

MEMORIAL CITY REDEVELOPMENT AUTHORITY

CITY OF HOUSTON, TEXAS

ANNUAL FINANCIAL REPORT

JUNE 30, 2008

McCALL, GIBSON & COMPANY, PLLC
Certified Public Accountants

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MEMORIAL CITY REDEVELOPMENT AUTHORITY

CITY OF HOUSTON, TEXAS

ANNUAL FINANCIAL REPORT

JUNE 30, 2008

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McCALL, GIBSON & COMPANY, PLLC

Certified Public Accountants

13831 Northwest Frewy.
Suite 610
Houston, Texas 77040-5216
(713) 462-0341

Fax (713) 462-2708

E-Mail: mccallgibson@mccallgibson.com

7801 N. Capital of Texas Hwy.
Suite 350

Austin, Texas 78731-1169
(512) 418-2358

Fax: (512) 340-0604

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, 2008, 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, 2008, 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.

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 – General Fund on page 29 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 & Company, PLLC

McCall, Gibson & Company, PLLC
Certified Public Accountants

November 4, 2008

**MEMORIAL CITY REDEVELOPMENT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2008**

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, 2008. 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 \$(5,655,109) (net assets) for the year ended June 30, 2008. This compares to the previous year when assets exceeded liabilities by \$1,784,245. 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 \$4,198,183 this year. This compares to the prior year fund balance of \$1,784,245, showing an increase of \$2,413,938 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 Fund Balance Sheet and (2) the Statement of Activities and Governmental Fund Revenue, Expenditures, and Changes in Fund Balance. 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, 2008

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 pages 9 and 10. 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 Statement of Activities on pages 12 and 13 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 two governmental fund types. The General Fund is the operating fund of the Authority 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 on page 11 and the Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities on page 14 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, 2008**

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 15 through 27 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 the combined General Fund and Capital Projects Fund and can be found on page 29.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as useful indicator of the Authority's financial position. In the case of the Authority, liabilities exceeded assets by \$(5,655,109) as of June 30, 2008.

The following table provides a summary of the changes in the Statement of Net Assets as of June 30, 2008 and June 30, 2007:

	<u>Summary of Changes in the Statement of Net Assets</u>		
	<u>2008</u>	<u>2007</u>	<u>Variance Positive (Negative)</u>
ASSETS:			
Current and Other Assets	\$ 5,548,576	\$ 2,185,055	\$ 3,363,521
TOTAL ASSETS	<u>\$ 5,548,576</u>	<u>\$ 2,185,055</u>	<u>\$ 3,363,521</u>
LIABILITIES:			
Long-Term Liabilities	\$ 10,000,000	\$	\$(10,000,000)
Current Liabilities	<u>1,203,685</u>	<u>400,810</u>	<u>\$(802,875)</u>
TOTAL LIABILITIES	<u>\$ 11,203,685</u>	<u>\$ 400,810</u>	<u>\$(10,802,875)</u>
NET ASSETS:			
Restricted	\$ 468,486	\$	\$ 468,486
Unrestricted	<u>(6,123,595)</u>	<u>1,784,245</u>	<u>(7,907,840)</u>
TOTAL NET ASSETS	<u>\$ (5,655,109)</u>	<u>\$ 1,784,245</u>	<u>\$ (7,439,354)</u>

MEMORIAL CITY REDEVELOPMENT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2008

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, 2008 and June 30, 2007:

	Summary of Changes in the Statement of Activities		
	2008	2007	Variances Positive (Negative)
Revenues			
Tax Increment Revenue	\$ 3,074,574	\$ 2,270,316	\$ 804,258
Interest Revenue	<u>62,002</u>	<u>28,719</u>	<u>33,283</u>
Total Revenues	<u>\$ 3,136,576</u>	<u>\$ 2,299,035</u>	<u>\$ 837,541</u>
Expenses:			
Professional Services	\$ 81,682	\$ 135,896	\$ 54,214
Contracted Services	90,519	63,087	(27,432)
Bond Interest	171,819		(171,819)
Other	6,290	4,075	(2,215)
Administration Fee	153,729	113,516	(40,213)
Bond Issuance Cost	<u>6,473</u>	<u> </u>	<u>(6,473)</u>
Total Expenses	<u>\$ 510,512</u>	<u>\$ 316,574</u>	<u>\$ (193,938)</u>
Excess (Deficiency) of Revenues Over Expenses	<u>\$ 2,626,064</u>	<u>\$ 1,982,461</u>	<u>\$ 643,603</u>
Other Financing Sources (Uses) and Special Items			
Transfer to City of Houston	<u>\$(10,065,418)</u>	<u>\$ (1,145,228)</u>	<u>\$ (8,920,190)</u>
Change in Net Assets	\$ (7,439,354)	\$ 837,233	\$ (8,276,587)
Beginning Net Assets	<u>1,784,245</u>	<u>947,012</u>	<u>837,233</u>
Ending Net Assets	<u>\$ (5,655,109)</u>	<u>\$ 1,784,245</u>	<u>\$ (7,439,354)</u>

MEMORIAL CITY REDEVELOPMENT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2008

FINANCIAL ANALYSIS OF THE AUTHORITY'S GOVERNMENTAL FUND

The Authority's has two governmental funds, which are the General 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 balance of \$4,198,183, an increase of \$2,413,938 from the prior year. All of the governmental funds fund balances are unreserved, except for prepaid items and debt service reserves.

GENERAL FUND BUDGETARY HIGHLIGHTS

The Board of the Authority did not amend the budget during the current fiscal year. Actual excess revenues were \$3,778,969 more than budgeted excess revenues due to several factors including tax increment revenue being more than the amount budgeted and capital outlay being significantly less than budgeted. See budget to actual comparison on page 29.

CAPITAL ASSETS

In the current fiscal year, the Authority transferred \$10,065,418 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.

LONG-TERM DEBT

At the end of the current fiscal year, the Authority had total bond debt payable of \$10 million. This debt is secured with future tax increment contract revenue. The Authority's had no debt prior to the issuance of the \$10 million. Currently, by agreement with the City of Houston, the Authority will not have notes and bonds outstanding that at any time will exceed \$10 million.

The changes in the debt position of the Authority during the fiscal year ended June 30, 2008, are summarized as follows:

Bond Debt Payable, July 1, 2007	\$ -0-
Add: Bonds Sold-Series 2008	<u>10,000,000</u>
Bond Debt Payable, June 30, 2008	<u>\$ 10,000,000</u>

The Series 2008 bonds are not rated.

**MEMORIAL CITY REDEVELOPMENT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2008**

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The Authority's board and the City of Houston's City Council both approved a 2009 budget of \$9,830,380, which include a 33% increase in tax increment revenue of \$4,011,115. Tax increment revenue projection is based on Tax Year 2008 Captured Appraised Value of \$632,010,434 which is an estimated based on a three-year historical average of property values in the Zone and the tax increment is calculated based on applying a City tax rate of \$0.64/\$100 assessed value to the Captured Appraised Value and a tax collection rate of 99.17% for the City.

CONTACTING THE AUTHORITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of Memorial City Redevelopment Authority's finances for anyone with an interest in the government'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 South Gessner, Suite 1530, Houston, Texas 77024.

MEMORIAL CITY REDEVELOPMENT AUTHORITY
STATEMENT OF NET ASSETS AND
GOVERNMENTAL FUNDS BALANCE SHEET
JUNE 30, 2008

	General Fund	Capital Projects Fund
ASSETS		
Cash, Note 3	\$ 2,940,136	\$ 1,883,992
Investments, Note 3	405,581	
Due from Other Funds	9,500	8,705
Prepaid Cost	340	
Deferred Charges		
TOTAL ASSETS	\$ 3,355,557	\$ 1,892,697
LIABILITIES		
Accounts Payable	\$ 10,438	\$ 956,654
Retainage Payable		64,774
Accrued Interest Payable		
Due to Other Funds	8,705	9,500
Long-Term Liabilities:		
Due After One Year		
TOTAL LIABILITIES	\$ 19,143	\$ 1,030,928
FUND BALANCE		
Reserved:		
Prepaid Costs	\$ 340	\$
Debt Service	468,486	
Unreserved	2,867,588	861,769
TOTAL FUND BALANCE	\$ 3,336,414	\$ 861,769
TOTAL LIABILITIES AND FUND BALANCE	\$ 3,355,557	\$ 1,892,697
NET ASSETS		
Restricted-Debt Service		
Unrestricted		
TOTAL NET ASSETS		

