

MIDTOWN REDEVELOPMENT AUTHORITY

FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2013



GAINER | DONNELLY

MIDTOWN REDEVELOPMENT AUTHORITY

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Midtown Redevelopment Authority
Houston, Texas

We have audited the accompanying financial statements of the governmental activities and each major fund of Midtown Redevelopment Authority (the Authority), a component unit of the City of Houston, Texas, as of and for the year ended June 30, 2013, 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. 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.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and each major fund of Midtown Redevelopment Authority, as of June 30, 2013, and the changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 9 and 27 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, and other knowledge we obtained during our audit of 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's financial statements as a whole. The schedule of operating expenses and capital expenditures for the year ended June 30, 2013, the schedule of estimated project costs to actual costs for the period from December 29, 1995 (date of inception) through June 30, 2013, the schedule of properties held – land held for resale, and the schedule of capital assets, on pages 28 through 38, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The supplementary information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Gainer Donnelly LLP

September 24, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS

This discussion and analysis of Midtown Redevelopment Authority's (the Authority) financial statements provides an overview of the Authority's financial performance during the years ended June 30, 2013 and 2012. This discussion and analysis includes comparative data for the year ended June 30, 2013 with the year ended June 30, 2012 and a brief explanation for significant changes between fiscal years. Since the Management's Discussion and Analysis is designed to focus on current activities, resulting changes and current known facts, please read in conjunction with the Authority's basic financial statements and the footnotes.

FINANCIAL HIGHLIGHTS

- Upon creation of the Tax Increment Reinvestment Zone Number Two (Midtown TIRZ or Zone) in 1995, and the first annexation of land in 1999, the appraised value for real property located within the Zone was \$211,775,890. The preliminary appraised value for tax year 2013 (collectible fiscal year 2014) is \$1,422,513,952 with a taxable value of \$1,355,192,615 (net of exemptions).
- The City of Houston approved the Tax Increment Reinvestment Zone Number Two (Midtown TIRZ or Zone) Amended Project Plan and Reinvestment Zone Financing Plan (Fifth Amendment to the Project Plan) July 2013. The Amended Project Plan included an economic development grant program, as authorized by Chapter 380 of the Texas Local Government Code, it expand the type and scope of public improvements constructed by the Authority and allocated sufficient revenue to maintain and operate such improvements within the Zone.
- Section 42.25116(b)(3) of the Texas Education Code provides for the Texas Education Agency (TEA) to pay additional funds to school districts participating in tax increment reinvestment zones in an amount equal to the difference between the tax levies collected on the district's maintenance and operations tax rate for 2006 and each year thereafter; and the levies that would have been collected at the district's 2005 maintenance and operations rate for each subsequent year (Pass Through Funds). In fiscal year 2013, the City of Houston (the City) received the Pass-Through Funds for tax year 2011, which totaled \$2,600,637. After the educational set aside component was satisfied, the balance of the funds were placed in the Authority's Affordable Housing Increment Account in the amount of \$866,879, of which 19% went to fund affordable housing for Harris County.
- An Interlocal Agreement between Houston Community College System (HCCS) and the Authority was entered into in fiscal year 2010 relating to, among other things, its participation in the Zone and the Authority's agreement to allocate certain of these funds for public improvements. The Authority agreed to contribute up to \$5 million toward the design and construction of sidewalk and streetscape improvements for up to 50 block faces that are contiguous to the HCCS central campus within the District. The Authority has currently funded \$1.2 million towards the design phase of the project. The projects are on Holman Street (Academic Walk), Caroline Street from Elgin to Holman and Alabama Street and are major pedestrian corridors between the light rail transit system and HCC's main campus. Holman Street will be the first design completed and bid for construction in fiscal year 2014 at an approximate cost of \$2.5 million. Caroline Street will be the next project with design and construction at a cost of approximately \$8.9 million; a portion of the costs associated with this project will be funded by a Texas Department of Transportation grant in the amount of \$4.1 million.
- The Authority has completed the Bagby Street Reconstruction Project, a 10 block corridor which enhancements included concrete pavement, public utility upgrades, enhanced intersections, wider sidewalks, landscaping, accessibility ramps, street furniture, rain garden collection points and other pedestrian-related infrastructure. Bagby Street is the first GreenRoads-certified Project in the City of Houston. Upgrades to the storm drainage system were made to address regional drainage issues. The project cost approximately \$9.5 million.

MANAGEMENT'S DISCUSSION AND ANALYSIS – CONTINUED

FINANCIAL HIGHLIGHTS – CONTINUED

- The Authority remitted \$1,274,000 in June 2013 to the City under its Municipal Service Costs Agreement, these funds reimburse the City for increased public safety services within the Zone. This agreement is anticipated to automatically renew annually at amounts to be determined pursuant to the adopted budget.
- Phase I and II of right of way improvements on Gray Street from Hamilton Street to Bagby Street was completed in 2013. Phase II of the project from Main to Hamilton Street began in the summer of 2012 and completed in August 2013. The cost for both phases of the Gray Street Project was approximately \$2 million.
- Parks and green space continue to be a priority for the Authority. In cooperation with the City, the Authority made improvements to Glover Park which includes a dog run, landscaping, benches and amenities to serve the surrounding townhouse community. Baldwin Park has been upgraded with a larger scale playground equipment, enhanced park lighting, electricity and additional site amenities. All of the improvements to Glover and Baldwin Parks are expected to be completed in 2013. Construction has begun on Midtown Park with special upgrades to include a dog run, new landscaping, a unique stage, a beautiful water feature and a food kiosk. The construction for Midtown Park is anticipated to be complete by late October 2013.
- During fiscal year 2013, the Authority continued to purchase land with increment and bond revenues set aside for affordable housing. Approximately 327,082 square feet of land at a cost of approximately \$3 million was purchased pursuant to the Authority's affordable housing land-banking program in an area adjacent to Midtown and the central business district ("Third Ward"). The Authority to date has purchased approximately 2.9 million square feet of property in the Third Ward at a cost of approximately \$27 million. Each property is restricted to the development of affordable housing. The Authority works with not for profit and for profit developers to stimulate affordable housing in the area.
- Under a development and grant agreement with Row House Community Development Corporation (the Corporation), 30 rental units of affordable housing in Third Ward adjacent to the light rail line along Scott Street have been completed. The first phase of this affordable housing pilot project, consisting of 8 units was completed in fiscal year 2011, with the second phase of 22 units completed in June of 2013.
- In July 2013, the Authority purchased 30,500 square feet of land located at 2905 Travis Street, which represents the final contiguous parcel in the "Super Block" Property with boundaries of Main, McGowen, Travis, and Anita Streets. With this new acquisition, the Authority now holds land totaling approximately 132,300 square feet (~ 3 acres) with plans for a mixed-use development highlighted by a signature urban park including restaurant/retail space and underground parking garage. This SuperBlock Project will become a focal point for Midtown and will be the catalyst for additional development along the Main Street Corridor. It will also help to address the parking demand in the area.
- The Authority continues holds the property located at 3300 Main Street within the Zone to assist in mitigating blight and incentivizing redevelopment. The acquisition of this real estate is consistent with the Authority's Project Plan and is anticipated to be sold in the future for redevelopment.
- The State of Texas awarded Midtown the designation of a "Cultural Arts and Entertainment District" on September 6, 2012. The Authority participated in funding grants for the development of Cultural Facilities including the Asia Society of Texas Center and Buffalo Soldiers Museum in fiscal year 2013. These grants totaled \$515,000.00. It is predicted that the growth of cultural facilities in and around the surrounding area will encourage economic development.

MANAGEMENT'S DISCUSSION AND ANALYSIS – CONTINUED

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Authority's basic financial statements. According to the definition in the Governmental Accounting Standards Board, the Authority qualifies as a special purpose government with one program - redevelopment of Midtown.

Government-wide statements report information about the Authority as a whole using accounting methods similar to those used in private-sector companies. The Statement of Net Position includes all of the Authority's assets and liabilities, with the difference between assets and liabilities presented as net position. Over time, increases or decreases in the Authority's net position may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid. The fund financial statements report information about the Authority on the modified accrual basis, which only accounts for revenues that are measurable and available within the current period or soon enough thereafter to pay liabilities of the current period. Adjustments are provided to reconcile the government-wide statements to the fund statements. Explanations for the reconciling items are provided as part of the financial statements.

Statement of Net Position

The Statement of Net Position includes all assets and liabilities using the accrual basis of accounting. The following table reflects condensed information (rounded to the nearest thousand) on the Authority's net position at June 30:

	<u>2013</u>	<u>2012</u>
Assets:		
Cash, Cash Equivalents and Investments	\$ 27,979,000	\$ 37,380,000
Tax Increment Receivables	4,318,000	3,646,000
Other Receivables and Other Assets	2,001,000	2,396,000
Property Held for Resale	32,906,000	29,688,000
Capital Assets, Net	<u>17,249,000</u>	<u>13,645,000</u>
Total Assets	<u>84,453,000</u>	<u>86,755,000</u>
Liabilities:		
Accounts, Interest and Retainage Payable	3,716,000	3,277,000
Loans and Bonds Payable - Current	5,058,000	3,200,000
Loans and Bonds Payable – Long-Term	<u>59,229,000</u>	<u>61,177,000</u>
Total Liabilities	<u>68,003,000</u>	<u>67,654,000</u>
Net Position:		
Invested in Capital Assets, Net of Related Debt	6,295,000	5,753,000
Restricted	45,112,000	53,097,000
Unrestricted (Deficit)	<u>(34,957,000)</u>	<u>(39,749,000)</u>
Total Net Position	<u>\$ 16,450,000</u>	<u>\$ 19,101,000</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS – CONTINUED

OVERVIEW OF THE FINANCIAL STATEMENTS – CONTINUED

Statement of Net Position – Continued

Trust and operating cash accounts are invested in money market funds and local government investment pools (TexSTAR and LOGIC). All investments are stated at market value and are allowable under the Authority's investment policy.

Tax increments are based on calendar year taxes which are then received the next fiscal year. Tax increments or receivables at June 30 were due to the Authority from the following:

	<u>2013</u>	<u>2012</u>
Houston Community College System (HCCS)	\$ 811,000	\$ 436,000
Harris County, Texas (the County)	<u>3,507,000</u>	<u>3,210,000</u>
Total Tax Increment Receivables	\$ <u>4,318,000</u>	\$ <u>3,646,000</u>

The Authority received tax increments outstanding at June 30, 2013 in July 2013. The Authority received outstanding tax increments from fiscal year 2012 in July 2012. Other assets at June 30, 2013 and 2012 represent the cost of issuance expenses for the Authority's tax increment revenue bonds that are being amortized over the life of the bonds.

