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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 May 31, 2016, including the governmental fund balance sheets and statements of net assets as of May 31, 2016 and May 31, 2015, and the statements of activities for the five (5) months ended May 31, 2016 and May 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.

June 8, 2016

**Houston Downtown Management District
Governmental Fund Balance Sheets and
Statement of Net Assets
May 31, 2016 and May 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	\$ 12,873,441	\$ 1,698,338	\$ 1,580,114	\$ 16,151,893	\$ 7,678,258	\$ 4,511,799	\$ 1,256,362	\$ 13,446,418
Assessments Due, Net	-	-	-	-	-	-	-	-
Accounts Receivable	32,875	-	112,500	145,375	30,260	-	187,500	217,760
Prepaid Expense	118,000	-	-	118,000	99,250	-	-	99,250
Inventory	-	-	104,564	104,564	-	-	104,564	104,564
Property & Equipment, Net	88,208	10,427	1,999,519	2,098,154	98,061	21,236	2,249,459	2,368,756
Intercompany Rec/Pay	(1,168,260)	1,168,260	-	-	173	(173)	-	-
Total Assets	<u>\$ 11,944,264</u>	<u>\$ 2,877,025</u>	<u>\$ 3,796,697</u>	<u>\$ 18,617,986</u>	<u>\$ 7,906,002</u>	<u>\$ 4,532,861</u>	<u>\$ 3,797,885</u>	<u>\$ 16,236,749</u>
Liabilities								
Accounts Payable & Accrued Expenses	\$ 843,464	\$ 240,086	\$ 174,367	\$ 1,257,917	\$ 248,927	\$ 300,000	\$ 60,380	\$ 609,307
Deferred Revenue & Reserve for Refunds	1,292,341	164,122	225,000	1,681,463	-	-	281,250	281,250
Total Liabilities & Deferred Revenue	<u>2,135,805</u>	<u>404,208</u>	<u>399,367</u>	<u>2,939,380</u>	<u>248,927</u>	<u>300,000</u>	<u>341,630</u>	<u>890,557</u>
Fund Balances								
Unreserved, Undesignated	9,008,459			9,008,459	6,857,075			6,857,075
Unreserved, Designated for Catastrophy	800,000			800,000	800,000			800,000
Reserved for Capital Projects		2,472,817	3,397,330	5,870,147		4,232,861	3,456,255	7,689,117
	<u>9,808,459</u>	<u>2,472,817</u>	<u>3,397,330</u>	<u>15,678,606</u>	<u>7,657,075</u>	<u>4,232,861</u>	<u>3,456,255</u>	<u>15,346,191</u>
Total Liabilities, Deferred Revenue & Fund Balances	<u>\$ 11,944,264</u>	<u>\$ 2,877,025</u>	<u>\$ 3,796,697</u>	<u>\$ 18,617,986</u>	<u>\$ 7,906,002</u>	<u>\$ 4,532,861</u>	<u>\$ 3,797,885</u>	<u>\$ 16,236,749</u>

