

UPTOWN DEVELOPMENT AUTHORITY

**FINANCIAL STATEMENTS
AND OTHER FINANCIAL INFORMATION**

**For the Fiscal Year Ended
June 30, 2019
with Independent Auditor's Report**

UPTOWN DEVELOPMENT AUTHORITY
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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, 2019, 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, 2019, 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 3 through 9 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 36 through 40 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, 2019, 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, 2019

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, 2019.

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

Overview of the Financial Statements

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

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

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

UPTOWN DEVELOPMENT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

Governmental Funds

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

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

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

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

Notes to the Financial Statements

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

Government-wide Financial Analysis

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

As noted earlier, changes in net position may serve over time as a useful indicator of a government's financial position. In the case of the Authority, net position was negative as of June 30, 2019. 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 \$388 million. The Authority then continues to accumulate resources for repayment of this long-term debt over an extended period of years until the debt is repaid.

UPTOWN DEVELOPMENT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

A comparative schedule of net position at June 30, 2019 and 2018 follows:

	<u>2019</u>	<u>2018</u>
Current and other assets	\$ 86,324,771	\$ 84,781,499
Capital assets, net	10,020,338	10,594,723
Total Assets	<u>96,345,109</u>	<u>95,376,222</u>
 Deferred Outflows of Resources		
Deferred charge on refunding	2,645,847	2,927,180
Total deferred outflows of resources	<u>2,645,847</u>	<u>2,927,180</u>
Accounts payable and other liabilities	33,519,776	23,592,973
Long-term liabilities	226,806,314	203,144,663
Total Liabilities	<u>260,326,090</u>	<u>226,737,636</u>
 Net Position		
Net investment in capital assets	10,020,338	10,594,723
Restricted for capital projects	21,026,198	32,850,218
Restricted for debt service	31,778,797	28,338,308
Unrestricted (deficit)	(224,160,467)	(200,217,483)
Total Net Position (Deficit)*	<u>\$ (161,335,134)</u>	<u>\$ (128,434,234)</u>

Total assets increased by \$968,887 from the prior year due to proceeds received from a financing transaction during the fiscal year. The proceeds are being used for the construction of the Post Oak Boulevard BRT project and on behalf of the City of Houston. As such, these assets will not be reflected in the Authority's statement of net position. Liabilities increased by \$33,588,454 due to the issuance of bonds during the period.

***The deficit net position is due to project assets being conveyed to the City of Houston. The cumulative assets transferred to the City total over \$388 million (see page 40) for mobility and park improvements.**

UPTOWN DEVELOPMENT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

The total net deficit of the Authority increased by \$32,900,900 during the current fiscal year. A comparative summary of the Authority's statement of activities for the past two years is as follows:

	<u>2019</u>	<u>2018</u>
Revenues		
Program Revenues:		
Capital grants and contributions	\$ 23,798,868	\$ 24,110,745
General Revenues:		
Contract tax increment	45,587,872	46,220,226
Investment earnings	<u>1,014,507</u>	<u>599,712</u>
Total Revenues	<u>70,401,247</u>	<u>70,930,683</u>
Expenses		
General government	7,359,955	7,450,702
Affordable housing	13,567,548	13,704,604
Educational Facilities	5,379,296	5,075,699
Interest on long-term debt	8,755,848	7,631,613
Capital outlay on behalf of City of Houston	67,665,115	67,734,905
Depreciation	<u>574,385</u>	<u>574,385</u>
Total Expenses	<u>103,302,147</u>	<u>102,171,908</u>
Increase (decrease) in net position	(32,900,900)	(31,241,225)
Net position - beginning	<u>(128,434,234)</u>	<u>(97,193,009)</u>
Net position - ending	<u>\$ (161,335,134)</u>	<u>\$ (128,434,234)</u>

Contract tax increment revenues decreased by \$632,354 from the previous year. This was due to an adjustment for prior year taxes due to protests and settlements. Total expenses were \$103,302,147 in the current year. This is an increase of \$1,130,239 from the previous year due to increased spending for capital projects for primarily the Post Oak Boulevard and the transit center project. Additionally, the Central Connector project in Memorial Park began the design phase. The municipal services fee included in the general government line above to the City of Houston is \$5.5 million.

Financial Analysis of the Government's Funds

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

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

As of the end of the current fiscal year, the Authority's governmental funds reported combined ending fund balances of \$55,345,653 which was a \$8,015,220 decrease in comparison with the prior year. Approximately \$34.3 million is restricted for debt service. The Capital Projects fund balance at the end of the fiscal year was \$20,944,817. This decrease is due to increased spending for capital projects in the year to support the Post Oak Boulevard, Transit Center and Memorial Park projects. The Authority uses the capital projects fund for infrastructure improvements in the area.

UPTOWN DEVELOPMENT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

The final budget to actual results for the capital program cost were \$14.9 million under budget. This is due to actual expenditures less than budgeted for the Post Oak Boulevard project and the transit center construction. During the year, The Boulevard project was at approximately 85-90% completion, while the transit center construction was at 50% completion. Additionally, design for the Central Connector project in Memorial Park began in this reporting period.

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

	<u>2019</u>	<u>Increase (Decrease)</u>	<u>2018</u>	<u>Increase (Decrease)</u>	<u>2017</u>
Capital Projects*	\$ 20,944,817	\$ (11,851,416)	\$ 32,796,233	\$ 23,566,157	\$ 9,230,076
Debt Service	32,001,891	3,828,661	28,173,230	2,746,998	25,426,232
Affordable Housing Special Revenue	81,381	27,396	53,985	19,539	34,446
Affordable Housing Debt Service	2,317,564	(19,861)	2,337,425	28,619	2,308,806
	<u>\$ 55,345,653</u>	<u>\$ (8,015,220)</u>	<u>\$ 63,360,873</u>	<u>\$ 26,361,313</u>	<u>\$ 36,999,560</u>

* The Capital Projects fund balance is reserved for capital projects, including the completion of Post Oak Boulevard, the transit center, and Memorial Park Landbridge and Prairie Central Connector.

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>2019</u>	<u>2018</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>(5,076,294)</u>	<u>(4,501,909)</u>
	<u>939,298</u>	<u>1,513,683</u>
Capital assets, net of accumulated depreciation	<u>\$ 10,020,338</u>	<u>\$ 10,594,723</u>

There were no capital assets purchased during the year.

