

DEAN C. CORBETT, P.C.
CERTIFIED PUBLIC ACCOUNTANT
13201 NORTHWEST FREEWAY, SUITE 512
HOUSTON, TEXAS 77040
(281) 351-2762

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 March 31, 2016, including the governmental fund balance sheets and statements of net assets as of March 31, 2016 and March 31, 2015, and the statements of activities for the three (3) months ended March 31, 2016 and March 31, 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.

April 12, 2016

**Houston Downtown Management District
Governmental Fund Balance Sheets and
Statement of Net Assets
March 31, 2016 and March 31, 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	\$ 15,291,234	\$ 2,168,491	\$ 1,553,214	\$ 19,012,938	\$ 8,933,176	\$ 4,657,634	\$ 1,329,486	\$ 14,920,296
Assessments Due, Net	(1,313,324)	(166,523)	-	(1,479,847)	47,922	12,825	-	60,747
Accounts Receivable	54,428	-	-	54,428	11,309	-	-	11,309
Prepaid Expense	68,000	-	-	68,000	68,000	-	-	68,000
Inventory	-	-	104,564	104,564	-	-	104,564	104,564
Property & Equipment, Net	92,140	12,228	2,041,175	2,145,544	103,497	23,038	2,291,115	2,417,650
Intercompany Rec/Pay	(1,154,883)	1,154,883	-	-	(24,893)	24,893	-	-
Total Assets	<u>\$ 13,037,596</u>	<u>\$ 3,169,079</u>	<u>\$ 3,698,953</u>	<u>\$ 19,905,628</u>	<u>\$ 9,139,011</u>	<u>\$ 4,718,391</u>	<u>\$ 3,725,166</u>	<u>\$ 17,582,568</u>
Liabilities								
Accounts Payable & Accrued Expenses	\$ 1,258,349	\$ 365,086	\$ 66,285	\$ 1,689,719	\$ 390,599	\$ 373,602	\$ 67,589	\$ 831,790
Deferred Revenue	-	-	187,500	187,500	-	-	187,500	187,500
Total Liabilities & Deferred Revenue	<u>1,258,349</u>	<u>365,086</u>	<u>253,785</u>	<u>1,877,219</u>	<u>390,599</u>	<u>373,602</u>	<u>255,089</u>	<u>1,019,290</u>
Fund Balances								
Unreserved, Undesignated	10,979,247	-	-	10,979,247	7,948,412	-	-	7,948,412
Unreserved, Designated for Catastrophy	800,000	-	-	800,000	800,000	-	-	800,000
Reserved for Capital Projects	-	2,803,993	3,445,168	6,249,162	-	4,344,789	3,470,077	7,814,866
	<u>11,779,247</u>	<u>2,803,993</u>	<u>3,445,168</u>	<u>18,028,408</u>	<u>8,748,412</u>	<u>4,344,789</u>	<u>3,470,077</u>	<u>16,563,278</u>
Total Liabilities, Deferred Revenue & Fund Balances	<u>\$ 13,037,596</u>	<u>\$ 3,169,079</u>	<u>\$ 3,698,953</u>	<u>\$ 19,905,628</u>	<u>\$ 9,139,011</u>	<u>\$ 4,718,391</u>	<u>\$ 3,725,166</u>	<u>\$ 17,582,568</u>

