</u>	<u>(4,077,810)</u>
General Revenues:			
Assessments			4,966,058
Penalties and interest			38,658
Investment earnings			151
Other			3,652
Total General Revenues			<u>5,008,519</u>
Change in net position			930,709
Net Position - Beginning, as restated			<u>5,879,977</u>
Net Position - Ending			<u>\$ 6,810,686</u>

NORTH HOUSTON DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
October 31, 2022

	<u>General Fund</u>	<u>Special Revenue Fund - Skate Park</u>	<u>Special Revenue Fund - Bike Park</u>
Assets			
Cash and cash equivalents	\$ 3,156,067	\$ 134,969	\$ 34,863
Assessments receivable	179,610	-	-
Other receivables	17,278	-	-
Total Assets	<u>\$ 3,352,955</u>	<u>\$ 134,969</u>	<u>\$ 34,863</u>
Liabilities, Deferred Inflows of Resources, and Fund Balances			
Liabilities			
Accounts payable	\$ 86,934	\$ 94	\$ 9,560
Other payables	3,353	-	-
Total Liabilities	<u>90,287</u>	<u>94</u>	<u>9,560</u>
Deferred Inflows of Resources			
Deferred inflows - assessments	179,610	-	-
Total Deferred Inflows of Resources	<u>179,610</u>	<u>-</u>	<u>-</u>
Fund Balances			
Restricted	-	134,875	25,303
Unassigned	3,083,058	-	-
Total Fund Balances	<u>3,083,058</u>	<u>134,875</u>	<u>25,303</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 3,352,955</u>	<u>\$ 134,969</u>	<u>\$ 34,863</u>

NORTH HOUSTON DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
October 31, 2022

	<u>Special Revenue Fund - GCP</u>	<u>Total Governmental Funds</u>
Assets		
Cash and cash equivalents	\$ 4,447	\$ 3,330,346
Assessments receivable	-	179,610
Other receivables	-	17,278
Total Assets	<u>\$ 4,447</u>	<u>\$ 3,527,234</u>
Liabilities, Deferred Inflows of Resources, and Fund Balances		
Liabilities		
Accounts payable	\$ -	\$ 96,588
Other payables	-	3,353
Total Liabilities	<u>-</u>	<u>99,941</u>
Deferred Inflows of Resources		
Deferred inflows - assessments	-	179,610
Total Deferred Inflows of Resources	<u>-</u>	<u>179,610</u>
Fund Balances		
Restricted	4,447	164,625
Unassigned	-	3,083,058
Total Fund Balances	<u>4,447</u>	<u>3,247,683</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 4,447</u>	<u>\$ 3,527,234</u>



NORTH HOUSTON DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO
THE STATEMENT OF NET POSITION
October 31, 2022

Total fund balance - governmental funds	\$ 3,247,683
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 amortization/depreciation, where applicable	3,667,079
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).	179,610
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	(58,163)
Lease payable	(225,523)
Total Net Position - Governmental Activities	<u><u>\$ 6,810,686</u></u>

NORTH HOUSTON DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended October 31, 2022

	<u>General Fund</u>	<u>Special Revenue Fund - Skate Park</u>	<u>Special Revenue Fund - Bike Park</u>
Revenues			
Assessments	\$ 5,058,721	\$ -	\$ -
Penalties and interest	38,658	-	-
Investment earnings	151	-	-
Charges for services	-	500,000	750,000
Reimbursements and contributions	3,747	-	-
Other	(95)	-	-
Total Revenues	<u>5,101,182</u>	<u>500,000</u>	<u>750,000</u>
Expenditures			
Current:			
Public safety	990,103	-	-
Planning, operations and infrastructure	127,803	-	-
Field services	1,323,745	-	-
Marketing and public affairs	135,295	-	-
Skate park operations	-	511,711	-
Bike park operations	-	-	762,841
Financial and support services	1,364,906	-	-
Debt service:			
Principal	110,987	-	-
Interest	11,515	-	-
Total Expenditures	<u>4,064,354</u>	<u>511,711</u>	<u>762,841</u>
Excess (deficiency) of revenues over expenditures	1,036,828	(11,711)	(12,841)
Other financing sources (uses)			
Lease proceeds	54,952	-	-
Total other financing sources (uses)	<u>54,952</u>	<u>-</u>	<u>-</u>
Net change in fund balances	1,091,780	(11,711)	(12,841)
Fund Balances - Beginning	<u>1,991,278</u>	<u>146,586</u>	<u>38,144</u>
Fund Balances - Ending	<u>\$ 3,083,058</u>	<u>\$ 134,875</u>	<u>\$ 25,303</u>

NORTH HOUSTON DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended October 31, 2022

