
NORTH HOUSTON DISTRICT

HOUSTON, TEXAS

FINANCIAL REPORT

For the Year Ended
October 31, 2023

whitleypenn 

CPAs and Professional Consultants

NORTH HOUSTON DISTRICT

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FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
North Houston District

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, 2023, 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, 2023, 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 27, 2024

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, 2023. 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 \$7,805,224. Of this amount, \$4,241,234 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 \$197,173 and unrestricted net position in the amount of \$3,366,817.
- The District's total net position increased by \$994,538 during the current fiscal year.
- The District's general fund reported a total ending fund balance of \$3,235,506 as of October 31, 2023. This is an increase of \$152,448 compared to the prior fiscal year. The unassigned fund balance, \$3,235,506, represents 57 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 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 \$7,805,224 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:

	2023	2022
Current and other assets	\$ 3,917,860	\$ 3,527,234
Capital assets	4,354,908	3,667,079
Total Assets	8,272,768	7,194,313
Other liabilities	303,175	99,941
Long-term liabilities	164,369	283,686
Total Liabilities	467,544	383,627
Net Position:		
Net investment in capital assets	4,241,234	3,667,079
Restricted	197,173	164,625
Unrestricted	3,366,817	2,978,982
Total Net Position	\$ 7,805,224	\$ 6,810,686

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

	2023	2022
Greenspoint Community Partners	\$ 12,447	\$ 4,447
Bike Park	47,917	25,303
Skate Park	136,809	134,875
Total Restricted Net Position	\$ 197,173	\$ 164,625

The remaining balance of net position in the governmental activities consists of an unrestricted net position of \$3,366,817 may be used to meet the District's ongoing obligations to citizens and creditors. The District's total net position increased by \$994,538 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>2023</u>	<u>2022</u>
Program Revenues:		
Charges for services	\$ 1,250,000	\$ 1,250,000
Grants and contributions	200,000	-
General Revenues:		
Property assessments	5,802,817	5,004,716
Unrestricted investment earnings	8,000	151
Other	72,424	3,652
Total Revenues	<u>7,333,241</u>	<u>6,258,519</u>
Expenses		
Public safety	1,103,120	946,313
Planning, operations and infrastructure	305,582	39,207
Field services	1,488,285	1,164,821
Marketing and public affairs	200,002	135,295
Skate park operations	498,066	511,711
Bike park operations	727,386	762,841
Financial and support services	2,003,278	1,756,107
Interest	12,984	-
Total Expenses	<u>6,338,703</u>	<u>5,316,295</u>
Change in net position	994,538	942,224
Net Position - Beginning, as restated	<u>6,810,686</u>	<u>5,879,977</u>
Net Position - Ending	<u>\$ 7,805,224</u>	<u>\$ 6,822,201</u>

Governmental Activities

Governmental activities increased the District's net position by \$994,538. Revenues are generated primarily from two sources. Property assessments and charges for services represent 96.18 percent of total revenues. The remaining 3.82 percent is generated from other revenues.

	<u>Total Revenues</u>	<u>% of Total Revenues</u>
Property assessments	\$ 5,802,817	79.13%
Charges for services	1,250,000	17.05%
Other revenue	280,424	3.82%
	<u>\$ 7,333,241</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 91.8 percent of total expenses. The remaining expenses include marketing and public affairs, planning and infrastructure, Greenspoint Community Partners operations, and interest, which represent 8.2 percent of the District's total expenses.