UPTOWN DEVELOPMENT AUTHORITY
MANAGEMENT’S DISCUSSION AND ANALYSIS (continued)

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, 2019 and 2018, is as follows:

	<u>2019</u>	<u>2018</u>
Tax increment contract revenue bonds payable	\$ 79,495,000	\$ 51,265,000
Tax increment contract revenue bonds payable from direct borrowings and direct placements	132,305,000	138,615,000
Notes from direct borrowings and direct placements	2,600,000	-
Due to project development agreements	<u>8,610,228</u>	<u>10,134,189</u>
	223,010,228	200,014,189
Less unamortized discount on bonds payable	(100,108)	(124,900)
Plus unamortized premium on bonds payable	<u>3,896,194</u>	<u>3,255,374</u>
	<u>\$ 226,806,314</u>	<u>\$ 203,144,663</u>

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

Economic Factors

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

Office Space

Uptown Houston is one of the largest business districts outside a historic core in the United States. It is the 17th largest business district in the United States: comparable to Denver and Cleveland. With over 29 million square feet of total office space in its market area, Uptown accounts for over 13.7% of Houston MSA’s total ‘Class A’ office space with over 20 million square feet. There are 127,000 office employees in the Uptown market area. At the end of the fourth quarter, 2018 class A office space was 84.75% leased similar to Houston’s total Class A office market, also with occupancy at 83.8%.

The 2018 certified values for the office sector were up slightly from the previous year. The Uptown market area welcomed The Post Oak, Landry’s 650,000 SF mixed-use tower with 140,000 SF of boutique office space. This new development is located close to Post Oak Boulevard and the 610 West Loop (located in the TIRZ). Hanover added almost 50,000 SF of office in their new residential tower which was completed in the fourth quarter of 2018 (also located in the TIRZ).

Currently, Zadok is constructing a 112,000 SF mixed-use development within TIRZ boundaries which includes 68,000 SF of office. Finally, in the Uptown market area, Park Place Tower, a 210,000 SF office tower, and 4411 San Felipe, an 80,000 SF officer tower, are under construction.

UPTOWN DEVELOPMENT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

Retail

Uptown continues to be synonymous with high-end shopping and is known as a world-renowned center for retail. Ad valorem values for the retail sector for 2018 were up slightly from the previous year. Retail was 99% leased as of Q4 2018. This market maintained as The Galleria is now the fourth largest retail center in the United States. The Galleria Mall completed its reconstruction and renovation valued at \$250,000,000 at the corner of Westheimer and Sage. Totally redesigned, Saks Fifth Avenue is now open and their former space has been remodeled to house more high-end retail tenants. Uptown Park has begun an extensive modernization of their retail center bringing in both new retail stores as well as restaurants.

Hotel

Uptown now has 38 first quality hotels in the area, offering almost 8,300 rooms for guests. Landry's 36 story mixed-use development, "The Post Oak" is now open and recently received Houston's only AA Five-Diamond hotel rating. In the market area, American Liberty Hospitality is constructing a dual-branded Staybridge Suites/Holiday Inn Express with 319 rooms.

The area's RevPAR (revenues per available room) for 2018 Q4 is \$100.91 in comparison to the Houston Central Business District at \$124.77. The RevPAR for Houston City-wide is \$66.64. Uptown Houston also boasts one of the highest occupancy rates in the city at 68.6%, while the Houston City-wide occupancy rate was 63.2% at the end of the fourth quarter, 2018.

Residential

In 2018, Uptown market saw several residential projects delivered. Within the TIRZ boundaries, Hanover Boulevard Project (280 units) and The Post Oak (22 executive units) were delivered. In the Uptown market area, the Arabella Condominiums (99 units), The Wilshire condominiums (96 units), and the Overture Tanglewood apartments (192 units) were delivered. Currently under construction in the market area is the Reverie at River Hollow (304 apartment units) and the Gables Westcreek (302 apartment units). Within the TIRZ boundaries, the Aspire Post Oak apartments by Dinerstein (388 units) is under construction. Uptown Houston is one of the most prestigious and desirable areas to live.

The economic outlook is stable in Uptown. There continues to be new development in the area and property values are healthy year over year. The capital budget for the Authority is based on the increment value received from the City of Houston and new bond issues. While economic factors (property values, vacancy rates, future development, etc.) impact the size of debt issues, management takes a conservative approach to ensure that adequate resources are available to support the projects within the mandates of the Plan.

Requests for Information

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

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BASIC FINANCIAL STATEMENTS

UPTOWN DEVELOPMENT AUTHORITY
STATEMENT OF NET POSITION - GOVERNMENTAL ACTIVITIES
June 30, 2019

Assets

Cash and temporary investments	\$ 45,871,043
Investments	21,699,837
Receivables	250,953
Due from other governmental agencies	18,502,938
Land	9,081,040
Other capital assets, net	939,298
Total Assets	<u>96,345,109</u>

Deferred Outflows of Resources

Deferred charge on refunding	<u>2,645,847</u>
Total deferred outflows of resources	<u>2,645,847</u>

Liabilities

Accounts payable and accrued expenses	16,646,512
Due to other governments	14,332,606
Accrued interest	2,540,658
Long-term liabilities:	
Due within one year	12,960,482
Due in more than one year	213,845,832
Total liabilities	<u>260,326,090</u>

Net Position

Net investment in capital assets	10,020,338
Restricted for capital projects	21,026,198
Restricted for debt service	31,778,797
Unrestricted (deficit)	<u>(224,160,467)</u>
Total net position (deficit)	<u>\$ (161,335,134)</u>

UPTOWN DEVELOPMENT AUTHORITY
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2019

Functions/Programs	Expenses	Program Revenue Capital Grants and Contributions	Net Expense
General government	\$ 7,359,955	\$ -	\$ (7,359,955)
Affordable housing	13,567,548	-	(13,567,548)
Education Facilities	5,379,296	-	(5,379,296)
Interest and other charges	8,755,848	-	(8,755,848)
Depreciation	574,385	-	(574,385)
Capital outlay on behalf of the City of Houston	67,665,115	23,798,868	(43,866,247)
Totals	\$ 103,302,147	\$ 23,798,868	(79,503,279)
General revenues			
Contract tax increment revenues			45,587,872
Unrestricted investment earnings			1,014,507
			<u>46,602,379</u>
Change in net position			(32,900,900)
Net position (deficit) - beginning			(128,434,234)
Net position (deficit) - ending			<u>\$ (161,335,134)</u>

