

UPTOWN DEVELOPMENT AUTHORITY

**FINANCIAL STATEMENTS
AND OTHER FINANCIAL INFORMATION**

**Year Ended June 30, 2016
with Independent Auditor's Report**

UPTOWN DEVELOPMENT AUTHORITY

FINANCIAL STATEMENTS AND OTHER FINANCIAL INFORMATION

Year Ended June 30, 2016

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Uptown Development Authority
Houston, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of Uptown Development Authority (the "Authority"), a component unit of the City of Houston, Texas, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

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 the Authority as of June 30, 2016, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

To the Board of Directors
Uptown Development Authority

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 11 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements. 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 Authority's basic financial statements. The Statement of Revenues, Expenditures, and Changes in Fund Balances – All Governmental Funds – Budget and Actual, and the Operating Expenditures, Capital Expenditures and Project Plan Reconciliation on pages 37 through 44 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Statement of Revenues, Expenditures, and Changes in Fund Balances – All Governmental Funds – Budget and Actual, and the Operating Expenditures, Capital Expenditures and Project Plan Reconciliation are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such 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 Statement of Revenues, Expenditures, and Changes in Fund Balances – All Governmental Funds – Budget and Actual, and the Operating Expenditures, Capital Expenditures and Project Plan Reconciliation 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 November 14, 2016, on our consideration of Uptown Development Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Uptown Development Authority's internal control over financial reporting and compliance.



Houston, Texas
November 14, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS

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UPTOWN DEVELOPMENT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS

Year Ended June 30, 2016

As management of the Uptown Development Authority (the "Authority"), we offer readers of the Authority's financial statements this narrative overview and analysis of the financial activities of the Authority for the fiscal year ended June 30, 2016.

The Authority is a special-purpose government engaged in a single governmental program. It is also a component unit of the City of Houston, Texas. The Authority reports its financial activities in accordance with required reporting standards for special-purpose governments engaged in a single governmental program. The Authority's single governmental program involves improving the general mobility in the Uptown Houston area.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Uptown Development Authority's basic financial statements. The Authority's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the Authority's finances, in a manner similar to a private-sector business.

The *Statement of Net Position* presents information on all of the Authority's assets, liabilities and deferred outflows, with the difference between the items reported as net position. Over time, increases or decreases in net position may serve as a useful indicator regarding the financial position of the Authority. Other factors that are not included in the financial statements, such as increased tax base in the Authority's boundaries, should also be considered in evaluating the condition of the Authority's overall financial position.

The *Statement of Activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes).

Both of the government-wide financial statements distinguish functions of the Authority that are principally supported by incremental tax revenues received from the City of Houston and Houston Independent School District. The governmental activities of the Authority are restricted to those objectives outlined in its project plan. The prominent activities include improving streets and intersections and creating a street grid network.

UPTOWN DEVELOPMENT AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS (*continued*)

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Authority, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Uptown Development Authority are considered governmental funds.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the *Governmental Funds Balance Sheet* and the *Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances* provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Authority maintains four individual governmental funds for both infrastructure and affordable housing. Information is presented separately in the *Governmental Funds Balance Sheet* and in the *Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances* for the Affordable Housing Special Revenue Fund, the Capital Projects Fund, the Affordable Housing Capital Projects and the Debt Service Funds. All are considered to be major funds.

The Authority adopts an annual appropriated budget for all of its funds combined, which is approved by the City of Houston. A budgetary comparison statement has been provided to demonstrate compliance with this budget.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Government-wide Financial Analysis

In the government-wide statements, the difference between assets, deferred outflows, and liabilities is called net position. Net position is categorized based on their availability to provide financial resources for the Authority. Net position that is invested in capital assets represents the Authority's net investment in capital assets. "Restricted" net position represents amounts that are restricted for future debt service requirements. "Unrestricted" net position represents amounts available to meet the Authority's future obligations.

UPTOWN DEVELOPMENT AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS *(continued)*

As noted earlier, changes in net position may serve over time as a useful indicator of a government's financial position. In the case of the Authority, net position was negative as of June 30, 2016. The Authority continues to have a deficit net position because the Authority incurs long-term debt for general mobility improvements that are ultimately conveyed to the City of Houston. The Authority then continues to accumulate resources for repayment of this long-term debt over an extended period of years until the debt is repaid.

A comparative schedule of net position at June 30, 2016 and 2015 follows:

	2016	2015
Current and other assets	\$ 96,401,205	\$ 86,053,236
Capital assets, net	11,743,493	11,816,619
Total Assets	108,144,698	97,869,855
Deferred Outflows of Resources		
Deferred charge on refunding	247,296	282,624
Total deferred outflows of resources	247,296	282,624
Accounts payable and other liabilities	17,470,108	15,893,704
Long-term liabilities	140,361,498	111,135,492
Total Liabilities	157,831,606	127,029,196
Net Position		
Net investment in capital assets	11,743,493	11,816,619
Restricted for capital projects	53,797,927	50,345,189
Restricted for debt service	25,133,170	19,814,343
Unrestricted (deficit)	(140,114,202)	(110,852,868)
Total Net Position (Deficit)	\$ (49,439,612)	\$ (28,876,717)

Total assets increased by \$10,274,843 from the prior year. Liabilities increased by \$30,802,410. This is due to payments on long-term debt. Additionally tax increment revenues (cash) increased due to the increase of ad valorem values.

UPTOWN DEVELOPMENT AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

The total net deficit of the Authority increased by \$20,562,895 during the current fiscal year. A comparative summary of the Authority's statement of activities for the past two years is as follows:

	<u>2016</u>	<u>2015</u>
Revenues		
Program Revenues:		
Capital grants and contributions	\$ 2,418,050	\$ 4,688,550
General Revenues:		
Contract tax increment	40,954,987	39,843,040
Investment earnings	<u>219,946</u>	<u>94,235</u>
Total Revenues	<u>43,592,983</u>	<u>44,625,825</u>
Expenses		
General government	2,143,570	2,131,535
Affordable housing	12,036,630	11,680,000
Educational Facilities	4,689,456	4,407,304
Interest on long-term debt	6,184,560	5,102,839
Capital outlay on behalf of City of Houston	38,554,606	18,746,258
Depreciation and amortization	<u>547,056</u>	<u>556,222</u>
Total Expenses	<u>64,155,878</u>	<u>42,624,158</u>
Increase (decrease) in net position	(20,562,895)	2,001,667
Net position - beginning	<u>(28,876,717)</u>	<u>(30,878,384)</u>
Net position - ending	<u>\$ (49,439,612)</u>	<u>\$ (28,876,717)</u>

Contract tax increment revenues increased by \$1,111,947 from the previous year. This was due to an increase in property values. Total expenses were \$64,155,878 in the current year. This is an increase of \$21,531,720 from the previous year. This was due to increased spending for capital projects for primarily the Post Oak Boulevard project. Other capital projects include reconstruction of Hallmark and Westbriar and the Westheimer waterline. Affordable Housing and Educational Facilities payments increased as well.

Financial Analysis of the Government's Funds

As noted earlier, the Authority uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The focus of the Authority's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the Authority's financing requirements. In particular, an unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the Authority's governmental funds reported combined ending fund balances of \$80,783,932 which was an \$9,005,735 increase in comparison with the prior year. Approximately \$27.0 million is restricted for debt service. The Capital Projects fund balance at the end of the fiscal year was \$53,765,190. This is due to recent bond sales in January of 2014 and October of 2015. Tax increment revenue from the City of Houston increased slightly as well. The Authority uses the capital projects fund for infrastructure improvements in the area.

The final budget to actual results for the capital program cost were \$44 million under budget. This is due

UPTOWN DEVELOPMENT AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

to less expenditures on the Post Oak Boulevard project and Memorial Park projects than originally budgeted. During this year, the sanitary sewer project on Post Oak Boulevard was completed, construction on the North Segment of Post Oak Boulevard (The Boulevard) began, and property acquisition was approximately 88% complete. Progress continues to be made on this project.

As a public agency, the Uptown Development Authority is governed by strict laws and regulations on how property is acquired for public projects. Objectives of the process are:

1. **Protect public interest** - We must protect the public interest by acquiring property at fair market value.
2. **Protect private property rights** - We must protect private property rights with just compensation for the taking of private property for public use.
3. **Follow Due Process**- We must follow local, state and federal rules and regulations in a transparent, fair and legal process.

The Uptown TIRZ goes beyond the letter and spirit of the laws governing right-of-way acquisition.

