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INDEPENDENT ACCOUNTANT'S COMPILATION REPORT

To Management
Houston Downtown Management District
Houston, Texas

I have compiled the accompanying financial statements of the governmental activities and each major fund of Houston Downtown Management District as of February 29, 2016, including the governmental fund balance sheets and statements of net assets as of February 29, 2016 and February 28, 2015, and the statements of activities for the one (1) month ended February 29, 2016 and February 28, 2015, I have not audited or reviewed the accompanying financial statements and, accordingly, do not express an opinion or provide any assurance about whether the financial statements are in accordance with accounting principles generally accepted in the United States of America.

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

My responsibility is to conduct the compilation in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. The objective of a compilation is to assist management in presenting financial information in the form of financial statements without undertaking to obtain or provide any assurance that there are no material modifications that should be made to the financial statements.

Management has elected to omit substantially all of the disclosures, the statement of cash flows, and the effect of GASB 34 required by accounting principles generally accepted in the United States of America. If the omitted disclosures, statement of cash flows, and the effect of GASB 34 were included in the financial statements, they might influence the user's conclusions about the District's financial position, results of operations, and cash flows. Accordingly, these financial statements are not designed for those who are not informed about such matters.

The supplementary information contained in the accompanying variance analysis is presented for purposes of additional analysis and is not a required part of the basic financial statements. The supplementary information has been compiled from information that is the representation of management. I have not audited or reviewed the supplementary information and, accordingly, do not express an opinion or provide any assurance on such supplementary information.

Dean C. Corbett, P.C.

March 8, 2016

**Houston Downtown Management District
Governmental Fund Balance Sheets and
Statement of Net Assets
February 29, 2016 and February 28, 2015**

| | 2016 | | | | 2015 | | | |
|--|--------------------------------|------------------------------|---------------------------|----------------------|--------------------------------|------------------------------|---------------------------|----------------------|
| | HDMD Operating Year to Date | HDMD Capital Year to Date | GreenLink Year to Date | Total (Memo Only) | HDMD Operating Year to Date | HDMD Capital Year to Date | GreenLink Year to Date | Total (Memo Only) |
| Assets | | | | | | | | |
| Cash | \$ 15,931,606 | \$ 2,283,229 | \$ 1,596,393 | \$ 19,811,228 | \$ 9,349,666 | \$ 4,757,821 | \$ 1,413,094 | \$ 15,520,581 |
| Assessments Due, Net | (1,397,873) | (177,221) | | (1,575,094) | 108,184 | 28,952 | | 137,136 |
| Accounts Receivable | 51,229 | - | 93,750 | 144,979 | 40,285 | - | - | 40,285 |
| Prepaid Expense | 99,250 | - | - | 99,250 | 99,250 | - | - | 99,250 |
| Inventory | - | - | 104,564 | 104,564 | - | - | 104,564 | 104,564 |
| Property & Equipment, Net | 94,106 | 13,129 | 2,062,004 | 2,169,239 | 106,215 | 23,939 | 2,311,943 | 2,442,097 |
| Intercompany Rec/Pay | (1,150,088) | 1,150,088 | - | - | (8,521) | 8,521 | - | - |
| Total Assets | <u>\$ 13,628,230</u> | <u>\$ 3,269,225</u> | <u>\$ 3,856,711</u> | <u>\$ 20,754,166</u> | <u>\$ 9,695,079</u> | <u>\$ 4,819,233</u> | <u>\$ 3,829,601</u> | <u>\$ 18,343,913</u> |
| Liabilities | | | | | | | | |
| Accounts Payable & Accrued Expenses | \$ 1,145,889 | \$ 393,586 | \$ 132,721 | \$ 1,672,196 | \$ 385,834 | \$ 383,818 | \$ 68,330 | \$ 837,982 |
| Deferred Revenue | - | - | 281,250 | 281,250 | - | - | 281,250 | 281,250 |
| Total Liabilities & Deferred Revenue | <u>1,145,889</u> | <u>393,586</u> | <u>413,971</u> | <u>1,953,446</u> | <u>385,834</u> | <u>383,818</u> | <u>349,580</u> | <u>1,119,232</u> |
| Fund Balances | | | | | | | | |
| Unreserved, Undesignated | 11,682,341 | | | 11,682,341 | 8,509,245 | | | 8,509,245 |
| Unreserved, Designated for Catastrophy | 800,000 | | | 800,000 | 800,000 | | | 800,000 |
| Reserved for Capital Projects | | 2,875,639 | 3,442,740 | 6,318,379 | | 4,435,415 | 3,480,020 | 7,915,435 |
| | <u>12,482,341</u> | <u>2,875,639</u> | <u>3,442,740</u> | <u>18,800,721</u> | <u>9,309,245</u> | <u>4,435,415</u> | <u>3,480,020</u> | <u>17,224,680</u> |
| Total Liabilities, Deferred Revenue & Fund Balances | <u>\$ 13,628,230</u> | <u>\$ 3,269,225</u> | <u>\$ 3,856,711</u> | <u>\$ 20,754,166</u> | <u>\$ 9,695,079</u> | <u>\$ 4,819,233</u> | <u>\$ 3,829,601</u> | <u>\$ 18,343,913</u> |

