

**MEMORIAL CITY REDEVELOPMENT AUTHORITY
(AKA TIRZ 17 REDEVELOPMENT AUTHORITY)**

CITY OF HOUSTON, TEXAS

ANNUAL FINANCIAL REPORT

JUNE 30, 2017

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Memorial City Redevelopment Authority
City of Houston, Texas

We have audited the accompanying financial statements of the governmental activities and each major fund of Memorial City Redevelopment Authority (the "Authority"), **a component unit of the City of Houston, Texas**, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from 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 Authority'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 respective financial position of the governmental activities and each major fund of the Authority as of June 30, 2017, and the respective changes in financial position for the year then ended in 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 the Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – All Governmental Funds 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 supplementary information required by the City of Houston, Texas and other supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The supplementary information, excluding that portion marked "Unaudited" on which we express no opinion or provide any assurance, has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

McCall Gibson Swedlund Barfoot PLLC
Certified Public Accountants
Houston, Texas

October 31, 2017

MEMORIAL CITY REDEVELOPMENT AUTHORITY
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2017

Management’s discussion and analysis of Memorial City Redevelopment Authority’s, aka TIRZ 17 Redevelopment Authority (the “Authority”) financial performance provides an overview of the Authority’s financial activities for the fiscal year ended June 30, 2017. Please read it in conjunction with the Authority’s financial statements, which begin on page 8.

FINANCIAL HIGHLIGHTS

- In the Statement of Net Position, the Authority’s assets exceeded its liabilities by \$3,119,938 (net position) for the year ended June 30, 2017.
- The Authority anticipates that with continued development in the area, the Tax Increment Revenues will be sufficient to cover operating costs, project costs and debt service of the Authority.
- The Authority’s governmental funds reported a total ending fund balance of \$30,750,611 this year. This compares to the prior year fund balance of \$26,876,860, showing an increase of \$3,873,751 during the current fiscal year.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The basic financial statements include: (1) combined fund financial statements and government-wide financial statements and (2) notes to the financial statements. The combined fund financial statements and government-wide financial statements combine both: (1) the Statement of Net Position and Governmental Funds Balance Sheet and (2) the Statement of Activities and Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances. This report also includes other supplementary information in addition to the basic financial statements.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The Authority’s annual report includes two financial statements combining the government-wide financial statements and the fund financial statements. The government-wide portion of these statements provides both long-term and short-term information about the Authority’s overall status. Financial reporting at this level uses a perspective similar to that found in the private sector with its basis in full accrual accounting and elimination or reclassification of internal activities.

MEMORIAL CITY REDEVELOPMENT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2017

GOVERNMENT-WIDE FINANCIAL STATEMENTS (continued)

The first of the government-wide statements is the Statement of Net Position. This information is found in the Statement of Net Position column on page 8. The Statement of Net Position is the Authority-wide statement of its financial position presenting information that includes all of the Authority's assets, deferred outflows of resources, liabilities, and deferred inflows of resources with the residual reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Authority as a whole is improving or deteriorating. Evaluation of the overall financial health of the Authority would extend to other non-financial factors.

The government-wide portion of the Statement of Activities on page 10 reports how the Authority's net position changed during the current fiscal year. All current year revenues and expenses are included regardless of when cash is received or paid.

FUND FINANCIAL STATEMENTS

The combined statements also include fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Authority has two governmental funds types. The General Fund is the operating fund of the Authority and the Debt Service Fund is used to account for the payment of interest and principal on the Authority's long-term debt.

Governmental funds are reported in each of the financial statements. The focus in the fund statements provides a distinctive view of the Authority's governmental funds. These statements report short-term fiscal accountability focusing on the use of spendable resources and balances of spendable resources available at the end of the year. They are useful in evaluating annual financing requirements of the Authority and the commitment of spendable resources for the near-term.

Since the government-wide focus includes the long-term view, comparisons between these two perspectives may provide insight into the long-term impact of short-term financing decisions. The adjustments columns, the Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position and the Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities explain the differences between the two presentations and assist in understanding the differences between these two perspectives.

MEMORIAL CITY REDEVELOPMENT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2017

NOTES TO THE FINANCIAL STATEMENTS

The accompanying notes to the financial statements provide information essential to a full understanding of the government-wide and fund financial statements. The notes to the financial statements can be found on pages 12 through 24 in this report.

OTHER INFORMATION

In addition to the financial statements and the accompanying notes, this report also presents certain required supplementary information ("RSI"). A budgetary comparison schedule is included as RSI for all governmental funds and can be found on page 26.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of the Authority's financial position. In the case of the Authority, assets exceeded liabilities by \$3,119,938 as of June 30, 2017.

The following table provides a summary of the changes in the Statement of Net Position as of June 30, 2017, and June 30, 2016:

	<u>Summary of Changes in the Statement of Net Position</u>		
	<u>2017</u>	<u>2016</u>	<u>Variance Positive (Negative)</u>
ASSETS:			
Current and Other Assets	\$ 30,793,897	\$ 28,217,886	\$ 2,576,011
Land	12,966,403	9,185,874	3,780,529
TOTAL ASSETS	<u>\$ 43,760,300</u>	<u>\$ 37,403,760</u>	<u>\$ 6,356,540</u>
LIABILITIES:			
Current Liabilities	\$ 6,925,362	\$ 4,725,832	\$ (2,199,530)
Long-term Liabilities	33,715,000	36,455,000	2,740,000
TOTAL LIABILITIES	<u>\$ 40,640,362</u>	<u>\$ 41,180,832</u>	<u>\$ 540,470</u>
NET POSITION:			
Net Investment in Capital Assets	\$ 9,569,655	\$ 9,185,874	\$ 383,781
Restricted - Debt Service	3,276,770	3,846,147	(569,377)
Unrestricted	(9,726,487)	(16,809,093)	7,082,606
TOTAL NET POSITION	<u>\$ 3,119,938</u>	<u>\$ (3,777,072)</u>	<u>\$ 6,897,010</u>

MEMORIAL CITY REDEVELOPMENT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2017

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

The following table provides a summary of the changes in the Statement of Activities for the fiscal years ending June 30, 2017, and June 30, 2016:

	<u>Summary of Changes in the Statement of Activities</u>		
	<u>2017</u>	<u>2016</u>	Variance Positive (Negative)
Revenues:			
Tax Increment	\$ 15,731,173	\$ 13,147,285	\$ 2,583,888
Interest and Others	77,206	30,111	47,095
Total revenues	<u>\$ 15,808,379</u>	<u>\$ 13,177,396</u>	<u>\$ 2,630,983</u>
Expenses:			
Salaries and Benefits	\$ 82,500	\$ 90,000	\$ 7,500
Professional Services	169,780	142,285	(27,495)
Contracted Services	11,055	10,604	(451)
Other	11,220	68,793	57,573
Administration Fee	3,043,178	1,145,626	(1,897,552)
Bond Interest	1,855,906	1,562,455	(293,451)
Debt Issuance Costs	334,738		(334,738)
Capital Improvements	3,402,992	11,281,811	7,878,819
Total expenses	<u>\$ 8,911,369</u>	<u>\$ 14,301,574</u>	<u>\$ 5,390,205</u>
Changes in Net Position	\$ 6,897,010	\$ (1,124,178)	\$ 8,021,188
Beginning Net Position	<u>(3,777,072)</u>	<u>(2,652,894)</u>	<u>(1,124,178)</u>
Ending Net Position	<u>\$ 3,119,938</u>	<u>\$ (3,777,072)</u>	<u>\$ 6,897,010</u>

FINANCIAL ANALYSIS OF THE AUTHORITY'S GOVERNMENTAL FUNDS

The Authority has two governmental funds, which are the General Fund and the Debt Service Fund. As discussed, governmental funds are reported in the fund statements with a short-term, inflow and outflow of spendable resources focus. This information is useful in assessing resources available at the end of the year in comparison with upcoming financing requirements. Governmental funds reported ending fund balances totaling \$30,750,611, an increase of \$3,873,751 from the prior year.

GOVERNMENTAL FUND BUDGETARY HIGHLIGHTS

The Board of the Authority did not amend the budget during the current fiscal year. Actual excess revenues were \$68,686,046 less than budgeted excess revenues primarily due to the budgeted bond sale not occurring during the current fiscal year. See the budget to actual comparisons on page 26.

MEMORIAL CITY REDEVELOPMENT AUTHORITY
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2017

CAPITAL ASSETS

In the current fiscal year, the Authority transferred \$3,402,992 to the City of Houston related to capital expenditures. These capital expenditures are related to public works improvements. In accordance with Section VIII of the Tri-Party Agreement between the City of Houston, Reinvestment Zone Number Seventeen, City of Houston, Texas and the Authority, it states: “all utilities, drainage facilities, public street improvements, sidewalks and light fixtures shall be conveyed to the City.” Therefore, any current year expenditures related to such improvements are not recorded as assets of the Authority.

Additionally, the Authority is holding title to certain land associated with the detention basin and W-140 bridge improvements, Town and Country West Drainage and Mobility Improvements, and the public improvement extension of Town and Country Way from Town and Country Boulevard west toward Beltway 8. Upon completion of these projects, this land will be transferred to the City. These land costs amount to \$12,966,403 at June 30, 2017.

LONG –TERM DEBT AND RELATED LIABILITIES

At the end of the current fiscal year, the Authority owes \$3,396,748 to T&C Way Partners, LLC for the contribution of land for public improvements in the project area. This amount is reimbursable from available tax increment in the project area.

At the end of the current fiscal year, the Authority had total bond debt payable of \$36,815,000. This debt is secured with future tax increment contract revenue.

CONTACTING THE AUTHORITY’S MANAGEMENT

This financial report is designed to provide a general overview of the Authority’s finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Memorial City Redevelopment Authority, c/o Hawes Hill and Associates, LLP, Zone Administrator, P.O. Box 22167, Houston, TX 77227-2167.

MEMORIAL CITY REDEVELOPMENT AUTHORITY
STATEMENT OF NET POSITION AND
GOVERNMENTAL FUNDS BALANCE SHEET
JUNE 30, 2017

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
ASSETS					
Cash	\$ 5,827,184	\$	\$ 5,827,184	\$	\$ 5,827,184
Cash with Trustee	14,944,615		14,944,615		14,944,615
Investments	9,868,533	151,986	10,020,519		10,020,519
Other Receivables	1,579		1,579		1,579
Due From Other Funds		3,510,112	3,510,112	(3,510,112)	
Land				12,966,403	12,966,403
TOTAL ASSETS	<u>\$ 30,641,911</u>	<u>\$ 3,662,098</u>	<u>\$ 34,304,009</u>	<u>9,456,291</u>	<u>43,760,300</u>
LIABILITIES					
Accounts Payable	\$ 39,979	\$	\$ 39,979	\$	\$ 39,979
Other Payable	3,307		3,307		3,307
Accrued Interest Payable				385,328	385,328
Due To Other Funds	3,510,112		3,510,112	(3,510,112)	
Due To Developer				3,396,748	3,396,748
Long-Term Liabilities:					
Due Within One Year				3,100,000	3,100,000
Due After One Year				33,715,000	33,715,000
TOTAL LIABILITIES	<u>3,553,398</u>		<u>3,553,398</u>	<u>37,086,964</u>	<u>40,640,362</u>
FUND BALANCES					
Restricted	\$	\$ 3,662,098	\$ 3,662,098	\$ (3,662,098)	
Unassigned	27,088,513		27,088,513	(27,088,513)	
TOTAL FUND BALANCES	<u>27,088,513</u>	<u>3,662,098</u>	<u>30,750,611</u>	<u>(30,750,611)</u>	
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 30,641,911</u>	<u>\$ 3,662,098</u>	<u>\$ 34,304,009</u>		
Net Position:					
Net Investment in Capital Assets				\$ 9,569,655	\$ 9,569,655
Restricted - Debt Service				3,276,770	3,276,770
Unrestricted				(9,726,487)	(9,726,487)
Total Net Position				<u>\$ 3,119,938</u>	<u>\$ 3,119,938</u>

The accompanying notes to the financial
statements are an integral part of this report.

MEMORIAL CITY REDEVELOPMENT AUTHORITY
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2017

Total Fund Balance - Governmental Funds	\$	30,750,611
Amounts reported for governmental activities in the <i>Statement of Net Position</i> are different because:		
Land used in governmental activities is not a financial resource and therefore is not reported as an asset in governmental funds.		12,966,403
Amounts due to the District's developer for the acquisition of land is recorded as a liability in the Statement of Net Position.		(3,396,748)
Some liabilities, are not due and payable in the current period and are not included in the fund financial statement, but are included in the governmental activities of the <i>Statement of Net Position</i> .		
Bonds payable		(36,815,000)
Accrued interest on bonds payable		(385,328)
		(385,328)
Total Net Position - Governmental Activities	\$	3,119,938

The accompanying notes to the financial statements are an integral part of this report.