UPTOWN DEVELOPMENT AUTHORITY

BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2019

	Capital Projects	Debt Service	Affordable Housing		Total Governmental Funds
			Special Revenue	Debt Service	
Assets					
Cash and temporary investments	\$ 28,290,515	\$ 16,299,333	\$ 62,618	\$ 1,218,577	\$ 45,871,043
Investments	21,699,837	-	-	-	21,699,837
Due from other funds	-	15,702,558	13,578,763	1,098,987	30,380,308
Tax increment receivable	16,031,760	-	-	-	16,031,760
Due from other governments	2,722,131	-	-	-	2,722,131
Total assets	<u>\$ 68,744,243</u>	<u>\$ 32,001,891</u>	<u>\$ 13,641,381</u>	<u>\$ 2,317,564</u>	<u>\$ 116,705,079</u>
Liabilities and Fund Balance					
Liabilities:					
Accounts payable	\$ 16,646,512	\$ -	\$ -	\$ -	\$ 16,646,512
Due to other funds	30,380,308	-	-	-	30,380,308
Due to other governments	772,606	-	13,560,000	-	14,332,606
Total liabilities	<u>47,799,426</u>	<u>-</u>	<u>13,560,000</u>	<u>-</u>	<u>61,359,426</u>
Fund balances:					
Restricted:					
Debt service	-	32,001,891	-	2,317,564	34,319,455
Affordable Housing	-	-	81,381	-	81,381
Capital Projects	20,944,817	-	-	-	20,944,817
Total fund balances	<u>20,944,817</u>	<u>32,001,891</u>	<u>81,381</u>	<u>2,317,564</u>	<u>55,345,653</u>
Total liabilities and fund balances	<u>\$ 68,744,243</u>	<u>\$ 32,001,891</u>	<u>\$ 13,641,381</u>	<u>\$ 2,317,564</u>	<u>\$ 116,705,079</u>

UPTOWN DEVELOPMENT AUTHORITY
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
June 30, 2019

Total fund balance, governmental funds \$ 55,345,653

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

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

Land	\$ 9,081,040	
Other capital assets	6,015,592	
Less accumulated depreciation	<u>(5,076,294)</u>	
Change due to capital assets		10,020,338

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	(211,800,000)	
Note payable to Regions	(2,600,000)	
Deferred charge on refunding	2,645,847	
Additional accrued interest	(2,540,658)	
Due to project development agreements	(8,610,228)	
Unamortized bond discount	100,108	
Unamortized bond premium	<u>(3,896,194)</u>	
Change due to long-term debt obligations		<u>(226,701,125)</u>

Net Position of Governmental Activities in the Statement of Net Position \$ (161,335,134)

UPTOWN DEVELOPMENT AUTHORITY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2019

			<u>Affordable Housing</u>		
	<u>Capital Projects</u>	<u>Debt Service</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Total Governmental Funds</u>
Revenues					
Incremental tax revenue	\$ 15,202,529	\$ 15,707,593	\$ 13,578,763	\$ 1,098,987	\$ 45,587,872
Investment earnings	604,801	370,559	16,181	22,966	1,014,507
Other private contributions	250,953	-	-	-	250,953
Intergovernmental revenue	23,547,915	-	-	-	23,547,915
Total revenues	<u>39,606,198</u>	<u>16,078,152</u>	<u>13,594,944</u>	<u>1,121,953</u>	<u>70,401,247</u>
Expenditures					
Current:					
Administration salaries	85,000	-	-	-	85,000
Office expenses	60,000	-	-	-	60,000
Insurance	70,774	-	-	-	70,774
Accounting	40,000	-	-	-	40,000
Auditor	23,600	-	-	-	23,600
Financial advisor	11,250	-	-	-	11,250
City of Houston, Municipal charge	5,522,994	-	-	-	5,522,994
Legal	50,555	-	-	-	50,555
Legal, in-house	65,000	-	-	-	65,000
Parks project management	208,424	-	-	-	208,424
Educational facilities cost, transfer to other government	5,379,296	-	-	-	5,379,296
Affordable housing cost, transfer to other government	-	-	13,560,000	-	13,560,000
Other Zone Administration Cost	1,501,556	-	-	-	1,501,556
Capital Outlay on behalf of the City of Houston	68,105,917	-	-	-	68,105,917
Debt Service:					
Principal	-	8,230,000	-	850,000	9,080,000
Interest and other charges	1,534,351	6,421,242	7,548	291,814	8,254,955
Developer/Project Reimbursements	803,961	-	-	-	803,961
Total expenditures	<u>83,462,678</u>	<u>14,651,242</u>	<u>13,567,548</u>	<u>1,141,814</u>	<u>112,823,282</u>
Excess of revenues over / (under) expenditures	(43,856,480)	1,426,910	27,396	(19,861)	(42,422,035)
Other Financing Sources/Uses					
Proceeds from issuance of debt	31,198,249	2,401,751	-	-	33,600,000
Premium on issuance of debt	806,815	-	-	-	806,815
Total other financing sources/uses	<u>32,005,064</u>	<u>2,401,751</u>	<u>-</u>	<u>-</u>	<u>34,406,815</u>
Net change in fund balances	(11,851,416)	3,828,661	27,396	(19,861)	(8,015,220)
Fund balances - beginning of year	<u>32,796,233</u>	<u>28,173,230</u>	<u>53,985</u>	<u>2,337,425</u>	<u>63,360,873</u>
Fund balances - end of year	<u>\$ 20,944,817</u>	<u>\$ 32,001,891</u>	<u>\$ 81,381</u>	<u>\$ 2,317,564</u>	<u>\$ 55,345,653</u>

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, 2019

Net change in fund balances - total governmental funds: \$ (8,015,220)

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	9,080,000	
Proceeds from issuance of debt	(33,600,000)	
Premium received from issuance of debt	(806,815)	
Increase in accrued interest payable	(368,311)	
Discounts are amortized over the life of the bonds	(24,792)	
Premiums are amortized over the life of the bonds	165,995	
Deferred charge on refunding is amortized over the life of the bond	(281,333)	
Project development agreement expense	<u>1,523,961</u>	
		<u>(24,311,295)</u>
Change in net position of governmental activities		<u>\$ (32,900,900)</u>

UPTOWN DEVELOPMENT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS

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:

Non-spendable fund balance – amounts that are not in spendable form or are required to be maintained intact. The Authority does not have any non-spendable 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, 2019.

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.

