

Midtown Redevelopment Authority

FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

June 30, 2014



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Midtown Redevelopment Authority
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June 30, 2014

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Midtown Redevelopment Authority
Houston, Texas

Report on the Financial Statements

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, 2014, 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, 2014, and the respective 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 11 and 36 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 basic financial statements. The schedule of operating expenses and capital expenditures for the year ended June 30, 2014, the schedule of estimated project costs to actual costs for the period from December 29, 1995 (date of inception) through June 30, 2014, the schedule of properties held – land held for resale, and the schedule of capital assets, on pages 38 through 50, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The other 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.

Carr, Riggs & Ingram, L.L.C.

Houston, Texas
October 2, 2014

Midtown Redevelopment Authority 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, 2014 and 2013. This discussion and analysis includes comparative data for the year ended June 30, 2014 with the year ended June 30, 2013 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 2014 (collectible fiscal year 2015) is \$1,698,944,001 with a taxable value of \$1,620,921,483 (net of exemptions).
- The Authority issued \$32,280,000 of Tax Increment Contract Revenue and Refunding Bonds, November 19, 2013, (fiscal year 2014). The proceeds of Series 2013 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, costs of issuance and a portion of the proceeds went to refunding the Series 2003 and 2005 bonds. This is the sixth bond sale for the Authority.
- 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 2014, the City of Houston (the City) received the Pass-Through Funds for tax year-2012, which totaled \$2,797,312. 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 \$943,194, 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 contiguous block faces to the HCCS central campus within the District. The Authority funded \$1.5 million towards the design phase of the project. The projects are Holman Street (Academic Walk), Caroline Street from Elgin to Holman and Alabama Street. All three streets are major pedestrian corridors between the light rail transit system and HCC's main campus. The Holman Street design is completed and will go out for bid in fiscal year 2015 at an approximate cost of \$2.5 million. The Caroline Street project's design and construction is anticipated to cost approximately \$9.3 million; a portion of the costs associated with this project was funded by a Texas Department of Transportation grant in the amount of \$4 million. The Authority funded \$5.3 million towards the Caroline Street project in fiscal year 2014. The Caroline Street project is expected to bid in January 2015.

Midtown Redevelopment Authority Management's Discussion and Analysis

- The Authority remitted \$1,274,000 in June 2014 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.
- In April 2014, the Authority's Board of Directors approved and authorized the acquisition of a portion of a block bounded by Gray, Main, Webster and Travis Streets in the City of Houston, Texas for a cost of approximately \$1.8 million. A portion of that cost is financed by a promissory note with Liberty Bank.
- Parks and green space continue to be a priority for the Authority. In cooperation with the City, the Authority completed in fiscal year 2014 the improvements to Glover Park which includes a dog run, landscaping, seating, exercise platform, cultural exhibits, and amenities to serve the surrounding community at a cost of approximately \$450,000. The Baldwin Park improvements completed in fiscal year 2014 include upgrades to lighting, jogging trail, playground equipment, landscaping and additional site amenities at an approximate cost of \$710,000.
- Construction began on Midtown Park in 2014 with renovations including the addition of a performance space/stage with iconic "midtown" lettering, new water feature, dog run, landscaping, and a restaurant kiosk. The construction for Midtown Park is anticipated to be complete by late September 2014 at an approximate cost of \$2 million. The restaurant kiosk lease between the Authority and tenant has been approved and executed. The tenant build-out for the kiosk is anticipated to be completed in late October 2014.
- During fiscal year 2014, the Authority continued to purchase land with increment and bond revenues set aside for affordable housing. In fiscal year 2014, approximately 359,045 square feet of land was purchased pursuant to the Authority's affordable housing land-banking program at a cost of approximately \$3.5 million, in an area adjacent to Midtown and the central business district ("Third Ward"). The Authority to date has purchased approximately 3.3 million square feet of property in Third Ward at a cost of approximately \$31.1 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, based on current market demands. As of June 2014, the Authority has acquired a number of land parcels that are ideal for Transit Oriented Development (TOD). The acquired tracts are along the Southeast Rail Line and the proposed University Rail Line. The Authority is also developing a program to work with for-profit builders to construct single family affordable housing in the Third Ward.
- The Authority continues holds the property located at 3300 Main Street within the Zone to assist in mitigating blight and incentivizing redevelopment. During fiscal year 2014 the Authority received an offer to purchase this property by a private developer. The sale of this property is currently in the due diligence period.

Midtown Redevelopment Authority Management's Discussion and Analysis

- 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 "SuperBlock" 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. During fiscal year 2014, the Authority held meetings to receive community and stakeholder input as well as distributed surveys to solicit input for the planning process. The designs for the underground parking garage is in the final stages of completion with construction anticipated to begin in late September 2014 with a twelve month construction period. Park construction is anticipated to begin in October 2015 and also have a 12 month construction period. This signature project is expected to be completed by December 2016.
- The Federal Transit Administration (FTA) has concluded the funding of the Elgin Street Grant in the amount of \$147,000. The FTA grants for Gray Street in the amount of \$421,741 and Holman Street in the amount of \$1,578,259 have been executed. The Authority will draw down the \$421,741 as reimbursement for the work completed on Gray Street. The Holman Street grant funds will be drawn down as construction commences.
- The Authority participated in funding grants for the development of Cultural Facilities including the Midtown Arts & Theater Center Houston (MATCH) and Buffalo Soldiers Museum in fiscal year 2014. These grants totaled \$1,035,000. It is expected, consistent with the Authority's Cultural Facilities portion of the Project Plan, that the growth of cultural facilities in and around the surrounding area will encourage economic development and further development in Midtown.

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.

Midtown Redevelopment Authority Management's Discussion and Analysis

During fiscal year 2014, the Authority adopted a new GASB standard which resulted in a restatement of beginning net position. Bond issuance costs, which were previously capitalized and amortized over the life of the underlying bonds, are now recognized as an outflow of resources, or expense, in the period incurred. Previously capitalized issuance costs were required to be written off resulting a reduction to net position of approximately \$1.38 million.

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:

	2014	2013 Restated
Assets		
Cash, cash equivalents and investments	\$ 42,622,000	\$ 27,979,000
Tax increment receivables	834,000	4,318,000
Other receivables	574,000	618,000
Property held for resale	38,239,000	32,906,000
Capital assets, net	20,291,000	17,249,000
Total assets	102,560,000	83,070,000
Liabilities		
Accounts, interest and retainage payable	3,840,000	3,716,000
Loans and bonds payable - current	3,900,000	5,058,000
Loans and bonds payable – long-term	79,642,000	59,229,000
Total liabilities	87,382,000	68,003,000
Net position		
Invested in capital assets, net of related debt	8,251,000	6,295,000
Restricted	61,186,000	45,112,000
Unrestricted (deficit)	(54,259,000)	(36,340,000)
Total net position	\$ 15,178,000	\$ 15,067,000

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 and the Public Funds Investment Act.

