

FOURTH WARD REDEVELOPMENT AUTHORITY
(A Component Unit of the City of Houston)

Financial Statements and Independent Auditors' Report

JUNE 30, 2006

FOURTH WARD REDEVELOPMENT AUTHORITY
(A Component Unit of the City of Houston)

JUNE 30, 2006

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Fourth Ward Redevelopment Authority
Houston, Texas

We have audited the accompanying basic financial statements of Fourth Ward Redevelopment Authority (the "Authority"), a component unit of the City of Houston, as of and for the year ended June 30, 2006 as listed in the table of contents. These basic financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of Fourth Ward Redevelopment Authority as of June 30, 2006, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis and the other required supplementary information on pages 2 through 4 and 16 through 18, respectively, are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board and the City of Houston. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

A handwritten signature in black ink that reads 'McConnell & Jones LLP'.

Houston, Texas
September 20, 2006

FOURTH WARD REDEVELOPMENT AUTHORITY

(A Component Unit of the City of Houston)

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2006

The following discussion and analysis of Fourth Ward Redevelopment Authority's (the "Authority") financial performance provides an overview of the Authority's financial activities for the fiscal years ended June 30, 2006. Please read in conjunction with the Authority's basic financial statements, which begins on page 5.

The Management's Discussion and Analysis (MD&A) is an element of the new reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34 *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* issued in June 1999. Certain comparative information between the current year and the prior year is required to be presented in the MD&A.

FINANCIAL HIGHLIGHTS

- Authority's net assets increased by approximately \$337,680 due to additional tax increment of \$486,856 and decreases in maintenance and operations expenses in amount of \$173,459.
- Total expenses were approximately \$114,403 and were approximately \$172,911 less than the prior year, primarily due to costs associated with project plan development expenses of approximately \$110,000 incurred in fiscal period 2005.

OVERVIEW OF THE FINANCIAL STATEMENTS

Under GASB Statement No. 34, the Authority qualifies as a special-purpose government with one program – administration of the Fourth Ward Tax Increment Reinvestment Zone (the "Zone"). GASB Statement No. 34 allows such entities to combine the fund financial statements and the government-wide financial statements rather than presenting separate statements.

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 assets 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 in the "Adjustments" columns are provided in notes D and E of the financial statements.

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MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2006

AUTHORITY AS A WHOLE

Net Assets

The Statement of Net Assets includes all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector entities. The following table reflects condensed information on the Authority's net assets at June 30, 2006 and 2005:

	<u>2006</u>	<u>2005</u>
Current assets	\$ 2,101,186	\$ 1,145,224
Non current assets	637,881	642,736
Total assets	<u>2,739,067</u>	<u>1,787,960</u>
Current and total liabilities	<u>5,000</u>	<u>60,816</u>
Net assets	<u>\$ 2,734,067</u>	<u>\$ 1,727,144</u>

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 for the years ended June 30, 2006 and 2005:

	<u>2006</u>	<u>2005</u>
Revenues:		
Tax increments	\$ 1,102,886	\$ 616,030
Contributions	-	339,363
Others	18,440	1,164
Total revenue	<u>1,121,326</u>	<u>956,557</u>
Expenses:		
Maintenance and operations	109,548	283,007
Depreciation	4,855	4,307
Total expenses	<u>114,403</u>	<u>287,314</u>
Increase in net assets	1,006,923	669,243
Net assets - beginning of the year	<u>1,727,144</u>	<u>1,057,901</u>
Net assets - end of the year	<u>\$ 2,734,067</u>	<u>\$ 1,727,144</u>

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MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2006

AUTHORITY'S FUND

At fiscal year-end the Authority's General Fund balance was approximately \$2,090,811 representing a \$1,006,403 increase from the prior year.

General Fund Budgetary Highlights

The Board of Directors adopts an annual budget for the General Fund. The budget must be submitted to the City of Houston for approval. The Board reviews the budget throughout the year as a means of controlling and enhancing the Authority's operating results. A budgetary comparison schedule is included as other required supplementary information on page 16.

The Authority budgeted tax increment revenue (budgetary basis) was \$2,611,926 for the year ended June 30, 2006. Actual tax increments for the year were \$139,000 less than budget.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

During the year, the Authority did not acquire any property for development.