The following is a comparative summary of changes in fund balances for the prior two fiscal years:

	2016	Increase (Decrease)	2015	Increase (Decrease)	2014
Capital Projects	\$ 53,765,190	\$ 3,393,488	\$ 50,371,702	\$ (2,932,600)	\$ 53,304,302
Debt Service	24,678,007	5,598,048	19,079,959	438,980	18,640,979
Affordable Housing					
Special Revenue	32,737	9,250	23,487	(2,477)	25,964
Affordable Housing					
Debt Service	2,307,998	4,949	2,303,049	(6,747)	2,309,796
	<u>\$ 80,783,932</u>	<u>\$ 9,005,735</u>	<u>\$ 71,778,197</u>	<u>\$ (2,502,844)</u>	<u>\$ 74,281,041</u>

Capital Asset and Debt Administration

Capital assets held by the Authority at the end of the current and previous fiscal years are summarized as follows:

	<u>2016</u>	<u>2015</u>
Capital assets not being depreciated:		
Land and improvements	<u>\$ 9,081,040</u>	<u>\$ 9,081,040</u>
Capital assets being depreciated:		
ATIS Equipment	898,317	459,715
Pedestrian Lights	5,117,275	5,117,275
	<u>6,015,592</u>	<u>5,576,990</u>
Less accumulated depreciation	<u>(3,353,139)</u>	<u>(2,841,411)</u>
	<u>2,662,453</u>	<u>2,735,579</u>
Capital assets, net of accumulated depreciation	<u>\$ 11,743,493</u>	<u>\$ 11,816,619</u>

UPTOWN DEVELOPMENT AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS *(continued)*

During the year, additional assets were purchased. The Authority purchased camera and monitoring equipment for the ATIS Upgrade Project. This equipment is used to monitor, report, and improve traffic conditions throughout the area.

The Authority issues debt or other financing to finance the capital improvement plan adopted by the City of Houston. In accordance with the Authority's agreement with the City of Houston, infrastructure improvements financed with this debt are the property of the City. All costs incurred by the Authority are primarily capital costs to execute the plan. Accordingly, street improvements and other infrastructure assets are not carried on the Authority's statements.

A comparative summary of the Authority's long-term liabilities as of June 30, 2016 and 2015, is as follows:

	<u>2016</u>	<u>2015</u>
Tax increment contract revenue bonds payable	\$ 140,730,000	\$ 111,540,000
Less unamortized discount on bonds payable	(368,502)	(404,508)
	<u>\$ 140,361,498</u>	<u>\$ 111,135,492</u>

Additional information on the Authority's long-term debt can be found in Note 5.

Economic Factors

The Authority administers the operations of the Tax Increment Reinvestment Zone ("TIRZ") on behalf of the City of Houston (the "City"). The TIRZ is one of the nation's largest suburban districts, which boasts a unique blend of office, retail, hotel and residential sectors. The TIRZ includes approximately 1,010 acres of land within its original boundaries and approximately an additional 36 acres of land annexed in January 2008. In 2013, The Zone and the City approved a fourth amendment to the Zone to provide for the enhancement and improvements to an additional 1,769 acres of land that is primarily Memorial Park. All land lies within the boundaries of the City.

Office Space

Uptown Houston is one of the largest business districts outside a historic core in the United States. It is the 17th largest business district in the United States: comparable to Denver and Cleveland. With over 26 million square feet of total office space in its market area, Uptown accounts for over 9% of Houston MSA's total 'Class A' office space with almost 13 million square feet. There are 115,000 office employees in the Uptown market area. At the end of the second quarter, 2016, class A office space was 87% leased compared to Houston's total office market with occupancy at 83.9%.

Overall, 2015 certified ad valorem values for the office sector were approximately 7% higher than 2014 values. The Uptown market area welcomed the new Nelson-Murphree office tower with 165,000 SF and will soon welcome two other additions to the office sector: the 600,000 SF BHP Billiton tower at 1360 Post Oak Boulevard (located in the TIRZ) and the 350,000 SF Amegy office tower at 1717 West Loop South. During this fiscal year, Landry's broke ground on its 36-story mixed-use vertical building (also in the TIRZ) with 140,000 SF of boutique office space close to Post Oak Boulevard and the 610 West Loop. The project is expected to be completed late 2017.

UPTOWN DEVELOPMENT AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS (*continued*)

Retail

Uptown is synonymous with shopping and is known as a world-renowned center for retail. Ad valorem values for the retail sector were certified over 6% higher 2015. Retail was 99% leased as of Q2 2016. This market maintained as The Galleria is now the fourth largest retail center in the United States. The 22-acre mixed-use development known as BLVD Place boasting over 200,000 square feet of retail and office is now open. The Galleria Mall continues its reconstruction and renovation valued at \$250,000,000 at the corner of Westheimer and Sage. Totally redesigned, Saks Fifth Avenue is now open and their former space is being remodeled for smaller high-end retail tenants. Further, the 200,000 Sf retail component of the River Oaks District, situated in the Uptown market area, is also now open.

Hotel

Uptown now has 33 first quality hotels in the area, offering almost 7,600 rooms for guests. Ad valorem values for this sector were certified 5% higher in 2015. The Hyatt Regency and the Hyatt Place are now open and have added an additional 482 rooms. Landry's 36 story mixed-use development called "The Post Oak" recently broke ground and will add another 240 rooms when completed in 2017.

The area's RevPAR (revenues per available room) for 2016 Q2 is \$114.83 and comparable to the Houston Central Business District at \$128.90. The RevPAR for Houston City-wide is \$73.29. Uptown Houston also boasts one of the highest occupancy rates in the city at 71.6%, while the Houston City-wide occupancy rate was 66.2% at the end of the second quarter, 2016.

Residential

In 2015, five new high-rise residential towers delivered totally over 1,500 units with 2016 set to deliver another 2,000 units before year's end. Single-family properties are holding values with some properties increasing slightly. This year, three new multi-family projects opened adding more than \$100 million dollars of value to the tax roll. Residential activity continues in the area. Already under construction, 2017 will see another 900 units delivered, including Trammel Crow's new 400 unit "Alexan 5151". Hanover's 355 unit luxury apartments just completed and is ahead of projected occupancy. Uptown Houston is one of the most prestigious and desirable areas to live.

The economic outlook is positive in Uptown. In 2016, the ad valorem values were up over 7% from the previous year and Uptown remains a viable district. The capital budget for the Authority is based on the increment value received from the City of Houston and new bond issues. While economic factors (property values, vacancy rates, future development, etc.) impact the size of debt issues, management takes a conservative approach to ensure that adequate resources are available to support the projects within the mandates of the Plan.

Requests for Information

This financial report is designed to provide a general overview of the Uptown Development Authority's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to 1980 Post Oak Boulevard #1700, Houston, Texas 77056.

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BASIC FINANCIAL STATEMENTS

UPTOWN DEVELOPMENT AUTHORITY

STATEMENT OF NET POSITION - GOVERNMENTAL ACTIVITIES

June 30, 2016

Assets

Cash and temporary investments	\$ 96,401,205
Land	9,081,040
Other capital assets, net	2,662,453
Total Assets	<u>\$ 108,144,698</u>

Deferred Outflows of Resources

Deferred charge on refunding	\$ 247,296
Total deferred outflows of resources	<u>\$ 247,296</u>

Liabilities

Accounts payable and accrued expenses	\$ 15,378,298
Due to other governments	238,975
Accrued interest	1,852,835
Long-term liabilities:	
Due within one year	7,830,000
Due in more than one year	132,531,498
Total liabilities	<u>\$ 157,831,606</u>

Net Position

Net investment in capital assets	\$ 11,743,493
Restricted for capital projects	53,797,927
Restricted for debt service	25,133,170
Unrestricted (deficit)	(140,114,202)
Total net position (deficit)	<u>\$ (49,439,612)</u>

See Notes to Financial Statements

UPTOWN DEVELOPMENT AUTHORITY

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2016

Functions/Programs	Expenses	Program Revenue Capital Grants and Contribution	Net Expense
General government	\$ 2,143,570	\$ -	\$ (2,143,570)
Affordable housing	12,036,630	-	(12,036,630)
Education Facilities	4,689,456	-	(4,689,456)
Interest and other charges	6,184,560	-	(6,184,560)
Depreciation and amortization	547,056	-	(547,056)
Capital outlay on behalf of the City of Houston	38,554,606	2,418,050	(36,136,556)
Totals	<u><u>\$ 64,155,878</u></u>	<u><u>\$ 2,418,050</u></u>	<u><u>(61,737,828)</u></u>
General revenues			
Contract tax increment revenues			\$ 40,954,987
Unrestricted investment earnings			219,946
			<u>41,174,933</u>
Change in net position			(20,562,895)
Net position (deficit) - beginning			<u>(28,876,717)</u>
Net position (deficit) - ending			<u><u>\$ (49,439,612)</u></u>