Midtown Redevelopment Authority Management's Discussion and Analysis

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:

	2014	2013
Houston Community College System (HCCS)	\$ 834,000	\$ 811,000
Harris County, Texas (the County)	-	3,507,000
Total tax increment receivables	\$ 834,000	\$ 4,318,000

The Authority received tax increments outstanding at June 30, 2013 in July 2013. As of June 30, 2014, the Authority's HCCS tax increment is outstanding.

The increase in property held for resale relates to the Authority's affordable housing land banking program in the Third Ward. During fiscal year 2014, the Authority purchased approximately \$3.5 million in land which is restricted for affordable housing. In addition, the Authority acquired a portion of a block for a cost of approximately \$1.8 million. A portion of that cost is financed by a promissory note with Liberty Bank.

Unrestricted net position represents that which can be used to finance day-to-day operations without the constraints established by debt covenants, enabling legislation, or other legal requirements. At June 30, 2014 and 2013, the Authority has an unrestricted deficit of \$54 million and \$36 million (after restatement), 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 \$15.7 million and \$13.5 million at June 30, 2014 and 2013, respectively; net position restricted for affordable housing in the amount of \$40 million and \$29 million at June 30, 2014 and 2013, respectively; and net position restricted for capital projects in the amount of \$5.6 million and \$2.3 million at June 30, 2014 and 2013, respectively. The majority of the Authority's net position restricted for affordable housing is invested in land held for resale totaling \$31.1 million and \$27.7 million at June 30, 2014 and 2013, 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:

	2014	2013 Restated
Revenues		
Tax increments	\$ 18,812,000	\$ 17,225,000
Investment and other income	581,000	377,000
Total revenues	\$ 19,393,000	\$ 17,602,000

Midtown Redevelopment Authority Management's Discussion and Analysis

	2014	2013 Restated
Expenses		
Current	\$ 2,633,000	\$ 2,637,000
Debt service	4,718,000	3,022,000
Capital outlay	11,931,000	14,621,000
Total expenses	19,282,000	20,280,000
Change in net position	111,000	(2,678,000)
Net position - beginning of year	15,067,000	17,745,000
Net position - end of year	\$ 15,178,000	\$ 15,067,000

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 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 projects, excluding property purchased and held for resale, funded from bond proceeds and tax increments totaled 80% and 88% of total expenses in fiscal year 2014 and 2013, respectively. More detailed information about the Authority's capital projects is presented in the other information – Schedule of Operating Expenses and Capital Expenditures.

Midtown Redevelopment Authority Management's Discussion and Analysis

GOVERNMENTAL FUNDS

At the end of the current fiscal year, the Authority's governmental funds reported combined ending fund balances of approximately \$79.3 million, which is approximately \$15.6 million more than the prior fiscal year. Approximately 48% of the fund balance, or \$38 million, is invested in property which is being held for resale and is considered non-spendable. Approximately 5% of the fund balances, or \$4 million, is committed to various capital projects and development agreements entered into by the Authority. Approximately 11% of the fund balances, or \$9.2 million is assigned or 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 \$15.7 million), to affordable housing (approximately \$8.7 million), and remaining bond proceeds reserved for capital projects (approximately \$3.3 million).

CAPITAL ASSETS

As of June 30, 2014, the Authority had approximately \$20.3 million, net of accumulated depreciation, invested in a broad range of capital assets including land, land improvements, buildings and furniture and equipment.

During 2014, the Authority continued the construction of Midtown Park and design of SuperBlock park and parking garage. More detailed information about the Authority's capital assets is presented in the notes to the basic financial statements.

DEBT ADMINISTRATION

In December 2013, the Authority issued Tax Increment Contract Revenue and Refunding Bonds, Series 2013 (Series 2013) in the aggregate principal amount of \$32,280,000. Proceeds from the Series 2013 Bonds were used for the purposes of defeasing and refunding a portion of the Series 2003 and Series 2005 bonds in order to restructure and align debt service; funding affordable housing in accordance with the TIF Act; funding costs relating to construction, equipment and installation of a public park and other public improvements as authorized by the Authority's project plan; funding the reserve requirement of debt service reserve fund and paying costs of issuance.

As of June 30, 2014 and 2013, the Authority has three series of Tax Increment Contract Revenue Bonds totaling \$75,635,000 and \$58,520,000, respectively. The Authority remitted \$3,865,000 in principal payments on its bonds during fiscal year 2014 and advance funded \$11.3 million of principal on the Series 2003 and Series 2005 bonds in conjunction with the Series 2013 refunding. A debt service reserve fund in the amount of \$8,130,210 has been established based on an amount equivalent to the estimated annual debt service with the inclusion of Series 2005, 2011 and 2013 bonds.

Midtown Redevelopment Authority Management's Discussion and Analysis

During 2014 the Authority entered into a loan with a bank for the acquisition of a parcel of property totaling \$1 million. In addition, the Authority refinanced its loan for the HMAAC property totaling approximately \$1.8 million. In 2013 the Authority entered into a loan agreement with a developer for the purchase of a parcel of property totaling \$3,395,000. Notes payable totaled \$6.2 million and \$5.2 million at June 30, 2014 and 2013, respectively.

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, 2014 was \$81.8 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 2014 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 2014 budget was approximately \$3.9 million of tax increments for educational facilities, \$730,000 for affordable housing transfer to the County and \$643,000 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.

FUTURE PROJECTS

The Authority staff continues to work with consultants and Camden Property Trust to design improvements to the urban property called "SuperBlock Park" which is anticipated to include retail restaurant pads, unique landscaping and water features, park furniture, pedestrian-related infrastructure and an underground parking garage. This SuperBlock Project will become a signature focal point for Midtown and will be the catalyst for additional development along the Main Street Corridor. Further, the parking garage will help to address the parking demand in the area. It is anticipated that construction will begin in the second quarter of fiscal year 2015 and be completed in fiscal year 2017.

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. The Authority's Board authorized design contracts for Brazos Street and Main Street. The Authority also executed contracts with Sterling & Associates, One World Strategy Group and Mary-Margaret Collier to assist with fund raising, public relations, communication services and financial services.

Midtown Redevelopment Authority Management's Discussion and Analysis

Efforts continue to solicit grants from the Federal Transit Administration, The Texas Commission on the Arts and Texas Department of Transportation to allow the implementation of the capital improvements for large scale public right of way infrastructure, green space improvements, transit oriented development and works of art.

Affordable housing land banking acquisitions will continue as the Authority works to execute its affordable housing 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 Board of Directors approved a contract for a conceptual design for upgrading a gully that runs beside the Martin Luther King Jr. Blvd. and Sunset Tracts now owned by the Authority. The design will incorporate the use of pedestrian trails, bike paths, bridges and landscaping to create an amenity that would be appreciated by area residents, businesses and land owners.

