

**Uptown Development Authority**

**Financial Report**

**June 30, 2007**



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## **Independent Auditors' Report**

Board of Directors  
Uptown Development Authority  
Houston, Texas

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, as of and for the year ended June 30, 2007, which collectively comprise the Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

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, 2007, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis is not a required part of the financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming opinions on the financial statements, which collectively comprise Uptown Development Authority's basic financial statements. The Combined Funds – Schedule of Revenues, Expenditures and Changes in Fund Balance – All Governmental Funds – Budget to Actual and the Operating Expenses, Capital Expenditures and Project Plan Reconciliation are presented for purposes of additional analysis and are not a required part of the basic financial statements. This information has not been subject to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

*Null-Jainson, A.C.*

Houston, Texas  
September 24, 2007

## **Management's Discussion and Analysis**

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## **UPTOWN DEVELOPMENT AUTHORITY**

### ***Management's Discussion and Analysis***

***June 30, 2007***

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, 2007.

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 Assets* presents information on all of the Authority's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets 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 assets changed during the most recent fiscal year. All changes in net assets 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*

*June 30, 2007*

#### **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 five 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 Fund, the Debt Service Fund and the Affordable Housing Debt Service Fund. 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 and liabilities is called net assets. Net assets are categorized based on their availability to provide financial resources for the Authority. Net assets that are "Invested in capital assets" represent the District's investments in capital assets. "Restricted" net assets represent amounts that are restricted for future debt service

## UPTOWN DEVELOPMENT AUTHORITY

### *Management's Discussion and Analysis*

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requirements. "Unrestricted" net assets represent amounts available to meet the Authority's future obligations.

As noted earlier, changes in net assets may serve over time as a useful indicator of a government's financial position. In the case of the Authority, net assets were a negative \$29,926,712 as of June 30, 2007. The Authority continues to have net asset deficits 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 assets at June 30, 2007 and 2006 follows:

	<u>2007</u>	<u>2006</u>
Current and other assets	\$ 15,782,721	\$ 15,279,921
Capital assets	331,110	550,000
<b>Total Assets</b>	<u>16,113,831</u>	<u>15,829,921</u>
Accounts payable and other liabilities	6,244,389	10,209,599
Long-term liabilities	39,796,154	38,958,191
<b>Total Liabilities</b>	<u>46,040,543</u>	<u>49,167,790</u>
Net assets:		
Invested in capital assets, net of related debt	331,110	550,000
Restricted	1,695,680	6,149,833
Unrestricted	(31,953,502)	(40,037,702)
<b>Total Net Assets</b>	<u>\$ (29,926,712)</u>	<u>\$ (33,337,869)</u>

Prior year long-term liabilities and net assets have been restated by \$1,738,191 in accordance with the discussion in Note 6 to the financial statements.

Total assets increased \$283,910 from the prior year. Liabilities decreased \$3,127,217, primarily due to a decrease in short-term notes payable.

**UPTOWN DEVELOPMENT AUTHORITY**  
**Management's Discussion and Analysis**  
**June 30, 2007**

The total net assets of the Authority increased by, \$3,411,157 during the current fiscal year. A comparative summary of the Authority's statement of activities for the past two years is as follows:

	<u>2007</u>	<u>2006</u>
<b>Revenues</b>		
Program Revenues		
Capital grants and contributions	\$ 330,000	\$
General Revenues		
Contract tax increment	10,950,084	7,846,635
Investment earnings	255,901	258,961
Miscellaneous	5,919	
<b>Total Revenues</b>	<u>11,541,904</u>	<u>8,105,596</u>
<b>Expenses</b>		
General government	161,045	180,000
Affordable housing	3,225,171	4,321,291
Interest on long-term debt	2,227,570	2,463,083
Capital outlay on behalf of City of Houston	2,405,872	2,675,726
Depreciation and amortization	111,089	
<b>Total Expenses</b>	<u>8,130,747</u>	<u>9,640,100</u>
Increase (decrease) in net assets	3,411,157	(1,534,504)
Net assets - beginning (as restated)	<u>(33,337,869)</u>	<u>(31,803,365)</u>
<b>Net Assets - ending</b>	<u>\$ (29,926,712)</u>	<u>\$ (33,337,869)</u>

Contract tax increment revenues increased by \$3,103,449 from the previous year due to an increase in property valuations within the Authority's boundaries.

Total expenses were \$8,130,747 in the current year. This is a decrease of \$1,509,353 from the previous year, which is due to a \$269,854 decrease in capital spending (new funding approach resulted in available capital resources late in the fiscal year) and \$1,096,120 decrease in Affordable Housing.

**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.

**UPTOWN DEVELOPMENT AUTHORITY**

*Management's Discussion and Analysis*

*June 30, 2007*

As of the end of the current fiscal year, the Authority's governmental funds reported combined ending fund balances of \$11,496,733, a \$5,528,204 increase in comparison with the prior year. Approximately \$6,902,675 is reserved for debt service.