**Houston Downtown Management District
Statement of Activities
Three Months Ended March 31, 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	\$ 11,658,856	\$ 1,477,882	\$ 13,136,738	\$ 13,117,714	\$ 19,024
Operations Revenue	22,247	-	22,247	90,000	(67,753)
Project Revenue	31,013	-	31,013	171,750	(140,737)
Salary Reimbursements	33,017	-	33,017	20,000	13,017
Interest Income	13,087	2,525	15,611	2,813	12,799
Total Revenues	\$ 11,758,220	\$ 1,480,407	\$ 13,238,627	\$ 13,402,276	\$ (163,650)
Expenses					
Downtown Feels Safe & Comfortable at All Times					
Collaboration to Maintain Low Crime Rate	\$ 471,521	\$ -	\$ 471,521	\$ 578,793	\$ 107,272
Reduced Presence of Homeless & Street Persons	68,104	-	68,104	118,750	50,646
Downtown Sidewalks are Comfortably Lighted	20,895	-	20,895	23,750	2,855
Downtown Clean & Well-Kept Appearance	561,259	-	561,259	674,300	113,041
Remove Signs of Disorder in Downtown	13,416	-	13,416	13,900	484
Prepare for Emergencies	18,821	-	18,821	28,750	9,929
	1,154,016	-	1,154,016	1,438,243	284,227
Public Realm is Charming, Inviting, Beautiful & Celebrates the Life of the City					
Key Pedestrian Streets are Inviting	13,342	-	13,342	71,875	58,533
Public Spaces Managed, Programmed, & Delightful	90,530	-	90,530	180,750	90,220
Place of Civic Celebration	246,433	-	246,433	476,000	229,567
	350,305	-	350,305	728,625	378,321
Accessible to Region & Easy to Get Around					
Effective Transit Access More Places, More Hours	2,484	-	2,484	2,500	16
Convenient Circulation Without Personal Vehicle	116,158	-	116,158	117,500	1,343
Easy To Find Way Around	13,119	-	13,119	43,125	30,006
Connect Neighbors & Districts Inside/Outside Downtown	23,444	-	23,444	22,500	(944)
Convenient, Understandable & Managed Parking	7,605	-	7,605	18,750	11,145
	162,810	-	162,810	204,375	41,565
Vibrant, Sustainable Mixed-Use Place					
Best Place to Work in Region	57,873	-	57,873	57,875	2
Exciting Neighborhoods to Live In	22,955	-	22,955	22,375	(580)
Competitive Shopping Place	45,882	-	45,882	76,750	30,868
Remarkable Destination for Visitors	2,028	-	2,028	2,500	473
	128,738	-	128,738	159,500	30,762
Downtown's Vision & Offering Understood By All					
Market to Region	125,163	-	125,163	177,750	52,587
Promote Downtown's Ease of Use	5,331	-	5,331	5,250	(81)
Vision/Development Framework Understood By All	12,674	-	12,674	187,625	174,951
Tools to Assist Continued Redevelopment	20,943	-	20,943	22,500	1,557
Develop & Maintain Information to Support Downtown	7,655	-	7,655	14,550	6,895
	171,766	-	171,766	407,675	235,909
District Governance & Service Known for Excellence					
Engage Stakeholders in Decision Making	139,219	-	139,219	150,025	10,806
Communications to Owners, Tenants & Others	2,742	-	2,742	3,625	883
Preservation of Districts' Capital Assets	30,497	-	30,497	38,200	7,703
	172,458	-	172,458	191,850	19,392
Capital Improvement & Expenditures					
Downtown Feels Safe & Comfortable	-	-	-	25,000	25,000
Public Realm is Charming, Inviting, & Beautiful	-	60,000	60,000	118,750	58,750
Accessible to Region & Easy to Get Around	-	717,431	717,431	1,575,000	857,569
Vibrant, Sustainable Mixed-Use Place	-	25,000	25,000	62,500	37,500
Downtown's Vision & Offering Understood By All	-	-	-	-	-
Capital Replacement Expenditure	-	(34,138)	(34,138)	91,500	125,638
	-	768,292	768,292	1,872,750	1,104,458
Total Expenses	\$ 2,140,093	\$ 768,292	\$ 2,908,385	\$ 5,003,018	\$ 2,094,633
Depreciation Expense	5,586	2,703	8,289	9,047	759
Excess of Revenue Over Expenses GAAP Basis	\$ 9,612,541	\$ 709,412	\$ 10,321,953	\$ 8,390,211	\$ 1,931,742

Houston Downtown Management District
Statement of Activities
Three Months Ended March 31, 2016 and March 31, 2015