New Accounting Standards

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

GASB Statement No. 88, Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements, to improve consistency in the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements, and to provide financial statement users with additional essential information about debt

Note 2 - Deposits and Investments

Due to the immediate availability of the funds, the Authority’s investments at June 30, 2019 are included in cash and temporary investments. At year end, the Authority’s cash, temporary investments, and investments were comprised of the following:

	Capital		Affordable Housing		Total
	Projects	Debt Service	Special Revenue	Debt Service	
Government Money Market Funds	\$ 28,290,515	\$ 16,299,333	\$ 62,618	\$ 1,218,577	\$ 45,871,043
U.S. Treasury Securities	21,699,837	-	-	-	21,699,837
Total	\$ 49,990,352	\$ 16,299,333	\$ 62,618	\$ 1,218,577	\$ 67,570,880

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

Investments	Fair Market Value	Weighted Average Maturity (Days)	Fair Value Measurement	Standard & Poor's Rating
Government Money Market Funds	\$ 45,871,043	18	Level 1	AAAm
US Treasury Securities	21,699,837	184	Level 2	AA+
Total Investments	\$ 67,570,880	71		

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, 2019.

Authorized Investments

The Authority is authorized by the *Public Funds Investment Act* (Chapter 2256, Texas Government Code) (the "PFIA") 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 to the following: 1) Obligations of the United States or its agencies and instrumentalities including Fannie Mae, Freddie Mac and the Federal Home Loan Bank, (2) direct obligations of the State of Texas or its agencies and instrumentalities, (3) collateralized mortgage obligations (CMO's) directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States; Authority does not need to invest in CMO's directly. In the event that the Authority would hire a professional money manager, CMO's may be suitable, (4) other obligations, the principal and interest of which are unconditionally guaranteed or insured by or backed by the full faith and credit of the State of Texas or the United States or their respective agencies and instrumentalities, (5) obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than A or its equivalent, (6) certificates of deposit issued by a state or national bank, or a savings bank, or a state or federal credit union that is guaranteed or insured by the Federal Deposit Insurance Corporation or the national Credit Union Share Insurance Corporation or its successor; or issued under the Certificate of Deposit Account Registry Service (CDARS) program and secured by obligations that are authorized under the PFIA, (7) repurchase agreements that comply with the PFIA, (8) bankers' acceptances that comply with the PFIA, (9) commercial paper that complies with the PFIA, (10) No-load money market mutual funds that comply with the PFIA, (11) Investment pools, provided that they comply with the PFIA.

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: \$ 2,645,847

	<u>2019</u>	<u>2018</u>
Deferred charge on refunding bonds beginning of year	\$ 2,927,180	\$ 3,208,513
Current year amortization	<u>(281,333)</u>	<u>(281,333)</u>
Deferred charge on refunding bonds end of year	<u>\$ 2,645,847</u>	<u>\$ 2,927,180</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	<u>\$ 9,081,040</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,081,040</u>
Capital assets being depreciated:				
Equipment	6,015,592	-	-	6,015,592
Less accumulated depreciation	<u>(4,501,909)</u>	<u>(574,385)</u>	<u>-</u>	<u>(5,076,294)</u>
	<u>1,513,683</u>	<u>(574,385)</u>	<u>-</u>	<u>939,298</u>
Capital assets, net	<u>\$ 10,594,723</u>	<u>\$ (574,385)</u>	<u>\$ -</u>	<u>\$ 10,020,338</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, 2019, the Authority's long term liabilities are comprised of the following:

	Total	Due Within One Year	Due Over One Year
Tax increment contract revenue bonds payable	\$ 79,495,000	\$ 2,920,000	\$ 76,575,000
Tax increment contract revenue bonds payable from direct borrowings and direct placements	132,305,000	6,630,000	125,675,000
Notes from direct borrowings and direct placements	2,600,000	2,600,000	
Unamortized discounts on bonds payable	(100,108)	-	(100,108)
Unamortized premium on bonds payable	3,896,194	-	3,896,194
Due to project development agreements	8,610,228	810,482	7,799,746
	<u>\$ 226,806,314</u>	<u>\$ 12,960,482</u>	<u>\$ 213,845,832</u>

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

	Beginning Balances	Additions	Reductions	Ending Balances
Tax increment contract revenue bonds payable	\$ 51,265,000	\$ 31,000,000	\$ (2,770,000)	\$ 79,495,000
Tax increment contract revenue bonds payable from direct borrowings and direct placements	138,615,000	-	(6,310,000)	132,305,000
Notes from direct borrowings and direct placements	-	2,600,000	-	2,600,000
Unamortized discounts on bonds payable	(124,900)	-	24,792	(100,108)
Unamortized premium on bonds payable	3,255,374	806,815	(165,995)	3,896,194
Due to project development agreements	10,134,189	-	(1,523,961)	8,610,228
	<u>\$ 203,144,663</u>	<u>\$ 34,406,815</u>	<u>\$ (10,745,164)</u>	<u>\$ 226,806,314</u>

The Authority has outstanding notes and bonds from direct borrowings and direct placements related to governmental activities totaling \$134,905,000. This amount is comprised of \$132,305,000 in private placement Tax Increment Contract Revenue bonds and \$2,600,000 from Subordinate Lien Variable Rate Notes.

Tax Increment Contract Revenue Bonds

The Authority issues Tax Increment Contract Revenue bonds in order to construct infrastructure improvement facilities and the City of Houston's affordable housing facilities. The City of Houston has authorized the Authority to issue bonds and notes with aggregate principal amounts not to exceed \$220,000,000 outstanding at any time. The maximum authorization for short-term debt is \$27,000,000 outstanding at any time.

