

UPTOWN DEVELOPMENT AUTHORITY

**FINANCIAL STATEMENTS
AND OTHER FINANCIAL INFORMATION**

**For the Fiscal Year Ended
June 30, 2018
with Independent Auditor's Report**

UPTOWN DEVELOPMENT AUTHORITY

FINANCIAL STATEMENTS AND OTHER FINANCIAL INFORMATION

Year Ended June 30, 2018

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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, 2018, 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, 2018, 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 38 through 42 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 September 26, 2018, 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
September 26, 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS

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UPTOWN DEVELOPMENT AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS

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, 2018.

The Authority is a special-purpose government and 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. The Authority's programs involve 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.

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.

UPTOWN DEVELOPMENT AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS (*continued*)

Governmental Funds

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

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, 2018. The Authority continues to have a deficit net position because the Authority incurs long-term debt to pay for parks and general mobility improvements that are ultimately conveyed to the City of Houston, but the debt incurred to create them remains the responsibility of the Authority. The cumulative assets transferred for mobility and park improvements without the attendant debt totals over \$309 million. 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.

UPTOWN DEVELOPMENT AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

A comparative schedule of net position at June 30, 2018 and 2017 follows:

	<u>2018</u>	<u>2017</u> <u>as restated</u>
Current and other assets	\$ 84,781,499	\$ 62,403,938
Capital assets, net	10,594,723	11,169,108
Total Assets	<u>95,376,222</u>	<u>73,573,046</u>
 Deferred Outflows of Resources		
Deferred charge on refunding	2,927,180	3,208,513
Total deferred outflows of resources	<u>2,927,180</u>	<u>3,208,513</u>
Accounts payable and other liabilities	23,592,973	26,894,339
Long-term liabilities	203,144,663	147,080,229
Total Liabilities	<u>226,737,636</u>	<u>173,974,568</u>
 Net Position		
Net investment in capital assets	10,594,723	11,169,108
Restricted for capital projects	32,850,218	9,264,522
Restricted for debt service	28,338,308	26,245,077
Unrestricted (deficit)	(200,217,483)	(143,871,716)
Total Net Position (Deficit)*	<u>\$ (128,434,234)</u>	<u>\$ (97,193,009)</u>

Total assets increased by \$21,803,176 from the prior year due to proceeds received from a financing during the fiscal year. The proceeds are being used for the construction of the Post Oak Boulevard BRT project and on behalf of the City of Houston. As such, these assets will not be reflected in the Authority's statement of net position. Liabilities increased by \$52,763,068 due to the issuance of bonds during the period.

***The deficit net position is due to project assets being conveyed to the City of Houston. The cumulative assets transferred to the City total over \$309 million (see page 42) for mobility and park improvements.**

UPTOWN DEVELOPMENT AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

The total net deficit of the Authority increased by \$31,241,225 during the current fiscal year. A comparative summary of the Authority's statement of activities for the past two years is as follows:

	<u>2018</u>	<u>2017</u> <u>as restated</u>
Revenues		
Program Revenues:		
Capital grants and contributions	\$ 24,110,745	\$ 1,916,832
General Revenues:		
Contract tax increment	46,220,226	46,949,004
Investment earnings	599,712	187,872
Total Revenues	<u>70,930,683</u>	<u>49,053,708</u>
Expenses		
General government	7,450,702	7,519,857
Affordable housing	13,704,604	13,951,414
Educational Facilities	5,075,699	4,819,896
Interest on long-term debt	7,631,613	5,587,819
Capital outlay on behalf of City of Houston	67,734,905	64,353,734
Depreciation	574,385	574,385
Total Expenses	<u>102,171,908</u>	<u>96,807,105</u>
Increase (decrease) in net position	(31,241,225)	(47,753,397)
Net position - beginning, as restated	<u>(97,193,009)</u>	<u>(49,439,612)</u>
Net position - ending	<u>\$ (128,434,234)</u>	<u>\$ (97,193,009)</u>

Contract tax increment revenues decreased by \$728,778 from the previous year. This was due to an adjustment for prior year taxes due to protests and settlements. Total expenses were \$102,171,908 in the current year. This is an increase of \$5,364,803 from the previous year due to increased spending for capital projects for primarily the Post Oak Boulevard and the transit center project. Additionally, the Eastern Glades project in Memorial Park was under construction. The municipal services fee included in the general government line above to the City of Houston is \$5.5 million.

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 \$63,360,873 which was a \$26,361,313 increase in comparison with the prior year. Approximately \$30.5 million is restricted for debt service. The Capital Projects fund balance at the end of the fiscal year was \$32,796,233. This increase is due to proceeds received in the year to support the Post Oak Boulevard, Transit Center and other capital projects. The Authority uses the capital projects fund for infrastructure improvements in the area.

UPTOWN DEVELOPMENT AUTHORITY

MANAGEMENT’S DISCUSSION AND ANALYSIS (continued)

The final budget to actual results for the capital program cost were \$2.8 million over budget. This is due to increased expenditures for the transit center site. During the year, construction on all three segments of The Boulevard project were well underway.

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** – The Authority must protect the public interest by acquiring property at fair market value.
2. **Protect private property rights** - The Authority must protect private property rights with just compensation for the taking of private property for public use.
3. **Follow Due Process** - The Authority 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:

	<u>2018</u>	<u>Increase (Decrease)</u>	<u>2017</u>	<u>Increase (Decrease)</u>	<u>2016</u>
Capital Projects	\$ 32,796,233	\$ 23,566,157	\$ 9,230,076	\$ (44,535,114)	\$ 53,765,190
Debt Service	28,173,230	2,746,998	25,426,232	748,225	24,678,007
Affordable Housing Special Revenue	53,985	19,539	34,446	1,709	32,737
Affordable Housing Debt Service	2,337,425	28,619	2,308,806	808	2,307,998
	<u>\$ 63,360,873</u>	<u>\$ 26,361,313</u>	<u>\$ 36,999,560</u>	<u>\$ (43,784,372)</u>	<u>\$ 80,783,932</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>2018</u>	<u>2017</u>
Capital assets not being depreciated:		
Land and improvements	\$ 9,081,040	\$ 9,081,040
Capital assets being depreciated:		
ATIS Equipment	898,317	898,317
Pedestrian Lights	<u>5,117,275</u>	<u>5,117,275</u>
	6,015,592	6,015,592
Less accumulated depreciation	<u>(4,501,909)</u>	<u>(3,927,524)</u>
	<u>1,513,683</u>	<u>2,088,068</u>
Capital assets, net of accumulated depreciation	<u>\$ 10,594,723</u>	<u>\$ 11,169,108</u>

UPTOWN DEVELOPMENT AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS *(continued)*

There were no capital assets purchased during the year.