Debt

The Board is exploring the option of issuing tax increment pledge bonds to pay for the development projects in the Zone.

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 contact Ms Vanessa Sampson, 410 Pierce Street, Suite 355, Houston, Texas 77002.

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GOVERNMENTAL FUND BALANCE SHEET AND STATEMENT OF NET ASSETS
JUNE 30, 2006

	General Fund	Adjustments	Statement of Net Assets
ASSETS			
Current assets:			
Cash	\$ 2,095,811	\$ -	\$ 2,095,811
Prepaid Insurance	-	5,375	5,375
Total current assets:	2,095,811	5,375	2,101,186
Non-Current assets:			
Land held for development	-	637,100	637,100
Furniture & fixtures - net of depreciation	-	781	781
Total non-current assets:	-	637,881	637,881
Total Assets	\$ 2,095,811	\$ 643,256	\$ 2,739,067
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 5,000	\$ -	\$ 5,000
Total current liabilities:	5,000	-	5,000
Total Liabilities	5,000	-	5,000
FUND BALANCE/ NET ASSETS			
Fund balance:			
Unreserved	2,090,811	(2,090,811)	-
Total Fund Balance	2,090,811	(2,090,811)	-
Total Liabilities and Fund Balance	\$ 2,095,811		
Net assets:			
Invested in capital assets			637,881
Unrestricted			2,096,186
Total net assets			\$ 2,734,067

The accompanying notes are an integral part of this financial statement.

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

FOR THE YEAR ENDED JUNE 30, 2006

	General Fund	Adjustments	Statement of Activities
REVENUES			
Tax increments	\$ 1,102,886	\$ -	\$ 1,102,886
Other income	18,440	-	18,440
Total Revenues	1,121,326	-	1,121,326
EXPENDITURES/ EXPENSES			
Maintenance and operations	114,923	(5,375)	109,548
Depreciation	-	4,855	4,855
Total Expenditures/ Expenses	114,923	(520)	114,403
EXCESS OF REVENUES OVER EXPENDITURES	1,006,403	(1,006,403)	-
CHANGE IN NET ASSETS	-	1,006,923	1,006,923
FUND BALANCE/ NET ASSETS:			
BEGINNING OF THE YEAR	1,084,408	642,736	1,727,144
END OF THE YEAR	\$ 2,090,811	\$ 643,256	\$ 2,734,067

The accompanying notes are an integral part of this financial statement.

FOURTH WARD REDEVELOPMENT AUTHORITY
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NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2006

A. AUTHORITY CREATION AND RELATED INFORMATION

Fourth Ward Redevelopment Authority (the "Authority"), a component unit of the City of Houston, Texas, (the "City") and a not-for-profit local government corporation, was created under Chapter 394 of the Texas Local Government Code and authorized by the City's Resolution No. 99-69. The purpose of the Authority is to administer Tax Increment Reinvestment Zone Number Fourteen, City of Houston, Texas (the "Zone"). The Authority was organized to aid, assist and act on behalf of the City in the performance of its governmental functions with respect to promoting the common good and general welfare of the area included in the Zone by promoting, developing, encouraging and maintaining housing, educational facilities, employment, commerce and economic development in the area.

The Zone, located approximately 4 miles south of downtown Houston, covers portions of the Fourth Ward area and is devoted primarily to residential, commercial and business activities and includes other retail and business office developments. A nine-member board of directors governs the Authority. All of the Authority's Board Members are appointed by the City and by each taxing authority participating in the Zone.

B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Authority have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted primary standard-setting body for establishing governmental accounting and financial reporting principles. The Authority's significant accounting policies are described below.

1. Reporting Entity

Considerations regarding the potential for inclusion of other entities, organizations, or functions in the Authority'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 Authority 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 Authority's financial reporting entity status is that of a component unit are: that it does not have a separately elected governing body; and it is not fiscally independent of other state and local governments.

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For the Year Ended June 30, 2006

Based on criteria prescribed by accounting principles generally accepted in the United States of America, the Authority is considered a component unit of the City. The primary criterion for this is that of financial accountability. The City appoints voting Board Members and approves the Authority's budget.