**Houston Downtown Management District
Statement of Activities
Two Months Ended February 29, 2016**

| | <u>Operating YTD Actual</u> | <u>Capital YTD Actual</u> | <u>Total YTD Actual</u> | <u>YTD Budget</u> | <u>Fav (Unfav) Variance</u> |
|--|---------------------------------|-------------------------------|-----------------------------|----------------------|---------------------------------|
| Revenues | | | | | |
| Assessments, Net | \$ 11,658,893 | \$ 1,477,882 | \$ 13,136,775 | \$ 13,091,320 | \$ 45,455 |
| Operations Revenue | (523) | - | (523) | 60,000 | (60,523) |
| Project Revenue | 25,200 | - | 25,200 | 12,000 | 13,200 |
| Salary Reimbursements | 21,892 | - | 21,892 | 20,000 | 1,892 |
| Interest Income | 1,103 | 770 | 1,873 | 1,875 | (2) |
| Total Revenues | \$ 11,706,566 | \$ 1,478,652 | \$ 13,185,218 | \$ 13,185,195 | \$ 22 |
| Expenses | | | | | |
| Downtown Feels Safe & Comfortable at All Times | | | | | |
| Collaboration to Maintain Low Crime Rate | \$ 288,980 | \$ - | \$ 288,980 | \$ 351,292 | \$ 62,313 |
| Reduced Presence of Homeless & Street Persons | 55,641 | - | 55,641 | 79,167 | 23,526 |
| Downtown Sidewalks are Comfortably Lighted | 6,098 | - | 6,098 | 15,833 | 9,735 |
| Downtown Clean & Well-Kept Appearance | 342,034 | - | 342,034 | 434,200 | 92,166 |
| Remove Signs of Disorder in Downtown | 8,789 | - | 8,789 | 9,267 | 478 |
| Prepare for Emergencies | 12,866 | - | 12,866 | 19,167 | 6,301 |
| | 714,407 | - | 714,407 | 908,926 | 194,518 |
| Public Realm is Charming, Inviting, Beautiful & Celebrates the Life of the City | | | | | |
| Key Pedestrian Streets are Inviting | 8,927 | - | 8,927 | 47,917 | 38,990 |
| Public Spaces Managed, Programmed, & Delightful | 60,889 | - | 60,889 | 120,500 | 59,611 |
| Place of Civic Celebration | 160,624 | - | 160,624 | 320,667 | 160,042 |
| | 230,441 | - | 230,441 | 489,083 | 258,643 |
| Accessible to Region & Easy to Get Around | | | | | |
| Effective Transit Access More Places, More Hours | 1,656 | - | 1,656 | 1,667 | 10 |
| Convenient Circulation Without Personal Vehicle | 77,556 | - | 77,556 | 78,333 | 777 |
| Easy To Find Way Around | 8,363 | - | 8,363 | 37,083 | 28,720 |
| Connect Neighbors & Districts Inside/Outside Downtown | 14,819 | - | 14,819 | 15,000 | 181 |
