

**MEMORIAL CITY REDEVELOPMENT AUTHORITY**

**CITY OF HOUSTON, TEXAS**

**ANNUAL FINANCIAL REPORT**

**JUNE 30, 2009**

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

## Independent Auditor's Report

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, 2009, which collectively comprise the Authority's basic financial statements as listed in the preceding table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We have conducted our audit in accordance with auditing standards generally accepted within the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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, 2009, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Board of Directors  
Memorial City Redevelopment Authority

The Management's Discussion and Analysis on pages 3 through 8 and the Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – All Governmental Funds on page 28 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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 and other supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements. The supplementary information, excluding any portion marked "Unaudited" on which we express no opinion, has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*McCall Gibson Swedlund Barfoot PLLC*

McCall Gibson Swedlund Barfoot PLLC  
Certified Public Accountants

September 29, 2009

**MEMORIAL CITY REDEVELOPMENT AUTHORITY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED JUNE 30, 2009**

Our discussion and analysis of Memorial City Redevelopment Authority's (the "Authority") financial performance provides an overview of the Authority's financial activities for the fiscal year ended June 30, 2009. Please read it in conjunction with the Authority's financial statements, which begin on page 9.

**FINANCIAL HIGHLIGHTS**

- In the Statement of Net Assets, the Authority's liabilities exceeded its assets by (\$5,087,753) (net assets) for the year ended June 30, 2009. This compares to the previous year when liabilities exceeded assets by (\$5,655,109). 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 \$15,432,290 this year. This compares to the prior year fund balance of \$4,198,183, showing an increase of \$11,234,107 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 Assets and Governmental Funds Balance Sheet and (2) the Statement of Activities and Governmental Funds Revenue, 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, 2009**

**GOVERNMENT-WIDE FINANCIAL STATEMENTS (Continued)**

The first of the government-wide statements is the Statement of Net Assets. This information is found in the Statement of Net Assets column on page 9. The Statement of Net Assets is the Authority-wide statement of its financial position presenting information that includes all of the Authority's assets and liabilities, with the difference reported as net assets. Over time, increases or decreases in net assets 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 11 reports how the Authority's net assets 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 three governmental funds types. The General Fund is the operating fund of the Authority, the Debt Service Fund is used to account for the payment of interest and principal on the Authority's long-term debt, and the Capital Projects Fund accounts for capital project acquisition and or construction.

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 Assets 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, 2009**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

The accompanying notes to the basic financial statements provide information essential to a full understanding of the government-wide and fund financial statements. The notes to the basic financial statements can be found on pages 13 through 26 in this report.

**OTHER INFORMATION**

In addition to the basic 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 28.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

Net assets may serve over time as a useful indicator of the Authority's financial position. In the case of the Authority, liabilities exceeded assets by (\$5,087,753) as of June 30, 2009.

The following table provides a summary of the changes in the Statement of Net Assets as of June 30, 2009 and June 30, 2008:

	<b>Summary of Changes in the Statement of Net Assets</b>		
	2009	2008	Variance Positive (Negative)
<b>ASSETS:</b>			
Current and Other Assets	\$ 17,341,444	\$ 5,548,576	\$ 11,792,868
<b>TOTAL ASSETS</b>	<u>17,341,444</u>	<u>5,548,576</u>	<u>11,792,868</u>
<b>LIABILITIES:</b>			
Current Liabilities	1,429,197	1,203,685	(225,512)
Long-Term Liabilities	21,000,000	10,000,000	(11,000,000)
<b>TOTAL LIABILITIES</b>	<u>22,429,197</u>	<u>11,203,685</u>	<u>(11,225,512)</u>
<b>NET ASSETS:</b>			
Restricted	1,698,091	468,486	1,229,605
Unrestricted	(6,785,844)	(6,123,595)	(662,249)
<b>TOTAL NET ASSETS</b>	<u>\$ (5,087,753)</u>	<u>\$ (5,655,109)</u>	<u>\$ 567,356</u>

