

City of Memphis



TENNESSEE

COMPREHENSIVE ANNUAL FINANCIAL REPORT YEAR ENDED JUNE 30, 2008

2008



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COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED JUNE 30, 2008

CITY OF MEMPHIS, TENNESSEE



Dr. Willie W. Herenton

Mayor

Keith L. McGee

Chief Administrative Officer

PREPARED BY DIVISION OF FINANCE

Roland McElrath

Director



City of Memphis

TENNESSEE

December 15, 2008

Members of the City Council and Fellow Memphians:

I am pleased to submit The City of Memphis' Comprehensive Annual Financial Report for the fiscal year that ended June 30, 2008. This report documents our sound financial position and operations for the year, as well as the current economic climate of Memphis.

Unwavering in its progress toward fully restoring a positive financial position, the City continues to fulfill our mission of providing responsive and cost effective services through the enhancement of its employee, neighborhood, youth and business development. The financial progress and sound investments made during the year have set the stage for a successful tomorrow.

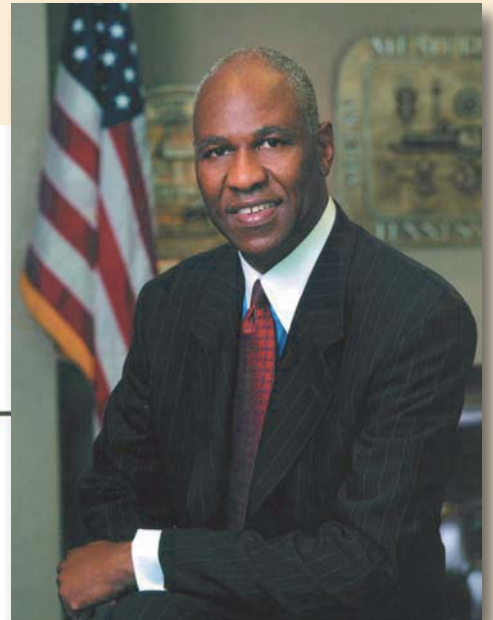
I am extremely proud of the accomplishments we have achieved in the area of economic development this year. The results were quite impressive. We celebrated the completion of the \$107 million Nike facility, that brought more than 500 new jobs to the Memphis area. The University of Memphis approved a 20-year \$750 million master plan, to create a grand new "front door" to the university's campus. This plan will include replacing existing educational facilities as well as enhancing surrounding neighborhoods. The City also selected a master developer to redevelop the entire 170-acre Fairgrounds site, located in the mid-town area. Finally, negotiations that are currently ongoing with Bass Pro Shops concerning development of the unused Pyramid arena have advanced significantly and the execution of a development seems imminent. These efforts signify our commitment to working diligently to transform Memphis into an economic leader in the region, where people of all walks of life can be interconnected and live with dignity and fulfillment.

We are indeed proud of our accomplishments this past year. However, as the most challenging economic times in recent history have come upon us, nationally and locally we have a tough road ahead of us. Nevertheless, as your Mayor, I want you to rest assure that my executive team will continue to make decisions that are not only fiscally prudent, but that are in the best interest of the City's foremost priorities---public safety, economic growth and public services. As such, we present this report as part of our commitment to inform all interested parties of our financial health and hope that it is demonstrative of our ongoing commitment to creating a better Memphis.

Respectfully submitted,



Dr. Willie W. Herenton
Mayor



**INTRODUCTORY
SECTION**



City of Memphis

December 31, 2008

To the Mayor, City Council, and Citizens of Memphis:

The Comprehensive Annual Financial Report (CAFR) of the City of Memphis, Tennessee (the City) for the fiscal year ended June 30, 2008, is hereby submitted in accordance with the Memphis City Charter requirement for an independent audit conducted by a certified public accounting firm. The financial statements are presented in conformity with generally accepted accounting principles (GAAP) as set forth by the Governmental Accounting Standards Board (GASB) and have been audited in accordance with generally accepted auditing standards. Additionally, the report is presented for compliance with the provisions of the Single Audit Act and related Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments and Non-Profit Organizations.

This report consists of management's representations concerning the finances of the City. Consequently, management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control that it has established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

The Office of Internal Audit supports the internal controls within the City by reviewing and appraising existing accounting and management controls, ascertaining compliance with existing plans, policies and procedures, and ascertaining the reliability of accounting and other data developed within the City.

The City's financial statements have been audited by Thompson Dunavant PLC and Jones & Tuggle, CPAs, licensed certified public accountants. The independent auditors have issued an unqualified ("clean") opinion on the City's financial statements for the year ended June 30, 2008. The independent auditor's report is located at the front of the financial section of this report.

Management's discussion and analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the basic financial statements. The MD&A complements this letter of transmittal and should be read in conjunction with it.

Profile of the Government

The City of Memphis is a home rule city under State law and was incorporated in 1826. The present Charter was adopted in 1968 and provides for a Mayor-Council form of government. The Charter provides for the election of a mayor and thirteen council members. The City currently occupies a land area of 340.5 square miles and serves a population of 674,028. The City is empowered to levy a property tax on both real and personal property located within its boundaries. It also is empowered by state statute to extend its corporate limits by annexation, which occurs periodically when deemed appropriate by the City Council.

Under the provisions of the City charter, the City Council makes the laws that govern the City. The Council is responsible for, among other things, for approving the budget, setting the tax rate and establishing other lawful taxes and fees necessary to secure sufficient revenue to fund the budget as approved. All administrative duties concerning day-to-day operations of city government are the duty and responsibility of the mayor. Each of the various divisions of city government has a director who is appointed by the mayor with the City Council's approval.

The City provides a full range of municipal services including: police, fire, culture/recreation, community development, solid waste management, public works, planning and zoning, sewers, utilities, transit and general administrative services. This report includes the financial statements of the funds of the City and boards and authorities that provide City services and for which the City is financially accountable. "Financial Accountability" is the benchmark used to determine which organizations are a part of the primary government or represent component units of the primary government.

The City evaluates its financial reporting entity in accordance with Governmental Accounting Standards Board requirements to identify the various organizations as: (1) organizations which are part of the City's legal entity; (2) organizations that are legally separate and for which the City appoints a voting majority of the organization's governing body and the City is either able to impose its will or has the potential of receiving financial benefit or realizing a financial burden from the organization; and (3) organizations that are fiscally dependent on the City. The following organizations are component units of the City and as such are discretely presented (separated from the primary government) in the general purpose financial statements:

- Board of Education of the Memphis City Schools
- Memphis Area Transit Authority
- Memphis and Shelby County Airport Authority

Further explanations of the discretely presented component units and the reasons for their inclusion are provided in the notes to the financial statements.

The following entities are considered to be joint ventures of the City:

- Mid-South Coliseum
- Memphis and Shelby County Convention Center
- Memphis and Shelby County Port Commission



- Public Building Authority of Memphis and Shelby County
- New Memphis Arena Public Building Authority of Memphis and Shelby County

These organizations also are further described in the notes to the financial statements.

The following related organizations and jointly governed organizations are excluded from the City's financial statements, as they do not meet the definition of financial accountability as defined by GASB:

- Memphis Housing Authority (related organization)
- Memphis and Shelby County Center City Commission
- Memphis and Shelby County Parking Authority
- Memphis Center City Revenue Finance Corporation
- Industrial Development Board
- Depot Redevelopment Corporation of Memphis and Shelby County
- Sports Authority of Memphis and Shelby County Incorporated

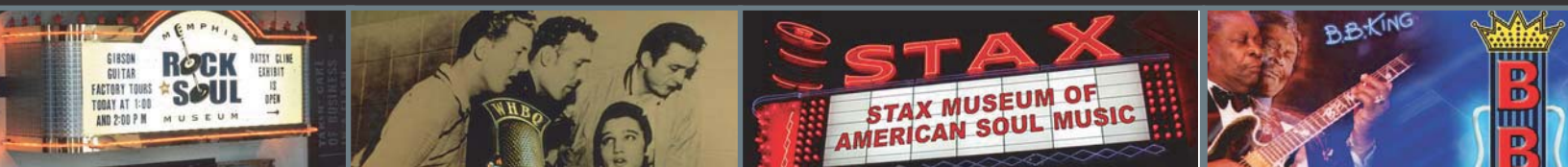
The City administration annually prepares a plan of services for the upcoming fiscal year and the estimated cost of providing these services. This plan is reviewed by the City Council and is formally adopted by the passage of a budget ordinance prior to the end of the fiscal year. The ordinance provides for budgetary control at program levels (e.g., public safety) and by division (e.g. police) and said budgets cannot be exceeded without the approval of the City Council. The mayor has authority to approve transfers between categories (e.g., personnel, materials and supplies) within maximum limits for each transfer and each program. Transfers between programs, however, require authorization by ordinance or resolution of the City Council.

Economic Condition Assessment

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the City operates. The Center for Business and Economic Research at the University of Tennessee and the Sparks Bureau of Business and Economic Research at The University of Memphis provided the following economic overview:

The National Economy

- Market indicators continue to indicate dismal news on the path of the national and state economies. Jobs, earnings, investment and the unemployment rate continue to weaken and is expected to deteriorate further into 2009.
- The economy averted a downturn in the Gross Domestic Product (GDP) in the first and second quarters of 2008 primarily due to Federal rebate checks. Third quarter GDP growth is in the red, and it is likely that the final quarter of 2008 will register a loss as well.
- U.S. Housing starts fell 6.3 percent in September and is expected to bottom out in the second quarter of 2009. The housing market weakness continues to negatively impact other sectors such as home furnishings and building material.





- Inflationary pressures are easing as the global economy slows. Energy and commodity prices in general have fallen. Oil prices have plummeted from nearly \$150 a barrel earlier in the year to nearly \$60 per barrel.

Local Economy

The Memphis MSA is comprised of eight counties – Shelby, Tipton, and Fayette, TN; DeSoto, Marshall, Tate, and Tunica, MS; and Crittenden, AR. The City of Memphis contains about 51 percent of the MSA’s population, and Shelby County accounts for slightly more than 73 percent.

A key contributor to the stability of the Memphis and Shelby county economy is its job diversity. Government, trade, healthcare services, hospitality and warehousing, transportation and utilities are all mainstays of the regional economy. The City is conveniently located within 600 miles of most major cities and commercial markets in the United States. As a result of its central location and access to the interstate, Mississippi River, rail and airport, the city is a major hub for distribution.

The nation’s current economic concerns are evident in the recent employment numbers reported for the U.S., Tennessee and the Memphis MSA. According to the Center for Regional Economics-8th District Federal Reserve Bank of St. Louis, between July 2007 and July 2008, employment growth in the Memphis MSA was negative in all goods-producing sectors and in most service-providing sectors. Expansion remains ongoing, however, in the education and health services sector as well as in the “other services” category, which saw employment increases of 0.4 and 2.8 percent, respectively. Employment in natural resources, mining, and construction; manufacturing; information; and professional and business services were all down by 1.9 percent or more.

Unemployment Rates (Seasonally Adjusted), 2007-2008

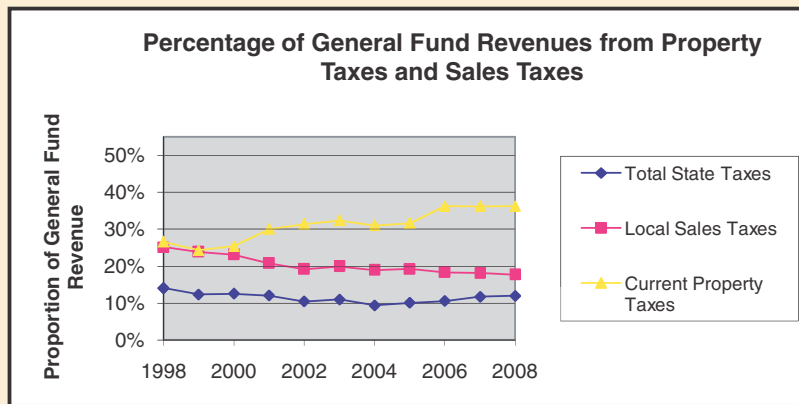
Region	Sep 2007	Sep 2008
Memphis MSA*	4.9%	7.3%
Tennessee	4.7%	7.2%
United States	4.7%	6.1%

Source: U.S. Bureau of Labor Statistics and Tennessee Department of Labor and Workforce Development.
*Not Seasonally Adjusted

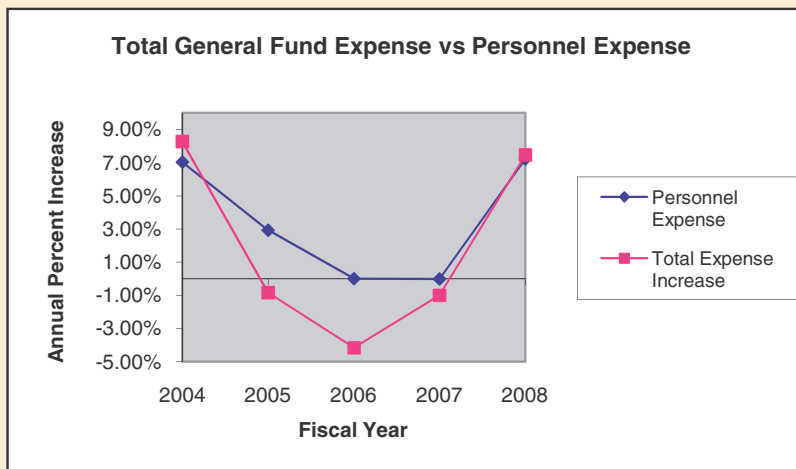
As the national and state economies continue to slow, job and income growth rates in the United States and Tennessee decelerate. Tennessee’s September unemployment rate reflects a 2.5 percent increase from September 2007. Unemployment statistics in the local economy closely resembles those of the state. Memphis’ unemployment rate increased to 7.3 percent in September 2008, up 2.4 percent a year ago. Despite the current national recession, the continuation of major local job creation initiatives should improve the Memphis unemployment situation in the future.



The chart below shows that since fiscal year 2000, there has been a growing dependence on property tax revenues while both Local Sales Taxes and State Shared Taxes have trended downwards as a percentage of total revenues. During fiscal year 2006, the City realized a significant increase in property tax revenues as a result of a rate increase. During fiscal year 2007 and fiscal year 2008, the percentage of revenues from current property taxes, local sales taxes and state shared taxes remained relatively constant year over year.



Nationally and locally, fiscal managers are continually faced with managing rising energy prices, healthcare costs and employment costs. Policy makers are concerned with cost-push inflation as employment costs represent about two-thirds of total costs of production/service. A windstorm in 2004 generated an increase in personnel costs and total General Fund expenses. The Total General Fund expenditure growth rate in fiscal year 2004 was more than 8 percent, up from the 4 percent growth rate the previous year. During fiscal year 2005, City managers executed spending cuts and a temporary layoff, resulting in substantial expense savings. In an attempt to contain personnel costs and other operating expenses, the City implemented additional spending cuts and a hiring freeze during fiscal year 2006. During fiscal year 2007, growth in personnel expense remained flat while total general fund expenses grew by only 2 percent. Total General Fund expenses increased by more than 7 percent in fiscal year 2008 due primarily to an increase in personnel expense. The Fire and Police divisions were the key drivers to overall personnel spending. The Police and Fire divisions' increases resulted from higher overtime expense to support crime initiatives and to compensate for vacancies.



While the housing sector has fallen sharply across the United States, there has been no housing bubble to burst in Memphis. Nevertheless, sub-prime lending problems that are plaguing the rest of the nation are significantly impacting the Memphis residential market. While the home values in Memphis are falling, the decreases in value are not as substantial as other metropolitan areas and the nation as a whole. Total home sales decreased a little over 3% year over year in September. However, the median and average sales prices in September dropped 11.1% and 17.1%, respectively versus the prior year.

Home Sales in Memphis, September 2008 - 2007

	2008	2007	Percent Change
Total Home Sales	1,107	1,143	-3.1%
Median Sales Price	\$120,000	\$135,000	-11.1%
Average Sales Price	\$142,000	\$171,000	-17.1%
Active Listings	11,969	13,227	-9.5%

Source: Memphis Area Association of Realtors Multiple Listing Service.

Recent Developments:

- Nike Inc. completed its 125-acre one million square foot distribution center. The \$107 million project made Memphis the second largest Nike location in the United States and created over 500 new jobs.
- The University of Memphis approved a 20-year \$750 million master plan, to create a new “front door” to the university’s campus, including replacing existing educational facilities as well as enhancing surrounding neighborhoods. Three private commercial developments are currently under construction: a \$63.5 million, mixed use residential, retail and services development; a 85-unit mixed use student apartment building and retail center, and a 40-unit luxury condominium.
- The city selected a master developer to redevelop the entire 170-acre Fairgrounds site located in the mid-town area of Memphis. This site is the former home of the Mid-South Fair and the Libertyland Amusement Park. The plan will include the renovation of the City’s Liberty Bowl football stadium. The City has received approval from the State legislature to establish a tourist development zone (TDZ) which will allow the City to fund a portion of the improvements from sales tax increment financing.
- Negotiations with Bass Pro Shops concerning development of the unused Pyramid arena have advanced significantly and the execution of a development seems imminent.

Long-term Financial Planning The financial position of the City continues to improve dramatically as a result of the City’s conservative budgeting methodology and its ability to maintain disciplined spending practices. To ensure the City’s financial position remains sound, the City has implemented a multi-year financial management plan as a means of exploring new and more efficient methods of revenue generation and cost-effective service delivery.

The City successfully executed a shared services arrangement or a joint purchasing agreement with the local public utility and the local public transit provider as a result of our planning initiative. In addition, several functional consolidation opportunities with Shelby County Government are being explored. Two of the most promising opportunities include the potential merger of the engineering departments and





the two fire departments. Also, the City is working with the Memphis Regional Chamber and Memphis Tomorrow to create an economic development “Growth Strategy” that will ideally enhance the city’s overall growth, tax base and wages.

We envision a model city government based on proven business principles that support the facilitation and execution of the City’s fiscal and operational goals.

Relevant Financial Policies

The City of Memphis implemented Governmental Accounting Standards Board (GASB) Statement No. 45, Accounting and Financial Reporting for Employers for Post-employment Benefits Other than Pensions during fiscal year 2008. The statement provides for recognition of the cost of other post-employment benefits (OPEB) over employees’ service periods, similar to the treatment required for pension costs.

Long-term obligations associated with OPEB costs became a required disclosure for Memphis, effective July 1, 2007. Other required disclosures, per GASB Statement No. 45, include identifying the contributions made in comparison to OPEB costs, changes in net OPEB obligations, funding progress during the current year and the two previous years, and the actuarial valuations and assumptions used.

The City established an OPEB Trust and received an initial valuation totaling \$857 million for the Unfunded Actuarial Accrued Liability (UAAL). The valuation along with potential funding strategies and health benefit plan change alternatives designed to possibly reduce the obligation are continually being reviewed.

Major Initiatives In addition to the annual operating budget, the City also adopts a Capital Improvement Program (CIP) that is a multi-year plan for capital expenditures to replace and expand the City’s infrastructure, vehicles and equipment. The program is updated annually to reflect the latest priorities, updated cost estimates and available revenue sources. Various sources of revenue include general obligation bonds, federal grants, state grants, user fees and private funds. Results of the Memphis Poll, an annual survey, are typically used to identify priorities and concerns of citizens. Projects are reviewed based on need, impact on the area, quality of life in our neighborhoods and the general economic climate of the City. Highlights of the CIP budget plan for 2009-2013 are:

- The Fire Division’s budget includes funds for the replacement of pumpers, aerial trucks and ambulances. Also, the division plans to make improvements to the computer aided dispatching (CAD) system.
- The Police Division’s budget includes funds for more than 150 replacement police cars and funding for police academy and precinct renovations.
- The Parks Division’s budget includes funds for improvements to aquatic facilities, land acquisition for future parks, improvements to the Liberty Bowl Stadium, improvements to the Wolf River greenway and development of a children’s garden to be located at the Memphis Botanic Garden.
- The Public Services and Neighborhoods Division’s budget includes funding for a new animal shelter and a fourth vehicle inspection station.
- The Memphis Area Transit Authority’s capital improvement budget, heavily leveraged by Federal and State funding, will be used to fund a new bus transfer station near the Memphis

International Airport. Preventative maintenance is funded entirely by G.O. Bonds.

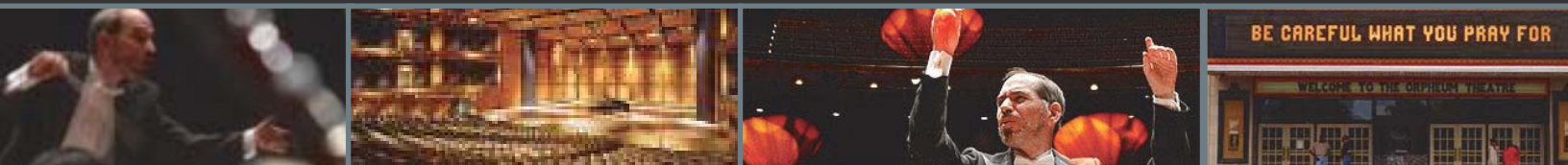
- Riverfront Development's budget includes funds for Beale Street Landing and Cobblestone improvements.
- The Public Works Division's budget includes funds to pave over 200 lane miles of streets each year and includes funds for ADA ramp improvements, several road projects and four bridge projects. The Stormwater Fund CIP budget will allow the City to make major investments in drainage infrastructure throughout the City. The Sewer Fund projects are for the repair and replacement of sewer infrastructure, new sanitary sewers and improvements to the treatment plants.
- The General Services Division's budget includes major ADA improvements and minor improvements to various City buildings and equipment
- Housing and Community Development's budget includes funding for the Lamar Terrace and Dixie Homes neighborhood redevelopment projects and includes funding for a major anti-blight initiative that will be administered by the newly formed Community Enhancement Division.
- The Engineering Division's budget includes funding for replacement of traffic signals and intelligent transportation improvements.
- Information System's budget includes projects to upgrade the City's information technology infrastructure including a treasury system upgrade.
- Health Services budget includes the electronic records initiative.