MEMORIAL CITY REDEVELOPMENT AUTHORITY
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2017

	General Fund	Debt Service Fund	Total	Adjustments	Statement of Activities
REVENUES					
Tax Increment	\$ 12,223,661	\$ 3,507,512	\$ 15,731,173	\$	\$ 15,731,173
Interest and Other	70,686	6,520	77,206		77,206
TOTAL REVENUES	\$ 12,294,347	\$ 3,514,032	\$ 15,808,379	\$	\$ 15,808,379
EXPENDITURES/EXPENSES					
Service Operations					
Salaries and Benefits	\$ 82,500	\$	\$ 82,500	\$	\$ 82,500
Professional Services	169,780		169,780		169,780
Contracted Services	11,055		11,055		11,055
Insurance Cost	1,290		1,290		1,290
Other	9,930		9,930		9,930
Administration Fees	3,043,178		3,043,178		3,043,178
Capital Improvement, Note 7	3,786,773		3,786,773	(383,781)	3,402,992
Debt Service:					
Principal		2,870,000	2,870,000	(2,870,000)	
Interest	534,298	1,451,086	1,985,384	(129,478)	1,855,906
Debt Issuance Costs		334,738	334,738		334,738
TOTAL EXPENDITURES/EXPENSES	\$ 7,638,804	\$ 4,655,824	\$ 12,294,628	\$ (3,383,259)	\$ 8,911,369
EXCESS (DEFICIENCY) OF REVENUES					
OVER (UNDER) EXPENDITURES	\$ 4,655,543	\$ (1,141,792)	\$ 3,513,751	\$ 3,383,259	\$ 6,897,010
OTHER FINANCING SOURCES (USES)					
Internal Transfers	\$ (82,937)	\$ 82,937	\$	\$	\$
Proceeds from the Sale of Refunding Bonds		17,955,000	17,955,000	(17,955,000)	
Debt Service - Principal		(17,595,000)	(17,595,000)	17,595,000	
TOTAL OTHER FINANCING					
SOURCES (USES)	\$ (82,937)	\$ 442,937	\$ 360,000	\$ (360,000)	\$
NET CHANGE IN FUND BALANCES	\$ 4,572,606	\$ (698,855)	\$ 3,873,751	\$ (3,873,751)	
CHANGE IN NET POSITION				6,897,010	6,897,010
FUND BALANCES/NET POSITION -					
JULY 1, 2016	22,515,907	4,360,953	26,876,860	(30,653,932)	(3,777,072)
FUND BALANCES/NET POSITION -					
JUNE 30, 2017	\$ 27,088,513	\$ 3,662,098	\$ 30,750,611	\$ (27,630,673)	\$ 3,119,938

The accompanying notes to the financial statements are an integral part of this report.

**MEMORIAL CITY REDEVELOPMENT AUTHORITY
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES TO
THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017**

Net Change in Fund Balances - Governmental Funds	\$	3,873,751
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental funds report repayment of long-term debt principal as an expenditure. In contrast, the <i>Statement of Net Position</i> treats such repayments as a reduction in long-term liabilities.		2,870,000
Capital outlays for land purchases are recorded as expenditures in the funds until completion of the project, but reduce capital improvements in the <i>Statement of Activities</i> .		383,781
Some expenses reported in the <i>Statement of Activities</i> do not require the use of current financial resources and these are not reported as expenditures in governmental funds:		
Refunding bond issued		(17,955,000)
Payment to refunding bond agent		17,595,000
Accrued interest		129,478
		129,478
Change in Net Position - Governmental Activities	\$	6,897,010

The accompanying notes to the financial statements are an integral part of this report.

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MEMORIAL CITY REDEVELOPMENT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1. CREATION OF CORPORATION

The City of Houston, Texas (the “City”) authorized the creation of the Memorial City Redevelopment Authority (the “Authority”) by the Resolution No. 2002-0026 passed on August 14, 2002. The Authority was created and organized as a local government corporation pursuant to provisions of Subchapter D of Chapter 431 of the Texas Transportation Code and Chapter 394 of the Texas Local Government Code. The Authority is organized as a public non-profit corporation for the purpose of aiding, assisting, and acting on behalf of the City in the performance of its governmental function to promote the common good and general welfare of Reinvestment Zone Number Seventeen, City of Houston, Texas (the “Zone”) and neighboring areas in the preparation and implementation of a project plan and a reinvestment zone financing plan for the Zone; in the development of a policy to finance development and redevelopment of properties in the Memorial City area; and in the development and implementation of a redevelopment policy for the Memorial City area, including the acquisition of land for redevelopment purposes; in the development and implementation of a policy for improving vehicular and pedestrian circulation in the Memorial City area including the acquisition of street rights-of-way. The Authority may issue bonds with consent of City Council. The Authority is managed by a Board of Directors consisting of up to seven members who are appointed by the Mayor with the approval of City Council. The Authority held its first meeting on November 22, 2002.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

The accompanying basic financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America as promulgated by the Governmental Accounting Standards Board (“GASB”).

The GASB has established the criteria for determining whether or not a given entity is a component unit. The criteria are: (1) is the potential component unit a legally separate entity, (2) does the primary government appoint a voting majority of the potential component unit’s board, (3) is the primary government able to impose its will on the potential component unit, (4) is there a financial benefit or burden relationship. The Authority was created as an instrumentality of the City of Houston (the “City”). The Authority does meet the criteria for inclusion as a component unit of the City. Copies of the financial statements for the City may be obtained from the City Secretary’s office.

Financial Statement Presentation

These financial statements have been prepared in accordance with GASB Codification of Governmental Accounting and Financial Reporting Standards Part II, Financial Reporting.

MEMORIAL CITY REDEVELOPMENT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Statement Presentation (continued)

The GASB Codification sets forth standards for external financial reporting for all state and local government entities, which includes a requirement for a Statement of Net Position and a Statement of Activities. It requires the classification of net position into three components: Net Investment in Capital Assets, Restricted, and Unrestricted. These classifications are defined as follows:

- Net Investment in Capital Assets – This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.
- Restricted Net Position – This component of net position consists of external constraints placed on the use of assets imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulation of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- Unrestricted Net Position – This component of net position consist of assets that do not meet the definition of “Restricted” or “Net Investment in Capital Assets.”

When both restricted and unrestricted resources are available for use, generally it is the Authority’s policy to use restricted resources first.

Government-Wide Financial Statements

The Statement of Net Position and the Statement of Activities display information about the Authority as a whole. The Authority’s Statement of Net Position and Statement of Activities are combined with the governmental fund financial statements. The Authority is viewed as a special purpose government and has the option of combining these financial statements.

The Statement of Net Position is reported by adjusting the general fund, debt service fund, and capital projects fund to report on the full accrual basis, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations.

The Statement of Activities is reported by adjusting the general fund, debt service fund, and capital projects fund to report only items related to current year revenues and expenditures. Items such as capital outlay are allocated over their estimated useful lives as depreciation expense. Internal activities between governmental funds, if any, are eliminated by adjustment to obtain net total revenue and expense in the government-wide Statement of Activities.

MEMORIAL CITY REDEVELOPMENT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Financial Statements

As discussed above, the Authority's fund financial statements are combined with the government-wide statements. The fund financial statements include a Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balances.