2. Basis of Presentation

The government-wide financial statements (i.e. the statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the primary government. Under the Governmental Accounting Standards Board (GASB) Statement No. 34, the Authority qualifies as a special purpose government with one program. All activities of the Authority are considered governmental activities, as defined by GASB. GASB Statement No. 34 allows such entities to combine the presentation of the fund financial statements and the government-wide financial statements, rather than presenting separate statements. Adjustments are provided to reconcile the government-wide statements to the fund statements. Explanations for the reconciling items in the "Adjustments" column are provided in Notes D and E to the financial statements.

The Authority applies all applicable GASB pronouncements and all applicable Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, unless they conflict or contradict GASB pronouncements.

3. Measurement Focus and Basis of Accounting

Government-Wide Financial Statements

The statement of net assets and statement of activities display information about the Authority as a whole. The statement of net assets and statement of activities were prepared using the "economic resources measurement focus" and the "accrual basis of accounting." Revenues, expenditures, gains, losses, assets, and liabilities are recognized when the underlying transactions take place. Government-wide financial statements do not include fiduciary funds or component units that are fiduciary in nature.

Fund Financial Statements

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. Governmental fund financial statements are presented using "current financial resources measurement focus" and "modified accrual basis of accounting." With this measurement focus, only current assets and

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For the Year Ended June 30, 2006

current liabilities generally are included on the balance sheet. The operating statements of these funds present increases and decreases in net current assets. Under the modified accrual basis of accounting, revenues are recognized when they become susceptible to accrual -- that is, when they become both measurable and available to finance expenditures of the fiscal period. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The Authority considers all revenues as available if it is collected within 60 days after the year end. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. The only fund of the Authority is the General Fund.

4. Annual Financial Plan (Non-Appropriated Budget)

The Board of Directors adopts an annual budget for the General Fund. The budget must be submitted to the City of Houston for approval. The Board reviews the budget throughout the year as a means of controlling and enhancing the Authority's operating results. Encumbrance accounting is not used.

5. Property & Equipment

All property and equipment are capitalized and recorded at cost, if purchased, or at fair market value, if contributed, net of accumulated depreciation. Depreciation is recorded using the straight-line method over the estimated useful life of those assets. Costs of maintenance and repairs are charged to expense.

6. Use of Estimates

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

7. Fund Equity

Reserved equity balances represent those portions of fund balance not appropriate for expenditures or legally segregated for a specific future use. Designated fund balances represent tentative plans for future use of financial resources. Undesignated fund balances represent available balances for the Authority's future use.

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NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2006

8. Federal Income Tax Status

The Authority is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. The Internal Revenue Service, through its determination letter dated June 16, 2004, has confirmed the Authority's exempt status. Accordingly, income taxes are not provided for in the accompanying financial statements.

C. REINVESTMENT ZONE NUMBER FOURTEEN

On December 15, 1999, the City of Houston (the "City"), pursuant to a petition filed by the property owners of the area, and by City Ordinance No. 1999-565, created the Zone to promote redevelopment of the area under provisions of Chapter 311, Texas Tax Code. The Zone took effect June 9, 1999 and terminates December 31, 2029, or at an earlier date designated by subsequent ordinance or if all outstanding debt has been paid in full. Incremental ad valorem taxes on property located in the Zone are deposited into a "Tax Increment Fund" with the City. Pursuant to inter-local agreements, the City and Houston Independent School District (HISD) have agreed to contribute 100% of the tax increment generated in the Zone. These funds will be used to facilitate the revitalization of the Historic Fourth Ward area from a blighted and deteriorating neighborhood into a viable residential community with supporting commercial development. Chapter 311, Texas Tax Code requires that one-third of the tax increment be dedicated to the provision of affordable housing during the life of the Zone.

The City, on behalf of the Zone, will pay the Authority as of June 30th of each year, all monies in the Tax Increment Fund less administrative fees and any amount required to be remitted to HISD pursuant to the Inter-local agreement.