**MEMORIAL CITY REDEVELOPMENT AUTHORITY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED JUNE 30, 2009**

**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, 2009 and June 30, 2008:

	<u>Summary of Changes in the Statement of Activities</u>		
	<u>2009</u>	<u>2008</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Tax Increment	\$ 3,864,108	\$ 3,074,574	\$ 789,534
Intergovernmental	3,338,300		3,338,300
Interest Earnings	48,197	62,002	(13,805)
Total Revenue	<u>7,250,605</u>	<u>3,136,576</u>	<u>4,114,029</u>
Expenses:			
Professional Services	59,908	81,682	(21,774)
Contracted Services	208,615	90,519	118,096
Bond Interest	519,556	171,819	347,737
Other	15,491	6,290	9,201
Administration Fee	440,808	153,729	287,079
Bond Issuance Cost	21,532	6,473	15,059
Capital Improvements	<u>5,417,339</u>	<u>10,065,418</u>	<u>(4,648,079)</u>
Total Expenses	<u>6,683,249</u>	<u>10,575,930</u>	<u>(3,892,681)</u>
Changes in Net Assets	567,356	(7,439,354)	8,006,710
Beginning Net Assets	(5,655,109)	1,784,245	(7,439,354)
Ending Net Assets	<u>\$ (5,087,753)</u>	<u>\$ (5,655,109)</u>	<u>\$ 567,356</u>



**MEMORIAL CITY REDEVELOPMENT AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2009**

**FINANCIAL ANALYSIS OF THE AUTHORITY'S GOVERNMENTAL FUNDS**

The Authority has three governmental funds, which are the General Fund, the Debt Service Fund, and the Capital Projects 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 \$15,432,290, an increase of \$11,234,107 from the prior year. All of the governmental funds fund balances are unreserved, except for debt service reserves.

**GOVERNMENTAL FUND BUDGETARY HIGHLIGHTS**

The Board of the Authority did not amend the budget during the current fiscal year. Actual excess revenues were \$5,998,372 more than budgeted excess revenues due to several factors including intergovernmental revenue being more than the amount budgeted and capital outlay being significantly less than budgeted. See the budget to actual comparisons on page 28.

**CAPITAL ASSETS**

In the current fiscal year, the Authority transferred \$5,417,339 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 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.

Additional funding from the City of Houston, in the amount of \$3,138,118, was received by the Authority during fiscal year 2009 for the City of Houston's share of the design and construction of Bunker Hill from Long Point to IH-10. Additional funding from the Spring Branch Management District, in the amount of \$200,000, was received by the Authority during fiscal year 2009 for landscape improvements on Bunker Hill.

**LONG-TERM DEBT**

At the end of the current fiscal year, the Authority had total bond debt payable of \$21 million. This debt is secured with future tax increment contract revenue. Currently, by agreement with the City of Houston, the Authority will not have notes and bonds outstanding that at any time will exceed \$25 million.

**MEMORIAL CITY REDEVELOPMENT AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2009**

**LONG –TERM DEBT (Continued)**

The changes in the debt position of the Authority during the fiscal year ended June 30, 2009, are summarized as follows:

Bond Debt Payable, July 1, 2008	\$10,000,000
Add: Bonds Sold-Series 2009	<u>11,000,000</u>
Bond Debt Payable, June 30, 2009	<u><u>\$21,000,000</u></u>

The Series 2008 and 2009 bonds are not rated.

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGET**

The Authority's board and the City of Houston's City Council both approved a 2010 budget of \$10,666,492, which includes a 56% increase in tax increment revenue of \$6,247,764. Tax increment revenue projection is based on Tax Year 2009 preliminary Harris County appraisal values as of May 23, 2009.

**CONTACTING THE AUTHORITY'S FINANCIAL 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, 820 Gessner, Suite 1530, Houston, Texas 77024.

**MEMORIAL CITY REDEVELOPMENT AUTHORITY**  
**STATEMENT OF NET ASSETS AND**  
**GOVERNMENTAL FUNDS BALANCE SHEET**  
**JUNE 30, 2009**