**Houston Downtown Management District
Statement of Activities
Five Months Ended May 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	\$ 11,706,255	\$ 1,487,057	\$ 13,193,312	\$ 13,170,502	\$ 22,810
Operations Revenue	86,292	-	86,292	165,000	(78,708)
Project Revenue	60,945	-	60,945	198,750	(137,805)
Salary Reimbursements	26,634	-	26,634	20,000	6,634
Interest Income	25,122	4,044	29,166	4,688	24,478
Total Revenues	\$ 11,905,247	\$ 1,491,101	\$ 13,396,348	\$ 13,558,939	\$ (162,591)
Expenses					
Downtown Feels Safe & Comfortable at All Times					
Collaboration to Maintain Low Crime Rate	\$ 821,660	\$ -	\$ 821,660	\$ 943,128	\$ 121,468
Reduced Presence of Homeless & Street Persons	206,678	-	206,678	197,917	(8,762)
Downtown Sidewalks are Comfortably Lighted	45,074	-	45,074	39,583	(5,491)
Downtown Clean & Well-Kept Appearance	1,041,353	-	1,041,353	1,108,500	67,147
Remove Signs of Disorder in Downtown	15,967	-	15,967	23,167	7,199
Prepare for Emergencies	30,253	-	30,253	47,917	17,664
	<u>2,160,986</u>	<u>-</u>	<u>2,160,986</u>	<u>2,360,211</u>	<u>199,225</u>
Public Realm is Charming, Inviting, Beautiful & Celebrates the Life of the City					
Key Pedestrian Streets are Inviting	43,721	-	43,721	119,792	76,071
Public Spaces Managed, Programmed, & Delightful	230,491	-	230,491	301,250	70,759
Place of Civic Celebration	585,172	-	585,172	566,667	(18,505)
	<u>859,384</u>	<u>-</u>	<u>859,384</u>	<u>987,709</u>	<u>128,324</u>
Accessible to Region & Easy to Get Around					
Effective Transit Access More Places, More Hours	4,264	-	4,264	4,167	(97)
Convenient Circulation Without Personal Vehicle	193,606	-	193,606	195,833	2,227
Easy To Find Way Around	23,114	-	23,114	55,208	32,095
Connect Neighbors & Districts Inside/Outside Downtown	40,759	-	40,759	37,500	(3,259)
Convenient, Understandable & Managed Parking	10,160	-	10,160	31,250	21,091
	<u>271,902</u>	<u>-</u>	<u>271,902</u>	<u>323,958</u>	<u>52,057</u>
Vibrant, Sustainable Mixed-Use Place					
Best Place to Work in Region	92,455	-	92,455	92,458	3
Exciting Neighborhoods to Live In	37,906	-	37,906	37,292	(615)
Competitive Shopping Place	85,565	-	85,565	127,917	42,352
Remarkable Destination for Visitors	3,788	-	3,788	4,167	379
	<u>219,714</u>	<u>-</u>	<u>219,714</u>	<u>261,833</u>	<u>42,120</u>
Downtown's Vision & Offering Understood By All					
Market to Region	317,689	-	317,689	341,917	24,227
Promote Downtown's Ease of Use	8,810	-	8,810	8,750	(60)
Vision/Development Framework Understood By All	83,226	-	83,226	312,708	229,482
Tools to Assist Continued Redevelopment	36,036	-	36,036	37,500	1,464
Develop & Maintain Information to Support Downtown	15,358	-	15,358	24,250	8,892
	<u>461,119</u>	<u>-</u>	<u>461,119</u>	<u>725,125</u>	<u>264,006</u>
District Governance & Service Known for Excellence					
Engage Stakeholders in Decision Making	246,960	-	246,960	272,042	25,082
Communications to Owners, Tenants & Others	3,414	-	3,414	6,042	2,628
Preservation of Districts' Capital Assets	30,497	-	30,497	38,200	7,703
	<u>280,870</u>	<u>-</u>	<u>280,870</u>	<u>316,283</u>	<u>35,413</u>
Capital Improvement & Expenditures					
Downtown Feels Safe & Comfortable	-	-	-	32,500	32,500
Public Realm is Charming, Inviting, & Beautiful	-	134,116	134,116	228,750	94,634
Accessible to Region & Easy to Get Around	-	982,384	982,384	1,850,000	867,616
Vibrant, Sustainable Mixed-Use Place	-	25,000	25,000	104,167	79,167
Downtown's Vision & Offering Understood By All	-	-	-	-	-
Capital Replacement Expenditure	-	(33,139)	(33,139)	178,000	211,139
	<u>-</u>	<u>1,108,361</u>	<u>1,108,361</u>	<u>2,393,417</u>	<u>1,285,055</u>
Total Expenses	\$ 4,253,975	\$ 1,108,361	\$ 5,362,337	\$ 7,368,536	\$ 2,006,200
Depreciation Expense	9,518	4,504	14,023	15,079	1,057
Excess of Revenue Over Expenses GAAP Basis	\$ 7,641,753	\$ 378,235	\$ 8,019,989	\$ 6,175,324	\$ 1,844,665