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, 2018 and 2017, is as follows:

	<u>2018</u>	<u>2017</u>
Tax increment contract revenue bonds payable	\$ 189,880,000	\$ 136,165,000
Due to project development agreements	<u>10,134,189</u>	<u>11,064,921</u>
	200,014,189	147,229,921
Less unamortized discount on bonds payable	(124,900)	(149,692)
Plus unamortized premium on bonds payable	<u>3,255,374</u>	<u>-</u>
	<u>\$ 203,144,663</u>	<u>\$ 147,080,229</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 29 million square feet of total office space in its market area, Uptown accounts for over 13.7% of Houston MSA's total 'Class A' office space with over 20 million square feet. There are 108,000 office employees in the Uptown market area. At the end of the second quarter, 2018 class A office space was 82.4% leased similar to Houston's total Class A office market, also with occupancy at 82.7%.

The 2017 certified values for the office sector were up approximately seven percent from the previous year. This year, the Uptown market area welcomed The Post Oak, Landry's 650,000 SF mixed-use tower with 140,000 SF of boutique office space. This new development is located close to Post Oak Boulevard and the 610 West Loop (located in the TIRZ). Also, Hanover is adding almost 50,000 SF of office in their new residential tower scheduled to be completed in 2019 (also located in the TIRZ).

UPTOWN DEVELOPMENT AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS (*continued*)

Retail

Uptown continues to be synonymous with high-end shopping and is known as a world-renowned center for retail. Ad valorem values for the retail sector for 2017 were up approximately thirteen percent from the previous year. Retail was 99% leased as of Q2 2018. This market maintained as The Galleria is now the fourth largest retail center in the United States. The Galleria Mall completed 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 has been remodeled to house more high-end retail tenants. Uptown Park has begun an extensive modernization of their retail center bringing in both new retail stores as well as restaurants.

Hotel

Uptown now has 38 first quality hotels in the area, offering almost 8,300 rooms for guests. Landry's 36 story mixed-use development, "The Post Oak" is now open and recently received Houston's only AA Five-Diamond hotel rating.

The area's RevPAR (revenues per available room) for 2018 Q2 is \$107.62 in comparison to the Houston Central Business District at \$134.85. The RevPAR for Houston City-wide is \$73.99. Uptown Houston also boasts one of the highest occupancy rates in the city at 72.2%, while the Houston City-wide occupancy rate was 68.6% at the end of the second quarter, 2018.

Residential

In 2017, two new residential projects were delivered to the Uptown market area adding 700 units. In 2018, it is projected that an additional 700 units will come online. This year, three new multi-family projects opened adding more than \$100 million dollars of value to the tax roll. Uptown Houston is one of the most prestigious and desirable areas to live.

The economic outlook is stable in Uptown. There continues to be new development in the area and property values are healthy year over year. 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, 2018

Assets	
Cash and temporary investments	\$ 55,919,270
Investments	23,865,445
Due from other governmental agencies	4,996,784
Land	9,081,040
Other capital assets, net	1,513,683
Total Assets	<u>95,376,222</u>
Deferred Outflows of Resources	
Deferred charge on refunding	<u>2,927,180</u>
Total deferred outflows of resources	<u>2,927,180</u>
Liabilities	
Accounts payable and accrued expenses	6,920,635
Due to other governments	14,499,991
Accrued interest	2,172,347
Long-term liabilities:	
Due within one year	9,917,220
Due in more than one year	193,227,443
Total liabilities	<u>226,737,636</u>
Net Position	
Net investment in capital assets	10,594,723
Restricted for capital projects	32,850,218
Restricted for debt service	28,338,308
Unrestricted (deficit)	<u>(200,217,483)</u>
Total net position (deficit)	<u>\$ (128,434,234)</u>

See Notes to Financial Statements

UPTOWN DEVELOPMENT AUTHORITY

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2018

Functions/Programs	<u>Expenses</u>	<u>Program Revenue Capital Grants and Contributions</u>	<u>Net Expense</u>
General government	\$ 7,450,702	\$ -	\$ (7,450,702)
Affordable housing	13,704,604	-	(13,704,604)
Education Facilities	5,075,699	-	(5,075,699)
Interest and other charges	7,631,613	-	(7,631,613)
Depreciation	574,385	-	(574,385)
Capital outlay on behalf of the City of Houston	67,734,905	24,110,745	(43,624,160)
Totals	<u>\$ 102,171,908</u>	<u>\$ 24,110,745</u>	<u>(78,061,163)</u>
 General revenues			
Contract tax increment revenues			46,220,226
Unrestricted investment earnings			<u>599,712</u>
			<u>46,819,938</u>
Change in net position			(31,241,225)
Net position (deficit) - beginning, as restated			<u>(97,193,009)</u>
Net position (deficit) - ending			<u><u>\$(128,434,234)</u></u>

See Notes to Financial Statements

UPTOWN DEVELOPMENT AUTHORITY

BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2018

	<u>Capital Projects</u>	<u>Debt Service</u>	<u>Affordable Housing</u>		<u>Total Governmental Funds</u>
			<u>Special Revenue</u>	<u>Debt Service</u>	
Assets					
Cash and temporary investments	\$ 40,259,567	\$ 14,441,962	\$ 37,608	\$ 1,180,133	\$ 55,919,270
Investments	23,865,445	-	-	-	23,865,445
Due from other funds	-	13,731,268	13,706,377	1,157,292	28,594,937
Due from other governments	4,996,784	-	-	-	4,996,784
Total assets	<u>\$ 69,121,796</u>	<u>\$ 28,173,230</u>	<u>\$ 13,743,985</u>	<u>\$ 2,337,425</u>	<u>\$ 113,376,436</u>
Liabilities and Fund Balance					
Liabilities:					
Accounts payable	\$ 6,920,635	\$ -	\$ -	\$ -	\$ 6,920,635
Due to other funds	28,594,937	-	-	-	28,594,937
Due to other governments	809,991	-	13,690,000	-	14,499,991
Total liabilities	36,325,563	-	13,690,000	-	50,015,563
Fund balances:					
Restricted:					
Debt service	-	28,173,230	-	2,337,425	30,510,655
Affordable Housing	-	-	53,985	-	53,985
Capital Projects	32,796,233	-	-	-	32,796,233
Total fund balances	<u>32,796,233</u>	<u>28,173,230</u>	<u>53,985</u>	<u>2,337,425</u>	<u>63,360,873</u>
Total liabilities and fund balances	<u>\$ 69,121,796</u>	<u>\$ 28,173,230</u>	<u>\$ 13,743,985</u>	<u>\$ 2,337,425</u>	<u>\$ 113,376,436</u>