The Authority's budget for fiscal year 2015 has not been approved by the City's City Council; therefore the Authority will continue to operate under its approved budget for fiscal year 2014 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 2015 budget will include the 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 2015 for incremental service in the amount of \$1,274,000. Discussions continue with the Houston Police Department on how to best utilize these funds for fiscal year 2015 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, 2014

	General Fund	Infrastructure and Project Fund	Capital Projects Fund	Affordable Housing Fund	Debt Service Fund	Total	Adjustments	Statement of Net Position
Assets								
Cash and cash equivalents	\$ 11,252,452	\$ -	\$ -	\$ 12,680	\$ 7,441,811	\$ 18,706,943	\$ -	\$ 18,706,943
Investments	4,228,387	-	5,732,972	5,659,281	8,295,518	23,916,158	-	23,916,158
Tax increment receivables	833,949	-	-	-	-	833,949	-	833,949
Other receivables	574,369	-	-	-	-	574,369	-	574,369
Due to/from other funds	(9,432,286)	5,409,702	-	4,022,584	-	-	-	-
Property held for resale	7,132,462	-	-	31,106,157	-	38,238,619	-	38,238,619
Capital assets, net	-	-	-	-	-	-	20,291,216	20,291,216
Total assets	\$ 14,589,333	\$ 5,409,702	\$ 5,732,972	\$ 40,800,702	\$ 15,737,329	\$ 82,270,038	\$ 20,291,216	\$ 102,561,254
Liabilities								
Accounts payable	\$ 201,305	\$ 396,202	\$ 86,289	\$ 997,952	\$ -	\$ 1,681,748	\$ -	\$ 1,681,748
Interest payable	-	-	-	-	-	-	1,930,548	1,930,548
Retainage payable	-	-	-	-	-	-	228,875	228,875
Unearned revenue	471,859	-	-	-	-	471,859	(471,859)	-
Loans payable								
Due within one year	-	-	-	-	-	-	95,003	95,003
Due after one year	-	-	-	-	-	-	6,075,398	6,075,398
Bonds payable								
Due within one year	-	-	-	-	-	-	3,805,000	3,805,000
Due after one year	-	-	-	-	-	-	73,566,444	73,566,444
Total liabilities	673,164	396,202	86,289	997,952	-	2,153,607	85,229,409	87,383,016
Deferred inflows of resources								
Deferred tax increment revenue	833,949	-	-	-	-	833,949	(833,949)	-

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

**Midtown Redevelopment Authority
Governmental Funds Balance Sheet and
Statement of Net Position (Continued)**

June 30, 2014

	General Fund	Infrastrucure and Project Fund	Capital Projects Fund	Affordable Housing Fund	Debt Service Fund	Total	Adjustments	Statement of Net Position
Fund balances								
Nonspendable	\$ 7,132,462	\$ -	\$ -	\$ 31,106,157	\$ -	\$ 38,238,619	\$ (38,238,619)	\$ -
Restricted	-	-	3,325,795	8,696,593	15,737,329	27,759,717	(27,759,717)	-
Committed	347,956	1,407,070	2,320,888	-	-	4,075,914	(4,075,914)	-
Assigned	2,821,000	3,606,430	-	-	-	6,427,430	(6,427,430)	-
Unassigned	2,780,802	-	-	-	-	2,780,802	(2,780,802)	-
Total fund balances	13,082,220	5,013,500	5,646,683	39,802,750	15,737,329	79,282,482	(79,282,482)	-
Total liabilities, deferred inflows of resources and fund balances	\$ 14,589,333	\$ 5,409,702	\$ 5,732,972	\$ 40,800,702	\$ 15,737,329	\$ 82,270,038	\$ -	\$ -
Net position								
Invested in capital assets, net of related debt						\$ 8,250,886	\$ 8,250,886	
Restricted								
Debt service						15,737,329	15,737,329	
Affordable housing						39,802,750	39,802,750	
Capital expenditures						5,646,683	5,646,683	
Unrestricted (accumulated deficit)						(54,259,410)	(54,259,410)	
Total net position						\$ 15,178,238	\$ 15,178,238	

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

**Midtown Redevelopment Authority
Governmental Funds Balance Sheet and
Statement of Net Position (Continued)**

June 30, 2014

Total fund balance of governmental funds	\$ 79,282,482
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	20,291,216
Other revenues are not available for current period expenditures therefore are deferred in the funds	1,305,808
Certain liabilities are not due and payable in the current period and therefore are not reported in the funds	(228,875)
Long-term liabilities and related interest are not due and payable in the current period and therefore are not reported in the funds	(6,170,401)
Tax increment revenue bonds and related interest are not due and payable in the current period and therefore are not reported in the funds	(79,301,992)
Net position of governmental activities	\$ 15,178,238

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, 2014

	General Fund	Infrastructure and Project Fund	Capital Projects Fund	Affordable Housing Fund	Debt Service Fund	Total	Adjustments	Statement of Activities
Revenues								
Tax increments	\$ 6,682,042	\$ -	\$ -	\$ 4,583,683	\$ 6,712,414	\$ 17,978,139	\$ 833,949	\$ 18,812,088
Investment income	5,846	-	4,634	4,155	2,808	17,443	-	17,443
Other revenue	656,701	-	-	(50,550)	-	606,151	(42,909)	563,242
Total revenues	7,344,589	-	4,634	4,537,288	6,715,222	18,601,733	791,040	19,392,773
Expenditures/expenses								
Current								
Administration and support	1,119,386	-	-	128,095	-	1,247,481	-	1,247,481
Municipal service costs agreement	1,274,000	-	-	-	-	1,274,000	-	1,274,000
Depreciation	-	-	-	-	-	-	383,270	383,270
Amortization of bond premium	-	-	-	-	-	-	(274,423)	(274,423)
Capital outlay	-	4,437,617	9,352,051	2,041,129	-	15,830,797	(3,899,170)	11,931,627
Debt service								
Principal payments	1,921,852	-	-	-	3,865,000	5,786,852	(5,786,852)	-
Interest charges	223,766	-	-	-	2,762,048	2,985,814	549,524	3,535,338
Cost of bond issuance	-	-	-	-	1,183,140	1,183,140	-	1,183,140
Total expenditures/expenses	4,539,004	4,437,617	9,352,051	2,169,224	7,810,188	28,308,084	(9,027,651)	19,280,433
Excess (deficiency) of revenues over expenditures	2,805,585	(4,437,617)	(9,347,417)	2,368,064	(1,094,966)	(9,706,351)	9,706,351	

