

EAST END DISTRICT
HARRIS COUNTY, TEXAS
FINANCIAL REPORT
September 30, 2024

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McGRATH & CO., PLLC

Certified Public Accountants

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Houston, Texas 77092

Independent Auditor's Report

Board of Directors
East End District
Harris County, Texas

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of East End District (the "District"), as of and for the year ended September 30, 2024, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of East End District, as of September 30, 2024, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic

***Board of Directors
East End District
Harris County, Texas***

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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The Texas Supplementary Information schedules, as required by the Texas Commission on Environmental Quality, and Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic 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 basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Texas Supplementary Information schedules and the Schedule of Expenditures of Federal Awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 27, 2025, on our consideration of the District'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 solely 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 the effectiveness of the Authority's 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 the District's internal control over financial reporting and compliance.

W. G. Hatter & Co, P.C.

Houston, Texas
March 27, 2025

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Management's Discussion and Analysis

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***East End District
Management's Discussion and Analysis
September 30, 2024***

Using this Annual Report

Within this section of the financial report of East End District (the "District"), the District's Board of Directors provides a narrative discussion and analysis of the financial activities of the District for the fiscal year ended September 30, 2024. This analysis should be read in conjunction with the independent auditor's report and the basic financial statements that follow this section.

In addition to this discussion and analysis, this annual report consists of:

- The District's basic financial statements;
- Notes to the basic financial statements, which provide additional information essential to a full understanding of the data provided in the financial statements;
- Supplementary information required by the Governmental Accounting Standards Board (GASB) concerning the District's budget; and
- Other Texas supplementary information required by the District's state oversight agency, the Texas Commission on Environmental Quality (TCEQ).

Government-Wide Financial Statements

The focus of government-wide financial statements is on the overall financial position and activities of the District, both long-term and short-term. The District's government-wide financial statements consist of the *Statement of Net Position* and the *Statement of Activities*, which are prepared using the accrual basis of accounting. The *Statement of Net Position* includes all of the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources with the residual reported as net position. Over time, changes in net position may provide a useful indicator of whether the financial position of the District as a whole is improving or deteriorating.

Accounting standards establish three components of net position. The net investment in capital assets component represents the District's investments in capital assets, less any outstanding debt or other borrowings used to acquire those assets. Resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. The restricted component of net position consists of financial resources that are restricted for a specific purpose by enabling legislation or external parties. The unrestricted component of net position represents resources not included in the other components. Evaluation of the overall health of the District would extend to other non-financial factors. There are many factors that contribute to the financial position of the District. Some of those factors include 1) Timing of grant fund disbursements or reimbursements, 2) Board-approved allocation of reserve funds for capital projects, and 3) Increases or decreases in property values.

The *Statement of Activities* reports how the District's net position has changed during the fiscal year. All revenues and expenses are included on this statement, regardless of whether cash has been received or paid.

***East End District
Management's Discussion and Analysis
September 30, 2024***

Fund Financial Statements

The fund financial statements include the *Governmental Funds Balance Sheet* and the *Governmental Funds Revenues, Expenditures and Changes in Fund Balances*. The focus of fund financial statements is on specific activities of the District rather than the District as a whole, reported using modified accrual accounting. These statements report on the District's use of available financial resources and the balances of available financial resources at the end of the year. Except for the General Fund, a specific fund is established to satisfy managerial control over resources or to satisfy finance-related legal requirements established by external parties, governmental statutes or regulations.

For further discussion on the government-wide and fund financial statements, please refer to Note 1 in the financial statements.

Financial Analysis of the District as a Whole

The District's net position at September 30, 2024, was \$11,907,384. A portion of the District's net position reflects its net investment in capital assets (e.g. public art, furniture and fixtures, vehicles, equipment, right-to-use lease assets, and land improvements). A comparative summary of the District's overall financial position, as of September 30, 2024 and 2023, is as follows:

	2024	2023
Current and other assets	\$ 5,122,506	\$ 4,056,335
Capital assets	8,925,450	4,338,492
Total assets	<u>14,047,956</u>	<u>8,394,827</u>
Current Liabilities	523,305	465,346
Long-Term Liabilities	1,617,267	1,791,176
Total Liabilities	<u>2,140,572</u>	<u>2,256,522</u>
Net Position		
Net Investment in Capital Assets	7,134,274	2,377,298
Restricted		15,903
Unrestricted	4,773,110	3,745,104
Total Net Position	<u>\$ 11,907,384</u>	<u>\$ 6,138,305</u>

***East End District
Management's Discussion and Analysis
September 30, 2024***

The total net position of the District increased during the current fiscal year by \$5,769,079. A comparative summary of the District's *Statement of Activities* for the past two fiscal years is as follows:

	2024	2023
Revenues		
Assessment Revenues	\$ 4,241,610	\$ 3,695,862
Federal Grant Revenues	5,396,916	579,761
Contract Revenue	651,840	619,050
Graffiti Revenue	654,877	613,734
Sponsorships, Contributions and Local Grants	588,460	228,298
East End Street Market	70,065	90,973
Penalty and Interest	89,718	71,850
Rent Revenues	5,733	8,442
Investment Revenues	163,857	28,907
Other Revenues	21,304	55,820
Total Revenues	<u>11,884,380</u>	<u>5,992,697</u>
Expenses		
Service Operations	5,392,582	6,081,855
Lease - Interest	150,778	118,945
Depreciation and Amortization	571,941	479,275
Total Expenses	<u>6,115,301</u>	<u>6,680,075</u>
Change in Net Position	5,769,079	(687,378)
Net Position, Beginning of Year	6,138,305	6,825,683
Net Position, End of Year	<u>\$ 11,907,384</u>	<u>\$ 6,138,305</u>

Financial Analysis of the District's Funds

The District's combined fund balances, as of September 30, 2024, were \$4,147,256, which consists of \$3,677,721 in the General Fund and \$469,535 in the Special Revenue Fund.

General Fund

A comparative summary of the General Fund's financial position as of September 30, 2024 and 2023, is as follows:

	2024	2023
Total Assets	<u>\$ 4,445,602</u>	<u>\$ 3,782,974</u>
Total Liabilities	\$ 342,027	\$ 295,328
Total Deferred Inflows	425,854	320,571
Total Fund Balance	<u>3,677,721</u>	<u>3,167,075</u>
Total Liabilities, Deferred Inflows and Fund Balance	<u>\$ 4,445,602</u>	<u>\$ 3,782,974</u>

***East End District
Management's Discussion and Analysis
September 30, 2024***

A comparative summary of the General Fund's activities for the current and prior fiscal year is as follows:

	2024	2023
Total Revenues	\$ 11,190,424	\$ 5,672,494
Total Expenditures	(10,586,035)	(6,505,063)
Revenues Over/(Under) Expenditures	604,389	(832,569)
Other Changes in Fund Balance	(93,743)	438,859
Net Change in Fund Balance	\$ 510,646	\$ (393,710)

The District manages its activities with the objectives of ensuring that expenditures will be adequately covered by revenues each year and that an adequate fund balance is maintained. The District's primary financial resources in the General Fund are from an assessment levy, grants, the graffiti abatement program, and contract revenues. Financial resources are influenced by a variety of factors each year:

- Assessment revenues are dependent upon assessed values in the District and the assessment rate set by the District. The District funded the majority of its programs with revenue generated by an assessment on commercial properties within the boundaries of its service area at a rate of \$0.15 per \$100 of assessed valuation. Assessment revenues increased from prior year because assessed values increased from prior year.
- Grants are dependent upon the District's improvement expenditures, grant fund disbursements or reimbursements.
- The graffiti program of the local government corporation remained constant during the current year. The District is currently maintaining existing contracts for eighteen special districts and the City of Houston.
- Contract revenues consist of funds transferred into the General Fund for payment of security contracts with the Precinct Six Constable's Office of Harris County. The contract revenues for the current year included monies paid by the District for services for five deputies and one sergeant; Gulfgate Partners, L.P. for six deputies; and East Downtown Management District for one deputy.