See Notes to Financial Statements

UPTOWN DEVELOPMENT AUTHORITY

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

June 30, 2018

Total fund balance, governmental funds \$ 63,360,873

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

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

Land	\$ 9,081,040	
Other capital assets	6,015,592	
Less accumulated depreciation	<u>(4,501,909)</u>	
Change due to capital assets		10,594,723

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	(189,880,000)	
Deferred charge on refunding	2,927,180	
Additional accrued interest	(2,172,347)	
Due to project development agreements	(10,134,189)	
Unamortized bond discount	124,900	
Unamortized bond premium	<u>(3,255,374)</u>	
Change due to long-term debt obligations		<u>(202,389,830)</u>

Net Position of Governmental Activities in the Statement of Net Position \$ (128,434,234)

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, 2018

	<u>Affordable Housing</u>				Total Governmental Funds
	Capital Projects	Debt Service	Special Revenue	Debt Service	
Revenues					
Incremental tax revenue	\$ 17,620,253	\$ 13,736,304	\$ 13,706,377	\$ 1,157,292	\$ 46,220,226
Investment earnings	383,081	188,899	17,766	9,966	599,712
Intergovernmental revenue	<u>24,110,745</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>24,110,745</u>
Total revenues	<u>42,114,079</u>	<u>13,925,203</u>	<u>13,724,143</u>	<u>1,167,258</u>	<u>70,930,683</u>
Expenditures					
Current:					
Administration salaries	85,000	-	-	-	85,000
Office expenses	60,000	-	-	-	60,000
Insurance	69,853	-	-	-	69,853
Accounting	40,000	-	-	-	40,000
Auditor	24,644	-	-	-	24,644
Bond trustee	-	-	-	-	-
City of Houston, Municipal charge	5,522,994	-	-	-	5,522,994
Legal	74,584	-	-	-	74,584
Legal, in-house	65,000	-	-	-	65,000
Educational facilities cost, transfer to other government	5,075,699	-	-	-	5,075,699
Affordable housing cost, transfer to other government	-	-	13,690,000	-	13,690,000
Other Zone Administration Cost	1,578,480	-	-	-	1,578,480
Capital Outlay on behalf of the City of Houston	67,683,476	-	-	-	67,683,476
Debt Service:					
Principal	-	7,985,000	-	800,000	8,785,000
Interest and other charges	1,553,702	4,843,780	14,604	338,639	6,750,725
Developer/Project Reimbursements	<u>912,308</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>912,308</u>
Total expenditures	<u>82,745,740</u>	<u>12,828,780</u>	<u>13,704,604</u>	<u>1,138,639</u>	<u>110,417,763</u>
Excess of revenues over / (under) expenditures	(40,631,661)	1,096,423	19,539	28,619	(39,487,080)
Other Financing Sources/Uses					
Proceeds from issuance of debt	62,500,000	-	-	-	62,500,000
Premium or (Discount) on issuance of debt	3,348,393	-	-	-	3,348,393
Transfers in	-	1,650,575	-	-	1,650,575
Transfers out	<u>(1,650,575)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,650,575)</u>
Total other financing sources/uses	64,197,818	1,650,575	-	-	65,848,393
Net change in fund balances	23,566,157	2,746,998	19,539	28,619	26,361,313
Fund balances - beginning of year	<u>9,230,076</u>	<u>25,426,232</u>	<u>34,446</u>	<u>2,308,806</u>	<u>36,999,560</u>
Fund balances - end of year	<u>\$ 32,796,233</u>	<u>\$ 28,173,230</u>	<u>\$ 53,985</u>	<u>\$ 2,337,425</u>	<u>\$ 63,360,873</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, 2018

Net change in fund balances - total governmental funds: \$ 26,361,313

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.

Depreciation expense	<u>\$ (574,385)</u>	
Change due to capital assets		(574,385)

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 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	8,785,000	
Proceeds from issuance of debt	(62,500,000)	
Premium received from issuance of debt	(3,348,393)	
Increase in accrued interest payable	(682,386)	
Discounts are amortized over the life of the bonds	(24,792)	
Premiums are amortized over the life of the bonds	93,019	
Deferred charge on refunding is amortized over the life of the bond	(281,333)	
Project development agreement expense	<u>930,732</u>	
		<u>(57,028,153)</u>

Change in net position of governmental activities		<u>\$ (31,241,225)</u>
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See Notes to Financial Statements

UPTOWN DEVELOPMENT AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2018

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 \$1,265,000,000 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, 2018.

UPTOWN DEVELOPMENT AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS (continued)

Note 1 - Summary of Significant Accounting Policies (continued)

Deferred outflows 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.

Note 2 - Deposits and Investments

Due to the immediate availability of the funds, the Authority's investments at June 30, 2018 are included in cash and temporary investments. At year end, the Authority's cash and temporary investments were comprised of the following:

	<u>Capital Projects</u>	<u>Debt Service</u>	<u>Affordable Housing</u>		<u>Total</u>
			<u>Special Revenue</u>	<u>Debt Service</u>	
Government Money Market Funds	\$ 40,259,567	\$ 14,441,962	\$ 37,608	\$ 1,180,133	\$ 55,919,270
U.S. Treasury Securities	23,865,445	-	-	-	23,865,445
Total	<u>\$ 64,125,012</u>	<u>\$ 14,441,962</u>	<u>\$ 37,608</u>	<u>\$ 1,180,133</u>	<u>\$ 79,784,715</u>

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.

Investments	<u>Fair Market Value</u>	<u>Weighted Average Maturity (Days)</u>	<u>Fair Value Measurement</u>	<u>Standard & Poor's Rating</u>
Government Money Market Funds	55,919,270	34	Level 1	AAAm
US Treasury Securities	23,865,445	195	Level 2	AA+
Total Investments	<u>79,784,715</u>	127		

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, 2018.