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

Total	Adjustments	Statement of Net Assets
\$ 4,824,128	\$	\$ 4,824,128
405,581		405,581
18,205	(18,205)	
340		340
<u> </u>	<u>318,527</u>	<u>318,527</u>
<u>\$ 5,248,254</u>	<u>\$ 300,322</u>	<u>\$ 5,548,576</u>
\$ 967,092	\$	\$ 967,092
64,774		64,774
	171,819	171,819
18,205	(18,205)	
<u> </u>	<u>10,000,000</u>	<u>10,000,000</u>
<u>\$ 1,050,071</u>	<u>\$ 10,153,614</u>	<u>\$ 11,203,685</u>
\$ 340	\$ (340)	\$
468,486	(468,486)	
<u>3,729,357</u>	<u>(3,729,357)</u>	<u> </u>
<u>\$ 4,198,183</u>	<u>\$ (4,198,183)</u>	<u>\$ -0-</u>
<u>\$ 5,248,254</u>		
	\$ 468,486	\$ 468,486
	<u>(6,123,595)</u>	<u>(6,123,595)</u>
	<u>\$ (5,655,109)</u>	<u>\$ (5,655,109)</u>

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

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**MEMORIAL CITY REDEVELOPMENT AUTHORITY
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO STATEMENT OF NET ASSETS
JUNE 30, 2008**

Total Fund Balances – Governmental Funds		\$ 4,198,183
<p>Amounts reported for governmental activities in the Statement of Net Assets are different because:</p>		
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.		318,527
<p>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.</p>		
Bonds Payable	\$ (10,000,000)	
Accrued interest on bonds payable	<u>(171,819)</u>	<u>(10,171,819)</u>
Total Net Assets – Governmental Activities		<u>\$ (5,655,109)</u>

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, 2008

	General Fund	Capital Projects Fund
REVENUES		
Tax Increment Revenue	\$ 3,074,574	\$
Interest Revenues	<u>42,007</u>	<u>19,995</u>
TOTAL REVENUES	<u>\$ 3,116,581</u>	<u>\$ 19,995</u>
EXPENDITURES/EXPENSES		
Service Operations:		
Professional Services	\$ 64,367	\$ 17,315
Contracted Services	90,519	
Insurance Cost	1,719	
Other	1,805	2,766
Administration Fees	153,729	
Capital Improvements, Note 8	1,252,273	8,813,145
Debt Service:		
Interest		
Issuance Cost		<u>325,000</u>
TOTAL EXPENDITURES/EXPENSES	<u>\$ 1,564,412</u>	<u>\$ 9,158,226</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES/EXPENSES	<u>\$ 1,552,169</u>	<u>\$ (9,138,231)</u>
OTHER FINANCING SOURCES (USES) AND SPECIAL ITEMS		
Proceeds from Bond Issuance, Note 10	\$	\$ 10,000,000
Transfer to City of Houston, Note 8		
TOTAL OTHER FINANCING SOURCES (USES)	<u>\$ -0-</u>	<u>\$ 10,000,000</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES AND OTHER FINANCING SOURCES (USES) AND SPECIAL ITEMS	<u>\$ 1,552,169</u>	<u>\$ 861,769</u>
CHANGES IN NET ASSETS		
FUND BALANCE/NET ASSETS – JULY 1, 2007	<u>1,784,245</u>	<u></u>
FUND BALANCE/NET ASSETS – JUNE 30, 2008	<u>\$ 3,336,414</u>	<u>\$ 861,769</u>