Special Revenue Fund

The Special Revenue Fund is used to account for the operations of the East End Improvement Corporation (the "EEIC"), a component unit of the District. A comparative summary of the Special Revenue Fund's financial position as of September 30, 2024 and 2023, is as follows:

	2024	2023
Total Assets	\$ 676,904	\$ 273,361
Total Liabilities	\$ 7,369	\$ -
Total Deferred Inflows	200,000	
Total Fund Balance	469,535	273,361
Total Liabilities, Deferred Inflows and Fund Balance	\$ 676,904	\$ 273,361

***East End District
Management's Discussion and Analysis
September 30, 2024***

A comparative summary of activities for the Special Revenue Fund's current and prior fiscal year is as follows

	2024	2023
Total Revenues	\$ 388,673	\$ 127,876
Total Expenditures	(286,242)	(478,277)
Revenues Over/(Under) Expenditures	102,431	(350,401)
Other Changes in Fund Balance	93,743	140,175
Net Change in Fund Balance	\$ 196,174	\$ (210,226)

Revenues in the Special Revenue Fund primarily consist of contributions, sponsorships and grants, which fluctuate from year to year.

General Fund Budgetary Highlights

The Board of Directors adopts an annual unappropriated budget for the General Fund prior to the beginning of each fiscal year. The Board did not amend the budget during the fiscal year.

Since the District's budget is primarily a planning tool, actual results varied from the budgeted amounts. Actual net change in fund balance was \$485,746 greater than budgeted. The *Budgetary Comparison Schedule* on page 38 of this report provides variance information per financial statement line item.

***East End District
Management's Discussion and Analysis
September 30, 2024***

Capital Assets

Capital assets held by the District at September 30, 2024 and 2023, are summarized as follows:

	2024	2023
Capital assets not being depreciated		
Public Art	\$ 4,600	\$ 4,600
Capital assets being depreciated/amortized		
Furniture and Fixtures	134,277	132,309
Vehicles	477,224	474,892
Equipment	565,048	450,511
Leasehold Improvements	31,874	20,604
Land Improvements	4,129,086	4,092,000
Right to Use Leased Assets	7,116,506	2,124,800
	<u>12,454,015</u>	<u>7,295,116</u>
Less accumulated depreciation/amortization		
Furniture and Fixtures	(101,967)	(93,157)
Vehicles	(424,279)	(393,153)
Equipment	(231,480)	(175,687)
Leasehold Improvements	(7,531)	(6,625)
Land Improvements	(2,113,117)	(1,911,338)
Right to Use Leased Assets	(654,791)	(381,264)
	<u>(3,533,165)</u>	<u>(2,961,224)</u>
Depreciable capital assets, net	<u>8,920,850</u>	<u>4,333,892</u>
Capital assets, net	<u>\$ 8,925,450</u>	<u>\$ 4,338,492</u>

Capital asset additions during the current fiscal year include the following:

- Right to use leased asset for parking garage lease
- Canopy and turf for Navigation esplanade
- Computer equipment
- Security cameras

Lease Obligations

The District has entered into various lease obligations for office and warehouse spaces. The District recognized right-to-use leased assets and lease obligations in the amount of \$2,124,800 for these leases. The balance due for the leases as of September 30, 2024, was \$1,791,176.

***East End District
Management's Discussion and Analysis
September 30, 2024***

Next Year's Budget

In establishing the budget for the next fiscal year, the Board considered various economic factors that may affect the District, most notably projected grant revenues and the projected costs of grant funded projects and other operations of the District. A comparison of next fiscal year's budget to current fiscal year actual amounts for the General Fund is as follows:

	2024 Actual	2025 Budget
Total Revenues	\$ 11,190,424	\$ 7,978,448
Total Expenditures	(10,586,035)	(9,232,634)
Revenues Over/(Under) Expenditures	604,389	(1,254,186)
Other Changes in Fund Balance	(93,743)	
Net Change in Fund Balance	510,646	(1,254,186)
Beginning Fund Balance	3,167,075	3,677,721
Ending Fund Balance	\$ 3,677,721	\$ 2,423,535

Requests for Information

This financial report is designed to provide a general overview of the District's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to East End District, P.O. Box 230099, Houston, Texas 77223 or call 713-928-9916. The District's website address is www.EastEndDistrict.com.

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Basic Financial Statements

East End District
Statement of Net Position - Governmental Activities
September 30, 2024

Assets

Cash	\$ 1,815,798
Investments	2,235,186
Receivables	
Assessments	425,854
Grant Revenue	480,399
Other	49,443
Prepaid Items	115,826
Capital Assets not being depreciated	4,600
Capital Assets, net	8,920,850
Total Assets	<u>14,047,956</u>

Liabilities

Accounts Payable	189,528
Security Deposits	3,700
Other Payables	76,435
Unearned Contract Revenues	49,640
Compensated Absences Payable	30,093
Obligations Under Leases	
Due Within One Year	173,909
Due After One Year	1,617,267
Total Liabilities	<u>2,140,572</u>

Net Position

Net Investment in Capital Assets	7,134,274
Unrestricted	4,773,110
Total Net Position	<u>\$ 11,907,384</u>

See notes to basic financial statements.

East End District
Statement of Activities - Governmental Activities
For the Year Ended September 30, 2024

Revenues

Assessment Revenues	\$ 4,241,610
Federal Grant Revenues	5,396,916
Contract Revenue	651,840
Graffiti Revenue	654,877
Sponsorships, Contributions and Local Grants	588,460
East End Street Market	70,065
Penalty and Interest	89,718
Rent Revenues	5,733
Investment Revenues	163,857
Other Revenues	21,304
Total Revenues	<u>11,884,380</u>

Expenses

Service Operations	
Security and Public Safety	1,900,549
Marketing and Perception Enhancement	479,504
Visual and Infrastructure Improvement and Services	886,322
Workforce Training	51,904
Program Support	1,532,239
Livable Center	542,064
Lease Obligations	
Lease - Interest	150,778
Depreciation and Amortization	571,941
Total Expenses	<u>6,115,301</u>

Change in Net Position 5,769,079

Net Position

Beginning of the Year	6,138,305
End of the Year	<u><u>\$ 11,907,384</u></u>

See notes to basic financial statements.

East End District
Balance Sheet - Governmental Funds
September 30, 2024

	General Fund	Special Revenue Fund	Total
Assets			
Cash	\$ 1,422,500	\$ 393,298	\$ 1,815,798
Investments	2,235,186		2,235,186
Receivables			
Assessments	425,854		425,854
Grants	254,493	225,906	480,399
Other	49,443		49,443
Internal Balances	(57,700)	57,700	
Prepaid Items	115,826		115,826
Total Assets	<u>\$ 4,445,602</u>	<u>\$ 676,904</u>	<u>\$ 5,122,506</u>
Liabilities			
Accounts Payable	\$ 189,528	\$ -	\$ 189,528
Security Deposits	3,700		3,700
Other Payables	69,066	7,369	76,435
Unearned Contract Revenues	49,640		49,640
Compensated Absences Payable	30,093		30,093
Total Liabilities	<u>342,027</u>	<u>7,369</u>	<u>349,396</u>
Deferred Inflows of Resources			
Assessments	425,854		425,854
Local Grants		200,000	200,000
	<u>425,854</u>	<u>200,000</u>	<u>625,854</u>
Fund Balances			
Nonspendable - Prepaid costs	115,826		115,826
Committed:			-
Capital Improvement Projects	783,618		783,618
Special Revenue Fund		469,535	469,535
Assigned:			
Budget Stabilization Fund	295,073		295,073
Contingency Reserve	318,301		318,301
Designated for Future Capital Improvements	691,528		691,528
Vehicle Replacement Fund	65,000		65,000
Capital Asset Replacement Fund	70,000		70,000
Unassigned	1,338,375		1,338,375
Total Fund Balances	<u>3,677,721</u>	<u>469,535</u>	<u>4,147,256</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 4,445,602</u>	<u>\$ 676,904</u>	<u>\$ 5,122,506</u>

See notes to basic financial statements.