	<u>Total Expenses</u>	<u>% of Total Expenses</u>
Financial and support services	\$ 2,003,278	31.6%
Field services	1,488,285	23.5%
Public safety	1,103,120	17.4%
Bike park operations	727,386	11.5%
Skate park operations	498,066	7.9%
Other expenses	518,568	8.2%
	<u>\$ 6,338,703</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 \$3,235,506, an increase of \$152,448 in comparison with the prior year. Of this amount, \$3,235,506 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 57 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	\$ 5,343,732	\$ 5,343,732
Total expenditures	6,209,000	6,209,000
Net Change in Fund Balance	<u>\$ (865,268)</u>	<u>\$ (865,268)</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, 2023, 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>2023</u>	<u>2022</u>
Capital Assets Not Being Depreciated:		
Land	\$ 459,607	\$ 259,607
Construction-in-progress	1,090,255	233,439
Total Capital Assets Not Being Depreciated	<u>1,549,862</u>	<u>493,046</u>
Capital Assets, Being Amortized/Depreciated:		
Leasehold improvements	287,502	264,836
Office equipment	72,277	72,277
Park & other improvements	5,458,197	5,458,197
Park office equipment	5,698	5,698
Public safety equipment	69,931	69,931
Right-to-use assets	336,510	336,510
Total Capital Assets, Being Amortized/Depreciated	<u>6,230,115</u>	<u>6,207,449</u>
Less accumulated amortization/depreciation	<u>(3,425,069)</u>	<u>(3,033,416)</u>
Capital Assets, Net of Accumulated		
Amortization/Depreciation	<u>\$ 4,354,908</u>	<u>\$ 3,667,079</u>

The investment in capital assets (capital outlays) during the current fiscal year amounted to \$879,482. 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>2023</u>	<u>2022</u>
Compensated absences	\$ 50,695	\$ 58,163
Lease payable	113,674	225,523
Total Long-Term Liabilities	<u>\$ 164,369</u>	<u>\$ 283,686</u>

The District's total long term liabilities decreased by \$119,317 as of October 31, 2023 compared to the prior fiscal primarily due to the District making regularly scheduled payments on its lease payable. 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 72nd Texas Legislature. The District levies an assessment on real property within its boundaries. Estimated assessment revenues for the year ending October 31, 2024, are approximately \$6,404,292, net of the refund reserve, Amazon grant, and allowance for delinquencies. The District's assessment rate for the 2023 tax year is \$0.16742 per \$100 of assessed value.

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

NHD Commercial Real Estate

Over the last several years the District's commercial real estate profile has shifted from office to logistics, with the District now having 18 million square feet of logistics/flex space as compared to 10.6 million square feet of office space. The District also has 7.1 million square feet of retail space and 18,900 apartment units. As across much of the US, vacancy in office buildings is now higher than in the past but the other areas of real estate remain strong in the District.

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. North Houston District also completed a Parks Master Plan in 2023 which outlined several upgrades to Wussow Park to be implemented in the near future.

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, 2023

	<u>Governmental Activities</u>
Assets	
Cash and cash equivalents	\$ 3,729,013
Receivables	188,847
Capital assets, net of amortization/depreciation	<u>4,354,908</u>
Total Assets	<u>8,272,768</u>
Liabilities	
Accounts payable	299,822
Other payables	3,353
Noncurrent liabilities:	
Due within one year:	
Compensated absences	50,695
Lease payable	93,709
Due in more than one year:	
Lease payable	<u>19,965</u>
Total Liabilities	<u>467,544</u>
Net Position	
Net investment in capital assets	4,241,234
Restricted	197,173
Unrestricted	<u>3,366,817</u>
Total Net Position	<u>\$ 7,805,224</u>

NORTH HOUSTON DISTRICT
STATEMENT OF ACTIVITIES
For the Year Ended October 31, 2023

Functions/Programs	Expenses	Program Revenues		Net (Expense)
		Charges for Services	Capital Grants and Contributions	Revenue and Changes in Net Position
				Governmental Activities
Governmental Activities				
Public safety	\$ 1,103,120	\$ -	\$ -	\$ (1,103,120)
Planning, operations and infrastructure	305,582	-	200,000	(105,582)
Field services	1,488,285	-	-	(1,488,285)
Marketing and public affairs	200,002	-	-	(200,002)
Skate park operations	498,066	500,000	-	1,934
Bike park operations	727,386	750,000	-	22,614
Financial and support services	2,003,278	-	-	(2,003,278)
Interest	12,984	-	-	(12,984)
Total Governmental Activities	\$ 6,338,703	\$ 1,250,000	\$ 200,000	(4,888,703)
General Revenues:				
Assessments				5,726,814
Penalties and interest				76,003
Investment earnings				8,000
Other				72,424
Total General Revenues				5,883,241
Change in net position				994,538
Net Position - Beginning				6,810,686
Net Position - Ending				\$ 7,805,224