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

	<u>2007</u>	<u>Increase (Decrease)</u>	<u>2006</u>	<u>Increase (Decrease)</u>	<u>2005</u>
Capital Projects	\$ 4,482,567	\$ 5,432,949	\$ (950,382)	\$ 98,317	\$ (1,048,699)
Debt Service	4,599,875	52,441	4,547,434	902,953	3,644,481
Affordable Housing Capital Projects	50,876	42	50,834	(6,523)	57,357
Affordable Housing Special Revenue	60,615	18,906	41,709	(2,452,906)	2,494,615
Affordable Housing Debt Service	2,302,800	23,866	2,278,934	456,352	1,822,582
	<u>\$ 11,496,733</u>	<u>\$ 5,528,204</u>	<u>\$ 5,968,529</u>	<u>\$ (1,001,807)</u>	<u>\$ 6,970,336</u>

The \$5,432,949 increase in fund balance for the Capital Projects Fund is due to an increase in tax revenue and a decrease in short-term notes.

**Capital Asset and Debt Administration**

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

	<u>2007</u>	<u>2006</u>
Capital assets not being depreciated:		
Land and improvements	\$ _____	\$ 550,000
Capital assets being depreciated:		
Equipment	413,888	
Less accumulated depreciation	<u>(82,778)</u>	<u>_____</u>
	<u>331,110</u>	<u>_____</u>
Capital assets, net of accumulated depreciation	<u>\$ 331,110</u>	<u>\$ 550,000</u>

During the year the Authority purchased equipment for the ATIS project (cameras, monitors, etc) 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.

## UPTOWN DEVELOPMENT AUTHORITY

### *Management's Discussion and Analysis*

*June 30, 2007*

A comparative summary of the Authority's long-term liabilities as of June 30, 2007 and 2006 is as follows:

	<u>2007</u>	<u>2006</u>
Tax increment contract revenue bonds payable	\$ 37,320,000	\$ 38,725,000
Note payable to Harris County	1,388,191	1,738,191
Bank promissory note	3,600,000	
	<u>\$ 42,308,191</u>	<u>\$ 40,463,191</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 boundaries, all of which lie within the City.

### **Office Space**

Uptown has over 23 million square feet of office space. In the commercial sector, the vacancy rate has declined from 26 percent to nine percent in the past three years, less than the city average. This achievement, coupled with a wealth of recent lease renewals as well as new leases, speak to the business community's commitment to Uptown and solidify its prominent position as one of the city's most viable economic districts.

Overall, ad valorem values for the office sector have increased by 19% in fiscal year 2007, primarily because of the overall strength of the Uptown office market. The office market hit some of its highest vacancy rates in 2004 due to the height of the West Loop reconstruction. However, since its completion in 2006 and a tremendous amount of leasing activity occurring in the past three years, the current market conditions are impressive.

The Uptown Class A office market ended the second quarter 2007 with a vacancy rate of 10%, which is significant considering the vacancy rate three years prior for mid-year 2004 was at its highest at 26%. The Uptown Class A office market has absorbed over 128,000 square feet in 2007. Uptown's average quoted office rate for Class A space is now \$25.63, again compared to \$19.56 in mid-year 2004.

### **Retail**

Uptown is synonymous with shopping and is known as a world-renowned center for retail. Overall, ad valorem values for the retail sector increased approximately 7% in 2007. This market continues to perform as The Galleria is now the fourth largest retail center in the United States. In late 2007, a 22-acre mixed-use development known as BLVD. Place will break ground. This project will feature over 400,000 square feet of upscale retail stores and restaurants.

## **UPTOWN DEVELOPMENT AUTHORITY**

### *Management's Discussion and Analysis*

*June 30, 2007*

According to CoStar's mid-year Retail Market Report, Uptown Houston's retail market has the lowest vacancy rate of any submarket in the region at 2.9%. Also, quoted lease rates were among the highest in the region at \$23.50 per square foot.

#### **Hotel**

Uptown welcomed two new hotels in the past year, and two more are currently under construction. In total, 31 first quality hotels call Uptown home, offering more than 7,000 rooms for guests.

The area's RevPAR (revenues per available room) are among the city's highest at \$103.20 (compared to \$100 from the same time last year). Uptown Houston also boasts one of the highest occupancy rates in the city at 73%.

#### **Residential**

Seven new high-rise residential towers have been built in Uptown in the past six years and occupancy rates are among the highest in the city at 93.6%. With more than 30,000 residences, Uptown Houston is one of the most prestigious and desirable areas to live.

Projects currently under construction include the The Cosmopolitan and The Alexan. The Cosmopolitan, a 20-story, deluxe high-rise condominium, is located at 1600 Post Oak Boulevard. The 75-unit project will range in price from \$300,000 to \$1 million. The Alexan Post Oak, a luxury apartment complex currently under construction at 1111 Post Oak Boulevard, will add another 392 Class A units to the market. Additionally, several other new Class A apartment and condominium projects are planned for the Uptown area, including the Turnberry Tower, a 34-story luxury tower with units priced up to \$8.5 million.