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

Total	Adjustments	Statement of Activities
\$ 3,074,574	\$	\$ 3,074,574
<u>62,002</u>		<u>62,002</u>
<u>\$ 3,136,576</u>	<u>\$ -0-</u>	<u>\$ 3,136,576</u>
\$ 81,682	\$	\$ 81,682
90,519		90,519
1,719		1,719
4,571		4,571
153,729		153,729
10,065,418	(10,065,418)	
	171,819	171,819
<u>325,000</u>	<u>(318,527)</u>	<u>6,473</u>
<u>\$ 10,722,638</u>	<u>\$(10,212,126)</u>	<u>\$ 510,512</u>
<u>\$ (7,586,062)</u>	<u>\$ 10,212,126</u>	<u>\$ 2,626,064</u>
\$ 10,000,000	\$(10,000,000)	\$
	<u>(10,065,418)</u>	<u>(10,065,418)</u>
<u>\$ 10,000,000</u>	<u>\$(20,065,418)</u>	<u>\$(10,065,418)</u>
\$ 2,413,938	\$ (9,853,292)	\$
		(7,439,354)
<u>1,784,245</u>		<u>1,784,245</u>
<u>\$ 4,198,183</u>	<u>\$ (9,853,292)</u>	<u>\$ (5,655,109)</u>

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, 2008**

Change in Fund Balances – Governmental Funds		\$ 2,413,938
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 Net Assets treats the issuance of debt as a liability		(10,000,000)
Governmental funds report bond issuance costs as expenditures. In contrast, the government wide financial statements amortized such cost over the life of the bonds.		325,000
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 Reflects in Governmental Funds	\$ (171,819)	
Amortization of Bond Issuance Cost	<u>(6,473)</u>	<u>(178,292)</u>
Change in Net Assets – Governmental Activities		<u>\$ (7,439,354)</u>

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, 2008

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.

MEMORIAL CITY REDEVELOPMENT AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2008

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

MEMORIAL CITY REDEVELOPMENT AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2008

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government-Wide Financial Statements (Continued)

The Statement of Net Assets is reported by adjusting the general fund and the 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 and the 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.

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, Expenditure and Changes in Fund Balances.

Governmental Funds

The Authority has two major governmental funds-the General 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 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.

MEMORIAL CITY REDEVELOPMENT AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2008

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Due to and from Other Funds

Interfund receivable and payables arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed. These receivables and payables are, for the most part, eliminated from the Government-Wide Statement of Net 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, 2008, the Authority has no capital assets.

Debt Service

Tax increment contract revenue is pledge 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.

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

MEMORIAL CITY REDEVELOPMENT AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2008

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus (Continued)

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.

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.

MEMORIAL CITY REDEVELOPMENT AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2008

NOTE 3. DEPOSITS AND INVESTMENTS (Continued)

Deposits (continued)

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, 2008, none of the Authority's bank balances were exposed to custodial credit risk.

The carrying values of the deposits are included in the Governmental Funds Balance Sheet and the Statement of Net Assets at June 30, 2008, as listed below:

	Cash
GENERAL FUND	\$ 2,940,136
CAPITAL PROJECTS FUND	1,883,992
TOTAL DEPOSITS	\$ 4,824,128

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.

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

MEMORIAL CITY REDEVELOPMENT AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2008

NOTE 3. DEPOSITS AND INVESTMENTS (Continued)

Investments (continued)

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.

The Authority invests in TexPool, an external investment pool that is not SEC-registered. The State Comptroller of Public Accounts of the State of Texas has oversight of the pool. Federated Investors manages the daily operations of the pool under a contract with the Comptroller.

As of June 30, 2008, 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	\$ 405,581	\$ 405,581	\$ -0-	\$ -0-	\$ -0-

Credit Risk. Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. At June 30, 2008, the Authority's investment in TexPool, an external investment pool, was rated AAAM by Standard & Poor's.

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 investment in TexPool to have a maturity of less than one year due to the fact the share position can usually be redeemed each day at the discretion of the Authority, unless there has been a significant change in value.

Restrictions

All cash and investments of the Capital Projects Fund are restricted for the payment of approved project costs.

MEMORIAL CITY REDEVELOPMENT AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2008

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 Department of Planning 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 (30th) day before the date of a principal and interest payment on the Authority's bonds or notes, the City shall pay from available funds sufficient monies to the Authority to allow for meeting the Authority's debt service obligations.