| Convenient, Understandable & Managed Parking | 6,328 | - | 6,328 | 12,500 | 6,172 |
| | 108,723 | - | 108,723 | 144,583 | 35,861 |
| Vibrant, Sustainable Mixed-Use Place | | | | | |
| Best Place to Work in Region | 40,582 | - | 40,582 | 40,583 | 1 |
| Exciting Neighborhoods to Live In | 15,573 | - | 15,573 | 14,917 | (656) |
| Competitive Shopping Place | 26,204 | - | 26,204 | 51,167 | 24,963 |
| Remarkable Destination for Visitors | 1,179 | - | 1,179 | 1,667 | 487 |
| | 83,538 | - | 83,538 | 108,333 | 24,796 |
| Downtown's Vision & Offering Understood By All | | | | | |
| Market to Region | 73,393 | - | 73,393 | 65,167 | (8,226) |
| Promote Downtown's Ease of Use | 3,591 | - | 3,591 | 3,500 | (91) |
| Vision/Development Framework Understood By All | 22,857 | - | 22,857 | 125,083 | 102,226 |
| Tools to Assist Continued Redevelopment | 13,520 | - | 13,520 | 15,000 | 1,480 |
| Develop & Maintain Information to Support Downtown | 5,064 | - | 5,064 | 9,700 | 4,636 |
| | 118,424 | - | 118,424 | 218,450 | 100,026 |
| District Governance & Service Known for Excellence | | | | | |
| Engage Stakeholders in Decision Making | 99,333 | - | 99,333 | 101,017 | 1,684 |
| Communications to Owners, Tenants & Others | 1,947 | - | 1,947 | 2,417 | 470 |
| Preservation of Districts' Capital Assets | 30,497 | - | 30,497 | 38,200 | 7,703 |
| | 131,776 | - | 131,776 | 141,633 | 9,857 |
| Capital Improvement & Expenditures | | | | | |
| Downtown Feels Safe & Comfortable | - | - | - | 10,000 | 10,000 |
| Public Realm is Charming, Inviting, & Beautiful | - | 60,000 | 60,000 | - | (60,000) |
| Accessible to Region & Easy to Get Around | - | 619,931 | 619,931 | 1,365,000 | 745,069 |
| Vibrant, Sustainable Mixed-Use Place | - | 25,000 | 25,000 | 41,667 | 16,667 |
| Downtown's Vision & Offering Understood By All | - | - | - | - | - |
| Capital Replacement Expenditure | - | (9,138) | (9,138) | 61,500 | 70,638 |
| | - | 695,793 | 695,793 | 1,478,167 | 782,374 |
| Total Expenses | \$ 1,387,309 | \$ 695,793 | \$ 2,083,102 | \$ 3,489,176 | \$ 1,406,074 |
| Depreciation Expense | 3,620 | 1,802 | 5,422 | 6,032 | 610 |
| Excess of Revenue Over Expenses GAAP Basis | \$ 10,315,636 | \$ 781,058 | \$ 11,096,694 | \$ 9,689,988 | \$ 1,406,706 |

