

**COMBINED FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT
MEMPHIS CENTER CITY COMMISSION
AND RELATED ENTITIES
JUNE 30, 2009**

TABLE OF CONTENTS

	<u>PAGE</u>
GOVERNANCE OFFICIALS	3
INDEPENDENT AUDITOR'S REPORT	4
MANAGEMENT'S DISCUSSION AND ANALYSIS	6
FINANCIAL STATEMENTS - COMBINED	
COMBINED STATEMENTS OF FINANCIAL POSITION	13
COMBINED STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS	14
COMBINED STATEMENTS OF CASH FLOWS	15
NOTES TO COMBINED FINANCIAL STATEMENTS	17
FINANCIAL STATEMENTS - COMBINING	
COMBINING STATEMENT OF FINANCIAL POSITION	30
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS	32
REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>	34
INDEPENDENT AUDITORS' GENERAL COMMENTS AND OTHER SUPPORTING DATA	36

MEMPHIS CENTER CITY COMMISSION AND RELATED ENTITIES

GOVERNANCE OFFICIALS

For the Year Ended June 30, 2009

**Memphis and Shelby County Center City Commission
Board of Directors**

Paul H. Morris, Chairman	Jennifer Hagerman, Vice Chairman
Edward Stanton, III, Secretary	Edith Kelly-Green, Treasurer
Mark C. Hendricks	Stuart McGehee
C. Michelle Trammell	Florence Johnson Raines
Ernest Strickland	William Boyd, City Council Liaison
Keith McGee	Bobbi Gillis
Richard Copeland, Director of Planning and Development	Barbara Cooper, State Representative

**Memphis and Shelby County Center City Development Corporation
Board of Directors**

Craig Dillihunt, Chairman	Angel Price, Secretary
Mohamad Hakimian, Treasurer	Edward Stanton, III
Jennifer Hagerman	Jay Lindy
Paul Morris	Brian Johnson
Zakiyyah Langford	

**Memphis and Shelby County Center City Revenue Finance Corporation
Board of Directors**

Gene Holcomb, Chairman	Johnny Moore, Vice Chairman
Paul Brown, Secretary	Martin Truitt, Treasurer
Walter Person	Lucy Shaw
Wesley Grace	Cheryl Patterson

**Memphis and Shelby County Downtown Parking Authority
Board of Directors**

Odell Horton, Chairman	Mary Sharp, Secretary
Cathy Simmons, Treasurer	John Stokes
Lane Carrick	Ford Lipford
Brandon Bryant	

Administrative Officials

Jeff Sanford, President, CEO

Jim Street, VP Admin. & Finance, CFO



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ATRIUM I, 6800 POPLAR AVE., STE. 210
GERMANTOWN, TENNESSEE 38138
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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Memphis Center City Commission
and Related Entities
Memphis, Tennessee

We have audited the accompanying combined statement of financial position of the Memphis Center City Commission and Related Entities (Commission) as of June 30, 2009, and the related combined statements of revenues, expenses, and changes in net assets and cash flows for the year then ended. These combined financial statements are the responsibility of the Commission's management. Our responsibility is to express an opinion on these combined financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the combined financial statements are free of material misstatement. 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 combined financial statements referred to above present fairly, in all material respects, the financial position of the Commission as of June 30, 2009, and the changes in net assets and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated October 30, 2009 on our consideration of the Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 6-11 is not a required part of the basic financial statements but is 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 an opinion on the basic combined financial statements. The combining schedules are presented for purposes of additional analysis of the basic combined financial statements rather than to present the financial position and results of operations of the individual entities, and are not a required part of the basic combined financial statements of the Commission. This information is the responsibility of the Commission's management. Such information has been subjected to the auditing procedures applied in the audit of the basic combined financial statements and, in our opinion, is fairly stated in all material respects when considered in relation to the basic combined financial statements taken as a whole.

Zoccola Kaplan, PLLC

Germantown, Tennessee
October 30, 2009

**MEMPHIS CENTER CITY COMMISSION AND RELATED ENTITIES
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**

For the Year Ended June 30, 2009

As management of the Center City Commission and Related Entities (Center City Commission), we offer readers of the organizations' financial statements this narrative and analysis of the financial activities for the fiscal year ended June 30, 2009. Please read it in conjunction with the Center City Commission and Related Entities Financial Statements, which begin on page 13.

The Center City Commission was created for the primary purpose of improving the economy of Memphis and Shelby County by coordinating an aggressive public/private program to promote the redevelopment and economic growth of the Central Business Improvement District (CBID). The CBID boundaries include a six and one-half square mile area of Memphis bounded by the Mississippi River on the west, the Wolf River on the north, Crump Boulevard on the south, and Danny Thomas Boulevard on the east, plus an extension bounded by Danny Thomas on the west, Watkins Street on the east, Poplar Avenue on the north and Linden Avenue on the south.

Financial Highlights

The total assets of the Center City Commission exceeded its liabilities at the close of the most recent fiscal year by \$17,651,869 - an increase from the prior fiscal year of \$2,241,977 - or 14.5%. Of this amount, \$16,187,850 or 91.7 % is unrestricted. Most of the unrestricted amount has been designated for specific purposes by the boards.

During the year

The organizations' total assets increased by \$7,561,359, or 20%.

Current assets increased by \$5,132,045, or 70%.

Current liabilities increased by \$1,462,314, or 119%.

The total liabilities increased by \$5,319,382, or 25%.

Operating revenue increased by \$736,230, or 10%.

Operating expense increased by \$256,356, or 5%.

The Annual Report

This annual report consists of a series of financial statements. The Statement of Financial Position, Statement of Revenues, Expenses and Changes in Net Assets, and Statement of Cash Flows provide information of the combined activities of the Center City Commission as a whole. The supplementary information provided on (pages 30-33) reflects the activity of the individual entities that make up the combined totals.

Our analysis of the Center City Commission as a whole follows. The Statements of Financial Position (page 13) and Statements of Revenues, Expenses and Changes in Net Assets (page 14) include all assets, liabilities, revenues and expenses of the Center City Commission using the accrual basis of accounting, an accounting method used by most private sector companies. All of the revenues and expenses are taken into account, regardless of when cash is received or paid. The two statements report the Center City Commission's net assets and changes in them. The Center City Commission's net assets - the difference between assets and liabilities - can be viewed as one way to measure its financial health or financial position.

**MEMPHIS CENTER CITY COMMISSION AND RELATED ENTITIES
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**

For the Year Ended June 30, 2009

The Statements of Cash Flows (pages 15-16) provide information about the sources and uses of funds, and the changes in cash and cash equivalents during the twelve-month reporting period.

The Notes to the Financial Statements (pages 17-28) provide additional information that is essential to the complete understanding of the data provided in the statements.

The supplemental information (pages 30-33) is provided to identify the financial impact of the variety of activities of the individual entities that comprise the Center City Commission.

Financial Analysis

Combined and Condensed Statements of Financial Position

	June 30,		Change
	2009	2008	
Current Assets	\$ 12,451,249	\$ 7,319,204	\$ 5,132,045
Other Assets	32,133,611	29,704,297	2,429,314
Total Assets	\$ 44,584,860	\$ 37,023,501	\$ 7,561,359
Current Liabilities	\$ 2,691,137	\$ 1,228,823	\$ 1,462,314
Long Term Liabilities	24,241,854	20,384,786	3,857,068
Total Liabilities	26,932,991	21,613,609	5,319,382
Net Assets:			
Invested in Capital Assets, Net of Related Debt	1,464,019	1,557,693	(93,674)
Unrestricted -			
Designated	14,923,389	11,090,763	3,832,626
Undesignated	1,264,461	2,761,436	(1,496,975)
Total Net Assets	17,651,869	15,409,892	2,241,977
Total Liabilities and Net Assets	\$ 44,584,860	\$ 37,023,501	\$ 7,561,359

Current Assets increased overall due to the Downtown Parking Authority holding cash from a bond issue to be used for construction of a new garage on Main Street. Current Assets held by Center City Development Corporation decreased due to public improvement development grants paid during the year. Current Assets held by the Revenue Finance Corporation decreased due to the transfer of funds to the Parking Authority for garage construction and the collection of the \$1,625,000 loan receivable from the Downtown Parking Authority. The Center City Commission experienced an increase in current assets due to the transfer of funds from other entities at year end.