#### **Uptown Class A Apartment Market Fast Facts:**

Average Square Footage per Unit:	1,006 square feet
Average Occupancy Rate	94%
Average Market Rent per Unit:	\$1,351

The economic factors affecting Uptown, while encouraging, are difficult to forecast. However, with the new construction and promising proposed developments on the horizon, the Uptown district 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 #1580, Houston, Texas 77056.

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## **Basic Financial Statements**

**UPTOWN DEVELOPMENT AUTHORITY**  
*Statement of Net Assets - Governmental Activities*  
*June 30, 2007*

<b>Assets</b>	
Cash and investments	\$ 4,323,143
Receivables	10,949,984
Deferred charges	509,594
Capital assets, net	331,110
Total Assets	<u>16,113,831</u>
<b>Liabilities</b>	
Accounts payable and accrued expenses	476,288
Due to other governments	3,259,195
Accrued interest	698,906
Long-term liabilities	
Due within one year	1,810,000
Due in more than one year	39,796,154
Total liabilities	<u>46,040,543</u>
<b>Net Assets</b>	
Invested in capital assets	331,110
Restricted for debt service	1,695,680
Unrestricted (deficit)	(31,953,502)
Total net assets (deficit)	<u>\$ (29,926,712)</u>

*See Notes to Financial Statements*

**UPTOWN DEVELOPMENT AUTHORITY**  
*Statement of Activities*  
For the Year Ended June 30, 2007

	<u>Expenses</u>	<u>Program Revenue</u>	<u>Capital Grants and Contributions</u>	<u>Net Expense</u>
<b>Functions/Programs:</b>				
General government	\$ 161,045		\$	\$ (161,045)
Affordable housing	3,225,171			(3,225,171)
Interest	2,227,570			(2,227,570)
Depreciation and amortization	111,089			(111,089)
Capital outlay on behalf of the City of Houston	2,405,872		330,000	(2,075,872)
Totals	<u>8,130,747</u>		<u>330,000</u>	<u>(7,800,747)</u>
<b>General revenues:</b>				
Contract tax increment revenues				10,950,084
Unrestricted investment earnings				255,901
<b>Special item</b>				
Gain on sale of land				5,919
				<u>11,211,904</u>
Change in net assets				3,411,157
Net assets (deficit) - beginning, as restated (see Note 6)				<u>(33,337,869)</u>
<b>Net assets (deficit) - ending</b>				<u><u>\$ (29,926,712)</u></u>

*See Notes to Financial Statements*

**UPTOWN DEVELOPMENT AUTHORITY**  
**Balance Sheet - Governmental Funds**  
**June 30, 2007**

	<u>Affordable Housing</u>					<b>Total Governmental Funds</b>
	<b>Capital Projects</b>	<b>Debt Service</b>	<b>Special Revenue</b>	<b>Capital Projects</b>	<b>Debt Service</b>	
<b>Assets</b>						
Cash and temporary investments	\$ 617,111	\$ 2,394,509	\$ 60,615	\$ 50,876	\$ 1,200,032	\$ 4,323,143
Taxes receivable, net	4,416,678	2,205,366	3,225,171		1,102,768	10,949,983
<b>Total assets</b>	<b><u>\$ 5,033,789</u></b>	<b><u>\$ 4,599,875</u></b>	<b><u>\$ 3,285,786</u></b>	<b><u>\$ 50,876</u></b>	<b><u>\$ 2,302,800</u></b>	<b><u>\$ 15,273,126</u></b>
<b>Liabilities and Fund Balance</b>						
Liabilities:						
Accounts payable	\$ 476,288	\$	\$	\$	\$	\$ 476,288
Due to other governments	34,024		3,225,171			3,259,195
Accrued interest	40,910					40,910
<b>Total liabilities</b>	<b><u>551,222</u></b>		<b><u>3,225,171</u></b>			<b><u>3,776,393</u></b>
Fund balances:						
Debt service		4,599,875			2,302,800	6,902,675
Authorized construction	4,482,567		60,615	50,876		4,594,058
Unreserved						
<b>Total fund balances</b>	<b><u>4,482,567</u></b>	<b><u>4,599,875</u></b>	<b><u>60,615</u></b>	<b><u>50,876</u></b>	<b><u>2,302,800</u></b>	<b><u>11,496,733</u></b>
<b>Total liabilities and fund balances</b>	<b><u>\$ 5,033,789</u></b>	<b><u>\$ 4,599,875</u></b>	<b><u>\$ 3,285,786</u></b>	<b><u>\$ 50,876</u></b>	<b><u>\$ 2,302,800</u></b>	<b><u>\$ 15,273,126</u></b>

*See Notes to Financial Statements*

**UPTOWN DEVELOPMENT AUTHORITY**

***Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets***

***June 30, 2007***

Total fund balance, governmental funds \$ 11,496,733

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

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

Historical cost	\$ 413,888	
Less accumulated depreciation	<u>(82,778)</u>	
Change due to capital assets		331,110

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

Bonds payable	(37,320,000)	
Note payable to Harris County	(1,388,191)	
Note payable to bank	(3,600,000)	
Additional accrued interest	(657,996)	
Deferred charge for issuance costs	509,595	
Unamortized bond discount	<u>702,037</u>	
Change due to long term debt		(41,754,555)