D. EXPLANATION OF DIFFERENCES BETWEEN GOVERNMENTAL FUND BALANCE SHEET AND THE STATEMENT OF NET ASSETS

Amounts reported for governmental activities in the statement of net assets differ from the amounts presented in the governmental funds due to the difference in focus of the two types of statements. Because the focus of governmental funds is on "current financial resources", some assets will not be available to pay for current period expenditures. The Statement of Net Assets include capital assets of \$637,881 and prepaid insurance of \$5,375 at the fiscal year end; whereas this amount is not included in the governmental fund as they are not current financial resources.

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NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2006

E. EXPLANATION OF DIFFERENCES BETWEEN GOVERNMENTAL FUND OPERATING STATEMENT AND THE STATEMENT OF ACTIVITY

Amounts reported in the statement of activities differ from the amounts presented in the general fund primarily due to the difference in the measurement focus. The main components of these differences are described below:

- (1) 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 and reported as depreciation expense. Depreciation for the current fiscal year was \$4,855.
- (2) Insurance expense of \$5,375 that was incurred for coverage subsequent to the fiscal year was recorded as prepaid expenditures in the Statement of Net Assets. Governmental funds report them as expenditures.

F. DEPOSITS AND INVESTMENTS

Custodial credit risk is the risk that in the event of a bank failure, the Authority's deposits may not be returned to it. The Authority does not have a deposit policy for custodial credit risk. As of June 30, 2006, the Authority was not exposed to custodial credit risk as bank balances of \$1,208,806 were insured with the Federal Depository Insurance Corporation limits of \$100,000 and additional collateral was provided by the bank.

Cash and cash equivalents also includes deposits of \$ 888,266 which the Authority has chosen to invest in the TexSTAR Cash Reserve Fund (the "*Fund*") within The Texas Short Term Asset Reserve Program ("*TexSTAR*"). TexSTAR is a local government investment pool organized under the authority of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and the Public Funds Investment Act, Chapter 2256 of the Texas Government Code. *TexSTAR* was created in April 2002 by contract among its participating governmental units and is governed by a board of directors ("*Board*"). JP Morgan Fleming Assets Management (USA), Inc. ("*JPMFAM*") and First Southwest Asset Management, Inc. ("*FSAM*") serve as co-administrators for *TexSTAR* under an agreement with the Board. JPMFAM provides investment management services, and FSAM provides participant services and marketing. JP Morgan Chase Bank and/or its subsidiary, JP Morgan Investor Services, Inc., provide custodial, transfer agency, fund accounting, and depository services. *TexSTAR* is subject to annual review by an independent auditor consistent with the Public Funds Investment Act and is currently rated AAAM by Standard and Poor's.

TexStar is specifically tailored to meet Texas state and local government investment objectives of preservation of principal, daily liquidity and competitive yield. The program

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For the Year Ended June 30, 2006

seeks to maintain a constant dollar objective and fulfills all requirements of the Texas Public Funds Investment Act for local government investment pools. .

Credit risk is the possibility that the issuer of a security will fail to make timely payments of interest or principal. To minimize credit risk, the TexSTAR investment policy restricts investment of the Fund portfolio into designated investments only. Further, specific diversification limitations govern investments of the Fund portfolio that are applied at the time of purchase.

Market risk is the potential for a decline in market value generally due to, but not limited exclusively to, rising interest rates. The Fund has low market risk primarily due to the restrictions on dollar weighted average maturity and maximum stated maturity for the Fund. The maximum dollar weighted average maturity of the Fund portfolio may not exceed sixty (60) days calculated in accordance with the Securities and Exchange Commission's Rule 2a7 of the Investment Company Act of 1940, or ninety (90) days based on the stated maturity of Fund investments. The maximum stated maturity for any obligation of the United States, its agencies or instrumentalities in the Fund portfolio is limited to 397 days for fixed rate securities and 24 months for variable rate notes. Also, the Fund seeks to maintain a net asset value of \$1.00 per unit and is designed to be used by participants for investment of funds that require daily liquidity availability.

G. CAPITAL ASSETS

Land held for development includes certain properties acquired pursuant to a grant agreement with Reinvestment Zone Number Two, City of Houston, Texas and Midtown Redevelopment Authority. These properties can only be used to provide affordable housing during the life of the Reinvestment Zone Number Two, City of Houston, Texas in accordance with Chapter 311, Texas Tax Code. The acquisition cost of properties held to provide affordable housing was \$340,000.