**Houston Downtown Management District
Statement of Activities
Five Months Ended May 31, 2016 and May 31, 2015**

	Operating YTD Actual	Capital YTD Actual	2016 Total YTD Actual	2015 Total YTD Actual	Fav (Unfav) Variance
Revenues					
Assessments, Net	\$ 11,706,255	\$ 1,487,057	\$ 13,193,312	\$ 8,840,541	\$ 4,352,771
Operations Revenue	86,292	-	86,292	81,318	4,973
Project Revenue	60,945	-	60,945	54,331	6,614
Salary Reimbursements	26,634	-	26,634	27,987	(1,353)
Interest Income	25,122	4,044	29,166	4,220	24,945
Total Revenues	\$ 11,905,247	\$ 1,491,101	\$ 13,396,348	\$ 9,008,398	\$ 4,387,950
Expenses					
Downtown Feels Safe & Comfortable at All Times					
Collaboration to Maintain Low Crime Rate	\$ 821,660	\$ -	\$ 821,660	\$ 251,492	\$ (570,169)
Reduced Presence of Homeless & Street Persons	206,678	-	206,678	232,367	25,688
Downtown Sidewalks are Comfortably Lighted	45,074	-	45,074	27,292	(17,783)
Downtown Clean & Well-Kept Appearance	1,041,353	-	1,041,353	820,294	(221,059)
Remove Signs of Disorder in Downtown	15,967	-	15,967	1,005	(14,963)
Prepare for Emergencies	30,253	-	30,253	29,227	(1,026)
	<u>2,160,986</u>	<u>-</u>	<u>2,160,986</u>	<u>1,361,675</u>	<u>(799,311)</u>
Public Realm is Charming, Inviting, Beautiful & Celebrates the Life of the City					
Key Pedestrian Streets are Inviting	43,721	-	43,721	115,189	71,469
Public Spaces Managed, Programmed, & Delightful	230,491	-	230,491	90,264	(140,228)
Place of Civic Celebration	585,172	-	585,172	88,479	(496,693)
	<u>859,384</u>	<u>-</u>	<u>859,384</u>	<u>293,932</u>	<u>(565,452)</u>
Accessible to Region & Easy to Get Around					
Effective Transit Access More Places, More Hours	4,264	-	4,264	4,097	(166)
Convenient Circulation Without Personal Vehicle	193,606	-	193,606	189,409	(4,197)
Easy To Find Way Around	23,114	-	23,114	17,609	(5,505)
Connect Neighbors & Districts Inside/Outside Downtown	40,759	-	40,759	25,483	(15,276)
Convenient, Understandable & Managed Parking	10,160	-	10,160	9,604	(556)
	<u>271,902</u>	<u>-</u>	<u>271,902</u>	<u>246,202</u>	<u>(25,700)</u>
Vibrant, Sustainable Mixed-Use Place					
Best Place to Work in Region	92,455	-	92,455	98,500	6,045
Exciting Neighborhoods to Live In	37,906	-	37,906	31,610	(6,296)
Competitive Shopping Place	85,565	-	85,565	75,975	(9,589)
Remarkable Destination for Visitors	3,788	-	3,788	1,639	(2,149)
	<u>219,714</u>	<u>-</u>	<u>219,714</u>	<u>207,725</u>	<u>(11,989)</u>
Downtown's Vision & Offering Understood By All					
Market to Region	317,689	-	317,689	188,101	(129,588)
Promote Downtown's Ease of Use	8,810	-	8,810	8,271	(539)
Vision/Development Framework Understood By All	83,226	-	83,226	104,388	21,161
Tools to Assist Continued Redevelopment	36,036	-	36,036	31,540	(4,496)
Develop & Maintain Information to Support Downtown	15,358	-	15,358	12,241	(3,116)
	<u>461,119</u>	<u>-</u>	<u>461,119</u>	<u>344,541</u>	<u>(116,578)</u>
District Governance & Service Known for Excellence					
Engage Stakeholders in Decision Making	246,960	-	246,960	262,207	15,247
Communications to Owners, Tenants & Others	3,414	-	3,414	4,508	1,094
Preservation of Districts' Capital Assets	30,497	-	30,497	29,265	(1,232)
	<u>280,870</u>	<u>-</u>	<u>280,870</u>	<u>295,980</u>	<u>15,109</u>
Capital Improvement & Expenditures					
Downtown Feels Safe & Comfortable	-	-	-	102,714	102,714
Public Realm is Charming, Inviting, & Beautiful	-	134,116	134,116	-	(134,116)
Accessible to Region & Easy to Get Around	-	982,384	982,384	59,630	(922,755)
Vibrant, Sustainable Mixed-Use Place	-	25,000	25,000	-	(25,000)
Downtown's Vision & Offering Understood By All	-	-	-	-	-
Capital Replacement Expenditure	-	(33,139)	(33,139)	75,551	108,690
	<u>-</u>	<u>1,108,361</u>	<u>1,108,361</u>	<u>237,895</u>	<u>(870,467)</u>
Total Expenses	\$ 4,253,975	\$ 1,108,361	\$ 5,362,337	\$ 2,987,949	\$ (2,374,388)
Depreciation Expense	9,518	4,504	14,023	18,095	4,072
Excess of Revenue Over Expenses GAAP Basis	\$ 7,641,753	\$ 378,235	\$ 8,019,989	\$ 6,002,354	\$ 2,017,635

Greenlink-Downtown Circulator Fund
Statement of Activities
Five Months Ended May 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	\$ 156,250	\$ -	\$ 156,250	\$ 156,250	\$ -
Houston First Operations Sponsorship	156,250		156,250	156,250	-
BG Group Operations Sponsorship	156,250		156,250	156,250	-
Advertising Revenue	-		-	-	-
Interest Income	2,701		2,701	500	2,201
Total Revenues	\$ 471,451	\$ -	\$ 471,451	\$ 469,250	\$ 2,201
Expenses					
Vehicle Operator Expense	343,000		343,000	478,000	135,000
Fuel Expense	33,700		33,700	46,500	12,800
Marketing Expense	4,952		4,952	25,000	20,048
Operating Administrative Expense	31,200		31,200	25,000	(6,200)
Miscellaneous Expense	-		-	-	-
	412,852	-	412,852	574,500	161,648
Total Expenses	\$ 412,852	\$ -	\$ 412,852	\$ 574,500	\$ 161,648
Depreciation Expense	104,141		104,141	104,140	(1)
Excess of Revenue Over Expenses GAAP Basis	\$ (45,542)	\$ -	\$ (45,542)	\$ (209,390)	\$ 163,848