Other Assets increased due to construction in progress on the Main Street garage and streetscape improvements. Center City Commission assets decreased due to depreciation expense.

Current Liabilities of the Downtown Parking Authority decreased due to the payoff of the \$1,625,000 note payable to the Revenue Finance Corporation, net of an increase of \$840,000 in current maturities of long-term debt in connection with the parking garage under construction. Current Liabilities for the Center City Development Corporation increased due to accounts payable related to streetscape construction.

MEMPHIS CENTER CITY COMMISSION AND RELATED ENTITIES

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

For the Year Ended June 30, 2009

Long-Term Liabilities increased due to the bond issue for the Main Street parking garage.

Net Assets designated for specific purposes are associated with future commitments of the Center City Development Corporation, the Revenue Finance Corporation and the Downtown Parking Authority related to approved development loans, public infrastructure projects, funds committed for debt service and various development incentive programs.

Combined Statements of Revenues, Expenses and Changes in Net Assets

	<u>2009</u>	<u>2008</u>	<u>Change</u>
Operating Revenues			
Administration	\$ 4,089,483	\$ 3,386,325	\$ 703,158
CBID Assessment	2,615,517	2,630,675	(15,158)
Development	256,966	-	256,966
Marketing	76,160	64,147	12,013
Operations	27,598	25,285	2,313
Other	-	53	(53)
Parking Management	1,212,920	1,435,929	(223,009)
Total	<u>8,278,644</u>	<u>7,542,414</u>	<u>736,230</u>
Operating Expenses			
Salaries and Benefits	1,676,826	1,775,695	(98,869)
Advertising	126,798	161,415	(34,617)
Business and Community Relations	9,193	7,681	1,512
Conferences and Travel	35,760	31,865	3,895
Depreciation and Amortization	971,470	917,937	53,533
Event Production	202,276	142,524	59,752
Insurance	74,162	78,549	(4,387)
Office expenses	111,389	135,456	(24,067)
Other Personnel expense	200,956	63,667	137,289
Parking Management	646,383	748,234	(101,851)
Planning and Development	567,870	71,090	496,780
Professional Fees	294,464	499,856	(205,392)
Rent	319,759	319,476	283
Repairs and Maintenance	80,911	97,744	(16,833)
Search and Relocation	1,626	13,351	(11,725)
Subscriptions and Dues	9,832	8,779	1,053
Total	<u>5,329,675</u>	<u>5,073,319</u>	<u>256,356</u>
Operating Income	<u>\$ 2,948,969</u>	<u>\$ 2,469,095</u>	<u>\$ 479,874</u>

MEMPHIS CENTER CITY COMMISSION AND RELATED ENTITIES
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

For the Year Ended June 30, 2009

Combined Statements of Revenues, Expenses and Changes in Net Assets (Continued)

	<u>2009</u>	<u>2008</u>	<u>Change</u>
Non-Operating Revenue (Expense)			
Interest Income	\$ 197,059	\$ 157,781	\$ 39,278
Net Increase (Decrease) in Investments	36,385	51,139	(14,754)
Interest Expense	(940,436)	(970,017)	29,581
Total	<u>(706,992)</u>	<u>(761,097)</u>	<u>54,105</u>
Net Income	<u>2,241,977</u>	<u>1,707,998</u>	<u>533,979</u>
Total Assets - Beginning	15,409,892	13,740,881	1,669,011
Adjustment to remove Farmers Market	-	(38,987)	38,987
Total Assets - Beginning (restated)	<u>15,409,892</u>	<u>13,701,894</u>	<u>1,707,998</u>
Total Assets - Ending	<u>\$ 17,651,869</u>	<u>\$ 15,409,892</u>	<u>\$ 2,241,977</u>

Operating Revenue increased primarily in Administration Revenue at Center City Revenue Finance Corporation related to Pilot Fees for eight new Pilots closed during the year, an increase of \$814,157 over that of the prior year. Center City Commission had an increase in Marketing Income of \$12,013, due to more ticket sales and sponsorships. Center City Development Corporation's revenues were essentially flat from 2008 to 2009. The increase in Development Income, totaling \$256,966, is mostly due to the development fee received by the Parking Authority for the Main Street Garage project. The Downtown Parking Authority's Operating Revenues decreased at three of the five parking garages, due to a decrease in events and shows going on downtown; with the largest decrease of \$198,249 at the 250 Peabody Place Garage.

Operating Expense changes included a decrease in Salaries and Benefits of \$98,869, due to a decrease in staff during the past year. Advertising Expense decreased by \$34,617, after changing the "Definitely Downtown" TV shows from monthly, to every other month. Adjustments made during the year, at the Downtown Parking Authority, to mitigate revenue decreases reduced Parking Management expenses by \$101,851 over the prior year. Professional Fees decreased by \$205,392 because the two retail studies done in 2008 were completed. These decreases in Operating Expenses were offset by several increases; the most significant one being Planning and Development expense of \$496,780. This expense is from the public improvement development grants made by the Center City Development Corporation to qualifying businesses in the Downtown area. Other Personnel was the other expense that significantly increased in 2009. This expense is for the security officers on bicycles; because this was the first full year of this expense and the prior year was only for three months, resulted in an increase of \$137,289.

Non-Operating Revenue (Expense) is primarily interest related. The increase in Interest Income of \$39,278 is due to the reclassification of prior year amounts in order to conform to current year presentation. The decrease in the Net Increase (Decrease) in Investments is due to lower interest earnings. Interest Expense decreased by \$29,581, due to each year, a larger percentage of the note payments being applied towards principal, which was offset in the current year because of the new 2008 bond issuance and the June interest payment made related to it.

MEMPHIS CENTER CITY COMMISSION AND RELATED ENTITIES

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

For the Year Ended June 30, 2009

Combined Statements of Cash Flows

	<u>2009</u>	<u>2008</u>	<u>Change</u>
Cash Flows from Operating Activities:			
Cash received from customers	\$ 8,391,748	\$ 6,763,319	\$ 1,628,429
Cash paid to suppliers	(2,083,789)	(2,775,020)	691,231
Cash paid to employees	(1,676,826)	(1,661,223)	(15,603)
Net Cash Provided by Operating Activities	<u>\$ 4,631,133</u>	<u>\$ 2,327,076</u>	<u>\$ 2,304,057</u>
Cash Flows from Capital and Related Financing Activities:			
Adjustment to remove Farmers Market Acquisition and construction of capital assets	\$ -	\$ (38,987)	\$ 38,987
Disposed of capital assets	(3,763,861)	(621,892)	(3,141,969)
Unamortized bond issuance cost	86,537	896	85,641
Proceeds from 2008 bond issuance	21,524	21,523	1
Debt repayment	5,200,000	-	5,200,000
Interest payment	(775,472)	(701,235)	(74,237)
Interest payment	(644,454)	(735,790)	91,336
Net Cash Provided by (Used in) Capital and Related Financing Activities	<u>124,274</u>	<u>(2,075,485)</u>	<u>2,199,759</u>
Cash Flows from Investing Activities:			
Cash earned on investments	282,423	208,920	73,503
Proceeds from the sale of investments	415,329	43,000	372,329
Purchases of investments	(60,947)	-	(60,947)
Loans made under the Development Loan Program	(322,000)	-	(322,000)
Collections of loans receivable	177,302	323,492	(146,190)
Net Cash Provided by Investing Activities	<u>492,107</u>	<u>575,412</u>	<u>(83,305)</u>
Net Change in Cash and Cash Equivalents	5,247,514	827,003	4,420,511
Cash and Cash Equivalents, Beginning of the Year	<u>6,399,179</u>	<u>5,572,176</u>	<u>827,003</u>
Cash and Cash Equivalents, End of Year	<u>\$ 11,646,693</u>	<u>\$ 6,399,179</u>	<u>\$ 5,247,514</u>