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 Participants 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

MEMORIAL CITY REDEVELOPMENT AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2008

NOTE 5. TAX INCREMENTS (Continued)

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

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

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 \$3,074,574 were collected from the City of Houston of which \$153,729 was withheld to cover administrative costs.

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.

MEMORIAL CITY REDEVELOPMENT AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2008

NOTE 8. TRANSFER TO THE CITY OF HOUSTON

During the current fiscal year, the Authority recorded a transfer of \$10,065,418 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, 2008. See pages 33 and 34 for information on current year capital improvement expenditures.

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

On January 3, 2005, 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 \$77,026 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.

NOTE 10. LONG-TERM DEBT

The Authority issued tax increment revenue bond debt during the fiscal year 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 tax increments into a Pledged Revenue Fund, which subsequently deposits into the Debt Service Fund amounts equal to the interest and principal installment due on the Tax Increment Bonds in the period ending the next March 1. The Authority made such required deposit on July 2, 2008 and established a Debt Service Fund in the amount of \$468,486.

MEMORIAL CITY REDEVELOPMENT AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2008

NOTE 10. LONG-TERM DEBT (Continued)

During the year ended June 30, 2008, the following changes occurred in long-term liabilities:

	Balance July 1, 2007	Additions	(Reductions)	Balance June 30, 2008	Amounts Due Within One Year
Governmental					
Activities:					
Bonds and Notes Payable:					
Tax Increment Contract Bonds	\$	\$ 10,000,000	\$	\$ 10,000,000	\$
Deferred Amount for Issuance Discount		325,000	(6,473)	318,527	
Total Governmental Activities	<u>\$ -0-</u>	<u>\$ 10,325,000</u>	<u>\$ (6,473)</u>	<u>\$ 10,318,527</u>	<u>\$ -0-</u>

The term of the current debt obligations is as follows:

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

The annual requirements to amortize governmental activity tax increment contract revenue bonds at June 30, 2008 are as follows:

Tax Increment Contract Revenue Bonds				
Governmental Activities				
Fiscal Year	Principal	Interest	Total	
2009	\$	\$ 468,486	\$	468,486
2010	345,000	437,324		782,324
2011	360,000	421,638		781,638
2012	375,000	405,284		780,284
2013	390,000	388,263		778,263
2014	410,000	370,463		780,463
2015	430,000	351,773		781,773
2016	450,000	332,192		782,192
2017	470,000	311,722		781,722
2018	490,000	290,362		780,362
2019	510,000	268,113		778,113

MEMORIAL CITY REDEVELOPMENT AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2008

NOTE 10. LONG-TERM DEBT (Continued)

Tax Increment Contract Revenue Bonds			
Governmental Activities			
Fiscal Year	Principal	Interest	Total
2020	535,000	244,860	779,860
2021	560,000	220,498	780,498
2022	585,000	195,021	780,021
2023	610,000	168,433	778,433
2024	635,000	140,731	775,731
2025	665,000	111,806	776,806
2026	695,000	81,546	776,546
2027	725,000	49,951	774,951
2028	760,000	16,910	776,910
	<u>\$ 10,000,000</u>	<u>\$ 5,275,376</u>	<u>\$ 15,275,376</u>

NOTE 11. INTERFUND TRACSATIONS

At June 30, 2008, interfund receivables and payables were as follows:

Receivable Fund	Payable Fund	Amounts	Purpose
General Fund	Capital Projects Fund	\$ 9,500	Debt Issuance Disbursements
Capital Projects Fund	General Fund	<u>8,705</u>	Capital Projects Disbursement
		<u>\$ 18,205</u>	

NOTE 12. CONSTRUCTION COMMITMENTS

The Authority commitments related to construction projects at June 30, 2008 are as follows:

Project	Total Commitment	Construction In Progress	Remaining Commitment
Bunker Hill	\$ 5,590,073	\$ 978,764	\$ 4,611,309
East West Mobility Improvements	<u>439,859</u>	<u>316,296</u>	<u>123,563</u>
TOTAL	<u>\$ 6,029,932</u>	<u>\$ 1,295,060</u>	<u>\$ 4,734,872</u>

MEMORIAL CITY REDEVELOPMENT AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2008

