OST/ALMEDA CORRIDORS REDEVELOPMENT AUTHORITY

REPORT ON FINANCIAL STATEMENTS

AND

ADDITIONAL INFORMATION

FOR THE YEAR ENDED JUNE 30, 2016

GEORGE BAUGH III
Certified Public Accountant

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To the Board of Directors
OST/Almeda Corridors Redevelopment Authority
Houston, Texas

Attached is the financial report of OST/Almeda Corridors Redevelopment Authority for the year ended June 30, 2016.

George Baugh III
Certified Public Accountants

City, State: Houston, Texas
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September 19, 2016

OST/Almeda Corridors Redevelopment Authority

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
OST/Almeda Corridors Redevelopment Authority
Houston, Texas

Report on the Financial Statements

We have audited the accompanying financial statement of the government activities and each major fund of OST/Almeda Corridors Redevelopment Authority (the Authority), a component unit of the City of Houston, Texas as of and for the year ended June 30, 2016, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of OST/Almeda Corridors Redevelopment Authority as of June 30, 2016, and the changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 2 through 8 and 22 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

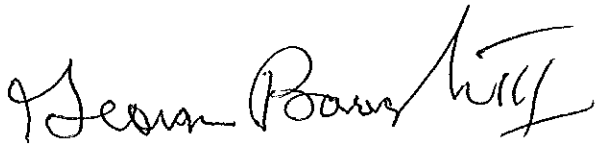
Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's financial statements as a whole. The schedule of operating expenses and capital expenditures for the year ended June 30, 2016 and the schedule of budget to expended and committed funds for the period from date of inception through June 30, 2016, on pages 23 through 25 and 26, respectively, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The supplementary information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated September 19, 2016, on our consideration of OST/Almeda Corridors Redevelopment's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering OST/Almeda Corridors Redevelopment Authority's internal control over financial reporting and compliance.



George Baugh III
Certified Public Accountants

September 19, 2016

OST/ALMEDA CORRIDORS REDEVELOPMENT AUTHORITY
FOR THE PERIOD ENDED JUNE 30, 2016
MANAGEMENT'S DISCUSSION AND ANALYSIS

The following discussion and analysis of the OST/Almeda Corridors Redevelopment Authority's (Authority) financial performance provides an overview of the Authority's financial activities for the fiscal year ended June 30, 2016.

Please read in conjunction with the Authority's basic statements which begin on page 9.

FINANCIAL HIGHLIGHTS

- By City Ordinance No. 2010-541, Houston City Council authorized the OST/Almeda Corridors Redevelopment Authority (Authority) of behalf or Reinvestment Zone Number Seven, City of Houston, Texas (TIRZ #7)to issue bonds, secured by Agreement Revenues, in an aggregate principal amount not to exceed twenty-two million dollars ($22,000,000) outstanding at any one time without further approval from the City. The authorization granted was in addition to the outstanding principal amount of $12,000,000 in bonds and notes authorized pursuant to City Ordinance No. 2001-292 and the $1,000,000 in notes authorized by the Tri-Party Agreement.

- An Interlocal Agreement entered into by the Authority and Greater Southeast Management District (GSMD) in March 2009 sets forth the terms and conditions related to Federal Transit Administration (FTA) funding of certain TIRZ #7 project(s).

- Effective December 2009, the Agreement for Project Design and Construction entered into by City of Houston and the OST/Almeda Corridors Redevelopment Authority set forth terms and conditions related to the design and construction of a new library on Griggs Road. On March 23, 2015, the Board of Directors approved a Dedication Deed to the City of Houston, Texas transferring TIRZ-owned real property at 5107-5111 Griggs Road to the City of Houston for the construction of the new Young Neighborhood Library. An amendment to the Agreement for Project Design and Construction approving an additional $2.2 million to complete the construction of the library was approved by the Board of Directors and fully executed on May 5, 2015. A Notice to Proceed was issued on June 8, 2015 by the City of Houston to Gilbane Building Company for construction of the new library.

- In the Municipal Services Cost Agreement effective June 2010 among the City of Houston, TIRZ #7 and the Authority, the Authority agrees to pay the City of Houston annually for incremental costs of providing municipal services and allows the Authority to contract with Greater Southeast Management District to provide enhanced public safety services.

- Houston City Council on September 11, 2013 passed City Ordinance No. 2013-796 enlarging TIRZ #7's boundaries to include the area bounded by Dowling, Tuam, Hutchins and Dennis adjacent to Emancipation Park; and by Ordinance No. 2013-797, approved the Fifth Amended Project Plan and Reinvestment Zone Financing Plan increasing the estimated project costs for infrastructure improvements, public utility improvements, cultural and public facilities improvements and other project costs through FY 2027 from $167,391,693 to $182,391,694.

- On September 17, 2014, the Board of Directors approved a Developer Reimbursement Agreement between Reinvestment Zone Number Seven, City of Houston, Texas, OST/Almeda Corridors Redevelopment Authority and the ITEX Group, LLC for construction and financing of certain public works and public improvements related to the Village at Palm Center, a proposed mixed-use/mixed-income development on Griggs Road at MLK for a not-to-exceed amount of $2,289,757.00, to be paid by the TIRZ over a five-year period beginning August 1, 2017.

- On March 23, 2015, the Board of Directors approved an Interlocal Agreement between the City of Houston, Texas and Old Spanish Trail/Almeda Corridors Redevelopment Authority to provide Community Development Block Grant funds in the amount of $2,200,000 to the Authority to perform street reconstruction and related utility and right-of-way work for the Dowling Street Project.

- On March 23, 2015, the Board of Directors approved a Cooperative Agreement for the Design and Construction of Improvements to Emancipation Park between the Old Spanish Trail/Almeda Corridors Redevelopment Authority and the Emancipation Park Conservancy to address administration of Emancipation Park Capital Campaign funds from donors directed to/through the Emancipation Park Conservancy for Emancipation Park improvements. As of June 30, 2016, a total of $260,000 has been received from the Emancipation Park Conservancy related to the Emancipation Park Capital Campaign: (1) Brown Foundation grant of $250,000 and (2) Vinson & Elkins donation of $10,000.

- An additional $1.5 million for the Emancipation Park Capital Campaign for Emancipation Park improvements was designated in the State of Texas' budget which was approved during the 84th Texas Legislature. These funds will be received from the Texas Parks & Wildlife Department by City of Houston Parks Department and transmitted to the Authority pursuant to an amendment to the Interlocal Agreement between the City of Houston and the Authority. The amendment is pending approval by the City of Houston.