Houston Downtown Management District
Statement of Activities
Two Months Ended February 29, 2016 and February 28, 2015

| | Operating YTD Actual | Capital YTD Actual | 2016 Total YTD Actual | 2015 Total YTD Actual | Fav (Unfav) Variance |
|--|-------------------------|-----------------------|-----------------------------|-----------------------------|-------------------------|
| Revenues | | | | | |
| Assessments, Net | \$ 11,658,893 | \$ 1,477,882 | \$ 13,136,775 | \$ 8,865,408 | \$ 4,271,367 |
| Operations Revenue | (523) | - | (523) | 1,819 | (2,342) |
| Project Revenue | 25,200 | - | 25,200 | 14,361 | 10,839 |
| Salary Reimbursements | 21,892 | - | 21,892 | 20,833 | 1,059 |
| Interest Income | 1,103 | 770 | 1,873 | 1,111 | 762 |
| Total Revenues | \$ 11,706,566 | \$ 1,478,652 | \$ 13,185,218 | \$ 8,903,532 | \$ 4,281,685 |
| Expenses | | | | | |
| Downtown Feels Safe & Comfortable at All Times | | | | | |
| Collaboration to Maintain Low Crime Rate | \$ 288,980 | \$ - | \$ 288,980 | \$ 105,217 | \$ (183,763) |
| Reduced Presence of Homeless & Street Persons | 55,641 | - | 55,641 | 106,974 | 51,333 |
| Downtown Sidewalks are Comfortably Lighted | 6,098 | - | 6,098 | 6,167 | 69 |
| Downtown Clean & Well-Kept Appearance | 342,034 | - | 342,034 | 291,712 | (50,322) |
| Remove Signs of Disorder in Downtown | 8,789 | - | 8,789 | 721 | (8,068) |
| Prepare for Emergencies | 12,866 | - | 12,866 | 13,030 | 165 |
| | 714,407 | - | 714,407 | 523,822 | (190,585) |
| Public Realm is Charming, Inviting, Beautiful & Celebrates the Life of the City | | | | | |
| Key Pedestrian Streets are Inviting | 8,927 | - | 8,927 | 41,518 | 32,591 |
| Public Spaces Managed, Programmed, & Delightful | 60,889 | - | 60,889 | 24,431 | (36,458) |
| Place of Civic Celebration | 160,624 | - | 160,624 | 27,248 | (133,376) |
| | 230,441 | - | 230,441 | 93,197 | (137,244) |
| Accessible to Region & Easy to Get Around | | | | | |
| Effective Transit Access More Places, More Hours | 1,656 | - | 1,656 | 1,602 | (55) |
| Convenient Circulation Without Personal Vehicle | 77,556 | - | 77,556 | 73,139 | (4,417) |
| Easy To Find Way Around | 8,363 | - | 8,363 | 7,043 | (1,320) |
| Connect Neighbors & Districts Inside/Outside Downtown | 14,819 | - | 14,819 | 9,272 | (5,547) |
| Convenient, Understandable & Managed Parking | 6,328 | - | 6,328 | 5,529 | (800) |
| | 108,723 | - | 108,723 | 96,584 | (12,139) |
| Vibrant, Sustainable Mixed-Use Place | | | | | |
| Best Place to Work in Region | 40,582 | - | 40,582 | 43,000 | 2,418 |
| Exciting Neighborhoods to Live In | 15,573 | - | 15,573 | 12,281 | (3,292) |
| Competitive Shopping Place | 26,204 | - | 26,204 | 31,844 | 5,640 |
| Remarkable Destination for Visitors | 1,179 | - | 1,179 | 641 | (538) |
| | 83,538 | - | 83,538 | 87,766 | 4,228 |
| Downtown's Vision & Offering Understood By All | | | | | |
| Market to Region | 73,393 | - | 73,393 | 37,018 | (36,374) |
| Promote Downtown's Ease of Use | 3,591 | - | 3,591 | 3,308 | (283) |
| Vision/Development Framework Understood By All | 22,857 | - | 22,857 | 20,197 | (2,660) |
| Tools to Assist Continued Redevelopment | 13,520 | - | 13,520 | 13,241 | (279) |
| Develop & Maintain Information to Support Downtown | 5,064 | - | 5,064 | 4,876 | (188) |
| | 118,424 | - | 118,424 | 78,640 | (39,784) |
| District Governance & Service Known for Excellence | | | | | |
| Engage Stakeholders in Decision Making | 99,333 | - | 99,333 | 84,247 | (15,086) |
| Communications to Owners, Tenants & Others | 1,947 | - | 1,947 | 1,803 | (144) |
| Preservation of Districts' Capital Assets | 30,497 | - | 30,497 | 29,265 | (1,232) |
| | 131,776 | - | 131,776 | 115,315 | (16,462) |
| Capital Improvement & Expenditures | | | | | |
| Downtown Feels Safe & Comfortable | - | - | - | - | - |
| Public Realm is Charming, Inviting, & Beautiful | - | 60,000 | 60,000 | - | (60,000) |
| Accessible to Region & Easy to Get Around | - | 619,931 | 619,931 | 3,695 | (616,236) |
| Vibrant, Sustainable Mixed-Use Place | - | 25,000 | 25,000 | - | (25,000) |
| Downtown's Vision & Offering Understood By All | - | - | - | - | - |
| Capital Replacement Expenditure | - | (9,138) | (9,138) | 40,197 | 49,335 |
| | - | 695,793 | 695,793 | 43,892 | (651,900) |
| Total Expenses | \$ 1,387,309 | \$ 695,793 | \$ 2,083,102 | \$ 1,039,217 | \$ (1,043,885) |
| Depreciation Expense | 3,620 | 1,802 | 5,422 | 7,238 | 1,816 |
| Excess of Revenue Over Expenses GAAP Basis | \$ 10,315,636 | \$ 781,058 | \$ 11,096,694 | \$ 7,857,078 | \$ 3,239,616 |