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, 2008

MEMORIAL CITY REDEVELOPMENT AUTHORITY
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES – BUDGET AND ACTUAL – ALL GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2008

	Original and Final Budget	Actual	Variance Positive (Negative)
REVENUES			
Tax Increment Revenue	\$ 3,014,958	\$ 3,074,574	\$ 59,616
Interest Revenues	<u>37,000</u>	<u>62,002</u>	<u>25,002</u>
TOTAL REVENUES	<u>\$ 3,051,958</u>	<u>\$ 3,136,576</u>	<u>\$ 84,618</u>
EXPENDITURES			
Maintenance and Operations	\$ 138,991	\$ 178,491	\$ (39,500)
Capital Outlay	14,671,000	10,065,418	4,605,582
Administration	150,748	153,729	(2,981)
Debt Service:			
Loan Principal	206,250		206,250
Loan Interest	50,000		50,000
Issuance Cost		<u>325,000</u>	<u>(325,000)</u>
TOTAL EXPENDITURES	<u>\$ 15,216,989</u>	<u>\$ 10,722,638</u>	<u>\$ 4,494,351</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ (12,165,031)</u>	<u>\$ (7,586,062)</u>	<u>\$ 4,578,969</u>
OTHER FINANCING SOURCES (USES) AND SPECIAL ITEMS			
Loan Proceeds	\$ 5,000,000	\$	\$ (5,000,000)
Grant Proceeds	5,800,000		(5,800,000)
Proceeds from Bond Issuance		<u>10,000,000</u>	<u>10,000,000</u>
TOTAL OTHER FINANCING SOURCES (USES) AND SPECIAL ITEMS	<u>\$ 10,800,000</u>	<u>\$ 10,000,000</u>	<u>\$ (800,000)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES AND OTHER FINANCING SOURCES (USES) AND SPECIAL ITEMS	<u>\$ (1,365,031)</u>	<u>\$ 2,413,938</u>	<u>\$ 3,778,969</u>
FUND BALANCE - JULY 1, 2007	<u>1,784,245</u>	<u>1,784,245</u>	<u></u>
FUND BALANCE – JUNE 30, 2008	<u>\$ 419,214</u>	<u>\$ 4,198,183</u>	<u>\$ 3,778,969</u>

See accompanying independent auditor's report.

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MEMORIAL CITY REDEVELOPMENT AUTHORITY

SUPPLEMENTARY INFORMATION

REQUIRED BY CITY OF HOUSTON

JUNE 30, 2008

MEMORIAL CITY REDEVELOPMENT AUTHORITY
OPERATING EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2008

Category	Vendor	Budget
ADMINISTRATION AND OVERHEAD		
Administration Consultant	Harris County Municipal Management District No. 1	\$ 55,941
Office Expenses		5,000
Insurance	Aquasurance and TML	3,000
Accounting	ETI Accounting Services	8,500
Auditor	McCall, Gibson & Company, PLLC	6,750
Property Account Consultant	Equi-Tax, Inc.	4,800
Paying Agent	Wells Fargo	
SUBTOTAL		<u>\$ 83,991</u>
PROGRAM AND PROJECT		
CONSULTANTS		
Legal-General Counsel	Allen Boone Humphries Robinson LLP	\$ 37,000
Planning Study (Buildout Estimate)		
Engineering-General Consultation	Lockwood Andrews & Newnam, Inc.	12,000
Construction Audit		<u>6,000</u>
SUBTOTAL		<u>\$ 55,000</u>
TOTAL MANAGEMENT CONSULTING SERVICES		<u>\$ 138,991</u>
Administration Fee - TIRZ	City of Houston	<u>\$ 150,748</u>
BOND RELATED COSTS:		
Bond Counsel	Allen Boone Humphries Robinson, LLP	\$
Bond Trustee	Wells Fargo	
Financial Advisor	RBC Capital Markets	
TOTAL BOND RELATED COSTS		<u>\$ -0-</u>

See accompanying independent auditor's report.

