

**Uptown Development Authority**

**Financial Report**

**June 30, 2008**



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## Table of Contents

	<b>Page</b>
<b>Independent Auditors' Report</b>	1
<b>Management's Discussion and Analysis</b>	5
<b>Basic Financial Statements:</b>	
Government-Wide Statements:	
Statement of Net Assets	14
Statement of Activities	15
Fund Financial Statements:	
Balance Sheet – Governmental Funds	16
Reconciliation of the Governmental Fund Balance Sheet to the Statement of Net Assets	17
Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental Funds	18
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	19
Notes to the Financial Statements	20
<b>Other Supplementary Information:</b>	
Combined Funds – Schedule of Revenues, Expenditures, and Changes in Fund Balance – All Governmental Funds – Budget and Actual	33
Operating Expenses, Capital Expenditures and Project Plan Reconciliation	34

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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, 2008, 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 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. 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 Uptown Development Authority, as of June 30, 2008, 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.

The management's discussion and analysis is not a required part of the basic 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 conducted for the purpose of forming opinions on the financial statements that collectively comprise the 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 subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

*Null-Lairson, PC*

Houston, Texas  
October 13, 2008

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

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## **UPTOWN DEVELOPMENT AUTHORITY**

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

***June 30, 2008***

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, 2008.

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, 2008*

#### **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.

## UPTOWN DEVELOPMENT AUTHORITY

### Management's Discussion and Analysis

June 30, 2008

#### 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 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 \$30,518,201 as of June 30, 2008. 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, 2008 and 2007 follows:

	<u>2008</u>	<u>2007</u>
Current and other assets	\$ 23,338,247	\$ 16,596,490
Capital assets	248,332	331,110
<b>Total Assets</b>	<u>23,586,579</u>	<u>16,927,600</u>
Accounts payable and other liabilities	7,665,442	6,244,389
Long-term liabilities	46,439,337	39,796,154
<b>Total Liabilities</b>	<u>54,104,779</u>	<u>46,040,543</u>
Net assets:		
Invested in capital assets, net of related debt	248,332	331,110
Restricted	6,273,564	1,695,680
Unrestricted	<u>(37,040,097)</u>	<u>(31,139,733)</u>
<b>Total Net Assets</b>	<u>\$ (30,518,201)</u>	<u>\$ (29,112,943)</u>

Prior year current and other assets and net assets have been restated by \$813,769 in accordance with the discussion in Note 6 to the financial statements.

Total assets increased \$6,658,979 from the prior year. Liabilities increased \$8,064,236, due to an increase in the note payable with Bank of America, increased payables for projects and transfer due to Affordable Housing.

## UPTOWN DEVELOPMENT AUTHORITY

### Management's Discussion and Analysis

June 30, 2008

#### Government-wide Financial Analysis (continued)

The total net assets of the Authority decreased by, \$1,405,258 during the current fiscal year. A comparative summary of the Authority's statement of activities for the past two years is as follows:

	<u>2008</u>	<u>2007</u>
<b>Revenues</b>		
Program Revenues		
Capital grants and contributions	\$ -	\$ 1,143,769
General Revenues		
Contract tax increment	14,603,859	10,950,084
Investment earnings	398,402	255,901
Miscellaneous		5,919
<b>Total Revenues</b>	<u>15,002,261</u>	<u>12,355,673</u>
<b>Expenses</b>		
General government	514,505	161,045
Affordable housing	4,611,321	3,225,171
Interest on long-term debt	2,364,896	2,227,570
Capital outlay on behalf of City of Houston	8,805,708	2,405,872
Depreciation and amortization	111,089	111,089
<b>Total Expenses</b>	<u>16,407,519</u>	<u>8,130,747</u>
Increase (decrease) in net assets	(1,405,258)	4,224,926
Net assets - beginning (as restated)	<u>(29,112,943)</u>	<u>(33,337,869)</u>
<b>Net Assets - ending</b>	<u>\$ (30,518,201)</u>	<u>\$ (29,112,943)</u>

Contract tax increment revenues increased by \$3,653,775 from the previous year due to an increase in property valuations within the Authority's boundaries.