Governmental Funds

The Authority has two major governmental funds – the General Fund and Debt Service Fund. The General Fund is the general operating fund of the Authority and accounts for all resources of the Authority not accounted for in another fund. The principal source of revenue is tax increment collections and expenditures are primarily for operations. The Debt Service Fund is used to account for the payment of interest and principal on the Authority's long-term debt.

Basis of Accounting

The Authority uses the modified accrual basis of accounting for governmental fund types. The modified accrual basis of accounting recognizes revenues when both "measurable and available." Measurable means the amount can be determined. Available means collectable within the current period or soon enough thereafter to pay current liabilities. The Authority considers revenues reported in the governmental funds to be available if they are collectable within sixty (60) days after year-end. Also, under the modified accrual basis of accounting, expenditures are recorded when the related fund liability is incurred, except for principal and interest on long-term debt, which are recognized as expenditures when payment is due.

Measurement Focus

Measurement focus is a term used to describe which transactions are recognized within the various financial statements. In the government-wide Statement of Net Position and Statement of Activities, the governmental activities are reported using the economic resources measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position, financial position, and cash flows. All assets and liabilities associated with the activities are reported, regardless of the timing of related cash flows. Fund equity is classified as net position.

Governmental fund types are accounted for on a spending or financial flow measurement focus. Accordingly, only current assets and current liabilities are included on the balance sheet, and the reported fund balances provide an indication of available spendable or appropriable resources.

MEMORIAL CITY REDEVELOPMENT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Balances

The Authority's governmental fund balances are classified 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 does not have any nonspendable fund balances.

Restricted - amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally required. The Authority's restricted fund balances consist of tax increment receipts in the Debt Service Fund.

Committed - amounts that can be used only for specific purposes determined by a formal action of the Board of Directors. The Board is the highest level of decision-making authority for the Authority. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the Board. The Authority does not have any committed fund balances.

Assigned - amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. The Authority has not adopted a formal policy regarding the assignment of fund balances and does not have any assigned fund balances.

Unassigned - all other spendable amounts in the General Fund.

When expenditures are incurred for which restricted, committed, assigned, or unassigned fund balances are available, the Authority considers amounts to have been spent first out of restricted funds, then committed funds, then assigned funds, and finally unassigned funds.

Cash

The Authority's cash consist of amounts in demand deposits.

Investments

Investments consist of amounts in the TexPool, TexSTAR, and a certificate of deposit.

Debt Service

Tax increment contract revenue is pledged for debt service on bond obligations.

MEMORIAL CITY REDEVELOPMENT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Due to and 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, for the most part, eliminated from the Government-Wide Statement of Net Position and are recorded as “due from other funds” and “due to other funds” in the fund financial statements.

Budgeting

In compliance with the Tri-Party Agreement (See Note 4), the Authority’s board members adopted an unappropriated budget for the combined governmental funds of the Authority for the fiscal year ending June 30, 2017. The budget was submitted and approved by the City. The Authority used this budget during the current year.

Accounting Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount 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.

MEMORIAL CITY REDEVELOPMENT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 3. DEPOSITS AND INVESTMENTS

Deposits

Custodial credit risk is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The Authority's deposit policy for custodial credit risk requires compliance with the provisions of Texas statutes. Texas statutes require that any cash balance in any fund shall, to the extent not insured by the Federal Deposit Insurance Corporation or its successor, be continuously secured by a valid pledge to the Authority of securities eligible under the laws of Texas to secure the funds of the Authority, having an aggregate market value, including accrued interest, at all times equal to the uninsured cash balance in the fund to which such securities are pledged. As of June 30, 2017, none of the Authority's bank balances were exposed to custodial credit risk.

The carrying values of the deposits are included in the Governmental Fund Balance Sheet and the Statement of Net Position at June 30, 2017, as listed below:

	<u>Cash</u>
Total Deposits - General Fund	<u>\$ 20,771,799</u>

Investments

Under Texas statute, the Authority is required to invest its funds under written investment policies that primarily emphasize safety of principal and liquidity and that address investment diversification, yield, maturity, and the quality and capability of investment management, and all Authority funds must be invested in accordance with the following investment objectives: understanding the suitability of the investment to the Authority's financial requirements, first; preservation and safety of principal, second; liquidity, third; marketability of the investments if the need arises to liquidate the investment before maturity, fourth; diversification of the investment portfolio, fifth; and yield, sixth. Authority's investments must be made "with judgment and care, under prevailing circumstances, that a person of prudence, discretion, and intelligence would exercise in the management of the person's own affairs, not for speculation, but for investment, considering the probable safety of capital and the probable income to be derived." No person may invest Authority funds without express written authority from the Board of Directors.

MEMORIAL CITY REDEVELOPMENT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 3. DEPOSITS AND INVESTMENTS (Continued)

Investments (continued)

Texas statutes include specifications for and limitations applicable to the Authority and its authority to purchase investments as defined in the Public Funds Investment Act. Authorized investments are summarized as follows: (1) obligations of the United States or its agencies and instrumentalities, (2) direct obligations of the State of Texas or its agencies and instrumentalities, (3) certain collateralized mortgage obligations, (4) other obligations, the principal of and interest on which are unconditionally guaranteed or insured by the State of Texas or the United States or its agencies and instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation or by the explicit full faith and credit of the United States, (5) certain A rated or higher obligations of states, agencies, counties, cities, and other political subdivisions of any state, (6) bonds insured, assumed or guaranteed by the State of Israel, (7) insured or collateralized certificates of deposit, (8) certain fully collateralized repurchase agreements secured by delivery, (9) certain bankers' acceptances with limitations, (10) commercial paper rated A-1 or P-1 or higher and a maturity of 270 days or less, (11) no-load money market mutual funds and no-load mutual funds with limitations, (12) certain guaranteed investment contracts (13) certain qualified governmental investment pools and (14) a qualified securities lending program.

The Authority's adopted investment policy allows it to invest in any of the above listed investments, except items 3, 4, 5, 6, 8, 9, 10, 11, 12 and 14.

For fiscal year 2017, the Authority invested in the Texas Local Government Investment Pool ("TexPool"), the Texas Short Term Asset Reserve Program ("TexSTAR") and certificates of deposit.

TexPool has been organized in conformity with the Interlocal Cooperation Act and is overseen by the Comptroller of Public Accounts (the "Comptroller"). The Comptroller is the sole officer, director and shareholder of the Texas Treasury Safekeeping Trust Company (the "Trust Company"), which is authorized to operate TexPool. Pursuant to the TexPool Participation Agreement, administrative and investment services to TexPool are provided by Federated Investors, Inc. ("Federated"), under an agreement with the Comptroller, acting on behalf of the Trust Company. The Comptroller maintains oversight of the services provided to TexPool by Federated. State Street Bank serves as custodian to TexPool. The primary objectives of TexPool are preservation and safety of principal, liquidity and yield. TexPool will only invest in investments that authorized under both the Public Funds Investment Act and the TexPool Investment Policy.