UPTOWN DEVELOPMENT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS (continued)

Note 5 - Long Term Liabilities (continued)

Bonds payable are comprised of the following individual issues:

Series	Amount Outstanding	Original Issue	Interest Rates	Beginning/Ending Maturity Dates	Interest Payment Dates	Call Dates
Affordable Housing Bonds						
2001B	\$ 1,085,000	\$ 4,670,000	4.25% - 6.00%	Sep 1, 2002 - 2021	Mar 1, Sep 1	Sep 1, 2011
2002B	1,095,000	3,665,000	3.00% - 6.00%	Sep 1, 2003 - 2022	Mar 1, Sep 1	Sep 1, 2012
2004B	2,080,000	4,500,000	2.60% - 5.50%	Sep 1, 2006 - 2025	Mar 1, Sep 1	Sep 1, 2014
2004D	465,000	1,000,000	3.30% - 5.30%	Sep 1, 2006 - 2025	Mar 1, Sep 1	Sep 1, 2014
	<u>\$ 4,725,000</u>					
Infrastructure Bonds						
2009	6,365,000	42,260,000	2.90% - 5.50%	Sep 1, 2011 - 2029	Mar 1, Sep 1	Sep 1, 2019
2017A	37,405,000	37,405,000	4.00% - 5.00%	Sep 1, 2033 - 2040	Mar 1, Sep 1	Sep 1, 2026
2018	31,000,000	31,000,000	4.00% - 5.00%	Sep 1, 2031 - 2040	Mar 1, Sep 1	Sep 1, 2025
	<u>\$ 74,770,000</u>					
Infrastructure Bonds, Direct Borrowings and Placements						
2012A	3,915,000	10,755,000	2.750%	Sep 1, 2012 - 2022	Mar 1, Sep 1	N/A
2014	43,990,000	53,195,000	3.875%	Sep 1, 2014 - 2033	Mar 1, Sep 1	Sep 1, 2023
2015	29,215,000	35,000,000	2.730%	Sep 1, 2016 - 2030	Mar 1, Sep 1	Sep 1, 2030
2016	30,090,000	32,175,000	2.360%	Sep 1, 2017 - 2029	Mar 1, Sep 1	Sep 1, 2026
2017B	25,095,000	25,095,000	2.430%	Sep 1, 2019 - 2033	Mar 1, Sep 1	N/A
	<u>\$ 132,305,000</u>					

On December 12, 2018 the Authority issued Tax Increment Contract Revenue Bonds, Series 2018 in the amount of \$31,000,000. The Authority paid \$1,500,366 in bond issuance costs. The 2018 bonds were issued at a premium in the amount of \$806,815 which will be amortized over the life of the bonds. The 2018 bond proceeds will be used to finance infrastructure improvements within the TIRZ, including (i) improving existing streets, (ii) creating a street grid network, (iii) improving intersections, (iv) developing a parking management program, (v) creating a pedestrian network, (vi) redevelopment and upgrades to regional parks and public green space, (vii) acquiring land and right of way, in accordance with the Project Plan.

On August 22, 2018, the Authority authorized the issuance of \$27,000,000 Subordinate Lien Variable Rate Notes. The method is a private placement note with the net proceeds being used primarily for Memorial Park improvements. On October 19, 2018, the Authority withdrew \$2,600,000 in funds related to the Note for the purpose of (a) financing Infrastructure Project Costs, (b) paying the costs and expenses of issuance of the Notes, including fees for professional services, (c) funding the Notes Debt Service Reserve Fund and (d) refinancing, renewing or refunding Notes and any accrued interest thereon. The note is due October 19, 2019 and carries an interest rate of 79% of the LIBOR Rate plus 0.72%. The Authority has \$24,400,000 in unused principal related to the Note.

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

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

UPTOWN DEVELOPMENT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS (continued)

Note 5 - Long Term Liabilities (continued)

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

Infrastructure Bonds, All Series				
Year	2009		2017A	
	Principal	Interest	Principal	Interest
2020	\$ 2,020,000	\$ 261,240	\$ -	\$ 1,721,960
2021	2,120,000	161,070	-	1,721,960
2022	2,225,000	55,625	-	1,721,960
2023	-	-	-	1,721,960
2024	-	-	-	1,721,960
2025	-	-	-	1,721,960
2026	-	-	-	1,721,960
2027	-	-	-	1,721,960
2028	-	-	-	1,721,960
2029	-	-	-	1,721,960
2030	-	-	-	1,721,960
2031	-	-	-	1,721,960
2032	-	-	-	1,721,960
2033	-	-	-	1,721,960
2034	-	-	3,960,000	1,721,960
2035	-	-	4,145,000	1,357,650
2036	-	-	4,345,000	1,150,400
2037	-	-	4,565,000	922,150
2038	-	-	4,770,000	731,350
2039	-	-	4,965,000	532,750
2040	-	-	5,195,000	273,000
2041	-	-	5,460,000	136,500
	<u>\$ 6,365,000</u>	<u>\$ 477,935</u>	<u>\$ 37,405,000</u>	<u>\$30,933,200</u>

UPTOWN DEVELOPMENT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS (continued)

Note 5 - Long Term Liabilities (continued)

Infrastructure Bonds, All Series (continued)			
2018			
Year	Principal	Interest	Total
2020	\$ -	\$ 1,469,638	\$ 5,472,838
2021	-	1,469,638	5,472,668
2022	-	1,469,638	5,472,223
2023	-	1,469,638	3,191,598
2024	-	1,469,638	3,191,598
2025	-	1,469,638	3,191,598
2026	-	1,469,638	3,191,598
2027	-	1,469,638	3,191,598
2028	-	1,469,638	3,191,598
2029	-	1,469,638	3,191,598
2030	-	1,469,638	3,191,598
2031	-	1,469,638	3,191,598
2032	225,000	1,465,138	3,412,098
2033	235,000	1,455,938	3,412,898
2034	-	1,451,238	7,133,198
2035	3,755,000	1,357,363	10,615,013
2036	3,950,000	1,164,738	10,610,138
2037	4,150,000	962,238	10,599,388
2038	4,365,000	749,363	10,615,713
2039	4,570,000	545,981	10,613,731
2040	4,770,000	350,363	10,588,363
2041	4,980,000	124,500	10,701,000
	<u>\$ 31,000,000</u>	<u>\$ 27,262,506</u>	<u>\$ 133,443,641</u>

Affordable Housing Bonds, All Series						
Year	2001B		2002B		2004B	
	Principal	Interest	Principal	Interest	Principal	Interest
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>\$ 1,085,000</u>	<u>\$ 104,321</u>	<u>\$ 1,095,000</u>	<u>\$ 136,350</u>	<u>\$ 2,080,000</u>	<u>\$ 412,172</u>

UPTOWN DEVELOPMENT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS (continued)

Note 5 - Long Term Liabilities (continued)

Affordable Housing Bonds, All Series (continued)			
2004D			
Year	Principal	Interest	Total
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>\$ 465,000</u>	<u>\$ 90,834</u>	<u>\$ 5,468,677</u>