The increase in property held for resale relates to the Authority's affordable housing land banking program in the Third Ward. During fiscal year 2013, the Authority purchased approximately \$3 million in land which is restricted for affordable housing.

Unrestricted net position - the portion of net assets that can be used to finance day-to-day operations without the constraints established by debt covenants, enabling legislation, or other legal requirements – decreased by \$4.7 million. At June 30, 2013 and 2012, the Authority has an unrestricted deficit of \$35 million and \$39.7 million, respectively. The deficit occurs by the Authority using bond funds to pay for eligible project plan costs in current years in anticipation of receiving tax increments in future years. The Authority had net position restricted for debt service in the amount of \$13.5 million and \$12 million at June 30, 2013 and 2012, respectively; net position restricted for affordable housing in the amount of \$29 million and \$31 million at June 30, 2013 and 2012, respectively; and net position restricted for capital projects in the amount of \$2.3 million and \$10.1 million at June 30, 2013 and 2012, respectively. The majority of the Authority's net position restricted for affordable housing is invested in land held for resale totaling \$27.7 million and \$24.5 million at June 30, 2013 and 2012, respectively.

Statement of Activities

The Statement of Activities presents the operating results of the Authority. The following table reflects condensed information (rounded to the nearest thousand) on the Authority's operations for the years ended June 30:

	<u>2013</u>	<u>2012</u>
Revenues:		
Tax Increments	\$ 17,225,000	\$ 15,654,000
Investment Income	56,000	98,000
Other Income	<u>322,000</u>	<u>402,000</u>
Total Revenues	\$ <u>17,603,000</u>	\$ <u>16,154,000</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS – CONTINUED

OVERVIEW OF THE FINANCIAL STATEMENTS – CONTINUED

Statement of Activities – Continued

	<u>2013</u>	<u>2012</u>
Expenses:		
Current	\$ 2,611,000	\$ 3,661,000
Debt Service (Interest Expense)	3,022,000	2,904,000
Capital Outlay	<u>14,621,000</u>	<u>8,314,000</u>
Total Expenses	<u>20,254,000</u>	<u>14,879,000</u>
Change in Net Position	(2,651,000)	1,275,000
Net Position - Beginning of Year	<u>19,101,000</u>	<u>17,826,000</u>
Net Position - End of Year	\$ <u>16,450,000</u>	\$ <u>19,101,000</u>

Tax Increments

The City, Harris County and Harris County Flood Control District (collectively the County) and HISD have agreed, subject to certain limitations, to deposit to the Tax Increment Fund established for the Authority, a certain percentage of tax collections arising from their respective taxation of the increase, if any, in the appraised value of real property located in the Zone since a designated base year. The base year for the original Zone is 1995, and the base year for the annexed area is 1999. HCCS began contributing to the Tax Increment Fund in 2009 (tax year 2008) upon execution of the Interlocal Agreement between the Authority, the Zone, HCCS and the City. The City remits tax increments collected by the City, County, HISD and HCCS on an annual basis. Tax increments continue to increase each year as the overall appraised value of properties within the Zone increase.

Other Income

Other income includes amounts received from Federal grantors as well as amounts received from other entities as reimbursement under management agreements, lease agreements and interlocal agreements. The amounts will fluctuate annually based on current Federal grants awarded and other agreements entered into by the Authority.

Capital Outlay

Capital projects funded from bond proceeds and tax increments totaled 72% and 56% of total expenses in fiscal year 2013 and 2012, respectively. More detailed information about the Authority's capital projects is presented in the supplementary information – Schedule of Operating Expenses and Capital Expenditures.

Governmental Funds

At the end of the current fiscal year, the Authority's governmental funds reported combined ending fund balances of approximately \$63.7 million, which is approximately \$5.4 million more than the prior fiscal year. Approximately 52% of the fund balance, or \$33 million, is invested in land which is being held for resale and is considered non-spendable. Approximately 13% of the fund balances, or \$8.5 million, is committed to various capital projects and development agreements entered into by the Authority. Approximately 12% of the fund balances, or \$7.4 million is available for spending at the government's discretion provided expenditures are allowable by the Authority's project plan and other legal authorities. The remainder of the fund balance is restricted to indicate that it is committed to pay debt service (approximately \$13.5 million) and to affordable housing fund (approximately \$1.4 million).

MANAGEMENT'S DISCUSSION AND ANALYSIS – CONTINUED

OVERVIEW OF THE FINANCIAL STATEMENTS – CONTINUED

Capital Assets

As of June 30, 2013, the Authority had approximately \$17.2 million, net of accumulated depreciation, invested in a broad range of capital assets including land, land improvements, buildings and furniture and equipment.

During fiscal year 2013 the Authority purchased property adjacent to the original Superblock property held totaling \$3.5 million, and is proceeding with the development of a three acre park and parking garage. As the Authority intends to hold the asset for use, the original Superblock property acquired in previous years totaling approximately \$4.2 million, was reclassified from Land Held for Resale to Capital Assets. More detailed information about the Authority's capital assets is presented in the notes to the basic financial statements.

Debt Administration

As of June 30, 2013 and 2012, the Authority has three series of Tax Increment Contract Revenue Bonds totaling \$58,520,000 and \$61,610,000, respectively. The Authority remitted \$3,090,000 in principal payments on its bonds during fiscal year 2013. A debt service reserve fund in the amount of \$6,091,021 has been established based on an amount equivalent to the estimated annual debt service with the inclusion of Series 2003, 2005 and 2011 bonds.

In 2013 the Authority entered into a loan agreement with a developer for the purchase of a parcel of property totaling \$3,395,000. No principal payments were due on the loan during fiscal year 2013.

The City limits the amount of debt that the Authority may incur. The current debt limitation that the City has approved for the Authority is \$79.5 million for the issuance of bonds and \$6 million for the issuance of notes, which are secured by tax increments paid by the City to the Authority pursuant to the Tri-Party Agreement. Total debt outstanding at June 30, 2013 was \$63.7 million.

Additional information on the Authority's long term debt can be found in the notes to the basic financial statements.

GENERAL FUND BUDGETARY HIGHLIGHTS

The fiscal year 2013 budget was approved by the City for the Authority. Actual tax increments recorded by the Authority will be less than budgeted revenues each year because the Authority's adopted budget is based on gross tax increments to be remitted to the Zone. Included in the approved fiscal year 2013 budget was approximately \$2.3 million of tax increments for educational facilities, \$603,000 for affordable housing transfer to the County and \$544,000 for administrative fees which are budgeted as other interfund transfers. These funds are withheld by the City and paid directly to the City or paid back to HISD and to the County.

MANAGEMENT'S DISCUSSION AND ANALYSIS – CONTINUED

FUTURE PROJECTS

The Authority expects to issue Tax Increment Contract Revenue and Refunding Bonds, in fiscal year 2014. The projected proceeds of Series 2014 Bonds will be used for the purposes of funding affordable housing; costs of public improvements as authorized by the Project Plan; funding the reserve requirement of the debt service reserve fund and paying costs of issuance. This will be the sixth bond sale for the Authority.

The Authority staff continues to work with consultants and Camden Property Trust to conceptualize design improvements to the urban property called “Super Block Park” which is anticipated to include retail restaurant pads, unique landscaping and water features, park furniture and pedestrian-related infrastructure and an underground parking garage. This Super Block Project will become a signature focal point for Midtown and will be the catalyst for additional development along the Main Street Corridor and will also help to address the parking demand in the area.

The Authority continues to plan future capital improvement projects throughout the Zone consisting of street reconstruction and overlays, public right of ways improvements, parkland acquisitions, and utility upgrades.

Efforts continue to solicit grants from Federal Transportation Administration and Texas Department of Transportation to allow the implementation of the capital improvements for large scale public right of way infrastructure, green space improvements, and transit oriented development. Additionally, the use of Qualified Energy Conservation Bonds are being considered for conversion of the current decorative streets to LED lights that will be brighter, longer lasting and conserve energy.

Affordable housing land banking acquisitions will continue as the Authority works to execute its strategy to stabilize the historic urban neighborhood of Third Ward. Currently, the Authority is reviewing different programs and plans to stimulate and preserve the development of affordable housing in the area.

The Authority's budget for fiscal year 2014 has not been approved by the City's City Council; therefore the Authority will continue to operate under its approved budget for fiscal year 2013 pursuant to Section VI of the Tri- Party Agreement between the City, the Authority and the Zone, which states “In the event that the Zone Board or the City Council fails or refuses to approve the proposed Budget of the Authority for the ensuing year by July 1 of that year, the Authority may continue to operate on the Budget for the previous fiscal year for a period not to exceed twelve (12) months.” When approved the Fiscal Year 2014 Budget will include design and implementation of capital improvement projects, affordable housing projects and land banking, administration costs and the Municipal Service Fee. The City has again requested and the Authority has budgeted Municipal Service Costs for fiscal year 2014 for incremental service in the amount of \$1,274,000. Discussions are underway with the Houston Police Department how to best utilize these funds for fiscal year 2014 within the Zone.

* * * * *

This financial report is designed to provide a general overview of the Midtown Redevelopment Authority's finances for all those with an interest in the government's finances and to show the Authority's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Mathias Thibodeaux, Executive Director, 410 Pierce Street, Suite 355, Houston, Texas 77002.

