

**UPTOWN DEVELOPMENT AUTHORITY**

**FINANCIAL STATEMENTS  
AND OTHER FINANCIAL INFORMATION**

**For the Fiscal Year Ended  
June 30, 2017  
with Independent Auditor's Report**



# UPTOWN DEVELOPMENT AUTHORITY

## FINANCIAL STATEMENTS AND OTHER FINANCIAL INFORMATION

Year Ended June 30, 2017

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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, 2017, 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, 2017, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

To the Board of Directors  
Uptown Development Authority

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 11 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Supplementary Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The Statement of Revenues, Expenditures, and Changes in Fund Balances – All Governmental Funds – Budget and Actual, and the Operating Expenditures, Capital Expenditures and Project Plan Reconciliation on pages 37 through 44 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Statement of Revenues, Expenditures, and Changes in Fund Balances – All Governmental Funds – Budget and Actual, and the Operating Expenditures, Capital Expenditures and Project Plan Reconciliation are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Statement of Revenues, Expenditures, and Changes in Fund Balances – All Governmental Funds – Budget and Actual, and the Operating Expenditures, Capital Expenditures and Project Plan Reconciliation are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated September 27, 2017, 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 27, 2017

## **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, 2017.

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.

## UPTOWN DEVELOPMENT AUTHORITY

### MANAGEMENT'S DISCUSSION AND ANALYSIS (*continued*)

#### **Fund Financial Statements**

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

#### **Governmental Funds**

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

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

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

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

#### **Notes to the Financial Statements**

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

#### **Government-wide Financial Analysis**

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

**UPTOWN DEVELOPMENT AUTHORITY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)**

As noted earlier, changes in net position may serve over time as a useful indicator of a government's financial position. In the case of the Authority, net position was negative as of June 30, 2017. 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 \$239 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.

A comparative schedule of net position at June 30, 2017 and 2016 follows:

	<u>2017</u>	<u>2016</u>
Current and other assets	\$ 62,403,938	\$ 96,401,205
Capital assets, net	11,169,108	11,743,493
<b>Total Assets</b>	<u>73,573,046</u>	<u>108,144,698</u>
 <b>Deferred Outflows of Resources</b>		
Deferred charge on refunding	3,208,513	247,296
<b>Total deferred outflows of resources</b>	<u>3,208,513</u>	<u>247,296</u>
Accounts payable and other liabilities	26,069,025	17,470,108
Long-term liabilities	158,445,229	140,361,498
<b>Total Liabilities</b>	<u>184,514,254</u>	<u>157,831,606</u>
 <b>Net Position</b>		
Net investment in capital assets	11,169,108	11,743,493
Restricted for capital projects	9,264,522	53,797,927
Restricted for debt service	26,245,077	25,133,170
Unrestricted (deficit)	(155,236,716)	(140,114,202)
<b>Total Net Position (Deficit)*</b>	<u>\$ (108,558,009)</u>	<u>\$ (49,439,612)</u>

Total assets decreased by \$34,571,652 from the prior year due to cash used for the construction of the Post Oak Boulevard BRT project 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 \$26,682,648 due to new project development agreements for infrastructure and park improvements as well as an increase in the municipal services fee paid to the City of Houston.

**\*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 \$239 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 \$59,118,397 during the current fiscal year. A comparative summary of the Authority's statement of activities for the past two years is as follows:

	<u>2017</u>	<u>2016</u>
<b>Revenues</b>		
<b>Program Revenues:</b>		
Capital grants and contributions	\$ 1,916,832	\$ 2,418,050
<b>General Revenues:</b>		
Contract tax increment	46,949,004	40,954,987
Investment earnings	187,872	219,946
<b>Total Revenues</b>	<u>49,053,708</u>	<u>43,592,983</u>
<b>Expenses</b>		
General government	7,519,857	2,143,570
Affordable housing	13,951,414	12,036,630
Educational Facilities	4,819,896	4,689,456
Interest on long-term debt	5,587,819	6,184,560
Capital outlay on behalf of City of Houston	75,718,734	38,554,606
Depreciation	574,385	547,056
<b>Total Expenses</b>	<u>108,172,105</u>	<u>64,155,878</u>
Increase (decrease) in net position	(59,118,397)	(20,562,895)
<b>Net position - beginning</b>	<u>(49,439,612)</u>	<u>(28,876,717)</u>
<b>Net position - ending</b>	<u>\$ (108,558,009)</u>	<u>\$ (49,439,612)</u>

Contract tax increment revenues increased by \$5,994,017 from the previous year. This was due to an increase in property values. Total expenses were \$108,172,105 in the current year. This is an increase of \$44,016,227 from the previous year due to increased spending for capital projects for primarily the Post Oak Boulevard project. Other capital projects include construction of the Eastern Glades project in Memorial Park, and the completion of the Westheimer waterline. The municipal services fee included in the general government line above to the City of Houston increased as well by \$5,076,994.

**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 \$36,999,560 which was a \$43,784,372 decrease in comparison with the prior year. Approximately \$27.7 million is restricted for debt service. The Capital Projects fund balance at the end of the fiscal year was \$9,230,076. This is due to recent increased spending related to construction projects. Tax increment revenue from the City of Houston increased slightly as well. The Authority uses the capital projects fund for infrastructure improvements in the area.

**UPTOWN DEVELOPMENT AUTHORITY**

**MANAGEMENT’S DISCUSSION AND ANALYSIS (continued)**

The final budget to actual results for the capital program cost were \$6.1 million over budget. This is due to expenditures on the Memorial Park Eastern Glades project that was not originally budgeted. During the year, construction on the North Segment of Post Oak Boulevard (The Boulevard) continued. Additionally construction began on the Middle and South segments of The Boulevard project.