Infrastructure Bonds, Direct Borrowings and Placements						
Year	2012A		2014		2015	
	Principal	Interest	Principal	Interest	Principal	Interest
2020	\$ 1,135,000	\$ 97,056	\$ 2,215,000	\$ 1,661,697	\$ 2,090,000	\$ 769,041
2021	1,165,000	60,431	2,305,000	1,574,122	2,150,000	711,165
2022	1,195,000	27,981	2,395,000	1,483,059	2,205,000	651,720
2023	420,000	5,775	2,485,000	1,388,509	2,265,000	590,704
2024	-	-	2,580,000	1,290,375	2,330,000	527,982
2025	-	-	2,680,000	1,188,463	2,390,000	463,554
2026	-	-	2,785,000	1,082,578	2,455,000	397,420
2027	-	-	2,895,000	972,528	2,525,000	329,443
2028	-	-	3,005,000	858,216	2,595,000	259,555
2029	-	-	3,120,000	739,544	2,665,000	187,756
2030	-	-	3,245,000	616,222	2,735,000	114,046
2031	-	-	3,370,000	488,056	2,810,000	38,357
2032	-	-	3,500,000	354,950	-	-
2033	-	-	3,635,000	216,710	-	-
2034	-	-	3,775,000	73,141	-	-
	<u>\$ 3,915,000</u>	<u>\$ 191,243</u>	<u>\$ 43,990,000</u>	<u>\$13,988,170</u>	<u>\$ 29,215,000</u>	<u>\$ 5,040,743</u>

UPTOWN DEVELOPMENT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS (continued)

Note 5 - Long Term Liabilities (continued)

Infrastructure Bonds, Direct Borrowings and Placements (continued)					
Year	2016		2017B		Total
	Principal	Interest	Principal	Interest	
2020	\$ 1,070,000	\$ 697,498	\$ 120,000	\$ 608,351	\$ 10,463,643
2021	1,095,000	671,951	120,000	605,435	10,458,104
2022	1,125,000	645,755	130,000	602,407	10,460,922
2023	3,490,000	591,298	910,000	589,761	12,736,047
2024	3,575,000	507,931	1,360,000	562,181	12,733,469
2025	3,665,000	422,499	1,400,000	528,647	12,738,163
2026	3,765,000	334,825	1,410,000	494,505	12,724,328
2027	2,960,000	255,470	2,330,000	449,064	12,716,505
2028	3,040,000	184,670	2,390,000	391,716	12,724,157
2029	3,110,000	112,100	2,450,000	332,910	12,717,310
2030	3,195,000	37,701	2,500,000	272,768	12,715,737
2031	-	-	3,245,000	202,966	10,154,379
2032	-	-	3,325,000	123,140	7,303,090
2033	-	-	3,405,000	41,371	7,298,081
2034	-	-	-	-	3,848,141
	<u>\$ 30,090,000</u>	<u>\$ 4,461,698</u>	<u>\$ 25,095,000</u>	<u>\$ 5,805,222</u>	<u>\$ 161,792,076</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, 2019 are as follows:

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

Developer Agreements

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

	Beginning Balances	Additions	Reductions/ Adjustments	Ending Balances	Due Within One Year
Harris County Improvement District #1	\$ 9,072,181	\$ -	\$ (1,352,444)	\$ 7,719,737	\$ 631,644
Rice Avenue Retail Partners, L.P.	1,062,008	-	(171,517)	890,491	178,838
	<u>\$ 10,134,189</u>	<u>\$ -</u>	<u>\$ (1,523,961)</u>	<u>\$ 8,610,228</u>	<u>\$ 810,482</u>

UPTOWN DEVELOPMENT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS (continued)

Note 5 - Long Term Liabilities (continued)

Harris Authority Improvement District #1

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

Rice Avenue Retail Partners, L.P

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

Note 6 - Contract Tax Increment Revenues

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

During the year ended June 30, 2019, the Authority received in tax increment revenues as follows:

	City of Houston	Houston ISD	Total
Total tax increments	\$ 29,531,111	\$ 16,056,760	\$ 45,587,871
Retainage for administrative costs	(1,476,556)	(25,000)	(1,501,556)
Set-aside for educational facilities	-	(5,379,296)	(5,379,296)
Net received	<u>\$ 28,054,555</u>	<u>\$ 10,652,465</u>	<u>\$ 38,707,020</u>

UPTOWN DEVELOPMENT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS (continued)

Note 6 - Contract Tax Increment Revenues (continued)

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

The Authority is dependent upon the tax increments revenues.

Note 7 - Commitments and Contingencies

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

Tri Party Agreement

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

Agreement with Harris Authority Improvement District No. 1

The Authority and the Harris Authority 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, 2019, the Authority remitted \$270,000 to the District. This amount consisted of for operating and administrative costs, \$250,000 for traffic control and mobility, \$400,000 for project management and \$628,424 for communications and public relations for the Post Oak Boulevard project.

Houston Arboretum & Nature Center (HANC)

The Authority has entered into a financing agreement with The Houston Arboretum & Nature Center (HANC) to reimburse HANC for project costs up to \$3,585,000. Under the agreement, HANC will fund the construction of certain facilities and improvements within the Zone. These facilities and improvements will be conveyed to the City or other governmental entity upon completion of construction and inspection and acceptance by the City or other governmental entity. HANC will be reimbursed from available tax increment. Amounts due to HANC for construction projects are not recorded on the Authority's financial statements until the project has been completed and accepted by the City. As of June 30, 2019, the first phase of the project is completed with the second phase under design.

UPTOWN DEVELOPMENT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS (continued)

Note 7 - Commitments and Contingencies (continued)

Memorial Park Conservancy

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

Note 8 - Risk Management

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

Note 9 - Legal Matters

The Authority has been involved in various lawsuits and other claims during the construction of the Post Oak Boulevard project. The Authority and its legal counsel believe that the outcome of any present legal proceedings will not have any adverse effects on the financial statements. In the opinion of the Authority, there are neither significant contingent liabilities related to fiscal year 2019, nor future costs that will have a material effect on the financial statements of the Authority.