MIDTOWN REDEVELOPMENT AUTHORITY
 GOVERNMENTAL FUNDS BALANCE SHEET
 AND STATEMENT OF NET POSITION
 JUNE 30, 2013

	General Fund	Capital Projects Fund	Affordable Housing Fund	Debt Service Fund	Total	Adjustments	Statement of Net Position
ASSETS:							
Cash and Cash Equivalents	\$ 564,218	\$ -	\$ 91,398	\$ 7,375,205	\$ 8,030,821	\$ -	\$ 8,030,821
Investments	8,576,907	2,676,229	2,602,955	6,091,021	19,947,112	-	19,947,112
Tax Increment Receivables	4,318,497	-	-	-	4,318,497	-	4,318,497
Other Receivables	617,700	-	-	-	617,700	-	617,700
Property Held for Resale	5,185,368	-	27,720,737	-	32,906,105	-	32,906,105
Capital Assets, Net	-	-	-	-	-	17,249,288	17,249,288
Costs of Issuance	-	-	-	-	-	1,383,474	1,383,474
TOTAL ASSETS	\$ 19,262,690	\$ 2,676,229	\$ 30,415,090	\$ 13,466,226	\$ 65,820,235	\$ 18,632,762	\$ 84,452,997
LIABILITIES:							
Accounts Payable	\$ 167,319	\$ 406,333	\$ 1,038,950	\$ -	\$ 1,612,602	\$ -	\$ 1,612,602
Interest Payable	-	-	-	-	-	1,381,024	1,381,024
Retainage Payable	-	-	-	-	-	721,947	721,947
Unearned Revenue	514,768	-	-	-	514,768	(514,768)	-
Loans Payable:							
Due Within One Year	-	-	-	-	-	1,853,660	1,853,660
Due After One Year	-	-	-	-	-	3,395,000	3,395,000
Bonds Payable:							
Due Within One Year	-	-	-	-	-	3,205,000	3,205,000
Due After One Year	-	-	-	-	-	55,834,392	55,834,392
TOTAL LIABILITIES	682,087	406,333	1,038,950	-	2,127,370	65,876,255	68,003,625
FUND BALANCES:							
Nonspendable	5,185,368	-	27,720,737	-	32,906,105	(32,906,105)	-
Restricted	3,490,448	-	1,443,797	13,466,226	18,400,471	(18,400,471)	-
Committed	1,787,816	2,269,896	211,606	-	4,269,318	(4,269,318)	-
Assigned	700,000	-	-	-	700,000	(700,000)	-
Unassigned	7,416,971	-	-	-	7,416,971	(7,416,971)	-
TOTAL FUND BALANCES	18,580,603	2,269,896	29,376,140	13,466,226	63,692,865	(63,692,865)	-
TOTAL LIABILITIES AND FUND BALANCES	\$ 19,262,690	\$ 2,676,229	\$ 30,415,090	\$ 13,466,226	\$ 65,820,235	-	-
NET POSITION:							
Invested in Capital Assets, Net of Related Debt						6,294,653	6,294,653
Restricted:							
Debt Service						13,466,226	13,466,226
Affordable Housing						29,376,140	29,376,140
Capital Expenditures						2,269,896	2,269,896
Unrestricted (Accumulated Deficit)						(34,957,543)	(34,957,543)
TOTAL NET POSITION						\$ 16,449,372	\$ 16,449,372
Total Fund Balance of Governmental Funds							\$ 63,692,865
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 in the Funds							17,249,288
Other Revenues are Not Available for Current Period Expenditures and Therefore are Deferred in the Funds							514,768
Certain Liabilities are Not Due and Payable in the Current Period and Therefore are Not Reported in the Funds							(721,947)
Long-Term Liabilities and Related Interest are Not Due and Payable in the Current Period and Therefore are Not Reported in the Funds							(5,248,660)
Tax Increment Revenue Bonds and Related Interest are Not Due and Payable in the Current Period and Therefore are Not Reported in the Funds							(60,420,416)
Costs of Issuance are Not Due and Payable in the Current Period and Therefore are Not Reported in the Funds							1,383,474
Net Position of Governmental Activities							\$ 16,449,372

The accompanying notes are an integral part of these basic financial statements.

MIDTOWN REDEVELOPMENT AUTHORITY
 GOVERNMENTAL FUNDS REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCES AND STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED JUNE 30, 2013

	General Fund	Capital Projects Fund	Affordable Housing Fund	Debt Service Fund	Total	Adjustments	Statement of Activities
REVENUES:							
Tax Increments	\$ 6,784,166	\$ -	\$ 3,101,675	\$ 7,339,417	\$ 17,225,258	\$ -	\$ 17,225,258
Investment Income	38,060	8,569	1,844	7,691	56,164	-	56,164
Other Revenue	362,688	-	-	-	362,688	(42,286)	320,402
TOTAL REVENUES	7,184,914	8,569	3,103,519	7,347,108	17,644,110	(42,286)	17,601,824
EXPENDITURES/EXPENSES:							
Current:							
Administration and Support	861,922	22,694	111,530	-	996,146	-	996,146
Municipal Service Costs Agreement	1,274,000	-	-	-	1,274,000	-	1,274,000
Depreciation	-	-	-	-	-	367,363	367,363
Amortization of Issuance Costs and Premiums, Net	-	-	-	-	-	(25,868)	(25,868)
Capital Outlay	5,521,342	7,896,131	4,452,625	-	17,870,098	(3,249,258)	14,620,840
Debt Service:							
Principal Retirements	107,067	-	-	3,090,000	3,197,067	(3,197,067)	-
Interest Charges	205,483	-	-	2,870,588	3,076,071	(54,270)	3,021,801
TOTAL EXPENDITURES/EXPENSES	7,969,814	7,918,825	4,564,155	5,960,588	26,413,382	(6,159,100)	20,254,282
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(784,900)	(7,910,256)	(1,460,636)	1,386,520	(8,769,272)	8,769,272	
OTHER FINANCING SOURCES:							
Issuance of Note Payable	3,395,000	-	-	-	3,395,000	(3,395,000)	
TOTAL OTHER FINANCING SOURCES	3,395,000	-	-	-	3,395,000	(3,395,000)	
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES	2,610,100	(7,910,256)	(1,460,636)	1,386,520	(5,374,272)	5,374,272	
CHANGE IN NET POSITION						(2,652,458)	(2,652,458)
FUND BALANCES/NET POSITION:							
Beginning of Year - Before Restatement	20,171,902	10,180,152	30,836,776	12,079,706	73,268,536		
Prior Period Adjustment	(4,201,399)	-	-	-	(4,201,399)		
Beginning of Year - As Restated	15,970,503	10,180,152	30,836,776	12,079,706	69,067,137	(54,166,706)	19,101,830
End of Year	\$ 18,580,603	\$ 2,269,896	\$ 29,376,140	\$ 13,466,226	\$ 63,692,865	\$ (47,243,493)	\$ 16,449,372
Change in Total Fund Balance of Governmental Funds							\$ (5,374,272)
Amounts Reported for Governmental Activities in the Statement of Activities are Different Because:							
Governmental Funds Report Capital Outlays as Expenditures While Governmental Activities Report Depreciation Expense to Allocate Those Expenditures Over the Life of the Assets:							
Capital Additions							3,249,258
Depreciation Expense							(367,363)
The Issuance of Long-Term Debt Provides Current Financial Resources in the Governmental Funds, While the Repayment of the Principal of Long-Term Debt Consumes the Current Financial Resources of Governmental Funds.							
Issuance of Refunding Bonds, Net of Payments to Escrow Agent							(3,395,000)
Repayment of Bond and Loan Principal							3,197,067
Governmental Funds Report the Effect of Issuance Costs, Premiums, Discounts, and Similar Items When Debt is First Issued, Whereas These Amounts are Deferred and Amortized in the Statement of Activities							
Other Revenues in the Statement of Activities that do Not Provide Current Financial Resources are Not Reported as Revenues in the Funds							25,868
Some Expenses Reported in the Statement of Activities Do Not Require the Use of Current Financial Resources and, Therefore, are Not Reported as Expenditures in Governmental Funds							(42,286)
							54,270
Change in Net Position of Governmental Activities							\$ (2,652,458)

The accompanying notes are an integral part of these basic financial statements.

MIDTOWN REDEVELOPMENT AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 1 – DESCRIPTION OF ORGANIZATION

Organization

Midtown Redevelopment Authority (the Authority) is a public not-for-profit local government corporation, incorporated July 11, 1995 under the laws of the State of Texas, and operating under Chapter 431, Texas Transportation Code. The Authority was authorized by the City of Houston (the City) on June 28, 1995 to aid, assist and act on the behalf of the City in the performance of the City's obligations with respect to Reinvestment Zone Number Two, City of Houston, Texas (Midtown TIRZ or Zone).

City of Houston Reinvestment Zone Number Two

Midtown TIRZ was created on December 14, 1994, under Chapter 311, Texas Tax Code (TIF Act), by the City, as a tax incremental reinvestment zone (TIRZ). The Midtown TIRZ originally consisted of 356 acres of the area known as Midtown. Of this total, 203 acres were designated for redevelopment during the life of the Midtown TIRZ (original area/Part A). In 1997, the City approved the addition of approximately 108 acres of land contiguous to the original zone (expanded area/Part B). In 1999, the City approved an additional six parcels of land, totaling approximately 153 acres that are contiguous to the original zone (expanded area/Part C) and in 2009, the City approved the enlargement of the Midtown TIRZ to include additional tracts of land immediately adjacent to the existing Zone which designated the Cultural District and the related facilities (expanded area/Part D). Part D consists of publicly owned land and is not presently taxed. Midtown TIRZ is authorized to provide new capital for public works and public improvements in Midtown. Midtown TIRZ provides a source of funding through the tax increments generated by redevelopment of the Midtown area. The area known as Midtown is generally located between the central business district of the City and the Texas Medical Center.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

As required by accounting principles generally accepted in the United States of America, these basic financial statements represent all the funds of the Midtown Redevelopment Authority. The Authority is a component unit of the City of Houston, Texas. Component units are legally separate entities for which the primary government is financially accountable.

Measurement Focus and Basis of Accounting

Government-Wide Financial Statement

The statement of net position and the statement of activities display information about the reporting government as a whole. These statements are prepared on the "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all of the Authority's assets, deferred outflows of resources, liabilities, and deferred inflows of resources are included in the accompanying Statement of Net Position. The Statement of Activities presents changes in net position. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred, regardless of the timing of the related cash flow. Annual assessments are recognized as revenues in the year for which they are levied. Expenses are recorded when liabilities are incurred.

MIDTOWN REDEVELOPMENT AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Government-Wide Financial Statement - Continued

Government-wide statements distinguish between governmental-type and business-type activities. Governmental activities are those financed through taxes, intergovernmental revenues, and other non-exchange revenues and are usually reported in governmental and internal service funds. Business activities are financed in whole or in part through fees charged for goods or services to the general public and are usually reported in proprietary funds. The Authority does not have any business-type activities.