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 (Continued)**

For the year ended June 30, 2014

	General Fund	Infrastructure and Project Fund	Capital Projects Fund	Affordable Housing Fund	Debt Service Fund	Total	Adjustments	Statement of Activities
Other financing sources (uses)								
Proceeds of refunding bonds	\$ -	\$ -	\$ 12,724,204	\$ 6,362,102	\$ 14,966,067	\$ 34,052,373	\$ (34,052,373)	\$ -
Payment to refunded bond escrow agent	-	-	-	-	(11,599,998)	(11,599,998)	11,599,998	-
Issuance of note payable	2,843,593	-	-	-	-	2,843,593	(2,843,593)	-
Internal transfers	(11,147,561)	9,451,117	-	1,696,444	-	-	-	-
Total other financing sources (uses)	(8,303,968)	9,451,117	12,724,204	8,058,546	3,366,069	25,295,968	(25,295,968)	-
Excess (deficiency) of revenues and other financing sources (uses) over expenditures	(5,498,383)	5,013,500	3,376,787	10,426,610	2,271,103	15,589,617	(15,589,617)	
Change in net position							112,340	112,340
Fund balances/net position								
Beginning of year, as previously reported	18,580,603	-	2,269,896	29,376,140	13,466,226	63,692,865	(47,243,493)	16,449,372
Prior period adjustment	-	-	-	-	-	-	(1,383,474)	(1,383,474)
Beginning of year, as restated	18,580,603	-	2,269,896	29,376,140	13,466,226	63,692,865	(48,626,967)	15,065,898
End of year	\$ 13,082,220	\$ 5,013,500	\$ 5,646,683	\$ 39,802,750	\$ 15,737,329	\$ 79,282,482	\$ (64,104,244)	\$ 15,178,238

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
(Continued)**

For the year ended June 30, 2014

Change in total fund balance of governmental funds	\$ 15,589,617
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	3,899,170
Depreciation expense	(383,270)
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 note payable	(2,843,593)
Issuance of refunding bonds, net of payments to escrow agent	(22,452,375)
Repayment of bond and loan principal	5,786,852
Governmental funds report the effect of 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	274,423
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	791,040
	(549,524)
Change in net position of governmental activities	\$ 112,340

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

Midtown Redevelopment Authority Notes to Financial Statements

NOTE 1: DESCRIPTION OF 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 Financial Statements

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (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.

Midtown Redevelopment Authority Notes to Financial Statements

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 accounted for in other funds.

Infrastructure and Project Fund – The infrastructure and project fund accounts for the construction of Authority capital projects from tax increments.

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.

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 – 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 – 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.

Midtown Redevelopment Authority Notes to Financial Statements

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Committed – 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 or 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 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.

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 City retains an administrative fee from the tax increments deposited in the Tax Increment Fund.

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.

Midtown Redevelopment Authority Notes to Financial Statements

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 education 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.

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.

Midtown Redevelopment Authority Notes to Financial Statements

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 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) and Local Government Investment Cooperative (LOGIC), both local government investment pools created under the Interlocal Cooperation Act, Chapter 791, Texas Government Code, and the Public Funds Investment Act, Chapter 2256, Texas Government Code. TexSTAR and LOGIC are administered by First Southwest Asset Management, Inc. and JPMorgan Chase Asset Management, Inc. The fair value of TexSTAR and LOGIC is based on quoted market values of the underlying investments of the pool and/or fund.

Due to and Due from Other Funds

Interfund receivable and payables arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed. These receivables and payables are eliminated in the Statement of Net Position.

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.

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, if material.

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.

Midtown Redevelopment Authority Notes to Financial Statements

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Debt and Related Premiums, Discounts, and Issuance Costs

Debt consists of tax increment contract revenue bonds, loans 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 expensed as incurred.

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.

Deferred Inflows of Resources

In addition to liabilities, the governmental funds Balance Sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The Authority has only one type of item, which arises only under the modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, deferred tax increment revenue is only reported in the governmental funds balance sheet. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available.

Internal Transfers

Transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and to move unrestricted revenue collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations and actions of the Board of Directors.

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 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.

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, 2014, the carrying amount of the Authority's deposits was \$18,706,943 and the bank balances totaled \$20,183,849. The Authority's deposits in excess of FDIC insurance totaling \$1,823,890 were adequately collateralized while deposits totaling \$10,651,594 were uncollateralized. Additional collateral was obtained covering all deposits in excess of FDIC insurance on July 9, 2014. Cash deposits totaling \$7,447,523, which approximate fair value, represent money market investments in U.S. Government Securities. In addition, the Authority held \$23,916,158 in investment pools at June 30, 2014, which mature in less than one year.

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.

Midtown Redevelopment Authority Notes to Financial Statements

NOTE 4: DEPOSITS AND INVESTMENTS (Continued)

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.

Investments that are obligations of or guaranteed by the U.S. Government do not require disclosure of credit quality. The Authority's investment in the TexSTAR and LOGIC 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 considers the investments in TexSTAR and LOGIC to have maturities of less than one year due the fact the share position can usually be redeemed each day at the discretion of the Authority, unless there has been a significant change in value.

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, 2014 are as follows:

	Cash and Cash Equivalents	Investments	Total
Trustee funds			
Debt service	\$ 7,441,811	\$ 165,308	\$ 7,607,119
Debt service reserve fund	-	8,130,210	8,130,210
Project fund	-	5,732,972	5,732,972
Affordable housing	12,680	5,651,386	5,664,066
Total trustee funds	7,454,491	19,679,876	27,134,367
Enabling legislation			
Affordable housing	-	7,895	7,895
Total restricted assets	\$ 7,454,491	\$ 19,687,771	\$ 27,142,262

Midtown Redevelopment Authority
Notes to Financial Statements

NOTE 6: CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2014 was as follows:

	Balance at July 1, 2013	Additions	Reclassifications	Balance at June 30, 2014
Non-depreciable assets				
Land and improvements	\$ 12,821,394	\$ 317,070	\$ (192,566)	\$ 12,945,898
Construction in process		3,108,128	441,680	3,549,808
Depreciable assets				
Buildings and improvements	7,349,588		(249,114)	7,100,474
Equipment	58,078	-	-	58,378
Total capital assets	20,229,060	3,425,198	-	23,654,558
Less: accumulated depreciation	(2,980,072)	(383,270)	-	(3,363,342)
Government activities - capital assets, net	\$ 17,248,988	\$ 3,041,928	\$ -	\$ 20,291,216

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, 2014 totaled \$383,270.

NOTE 7: LOANS PAYABLE

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

Balance at July 1, 2013	\$ 5,248,660
Additions	2,843,593
Retirements	(1,921,852)
Balance at June 30, 2014	\$ 6,170,401
Current Portion, Long-Term Debt	\$ 95,003

Midtown Redevelopment Authority Notes to Financial Statements

NOTE 7: LOANS PAYABLE (Continued)

In April 2014, the Authority obtained a \$1,000,000 loan with a bank which was used towards the purchase of a parcel of property to be held for resale. Under the terms of the promissory note, the Authority will make interest only payments quarterly beginning July 28, 2014 through April 28, 2017 at which point any accrued but unpaid interest and principal are due. Interest is payable at the Wall Street Journal's prime rate plus .50%. The loan is secured by the underlying property.