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OTHER SUPPLEMENTARY INFORMATION

UPTOWN DEVELOPMENT AUTHORITY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUNDS
For the Year Ended June 30, 2019

	Original Budget	Final Budget	Actual	Variance Over/(Under)
Budgetary fund balance, beginning of the year	\$ 56,137,309	\$ 56,137,309	\$ 63,360,873	\$ 7,223,564
Revenues				
Incremental property tax	51,074,465	51,074,465	45,587,872	(5,486,593)
Interest income	300,000	300,000	1,014,507	714,507
Other private contributions	-	-	250,953	250,953
Grant proceeds	27,746,500	27,746,500	23,547,915	(4,198,585)
Total revenues and budgetary fund balance	<u>135,258,274</u>	<u>135,258,274</u>	<u>133,762,120</u>	<u>(1,496,154)</u>
Expenditures				
Management and consulting services	708,000	708,000	614,603	(93,397)
Project costs and capital expenditures	82,160,000	82,160,000	68,105,917	(14,054,083)
Zone Administration	1,775,715	1,775,715	1,501,556	(274,159)
Debt service:				
Principal	9,080,000	9,080,000	9,080,000	-
Interest and other charges	6,399,532	6,399,532	8,254,955	1,855,423
Developer/Project Reimbursements	801,037	801,037	803,961	2,924
Educational facilities transfer	5,364,871	5,364,871	5,379,296	14,425
Affordable housing transfer	15,883,007	15,883,007	13,560,000	(2,323,007)
Municipal services charges	5,522,994	5,522,994	5,522,994	-
Total expenditures	<u>127,695,156</u>	<u>127,695,156</u>	<u>112,823,282</u>	<u>(14,871,874)</u>
Other Financing Sources/Uses				
Bond Proceeds	30,000,000	30,000,000	33,600,000	3,600,000
Premium on issuance of debt	-	-	806,815	806,815
Total other financing sources/uses	<u>30,000,000</u>	<u>30,000,000</u>	<u>34,406,815</u>	<u>4,406,815</u>
Budgetary fund balance, end of year	<u>\$ 37,563,118</u>	<u>\$ 37,563,118</u>	<u>\$ 55,345,653</u>	<u>\$ 17,782,535</u>
<u>Explanation of Differences between Budgetary Inflows and GAAP Revenues</u>				
Actual Amounts (Budgetary Basis)				\$ 133,762,120
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>(63,360,873)</u>
Total Revenue as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Total Governmental Funds				<u>\$ 70,401,247</u>

UPTOWN DEVELOPMENT AUTHORITY
OPERATING EXPENDITURES, CAPITAL EXPENDITURES AND
PROJECT PLAN RECONCILIATION
For the Year Ended June 30, 2019

TIRZ #16 Uptown Development Authority

FY19 OPERATING EXPENDITURES

<u>Category</u>	<u>Vendor</u>	<u>Budget</u>	<u>Actual Expenditure</u>	<u>Variance</u>
TIRZ ADMINISTRATION AND OVERHEAD				
Administration (salary and benefits)	HCID No. 1	\$ 150,000	\$ 85,000	\$ (65,000)
Office Expenses	HCID No. 1	60,000	60,000	-
Insurance	Highpoint Insurance	75,000	70,774	(4,226)
Accounting	HCID No. 1	40,000	40,000	-
Auditor	Whitley Penn, LLP	18,000	23,600	5,600
COH Municipal Charge		5,522,994	5,522,994	-
Financial Advisor		-	11,250	11,250
Subtotal		\$ 5,865,994	\$ 5,813,618	\$ (52,376)
PROGRAM AND PROJECT CONSULTANTS				
Legal	Allen Boone Humphries	85,000	50,555	(34,445)
In-House Legal Counsel		-	65,000	65,000
Parks Project Management		280,000	208,424	(71,576)
Subtotal		\$ 365,000	\$ 323,979	\$ (41,021)
Total Zone Administration / Operations		\$ 6,230,994	\$ 6,137,597	\$ (93,397)

FY19 CAPITAL EXPENDITURES

<u>Project</u>	<u>Vendor</u>	<u>Budget</u>	<u>Actual Expenditure</u>	<u>Variance</u>
Project T1626: Richmond Phase 1 Reconstruction				
Architectural Services	TEDSI	-	210,771	210,771
Subtotal		\$ -	\$ 210,771	\$ 210,771
Project T1617: Pedestrian Improvements				
Subtotal		\$ 500,000	\$ -	\$ (500,000)
Project T1608: Advance Traveler Information System				
Construction Management	TEAL Engineering	50,000	89,778	39,778
Subtotal		\$ 50,000	\$ 89,778	\$ 39,778
Project T1609: Area Intersection and Signalization				
Subtotal		\$ 50,000	\$ -	\$ (50,000)
Project T1625: Lynn Street Engineering Services				
Subtotal	Gunda	\$ 100,000	\$ 12,000	\$ (88,000)
Project T1611/1633B: Right of Way				
Construction Costs	Parcel Purchases	1,100,000	2,125,830	1,025,830
Other Professional Services	Andrews Kurth Kenyon		312,097	312,097
Other Professional Services	Spencer Fane		91,531	91,531
Other Professional Services	Deal Sikes		171,810	171,810
Other Professional Services	Gunda Corporation		30,132	30,132
Other Professional Services	Court Commissioners		3,000	3,000
Other Professional Services	Valbridge Property		4,700	4,700
Other Professional Services	Arbitration - M. S. Narsete		5,250	5,250
Subtotal		\$ 1,100,000	\$ 2,744,350	\$ 1,644,350
Project T1636: BUTC Terminal				
Engineering Services / Construction Management	ARUP	12,500,000	82,295	82,295
Engineering Services / Construction Management	Gunda		574,530	574,530
Engineering Services / Construction Management	Aviles		38,125	38,125
Engineering Services / Construction Management	Dannenbaum		9,459	9,459
Engineering Services / Construction Management	Walter P Moore		129,313	129,313
Engineering Services / Construction Management	Parsons		14,808	14,808
Program Financing			284,061	284,061
Project Management	HCID #1		218,000	218,000
Construction Costs	Webber		8,273,929	8,273,929
Subtotal		\$ 12,500,000	\$ 9,624,520	\$ (2,875,480)

UPTOWN DEVELOPMENT AUTHORITY
OPERATING EXPENDITURES, CAPITAL EXPENDITURES AND
PROJECT PLAN RECONCILIATION
For the Year Ended June 30, 2019