- On November 18, 2015, the Board of Directors approved a Letter of Agreement with Greater Southeast Management District (GSMD) extending the District's sublease for office lease at 5445 Almeda for one-year through December 31, 2016 under the same terms and conditions pursuant to the Second Amendment to Lease Agreement approved on December 15, 2014.

- The Sixth Amendment to Amended and Restated Interlocal Agreement by and between Reinvestment Zone Number Seven, City of Houston, Texas, the Authority and Greater Southeast Management District (GSMD) authorizing the Authority to reimburse GSMD up to $150,000 plus any unexpended prior authorized funds for Enhanced Public Safety Services through December 31, 2016 was approved by the Board of Directors on December 16, 2015 and fully executed on January 27, 2016.

- Capital projects in design or construction during FY 2016 included the following: OST and Griggs Landscape Project-Phase II (CIP T-0701A); Real Property Land Assembly & Site Preparation (CIP # T-0710); Historic Dowling Street Reconstruction (CIP T-0711); Emancipation Park & Community Center Project (CIP T-0712); and Library on Griggs Road (CIP T-0719).

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to the Authority's basic financial statements. Under Governmental Accounting Standard Board Statement No. 34, the Authority qualifies as a special purpose government with one program: redevelopment of OST/Almeda Corridors Zone.

Government-wide statements report information about the Authority as a whole using accounting methods similar to those used in private-sector companies. The statement of net position includes all of the Authority's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities, regardless of when cash is received or paid. The fund financial statements report information about the Authority on the modified accrual basis, which only accounts for revenues that are measurable and available within the current period or soon enough thereafter to pay liabilities of the current period. Adjustments are provided to reconcile the government-wide statements to the fund statements. Explanations for the reconciling items are provided as part of the financial statements.

OST/ALMEDA CORRIDORS REDEVELOPMENT AUTHORITY
FOR THE PERIOD ENDED JUNE 30, 2016
MANAGEMENT'S DISCUSSION AND ANALYSIS

Statement of Net Position

The Statement of Net Position includes all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector institutions. The following table reflects condensed information on the Authority's net assets.

	2016	2015
Assets:		
Cash and investments	$16,936,045	$23,488,508
Tax increment receivables (Note 11)	-	-
Other receivables, net of allow. for doubt. account of $256,976 (Note 5&9)	-	-
Grants receivables (Note 5&9)	100,962	891,958
Other assets	-	-
Capital assets, net & including land	3,154,335	3,154,335
Total assets	20,191,342	27,534,801
Liabilities:		
Bonds payable	21,399,909	22,833,910
Accounts and accrued payable	985,196	1,018,394
Project cost payable	1,055,397	1,671,971
Total liabilities	23,440,502	25,524,275
Net Position (Note 13)	$(3,249,160)	$2,010,526

All trust and operating cash accounts were invested throughout the year in U. S. Treasury Bills and other federal and state secured instruments at market rate.

Tax increment receivables at June 30, 2016 for the City of Houston and Houston Independent School District were $0. For Harris County tax increment see Note 11.

Other assets for June 30, 2014 included $1,040,771 cost of issuance that was expensed for the $22 million tax increment revenue bonds issued in 2010 and the $8.2 million tax increment revenue bonds issued in 2001 that was formally amortized over the life of the bonds. This change was as a result of GASB statement No. 65.

OST/ALMEDA CORRIDORS REDEVELOPMENT AUTHORITY
FOR THE PERIOD ENDED JUNE 30, 2016
MANAGEMENT'S DISCUSSION AND ANALYSIS

Statement of Activities

The Statement of Activities presents the operating results of the Authority. The following table reflects condensed information on the Authority's operations:

	2016	2015
Revenues:		
Tax increments (Note 12)	$9,608,476	$9,227,719
Investment earnings	30,889	11,281
Other income (Note 9)	17,889	2,202
Grants	2,496,957	708,703
Total revenues	12,154,211	9,949,905
Expenses:		
Project cost	13,389,267	22,516,728
Interest expenses	827,379	1,112,200
Other operating cost	3,197,251	2,871,034
Total expenses	17,413,897	26,499,962
Increase (decrease) in Net Position	(5,259,686)	(16,550,057)
Net Position - beginning of year	2,010,526	18,560,583
Net Position - end of year (Note 13)	$(3,249,160)	$2,010,526

Tax Increments

The City of Houston (the City), Harris County (the County) and Houston Independent School District (HISD) have agreed, subject to certain limitations, to deposit to the Tax Increment Fund established for the Authority, a certain percentage of tax collections arising from their respective taxation of the increase, if any, in the appraised value of real property located in the zone since a designated base year. The base year for the zone is 1997 and expansion years are 1998, 2008 and 2013.

The City remits tax increments collected by the City, County and HISD on an annual basis. In June 2016, the Authority received the net City's and HISD increments of $7,850,349. For the Harris County tax increment, see Note 11.

Project Cost

Project cost includes the following:	2016	2015
Park at Palm Center	$ -	$ 1,492
Land Assem. & Site Preparation	-	1,250,910
Public Spaces & Parking Lots	29,549	26,904
OST & Griggs Landscape Project-Phase II	72,767	69,151
Historic Dowling Street Reconstruction	3,448,157	108,107
Emancipation Park	9,838,794	13,877,686
Almeda Corridors Improvements	-	107
Library at Palm Center	-	7,158,000
Developer Project(ITEX)	-	24,371
	$13,389,267	$22,516,728

Capital Assets

The Authority had capital asset additions of $0 and disposals of $0 for the year ended June 30, 2016.

Purchases were as follows:	2016	2015
Land & Capital Improvements	$0	$0
	$0	$0

Debt

In September 2001, the Authority issued $8.2 million in OST/Almeda Corridors Redevelopment Authority Tax Increment Contract Revenue Bonds, Series 2001.

In November 2010, the Authority issued $22 million in OST/Almeda Corridors Redevelopment Authority Tax Increment Contract Revenue Bonds, Series 2010.

The Authority's Fourteenth principal payment on the $8.2 million OST/Almeda Corridors Redevelopment Authority Tax Increment Contract Revenue Bonds, Series 2001, is due on September 1, 2016 and the sixth principal payment for the series 2010 is on September 1, 2016. A debt service and reserve fund in the amount of $4,977,985 has been established for debt service on both of the bonds.

GENERAL FUND BUDGETARY HIGHLIGHTS

The Authority's overall budget for 2016 was in excess of $51 million dollars. The overall budget is on page 22.