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

1. **Protect public interest** – 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:

	2017	Increase (Decrease)	2016	Increase (Decrease)	2015
Capital Projects	\$ 9,230,076	\$ (44,535,114)	\$ 53,765,190	\$ 3,393,488	\$ 50,371,702
Debt Service	25,426,232	748,225	24,678,007	5,598,048	19,079,959
Affordable Housing					
Special Revenue	34,446	1,709	32,737	9,250	23,487
Affordable Housing					
Debt Service	2,308,806	808	2,307,998	4,949	2,303,049
	<u>\$ 36,999,560</u>	<u>\$ (43,784,372)</u>	<u>\$ 80,783,932</u>	<u>\$ 9,005,735</u>	<u>\$ 71,778,197</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>2017</u>	<u>2016</u>
Capital assets not being depreciated:		
Land and improvements	<u>\$ 9,081,040</u>	<u>\$ 9,081,040</u>
Capital assets being depreciated:		
ATIS Equipment	898,317	898,317
Pedestrian Lights	<u>5,117,275</u>	<u>5,117,275</u>
	6,015,592	6,015,592
Less accumulated depreciation	<u>(3,927,524)</u>	<u>(3,353,139)</u>
	<u>2,088,068</u>	<u>2,662,453</u>
Capital assets, net of accumulated depreciation	<u>\$ 11,169,108</u>	<u>\$ 11,743,493</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, 2017 and 2016, is as follows:

	<u>2017</u>	<u>2016</u>
Tax increment contract revenue bonds payable	\$ 136,165,000	\$ 140,730,000
Due to project development agreements	23,255,235	-
	<u>159,420,235</u>	<u>140,730,000</u>
Less unamortized discount on bonds payable	(149,692)	(368,502)
	<u>\$ 159,270,543</u>	<u>\$ 140,361,498</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 17<sup>th</sup> largest business district in the United States: comparable to Denver and Cleveland. With over 27 million square feet of total office space in its market area, Uptown accounts for over 12% of Houston MSA's total 'Class A' office space with over 18 million square feet. There are 115,000 office employees in the Uptown market area. At the end of the second quarter, 2017, class A office space was 80.7% leased compared to Houston's total Class A office market with occupancy at 80.6%.

The Uptown market area welcomed the new Amegy office tower with 350,000 SF at 1717 West Loop South, the 600,000 SF BHP Billiton tower at 1360 Post Oak Boulevard (located in the TIRZ) and will soon welcome another new addition to the office sector: The Post Oak, Landry's 650,000 SF mixed-use tower with 140,000 SF of boutique office space close to Post Oak Boulevard and the 610 West Loop (located in the TIRZ). Finally, 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. Retail was 99% leased as of Q2 2017. This market maintained as The Galleria is now the fourth largest retail center in the United States. The Galleria Mall continues its reconstruction and renovation valued at \$250,000,000 at the corner of Westheimer and Sage. Totally redesigned, Saks Fifth Avenue is now open and their former space is being remodeled and close to completion for smaller high-end retail tenants. Further, the 200,000 Sf retail component of the River Oaks District, situated in the Uptown market area, is also now open.

#### **Hotel**

Uptown now has 33 first quality hotels in the area, offering almost 7,600 rooms for guests. The Hyatt Regency and the Hyatt Place are now open and have added an additional 482 rooms. Landry's 36 story mixed-use development called "The Post Oak" will open the end of 2017 and will add another 240 room.

The area's RevPAR (revenues per available room) for 2017 Q2 is \$123.33 and comparable to the Houston Central Business District at \$147.35. The RevPAR for Houston City-wide is \$74.00. Uptown Houston also boasts one of the highest occupancy rates in the city at 72.2%, while the Houston City-wide occupancy rate was 62.3% at the end of the second quarter, 2017.

#### **Residential**

In 2016, nine new high-rise residential towers were delivered to the Uptown market area totaling almost 2,000 units. Two of these high-rise residential towers were in the Uptown TIRZ, The Belfiore and The Astoria. In 2017, The Post Oak and the Alexan 5151, two multi-family for-lease projects were completed. Residential activity continues in the area. Already under construction, another 570 units are scheduled to deliver in 2018, including the high end condominium, the Arabella and Hanover BLVD Place. Uptown Houston is one of the most prestigious and desirable areas to live.

The economic outlook is stable in Uptown. 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, 2017**

**Assets**

Cash and temporary investments	\$ 52,837,412
Due from other governmental agencies	9,566,526
Land	9,081,040
Other capital assets, net	<u>2,088,068</u>
Total Assets	<u>73,573,046</u>

**Deferred Outflows of Resources**

Deferred charge on refunding	<u>3,208,513</u>
Total deferred outflows of resources	<u>3,208,513</u>

**Liabilities**

Accounts payable and accrued expenses	4,678,671
Due to other governments	19,900,393
Accrued interest	1,489,961
Due to project development agreements	825,314
Long-term liabilities:	
Due within one year	10,610,314
Due in more than one year	<u>147,834,915</u>
Total liabilities	<u>185,339,568</u>

**Net Position**

Net investment in capital assets	11,169,108
Restricted for capital projects	9,264,522
Restricted for debt service	26,245,077
Unrestricted (deficit)	<u>(155,236,716)</u>
Total net position (deficit)	<u>\$ (108,558,009)</u>

See Notes to Financial Statements

**UPTOWN DEVELOPMENT AUTHORITY**

**STATEMENT OF ACTIVITIES**

**For the Year Ended June 30, 2017**

<b>Functions/Programs</b>	<b>Expenses</b>	<b>Program Revenue Capital Grants and Contribution</b>	<b>Net Expense</b>
General government	\$ 7,519,857	\$ -	\$ (7,519,857)
Affordable housing	13,951,414	-	(13,951,414)
Education Facilities	4,819,896	-	(4,819,896)
Interest and other charges	5,587,819	-	(5,587,819)
Depreciation	574,385	-	(574,385)
Capital outlay on behalf of the City of Houston	75,718,734	1,916,832	(73,801,902)
<b>Totals</b>	<u>\$ 108,172,105</u>	<u>\$ 1,916,832</u>	<u>(106,255,273)</u>
 <b>General revenues</b>			
Contract tax increment revenues			46,949,004
Unrestricted investment earnings			187,872
			<u>47,136,876</u>
Change in net position			(59,118,397)
Net position (deficit) - beginning			(49,439,612)
Net position (deficit) - ending			<u>\$ (108,558,009)</u>