See Notes to Financial Statements

UPTOWN DEVELOPMENT AUTHORITY

BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2016

	Capital Projects	Debt Service	Affordable Housing		Total Governmental Funds
			Special Revenue	Debt Service	
Assets					
Cash and temporary investments	\$ 57,364,145	\$ 24,671,325	\$ 12,057,737	\$ 2,307,998	\$ 96,401,205
Due from other funds	-	6,682	-	-	6,682
Total assets	<u>\$ 57,364,145</u>	<u>\$ 24,678,007</u>	<u>\$ 12,057,737</u>	<u>\$ 2,307,998</u>	<u>\$ 96,407,887</u>
Liabilities and Fund Balance					
Liabilities:					
Accounts payable	\$ 3,353,298	\$ -	\$ 12,025,000	\$ -	\$ 15,378,298
Due to other funds	6,682	-	-	-	6,682
Due to other governments	238,975	-	-	-	238,975
Total liabilities	<u>3,598,955</u>	<u>-</u>	<u>12,025,000</u>	<u>-</u>	<u>15,623,955</u>
Fund balances:					
Restricted:					
Debt service	-	24,678,007	-	2,307,998	26,986,005
Affordable Housing	-	-	32,737	-	32,737
Capital Projects	53,765,190	-	-	-	53,765,190
Total fund balances	<u>53,765,190</u>	<u>24,678,007</u>	<u>32,737</u>	<u>2,307,998</u>	<u>80,783,932</u>
Total liabilities and fund balances	<u>\$ 57,364,145</u>	<u>\$ 24,678,007</u>	<u>\$ 12,057,737</u>	<u>\$ 2,307,998</u>	<u>\$ 96,407,887</u>

See Notes to Financial Statements

UPTOWN DEVELOPMENT AUTHORITY

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION**

June 30, 2016

Total fund balance, governmental funds \$ 80,783,932

Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental

Land	\$ 9,081,040	
Other capital assets	6,015,592	
Less accumulated depreciation	<u>(3,353,139)</u>	
Change due to capital assets		11,743,493

Some liabilities and deferred outflows are not due and payable in the current period and are not included in the fund financial statements, but are included in the Statement of Net Position. These are as follows:

Bonds payable	(140,730,000)	
Deferred charge on refunding	247,296	
Additional accrued interest	(1,852,835)	
Unamortized bond discount	<u>368,502</u>	
Change due to long-term debt obligations		<u>(141,967,037)</u>

Net Position of Governmental Activities in the Statement of Net \$ (49,439,612)

See Notes to Financial Statements

UPTOWN DEVELOPMENT AUTHORITY

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS**

For the Year Ended June 30, 2016

		Affordable Housing			
	Capital Projects	Debt Service	Special Revenue	Debt Service	Total Govern- mental Funds
Revenues					
Incremental tax revenue	\$ 15,210,305	\$ 12,561,552	\$ 12,045,864	\$ 1,137,266	\$ 40,954,987
Investment earnings	208,632	11,241	16	57	219,946
Intergovernmental revenue	<u>2,418,050</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,418,050</u>
Total revenues	<u>17,836,987</u>	<u>12,572,793</u>	<u>12,045,880</u>	<u>1,137,323</u>	<u>43,592,983</u>
Expenditures					
Current:					
Administration salaries	115,000	-	-	-	115,000
Office expenses	75,000	-	-	-	75,000
Insurance	81,346	-	-	-	81,346
Accounting	40,000	-	-	-	40,000
Auditor	17,200	-	-	-	17,200
Bond trustee	7,000	-	-	-	7,000
City of Houston, Municipal charge	446,000	-	-	-	446,000
Legal	58,879	-	-	-	58,879
Legal, in-house	20,000	-	-	-	20,000
Educational facilities cost, transfer to other government	4,689,456	-	-	-	4,689,456
Affordable housing cost, transfer to other government	-	-	12,025,000	-	12,025,000
Other Zone Administration Cost	1,371,491	-	-	-	1,371,491
Capital Outlay on behalf of the City of Houston	38,911,862	-	-	-	38,911,862
Debt Service:					
Principal	-	5,100,000	-	710,000	5,810,000
Interest and other charges	<u>708,037</u>	<u>4,776,973</u>	<u>11,630</u>	<u>422,374</u>	<u>5,919,014</u>
Total expenditures	<u>46,541,271</u>	<u>9,876,973</u>	<u>12,036,630</u>	<u>1,132,374</u>	<u>69,587,248</u>
Excess of revenues over / (under) expenditures	(28,704,284)	2,695,820	9,250	4,949	(25,994,265)
Other Financing Sources/Uses					
Proceeds from issuance of debt	<u>32,097,772</u>	<u>2,902,228</u>	<u>-</u>	<u>-</u>	<u>35,000,000</u>
Total other financing sources/uses	<u>32,097,772</u>	<u>2,902,228</u>	<u>-</u>	<u>-</u>	<u>35,000,000</u>
Net change in fund balances	3,393,488	5,598,048	9,250	4,949	9,005,735
Fund balances - beginning of year	<u>50,371,702</u>	<u>19,079,959</u>	<u>23,487</u>	<u>2,303,049</u>	<u>71,778,197</u>
Fund balances - end of year	<u>\$ 53,765,190</u>	<u>\$ 24,678,007</u>	<u>\$ 32,737</u>	<u>\$ 2,307,998</u>	<u>\$ 80,783,932</u>

See Notes to Financial Statements

UPTOWN DEVELOPMENT AUTHORITY

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**

For the Year Ended June 30, 2016

Net change in fund balances - total governmental funds: \$ 9,005,735

Amounts reported for Governmental Activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of the assets is allocated over their estimated lives as depreciation expense.

Capital outlay expenditures:	\$ 438,602	
Depreciation expense	<u>(511,728)</u>	
Change due to capital assets		(73,126)

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal uses current financial resources. Also governmental funds report issuance costs, premiums and discounts when the related debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities.

Principal payments on debt	5,810,000	
Proceeds from issuance of debt	(35,000,000)	
Increase in accrued interest payable	(234,170)	
Discount is amortized over the life of the bond	(36,006)	
Deferred charge on refunding is amortized over the life of the bond	<u>(35,328)</u>	
		<u>(29,495,504)</u>

Change in net position of governmental activities	<u>\$ (20,562,895)</u>
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See Notes to Financial Statements

UPTOWN DEVELOPMENT AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2016

Note 1 - Summary of Significant Accounting Policies

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

Creation of Authority

The Uptown Development Authority (the "Authority") of the City of Houston, Texas, (the "City") a not-for-profit local government corporation, was created under Chapter 394 of the Texas Local Government Code and Chapter 431 of the Texas Transportation Code and the general laws of the State of Texas. The Authority was created to aid and assist in the development of the Uptown area by providing improvements for general mobility. These projects include an emphasis on minimizing traffic congestion through the financing of improvements to existing streets, a street grid network, improvements to intersections, a parking management program and a pedestrian network. The Authority is empowered to act on behalf of the City with respect to administering Reinvestment Zone Number Sixteen, City of Houston, Texas (the "Zone"). The purpose of the Zone is to provide funding for these mobility improvements.

Property within the Zone is located on the west side of Houston, near the interchange of the I-610 and US 59 freeways. The Authority is governed by a nine member Board of Directors, five of whom are appointed by the City.

The Authority's project and financing plan was amended in 2008 to annex North and South Wynden, Huntley Street and adjacent properties to be redeveloped. The annexed area has several of the same characteristics as property in the existing boundaries. In 2013, the project and financing plan was amended again to 1) extend the life of the Zone to 2040 and 2) expand the Zone boundaries to include an additional 1,768 acres that is primarily the Memorial Park area. This fourth amendment to the Plan provides for a total project plan of \$1,265,000 which is \$612,250,000 over the previous project plan costs. Plan costs include an Affordable Housing component of \$452,000,000 and \$100,000,000 for infrastructure improvements in Houston's Memorial Park.

Reporting Entity

The Authority's financial statements include the accounts of all the Authority's operations. In conformity with generally accepted accounting principles, the Authority is considered a component unit of the City of Houston.