In September 2013, the Authority refinanced a \$1,843,593 loan with a bank which was originally used to purchase the Houston Museum of African American Culture land and building. The refinanced loan bears interest at 4.0%, requires monthly principal and interest payments totaling \$13,690 and matures September 30, 2020. A balloon payment of \$1,127,681 is payable at maturity. The loan is secured by 4807 Caroline Street property.

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.

Future minimum payments as of June 30 are as follows:

Fiscal Year Ending	
2015	\$ 95,003
2016	3,494,223
2017	1,102,902
2018	107,094
2019	111,458
2020 and thereafter	1,259,721
Total	\$ 6,170,401

Midtown Redevelopment Authority
Notes to Financial Statements

NOTE 8: TAX INCREMENT CONTRACT REVENUE BONDS

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

Balance at July 1, 2013	\$58,520,000
Additions	32,280,000
Retirements	(15,165,000)
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Balance at June 30, 2014	\$75,635,000
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Current portion, long-term debt	\$ 3,805,000
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Tax Increment Revenue Bonds at June 30, 2014 consist of the following:

Date Series Issued	Outstanding Balance
2005	\$ 15,135,000
2011	28,220,000
2013	32,280,000
<hr/>	
Total principal payable	75,635,000
Unamortized premium and discount, net	1,736,444
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Total bonds payable	\$ 77,371,444
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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:

Fiscal Year	Principal	Interest	Total
2015	\$ 570,000	\$ 702,475	\$ 1,272,475
2016	600,000	673,975	1,273,975
2017	630,000	643,975	1,273,975
2018	655,000	618,775	1,273,775
2019	680,000	592,575	1,272,575
2020-2024	9,170,000	2,103,625	11,273,625
2025	2,830,000	127,350	2,957,350
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Total	\$15,135,000	\$ 5,462,750	\$20,597,750
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Midtown Redevelopment Authority Notes to 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 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. 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:

Fiscal Year	Principal	Interest	Total
2015	\$ 2,105,000	\$ 1,334,588	\$ 3,439,588
2016	2,180,000	1,250,388	3,430,388
2017	2,270,000	1,163,188	3,433,188
2018	2,385,000	1,049,688	3,434,688
2019	2,505,000	930,438	3,435,438
2020-2024	7,395,000	3,201,546	10,596,546
2025-2029	4,695,000	1,945,719	6,640,719
2030-2033	4,685,000	635,206	5,320,206
Total	\$28,220,000	\$11,510,761	\$39,730,761

In November 2013, the Authority issued Tax Increment Contract Revenue and Refunding Bonds Series 2013 (the 2013 Bonds) in the aggregate principal amount of \$32,280,000. The 2013 Bonds mature serially January 1, in each year 2015 through 2033. The 2013 Bonds are callable in whole or in part any date beginning January 1, 2032 at par. The 2013 Bonds bear interest between 2.0% and 5.0% annually and have semi-annual interest payments due on January 1 and July 1 as follows:

Fiscal Year	Principal	Interest	Total
2015	\$ 1,130,000	\$ 1,594,350	\$ 2,724,350
2016	1,900,000	1,512,069	3,412,069
2017	1,780,000	1,455,069	3,235,069
2018	2,020,000	1,383,869	3,403,869
2019	2,125,000	1,282,869	3,407,869
2020-2024	1,475,000	5,609,745	7,084,745
2025-2029	9,855,000	4,854,150	14,709,150
2030-2033	11,995,000	1,558,788	13,553,788
Total	\$32,280,000	\$19,250,909	\$51,530,909

Midtown Redevelopment Authority Notes to Financial Statements

NOTE 8: TAX INCREMENT CONTRACT REVENUE BONDS (Continued)

A portion of the net proceeds were used to refund the Tax Increment Contract Revenue Bonds Series 2003 (Series 2003) and partially refunded Series 2005 bonds with a total principal amount of \$11,300,000 and an average interest rate of 4.3%. The Authority placed the proceeds from the new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Debt service on the refunded bonds of Series 2003 was paid in full on January 2, 2014. Debt service on the refunding bonds of Series 2005 will be paid in full on January 1, 2015. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the Authority's financial statements. At June 30, 2014, \$3,650,000 of bonds outstanding is considered defeased. The liability of this refund bond and the securities held in escrow has been excluded from the statement of net assets. The Authority achieved a cash flow difference and an economic loss of \$94,720 as a result of the refunding.

NOTE 9: FUND BALANCES – GOVERNMENTAL FUNDS

As of June 30, 2014, fund balances of the governmental funds are classified as follows:

	General Fund	Infrastructure and Project Fund	Capital Projects Fund	Affordable Housing Fund	Debt Service Fund	Total
Nonspendable						
Property held for resale	\$ 7,132,462	\$ -	\$ -	\$ 31,106,157	\$ -	\$ 38,238,619
Restricted for						
Capital projects	-	-	3,325,795	-	-	3,325,795
Affordable housing	-	-	-	8,696,593	-	8,696,593
Debt service	-	-	-	-	15,737,329	15,737,329
Committed to						
Loan payments	347,956	-	-	-	-	347,956
Streetscapes and gateways	-	-	1,763,353	-	-	1,763,353
Parks	-	1,407,070	557,535	-	-	1,964,605
Assigned to						
FY2015 CIP plan and budget	2,521,000	3,606,430	-	-	-	6,127,430
Cultural and public facilities	300,000	-	-	-	-	300,000
Unassigned	2,780,802	-	-	-	-	2,780,802
Total fund balances	\$ 13,082,220	\$ 5,013,500	\$ 5,646,683	\$ 39,802,750	\$ 15,737,329	\$ 79,282,482

Midtown Redevelopment Authority Notes to Financial Statements

NOTE 10: TAX INCREMENT SUMMARY

The Authority's tax increment revenue, as reflected in the Statement of Activities, was received from the following Participants:

	Gross Increment	Transfers	Net Increment
City of Houston	\$ 7,065,224	\$ (353,261)	\$ 6,711,963
Houston Independent School District (Tax Year 2013 Set Aside)	2,797,312	(1,854,118)	943,194
Houston Independent School District	9,022,588	(2,569,423)	6,453,165
Harris County	4,073,492	(203,675)	3,869,817
Houston Community College System	858,949	(25,000)	833,949
Total tax increments	\$ 23,817,565	\$ (5,005,477)	\$ 18,812,088

The Authority's tax increment revenue, as reflected in the governmental funds, was received from the following Participants:

	Gross Increment	Transfers	Net Increment
City of Houston	\$ 7,065,224	\$ (353,261)	\$ 6,711,963
Houston Independent School District (Tax Year 2013 Set Aside)	2,797,312	(1,854,118)	943,194
Houston Independent School District	9,022,588	(2,569,423)	6,453,165
Harris County	4,073,492	(203,675)	3,869,817
Total tax increments	\$ 22,958,616	\$ (4,980,477)	\$ 17,978,139

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.