Under the government-wide financial statements, net position is classified into three components as follows:

Invested in Capital Assets, Net of Related Debt - This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by outstanding balances of any bonds, notes or other borrowings.

Restricted - This component of net position consists of that on which constraints have been placed 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 - This component of net position consists of that which does not meet the definition of "Restricted" or "Invested in Capital Assets, Net of Related Debt".

Fund Financial Statements

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a current financial resources measurement focus and have been prepared using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they are "measurable and available"). "Measurable" means the amount of the transaction that can be determined and "available" means collectible within the current period or soon enough thereafter to pay liabilities of the current period. The Authority considers all revenue available if it is collected within 60 days after the year-end. Expenditures are recorded when the related fund liability is incurred as under accrual accounting. However, debt service expenditures as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Fund Accounting

The Authority uses funds to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions relating to certain government functions or activities. A fund is an accountability unit used to maintain control over resources segregated for specific activities or objectives. The funds the Authority uses are described below:

General Fund - The general fund is the general operating fund of the Authority. It accounts for all activities except those required to be accounted for in other funds.

Capital Projects Fund - The capital projects fund accounts for the construction of Authority projects funded with bond proceeds.

Affordable Housing Fund - The affordable housing fund accounts for the accumulation of financial resources for the payment of affordable housing projects.

Debt Service Fund - The debt service fund accounts for the accumulation of financial resources for the payment of principal and interest on bonds issued by the Authority. Tax increments are used for the payment of principal and interest.

MIDTOWN REDEVELOPMENT AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Fund Balance Classification

The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the Authority is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

Nonspendable – This classification includes amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact. The Authority has classified properties held for resale as being Nonspendable as these items are not expected to be converted to cash or are not expected to be converted to cash within the next year.

Restricted – This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. Debt service resources are to be used for future servicing of the tax increment contract revenue bonds and are restricted through debt covenants. Capital Projects resources are also restricted through debt covenants and affordable housing resources are restricted both through debt covenants and enabling legislation.

Committed – This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the Authority's Board of Directors. These amounts cannot be used for any other purpose unless the Board of Directors removes or changes the specified use by taking the same type of action (resolution) that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements.

Assigned – This classification includes amounts that are constrained by the Authority's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the Board of Directors or through the Board of Directors delegating this responsibility to the Authority's Executive Director through the budgetary process. This classification also includes the remaining positive fund balance for all governmental funds except for the General Fund.

Unassigned – This classification includes the residual fund balance for the General Fund. The Unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of Assigned fund balance amounts.

The Authority would typically use Restricted fund balances first, followed by Committed resources, and then Assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend Unassigned resources first to defer the use of these other classified funds.

MIDTOWN REDEVELOPMENT AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Tax Increments and Participation Agreements

The City, Harris County and Harris County Flood Control District (collectively the County), Houston Independent School District (HISD) and Houston Community College System (HCCS) (each a Participant) has agreed to deposit to the Tax Increment Fund established for the Midtown TIRZ (the Tax Increment Fund) a certain percentage of tax collections arising from their taxation of the increase, if any, in the appraised value of real property located in the Midtown TIRZ since January 1, 1995 for the original area and January 1, 1999 for the annexed area (the Tax Increments).

Each Participant is required to collect taxes on real property located within the Midtown TIRZ in the same manner as other taxes are collected by the Participant. The Participant is then required to pay into the Tax Increment Fund the Tax Increments, as agreed upon in accordance with such Participant's agreement with the City and the Midtown TIRZ (collectively, the Participation Agreements) by no later than the 90th day after the delinquency date for the Participant's property taxes. Thus, Tax Increments are due to be deposited in the Tax Increment Fund on May 1. The City has agreed to pay 100% of their Tax Increments to the Increment Fund. The County has agreed to pay 100% of the collected Tax Increment to the Increment Fund, but participates in the original area of the Zone only.

The County does not include in its Tax Increments taxes collected by the County for the Port of Houston Authority of Harris County, Texas, the Harris County Hospital District, or the Harris County Department of Education, but does include Harris County Flood Control District. HISD has agreed to pay collected Tax Increment arising from the Original Zone based on its then current tax rate and from the annexed areas based on a tax rate of \$0.96 per \$100 of value.

The First Amendment of the interlocal agreement between the City, HISD and the Midtown TIRZ amends HISD participation and provides for provision of tax increment funds for the payment of educational facilities project costs due to the annexation of additional area approved by the City of Houston Ordinance No. 1999-849 (annexed area). For the original area the HISD tax increment participation is the amount of taxes collected by HISD each year by levying a tax on property in the original area at the then current tax rate per \$100 valuation of the Captured Appraised Value. One third of the Tax Increment is attributable to affordable housing. Of the remaining two-thirds of the tax increment participation attributable to the original area: (a) beginning in the tax year commencing January 1, 2000, up to \$1,200,000 of taxes collected by HISD by levying a tax at a tax rate of \$0.64 per \$100 valuation on the Captured Appraised Value shall be for the payment of educational facilities project costs, (b) the amount of taxes collected by HISD by levying a tax at a tax rate of \$0.64 per \$100 valuation on the Captured Appraised Value in excess of \$1,200,000 shall be applied to the payment of non-educational facilities project costs, including administrative costs, and school support expenses, and (c) the remaining portion of the HISD tax increment participation attributable to the original area shall be for the payment of educational facilities project costs. HISD tax increment participation in the annexed area is the amount of taxes collected by HISD each year by levying at a tax rate of \$0.96 cents per \$100 of valuation on the Captured Appraised Value. One third of the Tax Increment is attributable for affordable housing, one-third for educational facilities project and one-third for non-educational facilities projects costs, including administrative costs and school support expenses. Under the provisions of the HISD interlocal agreement, taxes collected by HISD in any year on actual Captured Appraised Value that exceeds the estimate of Captured Appraised Value for that year shown in the Project Plan approved before September 1, 1999, shall be retained by HISD.

MIDTOWN REDEVELOPMENT AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Tax Increments and Participation Agreements – Continued

Beginning with tax year 2008, HCCS began to contribute 100% of the Tax Increments attributable to HCCS into the Tax Increment Fund. HCCS is not obligated to pay Tax Increments from any other source other than taxes collected on the Captured Appraised Value from the portion of taxes levied by HCCS for maintenance and operations. Initially, two-thirds of the HCCS Tax Increment, up to \$5,000,000, will be applied to project costs associated with streetscape improvements to the block faces that are contiguous to HCCS central campus. Thereafter, one-third of the HCCS Tax Increments will be applied to project costs in the general vicinity of HCCS central campus, one-third to any other eligible project costs, and the remaining one-third to affordable housing.

The Authority is dependent upon the Tax Increments. Default by any of the governmental entities involved in the Zone would impact the Authority's ability to repay its outstanding bonds, note and other obligations.

Affordable Housing

The TIF Act under which the Midtown TIRZ presently operates requires that one-third of the Tax Increments be dedicated to providing affordable housing during the term of the Midtown TIRZ. The Authority agreed to this covenant in the Bond Resolution and Tri-Party Agreement and the Authority will continually comply with the requirements in the TIF Act, if any, relating to the provision of affordable housing during the term of the Midtown TIRZ.

The Tri-Party Agreement requires that any portion of the affordable housing component of Tax Increment, including interest, or bond proceeds derived from such increments, paid to the Authority that remains unexpended or uncommitted at the end of twelve months after being received by the Authority will, upon request, be paid to the City for their affordable housing program. Under the amended agreement between the Authority and the County, the County is entitled to 19% of the annual affordable housing reserve, which is due and payable immediately upon the Authority's receipt of the necessary funds.

Investments

Investments consist of funds maintained by a trustee in a public funds investment pool and are stated at fair value based on quoted market prices. All investment income and changes in fair value are recognized in the statement of activities.

Investments are recorded at fair value. Fair values are based on published market rates. Investments of the Authority consist of Texas Short Term Asset Reserve Program (TexSTAR), a local government investment pool created under the Interlocal Cooperation Act, Chapter 791, Texas Government Code, and the Public Funds Investment Act, Chapter 2256, Texas Government Code. TexSTAR is administered by First Southwest Asset Management, Inc. and JPMorgan Chase Asset Management, Inc. The fair value of TexSTAR is based on quoted market values of the underlying investments of the pool and/or fund.

Property Held for Resale

Property held for resale consists of properties that the Authority has acquired for affordable housing and other properties held for future mixed-use development and are not used in the Authority's operations. The Authority intends to sell, lease or otherwise convey the properties to third parties for future development. Any properties sold, leased or otherwise conveyed by the Authority, related to affordable housing, will have a deed restriction to ensure the properties will be used only for affordable housing.

MIDTOWN REDEVELOPMENT AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Capital Assets

In the government-wide financial statements, capital assets are valued at cost, except for donated assets that are recorded at their estimated fair value at the date of donation. Interest during construction is capitalized.

Depreciation of capital assets is computed and recorded by the straight-line method. Estimated useful lives of the various classes of depreciable capital assets are as follows: building and improvements, 20 to 35 years; equipment, 3 to 5 years.

In the fund financial statements, fixed assets used in governmental fund operations are accounted for as capital outlay expenditures of the appropriate governmental fund upon acquisition.

Debt and Related Premiums, Discounts, and Issuance Costs

Debt consists of tax increment contract revenue bonds, a loan with a financial institution, and a loan with a developer.

In the government-wide financial statements, bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the life of the related debt.

In governmental fund financial statements, bond premiums, discounts and issuance costs are recognized in the current period. The face amount of the debt is reported as other financing sources. Premiums received on debt issuance are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt issuance expenditures.

Financial Instruments

The Authority's financial instruments (primarily cash, cash equivalents and investments, receivables, payables and borrowings) are carried in the accompanying financial statements at amounts which reasonably approximate fair value.

Federal Income Tax

The Authority is exempt from Federal income taxes under section 501(a) as an organization described in Section 501(c) 3 of the Internal Revenue Code. Furthermore, the Internal Revenue Service has ruled that the Authority is a publicly-supported organization and is not a private foundation. Under the provisions of Internal Revenue Procedure 95-48, the Authority is not required to file public information returns on Form 990.

MIDTOWN REDEVELOPMENT AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Use of Estimates

The preparation of the Authority's financial statements in conformity with accounting principles generally accepted in the United States of America requires the Authority's management to make estimates and assumptions that affect the amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates. Estimates that have the most impact on financial position and results of operations primarily relate to the collectability of tax increments and other receivables, the useful lives and recoverability of capital assets and land held for resale, and certain payables. The Authority's management believes these estimates and assumptions provide a reasonable basis for the fair presentation of the financial statements.