FUTURE PROJECTS

- On May 27, 2015, the Board of Directors approved a Master Contract for Professional Services with The Goodman Company to provide a joint scope of services for an integrated mobility implementation strategy between OST/Almeda Corridors Redevelopment Authority and Greater Southeast Management District. A Joint Committee with representatives from the Boards of Directors of the OST/Almeda Corridors Redevelopment Authority and Greater Southeast Management District has been created to forge a deeper collaboration between the Authority and the District and specifically to develop an integrated mobility implementation strategy that will enable both entities to leverage federal funding with locally committed resources and to compete for discretionary mobility funding. On September 30, 2015, the Board of Directors approved the Joint Committee on Infrastructure Vision, Goals and Objectives and the DRAFT Joint Program of Projects for an integrated Mobility Implementation Strategy was approved on March 30, 2016.

- The Sixth Amended Project Plan and Reinvestment Zone Financing Plan expanding the boundaries to include properties in northern Third Ward near Dowling Street and Emancipation Park and extending the life of the TIRZ to 2038 was approved by the Board of Directors on November 18, 2015 and submitted to the City of Houston for approval.

- FY 2017 Budget and FY 2017-2021 Capital Improvement Plan was approved by the Board of Directors on March 30, 2016 submitted to the City of Houston and was adopted by Houston City Council on August 30, 2016. The FY 2017 Budget includes the following capital improvement projects with a total budget of $18,787,093: OST and Griggs Landscape Project-Phase II (CIP # T-0701A); Park at Palm Center - Phase II (CIP # T-0706); Real Property Land Assembly & Site Preparation (CIP # T-0710); Historic Dowling Street Reconstruction (CIP # T-0711); Emancipation Park & Community Center Project (CIP # T-0712); Library on Griggs Road (CIP # T-0719); Greater Third Ward Neighborhood Project (CIP # T0722); and MacGregor Park and Tennis Center (CIP # T-0723).

It is the intention of this document to disclose and discuss all issues that may be material to the operation of the Authority, and to respond directly to the issues raised by the requirements of the MD&A. If you have any questions or comments regarding any of the matters raised herein, please feel free to contact Theola Petteway, Executive Director, 5445 Almeda, Suite 545, Houston,Texas 77004.

OST/Almeda Corridors Redevelopment Authority
Governmental Funds Balance Sheet/Statement of Net Position
June 30, 2016

	General Fund	Debt Service Fund	Total All Funds	Adjustments	Statement of Net Position
ASSETS					
Cash	$ 28,025	$ -	$ 28,025	$ -	$ 28,025
Investments	11,930,035	4,977,985	16,908,020	-	16,908,020
Tax increments receivable (Note 11)	-	-	-	-	-
Other receivables, net of allowance	-	-	-	-	-
for doubtful account of $256,976 (Note 5 & 9)	-	-	-	-	-
Grants receivables (Note 5 & 9)	-		-	100,962	100,962
Capital assets, net & including land	-	-	-	3,154,335	3,154,335
Total assets	$ 11,958,060	$ 4,977,985	$ 16,936,045	$ 3,255,297	$ 20,191,342
LIABILITIES					
Project cost payable (Notes 8)	1,055,397	-	1,055,397	-	1,055,397
Accounts and accrued payables	641,358	-	641,358	-	641,358
Unearned revenue	-	-	-	-	-
Accrued interest payable	-	-	-	343,838	343,838
Bonds payable:					
Due within one year	-	-	-	1,490,000	1,490,000
Due after one year	-	-	-	19,909,909	19,909,909
Total liabilities	1,696,755		1,696,755	21,743,747	23,440,502
FUND BALANCES/NET POSITION					
Fund Balance:					
Nonspendable	-	-	-	-	-
Restricted	-	4,977,985	4,977,985	(4,977,985)	-
Committed	8,117,715	-	8,117,715	(8,117,715)	-
Assigned	779,100	-	779,100	(779,100)	-
Unassigned	1,364,490	-	1,364,490	(1,364,490)	-
Total fund balances (Note 6)	10,261,305	4,977,985	15,239,290	(15,239,290)	-
Total liabilities and fund balances	$ 11,958,060	$ 4,977,985	$ 16,936,045		
Net Position:					
Invested in capital assets, net of related debt				3,154,335	3,154,335
Restricted for capital projects				-	-
Restricted for debt service				4,977,985	4,977,985
Unrestricted				(11,381,480)	(11,381,480)
				(3,249,160)	(3,249,160)
Total Net Position				$ (3,249,160)	$ (3,249,160)
Total fund balances of total governmental fund					$ 15,239,290
Amounts reported for governmental activities in the statement of net position are different because:					
Other receivable not available for current period					100,962
Other assets not available for current period					-
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds					3,154,335
Defered tax increment is not avaliable for current period expenditures and therefore are deferred in the funds					-
Other revenue not due in current period					
Other payables and accruals not due in current period					(343,838)
Tax increment revenue bonds and related interest are not due and payable in the current period and therefore are not reported in the funds					(21,399,909)
Cost of issuance and OID are not available to pay for current period expenditures and therefore are not reported in the funds					-
Other long term debt not due in current period					-
Net Position of governmental activities					$ (3,249,160)

See accompanying notes to financial statements.

OST/Almeda Corridors Redevelopment Authority
Statement of Governmental Fund Revenues, Expenditures, and
Changes in Fund Balances/Statement of Activities
For the Year Ended June 30, 2016

	General Fund	Debt Servicing Fund	Total All Funds	Adjustments	Statement of Activities
REVENUES:					
Tax increments (Note 12)	$ 7,122,630	$ 2,485,846	$ 9,608,476	$ -	$ 9,608,476
Investment earnings	30,889	-	30,889	-	30,889
Other revenue (Note 9)	51,688	-	51,688	(33,799)	17,889
Grants (Note 9)	2,395,995	-	2,395,995	100,962	2,496,957
Total revenues	9,601,202	2,485,846	12,087,048	67,163	12,154,211
Expenditures/expenses:					
Capital outlay-Project Cost	13,389,267		13,389,267	-	13,389,267
Administrative (salaries and benefits)	239,246		239,246		239,246
ISD Education Set-Aside Transfer	1,364,553		1,364,553		1,364,553
Administrative Fees - Transfer	393,573		393,573		393,573
Legal and accounting	89,247		89,247		89,247
Consultants	16,038		16,038		16,038
Office expenses	31,182		31,182		31,182
Rent/lease expenses	38,295		38,295		38,295
Insurance	5,977		5,977		5,977
Original issue discount premium amortization	-		-	(24,000)	(24,000)
Municipal Services-Enhanced Public Safety	827,379	-	827,379		827,379
Principal payments	-	1,410,000	1,410,000	(1,410,000)	-
Interest expense	-	1,066,393	1,066,393	(23,253)	1,043,140
Total expenditures/expense	16,394,757	2,476,393	18,871,150	(1,457,253)	17,413,897
Excess (deficiency) of revenues over expenditures	(6,793,555)	9,453	(6,784,102)	6,784,102	
Change in net position					(5,259,686)
Fund balances/net position:					
Beginning of the year	17,054,860	4,968,532	22,023,392	-	2,010,526
End of the year (Note 6)	$ 10,261,305	$ 4,977,985	$ 15,239,290	$ -	$ (3,249,160)