Additionally, as required by generally accepted accounting principles, these financial statements have been prepared based on considerations regarding the potential for inclusion of other entities, organizations or functions as part of the Authority's financial reporting entity. Based on these considerations, no other entities, organizations or functions have been included in the Authority's financial reporting entity.

UPTOWN DEVELOPMENT AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS (*continued*)

Note 1 - Summary of Significant Accounting Policies (*continued*)

Government-Wide and Fund Financial Statements

The Government-wide financial statements (i.e., the *Statement of Net Position* and the *Statement of Activities*) report information about the Authority as a whole. These statements focus on the sustainability of the Authority as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. For the most part, the effect of interfund activity has been removed from 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. These fund financial statements are the *Governmental Funds- Balance Sheet* and the *Governmental Funds - Statement of Revenues, Expenditures and Changes in Fund Balances*.

The Authority reports the following major governmental funds:

The ***Capital Projects Fund*** is used to account for construction of the Authority's general mobility improvement projects. The principal source of revenue is contract tax increment revenues. Expenditures include administrative costs, as well as infrastructure improvement expenditures.

The ***Debt Service Fund*** is used to account for the payment of interest and principal on the infrastructure improvement long-term debt of the Authority. The primary source of revenue is provided by contract tax increment revenues. Expenditures are principal and interest payments.

The ***Affordable Housing Special Revenue Fund*** is used to account for the receipt of contract tax revenues for the City's affordable housing program. Expenditures consist of transfers to the City of Houston.

The ***Affordable Housing Debt Service Fund*** is used to account for the payment of principal and interest on the Authority's affordable housing bonds. The principal source of revenue is contract tax increment revenue. Expenditures are principal and interest payments.

Measurement Focus and Basis of Accounting

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recognized when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Contract tax increment revenues are recognized as revenues in the year for which they are levied

The Authority's government-wide net position are categorized as follows:

- Net investment in capital assets - This component of net position consists of capital assets net of accumulated depreciation.

UPTOWN DEVELOPMENT AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

Note 1 - Summary of Significant Accounting Policies *(continued)*

Measurement Focus and Basis of Accounting *(continued)*

- Restricted - This component of net position consists of constraints placed on net asset use through external constraints imposed by creditors, grantors, contributors or laws or regulations of other governments or constraints imposed by law through contractual provisions or enabling legislation.
- Unrestricted net position - This component of net position consists of net position that do not meet the definition of "restricted."

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available if they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose the Authority considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

Cash and Investments

The Authority's cash and investments consist of demand deposits and funds maintained by a trustee in a no-load money market mutual fund, as mandated by the Authority's Bond Indentures and Resolutions.

Receivables

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. The Authority's receivables consist of amounts due from the City of Houston and Houston Independent School District for contract tax increment revenues. These amounts are considered collectible and, accordingly, an allowance for uncollectible accounts has not been recorded.

Capital Assets

Capital assets are reported in the government-wide financial statements. The Authority defines capital assets as assets with an initial cost of \$5,000 or more and an estimated useful life in excess of one year. Capital assets are recorded at historical cost or estimated historical cost.

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. Capital assets are depreciated over their remaining useful lives (i.e., five years) using the straight-line method.

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.

UPTOWN DEVELOPMENT AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

Note 1 - Summary of Significant Accounting Policies *(continued)*

Use of Estimates

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

Fund Balance / Restricted Assets

The Authority records restrictions for all or portions of governmental fund balances which are legally segregated for specific future use or which do not represent available spendable resources and therefore not available for appropriation. Unassigned fund balance indicates the portion of fund balance which is available for appropriation in future periods. The restricted fund balances for governmental funds represent the amount that has been identified for specific purposes.

The Authority applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

The following fund balance classifications describe the relative strength of the spending constraints:

Nonspendable fund balance – amounts that are not in spendable form or are required to be maintained intact. The Authority does not have any nonspendable Fund Balance.

Restricted fund balance – Amounts that can be spent only for specific purposes because of local, state or federal laws, or externally imposed conditions by grantors or creditors.

Committed fund balance – amounts constrained to specific purposes by the Authority itself, using its highest level of decision-making authority (i.e. the Board of Directors). To be reported as committed, amounts cannot be used for any other purposes unless the Authority takes the same highest level of action to remove or change the constraint.

Assigned fund balance – amounts the Authority intends to use for a specific purpose. Intent can be expressed by the Authority or by an official or body to which the Board of Directors delegates the authority.

Unassigned fund balance – amounts that are available for any purpose. Positive amounts are reported only in the general fund. The Authority does not have a general fund.

The Authority establishes (and modifies or rescinds) fund balance commitments by passage of a resolution. When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the Authority considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the Authority considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds. The Authority has only restricted fund balances as of June 30, 2016.

UPTOWN DEVELOPMENT AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS (continued)

Note 1 - Summary of Significant Accounting Policies (continued)

Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/ expenditure) until then. The Authority only has one item that qualifies for reporting in this category. It is the deferred charge on refunding reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

	<u>2016</u>	<u>2015</u>
Deferred charge on refunding bonds beginning of year	\$ 282,624	\$ 317,952
Current year amortization	<u>(35,328)</u>	<u>(35,328)</u>
Deferred charge on refunding bonds end of year	<u>\$ 247,296</u>	<u>\$ 282,624</u>

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The Authority has no item that qualifies for reporting in this category, which arise only under a modified accrual basis of accounting.

New Accounting Standards

In the current fiscal year, the Authority implemented the following new standard. The applicable provisions of these new standard is summarized below. Implementation is reflected in the financial statements and the notes to the financial statements.

GASB Statement No. 72, *Fair Value Measurement and Application*, addresses accounting and financial reporting issues related to fair value measurements. The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements.

UPTOWN DEVELOPMENT AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS (continued)

Note 2 - Deposits and Investments

Due to the immediate availability of the funds, the Authority's investments at June 30, 2016 are included in cash and cash equivalents. At year end, the Authority's cash and cash equivalents were comprised of the following:

	Capital Projects	Debt Service	Affordable Housing		Total
			Special Revenue	Debt Service	
Money market funds	\$ 1,821,236	\$ -	\$ -	\$ -	\$ 1,821,236
Money market mutual funds	55,542,909	24,671,325	12,057,737	2,307,998	\$ 94,579,969
Total	<u>\$ 57,364,145</u>	<u>\$ 24,671,325</u>	<u>\$ 12,057,737</u>	<u>\$ 2,307,998</u>	<u>\$ 96,401,205</u>

The Authority's investments in money market mutual funds have a weighted average maturity of 46 days and are rated AAAM by Standard and Poor's.

The Authority categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The Authority has the following recurring fair value measurements as of June 30, 2016:

- Money market mutual funds of \$95 million are valued using quoted market prices (Level 1 inputs).

Deposit Custodial Credit Risk

Custodial credit risk as it applies to deposits 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 Authority'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 Authority has adopted a written investment policy, which establishes additional requirements for collateralization of deposits. The Authority's deposits were adequately collateralized as of June 30, 2016.

Authorized Investments

The Authority is authorized by the *Public Funds Investment Act* (Chapter 2256, Texas Government Code) to invest in the following: (1) obligations of the United States or its agencies and instrumentalities, (2) direct obligations of the State of Texas or its agencies and instrumentalities, (3) certain collateralized mortgage obligations, (4) other obligations, which are unconditionally guaranteed or insured by the State of Texas or the United States or its agencies or instrumentalities, (5) certain A rated or higher obligations of states and political subdivisions of any state, (6) bonds issued, assumed or guaranteed by the State of Israel, (7) insured or collateralized certificates of deposit, (8) certain fully collateralized repurchase agreements, (9) 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.

UPTOWN DEVELOPMENT AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS (continued)

Note 2 - Deposits and Investments (continued)

The Authority has adopted a written investment policy to establish the principles by which the Authority's investment program should be managed. This policy further restricts the Authority's allowable investments.

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 Authority's investment policies do not address investment credit and interest rate risk beyond the rating and maturity restrictions established by state statutes.

Note 3 - Deferred Charge on Refunding

Deferred charges consist of a loss associated with the Authority's 2012 Refunding Tax Increment Contract Revenue bonds. This cost is being amortized over the life of the bonds. Total expense for the year was \$35,328

Note 4 - Capital Assets

During the year, the Authority's capital assets changed as follows:

	<u>Beginning Balances</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balances</u>
Capital assets not being depreciated:				
Land	\$ 9,081,040	\$ -	\$ -	\$ 9,081,040
Capital assets being depreciated:				
Equipment	5,576,990	438,602	-	6,015,592
Less accumulated depreciation	<u>(2,841,411)</u>	<u>(511,728)</u>	-	<u>(3,353,139)</u>
	<u>2,735,579</u>	<u>(73,126)</u>	-	<u>2,662,453</u>
Capital assets, net	<u>\$ 11,816,619</u>	<u>\$ (73,126)</u>	<u>\$ -</u>	<u>\$ 11,743,493</u>

Depreciation expense in the amount of \$511,728 has been recorded in the government wide statements.