See Notes to Financial Statements

**UPTOWN DEVELOPMENT AUTHORITY**

**BALANCE SHEET - GOVERNMENTAL FUNDS**

**June 30, 2017**

	<u>Capital Projects</u>	<u>Debt Service</u>	<u>Affordable Housing Special Revenue</u>	<u>Debt Service</u>	<u>Total Governmental Funds</u>
<b>Assets</b>					
Cash and temporary investments	\$ 15,906,158	\$ 25,431,265	\$ 9,191,183	\$ 2,308,806	\$ 52,837,412
Due from other funds	5,033	-	-	-	5,033
Due from other governments	4,783,263	-	4,783,263	-	9,566,526
Total assets	<u>\$ 20,694,454</u>	<u>\$ 25,431,265</u>	<u>\$ 13,974,446</u>	<u>\$ 2,308,806</u>	<u>\$ 62,408,971</u>
<b>Liabilities and Fund Balance</b>					
Liabilities:					
Accounts payable	\$ 4,678,671	\$ -	\$ -	\$ -	\$ 4,678,671
Due to other funds	-	5,033	-	-	5,033
Due to other governments	5,960,393	-	13,940,000	-	19,900,393
Due to project development agreements	825,314	-	-	-	825,314
Total liabilities	<u>11,464,378</u>	<u>5,033</u>	<u>13,940,000</u>	<u>-</u>	<u>25,409,411</u>
Fund balances:					
Restricted:					
Debt service	-	25,426,232	-	2,308,806	27,735,038
Affordable Housing	-	-	34,446	-	34,446
Capital Projects	9,230,076	-	-	-	9,230,076
Total fund balances	<u>9,230,076</u>	<u>25,426,232</u>	<u>34,446</u>	<u>2,308,806</u>	<u>36,999,560</u>
Total liabilities and fund balances	<u>\$ 20,694,454</u>	<u>\$ 25,431,265</u>	<u>\$ 13,974,446</u>	<u>\$ 2,308,806</u>	<u>\$ 62,408,971</u>

See Notes to Financial Statements

**UPTOWN DEVELOPMENT AUTHORITY**

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

**June 30, 2017**

**Total fund balance, governmental funds** \$ 36,999,560

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

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

Land	\$ 9,081,040	
Other capital assets	6,015,592	
Less accumulated depreciation	<u>(3,927,524)</u>	
Change due to capital assets		11,169,108

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	(136,165,000)	
Deferred charge on refunding	3,208,513	
Additional accrued interest	(1,489,961)	
Due to project development agreements	(22,429,921)	
Unamortized bond discount	<u>149,692</u>	
Change due to long-term debt obligations		<u>(156,726,677)</u>

Net Position of Governmental Activities in the Statement of Net \$ (108,558,009)

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, 2017**

	<u>Affordable Housing</u>				<b>Total Governmental Funds</b>
	<b>Capital Projects</b>	<b>Debt Service</b>	<b>Special Revenue</b>	<b>Debt Service</b>	
<b>Revenues</b>					
Incremental tax revenue	\$ 19,109,806	\$ 12,752,020	\$ 13,949,076	\$ 1,138,102	\$ 46,949,004
Investment earnings	123,072	60,163	4,047	590	187,872
Intergovernmental revenue	1,916,832	-	-	-	1,916,832
<b>Total revenues</b>	<b>21,149,710</b>	<b>12,812,183</b>	<b>13,953,123</b>	<b>1,138,692</b>	<b>49,053,708</b>
<b>Expenditures</b>					
Current:					
Administration salaries	115,000	-	-	-	115,000
Office expenses	75,000	-	-	-	75,000
Insurance	68,287	-	-	-	68,287
Accounting	40,000	-	-	-	40,000
Auditor	17,700	-	-	-	17,700
Bond trustee	7,000	-	-	-	7,000
City of Houston, Municipal charge	5,522,994	-	-	-	5,522,994
Legal	77,309	-	-	-	77,309
Legal, in-house	20,000	-	-	-	20,000
Educational facilities cost, transfer to other government	4,819,896	-	-	-	4,819,896
Affordable housing cost, transfer to other government	-	-	13,940,000	-	13,940,000
Other Zone Administration Cost	1,651,854	-	-	-	1,651,854
Capital Outlay on behalf of the City of Houston	53,220,526	-	-	-	53,220,526
Debt Service:					
Principal	-	13,300,000	-	755,000	14,055,000
Interest and other charges	607,616	4,698,965	11,414	382,884	5,700,879
<b>Total expenditures</b>	<b>66,243,182</b>	<b>17,998,965</b>	<b>13,951,414</b>	<b>1,137,884</b>	<b>99,331,445</b>
Excess of revenues over / (under) expenditures	(45,093,472)	(5,186,782)	1,709	808	(50,277,737)
<b>Other Financing Sources/Uses</b>					
Proceeds from issuance of debt	25,937,057	6,237,943	-	-	32,175,000
Repayment of refunded debt	(25,681,635)	-	-	-	(25,681,635)
Transfers in	302,936	-	-	-	302,936
Transfers out	-	(302,936)	-	-	(302,936)
<b>Total other financing sources/uses</b>	<b>558,358</b>	<b>5,935,007</b>	<b>-</b>	<b>-</b>	<b>6,493,365</b>
Net change in fund balances	(44,535,114)	748,225	1,709	808	(43,784,372)
Fund balances - beginning of year	53,765,190	24,678,007	32,737	2,307,998	80,783,932
Fund balances - end of year	\$ 9,230,076	\$ 25,426,232	\$ 34,446	\$ 2,308,806	\$ 36,999,560

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, 2017**

Net change in fund balances - total governmental funds: \$ (43,784,372)

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	14,055,000	
Proceeds from issuance of debt	(32,175,000)	
Repayment of refunded debt	25,681,635	
Decrease in accrued interest payable	362,874	
Discount is amortized over the life of the bond	(24,792)	
Deferred charge on refunding is amortized over the life of the bond	(229,436)	
Project development agreement expense	<u>(22,429,921)</u>	
		<u>(14,759,640)</u>

Change in net position of governmental activities		<u><u>\$ (59,118,397)</u></u>
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See Notes to Financial Statements

# UPTOWN DEVELOPMENT AUTHORITY

## NOTES TO THE FINANCIAL STATEMENTS

June 30, 2017

### 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, 2017.

**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, 2017 are included in cash and temporary investments. At year end, the Authority’s cash and temporary investments were comprised of the following:

	<b>Capital Projects</b>	<b>Debt Service</b>	<b>Affordable Housing</b>		<b>Total</b>
			<b>Special Revenue</b>	<b>Debt Service</b>	
Money market funds	\$ 367,526	\$ -	\$ -	\$ -	\$ 367,526
Money market mutual funds	15,538,632	25,431,265	9,191,183	2,308,806	52,469,886
<b>Total</b>	<u>\$ 15,906,158</u>	<u>\$ 25,431,265</u>	<u>\$ 9,191,183</u>	<u>\$ 2,308,806</u>	<u>\$ 52,837,412</u>

The Authority’s temporary investments in money market mutual funds have a weighted average maturity of 44 days and are rated AAAM by Standard and Poor’s.