MEMORIAL CITY REDEVELOPMENT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 3. DEPOSITS AND INVESTMENTS (Continued)

Investments (continued)

As permitted by GAAP, TexPool uses amortized cost (which excludes unrealized gains and losses) rather than market value to compute share price and seeks to maintain a constant dollar value per share. Accordingly, the fair value of the District's position in TexPool is the same as the value of TexPool shares. Investments in TexPool may be withdrawn on a same day basis, as long as the transaction is executed by 3:30 p.m.

TexSTAR has been organized in conformity with the Interlocal Cooperation Act and is administered by J.P. Morgan Investment Management, Inc. ("JPMIM") and First Southwest Asset Management, Inc. ("FSAM"). JPMIM provides investment services, and FSAM provides participant services and marketing. Custodial, transfer agency, fund accounting, and depository services are provided by JPMorgan Chase Bank and/or its subsidiary J.P. Morgan Investor Services Co. The primary objectives of TexSTAR are, in order of priority, preservation and protection of principal, maintenance of sufficient liquidity to meet Participant's needs, diversification to avoid unreasonable or avoidable risks, and yield. TexSTAR will only invest in investments that are authorized under both the Public Funds Investment Act and the current TexSTAR Investment Policy.

The District's investment in TexSTAR is reported at fair value because TexSTAR uses fair value to report investments. The District implemented GASB Statement No. 72, "Fair Value Measurement and Application," during the current fiscal year. This statement establishes a hierarchy of inputs used to measure fair value as follows: Level 1 inputs are based on quoted prices in active markets, Level 2 inputs are based on significant other observable inputs, and Level 3 inputs are based on significant unobservable inputs. The District's investment in TexSTAR is measured using published fair value per share (level 1 inputs).

Investments in TexSTAR may be withdrawn via wire transfer on a same day basis, as long as the transaction is executed by 4 p.m. ACH withdrawals made by 4 p.m. will settle on the next business day.

As of June 30, 2017, the Authority had the following investments and maturities:

Type	Fair Value	Maturities in Years			
		Less Than 1	1-5	6-10	More Than 10
TexPool	\$ 868,249	\$ 868,249	\$	\$	\$
TexSTAR	8,902,270	8,902,270			
Certificate of Deposit	250,000	250,000			
Total	<u>\$ 10,020,519</u>	<u>\$ 10,020,519</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>

MEMORIAL CITY REDEVELOPMENT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 3. DEPOSITS AND INVESTMENTS (Continued)

Investments (continued)

Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. At June 30, 2017, the Authority's investments in both TexPool and TexSTAR were rated 'AAAm' by Standard & Poor's. The 'AAAm' rating indicates an extremely strong capacity to maintain principal stability and to limit exposure to principal losses due to credit, market, and/or liquidity risks. 'AAAm' is the highest principal stability rating assigned by Standard & Poor's.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Authority considers the investments in TexPool and TexSTAR to have maturities of less than one year due to 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.

Restrictions

All cash and investments of the Debt Service Fund are restricted for the payment of debt service and the cost of assessing and collecting taxes.

NOTE 4. TRI-PARTY AGREEMENT

On November 22, 2002, the Authority and on December 11, 2002, the City of Houston, Texas in accordance with Ordinance No. 2002-1145 executed a Tri-Party Agreement between the City of Houston, Texas, the Zone and the Authority. The Tri-Party Agreement states in detail the scope of services to be provided to the Zone by the Authority. The services include management and administrative service for the Zone, as requested by the Zone Board, services with respect to the Project Plan and Reinvestment Zone Financing Plan (the "Plan"), including enlarging the zone and amendments to the project plan and financing plan, and services with respect to the special tax rolls pertaining to the Zone, including analysis and coordination with taxing units. The Authority is also required to assist the Zone Board in establishing a program to increase the level of safety within the Zone, preparing development plans, establishing a marketing and public relations program, planning and design and construction of infrastructure improvements and land acquisition in the Memorial City area.

The Tri-Party Agreement also provides for the Authority to issue bonds and notes, enter into obligations with developers or builders, and enter into contracts with consultants, to be repaid from Contract Tax Increments. All bonds must be approved by City Council of the City of Houston and the Director of the Finance Department of the City of Houston must approve all development agreements. This Agreement shall end upon termination of the Zone.

MEMORIAL CITY REDEVELOPMENT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 4. TRI-PARTY AGREEMENT (Continued)

Pursuant to the Agreement, the City and the Zone have agreed to pay the Authority not later than the first business day of each July in which a current approved budget is in effect for the Authority, all monies available in the Tax Increment Fund, less (a) certain tax increments constituting educational facilities project costs to be paid to the Spring Branch Independent School District (if any), and (b) a reserve of up to five percent of the monies then available in the Tax Increment Fund for administrative costs of the City. Currently, no monies are owed or are being paid to the Spring Branch Independent School District. Notwithstanding the above, in the event the Authority's budget is not approved by the thirtieth (30th) day before the date of a principal and interest payment on the Authority's bonds or notes, the City shall pay from available funds sufficient monies to the Authority to allow for meeting the Authority's debt service obligations.

The Tri-Party Agreement allows the City to recover the costs of municipal services pursuant to the Agreement among the City, the Authority, and the TIRZ.

NOTE 5. TAX INCREMENTS

The City of Houston, Texas has agreed to deposit their tax increments into the Tax Increment Fund established by the Zone (See Note 6).

The amount of a Participant's tax increment for a year is the amount of property taxes levied and collected by the Participant for that year on the Captured Appraised Value of real property taxable by the Participant and located in the Zone. The Captured Appraised Value of real property taxable by a Participant for a year is the total appraised value of all real property taxable by the Participant and located in the Zone for that year less the Tax Increment Base, which is the total appraised value of all real property taxable by the Participant and located in the Zone on January 1 of the year in which the Zone was designated as such under the Tax Increment Financing Act (the "TIF Act"). In the event property is annexed into the Zone by ordinance of the City, the Tax Increment Base for annexed property is the value of all real property taxable by a Participant and located in the annexed area on January 1 of the year of annexation. No Participant is required to deposit tax increments derived from property annexed into the Zone unless the Participant has agreed to do so.

Each Participant is required to collect taxes on property located within the Zone in the same manner as other taxes are collected. The Participant is required to pay into the tax increment fund the collected tax increments by no later than the 90th day after the delinquency date for the Participant's property taxes.

MEMORIAL CITY REDEVELOPMENT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 6. CITY OF HOUSTON TAX INCREMENTS

Pursuant to City Ordinance No. 1999-759, the City and the Zone have established the Tax Increment Fund, a separate fund in the City Treasury into which tax increments have and will be deposited.