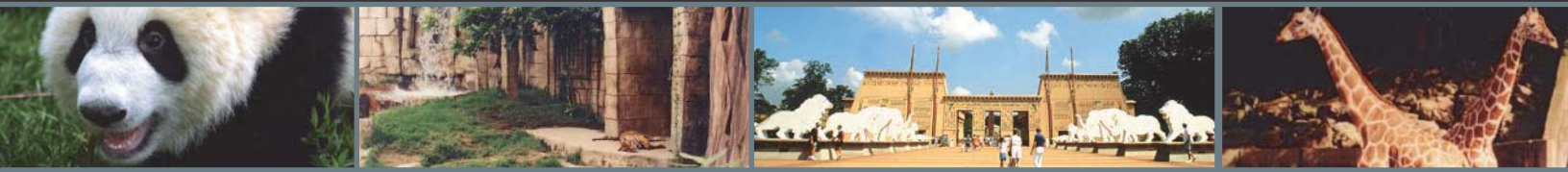
Capital Planning Process

It is the role of the Finance Division to provide financing strategies to assist in developing a plan to fund the capital improvement needs of the City. A key element of this strategy includes a comprehensive review and assessment of the City's Capital Improvement Program (CIP) to ensure the coordination of the City's planning initiatives, financial capacity and environmental/physical development are in alignment. The City's CIP has a capital budget which includes a spending plan for the upcoming year and a capital program which includes a plan for capital expenditures that extend up to five (5) years and beyond. The success of the capital improvement program depends on the broad participation and cooperation of the City's divisions and quasi city agencies. In addition, the CIP is linked to the operating budget.

The benefits of a successfully managed CIP include preservation of capital assets, improvement of infrastructure, better coordination of capital needs and operating budgets, stabilization of debt costs and improvement of the City's credit rating. To develop an effective capital improvement program, a CIP Committee was established during fiscal year 2006 for planning and oversight purposes. The committee responsibilities include, but are not limited to the following:

- Identify and determine status of previously approved projects and funding sources for each project.
- Evaluate the merits of division/department requests for CIP projects and equipment.
- Establish a priority list of capital need projects and a timeline for completion.
- Create a CIP funding plan that designates a revenue source/method of financing for each proposed project.
- Submit a CIP funding plan to the Mayor and City Council to include in next year's capital budget and capital expenditure plan for the next four (4) years.





As part of the evaluation of capital improvement projects, the city employs both quantitative and qualitative analysis.

Capital Expenditure Analysis

A review of Capital Improvement Projects are undertaken to insure that all major capital expenditures are not only necessary and appropriate but also fall into categories that include, but are not limited to:

1. Critical Maintenance
2. Major Development/New Construction Initiatives
3. Infrastructure
4. Vehicle and Equipment Acquisition

Furthermore, Capital Improvement Projects are prioritized and coordinated with the plans of other public entities to maximize the leveraging of resources with other major projects being developed in both the public and private sectors.

Annexation Plans

On December 31, 2006, the city annexed from its reserve growth, the Berryhill and Southwind-Windyke areas. Currently, there are no pending annexation ordinances under consideration by the City Council.

Awards and Acknowledgements

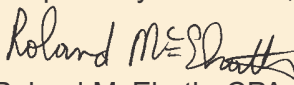
The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Memphis for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2007. This was the 31st consecutive year that the City has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.


A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to GFOA to determine its eligibility for another certificate.

The City of Memphis FY2005 Citizens' Report earned the Popular Annual Financial Reporting Award. The City also received GFOA's Distinguished Budget Presentation Award for its annual budget document for the fiscal year beginning July 1, 2008, the 10th consecutive year for this award.

The preparation of this report could not have been accomplished without the dedicated efforts of the staff of the City's Finance Division and the City's independent public accountants, Thompson and Dunavant PLC and Jones & Tuggle, CPAs. We wish to express our appreciation to both, with particular thanks to the City's Deputy Comptrollers, Sharon Cobbige and Janet Moore, and the Accounting staff.

Respectfully submitted,


Roland McElrath, CPA
Director of Finance


Patrice Thomas, CPA
Comptroller

Certificate of Achievement for Excellence in Financial Reporting

Presented to
**City of Memphis
Tennessee**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2007

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Memphis for its comprehensive annual financial report for the fiscal year ended June 30, 2007. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.



Charles S. Cox

President

Jeffrey R. Emer

Executive Director

**CITY OF MEMPHIS, TENNESSEE
CITY OFFICIALS**

Willie W. Herenton, Mayor

CITY COUNCIL

Scott McCormick, Chairman (District 9-2)

William Boyd.....	District 2	Wanda Halbert	District 4
Joe W. Brown.....	District 8-1	Reid Hedgepath	District 9-3
Harold Collins.....	District 3	Myron Lowery	District 8-3
Shea Flinn, III.....	District 9-2	Bill Morrison	District 1
Edmond Ford, Jr.	District 6	Jim Strickland.....	District 5
Janis Fullilove	District 8-2	Barbara Swearngen Ware.....	District 7

COURTS

Thomas Long	City Court Clerk
Earnestine Hunt Dorse	City Court Judge - Division 1
Tarik B. Sugarmon	City Court Judge - Division 2 (Administrative Judge)
Jayne R. Chandler	City Court Judge - Division 3

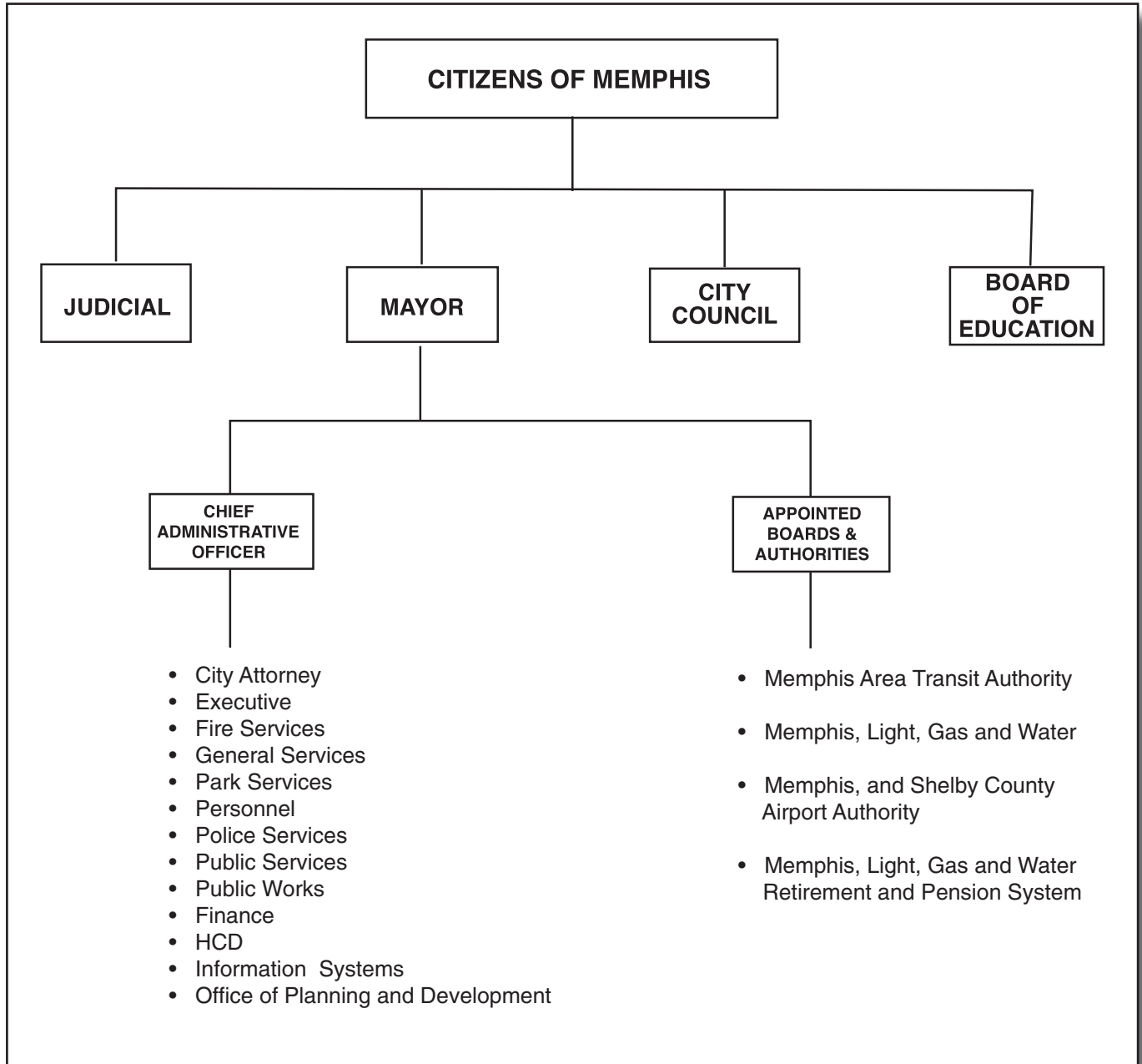
ADMINISTRATIVE

Keith L. McGee.....	Chief Administrative Officer
Richard Arwood	Director, Fire Services
Estrice Boone	Director, General Services
Cynthia Buchanan.....	Director, Park Services
Jerry Collins.....	President, Memphis Light, Gas and Water Division
Dwan Gilliom.....	Director, Public Works
Rick Copeland.....	Director, Office of Planning and Development
Lorene Essex	Director, Human Resources
Wain Gaskins	City Engineer
Larry Godwin.....	Director, Police Services
Elbert Jefferson.....	City Attorney
Robert Lipscomb.....	Director, Housing and Community Development
Kenneth Moody.....	Director, Public Services
Roland McElrath.....	Director, Finance and Administration
Ernest Dobbins.....	Director, Community Enhancement

City of Memphis, Tennessee

ORGANIZATION CHART

Primary Government and Discretely Presented Component Units



- (1) The Board of Education and the appointed boards and authorities for Memphis Area Transit Authority and Memphis and Shelby County Airport Authority are legally separate from the primary government. These component units are discretely reported in a separate column in the combined financial statements to distinguish them from the primary government. Memphis light, Gas and Water and Memphis Light, Gas and Water Retirement and Pension System are reported as part of the primary government. Certain other boards and commissions not listed above do not meet the definition of component units as presented in GASB Statement 14. These entities are further explained as related organizations, jointly governed organizations, and joint ventures in the Letter of transmittal and Note 1 of the notes to the financial statements.

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Independent Auditors' Report

To the Honorable Mayor and
Members of the City Council
City of Memphis, Tennessee

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Memphis, Tennessee (the "City") as of and for the year ended June 30, 2008, and the budgetary comparison for the general fund for the year ended June 30, 2008, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Board of Education of the Memphis City Schools and the Memphis-Shelby County Airport Authority, which represent 95%, 92% and 96%, respectively, of the assets, net assets, and revenues of the aggregate discretely presented component units. We did not audit the financial statements of the Electric, Gas, and Water Divisions of Memphis Light, Gas, and Water Division ("MLGW"), a major proprietary fund. MLGW Electric, Gas, and Water Divisions represent 89%, 88% and 96%, respectively, of the assets, net assets, and revenues of the business-type activities of the primary government. We did not audit the financial statements of Memphis Light, Gas, and Water Division Retirement and Pension System and Memphis Light, Gas, and Water Division Other Post Employment Benefits Trust Fund, which represent 41%, 38% and 45%, respectively, of the assets, net assets, and total deductions of the fiduciary funds. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the aforementioned entities, is based on the reports of the other auditors.

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 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 the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2008, and the respective changes in financial position and cash flows where applicable, thereof and the respective budgetary comparison for the general fund 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 our report dated December 23, 2008 on our consideration of the City'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.

Management's discussion and analysis and the schedule of funding progress for other post employment benefits as listed in the table of contents 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 City's basic financial statements. The introductory section, combining and individual fund financial statements and schedules, supplementary schedules, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying supplemental schedule of expenditures of federal and state awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of the City. The combining and individual fund financial statements and schedules, supplementary schedules, and the supplemental schedule of expenditures of federal and state awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

A handwritten signature in black ink that reads "Thompson Dunavant PC". The signature is written in a cursive, flowing style.

Memphis, Tennessee
December 23, 2008

Management's Discussion and Analysis

As management of the City of Memphis, Tennessee (the City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2008. We encourage readers to consider the information presented here in conjunction with additional information that is furnished in the letter of transmittal and notes to the financial statements. All amounts, unless otherwise indicated, are expressed in thousands of dollars.

Financial Highlights

- The primary government's total net assets decreased by \$5,715 and exceeded its liabilities at June 30, 2008 by \$2,053,428 (net assets).
- At June 30, 2008, the City's governmental activities reported ending net assets of \$143,964, a decrease of \$69,052 or 32.4% from the prior year
- The City's business-type activities reported ending net assets of \$1,909,464, an increase of \$63,337 or 3.4% from prior year.
- At June 30, 2008, the fund balance for the general fund was \$98,558, an increase of \$19,718 from prior year's restated balance. The unreserved portion of the fund balance was \$89,613.
- The City's total debt increased by \$48,215 or 1.9% during the current fiscal year.

Overview of the Financial Statements

This discussion and analysis document is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information to provide greater detail of data presented in the basic financial statements.

Government-wide Financial Statements. The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all of the City's assets and liabilities, with the difference between the two 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 City is improving or deteriorating.

The statement of activities presents information showing how the City's net assets changed during the year ended June 30, 2008. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flow in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety, community services, transportation and environment, and education. The business-type activities of the City include the operations of the regional sewer collection and treatment facilities, the distribution of electricity, gas and water, and the operation of the storm water system.

The government-wide financial statements include not only the City itself (the primary government), but also the Board of Education of the Memphis City Schools, Memphis Area Transit Authority, and the Memphis-Shelby County Airport Authority, each of which is a legally separate entity for which the City is financially accountable. Financial information for these component units is reported separately from the financial information presented for the primary government itself.

The government-wide financial statements are presented as Exhibits A-1 and A-2; component unit financial statements are presented as Exhibits A-14 and A-15.

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 City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental Funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of the governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains eighteen individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for its major funds. Data from the other sixteen governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements.

The City adopts an annual appropriated budget for its general, special revenue (except Workforce Investment Act Fund, Community Service Fund, Community Development, Central Business Improvement District Fund, Community Redevelopment Agency Fund, Midtown Corridor Fund and Education Fund), and debt service funds. Budgetary comparison statements are provided to demonstrate compliance with this budget.

The basic governmental fund financial statements, including reconciliation to the government-wide Statements of Net Assets and Activities, are presented as Exhibits A-3 through A-8.

Proprietary Funds. The City maintains two different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements.

The City uses enterprise funds to account for its sewer collection and treatment facilities, the distribution of electricity, gas and water, and operation of the storm water system. Internal service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses internal service funds to account for its printing and supply services, self insurance for health benefits, self insurance for unemployment benefits, and operations and maintenance of City vehicles. Because these services predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the sewer collection and treatment facilities and the distribution of electricity, gas and water, both of which are considered to be major funds of the City; and operations of the storm water system, a nonmajor fund. Conversely, the internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the form of combining statements.

The basic proprietary fund financial statements are presented as Exhibits A-9 through A-11.

Fiduciary Funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The actuarially determined net pension asset (negative NPO) and net other post employment benefit (OPEB) liability are reported in the government-wide statement of net assets as governmental activities.

The basic fiduciary fund financial statements are presented as Exhibits A-12 and A-13.

Notes to the Financial Statements. The notes which follow Exhibits A-1 through A-15, provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. Information concerning the City's progress in funding its obligation to provide pension benefits and other post employment benefits to its employees is included in the notes to the financial statements.

Combining and Individual Fund Statements and Schedules. Combining schedules provide detail in connection with nonmajor governmental funds and internal service funds referred to earlier. Individual fund statements provide greater detail, presented on the basis of budgeting (encumbrances included with expenditures), nonmajor special revenue and capital projects funds, and debt service fund. Capital Asset schedules present information concerning the categories of assets, function and service provided, source of funding and additions and deductions during the year. Combining and individual fund statements and schedules are presented as Exhibits B through F.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. The City's assets exceeded liabilities by \$2,053,428 at June 30, 2008.

Condensed Statement of Net Assets						
	Governmental activities		Business-type activities		Total	
	2008	2007	2008	2007	2008	2007
Current and other assets	\$ 895,621	865,280	1,897,161	1,946,978	2,792,782	2,812,258
Capital assets	1,123,525	1,111,516	1,760,971	1,732,280	2,884,496	2,843,796
Total assets	<u>2,019,146</u>	<u>1,976,796</u>	<u>3,658,132</u>	<u>3,679,258</u>	<u>5,677,278</u>	<u>5,656,054</u>
Long-term liabilities outstanding	1,241,699	1,037,103	1,399,417	1,349,784	2,641,116	2,386,887
Other liabilities	633,483	721,301	349,251	482,345	982,734	1,203,646
Total liabilities	<u>1,875,182</u>	<u>1,758,404</u>	<u>1,748,668</u>	<u>1,832,129</u>	<u>3,623,850</u>	<u>3,590,533</u>
Net assets:						
Invested in capital assets, net of related debt	98,113	162,807	1,587,881	1,512,730	1,685,994	1,675,537
Restricted	-	-	88,703	118,799	88,703	118,799
Unrestricted	45,851	55,585	232,880	215,600	278,731	271,185
Total net assets	<u>\$ 143,964</u>	<u>218,392</u>	<u>1,909,464</u>	<u>1,847,129</u>	<u>2,053,428</u>	<u>2,065,521</u>

By far the largest portion of the City's net assets (82%) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided for by other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net assets (4.3%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (13.6%) is reflective of the City's practice of maintaining adequate reserves for payment of debt service and capital projects, while funding current operations with current revenue sources.

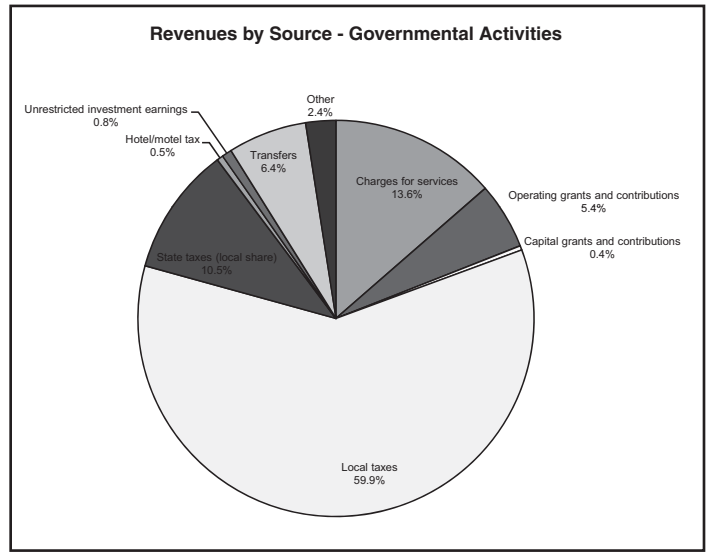
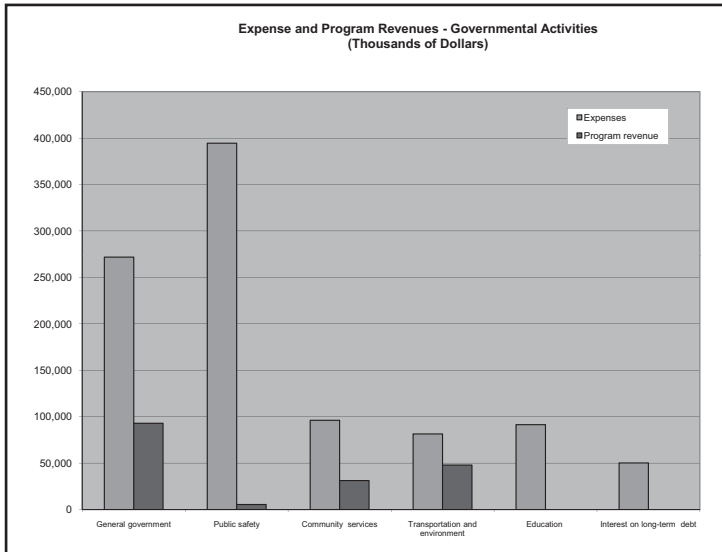
At June 30, 2008, the City reports positive balances in all three categories of net assets for its business-type activities and two categories of net assets for its governmental-type activities