Midtown Redevelopment Authority Notes to Financial Statements

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.

Lease Year	Maximum Annual Performance Rent
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, 2014. HTC remitted \$25,000 in performance rent to the Authority during fiscal year 2014.

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 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, 2014, rent expense for the office totaled \$12,395.

Midtown Redevelopment Authority Notes to Financial Statements

NOTE 12 – COMMITMENTS AND CONTINGENCIES (Continued)

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 an original term of three years. The agreement was amended in October 2012 and again in September 2013. The lease term has been extended through November 2020 and, beginning July 1, 2014, HMAAC will make monthly rent payments of \$13,700. Under the terms of the agreement, HMAAC has the option to purchase the property during the lease term at the amount equal to the outstanding principal and any accrued but unpaid interest on the Authority's loan for the property. HMAAC continues to occupy the property pursuant to the terms of the amended agreement.

Block 442

During fiscal year 2014 the Authority purchased a parcel of property within Midtown TIRZ to facilitate the development of the property in a manner consistent with its project plan. The Authority then entered into an option contract in April 2014 with William Marsh Rice University (the University) to purchase the property, as defined in the agreement, from the Authority for the purpose of building student or employee housing. The purchase prices will be determined based on costs incurred by the Authority for acquisition, management and environmental remediation.

Central Bank Plaza Development Agreement

In October 2013, the Authority entered into a Development Agreement with Midtown Central Square, L.L.C. (the Developer) for reimbursement of up to \$1.8 million of eligible project costs related to the Central Bank Plaza.. Reimbursement to the Developer will occur over 10 years from available tax increments, as defined in the agreement. Reimbursement commences after completion of the project by the Developer.

Midtown Redevelopment Authority Notes to Financial Statements

NOTE 12 – COMMITMENTS AND CONTINGENCIES (Continued)

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 \$389,870 in fiscal year 2014 to these entities. Such amounts are included as other income in the accompanying basic financial statements.

NOTE 13 – PRIOR PERIOD ADJUSTMENT


The Authority adopted GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, during fiscal year 2014 which establishes accounting and financial reporting standards that reclassify certain items that were previously reported as assets and liabilities as deferred outflows of resources or deferred inflows of resources. The standard also recognizes certain items that were previously reported as assets and liabilities as outflows of resources (expenses or expenditures) or inflows of resources (revenues).

As a result of adopting this standard, the Authority's government-wide financial statements have been restated to expense previously capitalized, and amortized, bond issuance costs.

Beginning net position – Government-Wide - as previously reported	\$ 16,449,372
Adjustment to expense bond issuance costs	(1,383,474)
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Beginning net position – Government-Wide - as restated	\$ 15,065,898
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NOTE 14: SUBSEQUENT EVENTS

In 2014 Authority entered into a Lease Agreement for the restaurant kiosk in Midtown Park. The lease is effective upon completion of the park in accordance with the term of the agreement which is expected in fall 2014. Also, the Board has accepted an offer for the sale of 3300 Main property. In accordance with the terms of the Authority's loan with a Developer, proceeds from the sale of 3300 Main will be used to pay off the \$3.395 million loan.



Required Supplementary Information
and
Other Information

Midtown Redevelopment Authority
Schedule of Revenues, Expenditures, and Changes in Fund Balances –
Budget to Actual – All Funds

For the year ended June 30, 2014

	Original and Final Budgeted Amounts	Actual Amounts (Budgetary Basis)	Variance With Final Budget
Budgetary fund balance - beginning of year	\$ 33,167,788	\$ 63,692,865	\$ 30,525,077
Resources			
Incremental property tax revenue	23,969,927	22,958,616	(1,011,311)
Grant proceeds	4,000,000	-	(4,000,000)
Contract revenue bond proceeds	15,114,739	21,269,235	6,154,496
Proceeds from bank loans	17,100,000	2,843,593	(14,256,407)
Miscellaneous revenue	420,285	606,151	185,866
Other interest income	73,000	17,443	(55,557)
Total available resources	93,845,739	111,387,903	17,542,164
Expenses			
Maintenance and operations	948,500	1,119,386	(170,886)
Project costs and capital expenditures	40,472,074	20,313,018	20,159,056
Debt service	8,854,048	8,772,666	81,382
Other interfund transfers:			
Affordable housing	730,625	978,388	(247,763)
HISD educational facilities	3,951,771	4,398,541	(446,770)
Municipal services - public safety	1,274,000	1,274,000	-
Administrative fees	642,683	581,936	60,747
Total expenses	56,873,701	37,437,935	19,435,766
Budgetary fund balance - end of year	\$ 36,972,038	\$ 73,949,968	\$ 36,977,930

See independent auditor's report

Midtown Redevelopment Authority
Schedule of Revenues, Expenditures, and Changes in Fund Balances –
Budget to Actual – All Funds (Continued)

For the year ended June 30, 2014

Explanation of differences between budgetary inflows and outflows and GAAP revenues and expenditures

Sources/inflows of resources

Actual amounts (budgetary basis)	\$ 111,387,903
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	(63,692,865)
Issuance of loans are reported as other financing sources	(2,843,593)
Issuance of tax increment revenue and refunding bonds, net of refunding, are reported as other financing sources (uses)	(21,269,235)
Budgeted revenues include HISD educational facilities transfers and city administrative charges, while the Authority's funds report revenues net of these transfers	(4,980,477)

Total revenue as reported on the statement of revenues, expenditures and changes in fund balances - total governmental funds	<u>\$ 18,601,733</u>
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Uses/outflows of resources

Actual amounts (budgetary basis)	\$ 37,437,935
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	(5,332,514)
Costs of issuance paid upon issuance or refunding of bonds is netted against bond proceeds for budget purposes	1,183,140
Budgeted expenditures include HISD educational facilities transfers and city administrative charges, while the authority's funds report revenues net of these transfers	(4,980,477)

Total expenditures as reported on the statement of revenues, expenditures and changes in fund balances - total governmental funds	<u>\$ 28,308,084</u>
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Midtown Redevelopment Authority Schedule Operating Expenses and Capital Expenditures