UPTOWN DEVELOPMENT AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

Note 2 - Deposits and Investments *(continued)*

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.

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 losses associated with the Authority's 2012 Refunding Tax Increment Contract Revenue Refunding Bonds and the Series 2016 Tax Increment Contract Revenue Refunding Bonds. This cost is being amortized over the life of the bonds. Total expense for the year was \$281,333.

	<u>2018</u>	<u>2017</u>
Deferred charge on refunding bonds beginning of year	\$ 3,208,513	\$ 247,296
Current year additions	-	3,190,653
Current year amortization	<u>(281,333)</u>	<u>(229,436)</u>
Deferred charge on refunding bonds end of year	<u>\$ 2,927,180</u>	<u>\$ 3,208,513</u>

UPTOWN DEVELOPMENT AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS (continued)

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	6,015,592	-	-	6,015,592
Less accumulated depreciation	<u>(3,927,524)</u>	<u>(574,385)</u>	<u>-</u>	<u>(4,501,909)</u>
	<u>2,088,068</u>	<u>(574,385)</u>	<u>-</u>	<u>1,513,683</u>
Capital assets, net	<u>\$ 11,169,108</u>	<u>\$ (574,385)</u>	<u>\$ -</u>	<u>\$ 10,594,723</u>

Depreciation expense in the amount of \$574,385 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.

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, 2018, 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	\$ 189,880,000	\$ 9,080,000	\$ 180,800,000
Unamortized discounts on bonds payable	(124,900)	-	(124,900)
Unamortized premium on bonds payable	3,255,374	-	3,255,374
Due to project development agreements	<u>10,134,189</u>	<u>837,220</u>	<u>9,296,969</u>
	<u>\$ 203,144,663</u>	<u>\$ 9,917,220</u>	<u>\$ 193,227,443</u>

UPTOWN DEVELOPMENT AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS (continued)

Note 5 - Long Term Liabilities (continued)

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

	Beginning Balances	Additions	Reductions	Ending Balances
Tax increment contract revenue				
bonds payable	\$ 136,165,000	\$ 62,500,000	\$ (8,785,000)	\$ 189,880,000
Unamortized discounts on bonds payable	(149,692)	-	24,792	(124,900)
Unamortized premium on bonds payable	-	3,348,393	(93,019)	3,255,374
Due to project development agreements	11,064,921	-	(930,732)	10,134,189
	<u>\$ 147,080,229</u>	<u>\$ 65,848,393</u>	<u>\$ (9,783,959)</u>	<u>\$ 203,144,663</u>

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 \$220,000,000 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		Interest Rates	Beginning/Ending	Interest	Call Dates
	Outstanding	Original Issue		Maturity Dates	Payment Dates	
2001B	\$ 1,405,000	\$ 4,670,000	4.25% - 6.00%	Sep 1, 2002 - 2021	Mar 1, Sep 1	Sep 1, 2011
2002B	1,330,000	3,665,000	3.00% - 6.00%	Sep 1, 2003 - 2022	Mar 1, Sep 1	Sep 1, 2012
2004B	2,320,000	4,500,000	2.60% - 5.50%	Sep 1, 2006 - 2025	Mar 1, Sep 1	Sep 1, 2014
2004D	520,000	1,000,000	3.30% - 5.30%	Sep 1, 2006 - 2025	Mar 1, Sep 1	Sep 1, 2014
2009	8,285,000	42,260,000	2.90% - 5.50%	Sep 1, 2011 - 2029	Mar 1, Sep 1	Sep 1, 2019
2012A	5,015,000	10,755,000	2.750%	Sep 1, 2012 - 2022	Mar 1, Sep 1	N/A
2014	46,125,000	53,195,000	3.875%	Sep 1, 2014 - 2033	Mar 1, Sep 1	Sep 1, 2023
2015	31,250,000	35,000,000	2.730%	Sep 1, 2016 - 2030	Mar 1, Sep 1	Sep 1, 2030
2016	31,130,000	32,175,000	2.360%	Sep 1, 2017 - 2029	Mar 1, Sep 1	Sep 1, 2026
2017A	37,405,000	37,405,000	4.00% - 5.00%	Sep 1, 2033 - 2040	Mar 1, Sep 1	Sep 1, 2026
2017B	25,095,000	25,095,000	2.430%	Sep 1, 2019 - 2033	Mar 1, Sep 1	N/A
	<u>\$ 189,880,000</u>					

On October 30, 2017 the Authority issued Tax Increment Contract Revenue Refunding Bonds, Series 2017A in the amount of \$37,405,000. Concurrently with the issuance of the 2017A bonds, the Authority issued Tax Increment Contract Revenue Bonds, Series 2017B in the amount of \$25,095,000. The combined total par amount of the bonds was \$62,500,000. The Authority paid \$1,500,366 in bond issuance costs. The 2017A bonds were issued at a premium in the amount of \$3,348,393 which will be amortized over the life of the bonds. In order to meet the reserve requirements, \$1,653,005 was transferred to the Debt Service Fund. The 2017A bond proceeds will be used to finance infrastructure improvements within the TIRZ, including (i) improving existing streets, (ii) creating a street grid network, (iii) improving intersections, (iv) developing a parking management program, (v) creating a pedestrian network, (vi) redevelopment and upgrades to regional parks and public green space, (vii) acquiring land and right of way, in accordance with the Project Plan. The 2017B bonds were privately placed in a fixed rate mode and issued as additional parity tax increment contract revenue bonds with the 2017A bonds and prior infrastructure parity bonds.

UPTOWN DEVELOPMENT AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS (continued)

Note 5 - Long Term Liabilities (continued)

All of the Authority's bonds are secured by the Authority's pledge of certain tax increment payments received from the City of Houston and Houston Independent School District.

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.