Condensed Statement of Changes in Net Assets						
	Governmental activities		Business-type activities		Total	
	2008	2007	2008	2007	2008	2007
Revenues:						
Program Revenues:						
Charges for services	\$ 124,538	124,585	1,718,871	1,671,877	1,843,409	1,796,462
Operating grants and contributions	49,822	49,415	25,185	24,117	75,007	73,532
Capital grants and contributions	3,217	1,201	1,766	6,306	4,983	7,507
General revenues:						
Local taxes	549,149	541,795	-	-	549,149	541,795
State taxes (local share)	96,193	92,554	-	-	96,193	92,554
Hotel/motel tax	4,740	4,607	-	-	4,740	4,607
Unrestricted investment earnings	7,367	7,907	74,064	69,910	81,431	77,817
Other	22,455	25,740	-	-	22,455	25,740
Total revenues	857,481	847,804	1,819,886	1,772,210	2,677,367	2,620,014
Expenses:						
General government	271,906	200,184	-	-	271,906	200,184
Public safety	394,476	362,050	-	-	394,476	362,050
Community services	96,130	108,341	-	-	96,130	108,341
Transportation and environment	81,492	72,106	-	-	81,492	72,106
Education	91,392	91,405	-	-	91,392	91,405
Interest on long-term debt	50,250	44,772	-	-	50,250	44,772
Sewer collection and treatment	-	-	51,507	47,852	51,507	47,852
Memphis Light, Gas and Water	-	-	1,629,803	1,577,503	1,629,803	1,577,503
Storm Water	-	-	13,480	7,223	13,480	7,223
Golf	-	-	-	3,893	-	3,893
Total expenses	985,646	878,858	1,694,790	1,636,471	2,680,436	2,515,329
Increase in net assets before transfers	(128,165)	(31,054)	125,096	135,739	(3,069)	104,685
Transfers	59,113	59,966	(61,759)	(59,966)	(2,646)	-
Increase (decrease) in net assets	(69,052)	28,912	63,337	75,773	(5,715)	104,685
Net assets - July 1, as restated	213,016	189,480	1,846,127	1,771,356	2,059,143	1,960,836
Net assets - June 30	\$ 143,964	218,392	1,909,464	1,847,129	2,053,428	2,065,521

Governmental activities. Governmental activities decreased the City's net assets by \$69,052 and Business-Type activities increased net assets by \$63,337, thereby resulting in a decrease of less than 1% in total primary government's beginning net assets. Key elements of the governmental activities are discussed below:

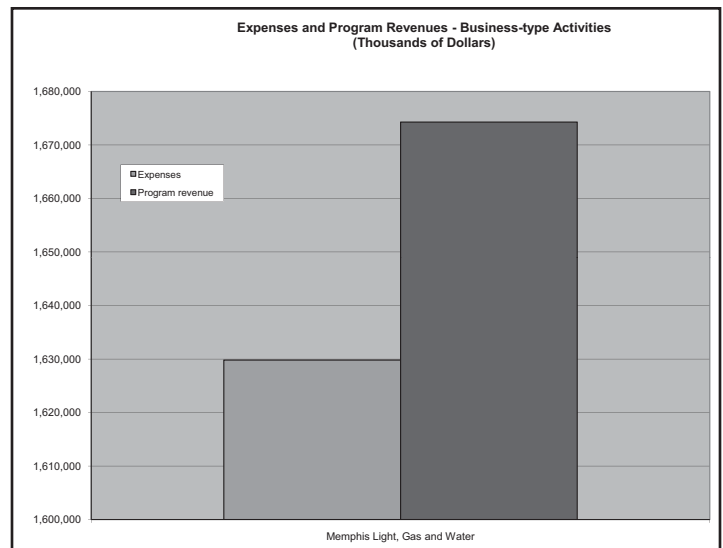
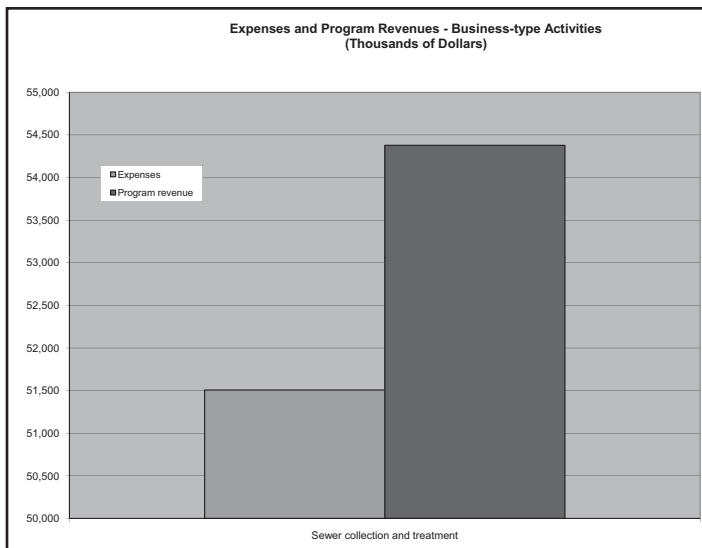
- Total expenses increased by \$106,788 or 12.2% from last year. Total revenues increased by \$9,677 or 1.1% over last year.
- The most significant increases in expenses from prior year was realized in the general government, whose expense increased by \$71,722 or 36% and public safety which increased by \$32,426 or 9%. Transportation and environment increased by \$9,386 or 13% while Community Services decreased by \$12,211 or 11.3%.
- These expense increases resulted primarily from the City's implementation of GASB 45 (Accounting for other post employment benefits (OPEB)), implementation of a summer youth job initiative, consolidation of the golf courses into the general fund and higher overtime to support crime initiatives and to compensate for vacancies in the Fire and Police divisions.
- During fiscal year 2008, revenues stayed relatively flat with an overall increase of 1.1%, primarily related

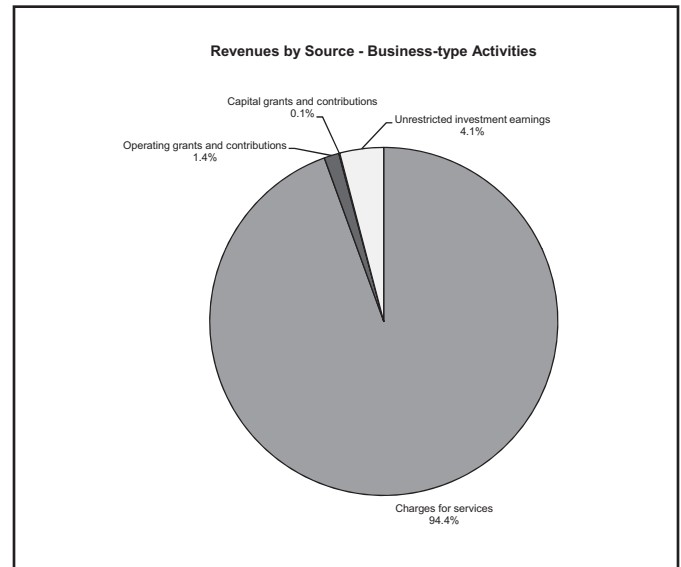
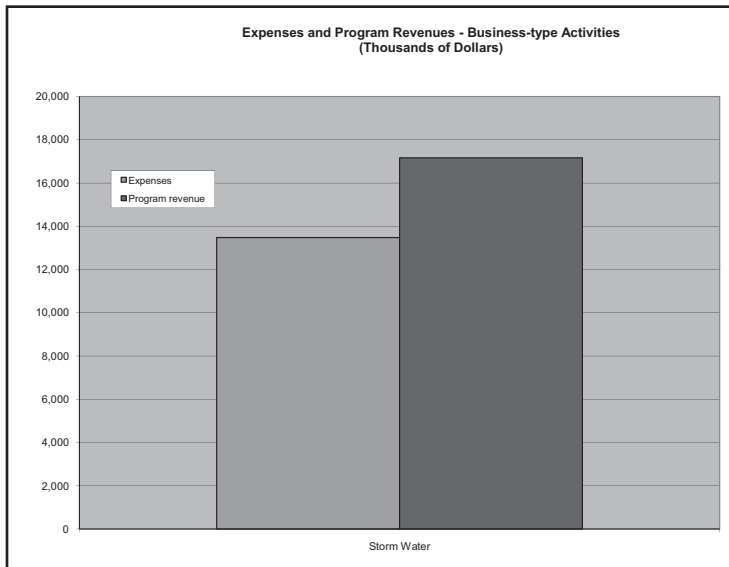
to an increase of \$7,354 or 1.4 % in local taxes and \$3,639 or 3.9% in state taxes.



Business-type activities. Business-type activities increased the City’s net assets by \$63,337, accounting for 3.4% growth in the government’s beginning net assets. Key elements of the increase are as follows:

- MLGW’s Electric Division and MLGW’s Water Division account for \$69 million and \$4.2 million of the net asset increase, respectively. Utility plant (Property, plant and construction work in progress) accounts for \$58.9 million of the increase and unrestricted net assets attributes another \$40.9 million to the increase in total net assets, offset by a \$30.7 million decline in restricted net assets in the Electric Division.
- Electric Division’s positive change in net assets resulted from total liabilities decreasing by \$81.1 million due primarily to payments of long-term debt offset by a reduction in assets due in part to a decrease in prepaid power cost and the sale of Memphis Networkx.
- The Stormwater fund also contributed \$1.8 million towards the business-type total net asset increase. These increases were offset by net asset decreases of \$10.7 million and \$1.4 million by MLGW’s Gas Division and the Sewer collection and Treatment fund.





Financial Analysis of the Government’s Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the City’s governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City’s financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government’s net resources available for spending at the end of the fiscal year.

As of June 30, 2008, the City’s governmental funds reported combined ending fund balance of \$176,252, an increase of \$69,544 in comparison with the prior year. Approximately 94.9% or \$167,307 of the fund balance constitutes unreserved fund balance, which is available for spending at the government’s discretion. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed to liquidate contracts and purchase orders of the prior period \$7,256 or for special services \$1,689.

The general fund is the chief operating fund of the City. At June 30, 2008, unreserved fund balance of the general fund was \$89,613, while total fund balance was \$98,558. As a measure of the general fund’s liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 16.5% of total general fund expenditures, while total general fund balance represents 18.1% of the fund expenditures.

The fund balance of the City’s general fund increased by \$19,718 during the fiscal year ended June 30, 2008. Key factors resulting in this increase are as follows:

- Total General Fund Revenues increased by \$14,315 or 2.80% over prior year. This increase is primarily the result of higher state income taxes, utility pilots, fines and forfeitures and higher property-related tax revenues. Also, during fiscal year 2008, certain Police charges for services were reclassified as revenues rather than shown as reductions in expenditures or expense recoveries in an effort to be consistent with GASB recommendations.

-
- Total expenditures grew by \$47,604, or 9.6% over prior year. Expenses of the general government and public safety programs increased by \$17,518 or 15.2% and \$22,865 or 7.1%, respectively. Community Services and Transportation and environment increased by \$6,314 or 11.7% and \$907 or 15.7%.
 - These increases were the direct result of increases in fuel costs, increases in utility costs, implementation of a summer youth job initiative, funding of the OPEB Trust Fund, consolidation of the golf fund into the General Fund and a one-time bonus that was provided to employees in fiscal year 2008.
 - The general fund's operating transfers out decreased by \$9,729 or 282.2% primarily as a result of a decrease in transfers out to the Debt Service Fund due to certain debt prepayments made in fiscal year 2007, a decrease in transfers out to the Solid Waste Management Fund as a result of a fiscal year 2006 solid waste fee increase which allowed fiscal year 2008 operations to be subsidized by a use of fund balance rather than a transfer from the General Fund and a decrease in transfers out to the Community Redevelopment fund.

The fund balance of the City's Debt Service fund increased by \$4,923 during the fiscal year ended June 30, 2008. Key factors resulting in this increase are as follows:

- The \$4,923 change in fund balance is down \$18,452 from last year's change.
- Total revenues decreased by \$3,715 or 4.0% primarily due to an decrease in state grants. However, total expenditures increased by \$7,028 or 8.2% due to increased principal and interest payments.
- Other financing sources were down due primarily to decreased transfers from other funds to pay their debt service obligations.

Detail for other governmental funds, including special revenue funds and the capital project fund are presented in Exhibits B-1 and B-2. Significant changes from FY 2007 are summarized as follows:

- The Capital Projects Fund's fund balance position improved from a negative position last year to a positive \$12,673. The change resulted primarily from the increased proceeds from issuance of debt.
- The New Memphis Arena Fund (FedEx Forum) activity remained relatively constant year over year. As a result, the fund deficit decreased from \$8,376 to \$7,718. The MLGW Water Division, through an agreement with the City, transfers a payment in the amount of \$2,500 per year. The agreement is effective through the year 2028. This fund also reports the collection and disbursement of certain revenues related to the bonds issued by the Sports Authority for construction of the arena.
- Solid Waste Management Fund expenditures exceeded revenues by \$3,091, thereby, reducing fund balance to \$964 from \$4,055.

Proprietary funds. The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net assets of \$229,226 comprised primarily of \$244,154 for Memphis Light, Gas and Water, which can be used for on-going operations of the public utility system and \$7,928 negative unrestricted net asset for the Sewer Collection and Treatment Fund. Both the Sewer Fund and MLGW are assessed an in-lieu-of tax payment with all proceeds allocated to the General Fund, except for the Water Division payment, which is part of the financing arrangement for the New Memphis Arena. The remaining negative \$7,000 represents unrestricted net assets of the non-major fund, Storm Water.

General Fund Budgetary Highlights

The original operating budget for FY 2008 did not anticipate any use of unreserved fund balance. After a few years of less than desirable results due to significant revenue shortfalls in state and local sales taxes, the City achieved fiscal stability primarily as a result of increased revenues and expense savings realized from cost control initiatives and spending restrictions on materials and supplies. Most divisions ended FY 2008 with expenditures below budget. Differences between the original budget and the final amended budget can be briefly summarized as follows:

- General Fund actual revenues were over budget by \$25,095 while transfers in were under budget \$25,223. Expenditures were under budget by \$20,155.
- Major revenue sources that contributed to the higher performance versus budget included state taxes, property-related taxes, gross business taxes and use of money (interest income). The transfer in actual amount was significantly lower than budget due to the decision not to execute a planned transfer from the Debt Service Fund.

Divisions with significant expenditure surpluses versus budget were led by the Police division with personnel expense savings related to lower staffing levels, the Executive division with savings related to human services programs, the Public Works division with savings related to paving programs and the Public Services division with savings related to staffing levels and higher state revenues. Additionally, the Law division contributed surpluses with lower claims, lawsuits and professional expenses to support litigation activities.

Capital Asset and Debt Administration

Capital assets. The City’s investment in capital assets for its governmental and business-type activities as of June 30, 2008 amounts to \$2,884,496 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, equipment, roads, highways, and other infrastructure. The total increase in the City’s investment in capital assets for the current fiscal year was 1.43% (a 1.08% increase for governmental activities and a 1.66% increase for business-type activities).

	Condensed Statement Capital Assets (net of depreciation)					
	Governmental activities		Business-type activities		Total	
	2008	2007	2008	2007	2008	2007
Land and buildings	\$ 403,335	415,358	47,536	50,184	450,871	465,542
Improvements other than buildings	581,504	592,014	287,119	301,496	868,623	893,510
Equipment	48,752	72,993	3,625	3,048	52,377	76,041
Construction in progress	89,934	31,151	22,406	7,102	112,340	38,253
Memphis Light, Gas and Water	-	-	1,400,285	1,370,449	1,400,285	1,370,449
Total	\$ 1,123,525	1,111,516	1,760,971	1,732,279	2,884,496	2,843,795

Major capital asset events during the current fiscal year included the following:

- Replacement of the Fire division’s computer aided dispatch (CAD) system which allows for GIS location and

- more efficient dispatching of Fire and EMS calls.
- Procurement of Car video/paperless recording system which will provide timely identification of suspects, faster information transfer and a digital record of police activities.
- Construction for the “Wolf River Greenway” a 22 mile multi-use trail with environmental and recreational benefits.
- Construction of a fourth Motor Vehicle Inspection Station to accommodate cars in areas of growth.

Additional information on the City’s capital assets can be found in Note IV (D).

Long-term debt. At June 30, 2008, the City had total bonded debt outstanding of \$2,551,555. Of this amount, \$1,155,691 comprises debt backed by the full faith and credit of the government, inclusive of self-supporting debt of the Board of Education and Airport Authority, and \$1,395,864 consisting of \$1,355,864 bonds secured solely by specified revenue sources (i.e., revenue bonds) and \$40,000 of bond anticipation notes.

Condensed Statement of Outstanding Debt						
General Obligation and Revenue Bonds						
	Governmental activities		Business-type activities		Total	
	2008	2007	2008	2007	2008	2007
General obligation bonds	1,058,181	1,003,245	-	-	1,058,181	1,003,245
Bond anticipation notes	90,000	70,000	40,000	-	130,000	70,000
Capital lease obligations	7,510	-	-	-	7,510	-
Revenue bonds	-	-	1,355,864	1,440,506	1,355,864	1,440,506
Total	\$ 1,155,691	1,073,245	1,395,864	1,440,506	2,551,555	2,513,751

The City’s total debt increased by \$37,804 (1.5% percent) during FY 2008. Total debt includes state loans, general obligation bonds, bond anticipation notes, capital outlay notes, capital lease obligations, and revenue bonds. Governmental activities’ total debt increased by 7.7%, while business-type activities’ debt decreased by 3.1%.

The City has long held a high grade bond rating on indebtedness from the major credit rating services. As of June 30, 2008, the City held ratings of A1 from Moody’s, AA from Standard and Poor’s and A+ Fitch, Inc. Among the factors most commonly cited by these firms in support of the credit rating assigned to the City’s general obligation bonds include a stable and expanding economic climate, broad revenue base, and well-managed finances. In addition, the City has maintained good relations with the rating services and the major investment institutions through comprehensive disclosure of financial data and direct meetings with rating agency officials. The City continues to follow prudent fiscal policies and practices while expanding its financial base.

The City’s full faith and credit and unlimited taxing power has been pledged to the payment of general obligation debt principal and interest. There is no legal limit on the indebtedness which may be incurred.

The City issued General Improvement Bonds of \$99,735 in May, 2008 and issued Sanitary Sewage System Revenue Bonds in December, 2007 of \$20,000. The City’s Commercial Paper Program provides for the sale of

bond anticipation notes to provide interim financing for various capital projects.

On December 13, 2007, the MLGW Electric Division Series 2002, 2003A and 2003B Revenue bonds received credit upgrades from Moody's Investors Service Aa3 to Aa2. Fitch reaffirmed AA bond ratings for the Electric Divisions Series 2002 Revenue bonds as well as the Series 2003A and 2003B revenue bonds. Standard and Poor's rated the 2002 Revenue bonds AA and the 2003A and 2003B revenue bonds AA-. The Water Division continues to hold the highest possible bond ratings—Aaa from Moody's Investors Service and AAA from Standard & Poor's. The Gas Division currently has no debt that is credit rated. More information is available in MLGW's separately issued financial statements. Separate financial statements for MLGW are issued as of and for its year-end December 31, and can be obtained by writing to MLGW Financial Statements, P.O. Box 430, Memphis, Tennessee 38101-0430.

Additional information on the City's long-term debt can be found in Note IV (G).

Economic Factors and Next Year's Budgets and Rates

Factors considered in preparing the City's budget for the 2009 fiscal year are discussed more fully in the Budget document and include:

- The US economy is experiencing some of its most challenging economic times in over twenty years. Rising unemployment, a housing market crisis, record fuel costs and turmoil in the financial and credit markets have contributed to the lowest consumer confidence index numbers since 1982.
- The aforementioned economic realities impact our State and Local economic conditions. Consequently, these circumstances translate into reduced revenues for our city and others across the US.
- The revenue plan reflects flat revenues in many areas and does not project any transfer in of resources from the Debt Service fund.
- Proposed expenses increased by 6.6% to \$581 million. Expense increases are generally the result of structural changes or divisional service enhancements necessary to meet citizen's demands.

At June 30, 2008, unreserved fund balance in the general fund was \$89,613. The City has approved an operating budget of \$580,763 in total expenditures (net of program revenue) for FY 2009, with planned contribution of \$39.6 to unreserved fund balance. The City's tax rate for FY 2009 has been set at \$3.2500 per \$100 of assessed value. The tax rate is allocated to General Fund, Education, Debt Service, and Capital Projects. The City continues to explore cost cutting measures and additional revenue sources.

Requests for Information

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or request for additional financial information may be addressed to the Office of the Director of Finance, Room 368, City of Memphis, 125 North Main, Memphis, Tennessee 38103. The Comprehensive Annual Financial Report, the 2009 Operating Budget and 5 Year Capital Improvement Program, and other general information about the City may be found on the City's website, www.memphistn.gov.