Subsequent Events

The Authority has evaluated subsequent events through the time the financial statements are available for issuance on September 24, 2013. No matters were identified affecting the financial statements or related disclosures.

NOTE 3 – AUTHORIZED INVESTMENTS

The Board of Directors has adopted and continues to amend and/or ratify annually a written investment policy regarding the investments of its funds as defined in the Public Funds Investment Act of 1997 (Chapter 2256, Texas Government Code). Such investments include (1) obligations of the United States or its agencies; (2) direct obligations of the State of Texas or its agencies; (3) 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; (4) certificates of deposit; (5) local government investment pools; and (6) various other items that comply with the Public Funds Investment Act.

NOTE 4 – DEPOSITS AND INVESTMENTS

Custodial credit risk for deposits with financial institutions is the risk that in the event of a bank failure, the Authority's deposits may not be returned to it. At June 30, 2013, the carrying amount of the Authority's deposits was \$8,030,821 and the bank balances totaled \$8,208,342. The Authority's deposits in excess of FDIC insurance totaling \$552,806 were collateralized. Cash deposits totaling \$7,378,667, which approximate fair value, represent money market investments in U.S. Government Securities.

Interest rate risk is the risk that changes in the interest rates will adversely affect the fair value of an investment. In accordance with the Authority's Investment Policy, the Authority limits its exposure to interest rate risk by structuring its portfolio to provide safety and liquidity of funds while maximizing yields for operating funds not immediately needed. The investment policy limits the maximum maturity of any investment to three (3) years.

Concentration of credit risk is the risk of loss attributed to the magnitude of investment in a single issuer. The Authority's investment policy does not limit the amount of funds that may be invested in any authorized investment.

MIDTOWN REDEVELOPMENT AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 4 – DEPOSITS AND INVESTMENTS – CONTINUED

As of June 30, 2013, the Authority had investments with TexSTAR Investment Pool and Local Government Investment Cooperative (LOGIC) totaling \$19,947,112 which mature in less than one year. Investments that are obligations of or guaranteed by the U.S. Government do not require disclosure of credit quality. The Authority's investment in TexSTAR fund is rated AAAM by Standard and Poor's and maintains a weighted average maturity of 60 days or less, with a maximum weighted average maturity of 13 months for any individual security. The Authority's investment in LOGIC is also rated AAAM by Standard and Poor's and maintains a weighted average maturity of 60 days or less.

NOTE 5 – RESTRICTED ASSETS

Certain amounts of cash, cash equivalents and investments are restricted by revenue bond ordinances or enabling legislation. A summary of these restricted assets at June 30, 2013 are as follows:

	Cash and Cash Equivalents	Investments	Total
Trustee Funds:			
Debt Service	\$ 7,375,205	\$ -	\$ 7,375,205
Debt Service Reserve Fund	-	6,091,021	6,091,021
Project Fund	-	2,676,229	2,676,229
Affordable Housing	<u>91,398</u>	<u>-</u>	<u>91,398</u>
Total Trustee Funds	<u>7,466,603</u>	<u>8,767,250</u>	<u>16,233,853</u>
Enabling Legislation:			
Affordable Housing	<u>-</u>	<u>2,602,955</u>	<u>2,602,955</u>
Total Restricted Assets	<u>\$ 7,466,603</u>	<u>\$ 11,370,205</u>	<u>\$ 18,836,808</u>

NOTE 6 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2013 was as follows:

	(Restated) Balance at July 1, 2012	Additions	Retirements	Balance at June 30, 2013
Non-Depreciable Assets:				
Land and Improvements	\$ 9,099,603	\$ 3,721,791	\$ -	\$ 12,821,394
Depreciable Assets:				
Buildings and Improvements	7,100,474	249,114	-	7,349,588
Equipment	<u>58,078</u>	<u>300</u>	<u>-</u>	<u>58,378</u>
Total Capital Assets	16,258,155	3,971,205	-	20,229,360
Less Accumulated Depreciation	<u>(2,612,709)</u>	<u>(367,363)</u>	<u>-</u>	<u>(2,980,072)</u>
Government Activities - Capital Assets, Net	<u>\$ 13,645,446</u>	<u>\$ 3,603,842</u>	<u>\$ -</u>	<u>\$ 17,249,288</u>

MIDTOWN REDEVELOPMENT AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 6 – CAPITAL ASSETS – CONTINUED

All property and equipment purchased by the Authority shall be the property of the Authority until the Zone is terminated. If the infrastructure is integrated in and used as a part of the City’s infrastructure, it may be conveyed to the City. Depreciation expense for the year ended June 30, 2013 totaled \$367,363.

NOTE 7 – LOANS PAYABLE

A summary of changes in the Authority’s loans payable follows:

Balance at July 1, 2012	\$ 1,960,727
Additions	3,395,000
Retirements	<u>(107,067)</u>
Balance at June 30, 2013	\$ <u>5,248,660</u>
Current Portion, Long-Term Debt	\$ <u>1,853,660</u>

In September 2012, the Authority purchased property for the development of a park for \$3,395,000. The Authority financed the acquisition with a promissory note with a Developer. Under the terms of the promissory note, the Authority will make interest only payments on January 1 and July 1 beginning July 1, 2013 through October 1, 2015 at which point any accrued but unpaid interest and principal are due. Interest is payable at the Wall Street Journal’s prime rate plus 1%. The note is secured by 3300 Main Street property.

In November 2010, the Authority obtained a \$2,125,000 loan with a bank which was used to purchase the Houston Museum of African American Culture land and building. The loan bears interest at 4.5%, requires monthly principal and interest payments totaling \$16,327 and matures November 24, 2013. A balloon payment of \$1,813,035 is payable at maturity. The loan is secured by a \$355,000 deposit account held with the bank.

Future minimum payments as of June 30 are as follows:

Fiscal Year	
<u>Ending</u>	
2014	\$ 1,853,660
2015	-
2016	<u>3,395,000</u>
Total	\$ <u>5,248,660</u>

NOTE 8 – TAX INCREMENT CONTRACT REVENUE BONDS

A summary of changes in tax increment contract revenue bonds follows:

Balance at July 1, 2012	\$ 61,610,000
Additions	-
Retirements	<u>(3,090,000)</u>
Balance at June 30, 2013	\$ <u>58,520,000</u>
Current Portion, Long-Term Debt	\$ <u>3,205,000</u>

MIDTOWN REDEVELOPMENT AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 8 – TAX INCREMENT CONTRACT REVENUE BONDS – CONTINUED

Tax Increment Revenue Bonds at June 30, 2013 consist of the following:

<u>Date Series Issued</u>	<u>Outstanding Balance</u>
2003	\$ 8,945,000
2005	19,335,000
2011	<u>30,240,000</u>
Total Principal Payable	58,520,000
Unamortized Premium and Discount, Net	<u>519,392</u>
Total Bonds Payable	\$ <u>59,039,392</u>

In September 2003, the Authority issued Tax Increment Contract Revenue Bonds Series 2003 (the 2003 Bonds) in the aggregate principal amount of \$13,500,000. The 2003 Bonds mature serially January 1, in each year 2005 through 2024. The 2003 Bonds are callable in whole or in part any date beginning July 1, 2014 at par. The 2003 Bonds bear interest between 3.0% and 5.125% annually and have semi-annual interest payments due on January 1 and July 1 as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 635,000	\$ 452,186	\$ 1,087,186
2015	660,000	422,818	1,082,818
2016	695,000	391,798	1,086,798
2017	725,000	358,438	1,083,438
2018	765,000	322,913	1,087,913
2019-2023	4,435,000	989,214	5,424,214
2024	<u>1,030,000</u>	<u>54,075</u>	<u>1,084,075</u>
Total	\$ <u>8,945,000</u>	\$ <u>2,991,442</u>	\$ <u>11,936,442</u>

In July 2005, the Authority issued Tax Increment Contract Revenue Bonds Series 2005 (the 2005 Bonds) in the aggregate principal amount of \$22,620,000. The 2005 Bonds mature serially January 1, in each year 2007 through 2025. The 2005 Bonds are callable in whole or in part any date beginning January 1, 2016 at par. The 2005 Bonds bear interest between 4.0% and 5.0% annually and have semi-annual interest payments due on January 1 and July 1 as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 550,000	\$ 894,475	\$ 1,444,475
2015	570,000	872,475	1,442,475
2016	600,000	843,975	1,443,975
2017	630,000	813,975	1,443,975
2018	655,000	788,775	1,443,975
2019-2023	8,570,000	3,240,325	11,810,325
2024-2025	<u>7,760,000</u>	<u>540,225</u>	<u>8,300,225</u>
Total	\$ <u>19,335,000</u>	\$ <u>7,994,225</u>	\$ <u>27,329,225</u>

MIDTOWN REDEVELOPMENT AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 8 – TAX INCREMENT CONTRACT REVENUE BONDS – CONTINUED

In August, 2011, the Authority issued Tax Increment Contract Revenue and Refunding Bonds Series 2011 (the 2011 Bonds) in the aggregate principal amount of \$33,130,000. The 2011 Bonds mature serially January 1, in each year 2012 through 2033. The 2011 Bonds are callable in whole or in part any date beginning January 1, 2021 at par. The 2011 Bonds bear interest between 2.0% and 5.375% annually and have semi-annual interest payments due on January 1 and July 1 as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 2,020,000	\$ 1,415,388	\$ 3,435,388
2015	2,105,000	1,334,586	3,439,586
2016	2,180,000	1,250,386	3,430,386
2017	2,270,000	1,163,188	3,433,188
2018	2,385,000	1,049,686	3,434,686
2019-2023	9,080,000	3,620,758	12,700,758
2024-2028	4,485,000	2,159,254	6,644,254
2029-2033	<u>5,715,000</u>	<u>932,886</u>	<u>6,647,886</u>
Total	\$ <u>30,240,000</u>	\$ <u>12,926,132</u>	\$ <u>43,166,132</u>

A portion of the net proceeds totaling \$15,486,913 were used to refund the Series 1998 and Series 2001 bonds with a total principal amount of \$15,345,000 and an average interest rate of 5.5%. The net proceeds were deposited into an irrevocable trust with an escrow agent to provide for the debt service payments on the refunded bonds. Debt service on the refunded bonds was paid in full on September 1, 2011. The refunding was undertaken to reduce total debt service payments over the next 10 years by \$1,329,304 and resulted in an economic gain of \$1,046,155.