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

Infrastructure Bonds, All Series						
Year	2009		2012A		2014	
	Principal	Interest	Principal	Interest	Principal	Interest
2019	1,920,000	359,440	1,100,000	122,787	2,135,000	1,745,978
2020	2,020,000	261,240	1,135,000	97,056	2,215,000	1,661,697
2021	2,120,000	161,070	1,165,000	60,431	2,305,000	1,574,122
2022	2,225,000	55,625	1,195,000	27,981	2,395,000	1,483,059
2023	-	-	420,000	5,775	2,485,000	1,388,509
2024	-	-	-	-	2,580,000	1,290,375
2025	-	-	-	-	2,680,000	1,188,463
2026	-	-	-	-	2,785,000	1,082,578
2027	-	-	-	-	2,895,000	972,528
2028	-	-	-	-	3,005,000	858,216
2029	-	-	-	-	3,120,000	739,544
2030	-	-	-	-	3,245,000	616,222
2031	-	-	-	-	3,370,000	488,056
2032	-	-	-	-	3,500,000	354,950
2033	-	-	-	-	3,635,000	216,710
2034	-	-	-	-	3,775,000	73,141
2035	-	-	-	-	-	-
2036	-	-	-	-	-	-
2037	-	-	-	-	-	-
2038	-	-	-	-	-	-
2039	-	-	-	-	-	-
2040	-	-	-	-	-	-
2041	-	-	-	-	-	-
	\$ 8,285,000	\$ 837,375	\$ 5,015,000	\$ 314,031	\$ 46,125,000	\$ 15,734,148

UPTOWN DEVELOPMENT AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS (continued)

Note 5 - Long Term Liabilities (continued)

Infrastructure Bonds, All Series (continued)						
Year	2015		2016		2017A	
	Principal	Interest	Principal	Interest	Principal	Interest
2019	2,035,000	825,348	1,040,000	722,396	-	1,721,960
2020	2,090,000	769,041	1,070,000	697,498	-	1,721,960
2021	2,150,000	711,165	1,095,000	671,951	-	1,721,960
2022	2,205,000	651,720	1,125,000	645,755	-	1,721,960
2023	2,265,000	590,704	3,490,000	591,298	-	1,721,960
2024	2,330,000	527,982	3,575,000	507,931	-	1,721,960
2025	2,390,000	463,554	3,665,000	422,499	-	1,721,960
2026	2,455,000	397,420	3,765,000	334,825	-	1,721,960
2027	2,525,000	329,443	2,960,000	255,470	-	1,721,960
2028	2,595,000	259,555	3,040,000	184,670	-	1,721,960
2029	2,665,000	187,756	3,110,000	112,100	-	1,721,960
2030	2,735,000	114,046	3,195,000	37,701	-	1,721,960
2031	2,810,000	38,357	-	-	-	1,721,960
2032	-	-	-	-	-	1,721,960
2033	-	-	-	-	-	1,721,960
2034	-	-	-	-	3,960,000	1,721,960
2035	-	-	-	-	4,145,000	1,357,650
2036	-	-	-	-	4,345,000	1,150,400
2037	-	-	-	-	4,565,000	922,150
2038	-	-	-	-	4,770,000	731,350
2039	-	-	-	-	4,965,000	532,750
2040	-	-	-	-	5,195,000	273,000
2041	-	-	-	-	5,460,000	136,500
	<u>\$ 31,250,000</u>	<u>\$ 5,866,091</u>	<u>\$ 31,130,000</u>	<u>\$ 5,184,094</u>	<u>\$ 37,405,000</u>	<u>\$ 32,655,160</u>

UPTOWN DEVELOPMENT AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS (continued)

Note 5 - Long Term Liabilities (continued)

Infrastructure Bonds, All Series (continued)			
2017B			
Year	Principal	Interest	Total
2019	-	609,808	14,337,717
2020	120,000	608,351	14,466,843
2021	120,000	605,435	14,461,134
2022	130,000	602,407	14,463,507
2023	910,000	589,761	14,458,007
2024	1,360,000	562,181	14,455,429
2025	1,400,000	528,647	14,460,123
2026	1,410,000	494,505	14,446,288
2027	2,330,000	449,064	14,438,465
2028	2,390,000	391,716	14,446,117
2029	2,450,000	332,910	14,439,270
2030	2,500,000	272,768	14,437,697
2031	3,245,000	202,966	11,876,339
2032	3,325,000	123,140	9,025,050
2033	3,405,000	41,371	9,020,041
2034	-	-	9,530,101
2035	-	-	5,502,650
2036	-	-	5,495,400
2037	-	-	5,487,150
2038	-	-	5,501,350
2039	-	-	5,497,750
2040	-	-	5,468,000
2041	-	-	5,596,500
	\$ 25,095,000	\$ 6,415,028	\$ 251,310,926

Affordable Housing Bonds, All Series						
Year	2001B		2002B		2004B	
	Principal	Interest	Principal	Interest	Principal	Interest
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
	\$ 1,405,000	\$ 181,509	\$ 1,330,000	\$ 209,100	\$ 2,320,000	\$ 528,380

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
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>\$ 520,000</u>	<u>\$ 116,502</u>	<u>\$ 6,610,491</u>

Defeased Debt

Certain outstanding revenue bonds of the Authority have been defeased by placing the proceeds of refunding bonds in irrevocable escrow accounts held and managed by bank trustees, and invested in U.S. Treasury obligations, the principal and interest on which would provide amounts sufficient to pay the principal and interest on the defeased bonds in accordance with the schedule of remaining payments due. Accordingly, the escrow account and the defeased bonds are not included in the Authority's financial statements. The defeased bonds outstanding at June 30, 2018 are as follows:

Uptown Development Authority	
Infrastructure Capital Projects	
2009 Series Tax Increment Contract Revenue	\$ 22,685,000
Total	<u>\$ 22,685,000</u>

Developer Agreements

During the year, the Authority's amounts due to developers changed as follows:

	Beginning		Reductions	Ending	Due Within
	Balances	Additions		Balances	One Year
Harris County Improvement District #1	\$ 9,705,200	\$ -	\$ (633,019)	\$ 9,072,181	\$ 638,250
Rice Avenue Retail Partners, L.P.	1,359,721	-	(297,713)	1,062,008	198,970
	<u>\$ 11,064,921</u>	<u>\$ -</u>	<u>\$ (930,732)</u>	<u>\$ 10,134,189</u>	<u>\$ 837,220</u>

UPTOWN DEVELOPMENT AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS (continued)

Note 5 - Long Term Liabilities (continued)

Harris County Improvement District #1

The Authority has entered into a financing agreement with the Harris County Improvement District #1 for advancing funds to the Authority for the purpose of financing the construction of public works and improvements (Hollyhurst and Post Oak Lane). Under the agreement, the District will fund the construction of these certain facilities and improvements within the Zone. These facilities and improvements will be conveyed to the City or other governmental entity upon completion of construction and inspection and acceptance by the City or other governmental entity. The District will be reimbursed from available tax increment attributable to the Hollyhurst and Post Oak Lane projects. The Authority agrees to repay 100% of all funds advanced including cost of issuance and interest on bonds issued to fund the projects. The District issued \$8,150,000 in bonds for this purpose.