Net Assets of Governmental Activities in the Statement of Net Assets	<u><u>\$ (29,926,712)</u></u>
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*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, 2007*

			<u>Affordable Housing</u>			<u>Total Governmental Funds</u>
	<u>Capital Projects</u>	<u>Debt Service</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Debt Service</u>	
<b>Revenues</b>						
Contract tax increment	\$ 4,416,678	\$ 2,205,367	\$ 3,225,171	\$	\$ 1,102,868	\$ 10,950,084
Investment earnings	21,752	138,011	24,587	2,411	69,140	255,901
Reimbursement income	330,000					330,000
<b>Total revenues</b>	<u>4,768,430</u>	<u>2,343,378</u>	<u>3,249,758</u>	<u>2,411</u>	<u>1,172,008</u>	<u>11,535,985</u>
<b>Expenditures</b>						
Current:						
General Government	161,045					161,045
Affordable Housing			3,225,171			3,225,171
Debt Service:						
Principal	350,000	935,000			470,000	1,755,000
Interest and other charges	160,595	1,355,937	5,681	2,369	678,142	2,202,724
Capital Outlay	2,819,760					2,819,760
<b>Total expenditures</b>	<u>3,491,400</u>	<u>2,290,937</u>	<u>3,230,852</u>	<u>2,369</u>	<u>1,148,142</u>	<u>10,163,700</u>
<b>Excess of revenues over expenditures</b>	1,277,030	52,441	18,906	42	23,866	1,372,285
<b>Other Financing Sources</b>						
Proceeds from note payable	3,600,000					3,600,000
Proceeds from sale of land	555,919					555,919
<b>Total other financing sources</b>	<u>4,155,919</u>					<u>4,155,919</u>
<b>Net change in fund balances</b>	5,432,949	52,441	18,906	42	23,866	5,528,204
Fund balances - beginning of year	(950,382)	4,547,434	41,709	50,834	2,278,934	5,968,529
<b>Fund balances - end of year</b>	<u>\$ 4,482,567</u>	<u>\$ 4,599,875</u>	<u>\$ 60,615</u>	<u>\$ 50,876</u>	<u>\$ 2,302,800</u>	<u>\$ 11,496,733</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, 2007***

Net change in fund balances - total governmental funds: \$ 5,528,204

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 are allocated over their estimated lives as depreciation expense.

Capital outlay expenditures	\$ 413,888	
Depreciation expense	<u>(82,778)</u>	
Change due to capital assets		331,110

Governmental funds report the full proceeds from the sale of assets. In contrast, the Statement of Activities reports the gain or loss from the sale of assets. (550,000)

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.

Note payable	(3,600,000)	
Principal payments on debt	1,755,000	
Accrued interest and amortization of discount	(24,846)	
Amortization of bond issue costs	<u>(28,311)</u>	
		(1,898,157)

Change in net assets of governmental activities		<u><u>\$ 3,411,157</u></u>
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*See Notes to Financial Statements*

## **UPTOWN DEVELOPMENT AUTHORITY**

### *Notes to the Financial Statements*

*June 30, 2007*

#### **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.

##### **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.

##### **Government-Wide and Fund Financial Statements**

The Government-wide financial statements (i.e., the *Statement of Net Assets* 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.



## UPTOWN DEVELOPMENT AUTHORITY

### *Notes to the Financial Statements*

*June 30, 2007*

#### **Note 1 – Summary of Significant Accounting Policies (continued)**

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 Capital Projects Fund* is used to account for capital activity related to the Authority's affordable housing program. The principal source of revenue is interest income.

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 assets are categorized as follows:

- Invested in capital assets – This component of net assets consists of capital assets net of accumulated depreciation.
- Restricted – This component of net assets 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 assets – This component of net assets consists of net assets that do not meet the definition of "restricted."

## **UPTOWN DEVELOPMENT AUTHORITY**

### *Notes to the Financial Statements*

*June 30, 2007*

#### **Note 1 – Summary of Significant Accounting Policies (continued)**

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 \$1,000 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.

#### **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.

**UPTOWN DEVELOPMENT AUTHORITY**

*Notes to the Financial Statements*

*June 30, 2007*

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

**Fund Equity / Restricted Assets**

In the fund financial statements the Authority reserves or designates all or portions of fund equity in the various governmental fund financial statements. The unreserved fund balances for governmental funds represent the amount available for budgeting future operations. The reserved 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 assets are available.

**Note 2 – Cash and Investments**

At year end, the carrying value (which approximates market value) of the Authority’s cash and investments were as follows:

	<u>Affordable Housing</u>					
	<u>Capital Projects</u>	<u>Debt Service</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Debt Service</u>	<u>Total</u>
Demand and time deposits	\$ 608,912	\$	\$	\$	\$	\$ 608,912
Money market mutual funds	8,199	2,394,509	60,615	50,876	1,200,032	3,714,231
Total	<u>\$ 617,111</u>	<u>\$ 2,394,509</u>	<u>\$ 60,615</u>	<u>\$ 50,876</u>	<u>\$ 1,200,032</u>	<u>\$ 4,323,143</u>

The Authority’s investments in money market mutual funds have a weighted average maturity of 43 days and are rated AAAM by Standard and Poor’s.