ASSETS	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Net Assets
Cash	\$ 2,457,301	\$ 500,000	\$ 10,026,148	\$ 12,983,449	\$	\$ 12,983,449
Investments	1,394,128	1,420,980	840,041	3,655,149		3,655,149
Due From Other Funds	1,020,293			1,020,293	(1,020,293)	
Deferred Charges					702,846	702,846
<b>TOTAL ASSETS</b>	<b>\$ 4,871,722</b>	<b>\$ 1,920,980</b>	<b>\$ 10,866,189</b>	<b>\$ 17,658,891</b>	<b>\$ (317,447)</b>	<b>\$ 17,341,444</b>
<b>LIABILITIES</b>						
Accounts Payable	\$ 276,603	\$	\$ 682,718	\$ 959,321	\$	\$ 959,321
Retainage Payable			246,987	246,987		246,987
Accrued Interest Payable					222,889	222,889
Due To Other Funds			1,020,293	1,020,293	(1,020,293)	
Long-Term Liabilities:						
Due Within One Year					345,000	345,000
Due After One Year					20,655,000	20,655,000
<b>TOTAL LIABILITIES</b>	<b>276,603</b>		<b>1,949,998</b>	<b>2,226,601</b>	<b>20,202,596</b>	<b>22,429,197</b>
<b>FUND BALANCE</b>						
Reserved:						
Debt Service		1,920,980		1,920,980	(1,920,980)	
Unreserved	4,595,119		8,916,191	13,511,310	(13,511,310)	
<b>TOTAL FUND BALANCE</b>	<b>4,595,119</b>	<b>1,920,980</b>	<b>8,916,191</b>	<b>15,432,290</b>	<b>(15,432,290)</b>	
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b>\$ 4,871,722</b>	<b>\$ 1,920,980</b>	<b>\$ 10,866,189</b>	<b>\$ 17,658,891</b>		
<b>NET ASSETS</b>						
Restricted - Debt Service					1,698,091	1,698,091
Unrestricted					(6,785,844)	(6,785,844)
<b>TOTAL NET ASSETS</b>					<b>\$ (5,087,753)</b>	<b>\$ (5,087,753)</b>

The accompanying notes to basic 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 ASSETS**  
**JUNE 30, 2009**

Total Fund Balances - Governmental Funds	\$ 15,432,290
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Amounts reported for governmental activity in the Statement of Net Assets are different because:

Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	702,846
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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 Statement of Net Assets.

Bonds payable	(21,000,000)
Accrued interest on bonds payable	(222,889)

Total Net Assets - Governmental Activities	<u>\$ (5,087,753)</u>
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The accompanying notes to basic financial statements are an integral part of this report.

**MEMORIAL CITY REDEVELOPMENT AUTHORITY**  
**STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS REVENUES,**  
**EXPENDITURES AND CHANGES IN FUND BALANCES**  
**FOR THE YEAR ENDED JUNE 30, 2009**

REVENUES	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Activities
Tax Increment	\$ 3,864,108	\$	\$	\$ 3,864,108	\$	\$ 3,864,108
Intergovernmental	182		3,338,118	3,338,300		3,338,300
Interest	32,155	1,125	14,917	48,197		48,197
<b>TOTAL REVENUES</b>	<b>3,896,445</b>	<b>1,125</b>	<b>3,353,035</b>	<b>7,250,605</b>		<b>7,250,605</b>
<b>EXPENDITURES/EXPENSES</b>						
Service Operations:						
Professional Services	57,473		2,435	59,908		59,908
Contracted Services	208,615			208,615		208,615
Insurance Cost	340			340		340
Other	8,644		6,507	15,151		15,151
Administration Fees	440,808			440,808		440,808
Capital Improvement, Note 8	33,519		5,383,820	5,417,339		5,417,339
Debt Service:						
Interest		468,486		468,486	51,070	519,556
Issuance Cost			405,851	405,851	(384,319)	21,532
<b>TOTAL EXPENDITURES/EXPENSES</b>	<b>749,399</b>	<b>468,486</b>	<b>5,798,613</b>	<b>7,016,498</b>	<b>(333,249)</b>	<b>6,683,249</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES/EXPENSES</b>	<b>3,147,046</b>	<b>(467,361)</b>	<b>(2,445,578)</b>	<b>234,107</b>	<b>333,249</b>	<b>567,356</b>
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers In		2,388,341		2,388,341		
Transfers Out	(1,888,341)		(500,000)	(2,388,341)		
Proceeds from Bond Issuance			11,000,000	11,000,000	(11,000,000)	
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(1,888,341)</b>	<b>2,388,341</b>	<b>10,500,000</b>	<b>11,000,000</b>	<b>(11,000,000)</b>	<b>-</b>
<b>CHANGE IN FUND BALANCES</b>	<b>1,258,705</b>	<b>1,920,980</b>	<b>8,054,422</b>	<b>11,234,107</b>	<b>(11,234,107)</b>	
<b>CHANGE IN NET ASSETS</b>					<b>567,356</b>	<b>567,356</b>
<b>FUND BALANCES/NET ASSETS - JULY 1, 2008</b>	<b>3,336,414</b>		<b>861,769</b>	<b>4,198,183</b>	<b>(9,853,292)</b>	<b>(5,655,109)</b>
<b>FUND BALANCES/NET ASSETS - JUNE 30, 2009</b>	<b>\$ 4,595,119</b>	<b>\$ 1,920,980</b>	<b>\$ 8,916,191</b>	<b>\$ 15,432,290</b>	<b>\$ (20,520,043)</b>	<b>\$ (5,087,753)</b>