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

The Authority has the following recurring fair value measurements as of June 30, 2017:

- Money market mutual funds of \$52 million are valued using quoted market prices (Level 1 inputs).

## UPTOWN DEVELOPMENT AUTHORITY

### NOTES TO THE FINANCIAL STATEMENTS (*continued*)

#### Note 2 - Deposits and Investments (*continued*)

##### **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, 2017.

##### **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.

**UPTOWN DEVELOPMENT AUTHORITY**

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**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 \$229,436. Total additions due to the Series 2016 refunding bonds were \$3,190,653.

	<u>2017</u>	<u>2016</u>
Deferred charge on refunding bonds beginning of year	\$ 247,296	\$ 282,624
Current year additions	3,190,653	-
Current year amortization	<u>(229,436)</u>	<u>(35,328)</u>
Deferred charge on refunding bonds end of year	<u>\$ 3,208,513</u>	<u>\$ 247,296</u>

**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>(3,353,139)</u>	<u>(574,385)</u>	<u>-</u>	<u>(3,927,524)</u>
	<u>2,662,453</u>	<u>(574,385)</u>	<u>-</u>	<u>2,088,068</u>
Capital assets, net	<u>\$ 11,743,493</u>	<u>\$ (574,385)</u>	<u>\$ -</u>	<u>\$ 11,169,108</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.

**UPTOWN DEVELOPMENT AUTHORITY**

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**Note 5 - Long Term Liabilities**

As of June 30, 2017, 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	\$ 136,165,000	\$ 8,785,000	\$ 127,380,000
Unamortized discounts on bonds payable	(149,692)	-	(149,692)
Due to project development agreements	<u>23,255,235</u>	<u>2,650,628</u>	<u>20,604,607</u>
	<u>\$ 159,270,543</u>	<u>\$ 11,435,628</u>	<u>\$ 147,834,915</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	\$ 140,730,000	\$ 32,175,000	\$ (36,740,000)	\$ 136,165,000
Unamortized discounts on bonds payable	(368,502)	-	218,810	(149,692)
Due to project development agreements	-	<u>23,755,235</u>	<u>(500,000)</u>	<u>23,255,235</u>
	<u>\$ 140,361,498</u>	<u>\$ 55,930,235</u>	<u>\$ (37,021,190)</u>	<u>\$ 159,270,543</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 \$205,000,000 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:

<u>Series</u>	<u>Amount Outstanding</u>	<u>Original Issue</u>	<u>Interest Rates</u>	<u>Beginning/Ending Maturity Dates</u>	<u>Interest Payment Dates</u>	<u>Call Dates</u>
2001B	\$ 1,705,000	\$ 4,670,000	4.25% - 6.25%	Sep 1, 2002 - 2021	Mar 1, Sep 1	Sep 1, 2011
2002B	1,550,000	3,665,000	3.00% - 6.00%	Sep 1, 2003 - 2022	Mar 1, Sep 1	Sep 1, 2012
2004B	2,550,000	4,500,000	2.60% - 5.50%	Sep 1, 2006 - 2025	Mar 1, Sep 1	Sep 1, 2014
2004D	570,000	1,000,000	3.30% - 5.30%	Sep 1, 2006 - 2025	Mar 1, Sep 1	Sep 1, 2014
2009	10,115,000	42,260,000	2.90% - 5.50%	Sep 1, 2011 - 2029	Mar 1, Sep 1	Sep 1, 2019
2012A	6,090,000	10,755,000	2.750%	Sep 1, 2012 - 2022	Mar 1, Sep 1	N/A
2014	48,180,000	53,195,000	3.875%	Sep 1, 2014 - 2033	Mar 1, Sep 1	Sep 1, 2023
2015	33,230,000	35,000,000	2.730%	Sep 1, 2016 - 2030	Mar 1, Sep 1	Sep 1, 2030
2016	<u>32,175,000</u>	32,175,000	2.360%	Sep 1, 2017 - 2029	Mar 1, Sep 1	Sep 1, 2026
	<u>\$ 136,165,000</u>					

**UPTOWN DEVELOPMENT AUTHORITY**

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

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

The Authority issued Tax Increment Contract Revenue Bonds, Series 2009 in fiscal year 2010. The Authority issued Tax Increment Contract Revenue Refunding Bonds, Series 2012A in fiscal year 2012. The Authority issued Tax Increment Contract Revenue Bonds, Series 2014 in fiscal year 2014. The Series 2001B, 2002B, 2004B and 2004D were issued for the City of Houston’s affordable housing facilities. The Authority issued Tax Increment Contract Revenue Bonds, Series 2015 in fiscal year 2016.

On September 15, 2016 the Authority issued Tax Increment Contract Revenue Refunding Bonds, Series 2016 in the amount of \$32,175,000. This issue fully refunded Series 2004A in the amount of \$5,090,000 and Series 2004C in the amount of \$1,135,000. These amounts were considered a current refunding and were included as part of current year principal payments of debt. The issue also refunded a portion of Series 2009 in the amount of \$22,685,000 in an advance refunding transaction. An economic gain of \$3,248,009 resulted. Interest rates on the bonds are 2.36 percent. The Authority paid \$569,025 in bond issuance costs. The reacquisition price exceeded the net carrying amount of the old debt by \$3,190,653. This amount is being netted against and amortized over the life of the new debt.