In accordance with an agreement between the Authority and the City of Houston ("the City"), the Authority conveys all of its infrastructure improvements to the City. However, some long-lived capital assets, primarily pedestrian lights, are recorded with the Authority. In this fiscal year, there were no capital assets purchased.

UPTOWN DEVELOPMENT AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS (continued)

Note 4 - Capital Assets (continued)

During the reporting period, the Authority purchased parcels of land on behalf of the City as an infrastructure improvement to be transferred to the City upon completion of the Post Oak Boulevard project, and therefore not recorded as a capital asset addition in the Authority's Statement of Net Position. The land purchases have been recorded in the Capital Outlay on behalf of the City of Houston expenditure account in the Statement of Activities and in the Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Funds.

Note 5 - Long Term Liabilities

As of June 30, 2016, the Authority's long term liabilities are comprised of the following:

	<u>Total</u>	<u>Due Within One Year</u>	<u>Due Over One Year</u>
Tax increment contract revenue bonds payable	\$ 140,730,000	\$ 7,830,000	\$ 132,900,000
Unamortized discounts on bonds payable	(368,502)	-	(368,502)
	<u>\$ 140,361,498</u>	<u>\$ 7,830,000</u>	<u>\$ 132,531,498</u>

During the year, the Authority's long-term liabilities changed as follows:

	<u>Beginning Balances</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balances</u>
Tax increment contract revenue bonds payable	\$ 111,540,000	\$ 35,000,000	\$ (5,810,000)	\$ 140,730,000
Unamortized discounts on bonds payable	(404,508)	-	36,006	(368,502)
	<u>\$ 111,135,492</u>	<u>\$ 35,000,000</u>	<u>\$ (5,773,994)</u>	<u>\$ 140,361,498</u>

UPTOWN DEVELOPMENT AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS (continued)

Note 5 - Long Term Liabilities (continued)

Tax Increment Contract Revenue Bonds

The Authority issues Tax Increment Contract Revenue bonds in order to construct infrastructure improvement facilities and the City of Houston's affordable housing facilities. The City of Houston has authorized the Authority to issue bonds and notes with aggregate principal amounts not to exceed \$155,000,000 outstanding at any time. The maximum authorization for short-term debt is \$27,000,000 outstanding at any time.

Bonds payable are comprised of the following individual issues:

Series	Amount Outstanding	Original Issue	Interest Rates	Beginning/Ending Maturity Dates	Interest Payment Dates	Call Dates
2001B	\$ 1,990,000	\$ 4,670,000	4.25% - 6.25%	Sep 1, 2002 - 2021	Mar 1, Sep 1	Sep 1, 2011
2002B	1,755,000	3,665,000	3.00% - 6.00%	Sep 1, 2003 - 2022	Mar 1, Sep 1	Sep 1, 2012
2004A	5,525,000	9,000,000	2.60% - 5.375%	Sep 1, 2006 - 2025	Mar 1, Sep 1	Sep 1, 2014
2004B	2,765,000	4,500,000	2.60% - 5.50%	Sep 1, 2006 - 2025	Mar 1, Sep 1	Sep 1, 2014
2004C	1,230,000	2,000,000	3.30% - 5.30%	Sep 1, 2006 - 2025	Mar 1, Sep 1	Sep 1, 2014
2004D	620,000	1,000,000	3.30% - 5.30%	Sep 1, 2006 - 2025	Mar 1, Sep 1	Sep 1, 2014
2009A	34,545,000	42,260,000	2.90% - 5.50%	Sep 1, 2011 - 2029	Mar 1, Sep 1	Sep 1, 2019
2012A	7,140,000	10,755,000	2.750%	Sep 1, 2012 - 2022	Mar 1, Sep 1	N/A
2014	50,160,000	53,195,000	3.875%	Sep 1, 2014 - 2033	Mar 1, Sep 1	Sep 1, 2023
2015	35,000,000	35,000,000	2.730%	Sep 1, 2016 - 2030	Mar 1, Sep 1	Sep 1, 2030
	<u>\$ 140,730,000</u>					

The Series 2002A, 2004A and 2004C were issued in order to construct infrastructure improvement facilities. The Authority issued Tax Increment Contract Revenue Refunding Bonds, Series 2012A in fiscal year 2012. The Authority issued Tax Increment Contract Revenue Bonds, Series 2014 in fiscal year 2014. The Series 2001B, 2002B, 2004B and 2004D were issued for the City of Houston's affordable housing facilities. On October 1, 2015 the Authority issued Tax Increment Contract Revenue Bonds, Series 2015 in the amount of \$35,000,000 to be used for infrastructure improvement facilities.

All of the Authority's bonds are secured by the Authority's pledge of certain tax increment payments received from the City and Houston Independent School District. As a result of the Tax Increment Contract Revenue Refunding Bonds, Series 2012A, the Authority has no defeased bonds outstanding as of June 30, 2016.

The bond indentures and resolutions stipulate the Authority will establish separate reserve funds for the infrastructure improvement facilities Tax Increment Contract Revenue Bonds and the affordable housing Tax Increment Contract Revenue Bonds. Each reserve fund will be maintained in an amount equal to the lesser of (1) 1.25 times the average annual debt service requirements, (2) maximum annual debt service or (3) 10% of the stated principal amount of the bonds or 10% of the issue price of the bonds if they were issued with more than a minimum amount of original issue discount. These reserves are maintained within the Debt Service Fund. The Authority was in compliance with these reserve requirements.

UPTOWN DEVELOPMENT AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS (continued)

Note 5 - Long Term Liabilities (continued)

Annual debt service requirements to retire these outstanding bonds are as follows:

Year	Infrastructure Bonds, All Series					
	2004A		2004C		2009A	
	Principal	Interest	Principal	Interest	Principal	Interest
2017	\$ 435,000	\$ 277,351	\$ 95,000	\$ 61,155	\$ 1,745,000	\$ 1,749,931
2018	455,000	255,536	100,000	56,328	1,830,000	1,669,281
2019	480,000	232,161	105,000	51,203	1,920,000	1,575,681
2020	505,000	207,221	115,000	45,703	2,020,000	1,477,481
2021	530,000	180,500	120,000	39,738	2,120,000	1,377,311
2022	560,000	152,160	125,000	33,429	2,225,000	1,271,866
2023	590,000	121,744	130,000	26,765	2,340,000	1,157,741
2024	620,000	89,225	140,000	19,610	2,460,000	1,036,511
2025	655,000	54,959	145,000	12,058	2,590,000	905,794
2026	695,000	18,678	155,000	4,108	2,735,000	764,303
2027	-	-	-	-	2,885,000	611,463
2028	-	-	-	-	3,050,000	448,250
2029	-	-	-	-	3,220,000	275,825
2030	-	-	-	-	3,405,000	93,638
2031	-	-	-	-	-	-
2032	-	-	-	-	-	-
2033	-	-	-	-	-	-
2034	-	-	-	-	-	-
	<u>\$ 5,525,000</u>	<u>\$ 1,589,535</u>	<u>\$ 1,230,000</u>	<u>\$ 350,097</u>	<u>\$ 34,545,000</u>	<u>\$ 14,415,076</u>

UPTOWN DEVELOPMENT AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS (continued)

Note 5 - Long Term Liabilities (continued)