	<u>Special Revenue Fund - GCP</u>	<u>Total Governmental Funds</u>
Revenues		
Assessments	\$ -	\$ 5,058,721
Penalties and interest	-	38,658
Investment earnings	-	151
Charges for services	-	1,250,000
Reimbursements and contributions	-	3,747
Other	-	(95)
Total Revenues	<u>-</u>	<u>6,351,182</u>
Expenditures		
Current:		
Public safety	-	990,103
Planning, operations and infrastructure	-	127,803
Field services	-	1,323,745
Marketing and public affairs	-	135,295
Skate park operations	-	511,711
Bike park operations	-	762,841
Financial and support services	-	1,364,906
Debt service:		
Principal	-	110,987
Interest	-	11,515
Total Expenditures	<u>-</u>	<u>5,338,906</u>
Excess (deficiency) of revenues over expenditures	-	1,012,276
Other financing sources (uses)		
Lease proceeds	-	54,952
Total other financing sources (uses)	<u>-</u>	<u>54,952</u>
Net change in fund balances	-	1,067,228
Fund Balances - Beginning	<u>4,447</u>	<u>2,180,455</u>
Fund Balances - Ending	<u>\$ 4,447</u>	<u>\$ 3,247,683</u>



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, 2022**

Net change in fund balances - governmental funds	\$ 1,067,228
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>	
<p>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.</p>	
Capitalized expenditures reclassified to assets.	302,472
Amortization/depreciation expense taken to Statement of Activities.	(390,208)
Assessment revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(92,663)
<p>Lease proceeds provide current financial resources to governmental funds, but leases increase long-term liabilities in the Statement of Net Position. Repayment of lease principal is an expenditure in the governmental funds, but repayment reduces long-term liabilities in the Statement of Net Position.</p>	
Principal paid on leases	110,987
Lease agreements entered into during the year	(54,952)
<p>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:</p>	
Increase in long-term portion of accrued compensated absences	(12,155)
Change in Net Position - Governmental Activities	<u><u>\$ 930,709</u></u>



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 property assessments 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 assessments 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.

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.

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)

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.

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*.

NORTH HOUSTON DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (continued)

Note 1 - Summary of Significant Accounting Policies (continued)

Interfund Receivables and Payables

Activities between the funds that are representative of lending or borrowing arrangements outstanding at the end of the fiscal year are referred to as either “due to/from other funds” (i.e., the current portion of interfund loans) or “advances to/from other funds” (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as “due to/from other funds.” As of October 31, 2022, the District had no interfund balances.

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, 2022, 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.

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 amortized/depreciated over their remaining useful lives using the straight-line method. Capital assets include improvements, machinery, equipment, and right-to-use assets amortized/depreciated over useful lives of two 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 amortization/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.

Fund Balance

In the fund financial statements, governmental funds report classifications of fund balance based on controls placed upon the funds. 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. The District has no fund balance in this category as of the end of the fiscal year.
- 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. As of October 31, 2022, restricted fund balance was \$164,625.

NORTH HOUSTON DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (continued)

Note 1 - Summary of Significant Accounting Policies (continued)

Fund Balance (continued)

- 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, 2022, unassigned fund balance was \$3,083,058.

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.

Leases

Lessee: The District is a lessee for noncancellable leases of office space and equipment. The District recognizes a lease liability and an intangible right-to-use lease asset (lease asset) in the government-wide financial statements. The District recognizes lease liabilities with an initial, individual value of \$5,000 or more.

At the commencement of a lease, the District initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life.

Key estimates and judgments related to leases include how the District determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The District uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the District generally uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the District is reasonably certain to exercise.

The District monitors changes in circumstances that would require are measurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

NORTH HOUSTON DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (continued)

Note 1 - Summary of Significant Accounting Policies (continued)

Leases (continued)

Lease assets are reported with other capital assets and lease liabilities are reported with long-term debt 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 qualifies 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.

Implementation of New Accounting Standards

The following GASB pronouncements were applicable and effective during fiscal year 2022. GASB Statement No. 87, *Leases* was issued in June 2017 and was effective for periods beginning after June 15, 2021. This Statement established a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The District has evaluated the effects of this Statement and has determined that this Statement does impact the financial statements. The District has incorporated such leases into its capital assets and lease payable on in the face of the financial statements and in the note disclosures.

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, 2022, the District's cash in bank deposits totaled \$396,946 while the carrying value was \$170,955. Pledged collateral and FDIC insurance for these deposits totaled \$6,036,737 and \$250,000, respectively.

NORTH HOUSTON DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (continued)

Note 2 - Deposits and Investments (continued)

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 2022, 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.

As of October 31, 2022, the District’s investment balances and the weighted average maturity of these investments were as follows:

	<u>Fair Value</u>	<u>Weighted Average Maturity (Days)</u>
Investments		
TexPool	\$ 3,159,391	21
Total Investments	<u>\$ 3,159,391</u>	<u>21</u>

NORTH HOUSTON DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (continued)

Note 2 - Deposits and Investments (continued)

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, 2022, 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 2022 was \$5,224,471, 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 2022 (the 2021 assessment year) was \$3,120,577,683 after reductions and exemptions.