<u>Actual Expenditure</u>	<u>Variance Positive (Negative)</u>
\$ 77,026	\$ (21,085)
2,071	2,929
1,719	1,281
8,693	(193)
6,500	250
4,800	
<u>2,500</u>	<u>(2,500)</u>
<u>\$ 103,309</u>	<u>\$ (19,318)</u>
\$ 66,082	\$ (29,082)
9,100	2,900
<u> </u>	<u>6,000</u>
<u>\$ 75,182</u>	<u>\$ (20,182)</u>
<u>\$ 178,491</u>	<u>\$ (39,500)</u>
<u>\$ 153,729</u>	<u>\$ (2,981)</u>
\$ 200,000	\$ (200,000)
25,000	(25,000)
<u>100,000</u>	<u>(100,000)</u>
<u>\$ 325,000</u>	<u>\$ (325,000)</u>

See accompanying independent auditor's report.

MEMORIAL CITY REDEVELOPMENT AUTHORITY
CAPITAL EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2008

Category	Vendor	Budget
Project 1: Gessner Widening Project		
Engineering Services and Construction	Lockwood, Andrews & Newnam and Klotz Associates, Inc. and State of Texas Department of Transportation	\$ <u>9,417,000</u>
Project 2: Bunker Hill		
Engineering Services and Construction	Lockwood, Andrews & Newnam and TCB, Inc. and Conrad Construction Company, LTD	\$ <u>2,354,000</u>
Project 3: Drainage Improvements		
Engineering Services and Construction	Lockwood, Andrews & Newnam and Huff & Mitchell, Inc.	\$ <u>2,012,000</u>
Project 4: East/West Mobility Improvements		
Engineering Services and Construction	Lockwood, Andrews & Newnam and Cravens Partners, LTD	\$ <u>888,000</u>
Project 5: Improvements to Gessner, I-10 to South of Westview		
Engineering/Design Services	Lockwood, Andrews & Newman	\$ <u>-0-</u>
Project 6: North South Mobility		
Engineering/Design Services	Lockwood, Andrews & Newman	\$ <u>-0-</u>
Project 7: Parks & Greenspace Improvements		
Engineering/Design Services	Lockwood, Andrews & Newman	\$ <u>-0-</u>
TOTAL CAPITAL EXPENDITURES		\$ <u>14,671,000</u>

See accompanying independent auditor's report.

<u>Actual Expenditure</u>	<u>Variance Positive (Negative)</u>
\$ <u>7,019,496</u>	\$ <u>2,397,504</u>
\$ <u>1,850,206</u>	\$ <u>503,794</u>
\$ <u>586,842</u>	\$ <u>1,425,158</u>
\$ <u>511,839</u>	\$ <u>376,161</u>
\$ <u>75,409</u>	\$ <u>(75,409)</u>
\$ <u>15,376</u>	\$ <u>(15,376)</u>
\$ <u>6,250</u>	\$ <u>(6,250)</u>
<u>\$ 10,065,418</u>	<u>\$ 4,605,582</u>

See accompanying independent auditor's report.

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MEMORIAL CITY REDEVELOPMENT AUTHORITY
PROJECT PLAN RECONCILIATION
AS OF THE YEAR ENDED JUNE 30, 2008

	Project Plan Estimated Amount *	Cumulative Expenditures as of the Fiscal Year Ended 2008	Variance Positive (Negative)
Non-Education Project Costs			
Utility System Improvements	\$ 32,125,200	\$ 757,151	\$ 31,368,049
Roadway Improvements	45,829,681	10,846,912	34,982,769
Traffic Signal Improvements	2,100,000		2,100,000
NTP, Noise/Safety Walls, Engineering Study	5,500,000	252,849	5,247,151
Park Improvements and Landscaping	11,889,119	66,250	11,822,869
Other Costs	<u>556,000</u>	<u>2,415,648</u>	<u>(1,859,648)</u>
Total Non-Educational Project Costs	<u>\$ 98,000,000</u>	<u>\$ 14,338,810</u>	<u>\$ 83,661,190</u>

* 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, 2008

MEMORIAL CITY REDEVELOPMENT AUTHORITY
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
JUNE 30, 2008

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

Authority Telephone Number - 713-984-8737

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

Executive Director

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

See accompanying independent auditor's report.