Infrastructure Bonds, All Series (continued)							
Year	2012A		2014		2015		Total
	Principal	Interest	Principal	Interest	Principal	Interest	
2017	\$ 1,050,000	\$ 181,913	\$ 1,980,000	\$ 1,905,338	\$ 1,770,000	\$ 931,340	\$ 12,182,028
2018	1,075,000	152,694	2,055,000	1,827,160	1,980,000	880,153	12,336,152
2019	1,100,000	122,788	2,135,000	1,745,978	2,035,000	825,348	12,328,159
2020	1,135,000	92,056	2,215,000	1,661,697	2,090,000	769,041	12,333,199
2021	1,165,000	60,431	2,305,000	1,574,122	2,150,000	711,165	12,333,267
2022	1,195,000	27,981	2,395,000	1,483,059	2,205,000	651,720	12,325,215
2023	420,000	5,775	2,485,000	1,388,509	2,265,000	590,704	11,521,238
2024	-	-	2,580,000	1,290,375	2,330,000	527,982	11,093,703
2025	-	-	2,680,000	1,188,463	2,390,000	463,554	11,084,828
2026	-	-	2,785,000	1,082,578	2,455,000	397,420	11,092,087
2027	-	-	2,895,000	972,528	2,525,000	329,443	10,218,434
2028	-	-	3,005,000	858,216	2,595,000	259,555	10,216,021
2029	-	-	3,120,000	739,544	2,665,000	187,756	10,208,125
2030	-	-	3,245,000	616,222	2,735,000	114,046	10,208,906
2031	-	-	3,370,000	488,056	2,810,000	38,357	6,706,413
2032	-	-	3,500,000	354,950	-	-	3,854,950
2033	-	-	3,635,000	216,710	-	-	3,851,710
2034	-	-	3,775,000	73,141	-	-	3,848,141
	<u>\$ 7,140,000</u>	<u>\$ 643,638</u>	<u>\$ 50,160,000</u>	<u>\$ 19,466,646</u>	<u>\$ 35,000,000</u>	<u>\$ 7,677,584</u>	<u>\$ 177,742,575</u>

Affordable Housing Bonds, All Series						
Year	2001B		2002B		2004B	
	Principal	Interest	Principal	Interest	Principal	Interest
2017	\$ 285,000	\$ 113,538	\$ 205,000	\$ 99,150	\$ 215,000	\$ 138,868
2018	300,000	95,988	220,000	86,400	230,000	127,958
2019	320,000	77,188	235,000	72,750	240,000	116,208
2020	340,000	56,976	250,000	58,200	255,000	103,674
2021	360,000	35,313	265,000	42,750	265,000	90,250
2022	385,000	12,032	280,000	26,400	280,000	76,080
2023	-	-	300,000	9,000	295,000	60,872
2024	-	-	-	-	310,000	44,612
2025	-	-	-	-	330,000	27,412
2026	-	-	-	-	345,000	9,272
	<u>\$ 1,990,000</u>	<u>\$ 391,035</u>	<u>\$ 1,755,000</u>	<u>\$ 394,650</u>	<u>\$ 2,765,000</u>	<u>\$ 795,206</u>

UPTOWN DEVELOPMENT AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS (continued)

Note 5 - Long Term Liabilities (continued)

Affordable Housing Bonds, All Series (continued)			
2004D			
Year	Principal	Interest	Total
2017	\$ 50,000	\$ 30,768	\$ 1,137,324
2018	50,000	28,293	1,138,639
2019	55,000	25,668	1,141,814
2020	55,000	22,918	1,141,768
2021	60,000	19,998	1,138,311
2022	65,000	16,779	1,141,291
2023	65,000	13,383	743,255
2024	70,000	9,805	434,417
2025	75,000	5,963	438,375
2026	75,000	1,988	431,260
	<u>\$ 620,000</u>	<u>\$ 175,563</u>	<u>\$ 8,886,454</u>

Note 6 - Contract Tax Increment Revenues

On December 15, 1999, the City of Houston (the “City”) acting under provisions of Chapter 311, Texas Tax Code, created the Tax Increment Reinvestment Zone No. 16 (the “Zone”) to promote development of the Uptown area. The Zone terminates December 31, 2040, or earlier, 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” at the City. These funds are used to repay bonds sold to fund improvements that will significantly enhance the values of taxable real property in the Zone. The City, on behalf of the Zone, remits all monies in the Tax Increment Fund less administrative fees to the Authority by July 1st of each year.

During the year ended June 30, 2016, the Authority received \$40,954,987 in tax increment revenues as follows:

Tax Increment Revenues

	City of Houston	Houston ISD	Total
Total tax increments	\$ 26,929,826	\$ 14,025,161	\$ 40,954,987
Retainage for administrative costs	(1,346,491)	(25,000)	(1,371,491)
Set-aside for educational facilities	-	(4,689,456)	(4,689,456)
Net received	<u>\$ 25,583,335</u>	<u>\$ 9,310,706</u>	<u>\$ 34,894,041</u>

As required by statute, the City dedicates one-third of the tax increments for affordable housing in other areas of the City during the term of the Zone. This affordable housing activity is considered a part of the general mobility plan of the Authority.

The Authority is dependent upon the tax increments revenues.

UPTOWN DEVELOPMENT AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS (*continued*)

Note 7 - Contracts

The Authority has entered into various contracts in the course of performing its duties. Summaries of the Authority's significant contracts follow:

Tri Party Agreement

In 1999 an agreement between the City, the Zone and the Authority was approved 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 develop land and to issue bonds, notes or other obligations. The Authority is required to use all monies received from the Zone to 1) pay principal and interest on any obligations and 2) pay administrative costs. The City and the Zone are required to establish a Tax Increment Fund and deposit into it appropriate tax increment revenues. These funds are required to be remitted to the Authority no later than July 1st of each year.

Agreement with Harris County Improvement District No. 1

The Authority and the Harris County Improvement District No. 1 (the "District") have entered into an agreement whereby the District provides administrative, management and special services to the Zone and the Authority. During the year ended June 30, 2016, the Authority remitted \$1,540,000 to the District. This amount consisted of \$250,000 for operating and administrative costs, \$400,000 for traffic control and mobility, \$620,000 for project management and \$270,000 for communications and public relations for the Post Oak Boulevard project.

Note 8 - 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; and personal injuries. The risk of loss is covered by commercial insurance. There have been no significant reductions in insurance coverage and no settlements.

Note 9 - Commitments

On February 1, 2016, the Authority entered into a development, construction, operations, maintenance and concession agreement with the City of Houston, Texas, and Memorial Park Conservancy, Inc. The purpose of the agreement is to fulfill the Master Plan developed by all Parties for the restoration, enhancement and redevelopment of Memorial Park in a manner appropriate to meet the demands of the more than four million current annual Park visitors. Under the terms of the agreement, beginning in the Authority's Fiscal Year 2016 and continuing through Fiscal Year 2025, the Authority shall provide up to \$1,000,000 each year for Ecological Restoration Projects. Beginning in the Authority's Fiscal Year 2021, the Authority shall provide funding in each Agreement Year to maintain its investments in the Park. The funding amount shall be calculated as three percent of the Authority's cumulative investment in infrastructure projects in the Park as identified in the Capital Improvement Plan that are not otherwise maintained by the City.

UPTOWN DEVELOPMENT AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

Note 10 - Related Party Transactions

During the reporting period, the Uptown Development Authority continued the process of purchasing right-of-way parcels for the purpose of reconstructing Post Oak Boulevard. Some parcel purchases will involve related party transactions as some members of the Board of Directors have either direct or indirect interest in the parcels. The Authority has contracted with an independent consultant to lead the appraisal and negotiation process. Additionally, an independent attorney has been retained to review appraisals and the process for fairness and appropriateness. Directors with interest/affiliation in parcels must file affidavits stating the nature of their interest and abstain from voting on any transactions.

As of the June 30, 2016 reporting period, the Authority purchased a parcel of land from WMJK, Ltd. The owner of the property is a Director of the Authority. The Director filed an affidavit and recused himself from the Board vote. The Authority has chosen to keep the purchase prices for property acquired along Post Oak Boulevard confidential until the Authority closes each parcel, this information is excepted from disclosure under 552.105 of the Texas Government Code.

Note 11 - Subsequent Event

In September 2016, the Authority authorized the issuance of \$32,175,000 Tax Increment Contract Revenue Refunding Bonds, Series 2016.