Net change in total fund balances of governmental funds	(6,784,102)
Amounts reported for governmental activities in the satement of activities are different because:	
Governmental funds reported capital outlays as expenditures while governmental activities reported depreciation expense to allocate those expenditures over the life of the assets:	
Capital assets purchased are capitalized	
Depreciation expense	-
Repayment of bond prinicipal is an expenditure in the governmental funds, but the repayment reduces bonds payable in the statement of net position	1,410,000
Some expenses reported in the statement of activities do not require the use of current financial resourses and therefore therefore are not reported as expenditures in governmental funds	23,253
Cost of issuance and OID are deffered and amortized in the statement of activities.	24,000
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	67,163
Payments on developer advances and loans and asset disposals	-
Other financing sources nor having any effect on net position	-
Change in net position of governmental activities	$ (5,259,686)

See accompayning notes to financial statements.

OST/ALMEDA CORRIDORS REDEVELOPMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 1 - Summary of Significant Accounting Policies

ORGANIZATION

OST/Almeda Corridors Redevelopment Authority is a not-for-profit local government corporation, incorporated July 14, 1998, under the laws of the state of Texas, and operates under Chapter 431, Texas Transportation Code and Chapter 394, Texas Local Government Code. The Authority was authorized by the City of Houston (the City) to aid, assist and act on behalf of the City in performance of the City's obligations with respect to Reinvestment Zone Number Seven, City of Houston, Texas (OST/Almeda TIRZ).

Reinvestment Zone Number Seven, City of Houston, Texas

Reinvestment Zone Number Seven, City of Houston, Texas, also known as the OST/Almeda Corridors Tax Increment Reinvestment Zone (TIRZ), was created by City Council on May 1997 and the boundaries were extended in December 1998, 2008 and also in 2013. The objectives of TIRZ # 7 are to provide the financing and management tool necessary for alleviating blight, deteriorated site conditions and obsolete platting existing within the Zone, and to encourage the sound growth of commercial, industrial and residential development within the project area and the City of Houston.

Reporting Entity

As required by accounting principles generally accepted in the United States of America, these financial statements represent all the funds of the OST/Almeda Corridors Redevelopment Authority. The Authority is a component unit of the City of Houston. Component units are legally separate entities of which the primary government is financially accountable.

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

Government-Wide Financial Statement

The statement of net position and the statement of activities displays information about the reporting government as a whole. The statement of net position and the statement of activities were prepared using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred.

Government-wide statements distinguish between governmental-type and business-type activities. Governmental activities are those financed through taxes, intergovernmental revenues, and other non-exchange revenues and are usually reported in governmental and internal service funds. Business activities are financed in whole or in part through fees charged for goods or services to the general public and are usually reported in proprietary funds. The Authority does not have any business-type activities.

Note 1 - Summary of Significant Accounting Policies - Continued

Fund Financial Statements

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a current financial resources measurement focus and have been prepared using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they are "measurable and available"). "Measurable" means the amount of the transaction that can be determined and "available" means collectible within the current period or soon enough thereafter to pay liabilities of the current period. The Authority considers all revenue available if it is collected within 60 days after the year-end. Expenditures are recorded when the related fund liability is incurred.

Fund Balance Classification

The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the Authority is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental financial statements are as follows:

Nonspendable - This classification includes amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact. The Authority did not have any nonspendable resources as of June 30, 2016.

Restricted - This classification includes amounts which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. Debt service resources are to be used for future servicing of the tax increment contract revenue bonds and are restricted through debt covenants. Capital Projects resources are also restricted through debt covenants.

Committed - this classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the Authority's Board of Directors. These amounts cannot be used for any other purpose unless the Board of Directors removes or changes the specified use by taking the same type of action (resolution) that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements.

Note 1 - Summary of Significant Accounting Policies - Continued

Assigned - This classification includes amounts that are constrained by the Authority's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the Board of Directors or through the Board of Directors delegating this responsibility to the Authority's Administrator through the budgetary process. This classification also includes the remaining positive fund balance for all governmental funds except for the General Funds.

Unassigned - This classification includes residual fund balance for the General Fund. The Unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of Assigned fund balance amounts.

The Authority would typically use Restricted fund balance first, followed by Committed resources, and then Assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend Unassigned resources first to defer the use of these other classified funds.

Fund Accounting

The Authority uses funds to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions relating to certain government functions of activities. A fund is a separate entity with a self-balancing set of accounts. The funds the Authority uses are described below:

General Fund - The general fund is the general operating fund of the Authority. It accounts for all activities except those required to be accounted for in other funds.

Debt Service Fund - The debt service fund accounts for the accumulation of financial resources for the payment of principal and interest on the debt of the Authority. Tax increments are used for the payment of principal and interest.

Tax Increments and Participation Agreements

The City, Harris County (the County) and the Houston Independent School District (HISD) (each a participant) have agreed to deposit to the Tax Increment Fund established for the OST/Almeda Corridors TIRZ a certain percentage of tax collections arising from their taxation of the increase, if any, in the appraised value of the property located in the OST/Almeda Corridors TIRZ since inception. The amount of a participant's tax for a year is the amount of property taxes levied by the participant for that year on the "Captured Appraised Value" of real property taxable by the participant and located in the OST/Almeda Corridors TIRZ.

Note 1 - Summary of Significant Accounting Policies - Continued

Each participant is required to collect taxes on real property located within the OST/Almeda Corridors TIRZ in the same manner as other taxes are collected by the participant. The participant is then required to pay into the Tax Increment Fund the tax increments, as agreed upon in accordance with such participant's agreement with the OST/Almeda Corridors TIRZ and the Authority (collectively, the participation agreements) by not later than the 90th day after the delinquency date for the participant's property taxes. Thus, tax increments are due to be deposited from the Tax Increment Fund to the Authority's account by the end of each quarter in which they are collected in the Tax Increment Fund. The City and County have agreed to pay 100% of their tax increments to the Tax Increment Fund. Pursuant to an agreement between the City, the OST/Almeda Corridors TIRZ and HISD as amended (the HISD Interlocal Agreement), HISD has agreed to pay an amount not to exceed $0.96 per $100 valuation through the year ending 2008, and $0.64 per $100 valuation for the remaining term of the HISD Interlocal Agreement. HISD further limits its participation to the lesser of the actual "Captured Appraised Value" or the estimate of the "Captured Appraised Value" included in the Project Plan. Tax year 2013 tax rates for the City, County and HISD are $0.6310800, $0.4173100 and $1.196700 respectively.