Rice Avenue Retail Partners, L.P

The Authority has entered into a financing agreement with developer, Rice Avenue Retail Partners, L.P. for the financing of the design, expansion and rehabilitation of 1,400 feet of South Rice Avenue. Under the agreement, the Developer will fund these improvements within the Zone. These facilities and improvements will be conveyed to the City upon completion of construction and inspection and acceptance by the City. The Developer will be reimbursed from the Tax Increment Revenue Fund located in the project area. Amounts are due and payable for the project development agreement are not recorded on the Authority’s financial statements until the project has been accepted by the City and tax increment is generated. The maximum reimbursement amount is \$1,446,612, which includes Developer interest. The Authority will continue to reimburse the Developer until the earlier of 10 years from the effective date or until the maximum cost plus interest has been paid in full.

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, 2018, the Authority received in tax increment revenues as follows:

	City of Houston	Houston ISD	Total
Total tax increments	\$ 31,069,607	\$ 15,150,617	\$ 46,220,224
Retainage for administrative costs	(1,553,480)	(25,000)	(1,578,480)
Set-aside for educational facilities	-	(5,075,699)	(5,075,699)
Net received	<u>\$ 29,516,127</u>	<u>\$ 10,049,919</u>	<u>\$ 39,566,046</u>

UPTOWN DEVELOPMENT AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

Note 6 - Contract Tax Increment Revenues (continued)

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.

Note 7 - Commitments and Contingencies

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, 2018, the Authority remitted \$1,577,597 to the District. This amount consisted of \$250,000 for operating and administrative costs, \$400,000 for traffic control and mobility, \$657,597 for project management and \$270,000 for communications and public relations for the Post Oak Boulevard project.

Houston Arboretum & Nature Center (HANC)

The Authority has entered into a financing agreement with The Houston Arboretum & Nature Center (HANC) to reimburse HANC for project costs up to \$3,585,000. Under the agreement, HANC will fund the construction of certain facilities and improvements within the Zone. These facilities and improvements will be conveyed to the City or other governmental entity upon completion of construction and inspection and acceptance by the City or other governmental entity. HANC will be reimbursed from available tax increment. Amounts due to HANC for construction projects are not recorded on the Authority's financial statements until the project has been completed and accepted by the City. As of June 30, 2018, the first phase of the project is completed with the second phase under design.

UPTOWN DEVELOPMENT AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

Note 7 - Commitments and Contingencies (continued)

Memorial Park Conservancy

The Authority entered into a development, construction, operations, maintenance and concession agreement with the City of Houston, Texas, and Memorial Park Conservancy, Inc. (“MPC”). 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 current amended and restated agreement (as of May 10, 2018), the Authority shall pay \$500,000 each year for Ecological Restoration Projects through 2028 along with a payment of \$4,500,000 in fiscal year 2025. Beginning in fiscal year 2019, the Authority agrees to contribute \$50,000,000 for its share of the capital costs of the Ten-Year Plan as outlined in the agreement. Also, annually, beginning in fiscal year 2019, the Authority shall pay \$200,000 to MPC for operations of the running center and \$400,000 for the greenspace maintenance. Additionally, beginning in the Authority’s Fiscal Year 2021, the UDA commits to guarantee sufficient maintenance funds for the new capital improvements in the park. The funding amount shall be determined based on the MPC maintenance annual target compared to the funds/sources available to meet the target. The Standards Committee shall conduct an annual reconciliation process to determine any deficit/surplus.

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 - 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, 2018 reporting period, the Authority purchased no parcels of land from Directors with interest/affiliation in the parcels. 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 10 - Legal Matters

The Authority has been involved in various lawsuits and other claims during the construction of the Post Oak Boulevard project. The Authority and its legal counsel believe that the outcome of any present legal proceedings will not have any adverse effects on the financial statements. In the opinion of the Authority, there are neither significant contingent liabilities related to fiscal year 2018, nor future costs that will have a material effect on the financial statements of the Authority.

UPTOWN DEVELOPMENT AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS (continued)

Note 11 – Interfund Transfers

During fiscal year 2018, the Authority transferred \$1.65 million from the Capital Projects Fund to the Debt Service Fund in order to provide adequate funding from the Series 2017A and 2017B bonds to ensure the debt service reserve requirement is met. See note 5 for more information regarding the reserve requirement.

Note 12 - Subsequent Event

On August 22, 2018, the Authority authorized the issuance of \$27,000,000 Subordinate Lien Variable Rate Notes – Series 2018 to close in September 2018. The method will be a private placement note with the net proceeds being used primarily for Memorial Park improvements. Also on August 22, 2018, the Authority authorized the issuance of \$31,000,000 Contract Revenue Bonds – Series 2018 to close in December 2018. The method will be a negotiated public market underwriting with the net proceeds being used primarily for Post Oak Boulevard improvements.

Note 13 - Prior Period Adjustment

During the current fiscal year, the Authority made a prior period adjustment to the governmental activities net position. The prior period adjustment reflects contractual commitments that were removed from amounts due to developer at the government-wide level. The commitments are not due and payable until the projects are complete and therefore are not considered a long-term liability. Any payments made during the fiscal year for these commitments are considered current obligations.

A summary of the prior period adjustment is as follows:

	Governmental Activities
Beginning net position, as originally presented	\$ (108,558,009)
Prior period adjustment	11,365,000
Beginning net position, as restated	<u>\$ (97,193,009)</u>

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OTHER SUPPLEMENTARY INFORMATION