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OTHER SUPPLEMENTARY INFORMATION

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UPTOWN DEVELOPMENT AUTHORITY

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - ALL GOVERNMENTAL FUNDS - BUDGET TO ACTUAL**

June 30, 2016

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance <u>Over/(Under)</u>
Budgetary fund balance, beginning of the year	\$ 71,778,197	\$ 71,778,197	\$ 71,778,197	\$ -
Resources				
Incremental property tax	43,564,118	43,564,118	40,954,987	(2,609,131)
Miscellaneous	290,951	290,951	1,362,688	1,071,737
Grant proceeds	5,000,000	5,000,000	1,275,308	(3,724,692)
Bond Proceeds	35,000,000	35,000,000	35,000,000	-
Total revenues/other resources	<u>155,633,266</u>	<u>155,633,266</u>	<u>150,371,180</u>	<u>(5,262,086)</u>
Expenditures				
Management and consulting services	976,000	976,000	860,425	(115,575)
Project costs and capital expenditures	81,450,000	81,450,000	38,911,862	(42,538,138)
Zone Administration	1,501,082	1,501,082	1,371,491	(129,591)
Debt service:				
Principal	5,810,000	5,810,000	5,810,000	-
Interest and other charges	4,801,222	4,801,222	5,919,014	1,117,792
Educational facilities transfer	4,692,309	4,692,309	4,689,456	(2,853)
Affordable housing transfer	14,521,372	14,521,372	12,025,000	(2,496,372)
Total use of resources	<u>113,751,985</u>	<u>113,751,985</u>	<u>69,587,248</u>	<u>(44,164,737)</u>
Budgetary fund balance, end of year	<u>\$ 41,881,281</u>	<u>\$ 41,881,281</u>	<u>\$ 80,783,932</u>	<u>\$ 38,902,651</u>

Explanation of Differences between Budgetary Inflows and GAAP Revenues

Sources/Inflows of Resources:

Actual Amounts (Budgetary Basis) \$ 150,371,180

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 (71,778,197)

Total Revenue as Reported on the Statement of Revenues, Expenditures and

Changes in Fund Balances - Total Governmental Funds \$ 43,592,983

Uses/Outflows of Resources:

Actual Amounts (Budgetary Basis) \$ 69,587,248

Differences - Budget to GAAP:

-

Total Expenditures as Reported on the Statement of Revenues, Expenditures and

Changes in Fund Balances - Total Governmental Funds \$ 69,587,248

UPTOWN DEVELOPMENT AUTHORITY

**OPERATING EXPENDITURES, CAPITAL EXPENDITURES AND PROJECT PLAN
RECONCILIATION**

For the Year Ended June 30, 2016

TIRZ #16 Uptown Development Authority

FY16 OPERATING EXPENDITURES

<u>Category</u>	<u>Vendor</u>	<u>Budget</u>	<u>Actual Expenditure</u>	<u>Variance</u>
TIRZ ADMINISTRATION AND OVERHEAD				
Administration (salary and benefits)	HCID No. 1	\$ 115,000	\$ 115,000	\$ -
Office Expenses	HCID No. 1	75,000	75,000	-
Insurance	Highpoint Insurance	75,000	81,346	6,346
Accounting	HCID No. 1	40,000	40,000	-
Auditor	Whitley Penn, LLP	15,000	17,200	2,200
COH Municipal Charge		446,000	446,000	-
Bond Trustee		-	7,000	7,000
Subtotal		\$ 766,000	\$ 781,546	\$ 15,546
PROGRAM AND PROJECT CONSULTANTS				
Legal	Allen Boone Humphries	45,000	58,879	13,879
In-House Legal Counsel		-	20,000	20,000
Architect Consultants		160,000	-	(160,000)
Construction Audits		5,000	-	(5,000)
Subtotal		\$ 210,000	\$ 78,879	\$ (131,121)
Total Zone Administration / Operations		\$ 976,000	\$ 860,425	\$ (115,575)

UPTOWN DEVELOPMENT AUTHORITY

**OPERATING EXPENDITURES, CAPITAL EXPENDITURES AND PROJECT PLAN
RECONCILIATION (continued)**

For the Year Ended June 30, 2016

<i>Project</i>	<i>Vendor</i>	FY16 CAPITAL EXPENDITURES		
		<i>Budget</i>	<i>Actual Expenditure</i>	<i>Variance</i>
Project 1: San Felipe Phase 2,3 - Sage to IH610				
Construction Costs	Harper Brothers		181,413	181,413
Construction Costs	Landscape Art		16,868	16,868
Subtotal		\$ -	\$ 198,281	\$ 198,281
Project T1617: Pedestrian Improvements				
Engineering Services				
Architectural Services				
Construction Management				
Project Management				
Construction Costs	Harper Brothers		523,786	
Construction Costs	Landscape Art		24,894	
Other Professional Services				
Subtotal		\$ -	\$ 548,680	\$ 548,680
Project T1608: Advance Traveler Information System				
		\$ 550,000		
Engineering Services	TEAL Engineering		124,676	
Construction Management	TEAL Engineering		83,848	
Construction Costs / ATIS Equipment	Pfeiffer		118,054	
Construction Costs / ATIS Equipment	Whitlock		133,661	
Construction Costs / ATIS Equipment	Computex		50,241	
Construction Costs / ATIS Equipment	Teradek		3,280	
Construction Costs / ATIS Equipment	Spectaveris		13,738	
Construction Costs / ATIS Equipment	Mercury Networks		12,690	
Construction Costs / ATIS Equipment	Dotworkz Systems		4,918	
Construction Costs / ATIS Equipment	TEAL Engineering		5,500	
Subtotal		\$ 550,000	\$ 550,605	\$ 605
Project T1609: Area Intersection and Signalization				
		\$ 100,000		
Construction Management	Gunda		51,602	
Construction Management	Reliable signal Construction		15,449	
Subtotal		\$ 100,000	\$ 67,051	\$ (32,949)
Project T1629: Hallmark				
		\$ 900,000		
Engineering Services	TEDSI		35,000	
Construction Management	Aurora Consulting		19,600	
Construction Costs	Harper Brothers		911,844	
Construction Costs	Aviles		18,099	
Other Professional Services	Sechrist Duckers		3,126	
Subtotal		\$ 900,000	\$ 987,669	\$ 87,669

UPTOWN DEVELOPMENT AUTHORITY

**OPERATING EXPENDITURES, CAPITAL EXPENDITURES AND PROJECT PLAN
RECONCILIATION (continued)**

For the Year Ended June 30, 2016

		FY16 CAPITAL EXPENDITURES		
<i>Project</i>	<i>Vendor</i>	<i>Budget</i>	<i>Actual Expenditure</i>	<i>Variance</i>
Project T1611: Right of Way		\$ 43,000,000		
Construction Costs			10,899,040	
Other Professional Services	Andrews Kurth		876,475	
Other Professional Services	Boyar Miller		5,304	
Other Professional Services	Deal Sikes		637,633	
Other Professional Services	Design Workshop		37,864	
Other Professional Services	Lupher LLC		203,003	
Other Professional Services	Michael Urban / Abstract Services of Houston		10,075	
	Subtotal	\$ 43,000,000	\$ 12,669,394	\$ (30,330,606)
Project T1636: BUTC Terminal		\$ 7,500,000		
Engineering Services / Advanced Planning	Dannebaum		57,394	
Engineering Services / Advanced Planning	Gunda		97,479	
Engineering Services / Advanced Planning	Lupher		52,688	
Engineering Services / Advanced Planning	Parsons Brinkerhoff		145,910	
Engineering Services / Advanced Planning	RS&H		7,874	
Engineering Services / Advanced Planning	Walter P Moore		177,913	
	Subtotal	\$ 7,500,000	\$ 539,258	\$ (6,960,742)
Project T1630: Hollyhurst Reconstruction		\$ 200,000		
Engineering Services	TEDSI Infrastructure		458,981	
	Subtotal	\$ 200,000	\$ 458,981	\$ 258,981
Project T1624: Woodway Outfall		\$ -		
Engineering Services	AECOM			
Architectural Services				
Construction Management				
Construction Costs	Gulf Coast Paver Construction Reytec Construction			
Project Management	HCID No. 1			
Program Financing				
Other Professional Services	Sechrist Duckers			
	Subtotal	\$ -	\$ -	\$ -

UPTOWN DEVELOPMENT AUTHORITY

**OPERATING EXPENDITURES, CAPITAL EXPENDITURES AND PROJECT PLAN
RECONCILIATION (continued)**

For the Year Ended June 30, 2016

		FY16 CAPITAL EXPENDITURES		
<i>Project</i>	<i>Vendor</i>	<i>Budget</i>	<i>Actual Expenditure</i>	<i>Variance</i>
Project T1632: Hidalgo		\$ 50,000		
Engineering/Design Services	TEDSI		13,500	
Other Professional Services	Lupher LLC		3,215	
Subtotal		\$ 50,000	\$ 16,715	\$ (33,285)
Project T1616: Secondary Roadways (Pavement Restoration / McCue / Guilford Street)		\$ 1,000,000		
Planning / Engineering Services	TEDSI		11,250	
Construction Management	Gunda		40,000	
Construction Management	Harper Brothers Construction		859,584	
Other Professional Services	Kirst Kosmoski		44,537	
Subtotal		\$ 1,000,000	\$ 955,371	\$ (44,629)
Project T1638: Post Oak Lane		\$ 2,000,000		
Engineering Services / Preliminary				
Engineering Services / Preliminary	TEDSI		275,560	
Engineering Services / Preliminary	Lupher LLC		5,934	
Subtotal		\$ 2,000,000	\$ 281,494	\$ (1,718,506)
Project TXXX: Westheimer Waterline		\$ -		
Preliminary Engineering	LAN			
Architectural Services				
Construction Management				
Construction Costs				
Program Management	HCID #1			
Other Professional Services				
Subtotal		\$ -	\$ -	\$ -