The accompanying notes to basic 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, 2009**

Change in Fund Balances - Governmental Funds	\$ 11,234,107
Amounts reported for Governmental Activities in the Statement of Activities are different because:	
Governmental funds report proceeds from the issuance of long-term debt as current financial resources. In contrast, the statement of Activities treats the issuance of debt as a liability.	(11,000,000)
Governmental funds report bond issuance costs as expenditures. In contrast, the government wide financial statements amortized such cost of the life of the bonds.	405,851
Some expenses reported in the statement of activities do not require the use of current financial resources and these are not reported as expenditures in governmental funds:	
Accrued interest not reflected in Governmental funds	(51,070)
Amortization of bond issuance cost	(21,532)
Change in Net Assets - Governmental Activities	\$ 567,356

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

**MEMORIAL CITY REDEVELOPMENT AUTHORITY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2009**

**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 (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.

The Governmental Accounting Standards Board 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 Governmental Accounting Standards Board (GASB) Statement No. 34 Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments.

**MEMORIAL CITY REDEVELOPMENT AUTHORITY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2009**

**NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Financial Statement Presentation (Continued)

GASB Statement 34 established standards for external financial reporting for all state and local government entities, which includes a requirement for a Statement of Net Assets and a Statement of Activities. It requires the classification of net assets into three components: Invested in Capital Assets, Net of Related Debt; Restricted; and Unrestricted. These classifications are defined as follows:

- Invested in Capital Assets, Net of Related Debt – This component of net assets 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 Assets – This component of net assets consists of constraints placed on net assets use through external constraints 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 Assets – This component of net assets consists of net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

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 Assets and the Statement of Activities display information about the Authority as a whole. The Authority’s Statement of Net Assets 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 Assets 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 BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2009**

**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 three major governmental funds – the General Fund, Debt Service Fund, and Capital Projects 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. The Capital Projects Fund is used to account for the proceeds of tax increment debt and the corresponding expenditures primarily consisting of construction projects.

Basis of Accounting

The District 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.

Cash

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

Investments

Investments consist of amounts in the Texas Local Government Investment Pool (TexPool) and TexSTAR. TexPool is a local government investment pool created on behalf of Texas entities whose investment objectives are preservation and safety of principal, liquidity, and yield consistent with the Public Funds Investment Act. TexSTAR offers cities, counties, school districts, and other public entities an investment option that provides security, liquidity, and efficiency for the management of public funds.

**MEMORIAL CITY REDEVELOPMENT AUTHORITY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2009**

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 Assets and are recorded as “due from other funds” and “due to other funds” in the fund financial statements.

Prepaid Items

Certain payments to vendors reflect cost applicable to future accounting periods and are recorded as prepaid items.

Capital Assets

Capital assets are reported as assets in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost and depreciated over their estimated useful lives unless they are inexhaustible, such as land. Depreciation is not recorded on items classified as construction in progress. Depreciation expense is reported in the government-wide Statement of Activities. Depreciation is recorded using the straight-line method over the estimated useful lives of the capital assets. As of June 30, 2009, the Authority has no capital assets.

Debt Service

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

Bond Issuance Costs

In governmental fund types, bond issuance costs are recognized in the current period and are deferred and amortized in the Government-Wide Statement of Activities.

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.

**MEMORIAL CITY REDEVELOPMENT AUTHORITY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2009**

**NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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 Assets 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 assets, 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 assets.

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. Operating statements of governmental fund types report increases and decreases in available spendable resources. Fund balances are included on the balance sheet as follows:

Reserved:

To indicate fund equity which is legally segregated for a specific future use.

Unreserved:

Designated - To indicate fund equity for which the Authority has made tentative plans.

Undesignated - To indicate fund equity which is available for use in future periods.

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 BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2009**

**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. At June 30, 2009, 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 Assets at June 30, 2009, as listed below:

	Cash
General Fund	\$ 2,457,301
Debt Service Fund	500,000
Capital Projects Fund	10,026,148
Total Deposits	\$ 12,983,449

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 BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2009**

**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, (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 2009, the Authority invested in the Texas Local Government Investment Pool ("TexPool") and the Texas Short Term Asset Reserve Program ("TexSTAR").