CITY OF MEMPHIS

T E N N E S S E E

BASIC FINANCIAL STATEMENTS

**BASIC FINANCIAL
STATEMENTS**

STATEMENT OF NET ASSETS
(Thousands of Dollars)
June 30, 2008

CITY OF MEMPHIS, TENNESSEE
Exhibit A-1

	<u>Primary Government</u>			Component Units
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Cash and cash equivalents	\$ 7,237	163,874	171,111	298,547
Investments	5,658	95,426	101,084	43,555
Equity in cash and investment pool	148,498	6,216	154,714	-
Restricted funds	-	64,852	64,852	-
Receivables (net of allowance for uncollectibles):				
Property taxes	415,468	-	415,468	-
Sales and income taxes	43,528	-	43,528	-
Special assessments	11	-	11	-
Federal and state grants	39,806	31	39,837	874
Interest and dividends on investments	1,347	145	1,492	504
Notes and accounts receivable	74	243,384	243,458	6,961
Housing rehabilitation loans	67,666	-	67,666	-
Other	27,368	-	27,368	5,981
Due from other agencies and governments	87,624	-	87,624	174,427
Inventories	511	49,710	50,221	13,379
Deferred purchased power and gas costs	-	1,166,520	1,166,520	-
Collateral held in trust for securities on loan	-	38,131	38,131	-
Prepaid expenses	-	-	-	1,213
Restricted assets:				
Cash and cash equivalents	-	-	-	29,312
Investments	-	47,270	47,270	190,771
Receivables				
Accounts	-	-	-	1,739
Federal and state grants	-	-	-	10,570
Accrued interest	-	-	-	2,205
Special facilities	-	-	-	31,013
Non-depreciable capital assets	152,494	155,766	308,260	195,245
Depreciable capital assets (net of accumulated depreciation)	971,031	1,605,205	2,576,236	1,769,630
Bond issue costs	-	-	-	7,023
Net pension asset	50,825	-	50,825	-
Other assets	-	21,602	21,602	12
Unrestricted assets:				
Investments	-	-	-	7,620
Total assets	\$ 2,019,146	3,658,132	5,677,278	2,790,581

(Continued)

STATEMENT OF NET ASSETS
(Thousands of Dollars)
June 30, 2008

CITY OF MEMPHIS, TENNESSEE
Exhibit A-1
(Continued)

	<u>Primary Government</u>			Component Units
	Governmental Activities	Business-type Activities	Total	
LIABILITIES				
Accounts payable and accrued liabilities	\$ 53,771	310,298	364,069	118,709
Accrued interest payable	13,231	-	13,231	-
Contract retainage	39	822	861	-
Insurance claims payable	11,400	-	11,400	20,083
Legal claims and judgments	15,204	-	15,204	-
Due to other agencies and governments	12,956	-	12,956	-
Refundable bonds and deposits	893	-	893	-
Unearned revenue	506,314	-	506,314	70,505
Collateral subject to return to borrowers	-	38,131	38,131	-
Other post employment benefits	19,675	-	19,675	-
Noncurrent liabilities:				
Due within one year	149,207	137,019	286,226	33,810
Due in more than one year	1,092,492	1,262,398	2,354,890	717,577
Total liabilities	1,875,182	1,748,668	3,623,850	960,684
NET ASSETS				
Invested in capital assets, net of related debt	98,113	1,587,881	1,685,994	1,432,591
Restricted for:			-	
Debt service and construction	-	88,703	88,703	-
Capital acquisition	-	-	-	250,807
Contracted grant programs	-	-	-	4,389
Food service	-	-	-	9,304
Self insurance	-	-	-	500
Unrestricted:				
Net Pension Asset	50,825	-	50,825	-
Unrestricted, other	(4,974)	232,880	227,906	132,306
Total net assets	\$ 143,964	1,909,464	2,053,428	1,829,897

The notes to the financial statements are an integral part of this statement.

STATEMENT OF ACTIVITIES
(Thousands of Dollars)
For the fiscal year ended June 30, 2008

CITY OF MEMPHIS, TENNESSEE
Exhibit A-2

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets			Component Units
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business-Type Activities	Total	
Functions/Programs								
Primary government:								
Governmental Activities:								
General government	\$ 271,906	71,398	18,298	3,217	(178,993)	-	(178,993)	-
Public safety	394,476	5,203	313	-	(388,960)	-	(388,960)	-
Community services	96,130	147	31,148	-	(64,835)	-	(64,835)	-
Transportation and environment	81,492	47,790	63	-	(33,639)	-	(33,639)	-
Education	91,392	-	-	-	(91,392)	-	(91,392)	-
Interest on long-term debt	50,250	-	-	-	(50,250)	-	(50,250)	-
Total governmental activities	985,646	124,538	49,822	3,217	(808,069)	-	(808,069)	-
Business-type activities:								
Sewer collection and treatment	51,507	52,510	103	1,766	-	2,872	2,872	-
Memphis Light, Gas and Water	1,629,803	1,649,378	24,897	-	-	44,472	44,472	-
Storm water	13,480	16,983	185	-	-	3,688	3,688	-
Total business-type activities	1,694,790	1,718,871	25,185	1,766	-	51,032	51,032	-
Total primary government	\$ 2,680,436	1,843,409	75,007	4,983	(808,069)	51,032	(757,037)	-
Component units:								
Board of Education	\$ 1,172,727	40,438	662,259	-	-	-	-	(470,030)
Memphis Area Transit Authority	60,591	10,472	-	5,206	-	-	-	(44,913)
Airport Authority	133,213	111,547	-	27,547	-	-	-	5,881
Total component units	\$ 1,366,531	162,457	662,259	32,753	-	-	-	(509,062)

CITY OF MEMPHIS, TENNESSEE
Exhibit A-2
(Continued)

STATEMENT OF ACTIVITIES
(Thousands of Dollars)
For the fiscal year ended June 30, 2008

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
				Governmental Activities	Business-Type Activities	Total
Expenses						Component Units
General revenues:						
Local taxes:						
Property taxes - levied for education				92,438	-	92,438
Property taxes - levied for debt service				77,946	-	77,946
Property taxes - levied for capital projects				361	-	361
Property taxes - levied for general government				210,413	-	210,413
Interest, penalties and commission - property taxes				7,551	-	7,551
Sales tax, general				99,371	-	99,371
Sales tax, beer				15,392	-	15,392
Gross receipts tax				9,692	-	9,692
Franchise tax				5,527	-	5,527
Other local taxes				30,458	-	30,458
State taxes:						
Sales tax				49,470	-	49,470
Income tax				15,774	-	15,774
Beer tax				377	-	377
Alcoholic beverage tax				261	-	261
Gasoline inspection tax				1,502	-	1,502
State gas motor fuel tax				13,361	-	13,361
Three-cent tax				3,876	-	3,876
One-cent tax				2,089	-	2,089
Tourism development				9,483	-	9,483
Hotel/motel tax				4,740	-	4,740
Grants and contributions not restricted to specific programs				-	-	446,869
City of Memphis subsidy				-	-	20,293
Investment income				7,367	74,064	81,431
Intergovernmental Revenues				9,315	-	9,315
Federal grants and entitlements				-	-	11,182
State grants				-	-	7,698
Other				13,140	-	13,140
Transfers				59,113	(61,759)	(2,646)
Total general revenues and transfers				739,017	12,305	751,322
Change in net assets				(69,052)	63,337	(5,715)
Net assets - beginning, as restated				213,016	1,846,127	2,059,143
Net assets - ending				\$ 143,964	\$ 1,909,464	\$ 2,053,428

The notes to the financial statements are an integral part of this statement.

Note: A discrepancy of \$2,646 exists between the amount reported as transfers from MLG&W by the General fund and transfers to the General fund by MLGW due to a transaction occurring subsequent to MLGW's year end and prior to the City's June 30th year end.

**BALANCE SHEET
GOVERNMENTAL FUNDS
(Thousands of Dollars)
June 30, 2008**

**CITY OF MEMPHIS, TENNESSEE
Exhibit A-3**

	General	Debt Service	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 41	-	7,196	7,237
Investments	10	-	5,648	5,658
Equity in cash and investment pool	52,083	46,011	35,226	133,320
Receivables (net of allowance for uncollectibles):				
Property taxes:				
Current property taxes	268,928	81,975	24,835	375,738
Delinquent property taxes	21,428	8,129	10,173	39,730
Sales and income taxes	43,528	-	-	43,528
Special assessments	-	11	-	11
Federal and state grants	1,391	-	38,415	39,806
Interest and dividends on investments	201	94	1,052	1,347
Housing rehabilitation loans	-	-	67,666	67,666
Other	22,039	-	5,328	27,367
Due from other funds	27,763	12,015	5,717	45,495
Due from other agencies and governments	2,307	33,667	6,331	42,305
Total assets	\$ 439,719	181,902	207,587	829,208
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable and accrued liabilities	\$ 32,027	175	16,125	48,327
Contract retainage	-	-	39	39
Due to other funds	13	-	37,826	37,839
Due to other agencies and governments	1,582	-	1,574	3,156
Refundable bonds and deposits	893	-	-	893
Deferred revenue	306,646	123,011	133,045	562,702
Total liabilities	341,161	123,186	188,609	652,956
Fund balances:				
Fund balances:				
Reserved for				
Encumbrances	7,256	-	-	7,256
Parks special services	1,689	-	-	1,689
Undesignated				
General fund	89,613	-	-	89,613
Special revenue funds	-	-	6,305	6,305
Debt service fund	-	58,716	-	58,716
Capital projects fund	-	-	12,673	12,673
Total fund balances	98,558	58,716	18,978	176,252
Total liabilities and fund balances	\$ 439,719	181,902	207,587	829,208

See accompanying notes to financial statements.

**RECONCILIATION OF THE BALANCE SHEET TO
THE STATEMENT OF NET ASSETS
(Thousands of Dollars)
June 30, 2008**

**CITY OF MEMPHIS, TENNESSEE
Exhibit A-4**

Amounts reported for governmental activities in the statement of net assets are different because:

Total governmental fund balances:	\$ 176,252
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	1,123,525
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	90,003
Net pension assets should be reported as an asset in the government-wide statement of net assets. This is the cumulative amount by which the City has overfunded its pension obligations.	50,825
Other post employment benefits (OPEB) liabilities should be reported as a liability in the government-wide statement of net assets. This is the cumulative amount by which the City has underfunded its OPEB obligations.	(19,675)
Internal service funds are used by management to charge the costs of printing & mail, information systems, health insurance, unemployment compensation, and fleet management to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.	(8,811)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	<u>(1,268,155)</u>
Net assets of governmental activities	<u>\$ 143,964</u>

The notes to the financial statements are an integral part of this statement.

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES / GOVERNMENTAL FUNDS**

**CITY OF MEMPHIS, TENNESSEE
Exhibit A-5**

(Thousands of Dollars)

For the fiscal year ended June 30, 2008

	General	Debt Service	Other Governmental Funds	Total Governmental Funds
REVENUES				
Local taxes	\$ 368,754	77,946	101,395	548,095
State taxes (local share)	67,384	-	28,809	96,193
Hotel/motel tax	-	398	4,342	4,740
Licenses and permits	11,934	-	-	11,934
Fines and forfeitures	10,040	-	5,203	15,243
Charges for services	28,395	-	48,393	76,788
Investment income	4,638	2,382	347	7,367
Federal grants and entitlements	761	-	36,598	37,359
State grants	1,600	-	6,308	7,908
Intergovernmental revenues	3,557	5,758	1,892	11,207
Other	13,730	1,094	3,596	18,420
Total revenues	510,793	87,578	236,883	835,254
EXPENDITURES				
Current:				
General government	132,874	-	34,341	167,215
Public safety	342,771	-	4,595	347,366
Community services	60,071	-	31,874	91,945
Transportation and environment	6,676	-	67,580	74,256
Education	-	-	92,438	92,438
Capital outlay	-	-	79,089	79,089
Debt service:				
Redemption of serial bonds and notes	-	42,925	-	42,925
Interest	-	49,015	-	49,015
Bond issuance cost	-	21	1,911	1,932
Service charges	-	581	-	581
Total expenditures	542,392	92,542	311,828	946,762
Revenues (under) expenditures	(31,599)	(4,964)	(74,945)	(111,508)
OTHER FINANCING SOURCES (USES)				
Transfers in	54,765	9,903	5,642	70,310
Transfers out	(3,448)	(16)	(7,733)	(11,197)
Issuance of debt	-	-	189,735	189,735
Retirement of refunded debt obligation	-	-	(70,000)	(70,000)
Premium on debt issue	-	-	2,204	2,204
Total other financing sources (uses)	51,317	9,887	119,848	181,052
Net change in fund balances	19,718	4,923	44,903	69,544
Fund balances - beginning of year, as restated	78,840	53,793	(25,925)	106,708
Fund balances - end of year	\$ 98,558	58,716	18,978	176,252

**RECONCILIATION OF THE STATEMENT OF REVENUES
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
(Thousands of Dollars)
For the fiscal year ended June 30, 2008**

Amounts reported for governmental activities in the statement of net activities are different because:

Net change in fund balances - total governmental funds	\$ 69,544
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	4,351
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(5,041)
The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	(86,630)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	(46,375)
Internal service funds are used by management to charge the costs of printing & mail, information systems, health insurance, unemployment compensation, and fleet management to individual funds. The net expenditure of certain activities of internal service funds is reported with governmental activities.	<u>(4,901)</u>
Change in net assets of governmental activities	<u><u>\$(69,052)</u></u>

The notes to the financial statements are an integral part of this statement.

**GENERAL FUND
STATEMENT OF REVENUES AND OTHER SOURCES -
BUDGET AND ACTUAL ON BASIS OF BUDGETING
(Thousands of Dollars)
For the fiscal year ended June 30, 2008**

**CITY OF MEMPHIS, TENNESSEE
Exhibit A-7**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget- Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Local taxes:				
Property taxes	\$ 206,754	206,754	210,413	3,659
Interest, penalties and commission - property taxes	6,762	6,762	7,551	789
Receipts in lieu of taxes contractual	10,150	10,150	10,262	112
Sales tax general	104,968	97,968	99,371	1,403
Sales tax beer	15,163	15,163	15,392	229
Alcoholic beverage tax	3,811	3,811	4,007	196
Liquor by the drink tax	2,520	2,520	2,492	(28)
Gross receipts tax	8,264	8,264	9,692	1,428
Excise tax	793	793	709	(84)
Franchise tax	4,998	4,998	5,527	529
Other local taxes	2,014	2,014	3,338	1,324
Total local taxes	366,197	359,197	368,754	9,557
State taxes (local share):				
Sales tax	49,945	49,945	49,470	(475)
Income taxes	9,002	9,002	15,774	6,772
Beer taxes	356	356	377	21
Alcoholic beverage tax	232	232	261	29
Gasoline inspection fees	1,526	1,526	1,502	(24)
Total state taxes (local share)	61,061	61,061	67,384	6,323
Licenses and permits:				
Auto licenses	10,504	10,504	10,677	173
Dog licenses	434	434	389	(45)
Liquor by the drink licenses	291	291	304	13
Other	448	448	564	116
Total licenses and permits	11,677	11,677	11,934	257
Fines and forfeitures:				
City courts	8,148	8,148	9,137	989
Library	1,015	1,015	903	(112)
Total fines and forfeitures	\$ 9,163	9,163	10,040	877

(Continued)

GENERAL FUND
STATEMENT OF REVENUES AND OTHER SOURCES -
BUDGET AND ACTUAL ON BASIS OF BUDGETING
(Thousands of Dollars)
For the fiscal year ended June 30, 2008

CITY OF MEMPHIS, TENNESSEE
Exhibit A-7
(Continued)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
Charges for services:				
Building and other inspection fees	\$ 838	835	722	(113)
Park commission revenues	5,920	5,920	4,381	(1,539)
Parking meter revenues	580	580	479	(101)
Ambulance service fees	15,585	15,585	15,205	(380)
Rents	1,678	1,678	1,641	(37)
Tax sale attorney fees	-	-	801	801
Wrecker and storage fees	-	-	2,167	2,167
Police special events	-	-	1,893	1,893
911 emergency services	-	-	293	293
Other	2,475	2,525	813	(1,712)
Total charges for services	27,076	27,123	28,395	1,272
Investment income:				
Interest on investments	236	4,236	4,630	394
Other	100	100	8	(92)
Total investment income	336	4,336	4,638	302
Federal grants	384	384	761	377
State grants	754	800	1,600	800
Intergovernmental revenues	3,557	3,557	3,557	-
Other:				
Auctions and sale of assets	2,227	2,227	4,034	1,807
Property damage reimbursement	301	301	231	(70)
Property insurance recoveries	-	-	1,277	1,277
Local shared revenue	2,375	2,576	4,665	2,089
Miscellaneous	3,241	3,296	3,523	227
Total other	8,144	8,400	13,730	5,330
Total revenues	\$ 488,349	485,698	510,793	25,095
Other source:				
Transfers in:				
Debt service fund	\$ 18,000	24,000	-	(24,000)
Sewer collection and treatment fund	5,486	5,486	5,376	(110)
MLG&W fund	50,500	50,500	49,389	(1,111)
Community services fund	2	2	-	(2)
Total other source	\$ 73,988	79,988	54,765	(25,223)

GENERAL FUND
STATEMENT OF EXPENDITURES AND OTHER USES -
BUDGET AND ACTUAL ON BASIS OF BUDGETING
(Thousands of Dollars)
For the fiscal year ended June 30, 2008

CITY OF MEMPHIS, TENNESSEE
Exhibit A-8

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
EXPENDITURES				
General government:				
Legislative:				
Personal services	\$ 1,330	1,330	1,312	18
Materials and supplies	561	471	283	188
Total legislative	1,891	1,801	1,595	206
Judicial:				
Personal services	625	616	548	68
Materials and supplies	68	77	77	-
Total judicial	693	693	625	68
Court clerk:				
Personal services	2,876	2,869	2,869	-
Materials and supplies	421	521	320	201
Capital outlay	132	39	16	23
Total court clerk	3,429	3,429	3,205	224
Executive:				
Personal services	5,903	5,903	5,431	472
Materials and supplies	1,696	1,861	1,316	545
Capital outlay	36	61	20	41
Grants and subsidies	4,006	4,006	1,523	2,483
Expense reimbursement	(85)	(85)	(30)	(55)
Total executive	11,556	11,746	8,260	3,486
Finance and administration:				
Personal services	4,710	4,634	4,033	601
Materials and supplies	1,261	1,452	1,417	35
Capital outlay	-	50	-	50
Expense reimbursement	(777)	(777)	(797)	20
Total finance and administration	\$ 5,194	5,359	4,653	706

(Continued)

GENERAL FUND
STATEMENT OF EXPENDITURES AND OTHER USES -
BUDGET AND ACTUAL ON BASIS OF BUDGETING
(Thousands of Dollars)
For the fiscal year ended June 30, 2008

CITY OF MEMPHIS, TENNESSEE
Exhibit A-8
(Continued)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
City attorney:				
Personal services	\$ 4,237	4,237	4,024	213
Materials and supplies	15,500	16,015	13,104	2,911
Expense reimbursement	(3,991)	(3,991)	(3,323)	(668)
Total city attorney	15,746	16,261	13,805	2,456
City engineer:				
Personal services	8,815	8,815	8,363	452
Materials and supplies	2,268	1,976	1,673	303
Capital outlay	45	45	-	45
Expense reimbursement	(5,197)	(5,197)	(4,878)	(319)
Total city engineer	5,931	5,639	5,158	481
Information systems:				
Personal services	2,643	2,643	2,351	292
Materials and supplies	16,584	16,584	15,696	888
Capital outlay	848	848	803	45
Expense reimbursement	(1,615)	(1,615)	(1,701)	86
Total information systems	18,460	18,460	17,149	1,311
Human resources:				
Personal services	5,128	5,128	4,021	1,107
Materials and supplies	4,219	4,226	3,123	1,103
Capital outlay	29	22	10	12
Expense reimbursement	(332)	(332)	(399)	67
Total human resources	9,044	9,044	6,755	2,289
General services:				
Personal services	9,692	8,813	8,517	296
Materials and supplies	4,062	5,175	5,174	1
Capital outlay	330	241	170	71
Expense reimbursement	(2,301)	(2,532)	(2,852)	320
Total general services	11,783	11,697	11,009	688
Special appropriations:				
Personal services	4,695	454	128	326
Materials and supplies	30	30	16	14
Grants and subsidies	63,502	64,552	64,200	352
Expense reimbursement	(3,317)	(3,317)	(3,317)	-
Total special appropriations	64,910	61,719	61,027	692
Total general government	\$ 148,637	145,848	133,241	12,607

(Continued)

**GENERAL FUND
STATEMENT OF EXPENDITURES AND OTHER USES -
BUDGET AND ACTUAL ON BASIS OF BUDGETING
(Thousands of Dollars)
For the fiscal year ended June 30, 2008**

**CITY OF MEMPHIS, TENNESSEE
Exhibit A-8
(Continued)**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
Public safety:				
Police:				
Personal services	\$ 179,510	177,309	172,360	4,949
Materials and supplies	19,311	21,512	21,485	27
Capital outlay	178	178	139	39
Expense reimbursement	(5,161)	(5,161)	(448)	(4,713)
Total police	193,838	193,838	193,536	302
Fire:				
Personal services	134,737	137,658	137,593	65
Materials and supplies	13,350	11,756	11,624	132
Capital outlay	1,314	714	621	93
Expense reimbursement	(513)	(513)	(223)	(290)
Total fire	148,888	149,615	149,615	-
Total public safety	342,726	343,453	343,151	302
Parks and recreation:				
Personal services	17,458	16,808	16,769	39
Materials and supplies	13,103	14,599	14,594	5
Capital outlay	156	156	124	32
Inventory	92	16	15	1
Expense reimbursement	(263)	(213)	(182)	(31)
Total parks and recreation	\$ 30,546	31,366	31,320	46

(Continued)

GENERAL FUND
STATEMENT OF EXPENDITURES AND OTHER USES -
BUDGET AND ACTUAL ON BASIS OF BUDGETING
(Thousands of Dollars)
For the fiscal year ended June 30, 2008