UPTOWN DEVELOPMENT AUTHORITY

**OPERATING EXPENDITURES, CAPITAL EXPENDITURES AND PROJECT PLAN
RECONCILIATION (continued)**

For the Year Ended June 30, 2016

		FY16 CAPITAL EXPENDITURES		
<i>Project</i>	<i>Vendor</i>	<i>Budget</i>	<i>Actual Expenditure</i>	<i>Variance</i>
Project T1633:Post Oak Boulevard Reconstruction		\$ 11,000,000		
Planning Preliminary / Design Services	Gunda Corporation		19,586	
Planning Preliminary / Design Services	Design Workshop		17,372	
Planning Preliminary / Design Services	ARUP		14,529	
Planning Preliminary / Design Services	Paul Weisser		6,192	
Final Design Services	Gunda Corporation		1,699,215	
Final Design Services	Design Workshop		389,263	
Final Design Services	ARUP		260,002	
Final Design Services	Dupuy Studio		47,003	
Final Design Services	Mike Doyle		10,163	
Final Design Services	Walter P Moore		33,663	
Final Design Services	Cobb Fendley		149,461	
Final Design Services	Hunt & Hunt Engineering		103,500	
Final Design Services	LAN		510,260	
Final Design Services	Lupher LLC		125,319	
Final Design Services	TEDSI		298,800	
Construction Management	Aurora		292,665	
Construction Management	Gunda		720,488	
Construction Management	Othon		307,971	
Construction Management	Aviles		12,410	
Construction Management	BSCI		204,850	
Construction Management	Cobb Fendley		44,628	
Construction Management	ARUP		45,468	
Construction Management	Lupher		54,624	
Construction Management	Walter P Moore		4,405	
Construction Management	LAN		19,750	
Construction Management			2,520	
Construction Management	Design Workshop		23,940	
Project Management	HCID No. 1		315,000	
Project Management	Flowers Consulting		66,746	
Program Financing			708,037	
Construction Costs	Environmental Design		169,934	
Construction Costs	Boyer Inc.		4,254,417	
Construction Costs	Landscape Art		25,866	
Construction Costs	Meiners Construction		118,284	
Construction Costs	Haper Brothers Construction		1,251,258	
Construction Costs	Utilities		158,150	
Construction Costs	HCID No. 1		580,500	
Other Professional Services	HCID No. 1		670,000	
	Subtotal	\$ 11,000,000	\$ 13,736,237	\$ 2,736,237
Project T1635:West Loop Transit Way		\$ 500,000		
	Subtotal	\$ 500,000	\$ -	\$ (500,000)
Project T1639:Westheimer Waterline		\$ 900,000		
Preliminary Engineering	LAN		47,828	
Construction Management	Aviles		26,157	
Construction Management	Sowell Construction		67,050	
Construction Management	Aurora		46,740	
Construction Costs			1,533,865	
	Subtotal	\$ 900,000	\$ 1,721,640	\$ 821,640
Project T1637: Westbriar Reconstruction		\$ 1,050,000		
Engineering Services	TEDSI		8,750	
Construction Costs	Harper Brothers		835,103	
Construction Costs	Landscape Art		7,203	
	Subtotal	\$ 1,050,000	\$ 851,056	\$ (198,944)

UPTOWN DEVELOPMENT AUTHORITY

**OPERATING EXPENDITURES, CAPITAL EXPENDITURES AND PROJECT PLAN
RECONCILIATION (continued)**

For the Year Ended June 30, 2016

		FY16 CAPITAL EXPENDITURES		
<i>Project</i>	<i>Vendor</i>	<i>Budget</i>	<i>Actual Expenditure</i>	<i>Variance</i>
Project T1635: Memorial Park		\$ 11,000,000		
Engineering Services	Walter P Moore		953,075	
Design Services	Design Workshop		242,948	
	Millis Development &			
Construction Costs	Construction		306,538	
Construction Costs	Andrade Concrete		9,570	
Construction Costs	Brock's Logging		17,400	
Construction Costs	Environmental Allies		7,941	
Construction Costs	Statewide Services		831,930	
Construction Costs	Jerdon LLC		228,126	
Construction Costs	Davey Tree Experts		15,485	
Construction Costs	Environmental Design		16,950	
Construction Costs	Memorial Park Conservancy		1,000,000	
Construction Costs	PSI		2,340	
Construction Costs	Frayre CM		228,508	
Construction Costs	BSCI		62,000	
Master Plan Design	Nelson Byrd Woltz		1,194,679	
Project Management	HCID No. 1		305,000	
Other Professional Services	Dancie Ware		47,969	
Other Professional Services	Beeton Consulting		45,000	
	Subtotal	\$ 11,000,000	\$ 5,515,459	\$ (5,484,541)
Project T1622: Parks		\$ 1,700,000		
Engineering / Design Services	Design Workshop		63,785	
Engineering / Design Services	SWA Group		122,274	
Construction Costs / Purchase	Millis Development		88,547	
Construction Costs / Purchase	Gibson's Landscaping		47,358	
Construction Costs / Purchase	Hernandez Monreal Plumbing		13,550	
Construction Costs / Purchase	Environmental Design		41,200	
Maintenance / Operation			145,294	
	Subtotal	\$ 1,700,000	\$ 522,008	\$ (1,177,992)
Total Capital Expenditures		\$ 81,450,000	\$ 39,619,899	\$ (41,830,101)

UPTOWN DEVELOPMENT AUTHORITY

**OPERATING EXPENDITURES, CAPITAL EXPENDITURES AND PROJECT PLAN
RECONCILIATION (continued)**

For the Year Ended June 30, 2016

PROJECT PLAN RECONCILIATION						
	<i>*Project Plan Amount</i>	<i>Beginning</i>	<i>Current Year Expenditures</i>	<i>Expenditures to Date</i>	<i>Variance</i>	
Non-Education Projects						
Improve Existing Streets	\$ 66,000,000	\$ 65,872,460	\$ -	\$ 65,872,460	\$ 127,540	
Create Street Grid Network	15,000,000	14,011,162	-	14,011,162	988,838	
Improve Intersections	12,000,000	11,147,748	-	11,147,748	852,252	
Parking Management Program	52,000,000	-	-	-	52,000,000	
Pedestrian Network	20,000,000	19,510,975	548,680	20,059,655	(59,655)	
Roadways, Streets, Side walks, Lighting	186,000,000	27,726,730	20,364,358	48,091,088	137,908,912	
Public Utilities	94,000,000	-	-	-	94,000,000	
Land Acquisition	37,000,000	1,792,754	12,669,394	14,462,148	22,537,852	
Cultural and Public Facility Improvements	46,000,000	-	-	-	46,000,000	
Memorial Park Improvements	100,000,000	5,276,870	5,515,459	10,792,329	89,207,671	
Parks	41,000,000	1,024,503	522,008	1,546,511	39,453,489	
Subtotal	\$ 669,000,000	\$ 146,363,202	\$ 39,619,899	\$ 185,983,101	\$ 483,016,899	
Education Projects	\$ 129,000,000	\$ 36,440,293	\$ 4,689,456	\$ 41,129,749	\$ 87,870,251	
Affordable Housing	\$ 452,000,000	\$ 88,112,259	\$ 12,025,000	\$ 100,137,259	\$ 351,862,741	
Zone Administration / Operations	\$ 15,000,000	\$ 6,437,122	\$ 860,425	\$ 7,297,547	\$ 7,702,453	
Total Project Plan	\$ 1,265,000,000	\$ 277,352,876	\$ 57,194,780	\$ 334,547,656	\$ 930,452,344	

* Project Plan Amendment in February 2013

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

To the Board of Directors
Uptown Development Authority
Houston, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of Uptown Development Authority (the “Authority”), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Authority’s basic financial statements, and have issued our report thereon dated November 14, 2016.

Internal Control Over Financial Reporting

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

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

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

To the Board of Directors
Uptown Development Authority

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority'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 Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Whitley Penn LLP". The signature is written in a cursive, professional style.

Houston, Texas
November 14, 2016