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. The Authority was in compliance with these reserve requirements.

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

<b>Infrastructure Bonds, All Series</b>						
<b>Year</b>	<b>2009</b>		<b>2012A</b>		<b>2014</b>	
	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>
2018	\$ 1,830,000	\$ 453,040	\$ 1,075,000	\$ 152,694	\$ 2,055,000	\$ 1,827,160
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
	<u>\$ 10,115,000</u>	<u>\$ 1,290,415</u>	<u>\$ 6,090,000</u>	<u>\$ 466,724</u>	<u>\$ 48,180,000</u>	<u>\$ 17,561,308</u>



**UPTOWN DEVELOPMENT AUTHORITY**

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

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

**Infrastructure Bonds, All Series (continued)**

Year	2015		2016		Total
	Principal	Interest	Principal	Interest	
2018	\$ 1,980,000	\$ 880,153	\$ 1,045,000	\$ 746,999	\$ 12,045,046
2019	2,035,000	825,348	1,040,000	722,396	12,005,949
2020	2,090,000	769,041	1,070,000	697,498	12,016,532
2021	2,150,000	711,165	1,095,000	671,951	12,013,739
2022	2,205,000	651,720	1,125,000	645,755	12,009,140
2023	2,265,000	590,704	3,490,000	591,298	11,236,286
2024	2,330,000	527,982	3,575,000	507,931	10,811,288
2025	2,390,000	463,554	3,665,000	422,499	10,809,516
2026	2,455,000	397,420	3,765,000	334,825	10,819,823
2027	2,525,000	329,443	2,960,000	255,470	9,937,441
2028	2,595,000	259,555	3,040,000	184,670	9,942,441
2029	2,665,000	187,756	3,110,000	112,100	9,934,400
2030	2,735,000	114,046	3,195,000	37,701	9,942,969
2031	2,810,000	38,357	-	-	6,706,413
2032	-	-	-	-	3,854,950
2033	-	-	-	-	3,851,710
2034	-	-	-	-	3,848,141
	<u>\$ 33,230,000</u>	<u>\$ 6,746,244</u>	<u>\$ 32,175,000</u>	<u>\$ 5,931,093</u>	<u>\$ 161,785,784</u>

**Affordable Housing Bonds, All Series**

Year	2001B		2002B		2004B	
	Principal	Interest	Principal	Interest	Principal	Interest
2018	\$ 300,000	\$ 95,988	\$ 220,000	\$ 86,400	\$ 230,000	\$ 127,958
2019	320,000	77,188	235,000	72,750	240,000	116,208
2020	340,000	56,976	250,000	58,200	255,000	103,674
2021	360,000	35,313	265,000	42,750	265,000	90,250
2022	385,000	12,032	280,000	26,400	280,000	76,080
2023	-	-	300,000	9,000	295,000	60,872
2024	-	-	-	-	310,000	44,612
2025	-	-	-	-	330,000	27,412
2026	-	-	-	-	345,000	9,272
	<u>\$ 1,705,000</u>	<u>\$ 277,497</u>	<u>\$ 1,550,000</u>	<u>\$ 295,500</u>	<u>\$ 2,550,000</u>	<u>\$ 656,338</u>

**UPTOWN DEVELOPMENT AUTHORITY**

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

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

<b>Affordable Housing Bonds, All Series (continued)</b>				
<b>2004D</b>				
<b>Year</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>	
2018	\$ 50,000	\$ 28,293	\$	1,138,639
2019	55,000	25,668		1,141,814
2020	55,000	22,918		1,141,768
2021	60,000	19,998		1,138,311
2022	65,000	16,779		1,141,291
2023	65,000	13,383		743,255
2024	70,000	9,805		434,417
2025	75,000	5,963		438,375
2026	75,000	1,988		431,260
	<u>\$ 570,000</u>	<u>\$ 144,795</u>	<u>\$</u>	<u>7,749,130</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, 2017 are as follows:

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

**Developer Agreements**

	<b>Beginning Balances</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balances</b>	<b>Due Within One Year</b>
Harris County Improvement District #1	\$ -	\$ 9,705,200		\$ 9,705,200	\$ 1,440,000
Rice Avenue Retail Partners, L.P.		1,465,035		1,465,035	210,628
Houston Arboretum & Nature Center		3,585,000	-	3,585,000	-
Memorial Park Conservancy		9,000,000	(500,000)	8,500,000	1,000,000
	<u>\$ -</u>	<u>\$ 23,755,235</u>	<u>\$ (500,000)</u>	<u>\$ 23,255,235</u>	<u>\$ 2,650,628</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 (see Note G). 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. Amounts reported as “Due to project development agreements” for payments related to fiscal year-ending June 30, 2017, is \$720,000, comprised of the principal and interest payments on the issue.

***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 (see Note G). 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 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 the less of the actual cost plus Developer interest or \$1,328,000 plus 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.

Amounts reported as “Due to project development agreements” for payments related to fiscal year-ending June 30, 2017 is \$105,000, based on 75% of the tax increment revenue generated from the project area.

***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 (see Note G). 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, 2017, the project is under construction and scheduled to be completed in May 2018.

**UPTOWN DEVELOPMENT AUTHORITY**

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**Note 5 - Long Term Liabilities (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. The purpose of the agreement is to fulfill the Master Plan developed by all Parties for the restoration, enhancement and redevelopment of Memorial Park in a manner appropriate to meet the demands of the more than four million current annual Park visitors. Under the terms of the agreement, beginning in the Authority’s Fiscal Year 2016 and continuing through Fiscal Year 2025, the Authority shall provide up to \$1,000,000 each year for Ecological Restoration Projects. Beginning in the Authority’s Fiscal Year 2021, the Authority shall provide funding in each Agreement Year to maintain its investments in the Park. The funding amount shall be calculated as three percent of the Authority’s cumulative investment in infrastructure projects in the Park as identified in the Capital Improvement Plan that are not otherwise maintained by the City.