For the year ended June 30, 2014

Management Consulting Services	Vendor	Budget	Actual Expenditures	Variance
Administration and Overhead:				
Administration (Salaries, Benefits and Taxes)	n/a	\$ 275,000	\$ 386,005	\$ (111,005)
Office Expenses (2)	n/a	175,000	70,739	104,261
Midtown Management District	n/a	330,000	343,355	(13,355)
Fourth Ward Redevelopment Authority	n/a	-	46,515	(46,515)
Insurance	Anco-Wessendorff	30,000	40,201	(10,201)
Accounting (2)	Bookkeeper	34,000	36,210	(2,210)
Accounting	McConnell & Jones LLP	-	16,130	(16,130)
Auditor - Financial	Gainer Donnelly, LLP	21,000	20,050	950
Bond Services/Trustee	Attorney General of Texas	-	9,500	(9,500)
Bond Services/Trustee	Equi-Tax	-	3,700	(3,700)
Bond Services/Trustee	First Southwest	30,000	6,300	23,700
Total Administration and Overhead		895,000	978,705	(83,705)
Program and Project Consultants:				
Legal - General Matters	Bracewell & Guiliani, LLP	45,000	54,154	(9,154)
Legal - General Matters	Burney & Foreman	-	20,103	(20,103)
Project Insurance	SIG/McDonald - Westendorf	-	57,924	(57,924)
Construction Audits	Gainer Donnelly, LLP	8,500	8,500	-
Total Program and Project Consultants		53,500	140,681	(87,181)
Total Management Consulting Services		\$ 948,500	\$ 1,119,386	\$ (170,886)

Capital Expenditures	Vendor	Budget	Actual Expenditures	Variance
T-0204 Enhanced Street Lights	Centerpoint Energy	\$ 4,100,000	\$ 9,315	\$ 4,090,685
T-0206 South East Street Reconstruction		100,000	-	100,000
T-0210 Main Street Enhancements:	Walter P. Moore	200,000	221,874	(21,874)
T-0211 HCC Academic Walk Holman (FTA):				
Construction	IDS Engineering Houston Community College	1,000,000	94,477	905,523
Other	System	-	97,505	(97,505)
Total HCC Academic Walk Holman (FTA)		1,000,000	191,982	808,018
T-0235 Holman Pedestrian Enhancements (7 Blocks):				
Construction		1,000,000	-	1,000,000

See independent auditor's report

Midtown Redevelopment Authority Schedule of Operating Expenses and Capital Expenditures (Continued)

For the year ended June 30, 2014

Capital Expenditures - Continued	Vendor	Budget	Actual Expenditures	Variance
T-0214 Caroline Streets @ HCCS (Elgin to Holeman):				
Construction	ESPA Corporation	\$ 1,400,000	\$ 91,657	\$ 1,308,343
	Texas Department of			
Other	Transportation	-	5,314,757	(5,314,757)
Other	Various	-	55,249	(55,249)
Total Caroline Streets @ HCCS		1,400,000	5,461,663	(4,061,663)
T-0225 Caroline Street Enhancements (Pierce to Elgin)		6,800,000		6,800,000
Design	Walter P. Moore		79,441	(79,441)
Other	The Goodman Corporation		21,609	(21,609)
Design	IDS Engineering		7,088	(7,088)
Total Caroline Street Enhancements		6,800,000	108,138	6,691,862
T-0212 Gray Street Reconstruction (100-1700 Block):				
Design	Clark Condon Associates	-	34,128	(34,128)
	Spaw Glass Civil Construction/ MGM Consortium			
Construction		-	157,534	(157,534)
Total Gray Street Reconstruction (100-1700 Block)		-	191,662	(191,662)
T-0217 Bagby Street Reconstruction:				
Design	Walter P. Moore	-	15,349	(15,349)
Design	ESPA Corporation	-	34,175	(34,175)
Construction	SER Construction	802,074	1,265,937	(463,863)
Legal	Bracewell & Guiliani	-	-	-
Other	Aviles Engineering	-	1,504	(1,504)
Total Bagby Steet Study		802,074	1,316,965	(514,891)
T-0220 Affordable Housing:				
Acquisition	Various	\$ 4,500,000	\$ 3,385,420	\$ 1,114,580
Other Professional Services	Various	-	1,190,836	(1,190,836)
Total Affordable Housing (1)		4,500,000	4,576,256	(76,256)
T-0221 Midtown Superblock Park:				
Planning	Walter P. Moore	1,750,000	1,987,085	(237,085)
Land Acquisition	Various	-	333,642	(333,642)
Legal	Bracewell & Guiliani, LLP	-	71,514	(71,514)
Other	Various	-	1,400	(1,400)
Total Midtown Superblock Park		1,750,000	2,393,641	(643,641)
T-0222 Street Overlay Program:				
Construction		400,000	-	400,000
T-0223 Safe Sidewalk Program				
		250,000	-	250,000
T-0224 HTC Building Maintenance				
	Various		100,028	(100,028)

See independent auditor's report

Midtown Redevelopment Authority Schedule of Operating Expenses and Capital Expenditures (Continued)

For the year ended June 30, 2014

Capital Expenditures - Continued	Vendor	Budget	Actual Expenditures	Variance
T-0229 Glover Park:				
Design	Walter P. Moore Millis Development &	\$ -	\$ 10,983	\$ (10,983)
Construction	Construction	120,000	19,377	100,623
Other	Various	-	2,466	(2,466)
Total Glover Park		120,000	32,826	87,174
T-0232 Public and Cultural Facilities				
Grant	MATCH Buffalo Soldiers Museum &	550,000	-	550,000
Grant	Heritage Center	-	400,000	(400,000)
Other	Various	-	335,000	(335,000)
Total Public and Cultural Facilities		550,000	785,601	(235,601)
T-0233 Parking Garage Super Block				
		13,000,000	-	13,000,000
T-0234 Entry Plazas:				
Walter P. Moore		200,000	23,835	176,165
T-0236 Midtown Park:				
Design	Walter P. Moore	-	67,973	(67,973)
Design	ESPA Corp	-	189,649	(189,649)
Construction	P2MG	1,050,000	1,012,566	37,434
Legal	Mayer Borwn, LLP	-	61,750	(61,750)
Other	Various	-	39,226	(39,226)
Total Midtown Park		1,050,000	1,371,164	(321,164)
T-0237 Baldwin Park Upgrade				
Design	Walter P. Moore	-	7,446	(7,446)
Design	ESPA Corporation Millis Development &	-	28,073	(28,073)
Construction	Construction	250,000	398,111	(148,111)
Total Baldwin Park Upgrade		250,000	433,630	(183,630)
T-0238 3300 Main				
Various		-	12,235	(12,235)
T-0239 Brazos Street Reconstruction				
Walter P. Moore		500,000	327,982	172,018
T-0240 Acquisitions				
		2,500,000	2,073,241	426,759
Development agreement - Central Bank Plaza				
Bracewell & Guiliani			29,464	(29,464)
General CIP:				
Design Services	Walter P. Moore	-	44,498	(44,498)
Design Services	IDS Engineering Group Phillip Franshaw / F. Charles		49,083	(49,083)
Other Consultants	LeBlanc / One World	-	170,384	(170,384)
Other Professional Services	Bracewell & Guiliani	-	5,819	(5,819)
Total General CIP		-	269,784	(269,784)
Total Capital Expenditures		\$ 40,472,074	\$ 19,931,286	\$ 20,540,788

(1) Affordable housing expenditures exclude the amounts paid to Harris County as required under the Interlocal Agreement totaling \$978,388 as these amounts are included on the Authority's budget with operating fund transfers.