East End District

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position

September 30, 2024

Total Fund Balances, Governmental Funds	\$	4,147,256
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Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.

Historical cost	\$	12,458,615	
Less accumulated depreciation/amortization		<u>(3,533,165)</u>	
			8,925,450

Obligations under leases are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	(1,791,176)
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Deferred inflows in the fund statements consist of receivables that are not available to pay current period expenditures. These amounts are included in revenues in the government-wide statements.

Assessments	425,854	
Local Grants	<u>200,000</u>	
		625,854

Total Net Position - Governmental Activities	<u>\$</u>	<u>11,907,384</u>
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See notes to basic financial statements.

East End District***Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds******For the Year Ended September 30, 2024***

	General Fund	Special Revenue Fund	Total
Revenues			
Assessment Revenues	\$ 4,157,727	\$ -	\$ 4,157,727
Federal Grant Revenues	5,396,916		5,396,916
Contract Revenue	651,840		651,840
Graffiti Revenue	654,877		654,877
Sponsorships, Contributions and Local Grants		388,460	388,460
East End Street Market	70,065		70,065
Penalty and Interest	68,318		68,318
Rent Revenues	5,733		5,733
Investment Revenues	163,644	213	163,857
Other Revenues	21,304		21,304
Total Revenues	11,190,424	388,673	11,579,097
Expenditures			
Service Operations			
Security and Public Safety	1,900,549		1,900,549
Marketing and Perception Enhancement	394,362	85,142	479,504
Visual and Infrastructure Improvement and Services	886,322		886,322
Workforce Training	51,904		51,904
Program Support	1,331,139	201,100	1,532,239
Livable Center	542,064		542,064
Capital			
Capital Outlay	167,193		167,193
Right-to-use Leased Asset	4,991,706		4,991,706
Lease Obligations			
Principal	170,018		170,018
Interest	150,778		150,778
Total Expenditures	10,586,035	286,242	10,872,277
Revenues Over Expenditures	604,389	102,431	706,820
Other Financing Sources/(Uses)			
Internal Transfers	(93,743)	93,743	
Net Change in Fund Balances	510,646	196,174	706,820
Fund Balances			
Beginning of the year	3,167,075	273,361	3,440,436
End of the year	<u>\$ 3,677,721</u>	<u>\$ 469,535</u>	<u>\$ 4,147,256</u>

See notes to basic financial statements.

East End District

**Reconciliation of the *Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances* to the *Statement of Activities*
September 30, 2024**

Net Change in Fund Balances - Governmental Funds	\$	706,820
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Governmental funds do not report revenues that are not available to pay current obligations. In contrast, such revenues are reported in the *Statement of Activities* when earned. The difference is for the following:

Assessments	\$	105,283	
Local Grants		<u>200,000</u>	
			305,283

Financial reporting for capital assets varies significantly between the fund statements and the government wide statements. Reporting at the fund level focuses on the impact of transactions on financial resources (i.e., cash), while reporting at the government level seeks to allocate the cost of the acquisition of capital assets over their useful lives and to measure the economic impact of developer financing of capital assets used by the District. Differences during the current year are for the following:

Capital outlays		5,158,899	
Depreciation/amortization expense		<u>(571,941)</u>	
			4,586,958

Financial reporting for certain obligations varies between the fund statements and the government wide statements. At the fund level, the focus is on increases and decreases of financial resources as debt is issued and repaid. At the government wide level, the focus is on measuring and reporting on changes in the District's obligation to repay liabilities in the future. Differences during the current year are for the principal payments of the long-term lease liability.

170,018

Change in Net Position of Governmental Activities	\$	<u><u>5,769,079</u></u>
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See notes to basic financial statements.

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Note 1 – Summary of Significant Accounting Policies

The accounting policies of East End District (the “District”) conform with accounting principles generally accepted in the United States of America as promulgated by the Governmental Accounting Standards Board (“GASB”). In addition, the accounting records of the District are maintained generally in accordance with the Water District Financial Management Guide published by the Texas Commission on Environmental Quality (the “Commission”). The following is a summary of the most significant policies:

Creation

East End District (the “District”), a municipal management district over the City of Houston’s (the “City”) greater east end area, was created by the State of Texas on April 16, 1999, as a body politic and corporate, and a governmental agency of the State of Texas. A fifteen-member Board of Directors operates the District. The name of the District was changed from Greater East End Management District to East End District effective June 28, 2018.

The District’s five main areas of operation include security and public safety; marketing and perception enhancement; visual and infrastructure improvements and services; workforce training; and administration of the District. All programs are under a ten-year service plan for the east end area revitalization. Security and Public Safety includes a law enforcement security patrol in partnership with public and private entities and a graffiti abatement program. Marketing and perception are accomplished through branding and marketing Houston’s East End as an economically viable place to work, live and recreate. Visual and infrastructure improvements are realized with litter clean up and street enhancement projects, including the Livable Centers initiative, which will bring improvements to the pedestrian environment that address mobility, access to transportation, and public safety. Workforce Development includes education and training for East End workers and residents.

Reporting Entity

The District is a political subdivision of the State of Texas governed by a fifteen-member Board of Directors appointed by the City. The GASB has established the criteria for determining the reporting entity for financial statement reporting purposes. To qualify as a primary government, a government must have a separately elected governing body, be legally separate, and be fiscally independent of other governments. Since the District does not have an elected governing body, it is not a primary government. A component unit is a legally separate government for which the elected officials of a primary government are financially accountable. The criteria used to determine financial accountability is whether the primary government appoints a voting majority of the component unit’s governing body and (1) is able to impose its will on the component unit or (2) the component unit creates a financial benefit/burden for the primary government. While the City concurs with appointments of Directors to the District’s Board, it has no ability to refuse a District appointment and no further financial accountability for the District. Under these criteria, the District is not a component unit of the City or any other governmental entity. Additionally, a stand-alone government is an entity that does not have a separately elected governing body and is not a component unit of another government. For financial reporting purposes, the District is a stand-alone government.

East End District
Notes to Financial Statements
September 30, 2024

The District's financial reporting entity includes the East End Improvement Corporation (the "EEIC") which was created by the District under the provisions of the Texas Transportation Code and incorporated in the State of Texas on October 28, 2002, as a public, non-profit, local government corporation. EEIC is governed by a three-member board of directors appointed by the District's Board. EEIC currently supplements the District's cultural programs and is the operator of a website for the East End area. Although EEIC is a legally separate entity, in substance it is part of the District's operations and is included in the District's reporting entity as a blended component unit.

Government-Wide and Fund Financial Statements

Government-wide financial statements display information about the District as a whole. These statements focus on the sustainability of the District as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. Interfund activity, if any, has been removed from these statements. These aggregated statements consist of the *Statement of Net Position* and the *Statement of Activities*. The EEIC is included with the District in these statements.

Fund financial statements display information at the individual fund level. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for a specific purpose. Each fund is considered to be a separate accounting entity. Most governments typically have many funds; however, governmental financial statements focus on the most important or "major" funds with non-major funds aggregated in a single column. The District has two governmental funds, which includes the EEIC as a Special Revenue Fund. Both funds are considered major funds.

The following is a description of the various funds used by the District:

- The General Fund is used to account for the operations of the District's five main areas and all other financial transactions not reported in other funds. The principal sources of revenue are assessments, grants and contract revenue. Expenditures include costs associated with the daily operations of the District.
- The Special Revenue Fund is used to account for the EEIC. The revenues received from contributions and sponsorships are committed to expend for cultural activities and marketing.