**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, 2017, the Authority received \$46,949,004 in tax increment revenues as follows:

	<u>City of Houston</u>	<u>Houston ISD</u>	<u>Total</u>
Total tax increments	\$ 32,537,075	\$ 14,411,929	\$ 46,949,004
Retainage for administrative costs	(1,626,854)	(25,000)	(1,651,854)
Set-aside for educational facilities	-	(4,819,896)	(4,819,896)
Net received	<u>\$ 30,910,221</u>	<u>\$ 9,567,034</u>	<u>\$ 40,477,255</u>

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

The Authority is dependent upon the tax increments revenues.

## UPTOWN DEVELOPMENT AUTHORITY

### NOTES TO THE FINANCIAL STATEMENTS *(continued)*

#### **Note 7 - Contracts**

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

##### ***Tri Party Agreement***

In 1999 an agreement between the City, the Zone and the Authority was approved and executed by each of the parties. This agreement sets forth the duties and responsibilities of each party. The Authority agrees to manage the affairs and activities of the Zone. It also has the authority to acquire and develop land and to issue bonds, notes or other obligations. The Authority is required to use all monies received from the Zone to 1) pay principal and interest on any obligations and 2) pay administrative costs. The City and the Zone are required to establish a Tax Increment Fund and deposit into it appropriate tax increment revenues. These funds are required to be remitted to the Authority no later than July 1st of each year.

##### ***Agreement with Harris County Improvement District No. 1***

The Authority and the Harris County Improvement District No. 1 (the "District") have entered into an agreement whereby the District provides administrative, management and special services to the Zone and the Authority. During the year ended June 30, 2017, the Authority remitted \$1,452,500 to the District. This amount consisted of \$250,000 for operating and administrative costs, \$400,000 for traffic control and mobility, \$532,500 for project management and \$270,000 for communications and public relations for the Post Oak Boulevard project.

#### **Note 8 - Risk Management**

The Authority is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and personal injuries. The risk of loss is covered by commercial insurance. There have been no significant reductions in insurance coverage and no settlements.

#### **Note 9 - Contingencies**

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 2017, 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 10 - Related Party Transactions**

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

During the June 30, 2017 reporting period, the Authority purchased no parcels of land from Directors with interest/affiliation in the parcels. As discussed in Note 7, the Authority has a management agreement in place with Harris County Improvement District No. 1 (the "District"). During the June 30, 2017 reporting period, the Authority purchased a parcel of land from a Director of the District with interest in the parcel. The Authority has chosen to keep the purchase prices for property acquired along Post Oak Boulevard confidential until the Authority closes each parcel, this information is excepted from disclosure under 552.105 of the Texas Government Code.

#### **Note 11 - Subsequent Event**

On September 27, 2017, the Authority authorized the issuance of up to an additional \$65 million in bonds to provide the capital needed to support redevelopment projects, consisting primarily of major roadway and street reconstruction projects, utility system upgrade and replacement projects, and park improvements.

**OTHER SUPPLEMENTARY INFORMATION**

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**UPTOWN DEVELOPMENT AUTHORITY**

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

**June 30, 2017**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance <u>Over/(Under)</u>
Budgetary fund balance, beginning of the year	\$ 69,489,192	\$ 69,489,192	\$ 80,783,932	\$ 11,294,740
Revenues				
Incremental property tax	47,358,132	47,358,132	46,949,004	(409,128)
Miscellaneous	-	-	187,872	187,872
Grant proceeds	<u>20,100,000</u>	<u>20,100,000</u>	<u>1,916,832</u>	<u>(18,183,168)</u>
Total revenues and budgetary fund balance	<u>136,947,324</u>	<u>136,947,324</u>	<u>129,837,640</u>	<u>(7,109,684)</u>
Expenditures				
Management and consulting services	572,200	572,200	413,296	(158,904)
Project costs and capital expenditures	48,985,000	48,985,000	53,220,526	4,235,526
Zone Administration	1,668,098	1,668,098	1,651,854	(16,244)
Debt service:				
Principal	7,830,000	7,830,000	14,055,000	6,225,000
Interest and other charges	7,974,352	7,974,352	5,707,879	(2,266,473)
Educational facilities transfer	4,843,545	4,843,545	4,819,896	(23,649)
Affordable housing transfer	15,786,044	15,786,044	13,940,000	(1,846,044)
Municipal services charges	<u>5,522,994</u>	<u>5,522,994</u>	<u>5,522,994</u>	<u>-</u>
Total expenditures	<u>93,182,233</u>	<u>93,182,233</u>	<u>99,331,445</u>	<u>6,149,212</u>
Other Financing Sources/Uses				
Bond Proceeds	37,500,000	37,500,000	32,175,000	(5,325,000)
Repayment of refunded debt	<u>-</u>	<u>-</u>	<u>(25,681,635)</u>	<u>(25,681,635)</u>
Total other financing sources/uses	<u>37,500,000</u>	<u>37,500,000</u>	<u>6,493,365</u>	<u>(31,006,635)</u>
Budgetary fund balance, end of year	<u>\$ 81,265,091</u>	<u>\$ 81,265,091</u>	<u>\$ 36,999,560</u>	<u>\$ (44,265,531)</u>
<u>Explanation of Differences between Budgetary Inflows and GAAP Revenues</u>				
Actual Amounts (Budgetary Basis)				\$ 129,837,640
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>(80,783,932)</u>
Total Revenue as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Total Governmental Funds				<u>\$ 49,053,708</u>

**UPTOWN DEVELOPMENT AUTHORITY**

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

**For the Year Ended June 30, 2017**

**TIRZ #16 Uptown Development Authority**

**FY17 OPERATING EXPENDITURES**

<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 No. 1	\$ 115,000	\$ 115,000	\$ -
Office Expenses	HCID No. 1	75,000	75,000	-
Insurance	Highpoint Insurance	75,000	68,287	(6,713)
Accounting	HCID No. 1	40,000	40,000	-
Auditor	Whitley Penn, LLP	17,200	17,700	500
COH Municipal Charge		5,522,994	5,522,994	-
Bond Trustee		-	7,000	7,000
<b>Subtotal</b>		<b>\$ 5,845,194</b>	<b>\$ 5,845,981</b>	<b>\$ 787</b>
<b>PROGRAM AND PROJECT CONSULTANTS</b>				
Legal	Allen Boone Humphries	45,000	77,309	32,309
In-House Legal Counsel		-	20,000	20,000
Parks Project Management		200,000		(200,000)
Construction Audits		5,000	-	(5,000)
<b>Subtotal</b>		<b>\$ 250,000</b>	<b>\$ 97,309</b>	<b>\$ (152,691)</b>
<b>Total Zone Administration / Operations</b>		<b>\$ 6,095,194</b>	<b>\$ 5,943,290</b>	<b>\$ (151,904)</b>