**MEMPHIS CENTER CITY COMMISSION AND RELATED ENTITIES
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**

For the Year Ended June 30, 2009

Combined Statements of Cash Flows (continued)

	<u>2009</u>	<u>2008</u>	<u>Change</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:			
Operating income	\$ 2,948,969	\$ 2,469,095	\$ 479,874
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation expense	971,470	917,937	53,533
(Increase) decrease in assets:			
Accounts receivables	118,317	(100,397)	218,714
Prepaid expenses	(6,495)	(9,583)	3,088
Increase (decrease) in liabilities:			
Accounts payable and accrued expenses	601,387	(63,700)	665,087
Other liabilities	2,698	(798,398)	801,096
Reserves	(5,213)	(87,878)	82,665
Net Cash Provided by Operating Activities	<u>\$ 4,631,133</u>	<u>\$ 2,327,076</u>	<u>\$ 2,304,057</u>

The increase in cash received from Operating Activities is due to Fees related to new Pilots granted by the Center City Revenue Finance Corporation and increases in accounts payable and accrued expenses related to construction projects by Center City Development Corporation and the Parking Authority.

The increase in funds provided by Capital and Related Financing Activities was related to the bond issue for the construction of the Main Street garage project.

The decrease in funds provided by Investing Activities was due to the new loans made under the Development Loan Program during the year.

Requests for Information

This financial report is designed to provide a general overview of the Center City Commission finances for all those with interest in the agency. Questions concerning any of the information provided in this report or requests for additional information should be addressed to:

Center City Commission
Vice President of Administration and Finance, CFO
114 N. Main Street
Memphis TN 38103

E-mail: street@downtownmemphis.com

COMBINED FINANCIAL STATEMENTS

MEMPHIS CENTER CITY COMMISSION AND RELATED ENTITIES
COMBINED STATEMENTS OF FINANCIAL POSITION

June 30, 2009

ASSETS		
	2009	2008
CURRENT ASSETS:		
Cash and cash equivalents	\$ 2,745,379	\$ 1,624,119
Designated cash and cash equivalents	8,901,314	4,775,060
Loans receivable, current portion	323,645	305,768
Accounts receivable	64,742	183,059
Deferred charges	344,372	365,896
Prepaid expenses	71,797	65,302
Total current assets	12,451,249	7,319,204
NON-CURRENT ASSETS:		
Investments	364,840	474,573
Designated investments	8,966	-
Designated PILOT trust funds	6,013,109	6,315,703
Loans receivable, less current portion	1,290,125	1,163,304
Land	2,044,013	2,130,550
Improvements in progress	4,819,642	1,144,563
Depreciable assets, net of accumulated depreciation	17,592,916	18,475,604
Total non-current assets	32,133,611	29,704,297
TOTAL ASSETS	\$ 44,584,860	\$ 37,023,501
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable and accrued expenses	\$ 1,067,184	\$ 465,797
Other liabilities	17,115	14,417
Current maturities of long-term debt	1,606,838	748,609
Total current liabilities	2,691,137	1,228,823
NON-CURRENT LIABILITIES:		
Accrued interest	2,601,478	2,305,496
Reserves for contingencies	254,662	259,875
Long-term debt, less current portion	21,385,714	17,819,415
Total long-term liabilities	24,241,854	20,384,786
TOTAL LIABILITIES	26,932,991	21,613,609
NET ASSETS:		
Invested in capital assets, net of related debt	1,464,019	1,557,693
Unrestricted -		
Board designated	14,923,389	11,090,763
Other unrestricted	1,264,461	2,761,436
Total net assets	17,651,869	15,409,892
TOTAL LIABILITIES AND NET ASSETS	\$ 44,584,860	\$ 37,023,501

The accompanying notes are an integral part of these financial statements.

MEMPHIS CENTER CITY COMMISSION AND RELATED ENTITIES
COMBINED STATEMENTS OF REVENUES, EXPENSES, AND
CHANGES IN NET ASSETS

For the Year Ended June 30, 2009

	<u>2009</u>	<u>2008</u>
OPERATING REVENUES:		
Administrative income	\$ 4,089,483	\$ 3,386,325
Central Business Improvement District Assessment	2,615,517	2,630,675
Development income	256,966	-
Marketing income	76,160	64,147
Operations income	27,598	25,285
Other operating income	-	53
Parking garage management	1,212,920	1,435,929
Total Operating Revenues	<u>8,278,644</u>	<u>7,542,414</u>
OPERATING EXPENSES:		
Salaries and benefits	1,676,826	1,775,695
Advertising	126,798	161,415
Business community relations	9,193	7,681
Conferences and travel	35,760	31,865
Depreciation and amortization	971,470	917,937
Event production	202,276	142,524
Insurance	74,162	78,549
Office expenses	111,389	135,456
Other personnel expenses	200,956	63,667
Parking garage management fees	646,383	748,234
Planning and development	567,870	71,090
Professional fees	294,464	499,856
Rent expense	319,759	319,476
Repairs and maintenance	80,911	97,744
Search and relocation expenses	1,626	13,351
Subscriptions and dues	9,832	8,779
Total Operating Expenses	<u>5,329,675</u>	<u>5,073,319</u>
OPERATING INCOME	<u>2,948,969</u>	<u>2,469,095</u>
NON-OPERATING REVENUES (EXPENSES):		
Interest income	197,059	157,781
Net increase in the fair value of investments	36,385	51,139
Interest expense	(940,436)	(970,017)
Total Non-Operating Revenues (Expenses)	<u>(706,992)</u>	<u>(761,097)</u>
INCREASE IN NET ASSETS	<u>2,241,977</u>	<u>1,707,998</u>
TOTAL NET ASSETS - BEGINNING (as previously stated)	15,409,892	13,740,881
Adjustment to remove Farmers Market	-	(38,987)
TOTAL NET ASSETS - BEGINNING (as restated)	<u>15,409,892</u>	<u>13,701,894</u>
TOTAL NET ASSETS - ENDING	<u>\$ 17,651,869</u>	<u>\$ 15,409,892</u>

The accompanying notes are an integral part of these financial statements.

MEMPHIS CENTER CITY COMMISSION AND RELATED ENTITIES

COMBINED STATEMENTS OF CASH FLOWS

For the Year Ended June 30, 2009

	<u>2009</u>	<u>2008</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from customers	\$ 8,391,748	\$ 6,763,319
Cash paid to suppliers for goods and services	(2,083,789)	(2,775,020)
Cash paid to employees for services	<u>(1,676,826)</u>	<u>(1,661,223)</u>
Net Cash Provided By (Used In) Operating Activities	<u>4,631,133</u>	<u>2,327,076</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Removal of Farmers' Market from these financials	-	(38,987)
Acquisition and construction of capital assets	(3,763,861)	(621,892)
Disposal of capital assets	86,537	896
Unamortized bond issuance costs	21,524	21,523
Proceeds from 2008 bond issuance	5,200,000	-
Debt repayment	(775,472)	(701,235)
Interest payments	<u>(644,454)</u>	<u>(735,790)</u>
Net Cash Provided By (Used In) Capital and Related Financing Activities	<u>124,274</u>	<u>(2,075,485)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Cash earned on investments	282,423	208,920
Proceeds from sales of investments	415,329	43,000
Purchase of investments	(60,947)	-
Loans made under Development Loan Program	(322,000)	-
Collections on loans receivable	<u>177,302</u>	<u>323,492</u>
Net Cash Provided By (Used In) Investing Activities	<u>492,107</u>	<u>575,412</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	5,247,514	827,003
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>6,399,179</u>	<u>5,572,176</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 11,646,693</u>	<u>\$ 6,399,179</u>
CASH AND CASH EQUIVALENTS, END OF YEAR CONSIST OF:		
Undesignated cash and cash equivalents	\$ 2,745,379	\$ 1,624,119
Designated cash and cash equivalents	<u>8,901,314</u>	<u>4,775,060</u>
TOTAL	<u>\$ 11,646,693</u>	<u>\$ 6,399,179</u>

The accompanying notes are an integral part of these financial statements.