Measurement Focus and Basis of Accounting

The government-wide financial statements use the economic resources measurement focus and the full accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Assessments are recognized as revenue in the year for which they are levied.

The fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized in the accounting period in which it becomes both available and measurable to finance expenditures of the current period. For this purpose, the government considers revenues to be available if they are collected within sixty days of the end of the current fiscal period. Revenues susceptible to accrual include assessments, grant revenues, Sponsorships and contributions and income from District operations. Assessments receivable and Sponsorship and contributions at the end of the fiscal year are treated as deferred

East End District
Notes to Financial Statements
September 30, 2024

inflows because they are not considered available to pay liabilities of the current period. Expenditures are recognized in the accounting period in which the liability is incurred, if measurable.

Use of Restricted Resources

When both restricted and unrestricted resources are available for use, the District uses restricted resources first, then unrestricted resources as they are needed.

Prepaid Items

Certain payments made by the District reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements.

Receivables

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. Receivables from and payables to external parties are reported separately and are not offset, unless a legal right of offset exists. At September 30, 2024, an allowance for uncollectible accounts was not considered necessary.

Interfund Activity

During the course of operations, transactions occur between individual funds. This can include internal transfers, payables and receivables. This activity is combined as internal balances and is eliminated in both the government-wide and fund financial statement presentation.

Capital Assets

Capital assets do not provide financial resources at the fund level, and, therefore, are reported only in the government-wide statements. The District defines capital assets as assets with an initial cost that exceeds the capitalization threshold for the asset class and an estimated useful life in excess of one year. Capital assets that individually are below the capitalization threshold but, in the aggregate, are above the threshold are capitalized. Subsequent replacements of these assets that do not exceed the threshold are not capitalized. The District's capitalization threshold for capital assets is \$500.

Capital assets are recorded at historical cost or estimated historical cost. Right-to-use leased assets are valued at the present value of lease payments. Donated capital assets are recorded at acquisition value, which is the price that would be paid to acquire the asset on the acquisition date. The District has not capitalized interest incurred during the construction of its capital assets. The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized.

East End District
Notes to Financial Statements
September 30, 2024

Depreciable capital assets, which primarily consist of land improvements and right-to-use leased assets, are depreciated (or amortized in the case of intangible assets) using the straight-line method as follows:

<u>Assets</u>	<u>Useful Life</u>
Vehicles	5 years
Leasehold improvements	39 years
Equipment	3-5 years
Furniture	5 years
Land improvements	10-30 years
Right-to-use leased assets	Lease term

Deferred Inflows and Outflows of Financial Resources

A deferred inflow of financial resources is the acquisition of resources in one period that is applicable to a future period, while a deferred outflow of financial resources is the consumption of financial resources in one period that is applicable to a future period. A deferred inflow results from the acquisition of an asset without a corresponding revenue or assumption of a liability. A deferred outflow results from the use of an asset without a corresponding expenditure or reduction of a liability.

At the fund level, assessment receivable and sponsorships and contributions that are not collected within 60 days of fiscal year end do not meet the availability criteria required for revenue recognition and are recorded as deferred inflows of financial resources.

Net Position – Governmental Activities

Governmental accounting standards establish the following three components of net position:

Net investment in capital assets – represents the District’s investments in capital assets, less any outstanding debt or other borrowings used to acquire those assets.

Restricted – consists of financial resources that are restricted for a specific purpose by enabling legislation or external parties.

Unrestricted – resources not included in the other components.

Fund Balances – Governmental Funds

Governmental accounting standards establish the following fund balance classifications:

Nonspendable – 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 District’s nonspendable fund balance consists of prepaid items.

Restricted – amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors,

East End District
Notes to Financial Statements
September 30, 2024

contributors, or the laws or regulations of other governments. The District's does not have any restricted fund balances.

Committed – amounts that can be used only for specific purposes determined by a formal action of the Board of Directors. The Board is the highest level of decision-making authority for the District. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the Board. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements. The District's committed fund balances consist of amounts restricted for capital improvement projects and unrestricted balances in the Special Revenue Fund. The District committed \$783,618 for capital improvement projects.

Assigned – amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. The District has assigned funds in the amounts of \$295,073, \$318,301, \$691,528, \$65,000 and \$70,000 for budget stabilization, contingency reserve, designation for future capital improvement, vehicle replacement, and capital asset replacement, respectively.

Unassigned – all other spendable amounts in the General Fund.

When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds.

Compensated Employee Absences

Compensated employee absences, which include vacation and sick leave, are accrued by employees when earned. The rate at which an employee earns benefits will vary depending upon their employment status and years employed with the District; employees can earn between 96 and 216 hours per year. Employees are eligible for personal leave upon employment; however, only a maximum of 48 hours may be taken during the first six (6) months of employment. On December 31 of each year, an employee may carry over up to 40 hours of vacation to the next calendar year; additional carry-over days require the approval of the president. Unused personal leave over the 40 hours carried over is not reimbursed to the employee. Upon termination, unused personal leave is reimbursed to the employee only if the employee voluntarily leaves on their own and gives a two - week notice.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and revenues and expenses/expenditures during the period reported. These estimates include, among others, the collectability of receivables and the useful lives and impairment of capital assets. Estimates and assumptions are reviewed periodically, and the effects of revisions are reflected in the financial

East End District
Notes to Financial Statements
September 30, 2024

statements in the period they are determined to be necessary. Actual results could differ from the estimates.

Note 2 – Deposits and Investments

Deposit Custodial Credit Risk

Custodial credit risk as it applies to deposits (i.e. cash) is the risk that, in the event of the failure of the depository institution, a government will not be able to recover its deposits or will not be able to recover collateral securities. The *Public Funds Collateral Act* (Chapter 2257, Texas Government Code) requires that all of the District's deposits with financial institutions be covered by federal depository insurance and, if necessary, pledged collateral held by a third-party custodian. The act further specifies the types of securities that can be used as collateral. The District's written investment policy establishes additional requirements for collateralization of deposits.

Investments

The District is authorized by the *Public Funds Investment Act* (Chapter 2256, Texas Government Code) to invest in the following: (1) obligations, including letters of credit, of the United States or its agencies and instrumentalities, including Federal Home Loan Banks, (2) direct obligations of the State of Texas or its agencies and instrumentalities, (3) certain collateralized mortgage obligations, (4) other obligations, which are unconditionally guaranteed or insured by the State of Texas or the United States or its agencies or instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation or by the explicit full faith and credit of the United States, (5) certain A rated or higher obligations of states and political subdivisions of any state, (6) bonds issued, assumed or guaranteed by the State of Israel, (7) certain insured or collateralized certificates of deposit and share certificates, (8) certain fully collateralized repurchase agreements, (9) bankers' acceptances with limitations, (10) commercial paper rated A-1 or P-1 or higher and a maturity of 270 days or less, (11) no-load money market mutual funds and no-load mutual funds, with limitations, (12) certain guaranteed investment contracts, (13) certain qualified governmental investment pools and (14) a qualified securities lending program.

The District has adopted a written investment policy to establish the principles by which the District's investment program should be managed. This policy further restricts the types of investments in which the District may invest.

As of September 30, 2024, the District's investments consist of the following:

<u>Type</u>	<u>Fund</u>	<u>Carrying Value</u>	<u>Percentage of Total</u>	<u>Rating</u>	<u>Weighted Average Maturity</u>
TexPool	General	\$ 2,235,186	100%	AAAm	26 days

East End District
Notes to Financial Statements
September 30, 2024

TexPool

The District participates in TexPool, the Texas Local Government Investment Pool. The State Comptroller of Public Accounts exercises oversight responsibility of TexPool, which includes (1) the ability to significantly influence operations, (2) designation of management and (3) accountability for fiscal matters. Additionally, the State Comptroller has established an advisory board composed of both participants in TexPool and other persons who do not have a business relationship with TexPool. The Advisory Board members review the investment policy and management fee structure.