	Operating YTD Actual	Capital YTD Actual	2016 Total YTD Actual	2015 Total YTD Actual	Fav (Unfav) Variance
Revenues					
Assessments, Net	\$ 11,658,856	\$ 1,477,882	\$ 13,136,738	\$ 8,874,468	\$ 4,262,270
Operations Revenue	22,247	-	22,247	19,726	2,521
Project Revenue	31,013	-	31,013	19,141	11,872
Salary Reimbursements	33,017	-	33,017	20,833	12,184
Interest Income	13,087	2,525	15,611	2,107	13,505
Total Revenues	\$ 11,758,220	\$ 1,480,407	\$ 13,238,627	\$ 8,936,276	\$ 4,302,351
Expenses					
Downtown Feels Safe & Comfortable at All Times					
Collaboration to Maintain Low Crime Rate	\$ 471,521	\$ -	\$ 471,521	\$ 147,502	\$ (324,020)
Reduced Presence of Homeless & Street Persons	68,104	-	68,104	191,770	123,666
Downtown Sidewalks are Comfortably Lighted	20,895	-	20,895	12,299	(8,596)
Downtown Clean & Well-Kept Appearance	561,259	-	561,259	452,656	(108,602)
Remove Signs of Disorder in Downtown	13,416	-	13,416	1,005	(12,412)
Prepare for Emergencies	18,821	-	18,821	18,087	(733)
	1,154,016	-	1,154,016	823,319	(330,697)
Public Realm is Charming, Inviting, Beautiful & Celebrates the Life of the City					
Key Pedestrian Streets are Inviting	13,342	-	13,342	49,172	35,830
Public Spaces Managed, Programmed, & Delightful	90,530	-	90,530	50,542	(39,988)
Place of Civic Celebration	246,433	-	246,433	46,371	(200,062)
	350,305	-	350,305	146,085	(204,219)
Accessible to Region & Easy to Get Around					
Effective Transit Access More Places, More Hours	2,484	-	2,484	2,403	(82)
Convenient Circulation Without Personal Vehicle	116,158	-	116,158	110,377	(5,780)
Easy To Find Way Around	13,119	-	13,119	10,565	(2,554)
Connect Neighbors & Districts Inside/Outside Downtown	23,444	-	23,444	13,908	(9,537)
Convenient, Understandable & Managed Parking	7,605	-	7,605	7,060	(546)
	162,810	-	162,810	144,313	(18,498)
Vibrant, Sustainable Mixed-Use Place					
Best Place to Work in Region	57,873	-	57,873	61,500	3,627
Exciting Neighborhoods to Live In	22,955	-	22,955	18,422	(4,533)
Competitive Shopping Place	45,882	-	45,882	52,779	6,897
Remarkable Destination for Visitors	2,028	-	2,028	961	(1,066)
	128,738	-	128,738	133,662	4,925
Downtown's Vision & Offering Understood By All					
Market to Region	125,163	-	125,163	104,457	(20,706)
Promote Downtown's Ease of Use	5,331	-	5,331	4,963	(368)
Vision/Development Framework Understood By All	12,674	-	12,674	28,185	15,511
Tools to Assist Continued Redevelopment	20,943	-	20,943	19,691	(1,252)
Develop & Maintain Information to Support Downtown	7,655	-	7,655	7,331	(324)
	171,766	-	171,766	164,627	(7,139)
District Governance & Service Known for Excellence					
Engage Stakeholders in Decision Making	139,219	-	139,219	141,639	2,420
Communications to Owners, Tenants & Others	2,742	-	2,742	2,705	(38)
Preservation of Districts' Capital Assets	30,497	-	30,497	29,265	(1,232)
	172,458	-	172,458	173,609	1,150
Capital Improvement & Expenditures					
Downtown Feels Safe & Comfortable	-	-	-	36,383	36,383
Public Realm is Charming, Inviting, & Beautiful	-	60,000	60,000	-	(60,000)
Accessible to Region & Easy to Get Around	-	717,431	717,431	33,585	(683,845)
Vibrant, Sustainable Mixed-Use Place	-	25,000	25,000	-	(25,000)
Downtown's Vision & Offering Understood By All	-	-	-	-	-
Capital Replacement Expenditure	-	(34,138)	(34,138)	64,217	98,355
	-	768,292	768,292	134,185	(634,107)
Total Expenses	\$ 2,140,093	\$ 768,292	\$ 2,908,385	\$ 1,719,800	\$ (1,188,585)
Depreciation Expense	5,586	2,703	8,289	10,857	2,568
Excess of Revenue Over Expenses GAAP Basis	\$ 9,612,541	\$ 709,412	\$ 10,321,953	\$ 7,205,619	\$ 3,116,334