**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

## **UPTOWN DEVELOPMENT AUTHORITY**

*Notes to the Financial Statements*

*June 30, 2007*

### **Note 2 – Cash 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 Charges**

Deferred charges consist of issuance costs associated with the Authority's tax increment contract revenue bonds. These costs are being amortized over the life of the bonds. Total amortization expense for the year was \$28,311.

**UPTOWN DEVELOPMENT AUTHORITY**

*Notes to the Financial Statements*

June 30, 2007

**Note 4 – Capital Assets**

During the year, the Authority 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 and improvements	\$ 550,000	\$	\$ (550,000)	\$
Capital assets being depreciated:				
Equipment		413,888		413,888
Less accumulated depreciation		(82,778)		(82,778)
		<u>331,110</u>		<u>331,110</u>
Capital assets, net	<u>\$ 550,000</u>	<u>\$ 331,110</u>	<u>\$ (550,000)</u>	<u>\$ 331,110</u>

Depreciation expense in the amount of \$82,778 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. Accordingly, the Authority does not record capital assets in the government-wide financial statements, but instead reports capital expenditures as transfers to other governments.

**Note 5 - Long Term Liabilities**

As of June 30, 2007, the Authority’s long term liabilities are comprised of the following:

	<u>Total</u>	<u>Due Within One Year</u>
Tax increment contract revenue bonds payable	\$ 37,320,000	\$ 1,460,000
Unamortized discounts on bonds payable	(702,037)	
Note payable to Harris County	1,388,191	350,000
Bank promissory note	3,600,000	
	<u>\$ 41,606,154</u>	<u>\$ 1,810,000</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	\$ 38,725,000		\$ (1,405,000)	\$ 37,320,000
Unamortized discounts on bonds payable	(743,696)		41,659	(702,037)
Note payable to Harris County	1,738,191		(350,000)	1,388,191
Bank promissory note		3,600,000		3,600,000
	<u>\$ 39,719,495</u>	<u>\$ 3,600,000</u>	<u>\$ (1,713,341)</u>	<u>\$ 41,606,154</u>

**UPTOWN DEVELOPMENT AUTHORITY***Notes to the Financial Statements**June 30, 2007***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 \$60,000,000 outstanding at any time. The maximum authorization for short-term debt is \$6,000,000 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	
2001A	\$ 7,885,000	\$ 9,385,000	4.25% - 6.25%	Sep 1, 2002 - 2021	Mar 1, Sep 1	Sep 1, 2011
2001B	3,925,000	4,670,000	4.25% - 6.25%	Sep 1, 2002 - 2021	Mar 1, Sep 1	Sep 1, 2011
2002A	6,355,000	7,280,000	3.00% - 6.00%	Sep 1, 2003 - 2022	Mar 1, Sep 1	Sep 1, 2012
2002B	3,195,000	3,665,000	3.00% - 6.00%	Sep 1, 2003 - 2022	Mar 1, Sep 1	Sep 1, 2012
2004A	8,705,000	9,000,000	2.60% - 5.375%	Sep 1, 2006 - 2025	Mar 1, Sep 1	Sep 1, 2014
2004B	4,350,000	4,500,000	2.60% - 5.50%	Sep 1, 2006 - 2025	Mar 1, Sep 1	Sep 1, 2014
2004C	1,935,000	2,000,000	3.30% - 5.30%	Sep 1, 2006 - 2025		
2004D	970,000	1,000,000	3.30% - 5.30%	Sep 1, 2006 - 2025		
	<u>\$ 37,320,000</u>					

The Series 2001A, 2002A, 2004A and 2004C were issued in order to construct infrastructure improvement facilities. The Series 2001B, 2002B, 2004B and 2004D were issued for the City of Houston's affordable housing 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.

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.

**UPTOWN DEVELOPMENT AUTHORITY***Notes to the Financial Statements**June 30, 2007***Note 5 - Long Term Liabilities (continued)**

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

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 1,460,000	\$ 1,954,238	\$ 3,414,238
2009	1,525,000	1,889,647	3,414,647
2010	1,595,000	1,820,397	3,415,397
2011	1,670,000	1,745,103	3,415,103
2012	1,760,000	1,663,130	3,423,130
2013	1,830,000	1,574,609	3,404,609
2014	1,935,000	1,479,443	3,414,443
2015	2,040,000	1,376,499	3,416,499
2016	2,145,000	1,265,848	3,410,848
2017	2,270,000	1,145,168	3,415,168
2018	2,400,000	1,013,930	3,413,930
2019	2,540,000	873,715	3,413,715
2020	2,695,000	724,003	3,419,003
2021	2,850,000	563,779	3,413,779
2022	3,020,000	392,991	3,412,991
2023	1,970,000	249,463	2,219,463
2024	1,140,000	163,253	1,303,253
2025	1,205,000	100,392	1,305,392
2026	1,270,000	34,045	1,304,045
	<u>\$ 37,320,000</u>	<u>\$ 20,029,653</u>	<u>\$ 57,349,653</u>

**Note Payable to Harris County**

In January 2003, the Authority executed an agreement with Harris County (the "County") which required the Authority to reimburse the County \$1,738,191 for costs related to the Westpark Tollway. The amount was due to the County upon completion of construction and a review of project costs by the County Auditor. In March 2007 the Authority executed a note payable with the County for payment of the amount due. An initial payment of \$350,000 was made upon execution of the note. The note bears interest at the rate of six and one-half percent (6.5%).