As permitted by GAAP, TexPool uses amortized cost (which excludes unrealized gains and losses) rather than market value to compute share price and seeks to maintain a constant dollar value per share. Accordingly, the fair value of the District's position in TexPool is the same as the value of TexPool shares. Investments in TexPool may be withdrawn on a same day basis, as long as the transaction is executed by 3:30 p.m.

Investment Credit and Interest Rate Risk

Investment credit risk is the risk that the investor may not recover the value of an investment from the issuer, while interest rate risk is the risk that the value of an investment will be adversely affected by changes in interest rates. The District's investment policies do not address investment credit and interest rate risk beyond the rating and maturity restrictions established by state statutes.

Note 3 – Interfund Balances and Transactions

Amounts due to/from other funds at September 30, 2024, consist of the following:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amounts</u>	<u>Purpose</u>
Special Revenue Fund	General Fund	\$ 57,700	Pledged funds by the General Fund for workforce development costs

Amounts reported as internal balances between funds are considered temporary balances and will be paid during the following fiscal year.

A summary of internal transfers for the current fiscal year is as follows:

<u>Transfers Out</u>	<u>Transfers In</u>	<u>Amounts</u>	<u>Purpose</u>
General Fund	Special Revenue Fund	\$ 93,743	Workforce development and program support expenses paid by General Fund

East End District
Notes to Financial Statements
September 30, 2024

Note 4 – Capital Assets

A summary of changes in capital assets, for the year ended September 30, 2024, is as follows:

	Beginning Balances	Additions	Ending Balances
Capital assets not being depreciated			
Public Art	\$ 4,600	\$ -	\$ 4,600
Capital assets being depreciated/amortized			
Furniture and Fixtures	132,309	1,968	134,277
Vehicles	474,892	2,332	477,224
Equipment	450,511	114,537	565,048
Leasehold Improvements	20,604	11,270	31,874
Land Improvements	4,092,000	37,086	4,129,086
Right to Use Leased Assets	2,124,800	4,991,706	7,116,506
	<u>7,295,116</u>	<u>5,158,899</u>	<u>12,454,015</u>
Less accumulated depreciation/amortization			
Furniture and Fixtures	(93,157)	(8,810)	(101,967)
Vehicles	(393,153)	(31,126)	(424,279)
Equipment	(175,687)	(55,793)	(231,480)
Leasehold Improvements	(6,625)	(906)	(7,531)
Land Improvements	(1,911,338)	(201,779)	(2,113,117)
Right to Use Leased Assets	<u>(381,264)</u>	<u>(273,527)</u>	<u>(654,791)</u>
	<u>(2,961,224)</u>	<u>(571,941)</u>	<u>(3,533,165)</u>
Subtotal depreciable capital assets, net	<u>4,333,892</u>	<u>4,586,958</u>	<u>8,920,850</u>
Capital assets, net	<u>\$ 4,338,492</u>	<u>\$ 4,586,958</u>	<u>\$ 8,925,450</u>

Depreciation/amortization expense for the current fiscal year was \$571,941.

Note 5 – Lease Obligations

The District has entered into multiple equipment lease agreements for office and warehouse spaces. The terms of certain of these leases resulted in the recognition of right-to-use leased assets and lease obligations in the government-wide statements measured at the present value of future lease payments.

East End District
Notes to Financial Statements
September 30, 2024

The following table summarizes the key terms of the District's lease obligations:

Description	Effective Date	Term (Years)	Interest Rate	Annual Payment	Original Liability	Remaining Balance
Office space*	7/1/2020	10	8.0%	\$ 216,000	\$ 1,471,664	\$ 1,238,980
Commercial warehouse	2/1/2020	5	8.0%	26,666	74,105	9,016
Office and warehouse	9/1/2023	10	8.0%	78,130	579,034	543,180
				<u>\$ 320,796</u>	<u>\$ 2,124,803</u>	<u>\$ 1,791,176</u>

*Annual payment rate increases every July 1st. Rate reflected is the rate as of fiscal year ended September 30, 2024.

Annual requirements to amortize long-term lease obligations and related interest are as follows:

Year Ended	Principal	Interest	Total
2025	\$ 173,909	\$ 136,948	\$ 310,857
2026	206,616	122,142	328,758
2027	256,609	103,806	360,415
2028	303,202	81,371	384,573
2029	330,095	56,143	386,238
2030 - 2033	520,745	58,952	579,697
	<u>\$ 1,791,176</u>	<u>\$ 559,362</u>	<u>\$ 2,350,538</u>
Due within one year	<u>\$ 173,909</u>	<u>\$ 136,948</u>	<u>\$ 310,857</u>

The allocation of lease payments between principal and interest for the current fiscal year is as follows:

Description	Annual Payment	Principal	Interest
Office space	\$ 216,000	\$ 111,970	\$ 104,030
Commercial warehouse	26,666	24,834	1,832
Office and warehouse	78,130	33,214	44,916
Totals	<u>\$ 320,796</u>	<u>\$ 170,018</u>	<u>\$ 150,778</u>

Note 6 – Annual Property Assessment

In accordance with Chapter 3807, Texas Special Districts Local Laws Code, the District may levy ad valorem taxes, assessments, or impact fees in accordance with Chapter 375, Texas Local Government Code, to provide improvements and services for a project or activity the District is authorized to acquire, construct, improve, or provide under this Act.

On September 30, 2004, the District approved the Greater East End Management District Service Plan (the "Plan"). The Plan authorized levying an annual assessment which would assure sufficient funding for the services provided under the ten (10) year term of the Plan. In 2014, the District

East End District
Notes to Financial Statements
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renewed the Plan for ten more years following a public hearing of the District. The Plan provides for a maximum annual assessment rate of no more than \$0.15 per \$100 of assessed value of land and improvements within the District.

For the 2023 tax year, the District levied an assessment of \$0.15 per \$100 of assessed values, which resulted in an assessment of \$4,287,889 on the adjusted taxable valuation of \$2,862,834,880. The General Fund recorded total revenue of \$4,157,727 in the current fiscal year for 2023 and prior assessments collected during the fiscal year ending September 30, 2024.

Assessment receivable, at September 30, 2024, consisted of the following:

Current year assessment receivable	\$ 196,799
Prior years assessments receivable	118,073
	<u>314,872</u>
Penalty and interest receivable	110,982
Assessments receivable	<u><u>\$ 425,854</u></u>

The District's calendar for collection of the assessments is as follows:

- Levy Date – None Specified.
- Levy Date – January 1.
- Due Date – Not later than January 31.
- Delinquent Date – February 1, at which time the tax payer is liable for penalty and interest.

Note 7 – Federal Transit Administration Grants

A summary of Federal Transit Administration Grant reimbursements for the current and prior fiscal years is as follows:

Grant Award	FY 2024	Prior Years	Total Reimbursed
Transit Access/Enhanced Mobility	\$ 159,533	\$ 2,550,745	\$ 2,710,278
Transportation Improvement Program (TIP)	5,051,841	306,870	5,358,711
Surface Transportation Block Grant Program	9,779	300,671	310,450
Harrisburg Redevelopment Authority		988,704	988,704
Safe Streets and Roads for All Program	175,762		175,762
Total Grant Reimbursements	<u><u>\$ 5,396,915</u></u>	<u><u>\$ 4,146,990</u></u>	<u><u>\$ 9,543,905</u></u>

East End District
Notes to Financial Statements
September 30, 2024

A summary of Federal Transit Administration Grant expenditures for the current and prior fiscal years are as follows:

Grant Award	FY 2024	Prior Years	Expenditures
Transit Access/Enhanced Mobility	\$ 159,533	\$ 2,767,887	\$ 2,927,420
Transportation Improvement Program (TIP)	5,052,467	382,526	5,434,993
Surface Transportation Block Grant Program	37,851	508,625	546,476
Safe Streets and Roads for All Program	175,762		175,762
Total Grant Expenditures	<u>\$ 5,425,613</u>	<u>\$ 3,659,038</u>	<u>\$ 9,084,651</u>

Transit Access/Enhanced Mobility

During the prior year, the District was awarded \$363,698 in Federal Transit Administration FY2019 Section 5310 funding by Houston METRO. These funds will go towards the construction of sidewalks along Walker, Eastwood, and McKinney Streets to improve access to transit through the installation of pedestrian/transit access improvements. During the current year, the District received \$250,454 from METRO to reimburse projects costs incurred in the current and prior year related to Walker Street expenses. As of September 30, 2024, the total grant award has been expended.