CITY OF MEMPHIS, TENNESSEE
Exhibit A-8
(Continued)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
Public Service:				
Personal services	\$ 18,740	18,400	16,041	2,359
Materials and supplies	5,433	5,998	5,753	245
Capital outlay	5	5	2	3
Grants and subsidies	393	63	52	11
Total public service	24,571	24,466	21,848	2,618
Community development:				
Personal services	2,231	1,080	1,068	12
Materials and supplies	1,307	905	743	162
Capital outlay	4	5	3	2
Grants and subsidies	3,539	3,289	3,247	42
Total community development	7,081	5,279	5,061	218
Community enhancement:				
Personal services	-	3,796	2,105	1,691
Materials and supplies	-	691	638	53
Capital outlay	-	231	65	166
Grants and subsidies	-	(48)	(26)	(22)
Total community enhancement	-	4,670	2,782	1,888
Total community services	62,198	65,781	61,011	4,770
Transportation and environment:				
Public works:				
Personal services	7,435	7,435	6,719	716
Materials and supplies	17,495	17,495	14,949	2,546
Expense reimbursement	(15,561)	(15,561)	(14,775)	(786)
Total public works	9,369	9,369	6,893	2,476
Total transportation and environment	9,369	9,369	6,893	2,476
Total expenditures	\$ 562,930	564,451	544,296	20,155
Other use - transfers out:				
Debt service fund	\$ 963	1,266	1,264	2
Stormwater fund	452	452	452	-
Miscellaneous grants fund	138	138	59	79
Community redevelopment fund	1,512	1,674	1,673	1
Total transfers out	3,065	3,530	3,448	82
Total other use	\$ 3,065	3,530	3,448	82

**STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
(Thousands of Dollars)
June 30, 2008**

**CITY OF MEMPHIS, TENNESSEE
Exhibit A-9**

Business Type Activities - Enterprise Funds

	Major Funds					Non - Major Fund	Total	Governmental Activities- Internal Service Funds
	Sewer Collection and Treatment	MLGW Electric Division	MLGW Gas Division	MLGW Water Division				
ASSETS								
Current assets:								
Cash and cash equivalents	\$ 246	111,912	36,197	15,518	1	163,874	1	
Investments	25,647	49,038	13,932	6,809	-	95,426	-	
Equity in cash and investment pool	6,216	-	-	-	-	6,216	15,178	
Restricted funds - current	-	32,117	25,147	7,588	-	64,852	-	
Receivables:								
Notes and accounts	3,375	126,821	82,419	12,176	1,457	226,248	74	
Interest on investments	145	-	-	-	-	145	-	
Federal and state grants	-	-	-	-	31	31	-	
Due from other funds	-	-	-	-	-	-	8,898	
Prepaid power cost	-	88,783	2,828	-	-	91,611	-	
Inventories of materials and supplies	-	22,708	24,741	2,261	-	49,710	511	
Collateral held in trust for securities on loan	-	24,996	9,086	4,049	-	38,131	-	
Other current assets	-	2,353	8,955	-	-	11,308	-	
Total current assets	35,629	458,728	203,305	48,401	1,489	747,552	24,662	
Non-current assets:								
Restricted assets:								
Investments, less current portion	-	22,460	8,113	16,697	-	47,270	-	
Total restricted assets	-	22,460	8,113	16,697	-	47,270	-	
Capital assets:								
Land	13,692	-	-	-	-	13,692	-	
Buildings	106,090	-	-	-	-	106,090	-	
Utility plant	-	1,348,472	521,763	409,888	-	2,280,123	-	
Improvements other than buildings	497,193	-	-	-	22,126	519,319	-	
Machinery and equipment	22,533	-	-	-	7,006	29,539	3,597	
Less accumulated depreciation and amortization	(316,910)	(493,792)	(226,339)	(159,707)	(13,450)	(1,210,198)	(3,214)	
Total capital assets	322,598	854,680	295,424	250,181	15,682	1,738,565	383	
Construction in progress	11,209	-	-	-	11,197	22,406	-	
Net capital assets	333,807	854,680	295,424	250,181	26,879	1,760,971	383	
Other noncurrent assets:								
Notes receivable	-	2,664	13,124	1,348	-	17,136	-	
Prepaid power cost - long term	-	1,074,909	-	-	-	1,074,909	-	
Prepayments In Lieu of Taxes	-	1,450	498	-	-	1,948	-	
Unamortized debt expense	-	7,874	-	-	-	7,874	-	
Other assets	472	-	-	-	-	472	-	
Total other noncurrent assets	472	1,086,897	13,622	1,348	-	1,102,339	-	
Total noncurrent assets	334,279	1,964,037	317,159	268,226	26,879	2,910,580	383	
Total assets	\$ 369,908	2,422,765	520,464	316,627	28,368	3,658,132	25,045	

(Continued)

**STATEMENT OF NET ASSETS
 PROPRIETARY FUNDS
 (Thousands of Dollars)
 June 30, 2008**

**CITY OF MEMPHIS, TENNESSEE
 Exhibit A-9
 (Continued)**

Business Type Activities - Enterprise Funds

	Major Funds				Non - Major Fund	Total	Governmental Activities- Internal Service Funds
	Sewer Col- lection and Treatment	MLGW Electric Division	MLGW Gas Division	MLGW Water Division			
LIABILITIES							
Current liabilities:							
Accounts payable	\$ 1,546	104,581	49,576	-	1,040	156,743	4,194
Bonds and notes payable	-	78,238	40,000	-	-	118,238	-
Accrued liabilities	3,150	41,670	17,374	9,651	502	72,347	-
Payables due from restricted assets	-	24,002	7,046	4,488	-	35,536	-
Insurance claims payable	-	-	-	-	-	-	11,400
Contract retainage	468	-	-	-	354	822	-
Due to other funds	4,612	-	-	-	5,365	9,977	5,412
Deferred revenue	-	-	-	-	-	-	6,834
Current installment of revenue bonds payable	8,285	7,074	-	3,100	-	18,459	-
Collateral subject to return to borrowers	-	24,996	9,086	4,049	-	38,131	-
Vacation, sick and other leave benefits	2,797	-	-	-	1,228	4,025	1,979
Total current liabilities paid from current assets	20,858	280,561	123,082	21,288	8,489	454,278	29,819
Long-term (net of current maturities):							
Revenue bonds payable	137,125	1,113,829	-	7,741	-	1,258,695	-
Customer common deposits	-	17,443	4,466	528	-	22,437	-
Other	-	7,247	8,027	1,638	-	16,912	-
Total long-term liabilities	137,125	1,138,519	12,493	9,907	-	1,298,044	-
Total liabilities	157,983	1,419,080	135,575	31,195	8,489	1,752,322	29,819
NET ASSETS (DEFICIT)							
Invested in capital assets, net of related debt	188,397	837,840	295,424	239,341	26,879	1,587,881	383
Restricted for debt service and construction	31,456	15,412	22,566	19,269	-	88,703	-
Unrestricted (deficit)	(7,928)	150,433	66,899	26,822	(7,000)	229,226	(5,157)
TOTAL NET ASSETS (DEFICIT)	\$ 211,925	1,003,685	384,889	285,432	19,879	1,905,810	(4,774)
Adjustment to reflect the consolidation of internal service funds related to enterprise funds						3,654	
Net assets of business-type activities						\$ 1,909,464	

See accompanying notes to financial statements.

**STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN FUND NET ASSETS / PROPRIETARY FUNDS
(Thousands of Dollars)
For the fiscal year ended June 30, 2008**

**CITY OF MEMPHIS, TENNESSEE
Exhibit A-10**

	Business Type Activities - Enterprise Funds						
	Major Funds				Non - Major Fund	Total	Governmental Activities- Internal Service Funds
	Sewer Collection and Treatment	MLGW Electric Division	MLGW Gas Division	MLGW Water Division			
Charges for services	\$ 52,510	1,128,491	442,382	78,505	16,983	1,718,871	111,545
Operating revenues	52,510	1,128,491	442,382	78,505	16,983	1,718,871	111,545
Operating expenses other than depreciation and amortization:							
Personal services	15,451	-	-	-	7,768	23,219	8,999
Materials, supplies, services, and other	17,324	-	-	-	2,381	19,705	6,121
Capital outlay	-	-	-	-	2,779	2,779	42
Purchased power and gas for resale	-	878,396	351,164	-	-	1,229,560	-
Production	-	-	-	14,522	-	14,522	-
Operation	-	106,488	68,525	41,120	-	216,133	-
Maintenance	-	39,819	10,423	7,829	-	58,071	-
In Lieu of Taxes	-	564	213	-	-	777	-
Inventory	-	-	-	-	-	-	17,857
Claims incurred	-	-	-	-	-	-	83,938
Total operating expenses other than depreciation and amortization	32,775	1,025,267	430,325	63,471	12,928	1,564,766	116,957
Operating income (loss) before depreciation and amortization	19,735	103,224	12,057	15,034	4,055	154,105	(5,412)
Depreciation and amortization:							
On assets acquired with own funds	12,692	37,183	13,286	10,446	552	74,159	67
Operating income (loss)	7,043	66,041	(1,229)	4,588	3,503	79,946	(5,479)
Non-operating revenues:							
Transmission credits	-	24,897	-	-	-	24,897	-
Investment income	1,510	64,008	5,876	2,670	-	74,064	979
State grant	-	-	-	-	181	181	-
Other	103	-	-	-	4	107	-
Total non-operating revenues	1,613	88,905	5,876	2,670	185	99,249	979
Non-operating expenses:							
Interest on bonded indebtedness	6,441	47,899	720	557	-	55,617	-
Telecommunications division loss	-	649	-	-	-	649	-
Total non-operating expenses	6,441	48,548	720	557	-	56,266	-
Income (loss) before capital contributions and transfers	2,215	106,398	3,927	6,701	3,688	122,929	(4,500)
Transfers in	-	-	-	-	452	452	-
Transfers out	(5,376)	(37,397)	(14,638)	(2,500)	(2,300)	(62,211)	-
Capital contributions	1,766	-	-	-	-	1,766	-
Change in net assets (deficit)	(1,395)	69,001	(10,711)	4,201	1,840	62,936	(4,500)
Total net assets (deficit) - beginning of year, as restated	213,320	934,684	395,600	281,231	18,039		(274)
Total net assets (deficit) - end of year	\$ 211,925	1,003,685	384,889	285,432	19,879		(4,774)
Adjustment to reflect the consolidation of internal service funds related to enterprise funds						401	
Change in net assets of business-type activities						\$ 63,337	

See accompanying notes to financial statements.

**STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
(Thousands of Dollars)
For the fiscal year ended June 30, 2008**

**CITY OF MEMPHIS, TENNESSEE
Exhibit A-11**

	Sewer Col- lection and Treatment	MLGW Electric Division	MLGW Gas Division	MLGW Water Division	Non-Major Funds	Total	Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES:							
Receipts from customers and users	\$ 52,375	1,137,471	428,734	80,023	16,629	1,715,232	315
Receipts from other division funds	-	-	254	1,382	-	1,636	28,767
Medicare Part D	-	-	-	-	-	-	1,377
Employee contributions	-	-	-	-	-	-	23,291
Employer contributions	-	-	-	-	-	-	57,958
Payments to suppliers	(20,978)	(785,296)	(393,466)	(33,156)	(4,132)	(1,237,028)	(5,125)
Payments to employees	(12,166)	(80,629)	(43,646)	(30,634)	(6,126)	(173,201)	(8,669)
Payments to other division funds	-	(2,103)	-	-	-	(2,103)	9,515
Payments for taxes	-	(510)	(236)	-	-	(746)	-
Payments for inventory	-	-	-	-	-	-	(17,898)
Payments for claims incurred	-	-	-	-	-	-	(80,088)
Other receipts	-	314	-	-	-	314	-
Net cash provided (used) by operating activities	19,231	269,247	(8,360)	17,615	6,371	304,104	9,443
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:							
Transfers to City	-	(37,397)	(14,638)	(2,500)	-	(54,535)	-
Receipt of Miscellaneous Revenue	104	-	-	-	4	108	-
Principal payments on long-term debt	-	(74,795)	-	-	-	(74,795)	-
Interest expense on bonds	-	(57,731)	-	-	-	(57,731)	-
Proceeds from issuance of notes payable	-	-	40,000	-	-	40,000	-
Interest expense on notes payable	-	-	(325)	-	-	(325)	-
Advances from other funds	-	-	-	-	1,114	1,114	-
Transfers from other funds	-	-	-	-	452	452	-
Transfers to other funds	(5,376)	-	-	-	(2,300)	(7,676)	-
Net cash provided (used) by noncapital and related financing	(5,272)	(169,923)	25,037	(2,500)	(730)	(153,388)	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:							
Proceeds from sale of revenue bonds	20,000	-	-	-	-	20,000	-
Bond issue costs	44	-	-	-	-	44	-
Acquisition and construction of capital assets	(11,934)	(84,789)	(12,447)	(20,032)	(5,820)	(135,022)	(216)
Contributions in aid of construction	-	15,776	1,839	5,002	-	22,617	-
Sale(Purchase) of utility plant to/from other Divisions	-	(22,474)	22,474	-	-	-	-
Receipts from state grants	-	-	-	-	180	180	-
Principal payments on capital debt	(8,290)	(6,548)	-	(2,975)	-	(17,813)	-
Interest payments on capital debt	(6,441)	(1,295)	-	(579)	-	(8,315)	-
Capital contributions	1,766	-	-	-	-	1,766	-
Net cash provided (used) by capital and related financing activities	(4,855)	(99,330)	11,866	(18,584)	(5,640)	(116,543)	(216)
CASH FLOWS FROM INVESTING ACTIVITIES:							
Sales and maturities of investments	14,608	44,820	335	9,163	-	68,926	-
Purchase of investments	(20,434)	(39,621)	(14,659)	(6,728)	-	(81,442)	-
Payments received on notes receivable	-	1,709	1,967	183	-	3,859	-
Issuance of notes receivable	-	-	-	(308)	-	(308)	-
Investment income earned on investments	1,483	14,174	5,679	2,407	-	23,743	979
Investment in Memphis Networx	-	355	-	-	-	355	-
Net cash provided (used) by investing activities	(4,343)	21,437	(6,678)	4,717	-	15,133	979
Net increase (decrease) in cash and cash equivalents	4,761	21,431	21,865	1,248	1	49,306	10,206
Cash and cash equivalents, beginning of year	1,701	137,618	40,948	35,987	-	216,254	4,973
Cash and cash equivalents, end of year	\$ 6,462	159,049	62,813	37,235	1	265,560	15,179
Reconciliation of operating income (loss) to net cash provided (used) by operating activities							
Operating income (loss)	7,043	66,041	(1,229)	4,588	3,503	79,946	(5,479)
Adjustments to reconcile operating income to net cash provided by operating activities:							
Depreciation expense	12,692	37,840	16,048	10,835	552	77,967	67
Transmission credits	-	24,897	-	-	-	24,897	-
Prepay power credits	-	46,574	-	-	-	46,574	-
Other income	-	2,887	(55)	264	-	3,096	-
(Increase) decrease in assets:							
Accounts receivable	-	(7,233)	14,363	801	(355)	7,576	-
Prepaid power cost	-	85,841	-	-	-	85,841	-
Prepayments - in lieu of taxes	-	6	19	-	-	25	-
Deferred purchased power and gas cost	-	-	(2,828)	-	-	(2,828)	-
Inventories	-	(5,773)	(10,319)	(63)	-	(16,155)	-
Other assets	-	1,131	14,724	-	-	15,855	10,685
(Increase) decrease in liabilities:							
Accounts Receivable	(134)	-	-	-	-	(134)	22
Accounts payable	(1,430)	10,872	(12,054)	-	-	(2,612)	-
Other accounts payable and accrued expenses	1,060	1,996	(26,673)	841	2,671	(20,105)	4,148
Customer deposits	-	1,301	(21)	25	-	1,305	-
Insurance reserves	-	1,335	341	(67)	-	1,609	-
Medical benefit accrual	-	1,253	351	344	-	1,948	-
Other	-	279	(1,027)	47	-	(701)	-
Total adjustments	12,188	203,206	(7,131)	13,027	2,868	224,158	14,922
Net cash provided (used) by operating activities	\$ 19,231	269,247	(8,360)	17,615	6,371	304,104	9,443
Reconciliation of cash and cash equivalents per statements of cash flows to the balance sheets:							
Restricted funds	\$ -	54,577	33,260	24,285	-	112,122	-
Less investments included in restricted funds	-	(7,440)	(6,643)	(2,568)	-	(16,651)	-
Cash and cash equivalents included in restricted funds	-	47,137	26,617	21,717	-	95,471	-
Current assets - cash and cash equivalents	246	111,912	36,197	15,518	1	163,874	1
Current assets - equity in cash and investment pool	6,216	-	-	-	-	6,216	15,178
Total cash and cash equivalents	\$ 6,462	159,049	62,814	37,235	1	265,561	15,179

During the year, the sewer fund received \$1,148 in sewer lines and pipe contributed from developers.
See accompanying notes to financial statements.

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
(Thousands of Dollars)
June 30, 2008

CITY OF MEMPHIS, TENNESSEE
Exhibit A-12

	Pension and OPEB Trust Funds
	<u> </u>
ASSETS	
Cash and cash equivalents	\$ 111,360
Investments, at fair value:	
Short-term investments	8,594
U.S. government securities - long-term	138,543
Common stock - domestic	1,110,437
Common stock - foreign	341,668
Preferred stock - foreign	618
Corporate bonds - domestic	290,834
Corporate bonds - foreign	26,683
Bond and equity mutual funds	262,587
Collateralized mortgage obligations	153,597
Asset-backed pooled securities	30,286
Mortgage-backed pooled securities	241,139
Investments in index funds	222,911
Investment in real estate	279,835
Investment in high yield bond fund	20,585
Investment in international equity fund	250,422
Investment in multi-class investment fund	11,431
Investment in limited partnership	6,699
Total investments	<u>3,396,869</u>
Interest and dividends receivables	12,674
Receivable for securities sold	9,715
Other receivables	17
Due from other funds	13
Employer and employee contributions receivable	7,628
Collateral held in trust for securities on loan	<u>187,695</u>
Total assets	<u>3,725,971</u>
LIABILITIES	
Notes & accounts payable	215,124
Due to other funds	<u>1,178</u>
Total liabilities	<u>216,302</u>
NET ASSETS	
Held in trust for pension benefits, pool participants, and OPEB	<u>\$ 3,509,669</u>

See accompanying notes to financial statements.

**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
(Thousands of Dollars)
For the fiscal year ended June 30, 2008**

**CITY OF MEMPHIS, TENNESSEE
Exhibit A-13**

	Pension and OPEB Trust Funds
ADDITIONS	
Contributions:	
Employer	\$ 93,067
Plan member	36,374
Total contributions	<u>129,441</u>
Investment income:	
Interest and dividend income	110,608
Securities lending income	887
Other investment income	1,545
Gain/(loss) on real estate investments	(11,027)
Net appreciation/(depreciation) in the fair value of investments	<u>(166,476)</u>
Total investment income/(loss)	<u>(64,463)</u>
Total Additions	<u>64,978</u>
DEDUCTIONS	
Benefits	206,302
OPEB expense paid on behalf of OPEB trust	18,094
Administrative expenses	12,078
Refunds of contributions	<u>19,278</u>
Total Deductions	<u>255,752</u>
Net decrease	(190,774)
Net assets - beginning of year	<u>3,700,443</u>
Net assets - end of year	<u><u>\$ 3,509,669</u></u>

See accompanying notes to financial statements.

**COMBINING STATEMENT OF NET ASSETS
COMPONENT UNITS
(Thousands of Dollars)
June 30, 2008**

**CITY OF MEMPHIS, TENNESSEE
Exhibit A-14**

	Board of Education	Memphis Area Transit Authority	Airport Authority	Total
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 293,303	2,272	2,972	298,547
Investments	28,725	-	14,830	43,555
Receivables:				
Federal and state grants	-	870	4	874
Accrued interest	-	-	504	504
Accounts	-	-	6,961	6,961
Other	5,824	157	-	5,981
Due from other agencies and governments	174,427	-	-	174,427
Inventories of materials and supplies	9,539	2,164	1,676	13,379
Prepaid expenses	-	271	942	1,213
Total current assets	511,818	5,734	27,889	545,441
Restricted assets:				
Cash and cash equivalents	-	-	29,312	29,312
Investments	-	510	190,261	190,771
Receivables:				
Account receivable	-	-	1,739	1,739
Federal and state grants	-	-	10,570	10,570
Accrued interest	-	-	2,205	2,205
Special facilities	-	-	31,013	31,013
Total restricted assets	-	510	265,100	265,610
Non-current assets:				
Unrestricted assets:				
Investments	-	-	7,620	7,620
Total non-current unrestricted assets	-	-	7,620	7,620
Capital Assets:				
Land	30,821	2,731	161,693	195,245
Buildings	1,134,061	150,045	710,701	1,994,807
Utility plant	-	-	380,530	380,530
Machinery, buses and equipment	243,713	88,627	80,069	412,409
Less accumulated depreciation and amortization	(586,699)	(109,668)	(498,896)	(1,195,263)
Total capital assets, net	821,896	131,735	834,097	1,787,728
Construction in progress	83,765	5,687	87,695	177,147
Net capital assets	905,661	137,422	921,792	1,964,875
Bond issue costs	-	-	7,023	7,023
Other assets	-	12	-	12
Total assets	\$ 1,417,479	143,678	1,229,424	2,790,581

(Continued)

**COMBINING STATEMENT OF NET ASSETS
COMPONENT UNITS
(Thousands of Dollars)
June 30, 2007**

**CITY OF MEMPHIS, TENNESSEE
Exhibit A-14
(Continued)**

	Board of Education	Memphis Area Transit Authority	Airport Authority	Total
LIABILITIES				
Current:				
Notes and accounts payable	\$ 67,971	1,693	25,580	95,244
Funds held for others	-	-	9,359	9,359
Accrued liabilities	-	2,238	11,868	14,106
Insurance claims payable	18,904	1,179	-	20,083
Deferred revenue	70,146	359	-	70,505
Current installment of general obligation bonds payable	-	-	2,280	2,280
Current installment of revenue bonds payable	4,974	-	26,240	31,214
Vacation, sick and other leave benefits	-	-	316	316
Total current liabilities	161,995	5,469	75,643	243,107
Long-term (net of current maturities):				
General obligation bonds payable	-	-	7,435	7,435
Revenue bonds payable	119,415	-	516,473	635,888
Deferred lease revenue	-	-	72,721	72,721
Other long term obligations	-	800	733	1,533
Total long-term liabilities	119,415	800	597,362	717,577
Total liabilities	281,410	6,269	673,005	960,684
NET ASSETS				
Invested in capital assets, net of related debt	887,492	137,422	407,677	1,432,591
Restricted for:				
Capital acquisition	122,200	-	128,607	250,807
Contracted grant programs	4,389	-	-	4,389
Food service	9,304	-	-	9,304
Self insurance	-	500	-	500
Unrestricted	112,684	(513)	20,135	132,306
TOTAL NET ASSETS	\$ 1,136,069	137,409	556,419	1,829,897

See accompanying notes to financial statements.