Total expenses were \$16,407,519 in the current year. This is an increase of \$8,276,772 from the previous year, which is due to increased capital spending on mobility and infrastructure projects (San Felipe Drainage project, Rice Sage Intersection reconstruction, Ambassador Way and Post Oak Lane design and construction and Garretson Street design and construction). Additionally, there was an increase in Affordable Housing transfers.

#### 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, 2008*

As of the end of the current fiscal year, the Authority's governmental funds reported combined ending fund balances of \$17,613,930 , a \$6,117,197 increase in comparison with the prior year. Approximately \$6.9 million is reserved for debt service.

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

	2008	Increase (Decrease)	2007	Increase (Decrease)	2006
Capital Projects	\$ 10,633,450	\$ 6,150,883	\$ 4,482,567	\$ 5,432,949	\$ (950,382)
Debt Service	4,607,123	7,248	4,599,875	52,441	4,547,434
Affordable Housing Capital Projects	-	(50,876)	50,876	42	50,834
Affordable Housing Special Revenue	69,168	8,553	60,615	18,906	41,709
Affordable Housing Debt Service	2,304,189	1,389	2,302,800	23,866	2,278,934
	<u>\$ 17,613,930</u>	<u>\$ 6,117,197</u>	<u>\$ 11,496,733</u>	<u>\$ 5,528,204</u>	<u>\$ 5,968,529</u>

The \$6,150,883 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 Authority at the end of the current and previous fiscal years are summarized as follows:

	2008	2007
Capital assets not being depreciated:		
Land and improvements	<u>\$</u>	<u>\$ -</u>
Capital assets being depreciated:		
Equipment	413,888	413,888
Less accumulated depreciation	<u>(165,556)</u>	<u>(82,778)</u>
	<u>248,332</u>	<u>331,110</u>
Capital assets, net of accumulated depreciation	<u>\$ 248,332</u>	<u>\$ 331,110</u>

During the year there were no additional assets purchased. The Authority has equipment from the ATIS project (cameras, monitors, etc) which is used to monitor/report and improve traffic conditions throughout the area.

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

## UPTOWN DEVELOPMENT AUTHORITY

### *Management's Discussion and Analysis*

*June 30, 2008*

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

	<u>2008</u>	<u>2007</u>
Tax increment contract revenue bonds payable	\$ 35,860,000	\$ 37,320,000
Note payable to Harris County	1,144,377	1,388,191
Bank promissory note	11,880,000	3,600,000
	<u>\$ 48,884,377</u>	<u>\$ 42,308,191</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 8.4 percent in the past four years. This achievement, coupled with a steady flow lease renewals as well as record high rental rates of over \$30 per square foot, 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 25.6% in fiscal year 2008, 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 four years, the current market conditions are impressive.

### **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 9% in 2008. This market continues to perform as The Galleria is now the fourth largest retail center in the United States. In early 2008, a 22-acre mixed-use development known as BLVD broke ground in the heart of Uptown. The project will feature over 400,000 square feet of upscale retail stores and restaurants.

According to CoStar's 2008 mid-year Retail Market Report, Uptown Houston's retail market has the second lowest vacancy rate of any submarket in the region at 1.6%. Also, quoted lease rates were among the highest in the region at \$31.70 per square foot.

### **Hotel**

Uptown currently has 30 first quality hotels in the area, offering more than 7,100 rooms for guests. One additional hotel is currently under construction and is expected to open in 2009. Ad valorem values for this sector have increased by 23% since last year.

## **UPTOWN DEVELOPMENT AUTHORITY**

### *Management's Discussion and Analysis*

*June 30, 2008*

The area's RevPAR (revenues per available room) is the highest in the region at \$113.30 (compared to \$101 from the same time last year). Uptown Houston also boasts one of the highest occupancy rates in the city at 72%.

#### **Residential**

Seven new high-rise residential towers have been built in Uptown in the past eight years and occupancy rates are among the highest in the city at 93%. With more than 30,000 residences, Uptown Houston is one of the most prestigious and desirable areas to live.