Federal Highway Administration Funds

On September 27, 2018, the East End District Board of Directors approved entering into an Advanced Funding Agreement (“AFA”) for Surface Transportation Block Grant Program (“Off-System”) with the Texas Department of Transportation (“TXDoT”) in the amount of \$3,043,665. The AFA was formally executed on May 1, 2019, to authorize a project to design and build a roundabout at the intersection of Navigation Boulevard at Jensen Drive/Runnels Street. On July 13, 2020, the District amended the agreement to revise the local match requirement to \$1,214,045 which includes a commitment of \$252,188 from the East End District and \$961,857 from the Harrisburg Tax Increment Reinvestment Zone (TIRZ 23). During the current year, the District received \$124,680 from TXDoT to reimburse project costs incurred in the current and prior year related to roundabout expenses. As of September 30, 2024, the District reported grant revenues and receivables of \$20,818 from TXDoT related to this grant.

During a prior year, the District and the Authority entered into a grant agreement for funding sidewalk improvements to improve access to the Lockwood LRT station on Harrisburg Boulevard. The project budget is \$402,676. The grant requires a 20% local match of approximately \$80,535 from the District. The District was awarded a \$322,141 grant by the Federal Transportation Administration for the remainder of the project costs. During the current year, the District received \$68,067 to reimburse project costs incurred in the current and prior year related to this grant. The District billed the Federal Transportation Administration 80% of the project costs, which was recognized as grant revenues and receivables. As of September 30, 2024, the District reported a receivable of \$279 related to this grant.

During a prior year, the District was awarded \$603,646 in Federal Highway Administration funding under the Fiscal Year 2022 Safe Streets and Roads for All Grant Program by the U.S. Department of Transportation. These funds will go towards improving roadway safety by significantly reducing or

East End District
Notes to Financial Statements
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eliminating roadway fatalities and serious injuries through safety action plan developing. As of September 30, 2024, the District reported grant revenues and receivables of \$175,762 related to this grant.

During a prior year, the District was awarded \$5,839,934 in Federal Transportation Agreement funding for the purchase of a long-term capital lease for a METRO Rail park and ride and for the construction of associated sidewalk improvements. In the current year, the District received \$4,991,706 from the Federal Transportation Agreement for the purchase of the long-term capital lease. As of September 30, 2024, the District reported grant revenues and receivables of \$57,633 related to sidewalk improvements.

Note 8 – Other Grants

Navigation Esplanade

During a prior year, the District and Harrisburg RDA/TIRZ 23 (the “Authority”) entered into a grant agreement for funding a multiphase expansion project of the Navigation Esplanade for use of farmers and street markets to the benefit of the Authority. The Authority has agreed to provide the District up to \$360,000 for Phase I. During the current year, the District received \$93,273 from the Authority to reimburse project costs incurred in the current and prior year related to this grant.

Note 9 – Retirement Plan

On March 15, 2001, the District implemented a Simple Individual Retirement Account (IRA) to benefit the employees of the District. This retirement plan calls for the District to contribute up to 10% of each employee’s gross wages. The accounts are set up in each participating employee’s name and are the property of the named employee. During the current year, the District’s share of costs associated with this plan were \$96,062.

Note 10 – East End Improvement Corporation

East End Improvement Corporation is a 509(a)(3) organization recognized as tax-exempt under the 501(c)(3) Internal Revenue Code. The EEIC was organized to provide additional resources to assist the District with its programs in the community and acts as the conduit for funds from private and public entities in partnership with the District. Additionally, the EEIC serves as the lead organization to organize, fundraise, and produce the East End Street Fest.

Note 11 – Lump Sum Parking Use Lease Agreement

The District and Six Westheimer LTD (“Lessor”) entered into a Lump Sum Parking Use Lease Agreement effective August 3, 2023. This Agreement is to secure the provision of two hundred thirty (230) parking spaces of a parking garage at the corner of Harrisburg Boulevard and Eastwood Street for a period of 40 years. The parking spaces will provide low-cost parking to users of the adjacent METRO Light Rail station.

East End District
Notes to Financial Statements
September 30, 2024

During the current fiscal year, the District received \$4,991,706 in federal funding from the Federal Transit Administration (“FTA”). The District paid the Lessor a lump sum payment of \$4,991,706 with the grant funds as specified in the Agreement. The District and Lessor acknowledge and agree that the FTA retains a federal interest in the Facility and that interest will remain until, and to the extent that, the FTA removes its interest pursuant to FTA property disposition and reimbursement requirements and any other applicable federal law, rules, and regulations.

The lease is for a term of 40 years, beginning on the lease effective date and can be extended for one 5-year period in accordance with the terms of the agreement. The District shall use the Facility solely for the operation of the Facility as a public transit facility including public parking, pedestrian/transit access and other related infrastructure which is part of this Agreement.

Revenue Sharing

The District and Lessor agree that the calculation of Net Revenue from the collection of fees for commuter parking will be based upon total revenues derived from commuter related parking minus the pro-rata share of total Operating and Management Expenses attributable to the transit parking spaces. Should revenues exceed total operating cost, the Net Revenue will be transferred to the District on a yearly basis. The Lessor agrees that it will be solely responsible for any operating losses associated with the operation and management of the Facility.

A Parking Oversight Committee will be established which will include representation from the District, the Lessor, Houston METRO, and others as appropriate. The committee will review the management and operation of the Facility, revenues and expenses and, if necessary, make appropriate adjustments to ensure efficient operations and that park and ride fees are appropriate. The committee will also make recommendations to the District to adjust parking rates as necessary to offset operating and maintenance expenses. The District will make the final determination on rate adjustment, which the Lessor is required to accommodate. The Parties agree that the parking rate for METRO Light Rail Station transit users contemplated herein shall never be less than \$1.00.

The Lessor will collect parking fees from transit parkers in the initial amount as identified in this Agreement. Revenues derived from commuter use of up to Lessor’s two hundred thirty (230) parking spaces will be utilized by Lessor to offset Operating and Maintenance Expenses of the parking spaces and other facilities leased by Lessee. In the current year, no revenues were received related to this agreement.

Note 12 – Risk Management

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

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Required Supplementary Information

East End District***Required Supplementary Information - Budgetary Comparison Schedule - General Fund******For the Year Ended September 30, 2024***

	Original and Final Budget	Actual	Variance Positive (Negative)
Revenues			
Assessment Revenues	\$ 4,215,322	\$ 4,157,727	\$ (57,595)
Federal Grant Revenues	6,422,880	5,396,916	(1,025,964)
Contract Revenue		651,840	651,840
Graffiti Revenue	637,567	654,877	17,310
East End Street Market	96,900	70,065	(26,835)
Penalty and Interest		68,318	68,318
Rent Revenues		5,733	5,733
Investment Revenues		163,644	163,644
Other Revenues	745,942	21,304	(724,638)
Total Revenues	12,118,611	11,190,424	(928,187)
Expenditures			
Service Operations			
Security and Public Safety	2,351,730	1,900,549	451,181
Marketing and Perception Enhancement	431,278	394,362	36,916
Visual and Infrastructure Improvement and Services	1,143,667	886,322	257,345
Workforce Training	241,660	51,904	189,756
Program Support	1,406,829	1,331,139	75,690
Livable Center	6,318,297	542,064	5,776,233
Capital			
Capital Outlay	200,250	167,193	33,057
Right-to-use Leased Asset		4,991,706	(4,991,706)
Lease Obligations			
Principal		170,018	(170,018)
Interest		150,778	(150,778)
Total Expenditures	12,093,711	10,586,035	1,507,676
Revenues Over Expenditures	24,900	604,389	579,489
Other Financing Uses			
Internal Transfers		(93,743)	(93,743)
Net Change in Fund Balance	24,900	510,646	485,746
Fund Balance			
Beginning of the year	3,167,075	3,167,075	
End of the year	\$ 3,191,975	\$ 3,677,721	\$ 485,746