Greenlink-Downtown Circulator Fund
Statement of Activities
Five Months Ended May 31, 2016 and May 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	\$ 156,250		\$ 156,250	\$ 156,250	\$ -
Houston First Operations Sponsorship	156,250		156,250	156,250	-
BG Group Operations Sponsorship	156,250		156,250	156,250	-
Advertising Revenue	-		-	-	-
Interest Income	2,701		2,701	356	2,345
Total Revenues	\$ 471,451	\$ -	\$ 471,451	\$ 469,106	\$ 2,345
Expenses					
Vehicle Operator Expense	343,000		343,000	320,500	(22,500)
Fuel Expense	33,700		33,700	27,800	(5,900)
Marketing Expense	4,952		4,952	13,702	8,750
Operating Administrative Expense	31,200		31,200	18,153	(13,047)
Miscellaneous Expense	-		-	-	-
	<u>412,852</u>	<u>-</u>	<u>412,852</u>	<u>380,154</u>	<u>(32,698)</u>
Total Expenses	\$ 412,852	\$ -	\$ 412,852	\$ 380,154	\$ (32,698)
Depreciation Expense	104,141		104,141	104,140	(1)
Excess of Revenue Over Expenses GAAP Basis	\$ (45,542)	\$ -	\$ (45,542)	\$ (15,188)	\$ (30,354)

Houston Downtown Management District

Variance Analysis

Five Months Ended May 31, 2016

Operating Budget

- 1) Revenue-Assessment revenue collections \$23K ahead budget, bus stop cleaning and trash program operations revenue behind budget (\$79K), marketing partnerships behind budget (\$17K), project revenue behind (\$119K) due to delay in International Coffee Building with offsetting ahead of budget in expenditures, ahead in personnel reimbursements \$7K and interest income \$24K.
- 2) Goal 1a-Collaboration to Maintain Low Crime Rate-Under budget \$40K on program for Off-Duty HPD Officers-program not fully staffed up, some allocated to PIT team. Under budget \$71K on Safety Guide Salaries due to timing of Block by Block transfer of employees.
- 3) Goal 1d-Downtown Clean & Well-Kept Appearance-Over budget (\$112K) on Street Team cleaning, ahead of budget \$64K on paver repairs, \$94K on landscaping and tree maintenance, and \$20K in irrigation maintenance and repairs.
- 4) Goal 1f-Prepare for Emergencies-Ahead of budget \$17K on emergency expenditures.
- 5) Goal 2a-Key Pedestrian Streets are Inviting-Ahead of budget \$76K on accent planting due to timing.
- 6) Goal 2b-Public Spaces Managed, Programmed-Ahead of budget \$58K on Main Street Square fountain maintenance, ahead of budget \$11K on Market Square Park Maintenance.
- 7) Goal 2c-Place of Civic Celebration-Over budget (\$13K) on the Art Program due to insurance costs and (\$4K) on banners due to installation of new banner set. The overage reflects the difference between high period costs and equal budgeting costs and should reverse by year end.
- 8) Goal 3c-Easy to Find Way Around-Ahead of budget \$25K on wayfinding maintenance, new above and below maps in development.
- 9) Goal 3e-Convenient, Understandable, Managed Parking-Ahead of budget \$25K on parking program expenditures.
- 10) Goal 4c-Competitive Shopping Place-Ahead of budget \$42K retail shopping programs due to timing of Fransen Company invoices.
- 11) Goal 5a-Market to Region-Ahead of budget \$24K on media & advertising expenditures.
- 12) Goal 5c-Vision/Development Framework Understood by All-Ahead of budget \$230K on planning consulting expenditures.
- 13) Goal 6a-District Governance Known for Excellence-Ahead of budget \$12K in g & a expenses and \$7K on property insurance, actual cost less than estimate at budget.

Capital Budget

- 14) Under budget \$32K landscaping/tree projects not started yet.
- 15) Over budget (\$60K) in storefront/streetscape project grants, these were budgeted in 2015 but approved in January 2016, delay in International Coffee Building \$119K, ahead \$36K in banners-full expenditures not in as of yet.
- 16) Ahead of budget \$627K in wayfinding projects due to delays in completion of the projects, ahead \$150K due to delay in food cart purchase for Main Street Square, \$60K in bicycle projects and \$30K due to delay in Market Square Park lighting project.
- 17) Ahead \$79K in catalytic retail project grants, no new projects identified.
- 18) Ahead of budget \$211K in capital replacement expenditures.