**UPTOWN DEVELOPMENT AUTHORITY**

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

**For the Year Ended June 30, 2017**

		FY17 CAPITAL EXPENDITURES		
<i>Project</i>	<i>Vendor</i>	<i>Budget</i>	<i>Actual Expenditure</i>	<i>Variance</i>
<b>Project T1608: Advance Traveler Information System</b>		\$ 50,000		
Construction Management	TEAL Engineering		\$ 94,665	
Construction Costs / ATIS Equipment	Pfeiffer		1,984	
<b>Subtotal</b>		<b>\$ 50,000</b>	<b>\$ 96,649</b>	<b>\$ 46,649</b>
<b>Project T1609: Area Intersection and Signalization</b>		\$ 50,000		
Construction Costs	Reliable Signal Construction		14,530	
<b>Subtotal</b>		<b>\$ 50,000</b>	<b>\$ 14,530</b>	<b>\$ (35,470)</b>

		FY17 CAPITAL EXPENDITURES		
<i>Project</i>	<i>Vendor</i>	<i>Budget</i>	<i>Actual Expenditure</i>	<i>Variance</i>
<b>Project T1611: Right of Way</b>		\$ 15,500,000		
Construction Costs	Parcel Purchases		\$ 21,475,891	
Construction Costs	Carrera Construction (Inverness)		507,470	
Construction Costs	Utilities		47,577	
Other Professional Services	Andrews Kurth		1,433,739	
Other Professional Services	Norton Rose		30,341	
Other Professional Services	Allen Boone Humphries Robinson		980	
Other Professional Services	Strasburger		36,029	
Other Professional Services	Boyar Miller		23,966	
Other Professional Services	Deal Sikes		513,103	
Other Professional Services	Gunda Corporation		190,911	
Other Professional Services	Lupher LLC		21,497	
Other Professional Services	Valbridge Property		3,000	
Other Professional Services	JLL Valuation		12,000	
Other Professional Services	Integra Realty Resources		9,000	
<b>Subtotal</b>		<b>\$ 15,500,000</b>	<b>\$ 24,305,504</b>	<b>\$ 8,805,504</b>
<b>Project T1636: BUTC Terminal</b>		\$ 5,500,000		
Engineering Services / Advanced Planning	Dannebaum		357,099	
Engineering Services / Advanced Planning	Gunda		281,388	
Engineering Services / Advanced Planning	Lupher		4,563	
Engineering Services / Advanced Planning	Parsons Brinkerhoff		494,121	
Engineering Services / Advanced Planning	Andrews Kurth		1,610	
Engineering Services / Advanced Planning	TEDSI		32,000	
Other Professional Services	Deal Sikes		2,299	
<b>Subtotal</b>		<b>\$ 5,500,000</b>	<b>\$ 1,176,530</b>	<b>\$ (4,323,470)</b>

**UPTOWN DEVELOPMENT AUTHORITY**

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

**For the Year Ended June 30, 2017**

		FY17 CAPITAL EXPENDITURES		
<i>Project</i>	<i>Vendor</i>	<i>Budget</i>	<i>Actual Expenditure</i>	<i>Variance</i>
<b>Project T1632: Hidalgo</b>		\$ -		
Engineering/Design Services	TEDSI		\$ 22,500	
	<b>Subtotal</b>	\$ -	\$ 22,500	\$ 22,500
<b>Project T1616: Secondary Roadways</b>		\$ 50,000		
Planning / Engineering Services	TEDSI		48,719	
Planning / Engineering Services	Gunda		72,000	
	<b>Subtotal</b>	\$ 50,000	\$ 120,719	\$ 70,719
<b>Project T1638: Post Oak Lane</b>		\$ -		
Engineering Services / Preliminary	TEDSI		93,950	
	<b>Subtotal</b>	\$ -	\$ 93,950	\$ 93,950

		FY17 CAPITAL EXPENDITURES		
<i>Project</i>	<i>Vendor</i>	<i>Budget</i>	<i>Actual Expenditure</i>	<i>Variance</i>
<b>Project T1633:Post Oak Boulevard Reconstruction</b>		\$ 18,000,000		
Final Design Services	Gunda Corporation		\$ 728,744	
Final Design Services	Dupuy Studio		6,276	
Final Design Services	Walter P Moore		41,660	
Final Design Services	Cobb Fendley		16,160	
Final Design Services	Hunt & Hunt Engineering		115,000	
Final Design Services	LAN		205,077	
Final Design Services	TEDSI		40,000	
Construction Management	Aurora		554,782	
Construction Management	Gunda		536,223	
Construction Management	Aviles		214,214	
Construction Management	BSCI		39,500	
Construction Management	ARUP		173,174	
Construction Management	Erizon		153,781	
Construction Management	Dupuy		189,405	
Construction Management	LAN		336,621	
Construction Management	Isani		134,505	
Construction Management	HVJ		75,195	
Project Management	HCID No. 1		332,500	
Project Management	Flowers Consulting		71,283	
Program Financing			305,117	
Construction Costs	Environmental Design		82,425	
Construction Costs	Reytec		3,284,520	
Construction Costs	SER Construction		1,402,336	
Construction Costs	Haper Brothers Construction		4,701,165	
Construction Costs	Utilities		127,962	
Other Professional Services	HCID No. 1		670,000	
	<b>Subtotal</b>	\$ 18,000,000	\$ 14,537,625	\$ (3,462,375)
<b>Project T1633A:Post Oak Boulevard</b>		\$ 6,000,000		
Design / Engineering	Lockwood Andrews		31,927	
Construction Management	Aviles		9,734	
Construction Costs	Harper Brothers		3,223,504	
Construction Costs	Meiners/Fused		1,573,652	
Construction Costs	SER Construction		385,147	
Program Financing			100,000	
	<b>Subtotal</b>	\$ 6,000,000	\$ 5,323,964	\$ (676,036)
<b>Project T1639:Westheimer Waterline</b>		\$ 1,200,000		
Preliminary Engineering	LAN		1,550	
Construction Management	Aviles		12,254	
Construction Management	Sowell Construction		64,270	
Construction Costs	Harper Brothers		424,851	
	<b>Subtotal</b>	\$ 1,200,000	\$ 502,925	\$ (697,075)
<b>Project T1637: Westbriar Reconstruction</b>		\$ -		
Construction Costs	Harper Brothers		46,608	
	<b>Subtotal</b>	\$ -	\$ 46,608	\$ 46,608