East End District
Required Supplementary Information - Budgetary Comparison Schedule -
Special Revenue Fund
For the Year Ended September 30, 2024

	Original and Final Budget	Actual	Variance Positive (Negative)
Revenues			
Sponsorships, Contributions and Local Grants	\$ 533,200	\$ 388,460	\$ (144,740)
Investment Revenues	360	213	(147)
Total Revenues	<u>533,560</u>	<u>388,673</u>	<u>(144,887)</u>
Expenditures			
Service Operations			
Marketing and Perception Enhancement	134,690	85,142	49,548
Program Support	193,783	201,100	(7,317)
Total Expenditures	<u>328,473</u>	<u>286,242</u>	<u>42,231</u>
Revenues Over Expenditures	205,087	102,431	(102,656)
Other Financing Sources			
Internal Transfers		93,743	93,743
Net Change in Fund Balance	205,087	196,174	(8,913)
Fund Balance			
Beginning of the year	273,361	273,361	
End of the year	<u>\$ 478,448</u>	<u>\$ 469,535</u>	<u>\$ (8,913)</u>

East End District
Notes to Required Supplementary Information
September 30, 2024

Budgets and Budgetary Accounting

An annual unappropriated budget is adopted for the General Fund and Special Revenue Fund by the District's Board of Directors and EEIC's Board of Directors, respectively. The budgets are prepared using the same method of accounting as for financial reporting. There were no amendments to the budgets during the year.

Supplementary Information

East End District
Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2024

Pass Through Grantor/ Program or Cluster Title	Federal Assistance Listing Number	Federal Award Number	Pass Through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
US Department of Transportation					
Direct Awards					
Federal Transit Cluster:					
Federal Transit Formula Grants	20.507	TX-2024-056-00		\$ -	\$ 5,049,339
Total for Cluster/Program				-	5,049,339
Transit Services Programs Cluster:					
Enhanced Mobility of Seniors and Individuals with Disabilities	20.513	TX-2021-126-00		-	172,284
Total for Cluster/Program				-	172,284
Safe Streets and Roads for All	20.939	693JJ32340464		-	196,177
Total for Cluster/Program				-	196,177
Total Direct Awards				-	5,417,800
Pass-Through Awards					
Texas Department of Transportation					
Highway Planning and Construction	20.205		0912-72-386	-	37,851
Total Texas Department of Transportation				-	37,851
Total Pass-Through Awards				-	37,851
Total U.S Department of Transportation				-	5,455,651
Total Expenditures of Federal Awards				\$ -	\$ 5,455,651

East End District
Notes to Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2024

Note 1 – Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of East End District (the "District") under programs of the federal government for the year ended September 30, 2024. The information in this Schedule is presented in accordance with the 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 the District, it is not intended to and does not present the financial position or changes in net position of the District.

Note 2 – Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the full 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.

Note 3 – Indirect Cost Rate

The District has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

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Texas Supplementary Information

East End District
TSI-2. General Fund Expenditures
For the Year Ended September 30, 2024

Personnel (including benefits)	\$ 1,501,332
Professional fees	
Legal	64,261
Audit	29,000
	<u>93,261</u>
Purchased services	
Security and Public Safety	1,243,461
Marketing and Perception Enhancement	388,904
Visual and Infrastructure Improvement and Services	512,569
Workforce Training	51,904
Program Support	542,064
	<u>2,738,902</u>
Contracted Services	
Bookkeeping	117,200
Tax Assessor/Collector	153,076
	<u>270,276</u>
Utilities	<u>33,084</u>
Repairs and Maintenance	<u>24,604</u>
Administrative	
Dues and Subscriptions	31,818
Equipment Rent	149,095
Insurance	64,120
Janitorial Services	38,998
Notice of Public Hearing	22,938
Office Supplies and Postage	25,309
Rent	10,027
Travel	29,260
Other	73,316
	<u>444,881</u>
Capital	
Capital Outlay	167,193
Right-to-use Leased Asset	4,991,706
	<u>5,158,899</u>
Lease Obligations	
Lease - Principal	170,018
Lease - Interest	150,778
	<u>320,796</u>
Total Expenditures	<u>\$ 10,586,035</u>

Number of persons employed by the District 15 Full-Time 0 Temporary Full-Time
3 Temporary Part-Time

See accompanying auditor's report.

East End District
TSI-3. Investments
September 30, 2024

<u>Fund</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Balance at End of Year</u>
General			
TexPool	Variable	N/A	\$ 2,235,186

See accompanying auditor's report.

East End District
TSI-4. Property Tax Assessment Levies and Receivable
September 30, 2024

	Assessments
Assessments Receivable, Beginning of Year	\$ 230,989
Adjustments to Prior Year Assessments Levy	(90,580)
Adjusted Receivable	<u>140,409</u>
2023 Original Assessments Levy	4,463,178
Adjustments	(175,289)
Adjusted Assessments Levy	<u>4,287,889</u>
Total to be accounted for	<u>4,428,298</u>
Assessments Collections:	
Current year	4,091,090
Prior years	22,336
Total Collections	<u>4,113,426</u>
Assessments Receivable, End of Year	<u><u>\$ 314,872</u></u>
Assessments Receivable, By Years	
2023	\$ 196,799
2022	48,003
2021	21,836
2020	11,716
2019	10,758
2018	6,666
2017	4,029
2016	3,286
2015	2,998
2014	1,907
2013	1,167
2012	794
2011	573
2010	421
2009	416
2008	409
2007	409
2006	376
2005	422
2004 and prior	1,887
Assessments Receivable, End of Year	<u><u>\$ 314,872</u></u>

See accompanying auditor's report.

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East End District**TSI-7a. Comparative Schedule of Revenues and Expenditures - General Fund
For the Last Five Fiscal Years**

	Amounts				
	2024	2023	2022	2021	2020
Revenues					
Assessment Revenues	\$ 4,157,727	\$ 3,656,179	\$ 3,261,999	\$ 3,177,835	\$ 2,852,762
Federal Grant Revenues	5,396,916	579,761	628,379	986,611	173,545
Contract Revenue	651,840	619,050	596,802	347,053	
Graffiti Revenue	654,877	613,734	608,180	567,042	572,231
Sponsorships and Contributions		500	3,625	28,550	
Joint Marketing Project					10,000
East End Street Market	70,065	90,973	102,507	41,990	9,435
Penalty and Interest	68,318	59,381	52,171	63,930	52,492
Rent Revenues	5,733	8,442	7,214	24,609	24,288
Investment Revenues	163,644	28,524	1,532	1,368	9,131
Other Revenues	21,304	15,950	8,307	2,756	25,014
Total Revenues	11,190,424	5,672,494	5,270,716	5,241,744	3,728,898
Expenditures					
Service Operations					
Security and Public Safety	1,900,549	1,677,722	1,515,360	1,249,102	852,831
Marketing and Perception Enhancement	394,362	241,350	59,948	474,860	626,550
Visual and Infrastructure Improvement and Services	886,322	835,031	893,949	894,919	877,975
Workforce Training	51,904	125,916		87,500	
Program Support	1,331,139	1,219,928	1,008,213	1,076,740	911,144
Livable Center	542,064	1,425,158	746,834	476,835	118,045
Capital					
Capital Outlay	167,193	189,424	71,180	148,182	60,267
Right-to-use Leased Asset	4,991,706	579,034			
Lease Obligations					
Principal	170,018	92,555	71,051		
Interest	150,778	118,945	121,116		
Total Expenditures	10,586,035	6,505,063	4,487,651	4,408,138	3,446,812
Revenues Over/(Under) Expenditures	604,389	(832,569)	783,065	833,606	282,086
Other Financing Sources (Uses)					
Lease Financing		579,034			
Internal Transfers	(93,743)	(140,175)	(77,200)		
Net Change in Fund Balance	510,646	(393,710)	705,865		
Beginning Fund Balance	3,167,075	3,560,785	2,854,920	2,021,314	1,739,228
Ending Fund Balance	\$ 3,677,721	\$ 3,167,075	\$ 3,560,785	\$ 2,854,920	\$ 2,021,314

See accompanying auditor's report.