**COMBINING STATEMENT OF ACTIVITIES
 COMPONENT UNITS
 (Thousands of Dollars)
 For the fiscal year ended June 30, 2008**

**CITY OF MEMPHIS, TENNESSEE
 Exhibit A-15**

Functions/Programs Component units:	Program Revenues				Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Board of Education	Memphis Area Transit Authority	Airport Authority	Total
Board of Education	\$ 1,172,727	40,438	662,259	-	(470,030)	-	-	(470,030)
Memphis Area Transit Authority	60,591	10,472	-	5,206	-	(44,913)	-	(44,913)
Airport Authority	133,213	111,547	-	27,547	-	-	5,881	5,881
Total component units	\$ 1,366,531	162,457	662,259	32,753	(470,030)	(44,913)	5,881	(509,062)
General revenues:								
Grants and contributions not restricted to specific programs								
City of Memphis subsidy					446,869	-	-	446,869
Investment income					-	20,293	-	20,293
Federal grants and entitlements					11,640	-	11,977	23,617
State grants					-	11,182	-	11,182
Other					-	7,698	-	7,698
Total general revenues and special items					-	442	6,874	7,316
Changes in net assets					458,509	39,615	18,851	516,975
Net assets - beginning, as restated					(11,521)	(5,298)	24,732	7,913
Net assets - ending					1,147,590	142,707	531,687	1,821,984
					\$ 1,136,069	137,409	556,419	1,829,897

See accompanying notes to financial statements.

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I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting entity

The City of Memphis, Tennessee (the City), incorporated in 1826, operates under an elected Mayor-Council form of government and is organized into the following divisions: Executive, Finance and Administration, Fire, Police, Library, Parks, Public Works, Human Resources, Public Services, General Services, Housing and Community Development, Office of Planning and Development, City Attorney, City Engineer, Information Systems, and Memphis Light, Gas and Water (MLGW). The accompanying financial statements present the City and its component units, entities for which the City is considered to be financially accountable. Each discretely presented component unit is reported in a separate column in the combining statement of major component units within the basic financial statements (see note below for description) to emphasize that it is legally separate from the City.

Fiscal Year End

Memphis Light Gas and Water (MLGW), a division of the primary government, has a fiscal year end of December 31. Thus, the amounts and disclosures for the MLGW Enterprise Fund, the MLGW Other Post Employment Benefits Trust Fund and the MLGW Retirement System Trust Fund are as of December 31, 2007. The disclosures for other divisions, component units, and joint ventures are as of their June 30, fiscal year end.

Blended Component Units

The City does not have any component units that are considered blended.

Discretely Presented Component Units

The component unit column in the government-wide financial statements includes the financial data of the City's component units. They are reported in separate columns in a combining statement in the basic statements after the fund financial statements to emphasize that they are legally separate from the City.

Board of Education of the Memphis City Schools (BOE) - BOE was created by City Charter as authorized by various Private Acts of the General Assembly of Tennessee. BOE consists of nine members elected by the citizens of the City representing seven districts and two at-large positions. BOE is a body politic and corporate responsible for the management and control of the Memphis City Schools. The annual general operating budget of the BOE requires the approval of the City Council. The BOE's fiscal year end is June 30.

Memphis Area Transit Authority (MATA) - MATA was created by City ordinance on May 13, 1975 replacing the Memphis Transit Authority. The MATA board consists of seven members nominated by the City Mayor and approved by the City Council for terms of three years. MATA has the authority to supervise the operations of the City's transit system. The system is managed by a private management firm hired by MATA. MATA is funded by a combination of user fees, federal and state grants, and a subsidy from the City. MATA's annual budget, rates and fares are approved by the City Council. MATA must also obtain the approval of the City Council before incurring certain obligations. MATA's fiscal year end is June 30.

Memphis-Shelby County Airport Authority (MSCAA) - MSCAA was established by City resolution on September 30, 1969. The City Mayor has the right to appoint six of seven Board members (seven year terms) of MSCAA. MSCAA's Board selects management staff, sets user charges, establishes budgets and controls all aspects of general aviation, airport management and development. However, the City has issued general obligation bonds on behalf of MSCAA and is contingently liable for such. The debt service for City bonds issued on behalf of MSCAA is funded by MSCAA's revenues. MSCAA's fiscal year end is June 30.

Complete financial statements for each of the individual component units may be obtained at the entity's administrative offices.

BOE 2597 Avery Avenue Memphis, TN 38112 (901) 325-5461	MATA 1370 Levee Road Memphis, TN 38108 (901) 722-7162	MSCAA 2491 Winchester Rd., Ste. 113 Memphis, TN 38116 (901) 922-8000
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Related Organization

The City Mayor has the right to appoint members of the Memphis Housing Authority (MHA) Board, but the City is not able to impose its will as such members can only be removed with cause. Additionally, the potential for MHA to provide financial benefit to or impose financial burden on the City does not exist.

Joint Ventures

Joint ventures represent organizations owned, operated or governed by two or more participants where no single participant has the ability to unilaterally control the joint venture. The City is a participant in several joint ventures in which it retains an ongoing financial interest or an ongoing financial responsibility. The City participates in the following joint ventures (see Note V (D)):

- Mid-South Coliseum
- Memphis and Shelby County Convention Center Complex
- Memphis and Shelby County Port Commission
- Public Building Authority of Memphis and Shelby County, Tennessee
- New Memphis Arena Public Building Authority of Memphis and Shelby County, Tennessee

Jointly Governed Organizations

The City, in conjunction with Shelby County, Tennessee (the County) created the following organizations that are not considered joint ventures as the City and the County do not retain an ongoing financial interest or responsibility.

Memphis and Shelby County Center City Commission (the Commission) – The Commission is an organization responsible for promotion and redevelopment of the Memphis Center City area. Board members (seven) are appointed by the City and the County Mayors, with approval by the City Council and the County

Commission, for three year terms. The City collects special assessment taxes for the promotion and maintenance of the Memphis Center City area which are remitted annually to the Commission for such activities.

Memphis and Shelby County Parking Authority (the Parking Authority) – The Parking Authority is a nonprofit corporation established jointly by the City and the County in fiscal year 1998 under the laws of the State of Tennessee. The Parking Authority provides uniform parking policies, coordinated management including the relation of parking to public and private transportation patterns, and strategic planning for existing and future parking facilities. The City and County Mayors appoint the Board members (seven), for terms that range from two to six years.

Memphis Center City Revenue Finance Corporation (the Finance Corporation) – The Finance Corporation is a nonprofit corporation established jointly by the City and the County under the laws of the State of Tennessee. The Finance Corporation provides various forms of financial assistance to development projects. The City and the County Mayors appoint the Board members (nine), with approval by the City Council and the County Commission, for six year terms.

Industrial Development Board (IDB) – The IDB operates as a nonprofit corporation for the purpose of promoting industrial development in the City and the County. Board members (nine) are appointed by the City and the County Mayors, with approval by City Council and the County Commission, for six year terms.

Depot Redevelopment Corporation of Memphis and Shelby County (the Corporation) – The Depot Redevelopment Corporation is a nonprofit corporation established jointly by the City and County under the laws of the State of Tennessee. The primary purpose of the Corporation is to secure from the United States the land, building, and equipment of the Memphis Defense Depot (closed as a military base in 1997); enter into agreements to acquire, construct, improve, lease, operate and dispose of property; and to promote the redevelopment of the Memphis Depot for the citizens of the City and County. Board members (nine) are appointed by the City and County Mayors, with approval by the City Council and County Commission, for six year terms.

Sports Authority of Memphis and Shelby County Incorporated (the Authority) – The Authority is a nonprofit corporation established jointly by the City and County under the provisions of the Sports Authority Act of 1993 (State of Tennessee). The purpose of the Authority is to review and/or act upon issues dealing with sports entities, teams, stadiums, arenas, and other matters related to the improvement of sports related activities. Board members (eleven) are appointed by the City and the County Mayors, with approval by the City Council and County Commission, for six year terms.

B. Government-wide and fund financial statements

The government-wide financial statements (i.e., the statements of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Licenses and permits, charges for services, fines and forfeitures, and miscellaneous revenues (except for investment earnings) are recorded as revenues when received in cash because they are generally not measurable until actually received.

The City reports the following major governmental funds:

General Fund - The General Fund is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Debt Service Fund - The Debt Service Fund accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

The City reports the following major proprietary funds:

Sewer Collection and Treatment Enterprise Fund – The Sewer Collection and Treatment Fund accounts for the operations of the regional sewer collection and treatment facilities operated by the City.

Memphis Light, Gas and Water Division (MLGW) Enterprise Fund – The MLGW Fund accounts for the provision of electricity, gas and water to customers in Shelby County, Tennessee, which includes the City.

Additionally, the City reports the following fund types:

Internal Service Funds – The City’s Internal Service Funds account for the financing of goods or services provided by one department to other departments or agencies of the City on a cost reimbursement basis. The City reports the following Internal Service Funds:

Printing and Mail Internal Service Fund

Health Insurance Internal Service Fund

Unemployment Compensation Internal Service Fund

Fleet Management Internal Service Fund

Fiduciary Funds – The City’s Fiduciary Funds account for the activities of the following pension and other postemployment benefit plans, which accumulate resources for payments to qualified participants and investments held for external organizations:

City Retirement System

Library Retirement System

City OPEB Investment Trust

Memphis Light, Gas and Water Retirement System

Memphis Light Gas and Water Other Post Employment Benefits Trust Fund

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City, MSCAA and MATA have elected not to follow subsequent private-sector guidance. MLGW has elected to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between MLGW and the Sewer Collection and Treatment Fund and various other functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Sewer Collection and Treatment Fund, the MLGW Fund, and the City's internal service funds are charges to customers for sales and services. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

D. Assets, liabilities, and net assets or equity

Cash and cash equivalents and investments

The City considers all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents. Investments are stated at their related fair value (see Note IV (A)). Investments of the government as well as its component units are generally stated at fair value. Fair value is based on quoted market prices, if available, or estimated using quoted market prices for similar securities. The City uses amortized cost on all investments that mature within a year or less of the date of purchase.

Property taxes receivable

Property taxes are recorded as receivables when levied, net of estimated uncollectibles. The receivables collected during the current fiscal year and those collected by August 31, 2008, related to tax levies for fiscal year 2008 and prior, are recorded as revenue. Amounts received related to the property tax levy of the next fiscal year and the net receivables estimated to be collectible subsequent to August 31, 2008, are recorded as deferred revenue at June 30, 2008.

Interfunds receivable and payable

Activity between funds that are representative of lending/borrowing arrangements outstanding at June 30 are referred to as "due to/from other funds". Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

Direct expenses (charges based on actual use) are not eliminated, whereas indirect expense allocations made in the funds are reversed in the statement of activities.

Transactions which constitute reimbursements of a fund for expenditures or expenses initially made from it which are properly applicable to another fund, such as insurance claims, are recorded as expenditures or expenses (as appropriate) in the reimbursing fund and as reductions of the expenditure or expense in the fund that is reimbursed.

All interfund transactions except quasi-external transactions and reimbursements are accounted for as transfers. Nonrecurring or nonroutine transfers of equity between funds are considered equity transfers. All other interfund transactions are treated as transfers.

Under the Charter of the City of Memphis, the City is entitled to dividends from Memphis Light, Gas and Water Division (MLGW) based upon equity. These dividends are recorded as a transfer.

Inventories and prepaid expenses

Inventories in the Proprietary Funds are stated at cost determined principally by the first-in/ first-out (FIFO) method. General Fund inventories are recorded as expenditures when purchased and there were no significant inventories on hand at June 30, 2008. All other inventories are recorded as expenditures when consumed rather than when purchased (Consumption Method).

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

Capital assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., streets, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$5,000 (amount not in thousands) and an estimated useful life in excess of three years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Contributed capital assets are recorded at estimated fair market value at the date received. The capital assets reported do include infrastructure that was acquired in fiscal years ending after June 30, 1980.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. The total interest expense incurred by the Sewer Fund during the current fiscal year was \$6,441. Of this amount, none was included as part of the cost of capital assets constructed with bond proceeds.

Property, plant and equipment of the primary government, as well as the component units, is depreciated using the straight-line method over the following estimated useful lives:

Buildings	25-50 years
Improvements	10-60 years
Infrastructure	50 years
Machinery and Equipment	3-15 years

Compensated absences

City employees are granted vacation, sick and other leave benefits in varying amounts in accordance with administrative policy and union contracts. Vacation days earned are required to be utilized annually, but may be carried forward upon written request. In the event of termination, an employee is reimbursed for accumulated vacation days. Employees are required to take their vacation in their last year of employment prior to retirement. Employees are generally reimbursed for accumulated unused sick leave, not to exceed 75 days, only upon retirement, and only for those employees with 25 years or more service with the City. Certain exceptions to this policy occur in accordance with the terms of various union contracts.

The liability for vacation, sick and other leave benefits related to and intended to be paid from Governmental Funds is accrued for and reported only if they have matured, for example, unused reimbursable leave still outstanding following an employee's resignation or retirement. The liability for vacation, sick and other leave benefits related to and intended to be paid from Proprietary Funds is included in the fund financial statements. Additionally, the long-term portion of the liability for these benefits to be paid by Governmental Funds is reported in the government-wide financial statements.

Deferred Compensation Plan

The City and MLGW offer their employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plans permit employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

The City and MLGW's amended plans meet the requirements of Internal Revenue Code Section 457. The amended plans provide that assets or income of the plans shall be used for the exclusive purpose of providing benefits for participants and their beneficiaries or defraying reasonable expenses of the administration of the plan. Since the assets of the amended plans are held in custodial and annuity accounts for the exclusive benefit of plan participants, the related assets of the plan are not reflected on the balance sheet.

Long-term obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, general obligation bonds, revenue bonds and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Use of Estimates

Estimates used in the preparation of financial statements require management to make assumptions that affect the recorded amounts of assets and liabilities and the 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.

Fund equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Reclassification of Funds and Restatement of Fund Balance/Net Assets

Prior year fund balance for the general fund has been adjusted as stated below:

	<u>General Fund</u>
Fund balance at June 30, 2007	\$83,318
Golf fund reclassification to general fund	<u>(4,478)</u>
Restated fund balance at June 30, 2007	<u>\$78,840</u>

Prior year fund balance for the following special revenue fund has been adjusted as stated below:

	<u>Miscellaneous Grants Fund</u>
Fund balance at June 30, 2007	\$ 275
Prior year miscellaneous adjustment	<u>(6)</u>
Restated fund balance at June 30, 2007	<u>\$ 269</u>

Prior year fund balance for the following non major governmental fund has been adjusted as stated below:

	<u>Capital Projects Fund</u>
Fund balance (deficit) at June 30, 2007	\$(31,809)
Reclassify deferred revenue item from equity	752
Prior year miscellaneous adjustment	<u>(34)</u>
Restated fund balance (deficit) at June 30, 2007	<u>\$(32,527)</u>

Prior year fund balance for the following proprietary fund has been adjusted as stated below:

	<u>Golf Fund</u>
Net assets at June 30, 2007	\$ 1,177
Golf fund reclassification to General fund	4,478
Transfer of capital assets to governmental activities	<u>(5,655)</u>
Restated net assets at June 30, 2007	<u>\$ -</u>

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets

The governmental fund balance sheet includes a reconciliation between fund balance – total governmental funds and net assets – governmental activities as reported in the government-wide statement of net assets. One element of that reconciliation explains that “long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.” The details of the \$1,245,441 difference are as follows:

Bonds payable	\$ 1,030,302
Bond anticipation notes payable	90,000
Unamortized loan costs	27,879
Capital lease obligations	7,510
Accrued interest payable	13,231
Claims and judgements liability	15,204
Compensated absences:	
Vacation, Sick and other leave	78,657
On the Job Injury	<u>5,372</u>
Net adjustment to reduce-fund balance-total governmental funds to arrive at net assets-governmental activities	<u>\$ 1,268,155</u>

B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances – total governmental funds and changes in net assets of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains that “Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.”

The details of the \$4,351 difference are as follows:

Capital outlay	\$ 66,485
Depreciation expense	<u>(62,134)</u>
Net adjustment to increase net changes in fund balances-total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ 4,351</u>

Another element of that reconciliation states that “the issuance of long-term debt (e.g. bond, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.” The details of this \$86,630 difference are as follows:

Debt issued or incurred:	
Issuance of general obligation bonds	189,735
Bond issue costs	(1,215)
Premium on bond issue	2,204
Principal repayments:	
General obligation debt	(42,925)
Payment to escrow agent for refunding	(70,000)
Accretion of general obligation bonds	748
Amortization of premium on general obligation bonds	(3,611)
Accrued interest payable	2,800
Vacation, sick, and other leave benefits	8,876
On-the-job injury claims	<u>18</u>
Net adjustment to decrease net changes in fund balances-total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ 86,630</u>

Another element of that reconciliation states that “Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.” The details of this (\$13,054) difference are as follows:

Claims and judgments liability:	
Balance 6/30/2007	\$ 2,150
Balance 6/30/2008	<u>15,204</u>
Net adjustment to decrease net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities	<u>(13,054)</u>

III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary information

The City Council annually approves the budget ordinance for the General, Special Revenue (except Community Service Fund, Central Business Improvement District Fund, Midtown Corridor Fund, and Education Fund) and Debt Service Funds of the City. The Midtown Corridor Fund has a “carryover” budget. The prior years’ budget remains open until the revenue is completely expended, which generally exceeds one fiscal year.

During the fiscal year, budgetary control is maintained at a program level. The City Mayor has the authority to approve transfers between line items within the total amounts of each program category (Personal Services, Material and Supplies, Capital Outlay, Grants and Subsidies, Inventory and Expense Reimbursements). The City Mayor also has the authority to approve transfers between program categories within the total amounts of each program; however, each transfer shall have a maximum limit of \$50 and each program shall have an annual cumulative limit of \$100 for transfers between categories within the total amounts of each program. During the fiscal year, any transfer of appropriations between programs can be made only upon the authorization by ordinance or resolution of the City Council. At year-end, the Comptroller is authorized to transfer appropriations between programs to cover any resulting unfavorable variances as long as the total expenditure appropriation is not exceeded. The reported budgetary data has been revised for amendments authorized during the year and at year-end. Such data reflects expenditures by program categories at a division level to avoid excessively detailed program classifications.

For Workforce Investment Act Special Revenue Fund, budgets are approved annually upon the availability of the grants from the federal government. The lives of the grants range from 2 to 3 years.

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders, contracts) outstanding at year end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be reappropriated and honored during the subsequent year. The basis of accounting applied to budgetary data presented is not consistent with generally accepted accounting principles for governmental funds, as actual expenditures are increased by current year encumbrances in order to be consistent with the basis of budgeting used.

B. Excess of expenditures over appropriations

In demonstrating compliance with the City’s legally prescribed budgetary requirements, expenditures at June 30, 2008, did not exceed appropriations at the program level. The comparison of actual expenditures to the budget for the General Fund reflect no unfavorable variances from budget at the program level because the revisions to budget were recorded after year end to offset the legal level deficits for several functions. These revisions were made in accordance with the authorization allowed in the adopted budget ordinances for 2008.

C. Deficit fund equity

The New Memphis Arena Special Revenue Fund has a deficit fund balance of \$7,718 as of June 30, 2008. The City of Memphis, Shelby County, and The Memphis and Shelby County Sports Authority, Inc. are parties to an interlocal agreement relating to the financing of the new sports arena that was completed in August 2004. Of the \$250,000 budget, the City paid \$12,000 for acquisition and construction of the Arena site and infrastructure improvements. The City's commitment was funded through legally available non-ad valorem revenues. The interfund payable to the Health Fund will be repaid from future hotel motel taxes. The City anticipates the New Memphis Arena Special Revenue Fund negative fund balance will be eliminated over the next 8 years by using proceeds from the hotel/motel funding source. This fund also reports the pass-through of certain revenues related to Sports Authority bonds issued for the construction of the Arena.

Premiums for the Unemployment Compensation Internal Service Fund, which reflects a deficit fund balance of \$1,798 as of June 30, 2008, were increased July 1, 2007. The increased premium improved fiscal year 2008's operating results to a positive \$145 from a negative \$38 in fiscal year 2007. The increase is expected to eliminate the fund deficit over a 5 year period. The Printing and Mail and Fleet Management Internal Service funds reflected fund deficits of \$188 and \$6,688, respectively, as of June 30, 2008. Recent changes in the Fleet Management operations are expected to yield positive results in future years. Management is continuing a review of these funds' operations and charges to ensure that the funds' cost and charge structure are in alignment and to develop a strategy for eliminating the current fund deficits over time.