Annual requirements to repay this note over the next five years are:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 243,814	\$ 90,233	\$ 334,047
2009	259,662	74,385	334,047
2010	276,540	57,507	334,047
2011	294,516	39,531	334,047
2012	313,659	20,388	334,047
	<u>\$ 1,388,191</u>	<u>\$ 282,044</u>	<u>\$ 1,670,235</u>

**UPTOWN DEVELOPMENT AUTHORITY**

*Notes to the Financial Statements*

*June 30, 2007*

**Note 5 - Long Term Liabilities (continued)**

***Bank Promissory Note***

During the year, the Authority closed out a \$5,000,000 line of credit which was used to provide short term financing for operating expenses and infrastructure expenditures. Since this line of credit was paid using current financial resources, it was classified as a short term liability on the Authority's financial statements in previous years. The Authority paid \$79,109 in interest expense related to this line of credit.

In April 2007, the Authority negotiated a loan agreement (the "Note") with Bank of America in order to provide financing for infrastructure improvements. The Note matures December 31, 2009 or upon issuance of infrastructure bonds by the Authority, whichever occurs first. Under the terms of the Note, the Authority may borrow up to \$25,000,000, with an initial commitment by the Authority of \$5,000,000. The Note bears interest at the daily LIBOR rate. As of June 30, 2007, the Authority has borrowed \$3,600,000. The applicable interest rate during the period ranged from 4.5580% to 4.5645%. The Authority accrued \$40,910 in interest expense related to this note.

Under the terms of the Agreement, the Authority is to pay an unused commitment fee of 10 basis points if the outstanding balance of the Note is at least 50% of the commitment. If the Authority borrows less than 50% of its commitment, the fee is 15 basis points. The fee is calculated daily and is due to the Bank on a quarterly basis.

**Note 6 – Prior Period Adjustment to Net Assets**

In the previous year's financial statements net assets were overstated and long-term liabilities were understated as a result of the omission of the amount due by the Authority to Harris County for expansion of the Westpark Tollway access. Accordingly, beginning net assets for the year ended June 30, 2007 have been restated and are \$1,738,191 less than previously reported as follows:

Beginning net assets, as reported	\$ 31,599,678
Change due to understatement of long term liabilities	<u>1,738,191</u>
Beginning net assets, as restated	<u>\$ 33,337,869</u>

**Note 7 – 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, 2029, 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.



**UPTOWN DEVELOPMENT AUTHORITY**

*Notes to the Financial Statements*

*June 30, 2007*

**Note 7 – Contract Tax Increment Revenues (continued)**

During the year ended June 30, 2007, the Authority received \$10,950,084 in tax increment revenues as follows:

	<u>City of Houston</u>	<u>Houston ISD</u>	<u>Total</u>
Total tax increments	\$ 7,244,224	\$ 6,160,072	\$ 13,404,296
Retainage for administrative costs	(362,211)	(25,000)	(387,211)
Set-aside for educational facilities		(2,067,001)	(2,067,001)
Net received	<u>\$ 6,882,013</u>	<u>\$ 4,068,071</u>	<u>\$ 10,950,084</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.

**Note 8 - 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 period ended June 30, 2007, the Authority remitted \$455,216 to the District. This amount consisted of \$100,008 for operating and administrative costs, \$200,000 for traffic control and mobility and \$155,207 for project management.

**UPTOWN DEVELOPMENT AUTHORITY**

*Notes to the Financial Statements*

*June 30, 2007*

**Note 9 – 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.

## **Other Supplementary Information**

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**UPTOWN DEVELOPMENT AUTHORITY**  
*Combined Schedule of Revenues, Expenditures, and  
Changes in Fund Balances-All Governmental Funds*  
**Budget to Actual - Unaudited**  
**For the Year Ended June 30, 2007**