Percent of Fund Total Revenues				
2024	2023	2022	2021	2020
37%	64%	62%	60%	77%
48%	10%	12%	19%	5%
6%	11%	11%	7%	
6%	11%	12%	11%	15%
	*	*	1%	
				*
1%	2%	2%	1%	*
1%	1%	1%	1%	1%
*	*	*	*	1%
1%	1%	*	*	*
*	*	*	*	1%
100%	100%	100%	100%	100%
17%	30%	29%	24%	23%
4%	4%	1%	9%	17%
8%	15%	17%	17%	24%
*	2%		2%	
12%	22%	19%	21%	24%
5%	25%	14%	9%	3%
1%	3%	1%	3%	2%
45%	10%			
2%	2%	1%		
1%	2%	2%		
95%	115%	84%	85%	93%
5%	(15%)	16%	15%	7%
	10%			
*	*	*		
0%	10%	0%		

East End District
TSI-8. Board Members, Key Personnel and Consultants
For the Year Ended September 30, 2024

Board Members	Term of Office (Appointed)	Fees of Office for the year ended September 30, 2024	Expense Reimbursements for the year ended September 30, 2024	Title
Anna Deans	06/21 06/25 (Appointed)	\$ -0-	\$ -0-	Position 1 Director
Blanca Blanco	06/21 06/27 (Appointed)	\$ -0-	\$ -0-	Position 2 Secretary
Stephan Quezada	06/21 06/25 (Appointed)	\$ -0-	\$ -0-	Position 3 Chairman
Vicki Lina	08/24 06/25 (Appointed)	\$ -0-	\$ -0-	Position 4 Director
Roy Lira	08/21 06/25 (Appointed)	\$ -0-	\$ -0-	Position 5 Director
Joe Meppelink	06/21 06/25 (Appointed)	\$ -0-	\$ -0-	Position 6 Asst Treasurer
Lani Baker	06/21 06/25 (Appointed)	\$ -0-	\$ -0-	Position 7 Director

See accompanying auditor's report.

East End District
TSI-8. Board Members, Key Personnel and Consultants
For the Year Ended September 30, 2024

Board Members	Term of Office (Appointed)	Fees of Office for the year ended September 30, 2024	Expense Reimbursements for the year ended September 30, 2024	Title
Jose Valdez	6/19 06/27 (Appointed)	\$ -0-	\$ -0-	Position 8 Director
Erik Ibarra	11/22 06/27 (Appointed)	\$ -0-	\$ -0-	Position 9 Director
Josue Perez	06/19 06/27 (Appointed)	\$ -0-	\$ -0-	Position 10 Treasurer Investment Officer
Taryn Sims	06/19 06/25 (Appointed)	\$ -0-	\$ -0-	Position 11 Asst Secretary
Elliot Barner	06/19 06/27 (Appointed)	\$ -0-	\$ -0-	Position 12 Vice Chairman
Chude Chike-Obi	10/22 06/27 (Appointed)	\$ -0-	\$ -0-	Position 13 Director
Marjorie Peña	06/19 06/27 (Appointed)	\$ -0-	\$ -0-	Position 14 Director
Victoria Macalino	10/22 06/27 (Appointed)	\$ -0-	\$ -0-	Position 15 Director

Note: Submission date of the most recent District Registration Form (TWC Sections 36.054 and 49.054)
April 25, 2024

See accompanying auditor's report.

East End District
TSI-8. Board Members, Key Personnel and Consultants
For the Year Ended September 30, 2024

Consultants:	Date Hired	District Fees for the year ended September 30, 2024		Title
Laura C. Davis SKLaw 1980 Post Oak Blvd, Suite 1380 Houston, TX 77008	03/26/20	\$	58,812	Attorney
McGrath & Co., PLLC 2900 North Loop West, Suite 880 Houston, TX 77092	10/30/20	\$	35,000	Auditor
Monty & Ramirez LLP 150 W. Parker Road, 3rd Floor Houston, TX 77076	04/30/20	\$	-	Labor Attorney
Eric Faint, LLC dba Your Part-Time Controller 2603 Augusta Drive, Suite 1075 Houston, TX 77057	04/03/19	\$	147,271	Finance Manager
Perdue Brandon Fielder Collins and Mott, LLP 1235 North Loop West, Suite 600 Houston, TX 77008	06/23/16	\$	82,786	Delinquent Tax Collector
Patrick Ezzell/Coastal Builders 503 Avondale Houston, TX 77006	04/05/10	\$	181,378	Federal Funds Project Manager
Equi-Tax, Inc. 17111 Rolling Creek Drive, Suite 200 Houston, TX 77090	08/28/14	\$	79,802	Assessment Collector/ Consultant
Urban Partnerships CDC 503 Avondale Houston, TX 77006	09/28/17	\$	30,859	Economic Development Consultant
Gauge Engineering 3200 Wilcrest Drive, Suite 220 Houston, TX 77042		\$	47,823	Engineer

See accompanying auditor's report.

Single Audit Section

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McGRATH & CO., PLLC

Certified Public Accountants

2900 North Loop West, Suite 880

Houston, Texas 77092

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

Board of Directors
East End District
Harris County, 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 the governmental activities and each major fund of East End District (the "District"), as of and for the year ended September 30, 2024 and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated March 27, 2025.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District'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 or significant deficiencies may exist that were not identified.

***Board of Directors
East End District
Harris County, Texas***

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District'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 financial statements. 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.

McGuath & Co, P.C.

Houston, Texas
March 27, 2025

McGRATH & CO., PLLC

Certified Public Accountants

2900 North Loop West, Suite 880

Houston, Texas 77092

Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance

Board of Directors
East End District
Harris County, Texas

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited East End District's (the "District") compliance with the types of compliance requirements identified as subject to audit in the OMB Compliance Supplement that could have a direct and material effect on each of the District's major federal programs for the year ended September 30, 2024. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the District 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 September 30, 2024.

Basis for Opinion on Each Major Federal Program

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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the District's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements

***Board of Directors
East End District
Harris County, Texas***

of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the District's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about District's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the District's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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

***Board of Directors
East End District
Harris County, Texas***

a deficiency, or a 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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.

McGuire & Co, PLLC

Houston, Texas
March 27, 2025

***Board of Directors
East End District
Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2024***

I. Summary of Auditor's Results

Financial Statements

Type of auditor's report issued	Unmodified
Internal control over financial reporting: Material weaknesses identified?	No
Significant deficiencies identified?	None reported
Noncompliance material to the financial statements noted?	No

Federal Awards

Internal controls over major programs: Material weaknesses identified?	No
Significant deficiencies identified?	None reported
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)	No

Identification of Major Programs:

Assistance Listing Number	Name of Federal Cluster/Program
20.507	Federal Transit Formula Grants
Dollar threshold used to distinguish between type A and type B programs:	\$750,000
Auditee qualified as low-risk auditee?	No

***Board of Directors
East End District
Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2024***

II. Financial Statement Findings

No audit findings were noted.

III. Federal Award Findings and Questioned Costs

There are no findings to report.