NORTH HOUSTON DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
October 31, 2023

	General Fund	Special Revenue Fund - Skate Park	Special Revenue Fund - Bike Park	Special Revenue Fund - GCP	Total Governmental Funds
Assets					
Cash and cash equivalents	\$ 3,480,075	\$ 156,420	\$ 80,071	\$ 12,447	\$ 3,729,013
Assessments receivable	182,006	-	-	-	182,006
Other receivables	6,841	-	-	-	6,841
Total Assets	\$ 3,668,922	\$ 156,420	\$ 80,071	\$ 12,447	\$ 3,917,860
Liabilities, Deferred Inflows of Resources, and Fund Balances					
Liabilities					
Accounts payable	\$ 248,057	\$ 19,611	\$ 32,154	\$ -	\$ 299,822
Other payables	3,353	-	-	-	3,353
Total Liabilities	251,410	19,611	32,154	-	303,175
Deferred Inflows of Resources					
Deferred inflows - assessments	182,006	-	-	-	182,006
Total Deferred Inflows of Resources	182,006	-	-	-	182,006
Fund Balances					
Restricted	-	136,809	47,917	12,447	197,173
Unassigned	3,235,506	-	-	-	3,235,506
Total Fund Balances	3,235,506	136,809	47,917	12,447	3,432,679
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 3,668,922	\$ 156,420	\$ 80,071	\$ 12,447	\$ 3,917,860

NORTH HOUSTON DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO
THE STATEMENT OF NET POSITION
October 31, 2023

Total Fund Balance - Governmental Funds \$ 3,432,679

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 4,354,908

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). 182,006

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 (50,695)
 Lease payable (113,674)

Total Net Position - Governmental Activities \$ 7,805,224

NORTH HOUSTON DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended October 31, 2023

	General Fund	Special Revenue Fund - Skate Park	Special Revenue Fund - Bike Park	Special Revenue Fund - GCP	Total Governmental Funds
Revenues					
Assessments	\$ 5,724,418	\$ -	\$ -	\$ -	\$ 5,724,418
Penalties and interest	76,003	-	-	-	76,003
Charges for services	-	500,000	750,000	-	1,250,000
Reimbursements and contributions	3,393	-	-	-	3,393
Donations	-	-	-	8,000	8,000
Other	69,031	-	-	-	69,031
Total Revenues	<u>5,872,845</u>	<u>500,000</u>	<u>750,000</u>	<u>8,000</u>	<u>7,130,845</u>
Expenditures					
Current:					
Public safety	1,103,120	-	-	-	1,103,120
Planning, operations and infrastructure	1,063,395	-	-	-	1,063,395
Field services	1,609,954	-	-	-	1,609,954
Marketing and public affairs	200,002	-	-	-	200,002
Skate park operations	-	498,066	-	-	498,066
Bike park operations	-	-	727,386	-	727,386
Financial and support services	1,619,093	-	-	-	1,619,093
Debt service:					
Principal	111,849	-	-	-	111,849
Interest	12,984	-	-	-	12,984
Total Expenditures	<u>5,720,397</u>	<u>498,066</u>	<u>727,386</u>	<u>-</u>	<u>6,945,849</u>
Net change in fund balances	152,448	1,934	22,614	8,000	184,996
Fund Balances - Beginning	<u>3,083,058</u>	<u>134,875</u>	<u>25,303</u>	<u>4,447</u>	<u>3,247,683</u>
Fund Balances - Ending	<u>\$ 3,235,506</u>	<u>\$ 136,809</u>	<u>\$ 47,917</u>	<u>\$ 12,447</u>	<u>\$ 3,432,679</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, 2023**