	<b>Original And Final Budget</b>	<b>Actual</b>	<b>Variance with Final Budget Positive / (Negative)</b>
<b>Revenues</b>			
Contract tax increment	\$ 11,447,659	\$ 10,950,084	\$ (497,575)
Investment earnings	100,000	255,901	155,901
Other		330,000	330,000
<b>Total revenues</b>	<b>11,547,659</b>	<b>11,535,985</b>	<b>(11,674)</b>
<b>Expenditures</b>			
Current:			
General government	137,500	161,045	(23,545)
Affordable Housing	850,000	3,225,171	(2,375,171)
Debt Service:			
Principal	1,753,292	1,755,000	(1,708)
Interest and other charges	5,319,236	2,202,724	3,116,512
Capital Outlay	15,852,200	2,819,760	13,032,440
<b>Total Expenditures</b>	<b>23,912,228</b>	<b>10,163,700</b>	<b>13,748,528</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>(12,364,569)</b>	<b>1,372,285</b>	<b>13,736,854</b>
<b>Other Financing Sources (Uses)</b>			
Proceeds from long-term debt	17,519,520	3,600,000	(13,919,520)
Proceeds from sale of land		555,919	555,919
Bond issue costs	25,000		(25,000)
Transfers out	(5,064,006)		5,064,006
<b>Total other financing sources (uses)</b>	<b>12,480,514</b>	<b>4,155,919</b>	<b>(8,324,595)</b>
<b>Net Change in fund balance</b>	<b>115,945</b>	<b>5,528,204</b>	<b>5,412,259</b>
Fund balances - beginning of year	6,847,779	5,968,529	(879,250)
<b>Fund balances - End of Year</b>	<b>6,963,724</b>	<b>\$ 11,496,733</b>	<b>\$ 4,533,009</b>

**UPTOWN DEVELOPMENT AUTHORITY**

*Operating Expenses, Capital Expenditures and Project Plan Reconciliation*

*For the Year Ended June 30, 2007*

**FY07 OPERATING EXPENSES**

<i>Category</i>	<i>Vendor</i>	<i>Budget</i>	<i>Actual Expenditure</i>	<i>Variance</i>
<b>TIRZ ADMINISTRATION AND OVERHEAD</b>				
Administration (salary and benefits)	HCID	45,000	45,000	
Administration Consultant				
Office Expenses	HCID	5,000	10,000	
Insurance	Essential Insurance & Financial Grp	3,000	7,093	
Accounting	HCID	15,000	15,000	
Auditor	Null- Lairson	10,000	10,000	
Property Account Consultant				
Bond Trustee				
Financial Advisor		3,500		
<b>Subtotal</b>		<b>\$ 81,500.00</b>	<b>\$ 87,093.00</b>	<b>\$ 5,593.00</b>
<b>PROGRAM AND PROJECT CONSULTANTS</b>				
Legal	Allen Boone Humphries	-	26,037	
In-House Legal Counsel		15,000	15,000	
Architect Consultants				
Engineering Consultants		10,000	-	
Project Management Consultants				
Construction Audits		6,000	-	
Other Professional Services				
<b>Subtotal</b>		<b>\$ 31,000.00</b>	<b>\$ 41,037.00</b>	<b>\$ 10,037.00</b>
<b>Total Management Consulting Services</b>		<b>\$ 112,500.00</b>	<b>\$ 128,130.00</b>	<b>\$ 15,630.00</b>

Note: List all consultants (vendor) individually.

**UPTOWN DEVELOPMENT AUTHORITY**  
**Operating Expenses, Capital Expenditures and Project Plan Reconciliation**  
**For the Year Ended June 30, 2007**

		<b>FY07 CAPITAL EXPENDITURES</b>		
<i>Project</i>	<i>Vendor</i>	<i>Budget</i>	<i>Actual Expenditure</i>	<i>Variance</i>
<b>Project 1: San Felipe Phase 2,3 - Sage to IH610</b>		2,558,400		
Engineering Services			400,174	
Architectural Services				
Construction Management	Cobb, Fendley, Assoc.		3,191	
			-	
Project Management	HCID		66,333	
Construction Costs			31,939	
Program Financing			56,300	
Other Professional Services	John Horton Consulting		7,354	
	SWA Group		5,651	
<b>Subtotal</b>		<b>\$ 2,558,400</b>	<b>\$ 570,942</b>	<b>\$ (1,987,458)</b>
<b>Project 2: Rice/Sage Phase 2 Reconstruction</b>		709,200		
Engineering Services			62,200	
Architectural Services				
Construction Management			-	
Project Management	HCID		8,845	
Construction Costs			-	
Program Financing			7,507	
Other Professional Services				
<b>Subtotal</b>		<b>\$ 709,200</b>	<b>\$ 78,552</b>	<b>\$ (630,648)</b>
<b>Project 3: TxDot Priority Corridor</b>		1,000,000		
Engineering Services				
Architectural Services				
Construction Management	Walter P Moore		121,499	
Construction Costs	Transcore		695,493	
Project Management	HCID		119,400	
Program Financing			101,341	
Other Professional Services				
<b>Subtotal</b>		<b>\$ 1,000,000</b>	<b>\$ 1,037,733</b>	<b>\$ 37,733</b>
<b>Project 4: Area Intersection and Signalization</b>		1,530,600		
Engineering Services	Gerry DeCamp		67,628	
	Walter P Moore		79,074	
	TSC Engineering		10,819	
Architectural Services				
Construction Management				
Construction Costs	Batteson LLP		10,490	
	Pfeiffer		7,325	
	Traffic Systems Construction		1,914	
	T&J Electronics		3,581	
Project Management	HCID		26,533	
Program Financing			22,520	
Other Professional Services				
<b>Subtotal</b>		<b>\$ 1,530,600</b>	<b>\$ 229,883</b>	<b>\$ (1,300,717)</b>