Assessments receivable by year as of October 31, 2022, are shown below.

<u>Fiscal Year</u>	<u>Tax Year</u>	<u>Receivable</u>
2022	2021	\$ 78,274
2021	2020	71,590
Prior	Prior	29,746
		<u>\$ 179,610</u>

Receivables in the governmental activities include \$179,610 of assessments receivable and \$17,278 of other receivables.

NORTH HOUSTON DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (continued)

Note 4 - Capital Assets

A summary of changes in capital assets, for the year ended October 31, 2022, is as follows:

	Restated		
	Balance as of		Balance as of
	November 1, 2021	Additions	October 31, 2022
Capital Assets, Not Being Depreciated			
Land	\$ 259,607	\$ -	\$ 259,607
Construction-in-progress	144,843	88,596	233,439
Total Capital Assets, Not Being Depreciated	404,450	88,596	493,046
Capital Assets, Being Amortized/Depreciated			
Leasehold improvements	264,836	-	264,836
Office equipment	72,277	-	72,277
Park & other improvements	5,299,273	158,924	5,458,197
Park office equipment	5,698	-	5,698
Public safety equipment	69,931	-	69,931
Right-to-use assets	281,558	54,952	336,510
Total Capital Assets, Being Amortized/Depreciated	5,993,573	213,876	6,207,449
Less Accumulated Amortization/Depreciation For:			
Leasehold improvements	(107,554)	(12,511)	(120,065)
Office equipment	(54,513)	(6,313)	(60,826)
Park & other improvements	(2,437,614)	(243,468)	(2,681,082)
Park office equipment	(5,698)	-	(5,698)
Public safety equipment	(37,829)	(13,985)	(51,814)
Right-to-use assets	-	(113,931)	(113,931)
Total Accumulated Amortization/Depreciation	(2,643,208)	(390,208)	(3,033,416)
Net Governmental Activities Capital Assets	\$ 3,754,815	\$ 692,680	\$ 3,667,079

Amortization/depreciation expense amounted to \$390,208 in the current fiscal year.

As of October 31, 2022, the District had construction in progress of \$233,439. The balance is related to Wayfinding Design and Construction, Livable Centers, and the Public Art Program. The remaining commitment on design of these three projects is approximately \$75,000. \$30,000 for Wayfinding, \$20,000 for Livable Centers, and \$25,000 for Public Art.

NORTH HOUSTON DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (continued)

Note 5 - Long-term Liabilities

The District's Long-term liabilities consist of accrued compensated employee absences and lease payables.

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.

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.

The following is a summary of changes in long-term obligations for the fiscal year ended October 31, 2022:

	Restated Balance as of November 1, 2021	Additions	(Retirements)	Balance as of October 31, 2022	Due Within One Year
Compensated absences	\$ 46,008	\$ 77,539	\$ (65,384)	\$ 58,163	\$ 58,163
Lease payable	281,558	54,952	(110,987)	225,523	111,851
Total	<u>\$ 327,566</u>	<u>\$ 132,491</u>	<u>\$ (176,371)</u>	<u>\$ 283,686</u>	<u>\$ 170,014</u>

Note 6 - Line of Credit

On November 1, 2021, the District renewed a line of credit with Amegy Bank for \$400,000. The line of credit is payable upon demand and expired October 31, 2022. 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, 2022, there have not been any draws against this line of credit.

Note 7 - Leases

For the year ended October 31, 2022, these financial statements include the adoption of GASB Statement No. 87, *Leases*. The primary objective of this statement is to enhance the relevance and consistency of information about governments' leasing activities. This statement establishes a single model for lease accounting based on the principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease payable and an intangible right-to-use asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. For additional information, refer to the disclosures below.

Lessee

Prior to November 2021, the District entered into a lease agreement for office space. An initial lease payable was recorded in the amount of \$274,998. As of October 31, 2022, the value of the lease payable is \$189,936. The District is required to make monthly base rent payments of \$7,894. The present value of payments expected to be made during the lease term was measured using the District's incremental borrowing of 7%. The value of the right-to-use asset as of October 31, 2022 is \$274,998 with accumulated amortization of \$86,842.

Prior to November 2021, the District entered into a lease agreement for a smart collaboration board. An initial lease payable was recorded in the amount of \$6,560. As of October 31, 2022, the value of the lease payable is \$4,160. The District is required to make monthly payments of \$232. The present value of payments expected to be made during the lease term was measured using the District's incremental borrowing of 7%. The value of the right-to-use asset as of October 31, 2022 is \$6,560 with accumulated amortization of \$2,539.