Greenlink-Downtown Circulator Fund
Statement of Activities
Two Months Ended February 29, 2016

| | <u>Operating YTD Actual</u> | <u>Capital YTD Actual</u> | <u>Total YTD Actual</u> | <u>YTD Budget</u> | <u>Fav (Unfav) Variance</u> |
|---|---------------------------------|-------------------------------|-----------------------------|--------------------|---------------------------------|
| Revenues | | | | | |
| HDMD Operations Sponsorship | \$ 62,500 | \$ - | \$ 62,500 | \$ 62,500 | \$ - |
| Houston First Operations Sponsorship | 62,500 | | 62,500 | 62,500 | - |
| BG Group Operations Sponsorship | 62,500 | | 62,500 | 62,500 | - |
| Advertising Revenue | - | | - | - | - |
| Interest Income | 404 | | 404 | 200 | 204 |
| Total Revenues | \$ 187,904 | \$ - | \$ 187,904 | \$ 187,700 | \$ 204 |
| Expenses | | | | | |
| Vehicle Operator Expense | 121,000 | | 121,000 | 160,000 | 39,000 |
| Fuel Expense | 11,200 | | 11,200 | 16,500 | 5,300 |
| Marketing Expense | - | | - | 11,500 | 11,500 |
| Operating Administrative Expense | 14,180 | | 14,180 | 10,000 | (4,180) |
| Miscellaneous Expense | - | | - | - | - |
| | 146,380 | - | 146,380 | 198,000 | 51,620 |
| Total Expenses | \$ 146,380 | \$ - | \$ 146,380 | \$ 198,000 | \$ 51,620 |
| Depreciation Expense | 41,657 | | 41,657 | 41,656 | (1) |
| Excess of Revenue Over Expenses GAAP Basis | \$ (132) | \$ - | \$ (132) | \$ (51,956) | \$ 51,824 |

Greenlink-Downtown Circulator Fund
Statement of Activities
Two Months Ended February 29, 2016 and February 28, 2015