MEMPHIS CENTER CITY COMMISSION AND RELATED ENTITIES

COMBINED STATEMENTS OF CASH FLOWS (Continued)

For the Year Ended June 30, 2009

	<u>2009</u>	<u>2008</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating income	\$ 2,948,969	\$ 2,469,095
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation expense	971,470	917,937
(Increase) decrease in assets:		
Accounts receivables	118,317	(100,397)
Prepaid expenses	(6,495)	(9,583)
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	601,387	(63,700)
Other liabilities	2,698	(798,398)
Reserves	(5,213)	(87,878)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 4,631,133</u>	<u>\$ 2,327,076</u>

The accompanying notes are an integral part of these financial statements.

MEMPHIS CENTER CITY COMMISSION AND RELATED ENTITIES

NOTES TO COMBINED FINANCIAL STATEMENTS

For the Year Ended June 30, 2009

NOTE 1 – ORGANIZATION

These financial statements are a combination of the following related entities:

- The Memphis Center City Commission (the "Commission") was formed in January 1977 by the Council of the City of Memphis, Tennessee. Shelby County became a partner in the organization shortly thereafter. The purpose of the Commission is to represent an official partnership between the governments of the City of Memphis and Shelby County, Tennessee and the private business community. The Commission promotes, manages, and coordinates the comprehensive redevelopment of the center city area. The Commission also appoints and administers the Center City Design Review Board.
- The Memphis Center City Revenue Finance Corporation ("CCRFC") is a state-chartered industrial development board. The CCRFC implements the provisions of the Tennessee Industrial Development Act involving revenue bonds and property tax relief for downtown development.
- The Memphis Center City Development Corporation ("CCDC") administers the Development Loan Program, Public Improvements Program, and other programs designed to assist private development projects. The CCDC is tax-exempt under Section 501(c)(3) of the Internal Revenue Code.
- Crump Building, Inc. ("CBI") is a corporation owned by CCDC and was created in June 1997 to own and manage the real estate activities of The Crump Building located at 114 North Main Street. The Commission moved their offices to The Crump Building in September, 1997. CBI, a for-profit corporation, is subject to federal and state income tax.
- The Downtown Parking Authority ("DPA") is a municipal parking authority chartered by the State of Tennessee. The DPA was designed to establish uniform parking policies and coordinate parking management. The DPA is responsible for initiating strategic planning for existing and future parking facilities and facilitating continuing development in downtown Memphis.

The annual operating funds for the Commission are derived primarily from an assessment from the Central Business Improvement District ("CBID") and contributions from private sources. Fees generated through incentives and programs offered by the CCRFC are contributed to CCDC for the purpose of funding development projects and funding the excess of Commission operating expenses over operating revenues, if any.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements of the Commission are prepared on the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned and expenses are recognized when incurred.

The Commission adopted GASB Statement #20, "Accounting and Financial Reporting for Proprietary Funds and Other Government Entities That Use Proprietary Accounting", and elected to apply Financial Accounting Standards Board statements and interpretations issued after November 30, 1989.

MEMPHIS CENTER CITY COMMISSION AND RELATED ENTITIES

NOTES TO COMBINED FINANCIAL STATEMENTS (Continued)

For the Year Ended June 30, 2009

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and Cash Equivalents

Cash equivalents include time deposits with maturities of three months or less when purchased.

Capital Assets

Land, construction in progress, buildings, streetscape improvements, leasehold improvements and furniture and equipment are stated at cost. Equipment under leases, which are essentially purchase agreements, are capitalized. The Commission provides for depreciation using the straight-line method over the estimated useful lives of the assets, ranging from 2 – 40 years. Expenditures over \$500, for single items, and \$1,000, for groups of items, are capitalized.

Income Taxes

Except for Crump Building, Inc., no provision for federal and state income taxes has been provided since the Commission is an agency established under the ordinances of the City of Memphis. Crump Building, Inc. accounts for income taxes in accordance with Financial Accounting Standard No.109, "Accounting for Income Taxes" ("SFAS No. 109"), which requires an asset and liability approach to financial accounting and reporting for income taxes. Deferred income tax assets and liabilities are computed annually for differences between financial statement and tax basis of assets and liabilities that will result in taxable or deductible amounts in the future based on enacted tax laws and rates applicable to the period in which the differences are expected to affect taxable income. Valuation allowances are established when necessary to reduce deferred tax assets to the amount expected to be realized. Income tax expense is the tax payable or refundable for the period plus or minus the change during the period in deferred tax assets and liabilities.

Basis of Presentation

The Combined financial statements include the accounts of Memphis Center City Commission, Memphis Center City Revenue Finance Corporation, Memphis Center City Development Corporation, Downtown Parking Authority, and Crump Building, Inc.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts 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 expenses during the reporting period. Actual results could differ from those estimates.

Reclassifications

Certain reclassifications have been made to the prior year financial statement numbers in order for them to conform to the current year presentation.

MEMPHIS CENTER CITY COMMISSION AND RELATED ENTITIES

NOTES TO COMBINED FINANCIAL STATEMENTS (Continued)

For the Year Ended June 30, 2009

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair Value of Financial Instruments

In accordance with the requirements of Financial Accounting Standards Board ("FASB") No. 107, *Disclosures About Fair Value of Financial Instruments*, the estimated fair value of the Commission's financial instruments has been determined by management using available market information. However, considerable judgment is necessarily required in interpreting market data to develop the estimates of fair value. Accordingly, the fair values are not necessarily indicative of the amounts that the Commission could realize in a current market exchange. The use of different market assumptions may have a material effect on the estimated fair value amounts. The carrying amounts of cash, cash equivalents, accounts payable, and long-term debt are a reasonable estimate of their fair value. The fair value of investments is disclosed in Note 5. Management was not able to practically estimate the fair market value of CCDC's loans receivable, as there is not a quoted market for the unique loans offered under the CCDC's various loan programs.

NOTE 3 - CASH AND CASH EQUIVALENTS

A. Designated Cash and Cash Equivalents

Designated cash and cash equivalents includes the Development Loan Program (see Note 4), the Public Improvements Program, and the rental of various parking garages owned by the City of Memphis administered through the Downtown Parking Authority. The funds designated under the Development Loan Program are used to provide low-interest loans to qualified property owners. The Public Improvements Program is committed to certain downtown development projects for related public improvements and provides funds from Payment In Lieu of Taxes ("PILOT") fees for eligible improvements within the public right-of-way.

The designated cash and cash equivalent balances as of June 30, are designated for the following:

	<u>2009</u>	<u>2008</u>
Development Loan Program	\$ 819,486	\$ 1,634,875
Parking Garage Debt Service	6,062,976	-
Parking Garage Capital Reserve	103,288	109,170
Parking Garage Operating Reserve	42,525	41,856
Parking Garage Rental	315,000	315,000
PILOT Trust Funds	7,008,634	7,879,862
Public Improvement Program	562,514	1,110,000
	<u> </u>	<u> </u>
Total	<u>\$ 14,914,423</u>	<u>\$ 11,090,763</u>

MEMPHIS CENTER CITY COMMISSION AND RELATED ENTITIES

NOTES TO COMBINED FINANCIAL STATEMENTS (Continued)

For the Year Ended June 30, 2009

NOTE 3 - CASH AND CASH EQUIVALENTS (Continued)

The funds included in the above programs are reflected in the accompanying combined Statement of Financial Position as follows:

	<u>2009</u>	<u>2008</u>
Current Assets	\$ 8,901,314	\$ 4,775,060
Non-current Assets	<u>6,013,109</u>	<u>6,315,703</u>
Total	<u>\$ 14,914,423</u>	<u>\$ 11,090,763</u>

Designated funds consist of the following:

<u>Custodian</u>	<u>Cash Instrument</u>	<u>2009</u>
Deutsche Bank Trust Company Americas	Goldman Sachs Financial Square Treasury Obligations Mutual Funds	\$ 7,008,634
SunTrust Bank	Business Money Market Accounts	6,062,976
State of Tennessee, Treasury Department	State of Tennessee Local Government Investment Pool	1,394,166
First Tennessee Bank	Fidelity Government Portfolio	448,647
Total designated funds		<u>\$ 14,914,423</u>

B. Undesignated Cash and Cash Equivalents

Undesignated funds consist of the following:

<u>Custodian</u>	<u>Cash Instrument</u>	<u>2009</u>
First Alliance Bank	Checking Account	\$ 56,367
State of Tennessee Treasury Department	State of Tennessee Local Government Investment Pool	2,670,393
SunTrust Bank	Checking Account	18,619
Total undesignated funds (current assets)		<u>\$ 2,745,379</u>

As required by Tennessee Code Annotated, Section 5-8-201, all of the Commission's cash and cash equivalents in bank statement balances, designated and undesignated, are either insured or collateralized.