Two Uptown residential projects have recently opened in 2008. These projects are The Cosmopolitan and The Alexan. The Cosmopolitan, a 20-story, deluxe high-rise condominium, is a 75-unit project ranging in price from \$300,000 to \$1 million. The Alexan Post Oak, a luxury apartment complex at 1111 Post Oak Boulevard, adds another 392 Class A units to the Uptown market. Additionally, several other new Class A apartment and condominium projects are planned for the Uptown area, including the Turnberry Tower, which is a 34-story luxury tower with units priced up to \$8.5 million.

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, 2008***

**Assets**

Cash and investments	\$ 22,617,087
Due from other governmental agencies	239,875
Deferred issue costs	481,285
Capital assets, net	248,332
Total Assets	<u>23,586,579</u>

**Liabilities**

Accounts payable and accrued expenses	1,702,157
Due to other governments	3,437,441
Accrued interest	741,182
Long-term liabilities	
Due within one year	1,784,662
Due in more than one year	46,439,337
Total liabilities	<u>54,104,779</u>

**Net Assets**

Invested in capital assets	248,332
Restricted for debt service	6,273,564
Unrestricted (deficit)	<u>(37,040,097)</u>
Total net assets (deficit)	<u><u>\$ (30,518,201)</u></u>

*See Notes to Financial Statements*

**UPTOWN DEVELOPMENT AUTHORITY**  
*Statement of Activities*  
*For the Year Ended June 30, 2008*

<b>Functions/Programs:</b>	<b>Expenses</b>	<b>Net Expense</b>
General government	\$ 514,505	\$ (514,505)
Affordable housing	4,611,321	(4,611,321)
Interest	2,364,896	(2,364,896)
Depreciation and amortization	111,089	(111,089)
Capital outlay on behalf of the City of Houston	8,805,708	(8,805,708)
Totals	<u>16,407,519</u>	<u>(16,407,519)</u>
 <b>General revenues:</b>		
Contract tax increment revenues		14,603,859
Unrestricted investment earnings		398,402
		<u>15,002,261</u>
 Change in net assets		(1,405,258)
 Net assets (deficit) - beginning, as restated (see Note 6)		(29,112,943)
<b>Net assets (deficit) - ending</b>		<u><u>\$ (30,518,201)</u></u>

*See Notes to Financial Statements*

**UPTOWN DEVELOPMENT AUTHORITY**  
**Balance Sheet - Governmental Funds**  
**June 30, 2008**

	<u>Affordable Housing</u>					<b>Total Govern- mental 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	\$ 18,890,975	\$ 2,432,909	\$ 71,288	\$ -	\$ 1,221,915	\$ 22,617,087
Due from other funds		2,174,214	3,165,476		1,082,274	6,421,964
Due from other governments	239,875					239,875
<b>Total assets</b>	<b><u>\$ 19,130,850</u></b>	<b><u>\$ 4,607,123</u></b>	<b><u>\$ 3,236,764</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 2,304,189</u></b>	<b><u>\$ 29,278,926</u></b>
<b>Liabilities and Fund Balance</b>						
<b>Liabilities:</b>						
Accounts payable	\$ 1,702,158	\$ -	\$ -	\$ -	\$ -	\$ 1,702,158
Due to other funds	6,421,964					6,421,964
Due to other governments	269,845		3,167,596			3,437,441
Accrued interest	103,434					103,434
<b>Total liabilities</b>	<b><u>8,497,401</u></b>		<b><u>3,167,596</u></b>			<b><u>11,664,997</u></b>
<b>Fund balances:</b>						
<b>Reserved:</b>						
Debt service		4,607,123			2,304,189	6,911,312
Authorized construction	10,633,450		69,168			10,702,618
<b>Total fund balances</b>	<b><u>10,633,450</u></b>	<b><u>4,607,123</u></b>	<b><u>69,168</u></b>		<b><u>2,304,189</u></b>	<b><u>17,613,930</u></b>
<b>Total liabilities and fund balances</b>	<b><u>\$ 19,130,851</u></b>	<b><u>\$ 4,607,123</u></b>	<b><u>\$ 3,236,764</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 2,304,189</u></b>	<b><u>\$ 29,278,927</u></b>