| | <u>Operating YTD Actual</u> | <u>Capital YTD Actual</u> | <u>2016 Total YTD Actual</u> | <u>2015 Total YTD Actual</u> | <u>Fav (Unfav) Variance</u> |
|---|---------------------------------|-------------------------------|--------------------------------------|--------------------------------------|---------------------------------|
| Revenues | | | | | |
| HDMD Operations Sponsorship | \$ 62,500 | | \$ 62,500 | \$ 62,500 | \$ - |
| Houston First Operations Sponsorship | 62,500 | | 62,500 | 62,500 | - |
| BG Group Operations Sponsorship | 62,500 | | 62,500 | 62,500 | - |
| Advertising Revenue | - | | - | - | - |
| Interest Income | 404 | | 404 | 120 | 284 |
| Total Revenues | <u>\$ 187,904</u> | <u>\$ -</u> | <u>\$ 187,904</u> | <u>\$ 187,620</u> | <u>\$ 284</u> |
| Expenses | | | | | |
| Vehicle Operator Expense | 121,000 | | 121,000 | 120,000 | (1,000) |
| Fuel Expense | 11,200 | | 11,200 | 10,300 | (900) |
| Marketing Expense | - | | - | 259 | 259 |
| Operating Administrative Expense | 14,180 | | 14,180 | 6,828 | (7,352) |
| Miscellaneous Expense | - | | - | - | - |
| | <u>146,380</u> | <u>-</u> | <u>146,380</u> | <u>137,386</u> | <u>(8,994)</u> |
| Total Expenses | <u>\$ 146,380</u> | <u>\$ -</u> | <u>\$ 146,380</u> | <u>\$ 137,386</u> | <u>\$ (8,994)</u> |
| Depreciation Expense | 41,657 | | 41,657 | 41,656 | (1) |
| Excess of Revenue Over Expenses GAAP Basis | <u>\$ (132)</u> | <u>\$ -</u> | <u>\$ (132)</u> | <u>\$ 8,577</u> | <u>\$ (8,710)</u> |

Houston Downtown Management District

Variance Analysis

Two Months Ended February 29, 2016

Operating Budget

- 1) Revenue-Assessment revenue collections \$45K ahead of budget, bus stop cleaning and trash program operations revenue behind budget (\$60K), magazine revenue ahead of budget \$13K.
- 2) Goal 1a-Collaboration to Maintain Low Crime Rate-Under budget \$22K on program for Off-Duty HPD Officers-program not fully staffed up yet. Under budget \$26K on Safety Guide Salaries. Ahead of Budget \$14K on uniforms and coordinator expenses due to timing of invoices.
- 3) Goal 1b-Reduced Presence of Homeless & Street Persons-Ahead of budget \$23K on homeless programs due to timing of expenditures.
- 4) Goal 1d-Downtown Clean & Well-Kept Appearance-Ahead of budget \$12K in street light maintenance, Ahead of budget \$38K on paver repairs, \$32K on landscaping and tree maintenance, and \$10K in irrigation maintenance and repairs.
- 5) Goal 2a-Key Pedestrian Streets are Inviting-Ahead of budget \$39K on accent planting due to timing.
- 6) Goal 2b-Public Spaces Managed, Programmed-Ahead of budget \$27K on Main Street Square fountain maintenance and ahead of budget \$5K on Market Square Park Maintenance, ahead \$20K on programming.
- 7) Goal 2c-Place of Civic Celebration-Ahead of budget \$127K on the Art Program and \$32K on banners and pole/pot maintenance. The Art Program budget reflects timing and will be used in full.
- 8) Goal 3c-Easy to Find Way Around-Ahead of budget \$25K on wayfinding maintenance, new above and below maps in development.
- 9) Goal 4c-Competitive Shopping Place-Ahead of budget \$25K retail shopping programs due to timing of Fransen Company invoices.
- 10) Goal 5c-Vision/Development Framework Understood by All-Ahead of budget \$102K on planning consulting expenditures.

Capital Budget

- 11) Over budget (\$60K) in storefront/streetscape project grants, these were budgeted in 2015 but approved in January 2016.
- 12) Ahead of budget \$630K in wayfinding projects due to delays in completion of the projects, ahead \$100K due to delay in food cart purchase for Main Street Square, and \$15K due to delay in Market Square Park lighting project.
- 13) Ahead \$16K in catalytic retail project grants, no new projects identified.
- 14) Ahead of budget \$70K in capital replacement expenditures.