NOTE 9 – FUND BALANCES – GOVERNMENTAL FUNDS

As of June 30, 2013, fund balances of the governmental funds are classified as follows:

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Affordable Housing Fund</u>	<u>Debt Service Fund</u>	<u>Total</u>
Nonspendable:					
Property Held for Resale	\$ 5,185,368	\$ -	\$ 27,720,737	\$ -	\$ 32,906,105
Restricted for:					
Streetscapes and Gateways	3,490,448	-	-	-	3,490,448
Affordable Housing	-	-	1,443,797	-	1,443,797
Debt Service	-	-	-	13,466,226	13,466,226
Committed to:					
Affordable Housing	-	-	211,606	-	211,606
Streetscapes and Gateways	-	1,493,076	-	-	1,493,076
Parks	1,437,816	776,820	-	-	1,885,635
Cultural and Public Facilities	350,000	-	-	-	350,000
Assigned to:					
Cultural and Public Facilities	700,000	-	-	-	700,000
Unassigned	<u>7,416,971</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,416,971</u>
Total Fund Balances	\$ <u>18,580,603</u>	\$ <u>2,269,896</u>	\$ <u>29,376,140</u>	\$ <u>13,466,226</u>	\$ <u>63,692,865</u>

MIDTOWN REDEVELOPMENT AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 10 – TAX INCREMENT SUMMARY

The Authority's tax increments, net of transfers, were received from the following Participants:

	<u>Gross Increment</u>	<u>Transfers</u>	<u>Net Increment</u>
City of Houston	\$ 6,551,059	\$ (327,553)	\$ 6,223,496
Houston Independent School District (Tax Year 2012 Set Aside)	2,600,637	(1,733,758)	866,879
Houston Independent School District	8,162,054	(2,345,667)	5,816,387
Harris County	3,692,026	(184,601)	3,507,425
Houston Community College System	<u>836,071</u>	<u>(25,000)</u>	<u>811,071</u>
 Total Tax Increments	 \$ <u>21,841,837</u>	 \$ <u>(4,616,579)</u>	 \$ <u>17,225,258</u>

NOTE 11 – 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; personal injuries; and natural disasters. The risk of loss is covered by commercial insurance. There have been no significant reductions in insurance coverage and no settlements.

NOTE 12 – COMMITMENTS AND CONTINGENCIES

Houston Technology Center Lease Agreement

The Authority and Technology & Entrepreneurship Center of Houston, Inc., a Texas non-profit corporation, d/b/a Houston Technology Center (HTC) entered into a lease agreement in June 2006 related to the 402 and 410 Pierce Street Buildings. The lease agreement was an extension and entire restatement of the original lease agreement entered into in July 2001 between these same parties. The lease commencement date for the 410 Pierce Street building was June 1, 2002 and the lease commencement date for the 402 Pierce Street building was August 16, 2006. The lease agreement expires in August 2026.

Under the lease agreement, HTC will pay a base rent of \$1 per year to the Authority. In addition, HTC is required to pay annual performance rent, subject to certain limitations and considerations as defined in the lease agreement. If HTC does not have sufficient positive cash flow for the completed lease year, then the performance rent due will be accrued. Performance rent that accrues will not bear interest. The following maximum performance rent is payable under the lease agreement

<u>Lease Year</u>	<u>Maximum Annual Performance Rent</u>
1	\$ 74,250
2 – 10	\$ 100,000 / year
11 – 20	\$ 150,000 / year

When the lease expires or if HTC ceases to operate as the "Houston Technology Center", any accrued, but unpaid, performance rent due to the Authority shall be forgiven. Due to these stipulations, no performance rent has been accrued as of June 30, 2013. HTC remitted \$63,573 in performance rent to the Authority during fiscal year 2013.

MIDTOWN REDEVELOPMENT AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 12 – COMMITMENTS AND CONTINGENCIES – CONTINUED

Houston Technology Center Lease Agreement – Continued

The Authority and HTC entered into an agreement in June 2006 for the lease of the 402 Pierce Street building (lease agreement). The lease agreement provides for HTC to reimburse the Authority \$592,000 for a portion of the build out costs incurred by the Authority on behalf of HTC. HTC will reimburse the Authority in 14 equal annual installments of \$42,285 beginning in August 2012. The amount due from HTC has been recorded in the accompanying basic financial statements.

During fiscal year 2010, the Authority entered into a sub-lease agreement with HTC to lease additional office space under an operating lease arrangement which expired on October 1, 2010 and renews monthly. For the fiscal year ended June 30, 2013, rent expense for the office totaled \$13,440.

Municipal Service Costs Agreement

The Authority, the Zone, and the City entered into an agreement whereby the Authority will pay to the City incremental costs of providing increased municipal services incurred as a result of the creation of the Zone or the development or redevelopment of the land in the Zone. Payment of the incremental service costs is from the City's Tax Increment and is limited to the available Tax Increment received by the Authority as defined in the agreement and the amount included in the Authority's annual approved budget. If the City's available Tax Increment is not sufficient in any year to pay the amount included in the approved budget, the amount due will accrue without interest. The agreement renews annually each June 30.

Houston Museum of African American Culture

During fiscal year 2011, the Authority entered into an agreement with HMAAC (or the Museum) to purchase the land and building of the Museum and then lease back the property for a term of three years. The Museum was to make a single payment of \$450,000 (the lease payment) to the Authority on or before July 31, 2011. Due to the financial constraints of HMAAC, the lease payment has not been remitted to the Authority. The agreement was amended in October 2012 whereby the Authority agreed to a single rent payment from the Museum of \$10,000. HMAAC continues to occupy the property pursuant to the terms of the agreement. Due to the current financial uncertainties of HMAAC, no additional obligations from the Museum have been recorded in the accompanying financial statements.

Consultants

The Authority enters into agreements with various consultants to provide professional services each year.

Administrative Agreement

The Authority has a memorandum of understanding with Fourth Ward Redevelopment Authority (Fourth Ward) and Midtown Management District (the District) whereby the Authority provides office space, certain equipment and certain staff services to Fourth Ward and the District. The Authority provided services totaling \$328,496 in fiscal year 2013 to these entities. Such amounts are included as other income in the accompanying basic financial statements.

MIDTOWN REDEVELOPMENT AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 13 – PRIOR PERIOD ADJUSTMENT

In the General Fund statements, Land Held for Resale previously included the Superblock property. During fiscal year 2013, the Authority purchased additional property adjacent to the original property held and is proceeding with the development of a three acre park and parking garage. As a result, the Authority intends to hold the asset for use and the property has been removed from Land Held for Resale and the following restatement recorded:

Beginning Fund Balance – General Fund	\$ 20,171,902
Adjustment to Reduce Land Held for Resale	<u>(4,201,399)</u>
Beginning Fund Balance – General Fund, as Restated	\$ <u>15,970,503</u>

For purposes of the government-wide statements, the property was reclassified from land held for resale to capital assets. This reclassification had no impact on total net position.

NOTE 14 – SUBSEQUENT PRONOUNCEMENTS

Governmental Accounting Standards Board (GASB) issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*, which is effective for financial statements for periods beginning after December 15, 2012. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities. Additionally, certain items that were previously reported as assets and liabilities will be reclassified as outflows of resources and inflows of resources.

In addition to the need for establishing a framework detailing how these new elements should be reported, GASB continues to review the presentation of deferred balances and their effect on a government's net position. GASB recently issued Statement No. 66, - *Technical Correction* to resolve some of these issues. The provisions of this statement are effective for financial statements for periods beginning after December 15, 2012.

REQUIRED SUPPLEMENTARY INFORMATION
AND
SUPPLEMENTARY INFORMATION

MIDTOWN REDEVELOPMENT AUTHORITY
 BUDGETARY COMPARISON SCHEDULE - ALL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2013

	<u>Original and Final Budgeted Amounts</u>	<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance With Final Budget</u>
BUDGETARY FUND BALANCE - BEGINNING OF YEAR	\$ 50,499,940	\$ 69,067,137	\$ 18,567,197
Resources:			
Tax Increments	18,830,694	21,841,837	3,011,143
Grant Proceeds	5,450,000	-	(5,450,000)
Loan Proceeds	-	3,395,000	3,395,000
Other	<u>632,474</u>	<u>418,852</u>	<u>(213,622)</u>
Total Available Resources	<u>75,413,108</u>	<u>94,722,826</u>	<u>19,309,718</u>
Expenses:			
Maintenance and Operations	603,050	996,146	(393,096)
Project Costs and Capital Expenditures	30,738,500	20,217,950	10,520,550
Debt Service	1,627,660	6,273,138	(4,645,478)
Other Interfund Transfers:			
Affordable Housing	603,278	870,494	(267,216)
HISD Educational Facilities	2,306,741	4,054,425	(1,747,684)
Municipal Services - Public Safety	1,274,000	1,274,000	-
Administrative Fees	<u>544,000</u>	<u>562,154</u>	<u>(18,154)</u>
Total Expenses	<u>37,697,229</u>	<u>34,248,307</u>	<u>3,448,922</u>
BUDGETARY FUND BALANCE - END OF YEAR	<u>\$ 37,715,879</u>	<u>\$ 60,474,519</u>	<u>\$ 22,758,640</u>

Explanation of Differences between Budgetary Inflows and Outflows and GAAP Revenues and Expenditures

Sources/Inflows of Resources:		
Actual Amounts (Budgetary Basis)		\$ 94,722,826
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		(69,067,137)
Issuance of Loans are Reported as Other Financing Sources		(3,395,000)
Budgeted Revenues Include HISD Educational Facilities Transfers and City Administrative Charges, while the Authority's Funds Report Revenues Net of These Transfers		<u>(4,616,579)</u>
Total Revenue as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Total Governmental Funds		<u>\$ 17,644,110</u>
Uses/Outflows of Resources:		
Actual Amounts (Budgetary Basis)		\$ 34,248,307
Differences - Budget to GAAP:		
Purchases of Land Held for Resale are Capitalized in the Governmental Funds Balance Sheet but are Included as Capital Expenditures for Budgetary Purposes		(3,218,346)
Budgeted Expenditures Include HISD Educational Facilities Transfers and City Administrative Charges, while the Authority's Funds Report Revenues Net of These Transfers		<u>(4,616,579)</u>
Total Expenditures as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Total Governmental Funds		<u>\$ 26,413,382</u>

See Independent Auditor's Report.