NORTH HOUSTON DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (continued)

Note 7 - Leases (continued)

In November 2021, the District entered into a lease agreement for a multifunction printer. An initial lease payable was recorded in the amount of \$9,752. As of October 31, 2022, the value of the lease payable is \$8,064. The District is required to make monthly payments of \$193. The present value of payments expected to be made during the lease term was measured using the District’s incremental borrowing of 7%. The value of the right-to-use asset as of October 31, 2022 is \$9,752 with accumulated amortization of \$1,950.

In June 2022, the District entered into a lease agreement for ten (10) cameras. An initial lease payable was recorded in the amount of \$45,200. As of October 31, 2022, the value of the lease payable is \$23,364. The District is required to make annual payments of \$25,000. The present value of payments expected to be made during the lease term was measured using the District’s incremental borrowing of 7%. The value of the right-to-use asset as of October 31, 2022 is \$45,200 with accumulated amortization of \$22,600.

Future lease principal and interest payments as of October 31, 2022, are as follows:

Year Ending	Principal	Interest	Total
October 31,			
2023	\$ 111,851	\$ 12,984	\$ 124,835
2024	93,709	4,964	98,673
2025	17,733	373	18,106
2026	<u>2,232</u>	<u>86</u>	<u>2,318</u>
Total	<u>\$ 225,525</u>	<u>\$ 18,407</u>	<u>\$ 243,932</u>

Note 8 - Reimbursement Agreement with City of Houston

During the year, the District reimbursed the City of Houston \$16,000 per month for a temporary space for the Houston Police Department to increase security in the area. The agreement will expire in September 2023; however, a renewal option, if exercised, could extend this agreement to December 2023. The reimbursement increased to \$17,000 per month in December 2022. Minimum required reimbursement payments under this agreement are as follows:

Year ending	HPD
October 31,	
2023	\$ 169,000

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.

NORTH HOUSTON DISTRICT

NOTES TO THE FINANCIAL STATEMENTS (continued)

Note 9 - Pension Plan (continued)

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, 2022, the District contributed \$53,047 (8%) for each covered employee).

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

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, 2022, the District contributed \$28,900 to the Deferred Compensation Plan.

Note 11 - Related Party Transactions

Effective May 1, 2018, 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 supplies, printer paper, kitchen supplies and drinks for a monthly fee of \$50,
- 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.

NORTH HOUSTON DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (continued)

Note 13 - Restatement

The implementation of GASB Statement No. 87, *Leases*, required that the District restate beginning balances for right-to-use assets and lease payables. During the current year, management identified transactions that were recorded as expenses that should have been recorded as additions to construction-in-progress.

	<u>Governmental Activities</u>
Beginning net position, as originally presented	\$ 5,852,394
GASB 87 implementation - right-to-use assets	281,558
GASB 87 implementation - lease payable	(281,558)
Construction-in-progress	27,583
Beginning net position, as restated	<u>\$ 5,879,977</u>



REQUIRED SUPPLEMENTARY INFORMATION



NORTH HOUSTON DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES – BUDGET AND ACTUAL
GENERAL FUND
For the Year Ended October 31, 2022

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Assessments	\$ 4,772,440	\$ 4,772,440	\$ 5,058,721	\$ 286,281
Penalties and interest	15,000	15,000	38,658	23,658
Investment earnings	1,000	1,000	151	(849)
Reimbursements and contributions	5,000	5,000	3,747	(1,253)
Other	-	-	(95)	(95)
Total Revenues	<u>4,793,440</u>	<u>4,793,440</u>	<u>5,101,182</u>	<u>307,742</u>
Expenditures				
Current:				
Public safety	1,000,963	1,029,463	990,103	39,360
Planning, operations and infrastructure	950,000	950,000	127,803	822,197
Field services	1,325,000	1,325,000	1,323,745	1,255
Marketing and public affairs	200,000	200,000	135,295	64,705
Financial and support services	1,511,535	1,511,535	1,364,906	146,629
Debt service:				
Principal	110,987	110,987	110,987	-
Interest	11,515	11,515	11,515	-
Total Expenditures	<u>5,110,000</u>	<u>5,138,500</u>	<u>4,064,354</u>	<u>1,074,146</u>
Excess (deficiency) of revenues over expenditures	(316,560)	(345,060)	1,036,828	1,381,888
Other financing sources (uses)				
Lease proceeds	-	-	54,952	54,952
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>54,952</u>	<u>54,952</u>
Net change in fund balance	(316,560)	(345,060)	1,091,780	1,436,840
Fund Balances - Beginning	<u>1,991,278</u>	<u>1,991,278</u>	<u>1,991,278</u>	<u>-</u>
Fund Balances - Ending	<u>\$ 1,674,718</u>	<u>\$ 1,646,218</u>	<u>\$ 3,083,058</u>	<u>\$ 1,436,840</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, 2022.

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.