TexPool is 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 BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2009**

**NOTE 3. DEPOSITS AND INVESTMENTS (Continued)**

Investments (Continued)

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.

As of June 30, 2009, 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	\$ 2,234,169	\$ 2,234,169	\$	\$	\$
TexSTAR	<u>1,420,980</u>	<u>1,420,980</u>			
Total	<u>\$ 3,655,149</u>	<u>\$ 3,655,149</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>

**Credit Risk.** Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. At June 30, 2009, 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. The weighted average maturities for TexPool and TexSTAR are 45 and 47 days, respectively.

**Interest Rate Risk.** 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.

**MEMORIAL CITY REDEVELOPMENT AUTHORITY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2009**

**NOTE 3. DEPOSITS AND INVESTMENTS (Continued)**

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.

All cash and investments of the Capital Projects Fund are restricted for the purchase of capital assets.

**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, Tax Increment Reinvestment Zone No. Seventeen 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 with 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.

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 (30<sup>th</sup>) 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.

**MEMORIAL CITY REDEVELOPMENT AUTHORITY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2009**

**NOTE 4. TRI-PARTY AGREEMENT (Continued)**

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. During the current fiscal year, a \$250,000 payment under this Agreement was budgeted and paid.

**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 90<sup>th</sup> day after the delinquency date for the Participant's property taxes.

**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.

During the current fiscal year tax increments of \$3,864,108 were collected from the City of Houston of which \$190,808 was withheld to cover administrative costs.



**MEMORIAL CITY REDEVELOPMENT AUTHORITY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2009**

**NOTE 7. PUBLIC IMPROVEMENT DEVELOPMENT CONTRACT**

On November 22, 2002, the Authority approved a Public Improvement Development Contract with the City of Houston, Texas (the "City"). The Authority shall attempt to obtain all of the property necessary to construct the projects described in the Zone's Project Plan either by purchase, donation or dedication. The Authority shall also provide plans and specifications for the construction of the projects. The Authority, and its consultants, agents and employees will be deemed to be acting as agents of the City and title to the property acquired by the Authority shall be in the City with no liens or beneficial interests retained by the Authority. Should the Authority be unable to acquire the property required for the project by donation, uncompensated dedication or purchase by the Authority, the City can exercise its power of eminent domain to acquire the property for the project. The term of this agreement is seven (7) years and can be extended by mutual agreement of the parties.

**NOTE 8. TRANSFER TO THE CITY OF HOUSTON**

During the current fiscal year, the Authority recorded a transfer of \$5,417,399 to the City of Houston. This transfer is related to capital improvements made by the Authority to City of Houston 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. Therefore, the Authority has no capital assets as of June 30, 2009. See page 31 for information on current year capital improvement expenditures.

**NOTE 9. ADMINISTRATIVE SERVICES AGREEMENT - HARRIS COUNTY MUNICIPAL MANAGEMENT DISTRICT NO. 1**

On January 3, 2005, and as amended on October 7, 2008, the Authority entered into an agreement with the Harris County Municipal Management District No. 1 (the "District") for administrative services. The services the District may provide includes, among other things, the following: executive director services, general administrative support, project management and development, consultant management, and other services as may be deemed necessary by the Authority Board in the course of its various projects. Pursuant to this agreement, the District will designate a District employee as the "Executive Director" of the Authority. The Authority will pay to the District an Annual Fee, in monthly installments, equal to fifty percent of the annual expense of administrative salaries and benefits and office operating costs of the District. During the current fiscal year, the Authority paid \$183,867 in accordance with this agreement. Costs incurred related to this agreement have been recorded as Contracted Services.

The term of the agreement is until termination of the Tax Increment Reinvestment Zone No. 17. Either party may terminate the agreement upon sixty days written notice to the other party with or without cause.

**MEMORIAL CITY REDEVELOPMENT AUTHORITY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2009**

**NOTE 10. LONG-TERM DEBT**

On April 30, 2009, the Authority issued \$11,000,000 of Tax Increment Contract Revenue Bonds, Series 2009. The bond interest rate is a variable rate, currently at 4%. The bonds were issued in order to acquire and/or construct major capital projects. Future tax increment contract revenue will secure this debt obligation. Provisions of the bonds issuance include a trust agreement with Wells Fargo, N.A. the paying agent, which requires the Authority to deposit a reserve of \$1,000,000 into a 2009 Bonds Debt Service Reserve Fund, which shall be held in trust by the Trustee and held solely for the benefit of the Owners of the Series 2009 Bonds. Fifty percent of the Reserve Requirement, \$500,000, was funded from the proceeds of the Series 2009 Bonds and the remaining fifty percent of the Reserve requirement, \$500,000, must be funded by the Authority no later than August 1, 2010.