**UPTOWN DEVELOPMENT AUTHORITY**

*Operating Expenses, Capital Expenditures and Project Plan Reconciliation*

*For the Year Ended June 30, 2007*

		<b>FY07 CAPITAL EXPENDITURES</b>		
<i>Project</i>	<i>Vendor</i>	<i>Budget</i>	<i>Actual Expenditure</i>	<i>Variance</i>
<b>Project 5: Construction related</b>				
<b>Traffic Management and</b>				
<b>Communication</b>				
Engineering Services			-	
Architectural Services				
Construction Management				
Construction Costs			-	
Other Professional Services	HCID		200,000	
<b>Subtotal</b>		<b>\$ -</b>	<b>\$ 200,000</b>	<b>\$ 200,000</b>
<b>Project 6: Right of Way</b>				
		1,531,000		
Engineering Services				
Architectural Services				
Construction Management				
Construction Costs (ROW costs)	San Felipe Project		737,443	
Program Financing			-	
Other Professional Services	Andrews Kurth HCID Staff Counsel		15,000	
<b>Subtotal</b>		<b>\$ 1,531,000</b>	<b>\$ 752,443</b>	<b>\$ (778,557)</b>
<b>Project 7: Transit Corridor</b>				
		350,000		
Engineering Services				
Architectural Services				
Construction Management				
Construction Costs			350,000	
Other Professional Services				
<b>Subtotal</b>		<b>\$ 350,000</b>	<b>\$ 350,000</b>	<b>\$ -</b>
<b>Project 8: South Post Oak lane Reconstruction</b>				
		4,675,000		
Engineering Services				
Architectural Services				
Construction Management				
Construction Costs				
Other Professional Services				
<b>Subtotal</b>		<b>\$ 4,675,000</b>	<b>\$ -</b>	<b>\$ (4,675,000)</b>
<b>Project 9: Ambassador Way</b>				
		1,210,000		
Engineering Services				
Architectural Services				
Construction Management				
Construction Costs				
Other Professional Services				
<b>Subtotal</b>		<b>\$ 1,210,000</b>	<b>\$ -</b>	<b>\$ (1,210,000)</b>



**UPTOWN DEVELOPMENT AUTHORITY**

*Operating Expenses, Capital Expenditures and Project Plan Reconciliation*

*For the Year Ended June 30, 2007*

		<b>FY07 CAPITAL EXPENDITURES</b>		
<i>Project</i>	<i>Vendor</i>	<i>Budget</i>	<i>Actual Expenditure</i>	<i>Variance</i>
<b>Project 10: Skylark Reconstruction</b>		1,210,000		
Engineering Services				
Architectural Services				
Construction Management				
Construction Costs				
Other Professional Services				
<b>Subtotal</b>		<b>\$ 1,210,000</b>	<b>\$ -</b>	<b>\$ (1,210,000)</b>
<b>Project 11: Secondary Roadways</b>		250,000		
Planning / Engineering Services	Walter P Moore		14,068	
Architectural Services				
Construction Management				
Construction Costs				
Other Professional Services	Goodman Corporation		47,157	
<b>Subtotal</b>		<b>\$ 250,000</b>	<b>\$ 61,225</b>	<b>\$ (188,775)</b>
<b>Project 12: Westheimer Pedestrian Improvements</b>		1,178,000		
Engineering Services				
Architectural Services				
Construction Management				
Construction Costs	Teamwork Construction		27,249	
Other Professional Services	SWA Group		10,253	
<b>Subtotal</b>		<b>\$ 1,178,000</b>	<b>\$ 37,502</b>	<b>\$ (1,140,498)</b>
<b>Total Capital Expenditures</b>		<b>\$ 16,202,200</b>	<b>\$ 3,318,280</b>	<b>\$ (12,883,920)</b>

The capital program actual spending was significantly less than the budgeted amount due to the implementation of new financing approach mandated by the City of Houston late in the fiscal year.

<b>PROJECT PLAN RECONCILIATION</b>					
		<i>Expenditures to</i>			
		<i>Project Plan Amount</i>	<i>FY07</i>	<i>Variance</i>	<i>Notes</i>
<b>Non-Education Projects</b>					
<b>Improve Existing Streets</b>	\$	67,000,000	\$ 31,627,894	\$ 35,372,106	
<b>Create Street Grid Network</b>	\$	33,000,000	\$ 4,538,930	\$ 28,461,070	
<b>Improve Intersections</b>	\$	26,000,000	\$ 4,660,145	\$ 21,339,855	
<b>Parking Management Program</b>	\$	50,000,000	\$ -	\$ 50,000,000	
<b>Pedestrian Network</b>	\$	53,000,000	\$ 562,316	\$ 52,437,684	
<b>Education Projects</b>	\$	129,000,000	\$ 9,284,398	\$ 119,715,602	
<b>Zone Administration / Operations</b>	\$	6,000,000	\$ 1,418,889	\$ 4,581,111	