On June 28, 2017, tax increments relating to fiscal year 2017 of \$15,731,173 were collected by the trustee from the City of Houston. \$786,559 was withheld by the City of Houston to cover administrative costs.

NOTE 7. TRANSFER TO THE CITY OF HOUSTON

During the current fiscal year, the Authority recorded capital improvements of \$3,402,992 for capital assets transferred to the City. This transfer is related to capital improvements made by the Authority to City facilities. The Authority finances these facilities for the benefit of the City. Any capital assets the Authority purchases related to public improvements and facilities have been conveyed to the City of Houston. See pages 29 and 30 for information on current year capital improvement expenditures. The Authority is holding title to certain land associated with the detention basin and W-140 bridge improvements, Town and Country West Drainage and Mobility Improvements, and the public improvement extension of Town and Country Way from Town and Country Boulevard west toward Beltway 8. Upon completion of these projects, this land will be transferred to the City. These land costs amount to \$12,966,403 at June 30, 2017.

NOTE 8. DUE TO DEVELOPER

The District has entered into a development agreement with T&C Way Partners, LLC (“Developer”) for the financing of the land for public improvements. Under the agreement, the developer will advance funds for the acquisition of land for public improvements in the project area. The developer will be reimbursed from available tax increment in the project area.

During the year ended June 30, 2017, the following changes occurred in amounts due to developer.

Due to developer, beginning of year	\$	-
Developer funded land acquisition		3,777,200
Developer reimbursements		(380,452)
Due to developer, end of year		<u>\$ 3,396,748</u>

MEMORIAL CITY REDEVELOPMENT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 9. LONG-TERM DEBT

During the year ended June 30, 2017, the following changes occurred in long-term liabilities:

	Balance July 1, 2016	Additions	Reductions	Balance June 30, 2017	Amounts Due Within One Year
Governmental Activities:					
Bonds and notes payable:					
Tax Increment Contract Bonds	\$ 39,325,000	\$ 17,955,000	\$ (20,465,000)	\$ 36,815,000	\$ 3,100,000
Bonds payable, end of year	<u>\$ 39,325,000</u>	<u>\$ 17,955,000</u>	<u>\$ (20,465,000)</u>	<u>\$ 36,815,000</u>	<u>\$ 3,100,000</u>

The terms of the current debt obligations are as follows:

Series	Original Issue	Matures	Interest Rate (%)	Debt Outstanding
Governmental Activities:				
Tax Increment Contract Bonds				
Tax Increment Contract Bonds, Series 2008	\$ 10,000,000	9/1/19	4.45%	\$ 1,535,000
Refunding Tax Increment Contract Bonds, Series 2011	9,400,000	9/1/26	3.68%	7,090,000
Tax Increment Contract Bonds, Series 2011A	30,600,000	9/1/21	3.85%	10,235,000
Refunding Tax Increment Contract Bonds, Series 2016	17,955,000	9/1/27	2.41%	17,955,000
Total General Obligation Bonds				<u>\$ 36,815,000</u>

The annual requirements to amortize governmental activity tax increment contract revenue bonds at June 30, 2017 are as follows:

Tax Increment Contract Revenue Bonds			
Governmental Activities			
Fiscal Year	Principal	Interest	Total
2018	\$ 3,100,000	\$ 1,096,176	\$ 4,196,176
2019	3,220,000	974,249	4,194,249
2020	3,345,000	847,545	4,192,545
2021	3,470,000	721,625	4,191,625
2022	3,590,000	596,772	4,186,772
2023	3,695,000	484,158	4,179,158
2024	3,795,000	384,601	4,179,601
2025	3,895,000	282,315	4,177,315
2026	4,000,000	177,211	4,177,211
2027	4,100,000	69,256	4,169,256
2028	605,000	7,290	612,290
	<u>\$ 36,815,000</u>	<u>\$ 5,641,196</u>	<u>\$ 42,456,196</u>

See pages 33 through 36 for debt service schedules on each bond series outstanding as of June 30, 2017.

MEMORIAL CITY REDEVELOPMENT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 10. INTERFUND TRANSACTIONS

At year end, interfund receivables and payables were as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amounts</u>	<u>Purpose</u>
Debt Service Fund	General Fund	\$ 3,510,112	Debt Service tax increment revenue owed by General Fund

For the fiscal year ended June 30, 2017, an operating transfer is summarized as follows:

<u>Transfers Out</u>	<u>Transfers In</u>	<u>Amounts</u>	<u>Purpose</u>
General Fund	Debt Service Fund	\$ 82,937	Debt service expenditures

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; and natural disasters for which the Authority participates along with 2,800 other entities in the Texas Municipal League's Intergovernmental Risk Pool. The Pool purchases commercial insurance at group rates for participants in the Pool. The Authority has not significantly reduced insurance coverage or had settlements that exceeded coverage amounts for the past three years.

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MEMORIAL CITY REDEVELOPMENT AUTHORITY

REQUIRED SUPPLEMENTARY INFORMATION

JUNE 30, 2017

MEMORIAL CITY REDEVELOPMENT AUTHORITY
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
- BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2017

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
REVENUES			
Tax Increment	\$ 15,073,959	\$ 15,731,173	\$ 657,214
Interest and Other	36,969	77,206	40,237
TOTAL REVENUES	<u>\$ 15,110,928</u>	<u>\$ 15,808,379</u>	<u>\$ 697,451</u>
EXPENDITURES/EXPENSES			
Maintenance and Operations	\$ 422,300	\$ 274,555	\$ 147,745
Capital Outlay	17,829,241	3,786,773	14,042,468
Municipal Services	2,256,619	2,256,619	
Administration Fees	753,698	786,559	(32,861)
Debt Service:			
Principal	4,561,417	2,870,000	1,691,417
Interest	1,488,253	1,985,384	(497,131)
Debt Issuance Costs		334,738	(334,738)
TOTAL EXPENDITURES	<u>\$ 27,311,528</u>	<u>\$ 12,294,628</u>	<u>\$ 15,016,900</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>\$ (12,200,600)</u>	<u>\$ 3,513,751</u>	<u>\$ 15,714,351</u>
OTHER FINANCING SOURCES (USES)			
Proceeds from grants	\$ 3,450,000	\$ -	\$ (3,450,000)
Proceeds from the Sale of Contract Revenue Bonds	81,310,397		(81,310,397)
Proceeds from the Sale of Refunding Bonds		17,955,000	17,955,000
Debt Service - Principal		(17,595,000)	(17,595,000)
TOTAL OTHER FINANCING SOURCES (USES)	<u>\$ 84,760,397</u>	<u>\$ 360,000</u>	<u>\$ (84,400,397)</u>
NET CHANGE IN FUND BALANCE	\$ 72,559,797	\$ 3,873,751	\$ (68,686,046)
FUND BALANCE - JULY 1, 2016	<u>26,876,860</u>	<u>26,876,860</u>	
FUND BALANCE - JUNE 30, 2017	<u>\$ 99,436,657</u>	<u>\$ 30,750,611</u>	<u>\$ (68,686,046)</u>

See accompanying auditors' report.