MIDTOWN REDEVELOPMENT AUTHORITY
SCHEDULE OF OPERATING EXPENSES AND CAPITAL EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2013

<u>Management Consulting Services</u>	<u>Vendor</u>	<u>Budget</u>	<u>Actual Expenditures</u>	<u>Variance</u>
Administration and Overhead:				
Administration (Salaries, Benefits and Taxes) (2)	n/a	\$ 273,000	\$ 265,801	\$ 7,199
Office Expenses (2)	n/a	170,000	217,771	(47,771)
Insurance	Anco-Wessendorff	35,000	42,359	(7,359)
Accounting (2)	Bookkeeper	32,000	29,516	2,484
Accounting	McConnell & Jones LLP	-	22,266	(22,266)
Auditor - Financial	Gainer Donnelly, LLP	22,050	19,550	2,500
Bond Services/Trustee	First Southwest	17,500	6,065	11,435
Total Administration and Overhead		<u>549,550</u>	<u>603,328</u>	<u>(53,778)</u>
Program and Project Consultants:				
Legal - General Matters	Bracewell & Guiliani, LLP	45,000	43,112	1,888
Engineering Consultants	ESPA Engineering/ ISD Engineering	-	13,110	(13,110)
Construction Audits	Gainer Donnelly, LLP	8,500	8,100	400
Total Program and Project Consultants		<u>53,500</u>	<u>64,322</u>	<u>(10,822)</u>
Total Management Consulting Services		<u>\$ 603,050</u>	<u>\$ 667,650</u>	<u>\$ (64,600)</u>
Capital Expenditures				
T-0202 Midtown Future Parks	Walter P. Moore	\$ -	\$ 25,901	\$ (25,901)
T-0203 Midtown Gateways	Neon Electric	-	3,965	(3,965)
T-0204 Enhanced Street Lights	Centerpoint Energy/City of Houston	150,000	-	150,000
T-0206 South East Street Reconstruction		500,000	-	500,000
T-0210 Main Street Enhancements:	Southwest Wholesale	300,000	9,547	290,453
T-0211 HCC Academic Walk Holman (FTA):				
Construction	ISD Engineering	1,200,000	48,146	1,151,854
Other	Houston Community College System	-	68,615	(68,615)
Other	Bracewell & Guiliani, LLP	9,500	6,414	3,086
Total HCC Academic Walk Holman (FTA)		<u>1,209,500</u>	<u>123,175</u>	<u>1,086,325</u>
T-0235 Holman Pedestrian Enhancements (7 Blocks):				
Construction		1,340,000	-	1,340,000
Other		10,000	-	10,000
Total Holman Pedestrian Enhancements		<u>1,350,000</u>	<u>-</u>	<u>1,350,000</u>
T-0214 Caroline Streets @ HCCS (Tuam to Holman):				
Construction	ESPA Corporation	1,730,000	192,919	1,537,081
Other	Houston Community College System	-	217,637	(217,637)
Other		9,500	35,538	(26,038)
Total Caroline Streets @ HCCS		<u>1,739,500</u>	<u>446,094</u>	<u>1,293,406</u>
T-0225 Caroline Street Enhancements (Pierce to Elgin)	ESPA Corp	2,500,000	251,321	2,248,679
T-0212 Gray Street Reconstruction (100-1700 Block):				
Design	Clark Condon Associates	-	102,265	(102,265)
Construction	Spaw Glass Civil Construction/ MGM Consortium	854,000	543,602	310,398
Total Gray Street Reconstruction (100-1700 Block)		<u>854,000</u>	<u>645,867</u>	<u>208,133</u>
T-0213 Alabama Street Reconstruction (800 & 900 Blocks)				
Design	Walter P. Moore	600,000	4,258	595,742
T-0217 Bagby Street Reconstruction:				
Design	Walter P. Moore	-	126,859	(126,859)
Design	ESPA Corporation	-	255,633	(255,633)
Construction	SER Construction	8,100,000	5,288,074	2,811,926
Legal	Bracewell & Guiliani	-	89,000	(89,000)
Other	Aviles Engineering	-	160,161	(160,161)
Total Bagby Steet Study		<u>8,100,000</u>	<u>5,919,727</u>	<u>2,180,273</u>

See Independent Auditor's Report.

MIDTOWN REDEVELOPMENT AUTHORITY
SCHEDULE OF OPERATING EXPENSES AND CAPITAL EXPENDITURES - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2013

<u>Capital Expenditures - Continued</u>	<u>Vendor</u>	<u>Budget</u>	<u>Actual Expenditures</u>	<u>Variance</u>
T-0220 Affordable Housing:				
Acquisition	Various	\$ 2,500,000	\$ 3,185,494	\$ (685,494)
Grant	Re-Ward Third Ward CDC	-	500,000	(500,000)
Pilot Program	Catama Builders / Row House CDC / ESPA Corp	3,500,000	2,236,506	1,263,494
Other Professional Services	Various	-	957,155	(957,155)
Total Affordable Housing (1)		6,000,000	6,879,155	(879,155)
T-0221 Midtown Superblock Park:				
Planning	Walter P. Moore	-	254,145	(254,145)
Construction		2,750,000	-	2,750,000
Land Acquisition	Various	-	3,506,306	(3,506,306)
Legal	Bracewell & Guiliani, LLP	-	155,404	(155,404)
Other	Various	5,500	50,415	(44,915)
Total Midtown Superblock Park		2,755,500	3,966,270	(1,210,770)
T-0222 Street Overlay Program:				
Construction		750,000	-	750,000
T-0223 Safe Sidewalk Program				
		500,000	-	500,000
T-0229 Glover Park:				
Design	Walter P. Moore	-	37,361	(37,361)
Construction	Millis Development & Construction	230,000	92,355	137,645
Total Glover Park		230,000	129,716	100,284
T-0233 Parking Garage Super Block				
	Walter P. Moore	1,500,000	68,500	1,431,500
T-0234 Entry Plazas:				
Design		50,000	-	50,000
Construction		200,000	-	200,000
Total Entry Plazas		250,000	-	250,000
T-0236 Midtown Park:				
Design	Walter P. Moore	-	16,784	(16,784)
	ESPA Corp	-	44,784	(44,784)
Construction	P2MG	1,000,000	204,330	795,670
Total Midtown Park		1,000,000	265,898	734,102
T-0237 Baldwin Park Upgrade				
Design	Walter P. Moore	-	71,476	(71,476)
	ESPA Corporation	-	60,306	(60,306)
Construction	Millis Development & Construction	450,000	350,945	99,055
Total Baldwin Park Upgrade		450,000	482,727	(32,727)
T-0238 3300 Main				
Other	Various	-	40,505	(40,505)
Grants				
	Asia Society	-	165,000	(165,000)
General CIP:				
Design Services	Walter P. Moore	-	152,829	(152,829)
Design Services	ESPA Corporation	-	196,049	(196,049)
Other Consultants	Phillip Franshaw / F. Charles LeBlanc	-	168,073	(168,073)
Other Professional Services	The Goodman Corporation	-	81,250	(81,250)
Other Professional Services	Bracewell & Guiliani	-	100,502	(100,502)
Other Professional Services	Various	-	91,621	(91,621)
Total General CIP		-	790,324	(790,324)
Total Capital Expenditures		\$ 30,738,500	\$ 20,217,950	\$ 10,520,550

(1) Affordable housing expenditures exclude the amounts paid to Harris County as required under the Interlocal Agreement totaling \$870,494 as these amounts are included on the Authority's budget with operating fund transfers.

(2) Salaries and related expenses excludes \$328,496 reimbursed by Midtown Management District and Fourth Ward Redevelopment Authority
See Independent Auditor's Report.

MIDTOWN REDEVELOPMENT AUTHORITY
SCHEDULE OF ESTIMATED PROJECT COSTS TO ACTUAL EXPENDITURES
FOR THE PERIOD DECEMBER 29, 1995 (DATE OF INCEPTION) THROUGH JUNE 30, 2013

<u>Budget Line Item</u>	<u>Budgeted Expenditures (a)</u>	<u>Actual Expenditures From Inception (December 29, 1995) Through June 30, 2012</u>	<u>Actual Expenditures for the Year Ended June 30, 2013 (c)</u>	<u>Actual Expenditures From Inception (December 29, 1995) Through June 30, 2013</u>
<u>NON-EDUCATIONAL PROJECT COSTS</u>				
Infrastructure Improvements:				
Roadway and Utility System Improvements:				
Streets and Utilities	\$ 70,263,856	\$ 11,623,374	\$ 6,621,400	\$ 18,244,774
Streetscape and Gateways	40,773,654	21,639,623	782,554	22,422,177
Public Infrastructure	<u>18,000,000</u>	<u>-</u>	<u>68,500</u>	<u>68,500</u>
Total Infrastructure Improvements	129,037,510	33,262,997	7,472,454	40,735,451
Other Project Costs:				
Real Property Assembly	25,533,106	13,222,886	3,663,443	16,886,329
Professional Services	6,966,225	3,682,900	846,546	4,529,446
Historic Preservation	139,992	139,992	-	139,992
Parks and Recreational Facilities	19,903,004	8,014,130	1,364,206	9,378,336
Safety and Security Infrastructure	1,576,262	-	-	-
Remediation	4,393,956	-	-	-
Cultural and Public Facilities	<u>6,633,276</u>	<u>3,433,321</u>	<u>253,851</u>	<u>3,687,172</u>
Total Other Project Costs	65,145,821	28,493,229	6,128,046	34,621,275
Affordable Housing	129,888,707	43,577,589	7,749,649	51,327,238
Financing Costs (b)	60,831,816	33,080,563	2,870,588	35,951,151
Zone Administration	15,948,538	11,007,574	611,428	11,619,002
<u>EDUCATIONAL PROJECT COSTS</u>				
Education Project Costs	<u>83,770,000</u>	<u>25,934,700</u>	<u>4,054,425</u>	<u>29,989,125</u>
TOTAL PROJECT PLAN	\$ <u>484,622,392</u>	\$ <u>175,356,652</u>	\$ <u>28,886,590</u>	\$ <u>204,243,242</u>

(a) Expenditures for the life of the Zone as provided in the Project and Financing Plan. This includes expenditures for both original and annexed areas in the Zone. Line item amounts may be adjusted with approval of the City and the Zone Board of Directors as long as the total costs do not exceed \$484,622,412. The Budgeted Expenditures are reported based on the Authority's 5th Amendment to the Project and Financing Plan that was approved by City Council in July 2013. The Authority anticipates amending the allocation of budgeted expenditures in fiscal year 2014

(b) Amount expended for the year ended June 30, 2013, does not include the repayment of bond principal debt in the amount of \$8,834,273

(c) Expenditures are reported on the accrual basis.