*See Notes to Financial Statements*

***Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets  
June 30, 2008***

Total fund balance, governmental funds \$ 17,613,930

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	(165,556)	
	248,332	248,332

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	(35,860,000)	
Note payable to Harris County	(1,144,377)	
Note payable to bank	(11,880,000)	
Additional accrued interest	(637,748)	
Deferred charge for issuance costs	481,283	
Unamortized bond discount	660,378	
	(48,380,464)	(48,380,464)

Net Assets of Governmental Activities in the Statement of Net Assets		\$(30,518,202)
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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, 2008*

	<u>Affordable Housing</u>					<u>Total Govern- mental 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	\$ 6,788,614	\$ 2,174,215	\$ 4,558,756	\$	\$ 1,082,274	\$ 14,603,859
Investment earnings	187,331	125,759	20,208	1,935	63,170	398,403
<b>Total revenues</b>	<u>6,975,945</u>	<u>2,299,974</u>	<u>4,578,964</u>	<u>1,935</u>	<u>1,145,444</u>	<u>15,002,262</u>
<b>Expenditures</b>						
Current:						
General Government	514,505					514,505
Affordable Housing			4,558,756	52,565		4,611,321
Debt Service:						
Principal	243,814	975,000			485,000	1,703,814
Interest and other charges	354,803	1,317,726	11,656	246	659,055	2,343,486
Capital Outlay	<u>8,805,708</u>					<u>8,805,708</u>
<b>Total expenditures</b>	<u>9,918,831</u>	<u>2,292,726</u>	<u>4,570,412</u>	<u>52,811</u>	<u>1,144,055</u>	<u>17,978,835</u>
<b>Excess of revenues over expenditures</b>	(2,942,886)	7,248	8,552	(50,876)	1,389	(2,976,573)
<b>Other Financing Sources</b>						
Proceeds from note payable	<u>8,280,000</u>					<u>8,280,000</u>
<b>Total other financing sources</b>	<u>8,280,000</u>					<u>8,280,000</u>
<b>Net change in fund balances</b>	5,337,114	7,248	8,552	(50,876)	1,389	5,303,427
Fund balances - beginning of year, as restated (see Note 6)	<u>5,296,336</u>	<u>4,599,875</u>	<u>60,616</u>	<u>50,876</u>	<u>2,302,800</u>	<u>12,310,503</u>
<b>Fund balances - end of year</b>	<u>\$ 10,633,450</u>	<u>\$ 4,607,123</u>	<u>\$ 69,168</u>	<u>\$ -</u>	<u>\$ 2,304,189</u>	<u>\$ 17,613,930</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, 2008***

Net change in fund balances - total governmental funds: \$ 5,303,427

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.

Depreciation expense	<u>(82,778)</u>	
Change due to capital assets		(82,778)

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	(8,280,000)	
Principal payments on debt	1,703,814	
Accrued interest and amortization of discount	(21,411)	
Amortization of bond issue costs	<u>(28,311)</u>	
		<u>(6,625,908)</u>
Change in net assets of governmental activities		<u><u>\$ (1,405,259)</u></u>

*See Notes to Financial Statements*

## **UPTOWN DEVELOPMENT AUTHORITY**

*Notes to the Financial Statements*

*June 30, 2008*

### **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, 2008*

### **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 bond proceeds in the event of a bond offering.

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, 2008*

### **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 \$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.

#### **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, 2008

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

#### Fund Equity / Restricted Assets

The Authority records reservations 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. Unreserved fund balance indicates the portion of fund balance which is available for appropriation in future periods. 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 – Deposits and Investments

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

	Capital		Affordable Housing		
	Projects	Debt Service	Special Revenue	Debt Service	Total
Demand and time deposits	\$ 1,268,190	\$	\$	\$	\$ 1,268,190
Money market mutual funds	17,622,785	2,432,909	71,288	1,221,915	21,348,897
Total	<u>\$ 18,890,975</u>	<u>\$ 2,432,909</u>	<u>\$ 71,288</u>	<u>\$ 1,221,915</u>	<u>\$ 22,617,087</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. As of June 30, 2008, \$1,041,725 of the Authority's bank balance of \$22,617,112 was exposed to custodial credit risk as follows:

Uninsured and collateral held by the pledging financial institutions' agent but not in the depositor-government's name	<u>\$ 1,041,725</u>
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## **UPTOWN DEVELOPMENT AUTHORITY**

*Notes to the Financial Statements*

*June 30, 2008*

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

#### **Authorized Investments**

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

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

#### **Investment Credit and Interest Rate Risk**

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

### **Note 3 – Deferred 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, 2008***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 being depreciated:				
Equipment	\$ 413,888	\$ -		\$ 413,888
Less accumulated depreciation	<u>(82,778)</u>	<u>(82,778)</u>		<u>(165,556)</u>
	<u>331,110</u>	<u>(82,778)</u>		<u>248,332</u>
Capital assets, net	<u>\$ 331,110</u>	<u>\$ (82,778)</u>	<u>\$ -</u>	<u>\$ 248,332</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, 2008, 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	\$ 35,860,000	\$ 1,525,000
Unamortized discounts on bonds payable	(660,378)	
Note payable to Harris County	1,144,377	259,662
Bank promissory note	<u>11,880,000</u>	
	<u>\$ 48,223,999</u>	<u>\$ 1,784,662</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	\$ 37,320,000		\$ (1,460,000)	\$ 35,860,000
Unamortized discounts on bonds payable	(702,037)		41,659	(660,378)
Note payable to Harris County	1,388,191		(243,814)	1,144,377
Bank promissory note	<u>3,600,000</u>	<u>8,280,000</u>		<u>11,880,000</u>
	<u>\$ 41,606,154</u>	<u>\$ 8,280,000</u>	<u>\$ (1,662,155)</u>	<u>\$ 48,223,999</u>

## UPTOWN DEVELOPMENT AUTHORITY

### *Notes to the Financial Statements*

*June 30, 2008*

#### **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	\$ 7,540,000	\$ 9,385,000	4.25% - 6.25%	Sep 1, 2002 - 2021	Mar 1, Sep 1	Sep 1, 2011
2001B	3,755,000	4,670,000	4.25% - 6.25%	Sep 1, 2002 - 2021	Mar 1, Sep 1	Sep 1, 2011
2002A	6,095,000	7,280,000	3.00% - 6.00%	Sep 1, 2003 - 2022	Mar 1, Sep 1	Sep 1, 2012
2002B	3,065,000	3,665,000	3.00% - 6.00%	Sep 1, 2003 - 2022	Mar 1, Sep 1	Sep 1, 2012
2004A	8,400,000	9,000,000	2.60% - 5.375%	Sep 1, 2006 - 2025	Mar 1, Sep 1	Sep 1, 2014
2004B	4,200,000	4,500,000	2.60% - 5.50%	Sep 1, 2006 - 2025	Mar 1, Sep 1	Sep 1, 2014
2004C	1,870,000	2,000,000	3.30% - 5.30%	Sep 1, 2006 - 2025		
2004D	935,000	1,000,000	3.30% - 5.30%	Sep 1, 2006 - 2025		
	<u>\$ 35,860,000</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, 2008*

**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>
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 - 2018	10,790,000	6,280,888	17,070,888
2019 - 2023	13,075,000	2,803,951	15,878,951
2024 - 2026	3,615,000	297,690	3,912,690
	<u>\$ 35,860,000</u>	<u>\$ 18,075,415</u>	<u>\$ 53,935,415</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 debt service requirements to maturity are:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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>\$ 1,144,377</u>	<u>\$ 191,811</u>	<u>\$ 1,336,188</u>

## UPTOWN DEVELOPMENT AUTHORITY

### Notes to the Financial Statements

June 30, 2008

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

##### Bank Promissory Note

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 65% of daily LIBOR rate. As of June 30, 2008, the Authority has borrowed \$11,880,000. The applicable interest rate during the period ranged from 3.1434% to 2.7136%. The Authority accrued \$103,434 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, fund balances, receivables, and reimbursement revenues were understated as a result of the omission of the amount due to the Authority from the Harris County Improvement District for reimbursement of funds due to the ATIS project. Accordingly, beginning net assets and fund balances for the year ended June 30, 2008 have been restated and are \$813,769 more than previously reported as follows:

	<u>Net Assets</u>	<u>Fund Balances</u>
Beginning equity, as originally reported	\$ (29,926,712)	\$ 11,496,734
Change due to understatement of receivable	813,769	813,769
Beginning equity, as restated	<u>\$ (29,112,943)</u>	<u>\$ 12,310,503</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, 2008*

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

During the year ended June 30, 2008, the Authority received \$14,603,859 in tax increment revenues as follows:

	<u>City of Houston</u>	<u>Houston ISD</u>	<u>Total</u>
Total tax increments	\$ 10,489,889	\$ 7,024,534	\$ 17,514,423
Retainage for administrative costs	(524,494)	(25,000)	(549,494)
Set-aside for educational facilities		(2,361,070)	(2,361,070)
Net received	<u>\$ 9,965,395</u>	<u>\$ 4,638,464</u>	<u>\$ 14,603,859</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.

**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, 2008, 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, 2008*

**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.

**Note 10 – Interfund Receivables/Payables**

Individual fund receivable/payable balances at June 30, 2008 are as follows:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
Major Funds:		
Capital Projects	\$	\$ 6,421,964
Debt Service	2,174,214	
Affordable Housing Special Revenue	3,165,476	
Affordable Housing Debt Service	1,082,274	
Total	<u>\$ 6,421,964</u>	<u>\$ 6,421,964</u>

**Note 11 – Commitments**

At year-end, the Authority had commitments outstanding in the form of contracts of approximately \$21 million for construction projects.

**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, 2008**

	<b>Original And Final Budget</b>	<b>Actual</b>	<b>Variance with Final Budget Positive / (Negative)</b>
<b>Revenues</b>			
Contract tax increment	\$ 15,966,718	\$ 14,603,859	\$ (1,362,859)
Investment earnings		398,403	398,403
Other	2,758,500		(2,758,500)
<b>Total revenues</b>	<b>18,725,218</b>	<b>15,002,262</b>	<b>(3,722,956)</b>
<b>Expenditures</b>			
Current:			
General government	126,500	164,505	(38,005)
Debt Service:			
Principal	3,460,000	1,703,814	1,756,186
Interest and other charges	2,344,238	2,343,486	752
Capital Outlay	19,612,000	8,805,708	10,806,292
<b>Total Expenditures</b>	<b>25,542,738</b>	<b>13,017,513</b>	<b>12,525,225</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>(6,817,520)</b>	<b>1,984,749</b>	<b>8,802,269</b>
<b>Other Financing Sources (Uses)</b>			
Proceeds from long-term debt	12,000,000	8,280,000	(3,720,000)
Transfers out	(8,429,646)	(4,961,321)	3,468,325
<b>Total other financing sources (uses)</b>	<b>3,570,354</b>	<b>3,318,679</b>	<b>(251,675)</b>
<b>Net Change in fund balance</b>	<b>(3,247,166)</b>	<b>5,303,427</b>	<b>8,550,593</b>
Fund balances - beginning of year	10,458,971	12,310,503	1,851,532
<b>Fund balances - End of Year</b>	<b>7,211,805</b>	<b>\$ 17,613,930</b>	<b>\$ 10,402,125</b>

**UPTOWN DEVELOPMENT AUTHORITY**

*Operating Expenses, Capital Expenditures and Project Plan Reconciliation - Unaudited*

*For the Year Ended June 30, 2008*

**TIRZ #16 Uptown Development Authority**

**FY08 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	10,000	10,000	
Insurance	Essential Insurance & Financial Grp	7,000	17,539	
Accounting	HCID	15,000	15,000	
Auditor	Null- Lairson	10,000	10,000	
Property Account Consultant				
COH Municipal Charge		350,000	350,000	
Bond Trustee				
Financial Advisor		3,500		
<b>Subtotal</b>		\$ 440,500	\$ 447,539	\$ 7,039
<b>PROGRAM AND PROJECT CONSULTANTS</b>				
Legal	Allen Boone Humphries	15,000	34,635	
In-House Legal Counsel		15,000	15,000	
Architect Consultants				
Engineering Consultants		-	-	
Project Management Consultants				
Construction Audits		6,000	-	
Other Professional Services				
<b>Subtotal</b>		\$ 36,000	\$ 49,635	\$ 13,635
<b>Total Management Consulting Services</b>		<b>\$ 476,500</b>	<b>\$ 497,174</b>	<b>\$ 20,674</b>

Note: List all consultants (vendor) individually.