During the year ended June 30, 2009, the following changes occurred in long-term liabilities:

	Balance July 1, 2008	Additions	(Reductions)	Balance June 30, 2009	Amounts Due Within One Year
<b>Governmental Activities:</b>					
Bonds and notes payable:					
Tax Increment Contract Bonds	\$10,000,000	\$ 11,000,000	\$	\$21,000,000	\$ 345,000
Deferred amount for issuance discount	318,527	405,851	(21,532)	702,846	
<b>Total Governmental Activities</b>	<b>\$10,318,527</b>	<b>\$ 11,405,851</b>	<b>\$ (21,532)</b>	<b>\$21,702,846</b>	<b>\$ 345,000</b>

The terms of the current debt obligations are as follows:

Series	Original Issue	Matures	Interest Rate (%)	Debt Outstanding
<b>Governmental Activities</b>				
<b>Tax Increment Contract Bonds</b>				
Tax Increment Contract Bonds, Series 2008	\$ 10,000,000	2027	4.450%	\$ 10,000,000
Tax Increment Contract Bonds, Series 2009	\$ 11,000,000	2024	4.000%	\$ 11,000,000

**MEMORIAL CITY REDEVELOPMENT AUTHORITY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2009**

**NOTE 10. LONG-TERM DEBT (Continued)**

The annual requirements to amortize governmental activity tax increment contract revenue bonds at June 30, 2009 are as follows:

<b>Tax Increment Contract Revenue Bonds</b>			
<b>Governmental Activities</b>			
<b>Fiscal Year</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2010	345,000	805,213	1,150,213
2011	360,000	861,638	1,221,638
2012	1,125,000	830,284	1,955,284
2013	1,140,000	783,263	1,923,263
2014	1,160,000	735,463	1,895,463
2015	1,180,000	686,773	1,866,773
2016	1,200,000	637,192	1,837,192
2017	1,220,000	586,722	1,806,722
2018	1,240,000	535,362	1,775,362
2019	1,260,000	483,113	1,743,113
2020	1,285,000	429,860	1,714,860
2021	1,360,000	374,498	1,734,498
2022	1,385,000	317,021	1,702,021
2023	1,460,000	257,433	1,717,433
2024	1,485,000	195,731	1,680,731
2025	1,615,000	130,806	1,745,806
2026	695,000	81,546	776,546
2027	725,000	49,951	774,951
2028	760,000	16,910	776,910
	<b>\$ 21,000,000</b>	<b>\$ 8,798,779</b>	<b>\$29,798,779</b>

**MEMORIAL CITY REDEVELOPMENT AUTHORITY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2009**

**NOTE 11. 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>
General Fund	Capital Projects Funds	<u>\$ 1,020,293</u>	Capital Project Disbursements paid by the General Fund

**NOTE 12. CONSTRUCTION COMMITMENTS**

The Authority commitments related to construction projects at June 30, 2009 are as follows:

<u>Project</u>	<u>Total Commitment</u>	<u>Construction in Progress</u>	<u>Remaining Commitment</u>
Bunker Hill	\$ 5,634,373	\$ 4,939,730	\$ 694,643
Total	<u>\$ 5,634,373</u>	<u>\$ 4,939,730</u>	<u>\$ 694,643</u>

**NOTE 13. 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 2,617 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.

**MEMORIAL CITY REDEVELOPMENT AUTHORITY**

**REQUIRED SUPPLEMENTARY INFORMATION**

**JUNE 30, 2009**

**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, 2009**

	Original and Final Budget	Actual	Variance Positive (Negative)
<b>REVENUES</b>			
Tax Increment	\$ 4,011,115	\$ 3,864,108	\$ (147,007)
Intergovernmental		3,338,300	3,338,300
Interest	55,000	48,197	(6,803)
<b>TOTAL REVENUES</b>	4,066,115	7,250,605	3,184,490
<b>EXPENDITURES</b>			
Maintenance and Operations	293,500	284,014	9,486
Capital Outlay	7,681,000	5,417,339	2,263,661
Municipal Services	250,000	250,000	
Administration Fees	200,556	190,808	9,748
Debt Service:			
Principal	345,000		345,000
Interest	437,324	468,486	(31,162)
Issuance Cost	623,000	405,851	217,149
<b>TOTAL EXPENDITURES</b>	9,830,380	7,016,498	2,813,882
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	(5,764,265)	234,107	5,998,372
<b>OTHER FINANCING SOURCES (USES)</b>			
Proceeds from Bond Issuance	11,000,000	11,000,000	
<b>NET CHANGE IN FUND BALANCE</b>	5,235,735	11,234,107	5,998,372
<b>FUND BALANCES - JULY 1, 2008</b>	4,198,183	4,198,183	
<b>FUND BALANCES - JUNE 30, 2009</b>	\$ 9,433,918	\$ 15,432,290	\$ 5,998,372

See accompanying independent auditor's report.