MEMPHIS CENTER CITY COMMISSION AND RELATED ENTITIES

NOTES TO COMBINED FINANCIAL STATEMENTS (Continued)

For the Year Ended June 30, 2009

NOTE 4 – LOANS RECEIVABLE

The CCDC Development Loan Program provides financing for property owners for building improvements. As these loans are collected, the funds are deposited in the Development Loan Program designated cash funds. Per the promissory note on all loans, they are past due if unpaid on the 15th of the month the payment is due. The allowance for doubtful accounts is based on the balances of the loans or percentage of the loan balance that has been determined to be uncollectible; which at June 30, 2009 was made up of eight loans. Loans determined to be uncollectible are written off when the debtor no longer exists (e.g. bankrupt, expired, etc.). The Commission doesn't write the loan off if the individual or entity can have a judgment placed against them that may ultimately be collected.

Loans receivable consists of the following:

Amount due as of June 30, 2009	\$ 1,764,770
Less: allowance for doubtful accounts	<u>(151,000)</u>
	1,613,770
Less: current portion of loans receivable	<u>(323,645)</u>
Long-term loans receivable	<u><u>\$ 1,290,125</u></u>

NOTE 5 – INVESTMENTS

Investments - Funds will be invested in low risk instruments that allow access to the funds at the point that they are needed for expenditures with financial institutions that provide collateral as required by Tennessee Statute.

Investment Risk Disclosures

- Interest rate risk - Interest rate risk is the risk that changes in market rates will adversely affect the fair market value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. Additionally, the fair values of the investments may be highly sensitive to interest rate fluctuations. One of the ways that the Commission manages its exposure to interest rate risk is by the purchasing of a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion is maturing or coming close to maturing evenly over time, as necessary to provide the cash flow and liquidity needs for operations.

The Commission has the ability and generally has the intention to hold all investments until their respective maturity dates. The average maturity of the Commission's pooled cash and investments as of June 30, 2009, was approximately 20 months. If it becomes necessary or strategically prudent for the Commission to sell a security prior to maturity, the Commission's investment policy allows for occasional restructuring of the portfolio to minimize the loss of market value and/or to maximize cash flows.

- Credit risk - Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This risk is measured by the assignment of a rating by a nationally recognized statistical rating organization.

MEMPHIS CENTER CITY COMMISSION AND RELATED ENTITIES

NOTES TO COMBINED FINANCIAL STATEMENTS (Continued)

For the Year Ended June 30, 2009

NOTE 5 – INVESTMENTS (Continued)

As of June 30, 2009, the Commission had total investments of \$373,806, which included one designated certificate of deposit for \$8,966 and undesignated fixed income investments of \$364,840, with credit rating and maturities as follows:

Type of Investments	Credit Rating	Maturity				Carrying Value
		Under 30 Days	31-180 Days	181-365 Days	1-5 Years	
FHLB	Aaa	\$ -	\$ -	\$ -	\$ 51,484	\$ 51,484
FHLMC	Aaa	-	-	-	75,353	75,353
FNMA	Aaa	-	-	-	95,263	95,263
Corporate	Aa2	-	-	-	10,492	10,492
Corporate	Aa3	-	10,047	-	-	10,047
Corporate	A1	-	10,071	-	-	10,071
Corporate	A2	-	15,178	10,023	21,398	46,599
Corporate	A3	-	-	15,510	20,812	36,322
Corporate	Baa1	-	-	-	10,702	10,702
Corporate	Baa2	-	8,957	-	-	8,957
Corporate	Baa3	-	-	9,550	-	9,550
		\$ -	\$ 44,253	\$ 35,083	\$ 285,504	\$ 364,840

- Concentration of credit risk - The Commission's investment policy contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the Office of Congressional and Government Affairs. Investments in any one issuer that represents 5% or more of total investments (except for U.S. Treasury securities, mutual funds and external investment pools) are as follows:

	Carrying Amount
FHLB, 3.050 %, due October 22, 2010	\$ 51,484
FHLMC, 2.000 %, due March 16, 2011	50,308
FHLMC, 2.000 %, due December 30, 2011	25,045
FNMA, 2.100 %, due September 23, 2011	50,110
FNMA, 2.000 %, due December 30, 2011	25,000
Total	\$ 201,947

MEMPHIS CENTER CITY COMMISSION AND RELATED ENTITIES

NOTES TO COMBINED FINANCIAL STATEMENTS (Continued)

For the Year Ended June 30, 2009

NOTE 5 – INVESTMENTS (Continued)

The Development Loan Program undesignated investments as of June 30, 2009 are carried at fair value and include the following investments:

	<u>Carrying Amount</u>
American General Finance, 4.000 %, due December 15, 2009	\$ 8,957
Becton Dickison, 7.150 %, due October 1, 2009	15,178
Cons Edison Co of NY, 8.125 %, due May 1, 2010	10,476
Deere Capital Corp VR, 2.619 %, due February 26, 2010	10,023
Diageo Finance BV, 3.875 %, due April 1, 2011	10,246
FHLB, 3.050 %, due October 22, 2010	51,484
FHLMC, 2.000 %, due December 30, 2011	25,045
FHLMC, 2.000 %, due March 16, 2011	50,308
FNMA, 2.000 %, due August 10, 2011	15,047
FNMA, 2.100 %, due September 23, 2011	50,110
FNMA, 2.000 %, due December 30, 2011	25,000
FNMA, 4.000 %, due April 28, 2014	5,106
IBM Corporation, 4.250 %, due September 15, 2009	10,071
JP Morgan Chase & Co., 3.800 %, due October 2, 2009	10,047
Morgan Stanley, 6.750 %, due April 14, 2011	10,476
National Rural Util, 7.250 %, due March 1, 2012	10,922
PFIZER Inc., 4.450 %, due March 15, 2012	10,492
PNC Funding Corporation, 4.500 %, due March 10, 2010	5,034
Science Applications, 6.250 %, due July 1, 2012	10,566
Southern Power, 6.250 %, due July 15, 2012	10,702
Textron Financial Corporation, 4.600 %, due May 3, 2010	<u>9,550</u>
Total	<u>\$ 364,840</u>

MEMPHIS CENTER CITY COMMISSION AND RELATED ENTITIES

NOTES TO COMBINED FINANCIAL STATEMENTS (Continued)