In circumstances where there is not a loss caused by a change in law such that Section IV.E. applies upon written notice to the City, HISD may reduce its HISD tax participation from year to year and for any tax year beginning in January of the year after the notice is given and subsequent years to a rate not less than $0.96 per $100 valuation for the period commencing January 1, 1998 and ending December 31, 2008, and not less than $0.64 per $100 valuation for the remaining term of this agreement. Any such reduction shall reduce the aggregate amount paid to HISD for Education Facilities Project Costs pursuant to Section V.C. by the total aggregate amount of the reduction of tax increments paid to the City as a result of such reduction in the HISD tax increment participation.

HISD's tax increment participation and obligation in the OST/Almeda Corridors TIRZ shall be restricted to its tax increment Collected on the Captured Appraised Value in the OST/Almeda Corridors TIRZ. The obligation to pay the HISD tax increment Participation shall accrue as taxes representing the HISD tax increment are collected by HISD and payment shall be due as

Note 1 - Summary of Significant Accounting Policies - Continued

provided in section 311.013 (c) of the Texas Tax Code. The City and OST/Almeda Corridors TIRZ agree that no interest or penalty will be charged to HISD for any late payment received from HISD. Taxes collected by HISD in any year on actual captured appraised value that exceeds the estimate of captured appraised value for that year shown in the Project Plan approved before September 1, 1999 shall be retained by HISD.

Cash and Cash Equivalents

Cash and cash equivalents include all cash on hand, demand and time depositS held in banks and other securities with original maturities of three months or less.

Investments

In accordance with GASB Statement No. 31, Accounting and Financial Reporting for Certain Investments and External Investment Pools, Investments are stated at fair value. Fair values are based on published market rates. Investments consist of various U.S. Government securities and Texas Local Government Investment Pool, a local government investment pool created under the Interlocal Cooperation Act, Chapter 791, Texas Government Code, and the Public Funds Investment Act, Chapter 2256 of the Texas Government Code. The fair value of Texas Local Government Investment Pool is based on quoted market values of the underlying investments of the pool and/or fund.

Original Issue Discount/Premium

The discount on the Series 2001 and the premium on Series 2010 Tax Increment Contract Revenue Bonds are being amortized using the effective interest method over twenty years of life of the bonds in the government-wide statements.

Debt

All debt to be repaid from governmental resources are reported as liabilities in the government-wide statements. Debt consists of accounts payable, project cost payable and tax increment contract revenue bonds.

Debt for the governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest reported as expenditures.

Note 1 - Summary of Significant Accounting Policies - Continued

Capital Assets

In the government-wide financial statements, capital assets are valued at cost, except for donated assets that are recorded at their estimated fair market value at the date of donation. Interest during construction is capitalized.

Depreciation of capital assets is computed and recorded by the straight-line method. Estimated useful lives of the various classes of depreciable capital assets are as follows: building and improvements, 20 to 35 years; equipment, 3 to 10 years.

In the fund financial statements, fixed assets used in governmental funds operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition.

Furniture and equipment are stated at cost, if purchased, and at fair market value, if contributed. Depreciation is recorded using the straight-line method over the estimated useful lives (five to ten years) of the assets.

Use of Estimates

The preparation of the Authority's financial statements in conformity with generally accepted accounting principles requires the Authority's management to make estimates and assumptions that affect the amounts reported in these financial statements and accompanying notes. Actual results could differ from those estimates.

Federal Income Tax

The Authority is exempt from Federal income taxes as an organization described in Section 501 (C) (3) of the Internal Revenue Code. Furthermore, the Internal Revenue Service has ruled that the Authority is a public-supported organization within the meaning of Section 509 (a) of the Internal Revenue Code and is not a private foundation.

Note 2 - Authorized Investments

The Board of Directors has adopted a written investment policy regarding the investments of its funds as defined in the Public Funds Investment Act of 1997 (Chapter 2256, Texas Government Code). Such investments include (1) Obligations, including letters of credit of the United States or its agencies and instrumentalities; (2) Direct obligations of the State of Texas or its agencies and instrumentalities; (3) Collaterized mortgage obligations directly issued by a federal agency or instrumentality or the United States, the Underlying security for which is guaranteed by an agency or instrumentality or the United States; (4) Other obligations, the principal and interest which are unconditionally guaranteed or insured or backed by the full faith and credit of the United States or the State of Texas or their respective agencies and instrumentalities;

Note 2 - Authorized Investments - Continued

(5) Obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than A or its equivalent; (6) Certificates of deposit issued by a depository institution that has its main office or a branch office in the State that are guaranteed by the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund or its successor that are secured by the obligations in which the Authority may invest under the Investment Act; (7) Repurchase agreements that comply with the Investment Act; (8) Banker's acceptance that comply with the Investment Act; (9) Commercial paper that complies with the Investment Act; (10) No-Load money market mutual funds that comply with the Investment Act; and (11) No-load mutual funds that comply with the Investment Act. The investments of the Authority are in compliance with the Board's investment policy.

	Type of Investment	Cost	Fair Value
(1)	US Government Securities & Federally Insured Vehicles	$ 2,522,525	$ 2,522,525
(4)	Texas Local Government Investment Pool & TexStar	14,385,495	14,385,495
	Total	$ 16,908,020	$16,908,020

Restricted Assets

Certain amounts of investments are restricted by the trust indenture for Series 2010 Bonds and the Series 2001 Bonds. A summary of these restricted assets at June 30, 2016 are as follows:

	Investment in U.S. Government Securities
Trustee Funds:	
Debt service fund	$2,483,486
Debt service fund	778
Debt service reserve in pledged revenue fund	2,493,721
Total Restricted Assets	$ 4,977,985

Note 3 - Commitments

The Authority leases office space under a modified operating lease expiring December 31, 2016. The following is a schedule of future minimum lease payments:

Fiscal Year Ending June 30	Amounts
2016	$ -
2017	24,774
	$ 24,774

Note 4 - Tax Increment Contract Revenue Bonds

In September 2001, the Authority issued OST/Almeda Corridors Redevelopment Authority Tax Increment Contract Revenue Bonds, Series 2001 (the Bonds) in the aggregate principal amount of $8,200,000. The Bonds mature serially on September 1 in each year 2003 through 2023. Bonds are callable in whole or in part on any date beginning September 1, 2011 at par.