The following is a summary of furniture & fixtures balances as of June 30, 2006:

FIXED ASSETS

Furniture and fixtures	\$ 15,262
Less: Accumulated depreciation	<u>(14,481)</u>
Furniture and fixtures, net	<u><u>\$ 781</u></u>

Depreciation expense for the year ended June 30, 2006 was \$4,855.

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NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2006

H. OPERATING LEASES

The Authority leases administrative offices and office equipment under operating lease agreements. Rent expense under operating leases, including annually renewable operating leases amounted to \$13,992 in 2006.

I. CONTRACTS/COMMITMENTS

The Authority has entered into various contracts in the course of performing its duties. Following are the significant agreements:

Tri Party Agreement

In December 2000, an agreement between the City, the Zone and the Authority was approved by each entity and executed by each of the parties. This agreement sets forth the duties and responsibilities of each party. The Authority agrees to manage the affairs and activities of the Zone. It also has the authority to acquire and redevelop land and to issue bonds, notes or other obligations. The Authority is required to use all monies received from the Zone to pay principal and interest on any obligations and to pay administrative costs. The City and the Zone are required to establish a Tax Increment Fund and deposit into it appropriate tax increment revenues. During the fiscal year, the City contributed its share of tax increment of \$635,396 to the Zone. The Authority recorded this amount as revenue in the statement of activities in 2006.

Agreement with HISD

Houston Independent School District (“HISD”) entered into an inter-local agreement with the City of Houston and the Zone, as of February 2000, whereby HISD has agreed to contribute all the tax increments, subject to certain limitations contained in the agreement, produced in the Zone attributable to its taxing jurisdiction to the Zone. The Zone has agreed to acquire, construct or renovate certain facilities as approved in the Zone Project Plan.

Agreement with Midtown

In October 2003, Reinvestment Zone Number Two, Midtown Redevelopment Authority and the Authority entered into a grant agreement whereby Midtown Redevelopment Authority agreed to reimburse the Authority for certain property acquisitions that were to be held for affordable housing. Midtown reimbursed \$340,000 to the Authority for the purchase of such properties in fiscal year 2004.

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NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2006

Agreements with Consultants

The Authority has entered into agreements with various consultants to provide engineering and professional services.

J. TRANSACTIONS WITH RELATED PARTY

Office space leased by the Authority is owned by one of the board of directors of the Authority. Total lease rental paid for this office space in 2006 was \$10,800.

K. RISK MANAGEMENT

The Authority 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 and there were no settlements.

**SUPPLEMENTARY
INFORMATION**

FOURTH WARD REDEVELOPMENT AUTHORITY
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BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2006

	Original/ Final Budget	Actual (Budgetary Basis)	Variance with Budget Positive/ (Negative)
Budgetary Fund Balance, July 1	\$ 1,048,328	\$ 1,084,408	\$ 36,080
Resources (inflows):			
TIRZ Revenues	2,611,926	2,472,740	(139,186)
Other Incomes	1,045	18,440	17,395
Total Available Resources	3,661,299	3,575,588	(85,711)
Uses of Resources (outflows):			
Maintenance & Operations	233,500	114,923	118,577
Capital Expenditures	1,300,000	-	1,300,000
Other Interfund Transfers			
- HISD Educational Facilities	437,975	489,495	(51,520)
- COH Administrative Fee	63,431	58,441	4,990
- Affordable Housing Transfer to COH	870,642	821,918	48,724
Total Uses of Resources	2,905,548	1,484,777	1,420,771
Budgetary Fund Balance June 30	\$ 755,751	\$ 2,090,811	\$ 1,335,060

Explanation of Differences Between Budgetary Inflows and GAAP Revenues:

Sources/ Inflows of Resources	\$ 3,575,588
Differences - budget to GAAP:	
The fund balance at the beginning of the year is a budgetary resource but is not a current year revenue for financial reporting purposes.	(1,084,408)
Budget revenue include HISD educational facilities transfer by the City, City's administrative charges and affordable housing transfer to City, while general fund reports revenue net of transfer to HISD, City's administrative charges and affordable housing transfer to City.	(1,369,854)
Total revenue as reported on the statement of revenues, expenditures, and changes in fund balances-total government funds	\$ 1,121,326