For the Year Ended June 30, 2009

NOTE 6 – CAPITAL ASSETS, NET

Capital assets, as of June 30, 2009, consisted of the following:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Transfers and Retirements</u>	<u>Ending Balance</u>
Nondepreciable Capital Assets:				
Land	\$ 2,130,550	\$ -	\$ (86,537)	\$ 2,044,013
Constuction in progress	1,144,563	3,675,079		4,819,642
Total nondepreciable capital assets	<u>3,275,113</u>	<u>3,675,079</u>	<u>(86,537)</u>	<u>6,863,655</u>
Depreciable Capital Assets:				
Building	17,531,700	9,200	-	17,540,900
Streetscape improvements	4,520,143	-	-	4,520,143
Leasehold improvements	697,286	73,303	-	770,589
Furniture and equipment	722,329	6,279	-	728,608
Total depreciable capital assets	<u>23,471,458</u>	<u>88,782</u>	<u>-</u>	<u>23,560,240</u>
Accumulated depreciation:				
Building	(3,644,479)	(580,570)	-	(4,225,049)
Streetscape improvements	(533,938)	(301,343)	-	(835,281)
Leasehold improvements	(168,252)	(56,481)	-	(224,733)
Furniture and equipment	(649,185)	(33,076)	-	(682,261)
Total accumulated depreciation	<u>(4,995,854)</u>	<u>(971,470)</u>	<u>-</u>	<u>(5,967,324)</u>
Total Depreciable Capital Assets, net	<u>18,475,604</u>	<u>(882,688)</u>	<u>-</u>	<u>17,592,916</u>
Intangible asset:				
Internet domain name	13,000	-	-	13,000
Amortization:				
Internet domain name	(13,000)	-	-	(13,000)
Intangible asset, net	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total capital assets, net	<u>\$ 21,750,717</u>	<u>\$ 2,792,391</u>	<u>\$ (86,537)</u>	<u>\$ 24,456,571</u>

Depreciation expense was \$971,470 for the year ended June 30, 2009.

MEMPHIS CENTER CITY COMMISSION AND RELATED ENTITIES

NOTES TO COMBINED FINANCIAL STATEMENTS (Continued)

For the Year Ended June 30, 2009

NOTE 7 – LONG-TERM DEBT

Long-term debt consisted of the following as of June 30:

	<u>2009</u>	<u>2008</u>
<p>Taxable revenue serial bonds series 2004 issued pursuant to a Trust Indenture secured by revenue from Pilot Extension Fund, for the refinancing of the construction cost of 250 Peabody Place Garage. Interest is payable semi-annually on June 1, and December 1, of each year commencing June 1, 2005. The interest on the serial bonds varies from 3.09% to 4.09%. There are two term bonds with interest rates of 5% and 5.8%. The term bonds were sold at a discount and the yield effective interest rates are 5.05% and 5.9%. The bonds mature at various dates through June 1, 2025. The term bonds are subject to mandatory sinking fund installment redemptions prior to maturity, pursuant to the terms of the Indenture at a redemption price equal to the principal amount to be redeemed, plus accrued interest, without premium on the dates and in the respective principal amounts, as defined in the Indenture. The bonds maturing on or after December 1, 2015 can be redeemed at the option of the Bond Trustee on or after December 1, 2014. A discount of \$67,309 has been applied to the note balance in order to show it at present value.</p>	\$ 9,002,691	\$ 9,358,486
<p>Taxable revenue bond series 2008 issued pursuant to a Trust Indenture secured by revenue from the Pilot Extension Fund, for the construction cost of the 100 S Main Garage project. Interest is payable semi-annually on June 5 and December 5 of each year, commencing June 5, 2009. The interest rate is 5.15% per annum. The bond matures December 5, 2015. The bond is subject to a mandatory sinking fund not less than the principal next to become due pursuant to the terms of the indenture.</p>	5,153,979	-
<p>Borrowings from the City of Memphis for the construction of the Peabody Place Garage. Balance will accrue 5.05% simple interest beginning when the construction is complete. The note is secured by deed of trust, fixture filing and assignment of rents. Total principal and accrued interest is due July 29, 2034.</p>	5,120,000	5,120,000

MEMPHIS CENTER CITY COMMISSION AND RELATED ENTITIES

NOTES TO COMBINED FINANCIAL STATEMENTS (Continued)

For the Year Ended June 30, 2009

NOTE 7 – LONG-TERM DEBT (Continued)

	<u>2009</u>	<u>2008</u>
Borrowings from the City of Memphis for Streetscape Improvement Projects recommended by Center City Commission's Streetscape Master Plan and the Center City Commission's Way Funding Master Plan. Interest is payable in November and May of each year at a rate of 4%. The note is secured by \$500,000 in additional CBID special assessment fees.	3,030,000	3,345,000
5.375% note payable to a bank, due in 180 monthly installments of \$8,149, maturing June 1, 2018. The loan is secured by a first mortgage deed of trust on the Crump Building.	<u>685,882</u>	<u>744,538</u>
	22,992,552	18,568,024
Less: current portion	<u>(1,606,838)</u>	<u>(748,609)</u>
Total Long-term debt	<u>\$ 21,385,714</u>	<u>\$ 17,819,415</u>

Estimated principal payments due in each of the next five fiscal years and thereafter are as follows:

Year Ending June 30,		
2009	\$ -	\$ 748,609
2010	1,606,838	751,834
2011	1,735,245	795,245
2012	1,818,840	833,840
2013	1,912,633	872,633
2014	2,006,634	916,634
Thereafter	<u>13,979,671</u>	<u>13,720,743</u>
	23,059,861	18,639,538
Less: discount to present value	(67,309)	(71,514)
Less: current portion	<u>(1,606,838)</u>	<u>(748,609)</u>
Total long-term debt	<u>\$ 21,385,714</u>	<u>\$ 17,819,415</u>

MEMPHIS CENTER CITY COMMISSION AND RELATED ENTITIES

NOTES TO COMBINED FINANCIAL STATEMENTS (Continued)

For the Year Ended June 30, 2009

NOTE 8 – LEASES

The Commission leases some of its office equipment under agreements classified as operating leases. Also, the Commission occupies office space in the Crump Building under the agreement calling for lease payments equal to the debt plus 15% on the Crump Building loan plus building expenses relating to the Commission's occupancy. Total lease related expenses were \$427,440 for the year ended June 30, 2009.

In March 1999, the Downtown Parking Authority entered into a master lease with the City of Memphis ("City") to lease certain parking garages and associated real estate. Under the terms of the master lease, the DPA was assigned the City's rights and obligations under the existing leases associated with the leased property. The initial term of the lease expires in 2018, but can be renewed for an additional ten years. Under the terms of the lease, DPA pays \$315,000 per year. Additional rents are payable to the City equal to the amount of operating revenues in excess of operating expenses, as defined in the master lease.

Minimum future lease payments under non-cancelable operating leases having remaining terms in excess of one year as of June 30, 2009 are as follows:

Year Ending June 30,	
2010	\$ 427,440
2011	427,440
2012	427,440
2013	333,740
2014	315,000
Thereafter	<u>1,260,000</u>
Total minimum future rental payments	<u>\$ 3,191,060</u>

NOTE 9 – RETIREMENT PLAN

On July 31, 1987, the Commission established a defined contribution retirement plan for all salaried employees, effective August 1, 1986. The Commission contributes 5% of each participant's annual salary. Participants vest in employer's contributions at a rate of 20% per year.

Funds contributed are deposited and investment earnings are credited to each employee's account. Employees are entitled only to funds deposited on their behalf.

The amount contributed to the retirement plan and expensed for the years ended June 30, 2009 and 2008 were \$64,686 and \$60,961, respectively.

NOTE 10 – CONTINGENCIES AND COMMITMENTS

The Center City Revenue Finance Corporation (CCRFC) also has claims made against it in the form of mechanics liens arising out of construction of several projects. CCRFC's liability with respect to such liens is limited to its interest in the property leased to the projects. There has been no liability accrued because the outcome is uncertain.

MEMPHIS CENTER CITY COMMISSION AND RELATED ENTITIES

NOTES TO COMBINED FINANCIAL STATEMENTS (Continued)

For the Year Ended June 30, 2009

NOTE 11 – RISK MANAGEMENT

The Commission is exposed to the normal risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Commission's policy is to minimize these risks through the purchase of commercial insurance. Settled claims have not exceeded the commercial insurance coverage in the past three years.