IV. DETAILED NOTES ON ALL FUNDS

A. Deposits and investments

Statutes authorize the City to invest in bonds, notes or treasury bills of the United States or its agencies, certificates of deposit, repurchase agreements utilizing obligations of the United States or its agencies as the underlying securities, local government investment pool, money market funds and prime commercial paper. Statutes require that (1) deposits have securities as collateral whose market value is equal to 105 percent of the value of the deposits, less so much of such amount as is insured by federal deposit insurance and (2) securities underlying repurchase agreements must have a market value at least 102% of the amount of funds invested in the repurchase agreements. Tennessee Code Annotated Sections 9-4-105 and 9-4-404 state that collateralization coverage for cash deposits may be computed based on average daily balances of the preceding month.

City ordinances, as interpreted by opinions of the City Attorney, authorize the City to enter into stock and bonds borrowed/cash or bond pledged securities lending agreements, that is a transfer of securities with a simultaneous receipt of securities. The securities received in the transfer are the type which the City is legally authorized to hold. The market value of the securities received in the agreement is 102 percent of the value of the securities transferred in the case of the securities of United States issuers and 105 percent in the case of securities of non-United States issuers. The securities transferred are a part of the total investments reported below. The securities being held are not reported as a part of the total investments. The City retains the interest income on the securities being transferred and received \$1,038 during the year ended June 30, 2008. On June 30, 2008, the market value of the securities transferred was \$168,753 and the market value of the securities the City was holding was \$174,949. The monitoring procedures in the securities lending programs are the same as

those requirements in regard to the repurchase agreements. At year end, the City has no credit risk exposure to borrowers because the amounts the City owes the borrowers exceed the amounts the borrowers owe the City.

Cash and Investment Pool

The City uses a central cash and investment pool (the "Pool") for all funds other than the Pension Trust Funds, MLGW funds, and certain investments of the Capital Projects Fund and Sewer Collection and Treatment Fund. The Memphis and Shelby County Port Commission also participates in the Pool. As discussed in Note 1, the Port Commission operates as a joint venture and is therefore not included in the reporting entity. The Port Commission's equity position in the Pool is reported as an investment trust fund. The equity of the other funds within the reporting entity is recorded as an asset in those funds. The City's component units do not participate in the Pool. The individual fund pool balances are based upon actual cash receipts and disbursements with investment income, including any unrealized gains from changes in the fair value of investments, allocated monthly to each fund on a pro-rata basis. The fair value of the Pool is the same as the value of the Pool shares. The City's investment policy with respect to the Pool is to maximize investment earnings while maintaining an acceptable level of risk. Since investments in the Pool must provide for the future cash needs of the City, flexibility and liquidity of investments are generally maintained at all times. The City does not provide guarantees to the Pool participants to support the values of their equity positions.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. In accordance with its investment policy, the City manages its exposure to fair value losses arising from increasing interest rates by limiting the duration of the portfolio, excluding bond proceeds, to less than one (1) year. Furthermore, no investment is allowed to have a maturity of greater than two (2) years from date of purchase unless such maturity is approved by the State Director of Local Finance.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation. It is the City's policy to limit its investments to prime commercial paper which shall be rated at least A1 or equivalent by at least two (2) nationally recognized rating services. Proceeds of bonds, notes and other obligations issued by the city, reserves held in connection therewith and the investment income there from, may be invested in obligations which (a) are rated in either of the two highest rated categories by a nationally recognized rating agency; (b) are explicitly guaranteed general obligations of a state of the United States, or a political subdivision or instrumentally thereof, having general taxing powers; and (c) have a final maturity on the date of investment not to exceed twenty-four (24) months or which may be tendered by the holder to the issuer thereof, or an agent of the issuer, at not less than twenty-four (24) month intervals unless approved by the State Director of Local Finance. As of June 30, 2008, the government's investments in general obligation bonds were rated A1 by Moody's Investor Service, AA by S & P, and A+ by Fitch Ratings.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributable to the magnitude of the government's investment in a single issuer. The City's investment policy requires portfolio diversification by security type and institution.

The maximum percentage of the portfolio permitted in each eligible security is as follows:

U.S. Treasury	100% maximum
Federal Agency (Fixed Rate)	100% maximum
Federal Agency (Variable Rate)	10% maximum
Repurchase Agreement	50% maximum
Commercial Paper	15% maximum
Banker's Acceptances	15% maximum
Insured/Collateralized Certificates of Deposit	20% maximum
Municipal Obligations	20% maximum
Tennessee LGIP	25% maximum

The City's investment policy is further diversified and limits the exposure to any other issuer. No more than 5% of the City's Portfolio is allowed to be invested in the securities of any single issuer with the following exceptions:

Each Federal Agency	35% maximum
Each Repurchase Agreement Counterparty	20% maximum

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure the government's deposits may not be returned. At June 30, 2008 all deposits were insured or collateralized as required by policy. The City's investment policy provides that all securities purchased by the City or held as collateral on either deposits or investments shall be held in third-party safekeeping at a financial institution.

Deposits held by the Pool at June 30, 2008, were as follows:

Description	Carrying Amount	Bank Balance
Cash deposits	\$ <u>(10,146)</u>	<u>3,899</u>

The investments held by the pool consist of the following at June 30, 2008:

Description	Maturity Dates	Interest Rates	Fair Value	Duration
U.S. Government agencies	Apr 2009-Feb 2013	3.50-5.40	\$ 133,348	.12-.6
Commercial paper	Jul 2008-Nov 2008		13,328	.6-.9
Certificate of Deposit	Aug 2008-May 2009	2.5-3.06	7,000	.06-.24
U.S. Treasury Obligations	Nov 2009-Nov 2010	3.125-4.5	10,255	.24-.6
Municipal Obligations	Mar 2010	5.00	<u>260</u>	
Total			164,191	
Investments not subject to Categorization - Money market funds			<u>669</u>	
Total investments			<u>\$ 164,860</u>	

The Pool does not issue separate financial statements. Condensed financial information as of June 30, 2008 is as follows (dollar amounts and share amounts are the same):

Condensed Statement of Net Assets

Investments	\$ 164,860
Bank overdraft	<u>(10,146)</u>
Net assets	<u>\$ 154,714</u>

Net assets held in trust for pool participants:

Internal participants	<u>154,714</u>
Total net assets held in trust for pool participants	<u>\$ 154,714</u>

Condensed Statement of Changes in Net Assets

Additions:

Investment income	\$ 8,214
Purchase of units	<u>2,241,730</u>
Total Additions	2,249,944

Deduction:

Redemption of units	<u>2,176,106</u>
Net increase	73,838

Net assets held in trust for pool participants:

Beginning of Year	<u>80,876</u>
End of Year	<u>\$ 154,714</u>

Investments Outside of the Pool

In addition to the cash and investment pool, several funds in the primary government own investments outside of the Pool. The Capital Project Fund's investments were purchased from the unexpended portion of general obligation bond issues which require the City to maintain separate investments for arbitrage purposes. The Sewer Collection and Treatment Fund's investments were purchased to set aside funds to satisfy certain revenue bond covenants. Investments in these funds are generally of the same type as in the Pool with the addition of collateralized certificates of deposit. These funds also are required to hold funds relating to certain construction projects in the State of Tennessee Treasurer's Local Government Investment Pool ("LGIP"). Deposits with the LGIP may be withdrawn with a maximum of one day's notice, are classified as cash equivalents and are valued at cost. The LGIP is not registered with the SEC as an investment company, however, the LGIP has a policy that it will-and does-operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. Rule 2a7 allows SEC-registered mutual funds to use amortized cost rather than fair value to report net assets to compute share prices if certain conditions are met. State statutes require the State Treasurer to administer the LGIP under the same terms and conditions, including collateral requirements, as required for other funds invested by the Treasurer. The reported value of the pool is the same as the fair value of the pool shares. Although the LGIP itself is unrated, its types of investments and maturities provide a level of credit risk similar to that detailed in the aforementioned credit risk section. All of MLGW Fund's investments are outside of the City's investment pool. MLGW's investments are invested under a cash management program

which provides for the investment of excess cash balances in short-term investments and the investment of debt service funds in instruments maturing as the related debt matures. These investments are similar to those described above with the addition of commercial paper and mutual funds. Investments in the City Retirement Fund, the Library Retirement Fund, and the MLGW Retirement and Pension System include stocks, corporate and government bonds, mortgage-backed securities, mutual funds, limited partnerships, real estate investments and commercial paper in addition to the money market securities mentioned above. As of June 30, 2008, the City's investments in general obligation bonds were rated A1 by Moody's Investor Service, AA by Standard & Poor's, and A+ by Fitch Ratings.

MLGW's general investment policy is to apply the prudent investor rule: Investments shall be made with judgment and care, under circumstances then prevailing which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived. Repurchase agreements have a term to maturity of no greater than ninety (90) days and, commercial paper maturity is no greater than two hundred-seventy (270) days. If the corporation has senior long term debt it must have a minimum rating of AA or equivalent and a short term debt minimum rating of A or equivalent as provided by a majority of the rating services that rate the issuer. Municipal obligations are rated in either of the two highest rating categories by a nationally recognized statistical rating organization. Asset-backed securities are defined as debt securities that have specifically pledged collateral. Each holding shall be rated Aaa by Moody's Investors Service or AAA by Standard & Poor's.

Deposits held by the primary government outside of the Pool at June 30, 2008, were as follows:

Description	<u>Carrying Amount</u>	<u>Bank Balance</u>
Cash deposits	\$ 47,928	<u>3,794</u>
Cash on hand	<u>135</u>	
Total deposits and cash on hand	<u>\$ 48,063</u>	

The investments held by the primary government outside the Pool consist of the following at June 30, 2008:

Description	<u>Fair Value</u>
Short-term investments	201,350
U.S. Government securities	81,298
Corporate bonds - domestic	10,615
Asset-backed pool securities	<u>12,436</u>
Total	\$ 305,699

Investments not subject to categorization:

Bond and equity mutual funds	24,857
State of Tennessee LGIP	5,681
Purchased interest	<u>18</u>
Total	<u>30,556</u>
Total investments	<u>\$ 336,255</u>

NOTES TO FINANCIAL STATEMENTS
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CITY OF MEMPHIS, TENNESSEE
(Continued)

A reconciliation of cash and investments as shown on the governmental and proprietary funds for the governmental entity-wide is as follows:

Pool deposits	\$ (10,146)
Pool investments	164,860
Other deposits and cash on hand	48,063
Other investments	<u>336,255</u>
Total	<u>\$ 539,032</u>

Cash and cash equivalents	171,112
Investments	101,084
Equity in cash and investment pool	154,714
Restricted special fund-customer deposits	64,852
Restricted investments	<u>47,270</u>
Total	<u>\$ 539,032</u>

Deposits and investments relating to discretely presented component units are as shown below. Investment policy and risk discussion may be found in each of the component units audited financial statements.

BOE Deposits - Deposits by type at June 30, 2008, were as follows:

Description	Carrying Amount	Bank Balance
Cash deposits	\$ 23,286	<u>33,729</u>
State of Tennessee local government investment pool	<u>270,017</u>	
Total deposits	<u>\$ 293,303</u>	

BOE Investments - Investments by type at June 30, 2008, were as follows:

Description	Fair Value
U. S. Government mortgage backed Securities	19,490
Short-term investments	<u>9,235</u>
Total Investments	<u>28,725</u>

MATA Deposits - Deposits by type at June 30, 2008 were as follows:

Description	<u>Carrying Amount</u>	<u>Bank Balance</u>
Cash deposits	\$ 2,270	<u>2,317</u>
Cash on hand	<u>2</u>	
Total deposits and cash on hand	<u>\$ 2,272</u>	

MATA Investments - Investments by type at June 30, 2008, were as follows:

Description	<u>Fair Value</u>
U.S. Treasury notes	<u>\$ 510</u>
Total Investments	<u>\$ 510</u>

MSCAA Deposits - Deposits by type at June 30, 2008, were as follows:

Description	<u>Carrying Amount</u>
Cash deposits	\$ 32,267
Cash on hand	<u>17</u>
Total deposits and cash on hand	<u>\$ 32,284</u>

MSCAA Investments - Investments by type at June 30, 2008, were as follows:

Description	<u>Fair Value</u>
U.S. Government agencies	\$ 187,573
Investments not subject to categorization:	
Mutual Funds	625
Forward Purchase Agreements	<u>24,513</u>
Total Investments	<u>\$ 212,711</u>

A reconciliation of cash and investments for the discretely presented component units as shown on the Combining Balance Sheet for the discretely presented component units is as follows:

Total component unit cash and deposits	\$ 327,859
Total component unit investments	<u>234,326</u>
Total	<u>\$ 562,185</u>
Cash and cash equivalents	\$ 298,547
Investments	43,555
Restricted cash and cash equivalents	29,312
Restricted Investments	<u>190,771</u>
Total	<u>\$ 562,185</u>

City of Memphis Retirement System – Deposits and Investments

The City of Memphis Retirement System (the “City Plan”) is administered by the Board of Administration of the City of Memphis Retirement System (the “Board”). The Board has established and given authority to the Pension Investment Committee (the “Investment Committee”) to exercise authority and control of investments solely in the interest of participants of the City Plan and their beneficiaries. Additionally, the Board executes its policies with the aid of external investment advisors.

Investment allocation is subject to the restrictions set forth in applicable City of Memphis Ordinances which limit the percentage of investments that may be allocated to equity investments and real estate investments. To achieve its risk/return objectives and to be in compliance with applicable ordinances, The Investment Committee endeavors to invest funds in the following ranges:

	<u>Minimum</u>	<u>Maximum</u>
Cash equivalents	0%	2%
Real estate	0%	5%
Domestic equities	30%	40%
International equities	18%	22%
Fixed income	36%	44%

In exceptional circumstances deviations from these may occur on a limited basis.

Interest rate risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment or deposit. Duration is the measure of the price sensitivity of a fixed income portfolio to changes in interest rates. The longer the duration of a portfolio, the greater is its price sensitivity to changes in interest rates. The City Plan limits its exposure to interest rate risk by diversifying its investments by security type and institution.

The fair values of fixed income investments grouped by maturity at June 30, 2008 are as follows:

Current to one year	\$24,423
One to two years	16,744
Two to three years	33,230
Three to four years	42,164
Four to five years	43,766
Five or more years	<u>400,622</u>
	560,949
Funds with indeterminable maturities	<u>13,253</u>
	<u>\$ 574,202</u>

Credit risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. To control credit risk, credit quality guidelines have been established. Investment parameters are established by the Board and the Investment Committee.

<u>Type of investment</u>	<u>Fair Value</u>	<u>Ratings</u>	<u>Percentage of Fixed Income</u>
Government bonds	46,830	AAA	8.16%
	17,807	TSY	3.10%
Non government backed CMOS	1,272	AA	0.22%
	129,981	AAA	22.64%
Asset backed securities	28,540	AAA	4.97%
	1,746	NR	0.30%
Corporate bonds	13,814	A	2.41%
	27,046	A-	4.71%
	42,200	A+	7.35%
	3,484	AA	0.61%
	15,977	AA-	2.78%
	620	AA+	0.11%
	16,893	AAA	2.94%
	13,058	B	2.27%
	17,201	B-	3.00%
	16,952	B+	2.95%
	10,867	BB	1.89%
	16,017	BB-	2.79%
	6,427	BB+	1.12%
	16,897	BBB	2.94%
	13,155	BBB-	2.29%
	16,399	BBB+	2.86%
	486	C	0.08%
	2,484	CCC	0.43%
	271	CCC-	0.05%
	8,773	CCC+	1.53%
	2,430	D	0.42%
	3,074	NR	0.53%
Government mortgage backed securities	73,489	AAA	12.80%
Bond mutual funds	10,012	BB-	1.74%
Total fixed income	<u>\$ 574,202</u>		<u>100%</u>

The City Plan's exposure to credit risk at June 30, 2008 is presented below by investment category as rated by Standard and Poor's rating service.

Foreign currency risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of the investment.

<u>Currency</u>	<u>Equities</u>	<u>Corporate Bonds</u>	<u>Total</u>
Australian dollar	\$ 7,884	\$ 756	\$ 8,640
Bermudian dollar	-	1,386	1,386
British pound sterling	39,377	2,370	41,747
Canadian dollar	17,326	6,938	24,264
Czech koruna	2,363	-	2,363
Danish krone	2,103	-	2,103
El Salvador colon	-	551	551
Euro	62,665	9,018	71,683
Hong Kong dollar	6,970	-	6,970
Japanese yen	34,176	-	34,176
Korean won	-	365	365
Mexican peso	-	670	670
Norwegian krone	4,390	-	4,390
Singapore dollar	2,782	-	2,782
Swedish krona	1,779	-	1,779
Swiss franc	12,958	-	12,958
UK Virgin Islands dollar	-	442	442
South African rand	-	606	606
Total securities subject to foreign credit risk	\$ 194,773	\$ 23,102	\$ 217,875
International portfolio in U.S dollars	3,053	-	3,053
	<u>\$ 197,826</u>	<u>\$ 23,102</u>	<u>\$ 220,928</u>

The City Plan's exposure to foreign currency risk in US Dollars as of June 30, 2008 is as follows:

OPEB Investment Trust-Deposits and Investments

OPEB Investment Trust Investments at June 30, 2008 were as follows:

Description	<u>Fair Value</u>
Mutual Funds	\$2,909

B. Receivables

Receivables as of year end for the City's individual major funds and nonmajor, internal service, and fiduciary funds in the aggregate, including the applicable allowances for the uncollectible accounts, are as follows:

	General	Debt Service	Sewer Col- lection and Treatment	Memphis Light, Gas and Water	Nonmajor and Other Funds	Total
Receivables:						
Property taxes	\$ 299,672	93,477	-	-	38,600	431,749
Sales and income taxes	43,528	-	-	-	-	43,528
Special assessments	-	11	-	-	-	11
Federal and state grants	1,391	-	-	-	38,415	39,806
Interest and dividends on investments	201	94	145	-	1,052	1,492
Notes and accounts receivable	-	-	3,487	252,384	-	255,871
Housing and rehabilitation loans	-	-	-	-	84,583	84,583
Other	135,079	-	-	-	5,328	140,407
Gross receivables	479,871	93,582	3,632	252,384	167,978	997,447
Less allowance for uncollectibles	(122,356)	(3,373)	(112)	(13,832)	(20,509)	(160,182)
Net total receivables	\$ 357,515	90,209	3,520	238,552	147,469	837,265

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At June 30, 2008, deferred revenue principally represents: (1) amounts received for various capital projects upon which revenues will not be recognized until such projects have started, (2) amounts relating to property taxes as described above, (3) operating subsidies received in advance, (4) uncollected principal on Housing Rehabilitation Loans and (5) long-term receivables due from agencies.

C. Property taxes

The City levies property taxes for the calendar year annually based upon assessed valuations. The various types of property are assessed at a percentage of market value on January 1 of each year as follows:

Farm and residential real property	25%
Commercial and industrial real property	40%
Commercial and industrial personal property	30%
Public utilities real and personal property	55%

The assessed value upon which the fiscal 2008 levy was based was approximately \$11.4 billion. The market value was approximately \$36.8 billion making the overall assessed value 30.98 percent of the market value. Taxes attach as an enforceable lien on property on June 1, the day taxes are levied, and are due by September 1. Current tax collections for the year ended June 30, 2008, were 93.84 percent of the tax levy.

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CITY OF MEMPHIS, TENNESSEE
(Continued)

At June 30, 2008 the allowance for uncollectibles by fund was as follows:

General Fund	\$ 9,316
Education Special Revenue Fund	3,476
Debt Service Fund	3,373
Capital Projects Fund	<u>14</u>
Total	<u>\$ 16,179</u>

The property tax levy is without legal limit. The rate, as permitted by Tennessee State Law and City Charter, is set annually by the City Council and collected by the City Treasurer. The City allocated the property tax per \$100 of assessed value for the year ended June 30, 2008, as follows:

General Fund	\$ 1.9088
Education Special Revenue Fund	.8271
Debt Service Fund	.6941
Capital Projects Fund	<u>.0032</u>
Total	<u>\$ 3.4332</u>

The Sewer Fund and MLGW are assessed an in-lieu-of-tax payment with all proceeds from this source allocated to the General Fund. The City contributed 22.5% of the MLGW electric payments to the County in accordance with the calculation required by state law.