Greenlink-Downtown Circulator Fund
Statement of Activities
Three Months Ended March 31, 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	\$ 93,750	\$ -	\$ 93,750	\$ 93,750	\$ -
Houston First Operations Sponsorship	93,750		93,750	93,750	-
BG Group Operations Sponsorship	93,750		93,750	93,750	-
Advertising Revenue	-		-	-	-
Interest Income	1,451		1,451	300	1,151
Total Revenues	\$ 282,701	\$ -	\$ 282,701	\$ 281,550	\$ 1,151
Expenses					
Vehicle Operator Expense	179,000		179,000	266,000	87,000
Fuel Expense	16,900		16,900	26,500	9,600
Marketing Expense	-		-	21,000	21,000
Operating Administrative Expense	22,020		22,020	15,000	(7,020)
Miscellaneous Expense	-		-	-	-
	<u>217,920</u>	<u>-</u>	<u>217,920</u>	<u>328,500</u>	<u>110,580</u>
Total Expenses	\$ 217,920	\$ -	\$ 217,920	\$ 328,500	\$ 110,580
Depreciation Expense	62,485		62,485	62,484	(1)
Excess of Revenue Over Expenses GAAP Basis	\$ 2,296	\$ -	\$ 2,296	\$ (109,434)	\$ 111,730

Greenlink-Downtown Circulator Fund
Statement of Activities
Three Months Ended March 31, 2016 and March 31, 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	\$ 93,750		\$ 93,750	\$ 93,750	\$ -
Houston First Operations Sponsorship	93,750		93,750	93,750	-
BG Group Operations Sponsorship	93,750		93,750	93,750	-
Advertising Revenue	-		-	-	-
Interest Income	1,451		1,451	192	1,258
Total Revenues	\$ 282,701	\$ -	\$ 282,701	\$ 281,442	\$ 1,258
Expenses					
Vehicle Operator Expense	179,000		179,000	185,000	6,000
Fuel Expense	16,900		16,900	16,800	(100)
Marketing Expense	-		-	8,337	8,337
Operating Administrative Expense	22,020		22,020	10,188	(11,832)
Miscellaneous Expense	-		-	-	-
	<u>217,920</u>	<u>-</u>	<u>217,920</u>	<u>220,325</u>	<u>2,405</u>
Total Expenses	\$ 217,920	\$ -	\$ 217,920	\$ 220,325	\$ 2,405
Depreciation Expense	62,485		62,485	62,484	(1)
Excess of Revenue Over Expenses GAAP Basis	\$ 2,296	\$ -	\$ 2,296	\$ (1,366)	\$ 3,663

Houston Downtown Management District

Variance Analysis

Three Months Ended March 31, 2016

Operating Budget

- 1) Revenue-Assessment revenue collections \$19K ahead of budget, bus stop cleaning and trash program operations revenue behind budget (\$68K), marketing partnerships behind budget (\$21K), project revenue behind (\$120K) due to delay in International Coffee Building with offsetting ahead of budget in expenditures.
- 2) Goal 1a-Collaboration to Maintain Low Crime Rate-Under budget \$30K on program for Off-Duty HPD Officers-program not fully staffed up in Jan/Feb. Under budget \$70K on Safety Guide Salaries.
- 3) Goal 1b-Reduced Presence of Homeless & Street Persons-Ahead of budget \$50K on homeless programs due to timing of expenditures.
- 4) Goal 1d-Downtown Clean & Well-Kept Appearance-Ahead of budget \$46K on paver repairs, \$50K on landscaping and tree maintenance, and \$16K in irrigation maintenance and repairs.
- 5) Goal 2a-Key Pedestrian Streets are Inviting-Ahead of budget \$59K on accent planting due to timing.
- 6) Goal 2b-Public Spaces Managed, Programmed-Ahead of budget \$39K on Main Street Square fountain maintenance and ahead of budget \$10K on Market Square Park Maintenance, ahead \$32K on programming.
- 7) Goal 2c-Place of Civic Celebration-Ahead of budget \$185K on the Art Program and \$43K 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 \$30K retail shopping programs due to timing of Fransen Company invoices.
- 10) Goal 5a-Market to Region-Ahead of budget \$48K on media & advertising expenditures.
- 11) Goal 5c-Vision/Development Framework Understood by All-Ahead of budget \$175K on planning consulting expenditures.

Capital Budget

- 12) Under budget \$25K landscaping/tree projects not started yet.
- 13) Over budget (\$60K) in storefront/streetscape project grants, these were budgeted in 2015 but approved in January 2016, delay in International Coffee Building \$118K.
- 14) Ahead of budget \$677K in wayfinding projects due to delays in completion of the projects, ahead \$150K due to delay in food cart purchase for Main Street Square, and \$30K due to delay in Market Square Park lighting project.
- 15) Ahead \$38K in catalytic retail project grants, no new projects identified.
- 16) Ahead of budget \$125K in capital replacement expenditures.