NOTE 12 – INCOME TAXES

Crump Building, Inc. is a taxable corporation. The company's deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Deferred income tax assets consist of the following:

	June 30,	
	2009	2008
Net operating loss carry forward	\$ 34,385	\$ 50,884
Unused investment tax credit	193,587	193,587
Property and equipment	(3,029)	13,231
Valuation allowance	(224,943)	(257,702)
Total	\$ -	\$ -

Crump Building, Inc. at June 30, 2009, has a federal net operating loss carryover of \$101,134, which can be carried forward to 2023.

NOTE 13 – RESERVES FOR CONTINGENCIES

The 1997 Development Agreement between the Downtown Parking Authority and Belz Enterprises requires the following reserves:

	2009	2008
Operating reserve	\$ 42,525	\$ 41,856
Capital Reserve	103,288	109,170
Potential refunds of Central Business Improvement District assessments resulting from property revaluations	108,849	108,849
Total	\$ 254,662	\$ 259,875

COMBINING FINANCIAL STATEMENTS

MEMPHIS CENTER CITY COMMISSION AND RELATED ENTITIES
COMBINING STATEMENT OF FINANCIAL POSITION

June 30, 2009

	ASSETS					
	Memphis Center City Commission	Memphis Center City Development Corporation	Memphis Center City Revenue Finance Corporation	Crump Building, Inc.	Downtown Parking Authority	Total
CURRENT ASSETS:						
Cash and cash equivalents	\$ 527,436	\$ 1,538,676	\$ -	\$ -	\$ 679,267	\$ 2,745,379
Designated cash and cash equivalents	-	1,382,000	-	-	7,519,314	8,901,314
Loans receivable, current portion	-	323,645	-	-	-	323,645
Accounts receivable	16,072	-	-	-	48,670	64,742
Deferred charges	-	-	-	-	344,372	344,372
Prepaid expenses	28,813	-	24,396	-	18,588	71,797
Total current assets	572,321	3,244,321	24,396	-	8,610,211	12,451,249
NON-CURRENT ASSETS:						
Investments	-	364,840	-	-	-	364,840
Designated investments	-	-	8,966	-	-	8,966
Designated PILOT trust funds	-	-	6,013,109	-	-	6,013,109
Loans receivable, less current portion	-	1,290,125	-	-	-	1,290,125
Land	-	-	-	-	2,044,013	2,044,013
Improvements in progress	-	479,749	-	-	4,339,893	4,819,642
Depreciable assets, net of accumulated depreciation	4,786,306	-	-	526,744	12,279,866	17,592,916
Total non-current assets	4,786,306	2,134,714	6,022,075	526,744	18,663,772	32,133,611
TOTAL ASSETS	\$ 5,358,627	\$ 5,379,035	\$ 6,046,471	\$ 526,744	\$ 27,273,983	\$ 44,584,860
LIABILITIES AND NET ASSETS						
CURRENT LIABILITIES:						
Accounts payable and accrued expenses	\$ 112,069	\$ 141,575	\$ 20,485	\$ -	\$ 793,055	\$ 1,067,184
Other liabilities	7,000	-	-	-	10,115	17,115
Current maturities of long-term debt	330,000	-	-	61,838	1,215,000	1,606,838
Total current liabilities	449,069	141,575	20,485	61,838	2,018,170	2,691,137
LONG-TERM LIABILITIES:						
Accrued interest	20,200	-	-	-	2,581,278	2,601,478
Reserves for contingencies	108,849	-	-	-	145,813	254,662
Long-term debt, less current portion	2,700,000	-	-	624,044	18,061,670	21,385,714
Total long-term liabilities	2,829,049	-	-	624,044	20,788,761	24,241,854
TOTAL LIABILITIES	3,278,118	141,575	20,485	685,882	22,806,931	26,932,991
NET ASSETS:						
Invested in capital assets, net of related debt	1,756,306	479,749	-	(159,138)	(612,898)	1,464,019
Unrestricted -						
Board designated	-	1,382,000	6,022,075	-	7,519,314	14,923,389
Other unrestricted	324,203	3,375,711	3,911	-	(2,439,364)	1,264,461
Total net assets	2,080,509	5,237,460	6,025,986	(159,138)	4,467,052	17,651,869
TOTAL LIABILITIES AND NET ASSETS	\$ 5,358,627	\$ 5,379,035	\$ 6,046,471	\$ 526,744	\$ 27,273,983	\$ 44,584,860

MEMPHIS CENTER CITY COMMISSION AND RELATED ENTITIES
COMBINING STATEMENT OF FINANCIAL POSITION

June 30, 2008

ASSETS

	Memphis Center City Commission	Memphis Center City Development Corporation	Memphis Center City Revenue Finance Corporation	Crump Building, Inc.	Downtown Parking Authority	Elimination	Total
CURRENT ASSETS:							
Cash and cash equivalents	\$ 270,385	\$ 446,219	\$ -	\$ -	\$ 907,515	\$ -	\$ 1,624,119
Designated cash and cash equivalents	-	2,744,876	571,886	-	1,458,298	-	4,775,060
Loans receivable, current portion	-	305,768	1,625,000	-	-	(1,625,000)	305,768
Accounts receivable	140,283	-	1,526	-	41,250	-	183,059
Deferred charges	-	-	-	-	365,896	-	365,896
Prepaid expenses	45,285	-	-	-	20,017	-	65,302
Total current assets	455,953	3,496,863	2,198,412	-	2,792,976	(1,625,000)	7,319,204
NON-CURRENT ASSETS:							
Investments	-	474,573	-	-	-	-	474,573
Designated PILOT trust funds	-	-	6,315,703	-	-	-	6,315,703
Loans receivable, less current portion	-	1,163,304	-	-	-	-	1,163,304
Land	-	-	-	-	2,130,550	-	2,130,550
Improvements in progress	-	79,685	-	-	1,064,878	-	1,144,563
Depreciable assets, net of accumulated depreciation	5,170,811	-	-	589,974	12,714,819	-	18,475,604
Total non-current assets	5,170,811	1,717,562	6,315,703	589,974	15,910,247	-	29,704,297
TOTAL ASSETS	\$ 5,626,764	\$ 5,214,425	\$ 8,514,115	\$ 589,974	\$ 18,703,223	\$ (1,625,000)	\$ 37,023,501

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:							
Accounts payable and accrued expenses	\$ 88,589	\$ 4,496	\$ 22,230	\$ -	\$ 350,482	\$ -	\$ 465,797
Other liabilities	3,820	-	-	-	10,597	-	14,417
Current maturities of long-term debt	315,000	-	-	58,609	2,000,000	(1,625,000)	748,609
Total current liabilities	407,409	4,496	22,230	58,609	2,361,079	(1,625,000)	1,228,823
LONG-TERM LIABILITIES:							
Accrued interest	-	-	-	-	2,305,496	-	2,305,496
Reserves for contingencies	108,849	-	-	-	151,026	-	259,875
Long-term debt, less current portion	3,030,000	-	-	685,929	14,103,486	-	17,819,415
Total long-term liabilities	3,138,849	-	-	685,929	16,560,008	-	20,384,786
TOTAL LIABILITIES	3,546,258	4,496	22,230	744,538	18,921,087	(1,625,000)	21,613,609
NET ASSETS:							
Invested in capital assets, net of related debt	1,825,811	79,685	-	(154,564)	(193,239)	-	1,557,693
Unrestricted -							
Board designated	-	2,744,876	6,887,589	-	1,458,298	-	11,090,763
Other unrestricted	254,695	2,385,368	1,604,296	-	(1,482,923)	-	2,761,436
Total net assets	2,080,506	5,209,929	8,491,885	(154,564)	(217,864)	-	15,409,892
TOTAL LIABILITIES AND NET ASSETS	\$ 5,626,764	\$ 5,214,425	\$ 8,514,115	\$ 589,974	\$ 18,703,223	\$ (1,625,000)	\$ 37,023,501

MEMPHIS CENTER CITY COMMISSION AND RELATED ENTITIES
COMBINING STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN NET ASSETS