UPTOWN DEVELOPMENT AUTHORITY

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

June 30, 2018

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Over/(Under)</u>
Budgetary fund balance, beginning of the year	\$ 40,160,132	\$ 40,160,132	\$ 36,999,560	\$ (3,160,572)
Revenues				
Incremental property tax	50,965,260	50,965,260	46,220,226	(4,745,034)
Interest income	300,000.00	300,000.00	599,721	299,721
Grant proceeds	22,526,500	22,526,500	24,110,736	1,584,236
Total revenues and budgetary fund balance	<u>113,951,892</u>	<u>113,951,892</u>	<u>107,930,243</u>	<u>(6,021,649)</u>
Expenditures				
Management and consulting services	708,000	708,000	419,081	(288,919)
Project costs and capital expenditures	62,850,000	62,850,000	67,683,476	4,833,476
Zone Administration	1,822,854	1,822,854	1,578,480	(244,374)
Debt service:				
Principal	8,785,000	8,785,000	8,785,000	-
Interest and other charges	6,441,135	6,441,135	6,750,725	309,590
Developer/Project Reimbursements	628,313	628,313	912,308	283,995
Educational facilities transfer	5,014,210	5,014,210	5,075,699	61,489
Affordable housing transfer	15,849,781	15,849,781	13,690,000	(2,159,781)
Municipal services charges	5,522,994	5,522,994	5,522,994	-
Total expenditures	<u>107,622,287</u>	<u>107,622,287</u>	<u>110,417,763</u>	<u>2,795,476</u>
Other Financing Sources/Uses				
Bond Proceeds	55,900,000	55,900,000	62,500,000	6,600,000
Premium or (Discount) on issuance of debt	-	-	3,348,393	3,348,393
Total other financing sources/uses	<u>55,900,000</u>	<u>55,900,000</u>	<u>65,848,393</u>	<u>9,948,393</u>
Budgetary fund balance, end of year	<u>\$ 62,229,605</u>	<u>\$ 62,229,605</u>	<u>\$ 63,360,873</u>	<u>\$ 1,131,268</u>
<u>Explanation of Differences between Budgetary Inflows and GAAP Revenues</u>				
Actual Amounts (Budgetary Basis)				\$ 107,930,243
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				<u>(36,999,560)</u>
Total Revenue as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Total Governmental Funds				<u>\$ 70,930,683</u>

UPTOWN DEVELOPMENT AUTHORITY

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

For the Year Ended June 30, 2018

TIRZ #16 Uptown Development Authority

FY18 OPERATING EXPENDITURES

<i>Category</i>	<i>Vendor</i>	<i>Budget</i>	<i>Actual Expenditure</i>	<i>Variance</i>
TIRZ ADMINISTRATION AND OVERHEAD				
Administration (salary and benefits)	HCID No. 1	\$ 150,000	\$ 85,000	\$ (65,000)
Office Expenses	HCID No. 1	60,000	60,000	-
Insurance	Highpoint Insurance	75,000	69,853	(5,147)
Accounting	HCID No. 1	40,000	40,000	-
Auditor	Whitley Penn, LLP	18,000	24,644	6,644
COH Municipal Charge		5,522,994	5,522,994	-
Subtotal		\$ 5,865,994	\$ 5,802,491	\$ (63,503)
PROGRAM AND PROJECT CONSULTANTS				
Legal	Allen Boone Humphries	85,000	74,584	(10,416)
In-House Legal Counsel		-	65,000	65,000
Parks Project Management		280,000	-	(280,000)
Subtotal		\$ 365,000	\$ 139,584	\$ (225,416)
Total Zone Administration / Operations		\$ 6,230,994	\$ 5,942,075	\$ (288,919)
Project T1617: Pedestrian Improvements		\$ 500,000	\$ -	\$ (500,000)
Subtotal		\$ 500,000	\$ -	\$ (500,000)
Project T1608: Advance Traveler Information System		\$ 50,000		
Construction Management	TEAL Engineering		109,711	
Subtotal		\$ 50,000	\$ 109,711	\$ 59,711
Project T1609: Area Intersection and Signalization		\$ 50,000		
Construction Costs	Reliable Signal Construction		572	
	TEAL Engineering		3,306	
Subtotal		\$ 50,000	\$ 3,878	\$ (46,122)
Project T1611: Right of Way		\$ 10,000,000		
Construction Costs	Parcel Purchases		11,932,299	
Program Financing			292,562	
Other Professional Services	Andrews Kurth Kenyon		561,483	
Other Professional Services	Strasburger		58,229	
Other Professional Services	Spencer Fane		1,388	
Other Professional Services	Deal Sikes		183,139	
Other Professional Services	Gunda Corporation		27,369	
Other Professional Services	Court Commissioners		3,900	
Other Professional Services	Valbridge Property		18,725	
Other Professional Services	JLL Valuation		14,156	
Other Professional Services	Rapid Research		1,785	
Subtotal		\$ 10,000,000	\$ 13,095,035	\$ 3,095,035
Project T1636: BUTC Terminal		\$ 3,500,000		
Engineering Services / Advanced Planning	Dannebaum		119,157	
Engineering Services / Advanced Planning	Gunda		407,502	
Engineering Services / Advanced Planning	Lupher		5,742	
Engineering Services / Advanced Planning	Parsons Brinkerhoff		16,977	
Engineering Services / Advanced Planning	Walter P Moore		648,687	
Program Financing			27,648	
Other Professional Services	Deal Sikes		11,794	
Subtotal		\$ 3,500,000	\$ 1,237,507	\$ (2,262,493)