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MEMORIAL CITY REDEVELOPMENT AUTHORITY

SUPPLEMENTARY INFORMATION

REQUIRED BY CITY OF HOUSTON

JUNE 30, 2017

MEMORIAL CITY REDEVELOPMENT AUTHORITY
OPERATING EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2017

<i>Category</i>	<i>Vendor</i>	<i>Budget</i>	<i>Actual Expenditures</i>	<i>Variance Positive (Negative)</i>
ADMINISTRATION AND OVERHEAD				
Management Consultant	Hawes Hill Calderon LLP	\$ 150,000	\$ 82,500	\$ 67,500
Administrative Operating				
Office Expenses	Various	-	430	(430)
Property Account Consultant	Equi-tax, Inc.	14,300	14,800	(500)
Accounting/Audit				
Accounting	ETI Accounting Services	10,500	11,055	(555)
	McGrath & Co. PLLC &	9,500	9,500	
Auditor	McCall Gibson Swedlund Barfoot PLLC	20,000	19,750	250
Insurance	Texas Municipal League	3,500	1,290	2,210
Other		9,500	9,500	
Subtotal		<u>217,300</u>	<u>148,825</u>	<u>68,475</u>
PROGRAM AND PROJECT CONSULTANTS				
Legal-General Counsel	Allen Boone Humphries Robinson, LLP	175,000	48,365	126,635
Legal-Litigation Counsel	Blank Rome LLP		64,548	(64,548)
Engineering Consultants	SWA Group	30,000	4,112	25,888
	Lockwood, Andrews & Newman		8,705	(8,705)
Subtotal		<u>205,000</u>	<u>125,730</u>	<u>79,270</u>
TOTAL MANAGEMENT CONSULTING SERVICES		<u>422,300</u>	<u>274,555</u>	<u>147,745</u>
City Administration Fees	City of Houston	<u>753,698</u>	<u>786,559</u>	<u>(32,861)</u>
Municipal Services Fess	City of Houston	<u>2,256,619</u>	<u>2,256,619</u>	
DEBT SERVICE				
Principal		4,561,417	2,870,000	1,691,417
Interest		1,488,253	1,985,384	(497,131)
Other Debt Service		-	334,738	(334,738)
Subtotal		<u>6,049,670</u>	<u>5,190,122</u>	<u>859,548</u>
Total Operating Expenditures		<u>\$ 9,482,287</u>	<u>\$ 8,507,855</u>	<u>\$ 974,432</u>

MEMORIAL CITY REDEVELOPMENT AUTHORITY
CAPITAL EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2017

<i>Project</i>	<i>Vendor</i>	<i>Budget</i>	<i>Actual Expenditures</i>	<i>Variance Positive (Negative)</i>
Project T-1701: Gessner Widening				
Other	Allen Boone Humphries Robinson, LLP	\$ -	\$ 358	\$ (358)
Project T-1709: Improvement to Lumpkin from I-10 to Westview				
Engineering/Design Services	Lockwood, Andrews & Newman	\$ -	\$ -	\$ (6,936)
	Sal Esparza, Inc.		6,936	
Project T-1717 and T-1721: Town and Country West Drainage and Mobility Improvements				
Engineering/Design Services	Lockwood, Andrews & Newman	3,500,000	67,147	3,063,116
Other	Allen Boone Humphries Robinson, LLP		9,532	
	BR T&C Blvd LLC		(10,000)	
	Corner Rock Construction		273,066	
	Rapid Research		1,319	
	Midway		90,250	
	SWA Group		5,570	
Project T-1722: Town and Country Blvd at Queensbury Signalization				
Other	Allen Boone Humphries Robinson, LLP	-	5,163	(5,163)
Project T-1725: Park and Green Space Improvements				
	SWA Group	125,000	13,397	111,603
Project T-1727: N.Gessner Area Thoroughfare Improvement Project				
Other	Allen Boone Humphries Robinson, LLP		123	(123)
Project T-1731A: Detention Basin & W-140 Bridge Improvements				
Other	Sal Esparza, Inc.	-	7,209	(10,264)
	Allen Boone Humphries Robinson, LLP		3,055	
Project T-1731B: Memorial Drive - Drainage and Mobility				
Other	Allen Boone Humphries Robinson, LLP	-	240	(240)
Project T-1732A: N. Gessner Drainage and Mobility Improvement - Phase 1				
Engineering/Design Services	Klotz Associates, Inc.	4,100,000	271,124	3,761,554
Other	SWA Group		19,039	
	The Goodman Corporation		31,000	
	Allen Boone Humphries Robinson, LLP		2,033	
	Cobb Fendley & Associates		15,250	
Project T-1732B: N. Gessner Drainage and Mobility Improvement - Phase 2				
Other	Allen Boone Humphries Robinson, LLP	500,000	-	500,000

MEMORIAL CITY REDEVELOPMENT AUTHORITY
CAPITAL EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2017

<i>Project</i>	<i>Vendor</i>	<i>Budget</i>	<i>Actual Expenditures</i>	<i>Variance Positive (Negative)</i>
Project T-1734: W140 Channel Improvements				
Engineering/Design Services	Lockwood, Andrews & Newman	5,600,000		5,313,153
Engineering/Design Services	Klotz Associates, Inc.		283,570	
	SWA Group		3,277	
Project T-1734B: Bunker Hill Bridge				
Engineering/Design Services	Klotz Associates, Inc.	850,000	-	850,000
Project T-1735: Detention Basin A				
Engineering/Design Services	Lockwood, Andrews & Newman	1,000,000	116,366	883,278
Other	Allen Boone Humphries Robinson, LLP		356	
Project T-1737: MetroNational Detention & Roads				
Developer Reimbursement	Lipex Properties	1,119,241	1,061,594	57,647
Project T-1738: Extension of Town and Country Way				
Developer Reimbursement	T&C Way Partners	-	383,781	(383,781)
Project T-1738A: Memorial Drive - Drainage and Mobility Improvement - Phase 1				
		1,000,000		868,982
Engineering/Design Services	Lockwood, Andrews & Newman		117,693	
Other	The Goodman Corporation		13,325	
Project T-1739: Intersection Improvements - Queensbury at Town & Country Blvd.				
Developer Reimbursement	T&C Way Partners	-	995,000	(995,000)
Project T-1799: Concrete Panel Replace Program at Town & Country Blvd.				
		35,000	-	35,000
Total Capital Expenditures		<u>\$ 17,829,241</u>	<u>\$ 3,786,773</u>	<u>\$ 14,042,468</u>