Explanation of Differences Between Budgetary Outflows and GAAP Expenditures:

Uses/ Outflows of Resources	\$ 1,484,777
Differences - budget to GAAP:	
Budget expenditure include HISD educational facilities transfer by the City, City's administrative charges and affordable housing transfer to City, while general fund reports revenue net of transfer to HISD, City's administrative charges and affordable housing transfer to City.	(1,369,854)
Total expenditure as reported on the statement of revenues, expenditures, and changes in fund balances-total government funds	\$ 114,923

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SCHEDULE OF EXPENDITURES AS REQUIRED BY THE CITY OF HOUSTON
FOR THE YEAR ENDED JUNE 30, 2006
(Unaudited)

FY06 OPERATING EXPENSES

Category	Vendor	Budget	Actual Expenditure	Variance
TIRZ ADMINISTRATION AND OVERHEAD				
Administration (salary and benefits)	-	\$60,000	\$0	(\$60,000)
Contract Labor	Vanessa Sampson	0	60,000	60,000
	Morris Johnson	0	2,900	2,900
	John Taylor	0	400	400
Office Expenses	Various	40,000	28,228	(11,772)
Insurance	United National Insurance	13,500	7,515	(5,985)
Accounting	The Morton Associates	9,000	11,050	2,050
Auditor	McConnell & Jones LLP	5,000	4,800	(200)
Tax Consultant	-	0	0	0
Property account Management	-	6,000	0	(6,000)
Planning Consultant	-	0	0	0
Website Consultant	-	0	0	0
Financial Advisor	-	0	0	0
Subtotal		133,500	114,893	(18,607)
PROGRAM AND PROJECT CONSULTANTS				
Legal	-	50,000	0	(50,000)
Architect Consultants	-	0	0	0
Engineering Consultants	-	0	0	0
Project Management Consultants	-	50,000	0	(50,000)
Construction Audits	-	0	0	0
Other Professional Services	-	0	0	0
Subtotal		100,000	0	(100,000)
Total Management Consulting Services		\$233,500	\$114,893	(\$118,607)
2006 CAPITAL EXPENDITURES				
Category	Vendor	Budget	Actual Expenditure	Variance
Project 1: Historic Preservation & Property Acquisition				
Engineering Services	-	\$0	\$0	\$0
Architectural Services	-	0	0	0
Construction Management	-	0	0	0
Construction Costs	-	0	0	0
Other Professional Services	-	1,300,000	0	1,300,000
Land acquired for resale	-	0	0	0
Subtotal		1,300,000	0	1,300,000
Total Capital Expenditures		\$1,300,000	\$0	\$1,300,000

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SCHEDULE OF EXPENDITURES AS REQUIRED BY THE CITY OF HOUSTON
FOR THE YEAR ENDED JUNE 30, 2006
(Unaudited)

(Continued)

PROJECT PLAN RECONCILIATION

	Project Plan Amount	Expenditures to FY06	Variance
Non-Education Projects			
Storm & Sanitary Sewer general	\$3,189,100	\$0	(\$3,189,100)
Storm & Sanitary Sewer extensions	3,000,000	0	(3,000,000)
Paving/Street Reconstruction	4,118,500	0	(4,118,500)
Street Lights	934,000	0	(934,000)
Parks	1,501,000	0	(1,501,000)
Entry Features & Focal Points	256,000	0	(256,000)
Streetscapes	3,552,400	0	(3,552,400)
Demolition	846,000	0	(846,000)
Total Infrastructure Improvements	17,397,000	0	(17,397,000)
Historic Preservation & Property Acquisition	3,750,000	637,000	(3,113,000)
TIRZ Creation & management	0	0	0
Total Other Project Costs	3,750,000	637,000	(3,113,000)
Affordable Housing Improvements	32,900,000	0	(32,900,000)
Education Projects			
Education Facilities Improvements	15,300,000	0	(15,300,000)
Zone Administration / Operations	800,000	1,008,260	(208,260)
	\$70,147,000	\$1,645,260	(\$68,918,260)