Net Change in Fund Balances - Governmental Funds \$ 184,996

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.	879,482
Amortization/depreciation expense taken to Statement of Activities.	(391,653)
Donated land	200,000

Assessment revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	2,396
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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.	
Principal paid on leases	111,849

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	<u>7,468</u>

Change in Net Position - Governmental Activities \$ 994,538

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, NHD 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 North Houston Development Corporation 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 North Houston Development Corporation.

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, 2023, 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, 2023, 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, 2023, restricted fund balance was \$197,173.

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, 2023, unassigned fund balance was \$3,235,506.

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 a 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.

Lease assets are reported with other capital assets and lease liabilities are reported with long-term debt on the statement of net position.

NORTH HOUSTON DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (continued)

Note 1 - Summary of Significant Accounting Policies (continued)

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.

Note 2 - Deposits

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, 2023, the District’s cash in bank deposits totaled \$3,815,336 while the carrying value was \$3,729,013. Pledged collateral and FDIC insurance for these deposits totaled \$8,198,655 and \$250,000, respectively.

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 2023 was \$5,993,946, 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 2023 (the 2022 assessment year) was \$3,580,184,944 after reductions and exemptions.

Assessments receivable by year as of October 31, 2023, are shown below.

<u>Fiscal Year</u>	<u>Tax Year</u>	<u>Receivable</u>
2023	2022	\$ 96,799
2022	2021	34,663
Prior	Prior	50,544
		<u>\$ 182,006</u>

Receivables in the governmental activities include \$182,006 of assessments receivable and \$6,841 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, 2023, is as follows:

	Restated Balance as of November 1, 2022	Additions	Balance as of October 31, 2023
Capital Assets, Not Being Depreciated			
Land	\$ 259,607	\$ 200,000	\$ 459,607
Construction-in-progress	233,439	856,816	1,090,255
Total Capital Assets, Not Being Depreciated	<u>493,046</u>	<u>1,056,816</u>	<u>1,549,862</u>
Capital Assets, Being Amortized/Depreciated			
Leasehold improvements	264,836	22,666	287,502
Office equipment	72,277	-	72,277
Park & other improvements	5,458,197	-	5,458,197
Park office equipment	5,698	-	5,698
Public safety equipment	69,931	-	69,931
Right-to-use assets	336,510	-	336,510
Total Capital Assets, Being Amortized/Depreciated	<u>6,207,449</u>	<u>22,666</u>	<u>6,230,115</u>
Less Accumulated Amortization/Depreciation For:			
Leasehold improvements	(120,065)	(14,270)	(134,335)
Office equipment	(60,826)	(6,311)	(67,137)
Park & other improvements	(2,681,082)	(243,156)	(2,924,238)
Park office equipment	(5,698)	-	(5,698)
Public safety equipment	(51,814)	(13,985)	(65,799)
Right-to-use assets	(113,931)	(113,931)	(227,862)
Total Accumulated Amortization/Depreciation	<u>(3,033,416)</u>	<u>(391,653)</u>	<u>(3,425,069)</u>
Net Governmental Activities Capital Assets	<u>\$ 3,667,079</u>	<u>\$ 687,829</u>	<u>\$ 4,354,908</u>

Amortization/depreciation expense amounted to \$391,653 in the current fiscal year.

As of October 31, 2023, the District had construction in progress of \$1,090,255. The balance is primarily related to the Wayfinding Design and Construction project. The remaining commitment on design of this project is approximately \$678,000.