MEMORIAL CITY REDEVELOPMENT AUTHORITY
PROJECT PLAN RECONCILIATION
AS OF THE YEAR ENDED JUNE 30, 2017

	<i>Project Plan Estimated Amount</i>	<i>Cumulative Expenditures as of the Fiscal Year Ended 2017</i>	<i>Variance Positive (Negative)</i>
	<u> </u>	<u> </u>	<u> </u>
Capital Projects:			
Roadway and Sidewalk Improvements	\$ 53,429,681	\$ 36,323,361	\$ 17,106,320
Public Utility Improvements	120,856,453	35,508,463	85,347,990
Park and Recreational Facilities	<u>11,889,119</u>	<u>340,363</u>	<u>11,548,756</u>
Total Capital Projects Costs	\$ 186,175,253	\$ 72,172,187	\$ 114,003,066
Financing Costs	25,000,000	29,071,815	(4,071,815)
Creation and Administration Costs	<u>5,952,851</u>	<u>4,938,309</u>	<u>1,014,542</u>
Total Project Plan	<u>\$ 217,128,104</u>	<u>\$ 106,182,311</u>	<u>\$ 110,945,793</u>

MEMORIAL CITY REDEVELOPMENT AUTHORITY

OTHER SUPPLEMENTARY INFORMATION

JUNE 30, 2017

MEMORIAL CITY REDEVELOPMENT AUTHORITY
LONG-TERM DEBT SERVICE REQUIREMENTS, BY YEARS
AS OF THE YEAR ENDED JUNE 30, 2017

TAX INCREMENT CONTRACT
REVENUE BONDS
SERIES - 2008

Due During Fiscal Years Ending June 30	Principal Due September 1	Interest Due September 1/ March 1	Total
2018	\$ 490,000	\$ 57,405	\$ 547,405
2019	510,000	35,155	545,155
2020	535,000	11,904	546,904
TOTAL	<u>\$ 1,535,000</u>	<u>\$ 104,464</u>	<u>\$ 1,639,464</u>

See accompanying auditors' report.

MEMORIAL CITY REDEVELOPMENT AUTHORITY
LONG-TERM DEBT SERVICE REQUIREMENTS, BY YEARS
AS OF THE YEAR ENDED JUNE 30, 2017

REFUNDING TAX INCREMENT
CONTRACT REVENUE BONDS
SERIES - 2011

Due During Fiscal Years Ending June 30	Principal Due September 1	Interest Due September 1/ March 1	Total
2018	\$ 600,000	\$ 249,872	\$ 849,872
2019	625,000	227,332	852,332
2020	645,000	203,964	848,964
2021	665,000	179,860	844,860
2022	690,000	154,928	844,928
2023	720,000	128,984	848,984
2024	745,000	102,028	847,028
2025	770,000	74,151	844,151
2026	800,000	45,263	845,263
2027	830,000	15,272	845,272
TOTAL	<u>\$ 7,090,000</u>	<u>\$ 1,381,654</u>	<u>\$ 8,471,654</u>

See accompanying auditors' report.

MEMORIAL CITY REDEVELOPMENT AUTHORITY
LONG-TERM DEBT SERVICE REQUIREMENTS, BY YEARS
AS OF THE YEAR ENDED JUNE 30, 2017

TAX INCREMENT CONTRACT
REVENUE BONDS
SERIES - 2011A

Due During Fiscal Years Ending June 30	Principal Due September 1	Interest Due September 1/ March 1	Total
2018	\$ 1,895,000	\$ 357,569	\$ 2,252,569
2019	1,965,000	283,264	2,248,264
2020	2,045,000	206,071	2,251,071
2021	2,125,000	125,799	2,250,799
2022	2,205,000	42,446	2,247,446
TOTAL	\$ 10,235,000	\$ 1,015,149	\$ 11,250,149

See accompanying auditors' report.

MEMORIAL CITY REDEVELOPMENT AUTHORITY
LONG-TERM DEBT SERVICE REQUIREMENTS, BY YEARS
AS OF THE YEAR ENDED JUNE 30, 2017

TAX INCREMENT CONTRACT
REVENUE BONDS
SERIES - 2016 Refunding

Due During Fiscal Years Ending June 30	Principal Due September 1	Interest Due September 1/ March 1	Total
2018	\$ 115,000	\$ 431,330	\$ 546,330
2019	120,000	428,498	548,498
2020	120,000	425,606	545,606
2021	680,000	415,966	1,095,966
2022	695,000	399,397	1,094,397
2023	2,975,000	355,174	3,330,174
2024	3,050,000	282,573	3,332,573
2025	3,125,000	208,164	3,333,164
2026	3,200,000	131,948	3,331,948
2027	3,270,000	53,984	3,323,984
2028	605,000	7,290	612,290
TOTAL	\$ 17,955,000	\$ 3,139,929	\$ 21,094,929

See accompanying auditors' report.

MEMORIAL CITY REDEVELOPMENT AUTHORITY
LONG-TERM DEBT SERVICE REQUIREMENTS, BY YEARS
AS OF THE YEAR ENDED JUNE 30, 2017

ANNUAL REQUIREMENTS
FOR ALL SERIES

Due During Fiscal Years Ending June 30	Total Principal Due	Total Interest Due	Total Principal and Interest Due
2018	\$ 3,100,000	\$ 1,096,176	\$ 4,196,176
2019	3,220,000	974,249	4,194,249
2020	3,345,000	847,545	4,192,545
2021	3,470,000	721,625	4,191,625
2022	3,590,000	596,772	4,186,772
2023	3,695,000	484,158	4,179,158
2024	3,795,000	384,601	4,179,601
2025	3,895,000	282,315	4,177,315
2026	4,000,000	177,211	4,177,211
2027	4,100,000	69,256	4,169,256
2028	605,000	7,290	612,290
TOTAL	<u>\$ 36,815,000</u>	<u>\$ 5,641,196</u>	<u>\$ 42,456,196</u>

See accompanying auditors' report.

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MEMORIAL CITY REDEVELOPMENT AUTHORITY
BOARD MEMBERS AND CONSULTANTS
JUNE 30, 2017

Authority Mailing Address - Memorial City Redevelopment Authority
P.O. Box 22167
Houston, TX 77227-2167

Authority Telephone Number - 713-595-1200

Board Members	Position
Marshall B. Heins - Director	1
John Rickel - Director	2
David P. Durham - Director	3
Ann Thomas Givens – Chair	4
Dr. Zachary R. Hodges - Director	5
Brad Freels – Vice-Chair	6
Glenn E. Airola – Secretary	7

See accompanying auditors' report.