The Bonds bear interest between 3.1% and 5.0% annually and have semi-annual interest payments due on March 1 and September 1.

Fiscal Year	Principal	Interest	Total
2017	520,000	147,820	667,820
2018	545,000	121,195	666,195
2019	575,000	93,195	668,195
2020	360,000	69,820	429,820
2021	380,000	51,320	431,320
2022-2023	820,000	42,330	862,330
	$ 3,200,000	525,683	3,725,680

In November 2010, the Authority issued OST/Almeda Corridors Redevelopment Authority Tax Increment Contract Revenue Bonds, Series 2010 (the Bonds) in the aggregate principal amount of $22,000,000. The Bonds mature serially on September 1, in each year 2013 through 2029. Bonds are callable in whole or in part on any date beginning September 1, 2019 at par.

The Bonds bear interest between 4.125% and 5.125% annually and have semiannual interest payments due on March 1 and September 1.

Fiscal Year	Principal	Interest	Total
2017	970,000	846,444	1,816,444
2018	1,025,000	796,569	1,821,569
2019	1,080,000	743,944	1,823,944
2020	1,140,000	688,444	1,828,444
2021	1,205,000	635,091	1,840,091
2022-2026	7,140,000	2,272,576	9,412,576
2027-2029	5,330,000	419,734	5,749,734
	$17,890,000	6,402,802	24,292,802

The balances of Bonds Payable at June 30, 2016 are as follows:

Series 2001 Bonds	$ 3,200,000
Series 2010 Bonds	17,890,000
Series 2010 & 2001 Issue Premium/Discount (Net)	309,909
	21,399,909
Due within one year	1,490,000
Due after one year	$19,909,909

Note 5 - Grants and Other Receivables

Included in other receivables are amounts to be refunded to the Authority for amounts paid to GSL/Griggs Ltd. as a reimbursement for certain public improvements installed in connection with Skyview Apartments formally the Concord at Palm Center apartment complex. GSL/Griggs Ltd. was reimbursed $239,976 plus $17,000 of accrued interest. Subsequent to receipt of the reimbursement, GSL/Griggs Ltd. sold the project. The new owner applied for, and received, an exemption from the payment of ad valorem taxes. At June 30, 2016, the Authority was still in the process of evaluating options related to collecting the $256,976 from GSL/Griggs Ltd. The Authority consulted with legal counsel regarding this matter. Because of the uncertainly of the receivable of $256,976 at June 30, 2016, an account titled Allowance for Doubtful Accounts was setup to make provisions. Grants receivable in statement of net position for $100,962 represent amount due from City of Houston Community Development Funds.

Note 6 - Fund Balance - Governmental Funds

As of June 30, 2016 fund balances of the governmental funds are classified as follows:

	General Fund	Debt Service Fund	Total
Nonspendable	$ -	$ -	$ -
Restricted for Debt Service	-	4,977,985	4,977,985
Committed to			
Roadway & Sidewalk Imp.	543,460	-	543,460
Public Utility Imp.	886,699	-	886,699
Parks & Park Improvements	4,487,556	-	4,487,556
Public Facility Improvements	2,200,000	-	2,200,000
Assigned to			
Roadway & Sidewalk Imp.	779,100	-	779,100
Public Utility Imp.	-	-	-
Unassigned	1,364,490	-	1,364,490
Total fund balances	$10,261,305	$4,977,985	$15,239,290

Note 7 - Capital Assets

Capital asset activity for the year ended June 30, 2016 was as follows:

	Balance at June 30 2015	Additions	Adjustments Disposals	Balance at June 30 2016
Land	$3,154,335	$ -	-	$3,154,335
Equipment	34,254	-	-	34,254
Total	3,188,589	-		3,188,589
Less accumulated Depreciation	(34,254)	-	-	(34,254)
Capital assets net	$3,154,335	$ -	-	$3,154,335

Note 8 - Project Cost Payable

Included in Project Cost Payable are Capital Expenditures, outstanding at June 30, 2016. The amount outstanding is $1,055,397.

Note 9 - Grant & Other Revenues

Included in Other Revenues of $17,889 in the statement of activities are miscellaneous revenues from refunds and rebates. Included in Grants Revenues of $2,496,957 in the statement of activities were donations from the Timken Foundation thru the Houston Parks Board for $34,648, HUD Community Development Block Grant thru City of Houston for $2,200,000, FTA Funds of $2,309 and donation from the Brown Foundation for $250,000 and Vinson and Elkins for $10,000 thru the Emancipation Park Conservancy for $260,000. Included in Grants Revenues of $2,395,995 in the statement of governmental fund revenues, expenditures and changes in fund balances were donations from the Timken Foundation thru the Houston Parks Board for $34,648, HUD Community Development Block Grant thru City of Houston for $2,099,038, FTA Funds of $2,309 and donation from the Brown Foundation for $250,000 and Vinson and Elkins for $10,000 thru the Emancipation Park Conservancy for $260,000.

Note 10 - Budget Line Item for Schools & Educational Facilities

Currently a total of $26,260,451 in funds budgeted for schools and educational facilities is maintained by the Houston Independent School District.

Note 11 - Contingent Harris County Tax Increment Payments Receivable

For the TY 2006, FY 2007 net revenue of $1,355,920 was budgeted and anticipated from Harris County to be received by the Authority. On July 24, 2007, the Harris County Commissioners Court authorized disbursement of $309,553 in TY 2006 annual tax increment payments to the Authority. The scheduled payment of $309,553 was booked as income for FY 2007. There has been no final resolution for the County Tax Increments for the tax years 2006 and 2007 as of June 30, 2016. This matter is still being addressed.

Note 12 - Tax Increment Summary

The Authority's gross tax increment revenue, as reflected in the Statement of Activities, was accrued or received from the following participants:

City	$7,371,462
HISD	2,237,014
County	-
Total tax Increments	$9,608,476

Note 13 - Prior Period Adjustment

The Authority adopted GASB Statement No. 65, Items Previously Reported as Assets and Liabilities, during fiscal year 2015 which establishes accounting and financial reporting standards that reclassify certain items that were previously reported as assets and liabilities as deferred outflows of resources or deferred inflows of resources. The standard also recognizes certain items that were previously reported as assets and liabilities as outflows of resources (expenses or expenditures) or inflows of resources (revenues).