UPTOWN DEVELOPMENT AUTHORITY

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

For the Year Ended June 30, 2018

<i>Project</i>	<i>Vendor</i>	FY18 CAPITAL EXPENDITURES		
		<i>Budget</i>	<i>Actual Expenditure</i>	<i>Variance</i>
Project T1616: Secondary Roadways		\$ 50,000		
Planning / Engineering Services	TEDSI		18,790	
Planning / Engineering Services	Gunda		28,000	
Subtotal		\$ 50,000	\$ 46,790	\$ (3,210)
Project T1638: Post Oak Lane		\$ -		
Engineering Services / Preliminary	TEDSI		32,653	
Subtotal		\$ -	\$ 32,653	\$ 32,653
Project T1633:Post Oak Boulevard Reconstruction		\$ 30,000,000		
Planning Preliminary / Design Services	Gunda Corporation		26,881	
Planning Preliminary / Design Services	Lupher LLC		1,431	
Planning Preliminary / Design Services	SWA Group		22,385	
Final Design Services	Gunda Corporation		243,758	
Final Design Services	ARUP		166,390	
Final Design Services	Dupuy Studio		2,000	
Final Design Services	TEDSI		18,772	
Final Design Services	Walter P Moore		53,340	
Final Design Services	Hunt & Hunt Engineering		131,000	
Final Design Services	LAN		34,411	
Final Design Services	Lupher LLC		36,359	
Construction Management	Aurora		673,507	
Construction Management	Gunda		389,590	
Construction Management	BSCI		172,150	
Construction Management	HVJ		153,124	
Construction Management	Erizon		198,835	
Construction Management	Lupher LLC		50,607	
Construction Management	LTRA		3,888	
Construction Management	Sowells C M I		192,690	
Construction Management	Studio Dupuy		9,090	
Construction Management	Isani		46,253	
Construction Management	Republic Landscapes		16,831	
Construction Management	Uprising Consultant		80,265	
Project Management	HCID No. 1		420,000	
Program Financing			763,107	
Construction Costs	Environmental Design		215,000	
Construction Costs	Reytec		10,822,313	
Construction Costs	SER Construction		9,309,167	
Construction Costs	JLB Winhall (construction yard)		36,000	
Construction Costs	Haper Brothers Construction		8,260,334	
Other Professional Services	Sechrist Duckers		20,149	
Other Professional Services	HCID #1		670,000	
Subtotal		\$ 30,000,000	\$ 33,850,485	\$ 3,850,485
Project T1633A:Post Oak Boulevard		\$ 6,000,000		
Design / Engineering	Cobb Fendley		5,154	
Construction Management	Lina T Ramey		1,280	
Construction Costs	Harper Brothers		2,354,444	
Construction Costs	Reytec		3,502,670	
Construction Costs	SER Construction		1,581,326	
Construction Costs	CenterPoint Energy		251,400	
Program Financing			173,675	
Subtotal		\$ 6,000,000	\$ 7,869,949	\$ 1,869,949
Project T1634:West Loop Transit Way		\$ 5,000,000		
Construction Costs	TxDOT		5,000,000	
Program Financing			114,260	
Subtotal		\$ 5,000,000	\$ 5,114,260	\$ 114,260

UPTOWN DEVELOPMENT AUTHORITY

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

For the Year Ended June 30, 2018

<i>Project</i>	<i>Vendor</i>	FY18 CAPITAL EXPENDITURES		
		<i>Budget</i>	<i>Actual Expenditure</i>	<i>Variance</i>
Project T1635: Memorial Park		\$ 500,000		
Engineering Services	Walter P Moore		\$ 8,143	
Design Services	Terrain Studio		9,493	
Design Services	Nelson Byrd Woltz		12,003	
	Memorial Park Conservancy - Ecological			
Construction Costs	Restoration		500,000	
Project Management	HCID No. 1		200,000	
Program Financing			24,530	
Other Professional Services	Center Point		4,839	
Other Professional Services	Beeton Consulting		49,594	
Subtotal		\$ 500,000	\$ 808,602	\$ 308,602
Project T1635A: Memorial Park Connectivity Projects		\$ 700,000		
Engineering /Design Services	Design Workshop		284,583	
Engineering /Design Services	Nelson Byrd Woltz		12,815	
Engineering /Design Services	Terrain Studio		139,850	
Engineering /Design Services	Walter P Moore		58,994	
Program Financing			20,280	
Other Professional Services	The Gunda Corporation		391,196	
Subtotal		\$ 700,000	\$ 907,718	\$ 207,718
Project T1635B: Memorial Park Infrastructure Phase I		\$ 5,750,000		
Preliminary Engineering	Aurora Technical Services		53,780	
Preliminary Engineering	Aviles Engineering		17,378	
Preliminary Engineering	Berg-Oliver		2,100	
Preliminary Engineering	Nelson Byrd Woltz		123,045	
Engineering /Design Services	Nelson Byrd Woltz		189,315	
Engineering /Design Services	Walter P Moore		354,754	
Construction Management	Frayre Engineering & Consulting		408,307	
Construction Costs/ Purchase	ISI Contracting		218,560	
Construction Costs/ Purchase	Landscape Art		796,565	
Construction Costs/ Purchase	Fused Industries		3,358,711	
Construction Costs/ Purchase	Center Point		13,546	
Construction Costs/ Purchase	HPARD		3,564	
Construction Costs/ Purchase	HVJ Associates		65,467	
Program Financing			128,087	
Subtotal		\$ 5,750,000	\$ 5,733,179	\$ (16,821)
Project T1622: Parks		\$ 750,000		
Construction Costs / Purchase	Jerdon Enterprises		25,802	
Maintenance / Operation			392,060	
Program Financing			9,549	
Subtotal		\$ 750,000	\$ 427,411	\$ (322,589)
Total Capital Expenditures		\$ 62,850,000	\$ 69,237,178	\$ 6,387,178

UPTOWN DEVELOPMENT AUTHORITY

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

For the Year Ended June 30, 2018

PROJECT PLAN RECONCILIATION					
	<i>*Project Plan Amount</i>	<i>Beginning</i>	<i>Current Year Expenditures</i>	<i>Expenditures to Date</i>	
Non-Education Projects					
Improve Existing Streets	\$ 66,000,000	\$ 65,872,460	\$ -	\$ 65,872,460	
Create Street Grid Network	15,000,000	14,011,162	-	14,011,162	
Improve Intersections	12,000,000	11,147,748	-	11,147,748	
Parking Management Program	52,000,000	-	-	-	
Pedestrian Network	20,000,000	20,059,655	-	20,059,655	
Roadways, Streets, Sidewalks, Lighting	186,000,000	65,818,048	40,395,284	106,213,332	
Public Utilities	94,000,000	5,323,964	7,869,949	13,193,913	
Land Acquisition	37,000,000	38,767,652	13,095,035	51,862,687	
Cultural and Public Facility Improvements	46,000,000	-	-	-	
Memorial Park Improvements	100,000,000	16,034,965	7,449,499	23,484,464	
Parks	41,000,000	2,775,589	427,411	3,203,000	
Subtotal	\$ 669,000,000	\$ 239,811,243	\$ 69,237,178	\$ 309,048,421	
Education Projects	\$ 129,000,000	\$ 41,129,749	\$ 5,075,699	\$ 46,205,448	
Affordable Housing	\$ 452,000,000	\$ 100,137,259	\$ 13,690,000	\$ 113,827,259	
Zone Administration / Operations	\$ 15,000,000	\$ 7,297,547	\$ 5,942,075	\$ 13,239,622	
Total Project Plan	\$ 1,265,000,000	\$ 388,375,798	\$ 93,944,952	\$ 482,320,750	

* Project Plan Amendment in February 2013

** City of Houston New Municipal Services Fee

**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”), a component unit of the City of Houston, Texas, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Authority’s basic financial statements, and have issued our report thereon dated September 26, 2018.

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
September 26, 2018