**MEMORIAL CITY REDEVELOPMENT AUTHORITY**

**SUPPLEMENTARY INFORMATION**

**REQUIRED BY CITY OF HOUSTON**

**JUNE 30, 2009**

**MEMORIAL CITY REDEVELOPMENT AUTHORITY**  
**OPERATING EXPENDITURES**  
**FOR THE YEAR ENDED JUNE 30, 2009**

<u>Category</u>	<u>Vendor</u>	<u>Budget</u>	<u>Actual Expenditures</u>	<u>Variance Positive (Negative)</u>
<b>ADMINISTRATION AND OVERHEAD</b>				
Administration Salaries and Benefits	Harris County Municipal Management District No. 1	\$ 212,000	\$ 183,867	\$ 28,133
Administrative Operating				
Office Expenses	Various	15,000	8,379	6,621
Property Account Consultant	Equi-tax, Inc.	5,000	5,200	(200)
Accounting/Audit				
Accounting Auditor	ETI Accounting Services & Null-Lairson, P.C.	17,000	19,548	(2,548)
Insurance	McCall, Gibson & Company, PLLC	8,500	8,000	500
Paying Agent	Texas Municipal League	3,000	340	2,660
	Wells Fargo		3,000	(3,000)
<b>Subtotal</b>		<u>260,500</u>	<u>228,334</u>	<u>32,166</u>
<b>PROGRAM AND PROJECT CONSULTANTS</b>				
Construction Audit		6,000		6,000
Legal-General Counsel	Allen Boone Humphries Robinson, LLP	15,000	49,810	(34,810)
Engineering Consultants	Lockwood Andrews & Newman, Inc.	12,000	5,870	6,130
<b>Subtotal</b>		<u>33,000</u>	<u>55,680</u>	<u>(22,680)</u>
<b>TOTAL MANAGEMENT CONSULTING SERVICES</b>		<u>\$ 293,500</u>	<u>\$ 284,014</u>	<u>\$ 9,486</u>
City Administration Fee	City of Houston	200,556	190,808	9,748
Municipal Services Fee	City of Houston	250,000	250,000	
<b>DEBT SERVICE</b>				
Principal		345,000		345,000
Interest	Wells Fargo	437,324	468,486	(31,162)
Bond Issuance		623,000		
Bond Counsel	Allen Boone Humphries Robinson, LLP		185,851	
Financial Advisor	RBC Capital Markerts		107,500	
Commitment Up Front Fee	Bank of America		55,000	
Purchaser's Counsel	Andrews Kurth LLP		40,000	
Bond Review	Office of the Attorney General of Texas		9,000	
Bond Trustee	Wells Fargo		5,500	
Texas MAC Fee	Bank of America		1,500	
Tax Services	Equi-tax, Inc.		1,000	
Real Estate Appraiser	Scott Stephens & Associates, Inc.		500	217,149
<b>Subtotal</b>		<u>1,405,324</u>	<u>874,337</u>	<u>530,987</u>
<b>Total Operating Expenditures</b>		<u>\$ 2,149,380</u>	<u>\$ 1,599,159</u>	<u>\$ 550,221</u>