As a result of adopting this standard, the Authority's government-wide financial statements have been restated to expense previously capitalized, and amortized, bond issuance costs.

Beginning net position - previously reported	$19,601,354
Adjustment to expense bond issuance costs	(1,040,771)
Beginning net position - Government-Wide - as restated	$18,560,583

Note 14 - Subsequent Events

Subsequent events have been evaluated through September 19, 2016 which is the date the financial statements were available to be issued.

Note 15 - Summary of Detailed Reconciliation of Budget to Expended and Committed Funds

Cost on the Summary of Detailed Reconciliation of Budget to Expended and Committed Funds represent expenditures from tax increment funds. Expenditures from other sources and revenues would not be reflected on this schedule.

OST/Almeda Corridors Revevelopment Authority

Budgetary Comparison Schedule - All Funds

For the Year Ended June 30, 2016

	Budgeted Amounts		Actual Amounts	Final Budget
	Original	Final	(Budgetary Basis)	Favorable/(Unfavorable)
Budgetary fund balance - Beginning of year	$ 23,488,508	$ 23,488,508	$ 22,023,392	$ (1,465,116)
Resources:				
Tax Increments	9,489,757	9,489,757	9,608,476	118,719
Current revenues	3,000	3,000	51,688	48,688
Interest Income	8,000	8,000	30,889	22,889
Grant Proceeds	12,336,112	12,336,112	2,395,995	(9,940,117)
Loan proceeds, other sources & advances	6,500,000	6,500,000	-	(6,500,000)
Total available resources	51,825,377	51,825,377	34,110,440	(17,714,937)
Expenses:				
Maintenance and operations	424,579	424,579	419,985	4,594
Capital expenditures	26,937,843	26,937,843	13,389,267	13,548,576
Debt service	2,476,393	2,476,393	2,476,393	-
Restricted fund transfer - Admin.	389,746	389,746	393,573	(3,827)
Restricted fund transfer education set-aside	1,347,519	1,347,519	1,364,553	(17,034)
Restricted fund transfer- municipal services - enhanced public safety	796,630	796,630	827,379	(30,749)
Total expenses	32,372,710	32,372,710	18,871,150	13,501,560
Budgetary fund balance - end of year	$ 19,452,667	$ 19,452,667	$ 15,239,290	$ (4,213,377)

Explanation of Differences between Budgetary Inflow and Outflows and GASP Revenues and Expenditures

Sources/Inflows of resources	
Actual amounts (budgetary basis)	$ 34,110,440
Differences - Budget to GAAP:	
The fund blance at the beginning of the year is a budgetary resource but is not a current-year revenue for financial reporting purposes	(22,023,392)
Total revenue as reported on the statement of revenues, expenditures, and changes in fund balances - total governmental funds	$ 12,087,048
Uses/outflows of resources	
Actual amounts (budgetary basis)	$ 18,871,150
Differences - budget to GAAP:	
Payments on loans payable are budgetary uses, but are regarded as other financing uses, rather than expenditures, for financial reporting purposes	-
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - total governmental funds	$ 18,871,150

OST/Almeda Corridors Redevelopment Authority
Schedule of Operating Expenses and Capital Expenditures
For the Year Ended June 30, 2016

Category	Vendor	Budget	Actual Expenditure	Variance
Administration and Overhead:				
Administrative Salaries & Benefits	N/A	$ 250,950	$ 239,246	$ 11,704
Office Expenses	N/A	75,000	69,476	5,524
Insurance	N/A	7,500	5,977	1,523
Accounting	McConnell & Jones	18,848	14,099	4,749
Audit - Annual	Georges Baugh III	16,200	10,400	5,800
Property Account Manager	Equi-Tax	8,500	7,708	792
Bond Trustee	Bank of New York Mellon	4,081	4,831	(750)
Financial Advisor	First Southwest	3,500	3,500	-
Total TIRZ Administration and Overhead		384,579	355,237	29,342
Legal	Bracewell & Giuliani	40,000	64,748	(24,748)
Total Program & Project Consultant		40,000	64,748	(24,748)
Total Admin. & Mgt. Consultants		$ 424,579	$ 419,985	$ 4,594
Municipal Sevices - Special Operations & Public Safety		896,630		
	City of Houston		599,200	
	GSMD		228,179	
		$ 896,630	$ 827,379	$ 69,251
Capital Expenditures and Developer Reimbursements				
Capital Expenditures				
OST & Griggs Landscape Project-Phase II		2,663,768		
Design	M2L Associates, Inc		50,000	
Other	Capital Project Manager		1,255	
Other	City of Houston		4,210	
Design	Asakura Robinson Co		6,186	
Other	B&B Reprographic		1,800	
Other	Houston Chronicle		3,316	
Other	Goodman Corporation		6,000	
		2,663,768	72,767	2,591,001

OST/Almeda Corridors Redevelopment Authority
Schedule of Operating Expenses and Capital Expenditures
For the Year Ended June 30, 2016

Category	Vendor	Budget	Actual Expenditure	Variance
Park at Palm Center		61,212	-	
		61,212	-	61,212
Historic Dowling Street Reconstruction		4,671,507		
Design	ESPA Corp.		29,108	
Other	Capital Project Manager		8,300	
Design	M2L Assiciates, Inc.		34,313	
Design	Milles Survey		7,200	
Construction	HVJ Associate Inc.		55,403	
Construction	TLC Engineering Inc.		219,197	
Construction	Koasati Construction		2,853,376	
Construction	Centerpoint Energy		136,335	
Construction	Chiang Patel & Yer.		2,785	
Design	Cobb, Dendley & Assoc		100,791	
Other	Misc.		1,349	
		4,671,507	3,448,157	1,223,350
Emancipation Park		17,311,356		
Design	M2L Assiciates, Inc.		71,554	
Legal	Bracewell & Giuliani		14,460	
Design	ESPA Corp.		454,098	
Other	Capital Project Manager		70,143	
Construction	Perkins & will CRA, LLC		1,369,568	
Construction	Prime Contractors, Inc.		7,781,806	
Construction	HVJ Associates, Inc.		21,951	
Other	Davis Pest Control		876	
Other	Mity-Lite		44,477	
Other	Signature Systems		9,041	
Other	Misc		820	
		17,311,356	9,838,794	7,472,562

OST/Almeda Corridors Redevelopment Authority
Schedule of Operating Expenses and Capital Expenditures
For the Year Ended June 30, 2016