		FY19 CAPITAL EXPENDITURES		
<u>Project</u>	<u>Vendor</u>	<u>Budget</u>	<u>Actual Expenditure</u>	<u>Variance</u>
Project T1616: Secondary Roadways		\$ 50,000		
Subtotal		\$ 50,000	\$	\$ (50,000)
Project T1633: Post Oak Boulevard Reconstruction		\$ 49,900,000		
Planning Preliminary / Design Services	Gunda Corporation		1,668	
Planning Preliminary / Design Services	Walter P Moore		64,884	
Final Design/ Construction Phase Services	Gunda Corporation		178,531	
Final Design/ Construction Phase Services	LAN		20,513	
Final Design/ Construction Phase Services	Hunt & Hunt Engineering		66,200	
Final Design/ Construction Phase Services	Walter P Moore		29,080	
Construction Management	Aurora		759,809	
Construction Management	ARUP		273,911	
Construction Management	Aviles		135,706	
Construction Management	BSCI		56,800	
Construction Management	HVJ		81,267	
Construction Management	Erizon		59,185	
Construction Management	Lupher LLC		130,467	
Construction Management	Sowells C M I		75,600	
Construction Management	Gunda Corporation		376,295	
Construction Management	Republic Landscapes		78,110	
Construction Management	Uprising Consultant		101,916	
Project Management	HCID No. 1		872,000	
Project Management	Flowers Consulting		85,224	
Program Financing			1,230,930	
Construction Costs	Centerpoint Energy		13,847	
Construction Costs	Environmental Design		280,425	
Construction Costs	Harper Brothers Construction		7,917,962	
Construction Costs	Reytec Construction		14,597,911	
Construction Costs	SER Construction		14,017,235	
Construction Costs	Trio Electric		2,672	
Subtotal		\$ 49,900,000	\$ 41,508,149	\$ (8,391,851)
Project T1634: West Loop Transit Way		\$ 10,000,000		
Construction Costs	TxDOT		10,070,000	
Subtotal		\$ 10,000,000	\$ 10,070,000	\$ 70,000

UPTOWN DEVELOPMENT AUTHORITY
OPERATING EXPENDITURES, CAPITAL EXPENDITURES AND
PROJECT PLAN RECONCILIATION
For the Year Ended June 30, 2019

FY19 CAPITAL EXPENDITURES				
<i>Project</i>	<i>Vendor</i>	<i>Budget</i>	<i>Actual Expenditure</i>	<i>Variance</i>
Project T1635: Memorial Park		\$ 1,400,000		
Construction Costs	Memorial Park Conservancy - Ecological Restoration		\$ 500,000	
Construction Costs	Memorial Park Conservancy - Greenspace Maintenance		900,000	
	Subtotal	\$ 1,400,000	\$ 1,400,000	\$ -
Project T1635A: Memorial Park Connectivity Projects		\$ 2,160,000		
Engineering /Design Services	Design Workshop		235,234	
Other Professional Services	The Goodman Corporation		123,693	
	Subtotal	\$ 2,160,000	\$ 358,927	\$ (1,801,073)
Project T1635B: Memorial Park Infrastructure Phase I		\$ 2,500,000		
Preliminary Engineering	ARUP		332,778	
Preliminary Engineering	Gunda		543,202	
Preliminary Engineering	Berg Oliver		25,892	
Preliminary Engineering	Aurora		47,410	
Preliminary Engineering	Aviles		47,276	
Preliminary Engineering	Goodman		53,844	
Preliminary Engineering	Walter P Moore		33,011	
Engineering /Design Services	Gunda		395,364	
Engineering /Design Services	Walter P Moore		49,533	
Engineering /Design Services	Nelson Byrd Woltz		32,987	
Construction Management	Frayre Engineering & Consulting		127,746	
Construction Costs	ISI Contracting		208,458	
Construction Costs	Landscape Art		147,766	
Construction Costs	Fused Industries		612,744	
Construction Costs	Center Point		10,645	
Construction Costs	Davey Trees		4,141	
Construction Costs	HVJ Associates		14,547	
	Subtotal	\$ 2,500,000	\$ 2,687,342	\$ 187,342
Project T1640: Drainage Project		\$ 500,000		
Engineering / Planning	Kirst Kosmoski		39,274	
Construction Costs	HVJ Associates		-	
	Subtotal	\$ 500,000	\$ 39,274	\$ (460,726)
Project T1641: Westpark		\$ 600,000		
Engineering / Planning	Gunda Corporation		328,500	
Construction Costs	HVJ Associates		-	
	Subtotal	\$ 600,000	\$ 328,500	\$ (271,500)
Project T1622: Parks		\$ 750,000		
Design / Planning	Terrain		43,476	
Maintenance / Operation			523,181	
	Subtotal	\$ 750,000	\$ 566,657	\$ (183,343)
Total Capital Expenditures		\$ 82,160,000	\$ 70,444,229	\$ (10,983,545)

UPTOWN DEVELOPMENT AUTHORITY
OPERATING EXPENDITURES, CAPITAL EXPENDITURES AND
PROJECT PLAN RECONCILIATION
For the Year Ended June 30, 2019

	<i>*Project Plan Amount</i>	<i>Beginning</i>	<i>Current Year Expenditures</i>	<i>Expenditures to Date</i>
Non-Education Projects				
Improve Existing Streets	\$ 66,000,000	\$ 65,872,460	\$ -	\$ 65,872,460
Create Street Grid Network	15,000,000	14,011,162	-	14,011,162
Improve Intersections	12,000,000	11,147,748	-	11,147,748
Parking Management Program	52,000,000	-	-	-
Pedestrian Network	20,000,000	20,059,655	-	20,059,655
Roadways, Streets, Sidewalks, Lighting	186,000,000	106,213,332	62,647,679	168,861,011
Public Utilities	94,000,000	13,193,913	39,274	13,233,187
Land Acquisition	37,000,000	51,862,687	2,744,350	54,607,037
Cultural and Public Facility Improvements	46,000,000	-	-	-
Memorial Park Improvements	100,000,000	23,484,464	4,446,269	27,930,733
Parks	41,000,000	12,162,393	566,657	12,729,050
Subtotal	\$ 669,000,000	\$ 318,007,814	\$ 70,444,229	\$ 388,452,043
Education Projects	\$ 129,000,000	\$ 46,205,448	\$ 5,379,296	\$ 51,584,744
Affordable Housing	\$ 452,000,000	\$ 113,827,259	\$ 13,560,000	\$ 127,387,259
Zone Administration / Operations	\$ 15,000,000	\$ 13,239,622	\$ 6,137,597	\$ 19,377,219
Total Project Plan	\$ 1,265,000,000	\$ 491,280,143	\$ 95,521,122	\$ 586,801,265

* 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, 2019, 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, 2019.

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.

Handwritten signature in black ink that reads "Whitley Penn LLP". The signature is written in a cursive, flowing style.

Houston, Texas
September 27, 2019