See independent auditor's report

Midtown Redevelopment Authority
Schedule of Estimated Project Costs to Actual Costs
For the Period December 29, 1995 (Date of Inception) through June 30, 2014

Budget Line Item	Budgeted Expenditures (a)	Actual Expenditures From Inception (December 29, 1995) Through June 30, 2013	Actual Expenditures for the Year Ended June 30, 2014 (c)	Actual Expenditures From Inception (December 29, 1995) Through June 30, 2014	Variance to Budget
Non-Educational Project Costs					
Infrastructure improvements:					
Roadway and utility system improvements:					
Streets and utilities	\$ 70,263,856	\$ 18,244,774	\$ 7,347,926	\$ 25,592,700	\$ 44,671,156
Streetscape and gateways	40,773,654	22,422,177	634,982	23,057,159	17,716,495
Public infrastructure	18,000,000	68,500	-	68,500	17,931,500
Total infrastructure improvements	129,037,510	40,735,451	7,982,908	48,718,359	80,319,151
Other project costs:					
Real property assembly	25,533,106	16,886,329	2,565,410	19,451,739	6,081,367
Professional services	6,966,225	4,529,446	401,965	4,931,411	2,034,814
Historic preservation	139,992	139,992	-	139,992	-
Parks and recreational facilities	19,903,004	9,378,336	3,897,619	13,275,955	6,627,049
Safety and security infrastructure	1,576,262	-	-	-	1,576,262
Remediation	4,393,956	-	-	-	4,393,956
Cultural and public facilities	6,633,276	3,687,172	863,075	4,550,247	2,083,029
Total other project costs	65,145,821	34,621,275	7,728,069	42,349,344	22,796,477
Affordable housing	129,888,707	51,327,238	5,554,644	56,881,882	73,006,825
Financing costs (b)	60,831,816	35,951,151	3,945,188	39,896,339	20,935,477
Zone administration	15,948,538	11,619,002	597,335	12,216,337	3,732,201
Educational Project Costs					
Education project costs	83,770,000	29,989,125	4,398,541	34,387,666	49,382,334
Total project plan	\$ 484,622,392	\$ 204,243,242	\$ 30,206,685	\$ 234,449,927	250,172,465

(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 \$484,622,392. 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 2015.

(b) Amount expended for the year ended June 30, 2014, does not include the repayment of bond principal debt in the amount of \$5,786,852

(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, 2014

Total Value

Purchased properties - affordable housing:

MRA 001	\$ 109,855
MRA 002	1,270,391
MRA 003	587,183
MRA 004	52,051
MRA 005	-
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

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Midtown Redevelopment Authority
Schedule of Properties Held – Land Held for Resale
(Continued)

	Total Value
Purchased Properties - Affordable Housing (Continued):	
MRA 043	\$ 97,118
MRA 044	143,750
MRA 045	76,627
MRA 046	66,995
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	-
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

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Midtown Redevelopment Authority
Schedule of Properties Held – Land Held for Resale
(Continued)

	Total Value
Purchased Properties - Affordable Housing (Continued):	
MRA 092	\$ 47,006
MRA 093	58,694
MRA 094	54,141
MRA 095	169,777
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

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Midtown Redevelopment Authority
Schedule of Properties Held – Land Held for Resale
(Continued)

	Total Value
Purchased Properties - Affordable Housing (Continued):	
MRA 135	\$ 55,705
MRA 136	55,504
MRA 137	51,074
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

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Midtown Redevelopment Authority
Schedule of Properties Held – Land Held for Resale
(Continued)

	Total Value
Purchased Properties - Affordable Housing (Continued):	
MRA 177	\$ 57,032
MRA 178	53,003
MRA 179	63,258
MRA 180	98,491
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

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Midtown Redevelopment Authority
Schedule of Properties Held – Land Held for Resale
(Continued)

	Total Value
Purchased Properties - Affordable Housing (Continued):	
MRA 229	\$ 114,072
MRA 230	34,177
MRA 231	48,553
MRA 232	58,532
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	-
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
MRA 269	63,897

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Midtown Redevelopment Authority
Schedule of Properties Held – Land Held for Resale
(Continued)

	Total Value
Purchased Properties - Affordable Housing (Continued):	
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	92,664
MRA 292	112,688
MRA 293	51,935
MRA 294	52,880
MRA 295	55,625
MRA 296	63,424
MRA 297	56,872
MRA 298	27,547
MRA 299	82,372
MRA 300	42,940
MRA 301	40,863
MRA 302	53,125
MRA 303	49,247
MRA 304	52,589
MRA 305	52,956
MRA 306	90,922
MRA 307	75,643
MRA 308	129,598
MRA 309	63,668
MRA 310	139,793

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Midtown Redevelopment Authority
Schedule of Properties Held – Land Held for Resale
(Continued)

	Total Value
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Purchased Properties - Affordable Housing (Continued):	
MRA 311	\$ 59,018
MRA 312	72,868
MRA 313	44,418
MRA 314	60,918
MRA 315	58,142
MRA 316	55,116
MRA 317	59,518
MRA 318	58,918
MRA 319	69,414
MRA 320	57,010
MRA 321	45,810
MRA 322	58,338
MRA 323	115,618
MRA 324	58,211
MRA 325	81,038
MRA 326	58,868
MRA 327	87,418
MRA 328	153,862
MRA 329	34,343
MRA 330	61,418
MRA 331	57,382
MRA 332	47,618
MRA 333	182,963
MRA 334	48,038
MRA 335	56,959
MRA336	275,762
MRA 337	62,313
MRA 338	56,518
MRA 339	53,334
MRA 340	50,713
MRA 341	57,563
MRA 342	58,213
MRA 343	58,163
MRA 345	92,664
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Total Purchased Properties - Affordable Housing	30,751,405
Costs associated with pending properties and other general costs not allocated to specific properties	354,752
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Total land held for resale - affordable housing	\$ 31,106,157
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BLOCK 442	\$ 1,947,094
3300 MAIN STREET	\$ 5,185,368
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**Midtown Redevelopment Authority
Schedule of Capital Assets**

June 30, 2014

<u>Property</u>	<u>Net Book Value</u>
Houston Technology Center	\$ 4,374,176
JPI Park Land	736,911
Midtown Park	2,939,844
Walgreens/Lui Park Land	141,000
Houston Muesum of African American Culture	1,956,545
<u>Superblock Land and Improvements</u>	<u>10,142,740</u>
<u>Total capital assets</u>	<u>\$ 20,291,216</u>

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