For the Year Ended June 30, 2009

	Memphis Center City Commission	Memphis Center City Development Corporation	Memphis Center City Revenue Finance Corporation	Crump Building, Inc.	Downtown Parking Authority	Elimination	Total
OPERATING REVENUES:							
Administrative income	\$ -	\$ -	\$ 4,089,483	\$ -	\$ -	\$ -	\$ 4,089,483
CBID assessment	2,615,517	-	-	-	-	-	2,615,517
Development income	-	6,966	-	-	250,000	-	256,966
Marketing income	76,160	-	-	-	-	-	76,160
Operations income	27,598	-	-	-	-	-	27,598
Parking garage management	-	-	-	-	1,212,920	-	1,212,920
Real estate income	-	-	-	112,440	-	(112,440)	-
Total Operating Revenues	2,719,275	6,966	4,089,483	112,440	1,462,920	(112,440)	8,278,644
OPERATING EXPENSES:							
Salaries and benefits	1,676,826	-	-	-	-	-	1,676,826
Advertising	126,798	-	-	-	-	-	126,798
Business community relations	6,574	992	704	-	923	-	9,193
Conferences and travel	35,760	-	-	-	-	-	35,760
Depreciation and amortization	423,955	-	-	63,230	484,285	-	971,470
Event production	202,276	-	-	-	-	-	202,276
Insurance	28,121	-	-	-	46,041	-	74,162
Office expenses	110,365	39	69	-	916	-	111,389
Other personnel expenses	200,956	-	-	-	-	-	200,956
Parking garage management fees	-	-	-	-	646,383	-	646,383
Planning and development	65,652	502,218	-	-	-	-	567,870
Professional fees	36,400	31,468	99,847	2,073	124,676	-	294,464
Rent expense	117,199	-	-	-	315,000	(112,440)	319,759
Repairs and maintenance	69,501	-	-	-	11,410	-	80,911
Search and relocation expenses	1,626	-	-	-	-	-	1,626
Subscriptions and dues	9,832	-	-	-	-	-	9,832
Total Operating Expenses	3,111,841	534,717	100,620	65,303	1,629,634	(112,440)	5,329,675
OPERATING INCOME (LOSS)	(392,566)	(527,751)	3,988,863	47,137	(166,714)	-	2,948,969
NON-OPERATING REVENUE							
(EXPENSES):							
Interest income	34,855	107,354	-	-	54,850	-	197,059
Net increase (decrease) in the fair value of investments	-	12,594	20,540	-	3,251	-	36,385
Interest expense	(125,400)	-	-	(39,128)	(775,908)	-	(940,436)
Net transfers	483,111	435,335	(6,475,302)	(12,583)	5,569,439	-	-
Total Non-Operating Revenues (Expenses)	392,566	555,283	(6,454,762)	(51,711)	4,851,632	-	(706,992)
CHANGE IN NET ASSETS	-	27,532	(2,465,899)	(4,574)	4,684,918	-	2,241,977
TOTAL NET ASSETS - BEGINNING	2,080,509	5,209,928	8,491,885	(154,564)	(217,866)	-	15,409,892
TOTAL NET ASSETS - ENDING	\$ 2,080,509	\$ 5,237,460	\$ 6,025,986	\$ (159,138)	\$ 4,467,052	\$ -	\$ 17,651,869

MEMPHIS CENTER CITY COMMISSION AND RELATED ENTITIES
COMBINING STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN NET ASSETS

For the Year Ended June 30, 2008

	Memphis Center City Commission	Memphis Center City Development Corporation	Memphis Center City Revenue Finance Corporation	Crump Building, Inc.	Downtown Parking Authority	Elimination	Total
OPERATING REVENUES:							
Administrative income	\$ -	\$ -	\$ 3,386,325	\$ -	\$ -	\$ -	\$ 3,386,325
CBID - Assessment	2,630,675	-	-	-	-	-	2,630,675
Marketing income	64,147	-	-	-	-	-	64,147
Operations income	25,285	-	-	-	-	-	25,285
Other operating income	53	-	-	-	-	-	53
Parking garage management	-	-	-	-	1,435,929	-	1,435,929
Real estate income	-	-	-	112,440	-	(112,440)	-
Total Operating Revenues	2,720,160	-	3,386,325	112,440	1,435,929	(112,440)	7,542,414
OPERATING EXPENSES:							
Salaries and benefits	1,775,695	-	-	-	-	-	1,775,695
Advertising	161,415	-	-	-	-	-	161,415
Business community relations	7,597	47	-	-	37	-	7,681
Conferences and travel	31,865	-	-	-	-	-	31,865
Depreciation and amortization	417,307	-	-	62,964	437,666	-	917,937
Event production	142,524	-	-	-	-	-	142,524
Insurance	32,124	-	-	-	46,425	-	78,549
Office expenses	134,075	116	19	-	1,246	-	135,456
Other personnel expenses	63,667	-	-	-	-	-	63,667
Parking garage management fees	-	-	-	-	748,234	-	748,234
Planning and development	69,610	1,480	-	-	-	-	71,090
Professional fees	155,837	124,939	168,614	(43)	50,509	-	499,856
Rent expense	116,916	-	-	-	315,000	(112,440)	319,476
Repairs and maintenance	94,629	3,115	-	-	-	-	97,744
Search and relocation expenses	13,351	-	-	-	-	-	13,351
Subscriptions and dues	8,259	-	-	-	520	-	8,779
Total Operating Expenses	3,224,871	129,697	168,633	62,921	1,599,637	(112,440)	5,073,319
OPERATING INCOME (LOSS)	(504,711)	(129,697)	3,217,692	49,519	(163,708)	-	2,469,095
NON-OPERATING REVENUE							
(EXPENSES):							
Interest income	84,595	(7,614)	-	-	80,800	-	157,781
Net increase (decrease) in the fair value of investments	-	51,139	-	-	-	-	51,139
Interest expense	(137,866)	-	-	(42,342)	(789,809)	-	(970,017)
Net transfers	369,430	(249,414)	(880,137)	(5,868)	765,989	-	-
Total Non-Operating Revenues (Expenses)	316,159	(205,889)	(880,137)	(48,210)	56,980	-	(761,097)
CHANGE IN NET ASSETS	(188,552)	(335,586)	2,337,555	1,309	(106,728)	-	1,707,998
TOTAL NET ASSETS - BEGINNING, as previously stated	2,269,061	5,584,501	6,154,330	(155,873)	(111,138)	-	13,740,881
Adjustment to remove Farmers Market	-	(38,987)	-	-	-	-	(38,987)
TOTAL NET ASSETS - BEGINNING, as restated	2,269,061	5,545,514	6,154,330	(155,873)	(111,138)	-	13,701,894
TOTAL NET ASSETS - ENDING	\$ 2,080,509	\$ 5,209,928	\$ 8,491,885	\$ (154,564)	\$ (217,866)	\$ -	\$ 15,409,892

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

To the Board of Directors
Memphis Center City Commission
And Related Entities
Memphis, Tennessee

We have audited the combined financial statements of the Memphis Center City Commission and Related Entities (Commission), as of and for the year ended June 30, 2009, and have issued our report thereon dated October 30, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Commission's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Commission's internal control over financial reporting.

A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Commission's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Commission's financial statements that is more than inconsequential will not be prevented or detected by the Commission's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Commission's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Commission's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, the Board of Directors, the City of Memphis and County of Shelby, Tennessee and the State of Tennessee Comptroller of the Treasury, and is not intended to be and should not be used by anyone other than these specified parties.

Zoceda Koston, PLLC

Germantown, Tennessee
October 30, 2009

MEMPHIS CENTER CITY COMMISSION AND RELATED ENTITIES

**INDEPENDENT AUDITORS' GENERAL COMMENTS
AND OTHER SUPPORTING DATA**

June 30, 2009

Required disclosures related to the auditor

Name of Lead Auditor:	W. Marcus Rountree
Firm:	Zoccola Kaplan, PLLC
Firm Address:	6800 Poplar Avenue, Suite 210, Germantown, TN 38138
Firm Telephone Number:	(901) 523-8283
Firm Federal I.D. Number:	62-1152935

All other supporting data has been presented elsewhere in this report.