See accompanying independent auditor's report



**MEMORIAL CITY REDEVELOPMENT AUTHORITY**  
**CAPITAL EXPENDITURES**  
**FOR THE YEAR ENDED JUNE 30, 2009**

<i>Project</i>	<i>Vendor</i>	<i>Budget</i>	<i>Actual Expenditure</i>	<i>Variance Positive (Negative)</i>
<b>Project T-1701: Gessner Widening Project</b>				
Engineering Services and Construction	Lockwood, Andrews & Newman, Klotz Associates, Inc. and CenterPoint Energy	\$ 3,180,000	\$ 496,244	\$ 2,683,756
<b>Project T-1702: Bunker Hill</b>				
Engineering Services and Construction	Lockwood, Andrews & Newman, TCB, Inc. and Conrad Construction Company, LTD.	2,034,000	4,439,586	(2,405,586)
<b>Projects T-1712, T-1713, and T-1718: Drainage Improvements</b>				
Engineering/Design Services	Lockwood, Andrews & Newman	1,615,000	198,714	1,416,286
<b>Project T-1705: East/West Mobility Improvements</b>				
Engineering/Design Services	Lockwood, Andrews & Newman		132,214	(132,214)
<b>Project T-1707: Improvements to Gessner, I-10 to South of Westview</b>				
Engineering/Design Services	Lockwood, Andrews & Newman and Cravens Partners, LTD.		98,044	(98,044)
<b>Projects T-1709, T-1714, and T-1723: North South Mobility</b>				
Engineering/Design Services	Lockwood, Andrews & Newman		3,435	(3,435)
<b>Project T-1725: Parks &amp; Greenspace Improvements</b>				
Engineering/Design Services	Lockwood, Andrews & Newman and Kedula & Weinheimer	336,500	14,363	322,137
<b>Project T-1709: Improvement to Lumpkin from I-10 to Westview</b>				
Engineering/Design Services	Kedula & Weinheimer		12,581	(12,581)
<b>Project T-1723: Bunker Hill South Roadway Improvements</b>				
Engineering/Design Services	Lockwood, Andrews & Newman	205,000	17,665	187,335
<b>Project T-1724: Gessner at Barryknoll Intersection Improvements</b>				
Construction Services	CenterPoint Energy and Embark Tree and Landscape Service	257,000	2,944	254,056
<b>Project T-1722: Town and Country Blvd at Queensbury Signalization</b>				
Engineering/Design Services	Lockwood, Andrews & Newman	53,500	1,549	51,951
<b>Total Capital Expenditures</b>		<u>\$ 7,681,000</u>	<u>\$ 5,417,339</u>	<u>\$ 2,263,661</u>

See accompanying independent auditor's report

**MEMORIAL CITY REDEVELOPMENT AUTHORITY  
PROJECT PLAN RECONCILIATION  
AS OF THE YEAR ENDED JUNE 30, 2009**

	<i>Project Plan Estimated Amount *</i>	<i>Cumulative Expenditures as of the Fiscal Year Ended 2009</i>	<i>Variance Positive (Negative)</i>
<b>Non-Education Project Costs</b>			
Utility System Improvements	\$ 32,125,200	\$ 955,865	\$ 31,169,335
Roadway Improvements	45,829,681	16,049,625	29,780,056
Traffic Signal Improvements	2,100,000	1,549	2,098,451
NTP, Noise/Safety Walls, Engineering Study	5,500,000	252,849	5,247,151
Park Improvements and Landscaping	11,889,119	80,613	11,808,506
Other Costs	556,000	4,014,807	(3,458,807)
<b>Total Non-Educational Project Costs</b>	<b><u>\$ 98,000,000</u></b>	<b><u>\$ 21,355,308</u></b>	<b><u>\$ 76,644,692</u></b>

- \* The Project Plan was approved on July 27, 1999. The Project Plan includes estimated costs for the various approved projects. The Project Plan provides for education project costs if the Spring Branch Independent School District (SBISD) participates in the Zone. At this time, SBISD is not participating in the Zone.

See accompanying independent auditor's report

**MEMORIAL CITY REDEVELOPMENT AUTHORITY**

**OTHER SUPPLEMENTARY INFORMATION**

**JUNE 30, 2009**

**MEMORIAL CITY REDEVELOPMENT AUTHORITY**  
**BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS**  
**JUNE 30, 2009**

Authority Mailing Address - Memorial City Redevelopment Authority  
820 Gessner, Suite 1530  
Houston, TX 77024

Authority Telephone Number - 713-984-8737

<b>Board Members</b>	<b>Position</b>
Charles S. Turet – Chairperson	1
Ken Arnold, P.E. – Vice Chairperson	2
Dan Moody III - Assistant Secretary	3
Brenda Stardig – Secretary	4
Dr. Zachary R. Hodges – Assistant Vice Chairperson	5
Brad Freels – Assistant Vice Chairperson	6
Glenn E. Airola – Assistant Vice Chairperson	7

**Executive Director**

Memorial City Redevelopment Authority  
c/o Pat Walters, Executive Director  
820 Gessner, Suite 1530  
Houston, TX 77024

See accompanying independent auditor's report.