**UPTOWN DEVELOPMENT AUTHORITY**

*Operating Expenses, Capital Expenditures and Project Plan Reconciliation - Unaudited*

*For the Year Ended June 30, 2008*

**FY08 CAPITAL EXPENDITURES**

<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>		4,470,000		
Engineering Services	Lockwood, Andrews, Newnam Gunda		423,472	
Architectural Services			12,966	
Construction Management	Cobb, Fendley, Assoc.		218,724	
Project Management	HCID		-	
Construction Costs	Texas Sterling		128,956	
	CenterPoint Energy		2,537,259	
	Phonoscope		404,187	
	Cherry Demoliton		72,591	
Program Financing			16,900	
			142,966	
Other Professional Services	John Horton Consulting		18,977	
	SWA Group		209,213	
<b>Subtotal</b>		<b>\$ 4,470,000</b>	<b>\$ 4,186,210</b>	<b>\$ (283,790)</b>
<b>Project 2: Rice/Sage Phase 2 Reconstruction</b>		400,000		
Engineering Services	TCB		53,245	
Architectural Services				
Construction Management	Cobb Fendley		80,981	
Project Management	HCID		26,269	
	Texas Sterling			
Construction Costs	Construction		712,029	
Program Financing			29,123	
Other Professional Services				
<b>Subtotal</b>		<b>\$ 400,000</b>	<b>\$ 901,646</b>	<b>\$ 501,646</b>
<b>Project 3: TxDot Priority Corridor</b>		-		
Engineering Services				
Architectural Services				
Construction Management	Walter P Moore		-	
Construction Costs	Transcore		-	
Project Management	HCID		-	
Program Financing			-	
Other Professional Services				
<b>Subtotal</b>		<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

**UPTOWN DEVELOPMENT AUTHORITY**

*Operating Expenses, Capital Expenditures and Project Plan Reconciliation - Unaudited*

*For the Year Ended June 30, 2008*

**Project 4: Area Intersection and  
Signalization**

		1,347,000			
Engineering Services	Gerry DeCamp			6,650	
	Walter P Moore			163,367	
	Gunda			137,405	
	TCB			64,875	
	TSC Engineering			38,228	
Architectural Services					
Construction Management	Gunda			74,383	
Construction Costs	Kenmor Electric			220,661	
	Teamwork				
	Construction			11,093	
	Traffic Systems				
	Construction			12,286	
	HCID / Structural Steel			488,844	
	Verizon			1,436	
Project Management	HCID			40,597	
Program Financing				45,008	
Other Professional Services					
	<b>Subtotal</b>		<b>\$ 1,347,000</b>	<b>\$ 1,304,833</b>	<b>\$ (42,167)</b>

**Project 5: Construction related Traffic  
Management and Communication**

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>

**Project 6: Right of Way**

		2,000,000			
Engineering Services					
Architectural Services					
Construction Management					
Construction Costs (ROW costs)	San Felipe Project			728,000	
Program Financing				-	
Other Professional Services	Andrews Kurth			220,150	
	Fulbright & Jaworski			16,420	
	Gunda (surveying)			20,887	
	HCID Staff Counsel			15,000	
	<b>Subtotal</b>		<b>\$ 2,000,000</b>	<b>\$ 1,000,457</b>	<b>\$ (999,543)</b>

**UPTOWN DEVELOPMENT AUTHORITY**

*Operating Expenses, Capital Expenditures and Project Plan Reconciliation - Unaudited*