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, 2023:

	Restated			Balance as of October 31, 2023	Due Within One Year
	Balance as of November 1, 2022	Additions	(Retirements)		
Compensated absences	\$ 58,163	\$ 73,676	\$ (81,144)	\$ 50,695	\$ 50,695
Lease payable	225,523	-	(111,849)	113,674	93,709
Total	\$ 283,686	\$ 73,676	\$ (192,993)	\$ 164,369	\$ 144,404

Note 6 - Line of Credit

On November 1, 2022, 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, 2023. 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, 2023, there have not been any draws against this line of credit.

Note 7 - Leases

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, 2023, the value of the lease payable is \$105,834. 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, 2023 is \$274,998 with accumulated amortization of \$173,683.

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, 2023, the value of the lease payable is \$1,586. 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, 2023 is \$6,560 with accumulated amortization of \$5,079.

NORTH HOUSTON DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (continued)

Note 7 - Leases (continued)

Lessee (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, 2023, the value of the lease payable is \$6,254. 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, 2023 is \$9,752 with accumulated amortization of \$3,900.

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, 2023, the value of the lease payable is \$0. 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, 2023 is \$45,200 with accumulated amortization of \$45,200. See Note 13 for more information.

Future lease principal and interest payments as of October 31, 2023, are as follows:

Year Ending October 31,	Principal	Interest	Total
2024	\$ 93,709	\$ 4,964	\$ 98,673
2025	17,733	373	18,106
2026	2,232	86	2,318
Total	\$ 113,674	\$ 5,423	\$ 119,097

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 October 31,	HPD
2024	\$ 34,000

See Note 13 for more information.

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.

NORTH HOUSTON DISTRICT

NOTES TO THE FINANCIAL STATEMENTS (continued)

Note 9 - Pension Plan (continued)

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, 2023, the District contributed \$66,589 (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 Mission Square. For the year ended October 31, 2023, the District contributed \$35,859 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 - Subsequent Events

The District evaluated subsequent events through February 27, 2024, the date these financial statements were available to be issued and identified the following matters that required disclosure:

On November 3, 2023, the District extended the lease for temporary space for the Houston Police Department through the end of September 4, 2024. The lease requires monthly payments of \$18,360 payable to the City of Houston.

On November 21, 2023, the District extended and expanded its lease of cameras placed throughout the District. The lease term is for 60 months with an option renewal for 24 months. The lease requires annual installments, in advance, of \$35,000 per year.

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, 2023

	<u>Budgeted Amounts</u>			Variance with Final Budget
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Assessments	\$ 5,297,732	\$ 5,297,732	\$ 5,724,418	\$ 426,686
Penalties and interest	40,000	40,000	76,003	36,003
Investment earnings	1,000	1,000	-	(1,000)
Reimbursements and contributions	5,000	5,000	3,393	(1,607)
Other	-	-	69,031	69,031
Total Revenues	<u>5,343,732</u>	<u>5,343,732</u>	<u>5,872,845</u>	<u>529,113</u>
Expenditures				
Current:				
Public safety	1,158,000	1,158,000	1,103,120	54,880
Planning, operations and infrastructure	1,337,000	1,337,000	1,063,395	273,605
Field services	1,641,500	1,641,500	1,609,954	31,546
Marketing and public affairs	200,000	200,000	200,002	(2)
Financial and support services	1,872,500	1,872,500	1,619,093	253,407
Debt service:				
Principal	-	-	111,849	(111,849)
Interest	-	-	12,984	(12,984)
Total Expenditures	<u>6,209,000</u>	<u>6,209,000</u>	<u>5,720,397</u>	<u>488,603</u>
Excess (deficiency) of revenues over expenditures	(865,268)	(865,268)	152,448	1,017,716
Fund Balances - Beginning	<u>3,083,058</u>	<u>3,083,058</u>	<u>3,083,058</u>	<u>-</u>
Fund Balances - Ending	<u>\$ 2,217,790</u>	<u>\$ 2,217,790</u>	<u>\$ 3,235,506</u>	<u>\$ 1,017,716</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, 2023.

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.