See Independent Auditor's Report.

MIDTOWN REDEVELOPMENT AUTHORITY
 SCHEDULE OF PROPERTIES HELD - LAND HELD FOR RESALE
 FOR THE YEAR ENDED JUNE 30, 2013

<u>Property ID #</u>	<u>Total Value</u>
Purchased Properties - Affordable Housing:	
MRA 001	\$ 109,855
MRA 002	1,270,391
MRA 003	587,183
MRA 004	52,051
MRA 005	47,181
MRA 006	30,750
MRA 007	34,161
MRA 008	36,702
MRA 009	40,483
MRA 010	92,021
MRA 011	58,433
MRA 012	2,384,432
MRA 013	39,880
MRA 014	51,446
MRA 015	22,846
MRA 016	73,528
MRA 017	49,169
MRA 018	79,183
MRA 019	552,914
MRA 020	40,955
MRA 021	175,742
MRA 022	46,974
MRA 023	22,421
MRA 024	38,492
MRA 025	59,313
MRA 026	49,826
MRA 027	55,871
MRA 028	50,289
MRA 029	50,239
MRA 030	82,780
MRA 031	64,756
MRA 032	49,792
MRA 033	49,304
MRA 034	54,015
MRA 035	54,351
MRA 036	61,128
MRA 037	69,942
MRA 038	28,402
MRA 039	149,920
MRA 040	59,338
MRA 041	51,960
MRA 043	97,118
MRA 044	143,750
MRA 045	76,627
MRA 046	66,995

See Independent Auditor's Report.

MIDTOWN REDEVELOPMENT AUTHORITY
SCHEDULE OF PROPERTIES HELD - LAND HELD FOR RESALE - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2013

<u>Property ID #</u>	<u>Total Value</u>
Purchased Properties - Affordable Housing (Continued):	
MRA 047	\$ 47,201
MRA 048	39,205
MRA 049	44,898
MRA 050	60,562
MRA 051	25,944
MRA 052	49,606
MRA 053	46,881
MRA 054	45,794
MRA 055	43,748
MRA 056	53,116
MRA 057	51,615
MRA 058	59,301
MRA 059	60,907
MRA 060	52,078
MRA 061	75,904
MRA 062	59,985
MRA 063	61,854
MRA 064	42,454
MRA 065	131,406
MRA 066	56,788
MRA 068	47,215
MRA 069	120,466
MRA 071	46,664
MRA 072	49,840
MRA 073	539,513
MRA 075	123,670
MRA 076	82,100
MRA 077	274,309
MRA 078	46,584
MRA 079	58,276
MRA 081	51,573
MRA 082	63,895
MRA 086	135,064
MRA 087	41,963
MRA 088	75,056
MRA 089	72,882
MRA 090	73,286
MRA 091	57,086
MRA 092	47,006
MRA 093	58,694
MRA 094	54,141
MRA 095	169,777

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MIDTOWN REDEVELOPMENT AUTHORITY
SCHEDULE OF PROPERTIES HELD - LAND HELD FOR RESALE - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2013

<u>Property ID #</u>	<u>Total Value</u>
Purchased Properties - Affordable Housing (Continued):	
MRA 096	\$ 112,485
MRA 097	-
MRA 098	139,147
MRA 099	59,613
MRA 100	54,628
MRA 101	63,538
MRA 102	51,881
MRA 103	49,211
MRA 104	68,243
MRA 105	-
MRA 106	-
MRA 107	124,476
MRA 108	99,863
MRA 109	33,432
MRA 110	109,552
MRA 111	79,296
MRA 112	57,181
MRA 113	63,951
MRA 114	77,641
MRA 115	57,012
MRA 116	56,824
MRA 117	62,204
MRA 118	62,404
MRA 119	43,900
MRA 120	466,009
MRA 121	93,114
MRA 122	67,347
MRA 123	52,019
MRA 124	45,015
MRA 125	46,632
MRA 126	46,937
MRA 127	52,803
MRA 128	52,147
MRA 129	52,745
MRA 130	52,560
MRA 131	53,970
MRA 132	55,800
MRA 133	55,800
MRA 134	55,705
MRA 135	55,705
MRA 136	55,504
MRA 137	51,074

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MIDTOWN REDEVELOPMENT AUTHORITY
SCHEDULE OF PROPERTIES HELD - LAND HELD FOR RESALE - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2013

<u>Property ID #</u>	<u>Total Value</u>
Purchased Properties - Affordable Housing (Continued):	
MRA 138	\$ 109,315
MRA 139	50,731
MRA 140	54,715
MRA 141	61,890
MRA 142	41,441
MRA 143	45,890
MRA 144	54,215
MRA 145	83,741
MRA 146	84,466
MRA 148	45,923
MRA 149	69,704
MRA 150	260,465
MRA 151	319,465
MRA 152	531,508
MRA 153	263,548
MRA 154	49,645
MRA 155	50,140
MRA 156	55,890
MRA 157	44,965
MRA 158	38,905
MRA 159	45,674
MRA 160	31,213
MRA 161	46,472
MRA 162	314,592
MRA 163	47,430
MRA 164	49,580
MRA 165	42,545
MRA 166	53,570
MRA 167	58,518
MRA 168	128,835
MRA 169	214,131
MRA 170	104,375
MRA 171	62,375
MRA 172	111,029
MRA 173	75,435
MRA 174	388,751
MRA 175	72,853
MRA 176	140,837
MRA 177	57,032
MRA 178	53,003
MRA 179	63,258
MRA 180	98,491

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MIDTOWN REDEVELOPMENT AUTHORITY
SCHEDULE OF PROPERTIES HELD - LAND HELD FOR RESALE - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2013

<u>Property ID #</u>	<u>Total Value</u>
Purchased Properties - Affordable Housing (Continued):	
MRA 181	\$ 36,610
MRA182	61,375
MRA 183	77,763
MRA 184	48,407
MRA 185	37,907
MRA 186	103,657
MRA 187	43,125
MRA 188	61,635
MRA 189	66,772
MRA 190	42,203
MRA 191	52,203
MRA 192	43,203
MRA 193	53,203
MRA 194	890,682
MRA 195	142,927
MRA 196	79,860
MRA 197	40,882
MRA 198	52,832
MRA 199	61,481
MRA 200	71,680
MRA 211	58,150
MRA 212	43,105
MRA 213	53,137
MRA 214	91,453
MRA 215	431,972
MRA 216	48,322
MRA 217	237,163
MRA 218	49,322
MRA 219	52,312
MRA 220	48,322
MRA 221	48,297
MRA 222	110,019
MRA 223	35,988
MRA 224	41,072
MRA 225	51,721
MRA 226	61,725
MRA 227	58,150
MRA 228	49,619
MRA 229	114,072
MRA 230	34,177
MRA 231	48,553
MRA 232	58,532

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MIDTOWN REDEVELOPMENT AUTHORITY
SCHEDULE OF PROPERTIES HELD - LAND HELD FOR RESALE - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2013

<u>Property ID #</u>	<u>Total Value</u>
Purchased Properties - Affordable Housing (Continued):	
MRA 233	\$ 179,307
MRA 234	48,532
MRA 235	55,807
MRA 236	156,107
MRA 237	113,557
MRA 238	57,450
MRA 239	58,150
MRA 240	58,557
MRA 241	58,557
MRA 242	53,567
MRA 243	43,251
MRA 244	53,572
MRA 245	58,028
MRA 246	102,856
MRA 247	47,030
MRA 248	53,572
MRA 249	58,572
MRA 250	51,072
MRA 251	409,461
MRA 252	51,072
MRA 253	61,887
MRA 254	58,572
MRA 255	100,282
MRA 256	47,045
MRA 257	44,602
MRA 258	63,105
MRA 259	64,572
MRA 260	35,072
MRA 261	53,572
MRA 262	164,771
MRA 263	298,007
MRA 264	53,572
MRA 265	53,572
MRA 266	38,447
MRA 267	48,142
MRA 268	56,052

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MIDTOWN REDEVELOPMENT AUTHORITY
SCHEDULE OF PROPERTIES HELD - LAND HELD FOR RESALE - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2013

<u>Property ID #</u>	<u>Total Value</u>
Purchased Properties - Affordable Housing (Continued):	
MRA 269	\$ 63,897
MRA 270	50,472
MRA 271	311,464
MRA 272	59,022
MRA 273	231,350
MRA 274	52,146
MRA 275	41,572
MRA 276	105,072
MRA 277	58,572
MRA 278	55,922
MRA 279	141,072
MRA 280	82,298
MRA 281	71,322
MRA 282	19,572
MRA 283	88,722
MRA 284	88,722
MRA 285	58,547
MRA 286	50,622
MRA 287	63,854
MRA 288	59,035
MRA 289	36,902
MRA 290	56,938
MRA 291	81,525
MRA 292	112,688
MRA 293	51,935
MRA 294	52,880
 Total Purchased Properties - Affordable Housing	 27,324,202
 Costs associated with pending properties and other general costs not allocated to specific properties	 396,535
 TOTAL LAND HELD FOR RESALE - AFFORDABLE HOUSING	 \$ 27,720,737
 3300 MAIN STREET	 \$ 5,185,368

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MIDTOWN REDEVELOPMENT AUTHORITY
SCHEDULE OF CAPITAL ASSETS
FOR THE YEAR ENDED JUNE 30, 2013

<u>Property</u>	<u>Net Book Value</u>
Houston Technology Center	\$ 4,648,342
JPI Park Land	736,911
Midtown Park	1,797,358
Walgreens/Lui Park Land	141,000
Houston Muesum of African American Culture	2,002,487
Superblock Land	<u>7,923,190</u>
Total Capital Assets	\$ <u><u>17,249,288</u></u>

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