*For the Year Ended June 30, 2008*

<b>Project 7: Transit Corridor</b>		350,000			
Engineering Services					
Architectural Services					
Construction Management					
Construction Costs				334,047	
Other Professional Services					
	<b>Subtotal</b>	<b>\$ 350,000</b>	<b>\$ 334,047</b>	<b>\$ (15,953)</b>	
<b>Project 8: South Post Oak lane Reconstruction</b>		3,475,000			
Engineering Services	Walter P Moore			233,599	
	SWA Group			42,410	
Architectural Services					
Construction Management	Cobb Fendley			16,797	
Construction Costs					
Project Management	HCID			11,176	
Program Financing				12,390	
Other Professional Services				14,201	
	Vinson & Elkins			10,232	
	<b>Subtotal</b>	<b>\$ 3,475,000</b>	<b>\$ 340,804</b>	<b>\$ (3,134,196)</b>	
<b>Project 9: Ambassador Way</b>		2,100,000			
Engineering Services	Walter P Moore			139,261	
	SWA Group			25,283	
Architectural Services					
Construction Management	Cobb Fendley			10,014	
Construction Costs					
Project Management	HCID			6,663	
Program Financing				7,387	
Other Professional Services				8,466	
	Vinson & Elkins			6,100	
	<b>Subtotal</b>	<b>\$ 2,100,000</b>	<b>\$ 203,172</b>	<b>\$ (1,896,828)</b>	
<b>Project 10: Skylark Reconstruction</b>		1,100,000			
Engineering Services	Walter P Moore			76,369	
	SWA Group			13,865	
Architectural Services					
Construction Management	Cobb Fendley			5,491	
Construction Costs					
Project Management	HCID			3,654	
Program Financing				4,051	
Other Professional Services				4,643	
	Vinson & Elkins			3,345	
	<b>Subtotal</b>	<b>\$ 1,100,000</b>	<b>\$ 111,417</b>	<b>\$ (988,583)</b>	

**UPTOWN DEVELOPMENT AUTHORITY**

***Operating Expenses, Capital Expenditures and Project Plan Reconciliation - Unaudited***

***For the Year Ended June 30, 2008***

**Project 11: Secondary Roadways**

**(Garretson/POB)**

		200,000		
Planning / Engineering Services	Walter P Moore		5,943	
	TSC Engineering		135,550	
	SWA Group		40,887	
	TCB		108,633	
	Gunda		22,957	
Architectural Services				
	Cobb Fendley			
Construction Management	Associates		76,541	
Construction Costs	Texas Sterling		378,136	
Program Financing			23,828	
Other Professional Services			-	
	<b>Subtotal</b>	<b>\$ 200,000</b>	<b>\$ 792,474</b>	<b>\$ 592,474</b>

**Project 12: Westheimer Pedestrian Improvements**

		4,170,000		
Engineering Services				
Architectural Services				
Construction Management				
	Teamwork			
Construction Costs	Construction		11,267	
Other Professional Services	SWA Group		-	
	Goodman		35,330	
	<b>Subtotal</b>	<b>\$ 4,170,000</b>	<b>\$ 46,597</b>	<b>\$ (4,123,403)</b>

<b>Total Capital Expenditures</b>		<b>\$ 19,612,000</b>	<b>\$ 9,421,657</b>	<b>\$ (10,190,343)</b>
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**UPTOWN DEVELOPMENT AUTHORITY**

*Operating Expenses, Capital Expenditures and Project Plan Reconciliation - Unaudited  
For the Year Ended June 30, 2008*

**PROJECT PLAN RECONCILIATION**

	<i>Project Plan Amount</i>	<i>Expenditures to FY08</i>	<i>Variance</i>
<b>Non-Education Projects</b>			
<b>Improve Existing Streets</b>	\$67,000,000	\$38,250,255	\$28,749,745
<b>Create Street Grid Network</b>	\$33,000,000	\$5,986,797	\$27,013,203
<b>Improve Intersections</b>	\$26,000,000	\$5,964,978	\$20,035,022
<b>Parking Management Program</b>	\$50,000,000	\$0	\$50,000,000
<b>Pedestrian Network</b>	\$53,000,000	\$608,913	\$52,391,087
<b>Education Projects</b>	\$129,000,000	\$11,670,468	\$117,329,532
<b>Zone Administration / Operations</b>	\$6,000,000	\$1,916,063	\$4,083,937