Category	Vendor	Budget	Actual Expenditure	Variance
Library at Griggs Road		2,200,000	-	
		2,200,000	-	2,200,000
Land Assem. & Prep.		30,000		
Other	Capital Project Manager		1,285	
Legal	Bracewell & Giuliani		-	
Public Spaces & Parking Lots	5th Round Serv, COH & Other		28,264	
		30,000	29,549	451
Total Capital Expenditures		$ 26,937,843	$ 13,389,267	$ 13,548,576

OST/ALMEDA CORRIDORS REDEVELOPMENT AUTHORITY
OST-ALMEDA CORRIDORS TIRZ
SUMMARY OF DETAILED RECONCILIATION OF BUDGET TO EXPENDED AND COMMITED FUNDS
PROPOSED PUBLIC WORKS/PUBLIC IMPROVEMENTS
AS OF JUNE 30, 2016

	BUDGETED TOTAL	EXPEND To Date: Total Expended	(Over) Budget Under
Roadway and Sidewalk Improvements	$ 46,722,181	16,027,893	$ 30,694,288
Public Utility Improvements	26,473,268	4,547,015	21,926,253
Parks & Park Improvements	30,853,465	27,779,893	3,073,572
Public Facility Improvements	8,200,000	8,193,792	6,208
Braes Bayou HCFCD Improvements	7,000,000	-	7,000,000
Braes Bayou Bridge Upgrades	3,000,000	-	3,000,000
Land Assembly, Site Preparation, Environmental Remediation	9,500,000	5,171,348	4,328,652
Business Development & Loss Mitigation Calalyst Projects	5,000,000	-	5,000,000
School and Educational Facilities	26,260,451	12,242,920	14,017,531
Affordable Housing	3,500,000	-	3,500,000
Financing Cost	8,924,294	10,059,064	(1,134,770)
Zone Administration and Creation Cost	6,958,035	5,889,720	1,068,315
PROJECT PLAN TOTAL	$ 182,391,694	89,911,645	$ 92,480,049

See accompayning note 15 to financial statements.

OST / ALMEDA CORRIDORS REDEVELOPMENT AUTHORITY
SCHEDULE OF LAND AND IMPROVEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

DESCRIPTION	Not for Resale	For Resale	Total
Land-Hermann Park	$ 497,197	$ -	$ 497,197
Land-4601 Almeda	463,513	-	463,513
Land-1622 Wheeler	764,363	-	764,363
Land-5216 Almeda	486,651	-	486,651
Land-4328 OST	942,611	-	942,611
Total Land	$ 3,154,335	$ -	$ 3,154,335
Other Capital Assets (Net)			-
TOTAL CAPITAL ASSETS (NET)			$ 3,154,335

OST/ALMEDA CORRIDORS REDEVELOPMENT AUTHORITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE PERIOD ENDED JUNE 30, 2016

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Federal Expenditures
HUD Community Development Block Grant Funds	14.225	$2,200,000
		$2,200,000

Note A- Basis of Presentation

Note: The accompanying schedule of expenditures of federal awards includes the federal grant activity of OST/Almeda Corridors Redevelopment Authority and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of OST/Almeda Corridors Redevelopment Authority, it is not intended to and does not present the financial position, changes in net assets, or cash flows of OST/Almeda Corridors Redevelopment Authority

Note B- Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

OST/ALMEDA CORRIDORS REDEVELOPMENT AUTHORITY

REPORT ON COMPLIANCE AND ON INTERNAL CONTROLS OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

FOR THE PERIOD ENDED JUNE 30, 2016

GEORGE BAUGH III
Certified Public Accountant

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To The Trustees
OST/Almeda Corridors Redevelopment Authority
Houston, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of OST/Almeda Corridors Redevelopment Authority, which collectively comprise the Authority's basic financial statements as listed in the table of contents, as of June 30, 2016, and the related notes to the financial statements, and have issued our report thereon dated May 11, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered OST/Almeda Corridors Redevelopment Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of OST/Almeda Corridors Redevelopment Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of OST/Almeda Corridors Redevelopment Authority's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether OST/Almeda Corridors Redevelopment Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

George Baugh III
Certified Public Accountants

September 19, 2016

OST/ALMEDA CORRIDORS REDEVELOPMENT AUTHORITY

REPORT ON COMPLIANCE FOR

EACH MAJOR PROGRAM ON INTERNAL CONTROL OVER COMPLIANCE

REQUIRED BY THE UNIFORM GUIDANCE

FOR THE PERIOD ENDED JUNE 30, 2016

GEORGE BAUGH III
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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To The Trustees
OST/Almeda Corridors Redevelopment Authority
Houston, Texas

Report on Compliance for Each Major Federal Program

We have audited OST/Almeda Corridors Redevelopment Authority's compliance with the types of compliance requirements described in the Uniform Guidance *Compliance Supplement* that could have a direct and material effect on each of OST/Almeda Corridors Redevelopment Authority' major federal programs for the year ended June 30 2016. OST/Almeda Corridors Redevelopment Authority' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the federal statutes, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of OST/Almeda Corridors Redevelopment Authority' major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about OST/Almeda Corridors Redevelopment Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of OST/Almeda Corridors Redevelopment Authority' compliance.

Opinion on Each Major Federal Program

In our opinion, OST/Almeda Corridors Redevelopment Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016.

Report on Internal Control Over Compliance

Management of OST/Almeda Corridors Redevelopment Authority is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered OST/Almeda Corridors Redevelopment Authority' internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of OST/Almeda Corridors Redevelopment Authority's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

George Baugh III
Certified Public Accountants

September 19, 2016

OST/ALMEDA CORRIDORS REDEVELOPMENT AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE PERIOD ENDED JUNE 30, 2016

A. Summary of Audit Results

1. The auditor's report expresses an unqualified opinion on the financial statements.

2. No material weaknesses were identified during the audit of the financial statements.

3. No instances of noncompliance material to the financial statements of OST/Almeda Corridors Redevelopment Authority were disclosed during the audit

4. No material weaknesses were identified during the audit of the major federal award program.

5. The auditor's report on compliance for the major federal award program expresses an unqualified opinion.

6. Audit findings that are required to be reported in accordance with 2CFR section 200.516(a) are reported in this Schedule.

7. The program tested as major programs were the City of Houston Community Development Funds- HUD CFDA .

8. The threshold for distinguishing Type A and B programs was $750,000.

8. OST/Almeda Corridors Redevelopment Authority was determined to be low-risk auditee.

Findings - Financial Statements Audit

None

Findings - Federal Award

None

Findings - Prior Audit

None Noted