**UPTOWN DEVELOPMENT AUTHORITY**

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

**For the Year Ended June 30, 2017**

		FY17 CAPITAL EXPENDITURES		
<i>Project</i>	<i>Vendor</i>	<i>Budget</i>	<i>Actual Expenditure</i>	<i>Variance</i>
<b>Project TXXX:Capital Costs Not Programmed</b>		\$ -		
Engineering Services	Kirst Kosmoski - Drainage Project		\$ 252,827	
Architectural Services	SWA Group		14,312	
Developer Agreements	Rice Partners		105,314	
Developer Agreements	HCID #1		720,000	
Other Professional Services	TEAL Engineering - Cell Tower Project		22,471	
	<b>Subtotal</b>	<b>\$ -</b>	<b>\$ 1,114,924</b>	<b>\$ 1,114,924</b>
<b>Project T1699:Concrete Panel Replacement Program</b>		\$ 35,000		
	<b>Subtotal</b>	<b>\$ 35,000</b>	<b>\$ -</b>	<b>\$ (35,000)</b>
		FY17 CAPITAL EXPENDITURES		
<i>Project</i>	<i>Vendor</i>	<i>Budget</i>	<i>Actual Expenditure</i>	<i>Variance</i>
<b>Project T1635: Memorial Park</b>		\$ 1,300,000		
Engineering Services	Walter P Moore		\$ 280,532	
Design Services	Design Workshop		283,602	
Design Services	Nelson Byrd Woltz		69,714	
Construction Costs	Millis Development & Construction		112,493	
Construction Costs	Landscape Art		33,509	
Construction Costs	Environmental Allies		9,380	
Construction Costs	Fused Industries		2,491,011	
Construction Costs	ISI Contracting		544,532	
Construction Costs	Memorial Park Conservancy		500,000	
Construction Costs	Frayre CM		287,552	
Construction Costs	HVJ Associates		37,822	
Project Management	HCID No. 1		200,000	
Program Financing			202,499	
Other Professional Services	HPARD		13,991	
Other Professional Services	Beeton Consulting		44,172	
Other Professional Services	Goodman Corp		131,827	
	<b>Subtotal</b>	<b>\$ 1,300,000</b>	<b>\$ 5,242,636</b>	<b>\$ 3,942,636</b>
<b>Project T1622: Parks</b>		\$ 1,300,000		
Engineering / Design Services	Design Workshop		27,005	
Engineering / Design Services	SWA Group		30,958	
Construction Costs / Purchase	Carrera Construction		689,184	
Construction Costs / Purchase	Jerdon Enterprises		266,173	
Construction Costs / Purchase	PSI, Inc		9,019	
Construction Costs / Purchase	Environmental Design		5,000	
Maintenance / Operation			201,739	
	<b>Subtotal</b>	<b>\$ 1,300,000</b>	<b>\$ 1,229,078</b>	<b>\$ (70,922)</b>
<b>Total Capital Expenditures</b>		<b>\$ 48,985,000</b>	<b>\$ 53,828,142</b>	<b>\$ 4,843,142</b>

**UPTOWN DEVELOPMENT AUTHORITY**

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

**For the Year Ended June 30, 2017**

PROJECT PLAN RECONCILIATION					
	<i>*Project Plan Amount</i>	<i>Beginning</i>	<i>Current Year Expenditures</i>	<i>Expenditures to Date</i>	<i>Variance</i>
<b>Non-Education Projects</b>					
Improve Existing Streets	\$ 66,000,000	\$ 65,872,460	\$ -	\$ 65,872,460	\$ 127,540
Create Street Grid Network	15,000,000	14,011,162	-	14,011,162	988,838
Improve Intersections	12,000,000	11,147,748	-	11,147,748	852,252
Parking Management Program	52,000,000	-	-	-	52,000,000
Pedestrian Network	20,000,000	20,059,655	-	20,059,655	(59,655)
Roadways, Streets, Sidewalks, Lighting	186,000,000	48,091,088	17,726,960	65,818,048	120,181,952
Public Utilities	94,000,000	-	5,323,964	5,323,964	88,676,036
Land Acquisition	37,000,000	14,462,148	24,305,504	38,767,652	(1,767,652)
Cultural and Public Facility Improvements	46,000,000	-	-	-	46,000,000
Memorial Park Improvements	100,000,000	10,792,329	5,242,636	16,034,965	83,965,035
Parks	41,000,000	1,546,511	1,229,078	2,775,589	38,224,411
<b>Subtotal</b>	<b>\$ 669,000,000</b>	<b>\$ 185,983,101</b>	<b>\$ 53,828,142</b>	<b>\$ 239,811,243</b>	<b>\$ 429,188,757</b>
<b>Education Projects</b>	\$ 129,000,000	\$ 41,129,749	\$ 4,819,896	\$ 45,949,645	\$ 83,050,355
<b>Affordable Housing</b>	\$ 452,000,000	\$ 100,137,259	\$ 13,940,000	\$ 114,077,259	\$ 337,922,741
<b>Zone Administration / Operations</b>	\$ 15,000,000	\$ 7,297,547	\$ 5,943,290	\$ 13,240,837	\$ 1,759,163
<b>Total Project Plan</b>	<b>\$ 1,265,000,000</b>	<b>\$ 334,547,656</b>	<b>\$ 78,531,328</b>	<b>\$ 413,078,984</b>	<b>\$ 851,921,016</b>

\* 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, 2017, 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 27, 2017.

**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, slightly slanted style.

Houston, Texas  
September 27, 2017