D. Capital assets

Capital asset activity for the year ended June 30, 2008 was as follows

Primary Government

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>Ending Balance</u>
Governmental Activities:					
Capital assets, not being depreciated:					
Land	\$ 62,200	364	(36)	32	62,560
Construction in progress	31,151	62,007	(3,224)	-	89,934
Total capital assets, not being depreciated	<u>93,351</u>	<u>62,371</u>	<u>(3,260)</u>	<u>32</u>	<u>152,494</u>
Capital assets, being depreciated:					
Buildings	530,244	131	-	12	530,387
Improvements other than buildings	747,250	4,331	-	5,900	757,481
Machinery and equipment	331,017	2,904	(279)	1,373	335,015
Total capital assets being depreciated	<u>1,608,511</u>	<u>7,366</u>	<u>(279)</u>	<u>7,285</u>	<u>1,622,883</u>
Less accumulated depreciation for:					
Buildings	(177,086)	(12,582)	56	-	(189,612)
Improvements other than buildings	(155,236)	(19,218)	312	(1,835)	(175,977)
Machinery and equipment	(258,024)	(27,163)	277	(1,353)	(286,263)
Total accumulated depreciation	<u>(590,346)</u>	<u>(58,963)</u>	<u>645</u>	<u>(3,188)</u>	<u>(651,852)</u>
Total capital assets, being depreciated, net	<u>1,018,165</u>	<u>(51,597)</u>	<u>366</u>	<u>4,097</u>	<u>971,031</u>
Governmental activities capital assets, net	<u>\$ 1,111,516</u>	<u>10,774</u>	<u>(2,894)</u>	<u>4,129</u>	<u>1,123,525</u>

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	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Business-type activities:					
Capital assets, not being depreciated:					
Land	\$ 13,757	-	(33)	(32)	13,692
Construction in progress	7,102	15,751	(447)	-	22,406
Memphis Light, Gas and Water assets	118,062	118,017	(116,411)	-	119,668
Total capital assets, not being depreciated	<u>138,921</u>	<u>133,768</u>	<u>(116,891)</u>	<u>(32)</u>	<u>155,766</u>
Capital assets, being depreciated:					
Buildings and system	106,090	12	-	(12)	106,090
Improvements other than buildings	525,576	1,180	(1,537)	(5,900)	519,319
Machinery and equipment	32,943	1,312	(3,343)	(1,373)	29,539
Memphis Light, Gas and Water assets	2,084,337	115,164	(39,046)	-	2,160,455
Total capital assets, being depreciated	<u>2,748,946</u>	<u>117,668</u>	<u>(43,926)</u>	<u>(7,285)</u>	<u>2,815,403</u>
Less accumulated depreciation for:					
Buildings and system	(69,663)	(1,791)	(792)	-	(72,246)
Improvements other than buildings	(224,080)	(10,745)	790	1,835	(232,200)
Machinery and equipment	(29,895)	(754)	3,382	1,353	(25,914)
Memphis Light, Gas and Water depreciation	(831,950)	(89,911)	42,023	-	(879,838)
Total accumulated depreciation	<u>(1,155,588)</u>	<u>(103,201)</u>	<u>45,403</u>	<u>3,188</u>	<u>(1,210,198)</u>
Total capital assets, being depreciated, net	<u>1,593,358</u>	<u>14,467</u>	<u>1,477</u>	<u>(4,097)</u>	<u>1,605,205</u>
Business-type activities capital assets, net	<u>\$ 1,732,279</u>	<u>148,235</u>	<u>(115,414)</u>	<u>(4,129)</u>	<u>1,760,971</u>

NOTES TO FINANCIAL STATEMENTS
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CITY OF MEMPHIS, TENNESSEE
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Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:

Executive	\$ 305
Finance	4,328
General services	963
Information services	6,674
Fire services	4,308
Police services	12,091
Park services	8,160
Public services	6,631
Housing and community development	287
Public works	13,977
Engineering	1,169
City Court Clerk	3
Capital assets held by government's internal service funds are charged to the various functions based on their usage of the assets	<u>67</u>

Total depreciation expense - governmental activities \$ 58,963

Business-type activities:

Sewer	\$ 12,692
Stormwater	552
Memphis Light, Gas and Water	<u>89,911</u>

Total depreciation expense - business-type activities \$ 103,155

During 2008, all assets and accumulative depreciation of the Golf fund were transferred from the business-type activities account to the government activities account.

	MLGW Electric Division	MLGW Gas Division	MLGW Water Division	Total
Statement of Revenues, Expenses, Changes in Net Fund Net Assets:				
Depreciation Expense	\$ 37,183	\$ 13,286	\$ 10,446	\$ 60,915
Transportation costs	2,697	2,760	615	6,072
Salvage Returns	(2,040)	2	(226)	(2,264)
Statement of Cash Flows, Depreciation Expense:	<u>\$ 37,840</u>	<u>\$ 16,048</u>	<u>\$ 10,835</u>	<u>\$ 64,723</u>
Retirements	5,286	13,440	460	19,186
Salvage	4,238	424	375	5,037
Transfer	12,951	(12,951)	-	-
Shelby county board of public utilities acquisition annual amortization	-	-	965	965
	<u>\$ 60,315</u>	<u>\$ 16,961</u>	<u>\$ 12,635</u>	<u>\$ 89,911</u>

The reported MLGW numbers show a small difference between depreciation expense in the Statement of Revenues, Expenses, Changes in Fund Net Assets/Proprietary Funds and the depreciation expense noted in the Statement of Cash Flow Proprietary Funds. This difference is attributed to a small amount of depreciation expense being recorded in their maintenance expense category on the Statement of Revenues, Expenses, Changes in Fund Net Assets/Proprietary Funds.

The Federal Energy Regulatory Commission's Uniform System of Accounts states that upon the retirement of an utility's assets, the cost of removal and the proceeds from salvage are charged against the accumulative depreciation accounts when they are incurred. As a result, generally gains or losses are not recorded in the retirement of utility's assets.

Construction commitments

The government has active construction projects as of June 30, 2008. At year end the government's commitments with contractors are as follows:

<u>Function/Activity</u>	<u>Commitment</u>
Executive	\$ 4,806
Fire services	10,066
Police services	893
Park services	3,209
Public works	13,691
Port Commission	87
Public services	3,330
General services	754
Housing and community development	12,380
Engineering	13,031
Information systems	3,790
Library services	705
Sewer	<u>10,242</u>
	<u>\$ 76,984</u>

Discretely presented component units

Activity for the Board of Education for the year ended June 30, 2008, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets, not being depreciated:				
Land	\$ 28,674	2,147	-	30,821
Construction in progress	81,904	54,183	(52,322)	83,765
Total capital assets, not being depreciated	<u>110,578</u>	<u>56,330</u>	<u>(52,322)</u>	<u>114,586</u>
Capital assets, being depreciated:				
Buildings and improvements	1,088,896	46,271	(1,106)	1,134,061
Equipment and furniture	228,359	15,354	-	243,713
Total capital assets being depreciated	<u>1,317,255</u>	<u>61,625</u>	<u>(1,106)</u>	<u>1,377,774</u>
Less accumulated depreciation for:				
Buildings and improvements	(366,744)	(27,754)	710	(393,788)
Machinery, buses and equipment	(179,701)	(13,210)	-	(192,911)
Total accumulated depreciation	<u>(546,445)</u>	<u>(40,964)</u>	<u>710</u>	<u>(586,699)</u>
Total capital assets, being depreciated, net	<u>770,810</u>	<u>20,661</u>	<u>(396)</u>	<u>791,075</u>
Capital assets, net	<u>\$ 881,388</u>	<u>76,991</u>	<u>(52,718)</u>	<u>905,661</u>

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Activity for the Memphis Area Transit Authority for the year ended June 30, 2008 was as follows:

	Beginning Balance (Restated)	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 2,731	-	-	2,731
Construction in progress	4,529	2,243	(1,085)	5,687
Total capital assets, not being depreciated	<u>7,260</u>	<u>2,243</u>	<u>(1,085)</u>	<u>8,418</u>
Capital assets, being depreciated:				
Buildings and improvements	149,574	471	-	150,045
Buses and other revenue vehicles	68,951	1,340	(325)	69,966
Machinery and equipment	16,920	1,806	(65)	18,661
Total capital assets being depreciated	<u>235,445</u>	<u>3,617</u>	<u>(390)</u>	<u>238,672</u>
Less accumulated depreciation for:				
Buildings	(42,047)	(5,258)	-	(47,305)
Buses and other revenue vehicles	(42,344)	(4,824)	313	(46,855)
Machinery and equipment	(14,847)	(661)	-	(15,508)
Total accumulated depreciation	<u>(99,238)</u>	<u>(10,743)</u>	<u>313</u>	<u>(109,668)</u>
Total capital assets, being depreciated, net	<u>136,207</u>	<u>(7,126)</u>	<u>(77)</u>	<u>129,004</u>
Capital assets, net	<u>\$ 143,467</u>	<u>(4,883)</u>	<u>(1,162)</u>	<u>137,422</u>

Activity for the Memphis-Shelby County Airport Authority for the year ended June 30, 2008, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 161,171	522	-	161,693
Avigation easements	42,324	-	-	42,324
Construction in progress	65,534	70,561	(48,400)	87,695
Total capital assets, not being depreciated	<u>269,029</u>	<u>71,083</u>	<u>(48,400)</u>	<u>291,712</u>
Capital assets, being depreciated:				
Buildings	326,182	12,024	-	338,206
Utility Plant	678,080	32,621	-	710,701
Machinery, buses and equipment	76,762	3,797	(490)	80,069
Total capital assets being depreciated	<u>1,081,024</u>	<u>48,442</u>	<u>(490)</u>	<u>1,128,976</u>
Less accumulated depreciation for:				
Buildings	(167,679)	(13,464)	-	(181,143)
Utility Plant	(231,674)	(30,148)	-	(261,822)
Machinery, buses and equipment	(51,496)	(4,810)	375	(55,931)
Total accumulated depreciation	<u>(450,849)</u>	<u>(48,422)</u>	<u>375</u>	<u>(498,896)</u>
Total capital assets, being depreciated, net	<u>630,175</u>	<u>20</u>	<u>(115)</u>	<u>630,080</u>
Capital assets, net	<u>\$ 899,204</u>	<u>71,103</u>	<u>(48,515)</u>	<u>921,792</u>

NOTES TO FINANCIAL STATEMENTS
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CITY OF MEMPHIS, TENNESSEE
(Continued)

E. The composition of interfund transfers.

	Transfers in:									
	General Fund	Debt Service	Nonmajor Special Revenue				Capital Projects	Storm Water	Totals	
			Miscellaneous Grants	Hotel/Motel Tax	New Memphis Arena	Community Redevelopment	Total Nonmajor Special Revenue			
Transfers out:										
General fund	\$ -	1,264	59	-	-	1,673	1,732	-	452	3,448
Debt service	-	-	-	-	-	-	-	16	-	16
Nonmajor special revenue:										
State Street Aid	-	3,056	-	-	-	-	-	-	-	3,056
Miscellaneous grants	-	-	-	-	-	78	78	-	-	78
Hotel/Motel tax	-	940	-	-	658	-	658	-	-	1,598
New Memphis arena	-	-	-	658	-	-	658	-	-	658
Community redevelopment	-	2,343	-	-	-	-	-	-	-	2,343
Total nonmajor special revenue	-	6,339	-	658	658	78	1,394	-	-	7,733
Enterprise fund:										
Sewer	5,376	-	-	-	-	-	-	-	-	5,376
Memphis light, gas and water	49,389	-	-	-	2,500	-	2,500	-	-	51,889
Stormwater	-	2,300	-	-	-	-	-	-	-	2,300
	<u>\$ 54,765</u>	<u>9,903</u>	<u>59</u>	<u>658</u>	<u>3,158</u>	<u>1,751</u>	<u>5,626</u>	<u>16</u>	<u>452</u>	<u>70,762</u>

The composition of interfund balances as of June 30, 2008 is as follows:

Due to/from other funds:

Receivable Fund	Payable Fund	Amount
GOVERNMENTAL FUND TYPES		
General	Community Development	\$ 13,923
	State street aid	2,840
	Solid Waste	976
	Sewer	4,612
	Printing & mail	83
	Unemployment compensation	1,657
	Fleet Management	3,672
		<u>27,763</u>
Debt service	State street aid	398
	Capital Projects	6,252
	Storm water	5,365
		<u>12,015</u>
Special Revenue:		
Midtown Corridor	Miscellaneous Grants	1,398
Drug enforcement	WIA	4,303
	Miscellaneous grants	16
		<u>4,319</u>
PROPRIETARY FUND TYPES		
Internal Service:		
Health insurance	New Memphis arena	7,718
	Retirement	875
	Library retirement	303
		<u>8,896</u>
Fleet management	Community development	2
FIDUCIARY FUND TYPES		
Pension Trust:		
Retirement	General	13
Total		<u>\$ 54,406</u>

Interfund Balances:

These balances resulted from timing differences between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, and (2) payments between funds occur. Also, there are some interfund balances resulting from working capital loans made between the funds. The majority of these balances are scheduled to be collected in the subsequent year.

Transfers:

Transfers are used to (1) move revenue from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and (2) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

A discrepancy exists between the amount reported as transfers from MLGW by the General Fund and transfers to the General Fund by MLGW due to a transaction occurring subsequent to MLGW's December 31st year end and prior to the City's June 30th year end.

F. Leases

Operating Leases

The City occupies certain storage and office facilities principally under operating lease arrangements. The minimum annual rentals under such leases are not significant.

Capital Leases

The City has entered into a lease agreement as a lessee for financing the acquisition of equipment for the Solid Waste Division. This lease agreement qualified as a capital lease for accounting purposes and, therefore, was recorded at the present value of its future minimum lease payments as of the inception date.

The assets acquired through capital leases are as follows:

Assets:		
	Equipment	\$7,510
	Accumulated Depreciation	<u>-</u>
	Total	<u>\$ 7,510</u>

The remaining debt service requirement for the capital lease obligation for the City at June 30, 2008, is as follows:

	<u>Fiscal Year</u>	
	2009	\$ 1,662
	2010	1,662
	2011	1,662
	2012	1,662
	2013	<u>1,662</u>
	Total	8,310
	Less Interest	<u>(800)</u>
	Present Value of Payments	<u>\$ 7,510</u>

G. Long-term debt

General Obligation Bonds

The City's full faith and credit and unlimited taxing power has been pledged to the payment of general obligation debt principal and interest. There is no legal limit on the indebtedness which may be incurred.

In May, 2008, the City issued \$99,735 of General Improvement Bonds, Series 2008. The issue resulted in net proceeds of \$100,000 (after the net issue premium of \$1,609, payment of \$1,007 in underwriter's discount, and \$337 cost of issuance) to finance the costs of public works projects and retire \$70,000 in bond anticipation notes. The proceeds and issue cost of these debt instruments were recorded in the City's Capital Projects Fund as other sources and debt issue cost. The capitalized interest represents funds to be used to pay a portion of future interest. These funds were recorded in the City's Debt Service Fund as other revenue.

Commercial Paper Program

In April 2001, the city entered agreements to sell bond anticipation notes in the form of General Obligation Commercial Paper. The Commercial Paper is issued under the State of Tennessee Commercial Paper Program in an amount not to exceed \$150,000. The purpose of the Commercial Paper is to provide interim financing of various capital projects. The Commercial Paper has varying maturities of not more than 270 days from their respective dates of issuance. The City has entered a line of credit agreement, which expires on April 24, 2009, to provide liquidity support for this Commercial Paper Program. The debt is classified as long-term debt and is reflected in the City's Statement of Net Assets and the City's Capital Improvement Projects Fund, based on the City's ability to refinance the debt under the line of credit agreement.

MLGW buys and stores natural gas during the off-season (summer) to use in the upcoming winter months. In July 2007, the Gas Division issued anticipation notes in the amount of \$40,000 with a yield rate of 3.95% to provide funds for the purchase of gas and related costs for storage. The notes will be paid when due in July 2008. New anticipation notes will be issued to purchase and store gas for the 2008-2009 winter season.

The Series 2003B revenue bonds of the Electric Division of MLGW are auction rate securities and bear interest for 35-day auction periods. The auction period rate as of December 31, 2007, for the Series 2003B-1, 2003B-2, and 2003B-3 revenue bonds were 4.3%, 5.00%, and 4.10%, respectively. The State Comptroller, on behalf of the City, will determine in consultation with Lehman Brothers, as Dealer under the Dealer Agreement, the interest rates and maturities of the Commercial Paper from time to time during the period of the agreement.

Revenue Bond

In December, 2007, the City issued \$20,000 of Sanitary Sewage System Revenue Bonds, Series 2007. The issue resulted in net proceeds of \$19,679 (after the net issue premium of \$57, issuance cost of \$247, and an underwriter's discount of \$131). The proceeds and issue cost of these debt instruments were recorded in the City's Sewer Collection and Treatment Fund. The capitalized interest represents funds to be used to pay a portion of future interest.

Defeased debt

In prior years, the City defeased other general obligation and revenue bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on old bonds. Accordingly, the trust account assets and the liability of the defeased bonds are not included in the City's financial statements. On June 30, 2008, a total of approximately \$167,310 bonds outstanding are considered defeased.

Changes in long-term liabilities

Various bond indentures contain significant limitations and/or restrictions for annual debt service requirements, maintenance of and flow of monies through various restricted accounts and minimum amounts to be maintained in various sinking funds. The City is in compliance with these limitations and restrictions.

The following is a summary of long-term debt by fund at June 30, 2008.

	General Obligation Bonds	Bond Anticipation Notes	Capital Lease Obligations	Revenue Bonds	Total
Governmental Funds	\$ 1,058,181	90,000	7,510	-	1,155,691
Enterprise Funds	-	40,000		1,355,864	1,395,864
Total long-term debt	\$ 1,058,181	130,000	7,510	1,355,864	2,551,555

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Long-term liability activity for the year ended June 30, 2008, was as follows:

	Balance			Balance	Due Within
	June 30, 2007	Additions	Reductions	June 30, 2008	One Year
Governmental activities:					
General obligation bonds payable	\$ 965,801	99,735	(42,925)	1,022,611	57,112
Premium on general obligation bonds	30,501	989	(3,611)	27,879	-
Bond anticipation notes payable	70,000	90,000	(70,000)	90,000	90,000
Capital lease agreements	-	7,510	-	7,510	1,452
Accreted value on bonds	6,943	748	-	7,691	-
Vacation, sick and other leave benefits	76,910	9,099	-	86,009	644
	<u>\$ 1,150,155</u>	<u>208,081</u>	<u>(116,536)</u>	<u>1,241,700</u>	<u>149,208</u>

Business-type activities:

Revenue bonds	\$ 133,700	20,000	(8,290)	145,410	8,285
Net premium/discount on revenue bonds	510	-	(38)	472	-
MLGW revenue bonds	1,220,905	-	(83,010)	1,137,895	88,412
Premium on MLGW revenue bonds	80,354	-	(12,252)	68,102	-
Less deferred amounts:				-	
For issuance discounts and on refunding	(700)	-	255	(445)	-
MLGW notes payable	5,737	-	(1,307)	4,430	-
MLGW anticipation note payable	-	40,000	-	40,000	40,000
Vacation, sick and other leave benefits	2,750	1,274	-	4,024	322
	<u>\$ 1,443,256</u>	<u>61,274</u>	<u>(104,642)</u>	<u>1,399,888</u>	<u>137,019</u>

The accreted value of bonds represents accrued interest on the \$6,401 principal portion of compound interest bonds of the 1993A Refunding Bonds. The cumulative accreted value of the 1993A Refunding Bonds is \$7,691 at June 30, 2008. The compounded accreted values (principal plus accreted interest) of this portion of the 1993A Refunding Bonds at maturity are as follows:

Maturity Date	Principal Amount	Accreted Values
August 1, 2008	\$ 2,473	4,605
August 1, 2009	1,830	3,555
August 1, 2010	1,737	3,545
August 1, 2011	1,651	3,545
Total	<u>\$ 7,691</u>	<u>15,250</u>

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The compound interest bonds are subject to optional redemption by the City prior to their maturities at stated redemption prices which are calculated based upon the compounded accreted value at the date of redemption. A summary of General Obligation Debt and Revenue Bonds at June 30, 2008 follows:

Description	Interest Rates(%)	Original Issue	Balance Outstanding at Year End
General Obligation Debt:			
General City Government Serial Bonds (1)	2.00 - 5.70	\$ 1,789,101	\$ 1,026,737
General City Government Term Bonds	4.55 - 5.60	27,405	3,565
Bond Anticipation Notes	3.05-3.30	90,000	90,000
Net Premium/(Discount) on General Obligation Debt			27,879
Notes Payable		5,500	-
Capital Lease Obligations	3.75-3.75	7,510	7,510
Total General Obligation Debt		<u>\$ 1,919,516</u>	<u>1,155,691</u>
Revenue Bonds:			
Sanitary Sewerage System	3.95-5.375	\$ 190,570	145,410
Electric Division, MLG&W(2)	3.00-5.00	1,445,605	1,131,360
Water Division, MLG&W(2)	3.90-5.25	53,610	10,965
Net Premium/(Discount) on revenue bonds			68,574
Unamortized deferred amount on bond refundings			(445)
Bond Anticipation Notes:			
Gas Division, MLGW(2)	4	40,000	40,000
Total Revenue Bonds		<u>\$ 1,689,785</u>	<u>1,395,864</u>
Total			<u>\$ 2,551,555</u>

(1) Includes accreted value of \$7,691 as of June 30,2008.

(2) All MLG&W bonds reflect amounts outstanding at December 31, 2007

Debt service requirements to maturity for general obligation and revenue bond long-term indebtedness at June 30, 2008 are as follows:

Fiscal Year	Total Long-term Indebtedness											
	General Obligation					Revenue						
	City		Capital Lease			Sewer System		MLG&W(2)		Total Requirements		Total
	Principal	Interest(1)	Principal	Interest	Principal	Interest(1)	Principal	Interest	Principal	Interest		
2008												
2009	149,585	50,984	1,452	210	8,285	6,642	128,360	55,487	128,360	55,487	183,847	
2010	62,203	47,811	1,430	232	8,855	6,068	92,601	51,177	251,923	109,013	360,937	
2011	65,028	45,027	1,485	177	9,115	5,720	95,313	46,666	167,801	100,777	268,578	
2012	66,015	42,063	1,542	120	8,550	5,353	91,960	41,974	167,588	92,898	260,486	
2013	66,710	36,526	1,601	61	8,550	5,353	96,815	37,457	172,922	84,994	257,915	
2014	67,655	33,234			9,065	4,979	99,700	32,677	177,076	74,243	251,319	
2015	69,210	30,029			9,320	4,578	104,675	27,817	181,650	65,629	247,279	
2016	68,410	26,647			9,565	4,161	109,905	22,584	188,680	56,774	245,454	
2017	68,815	23,320			9,340	3,729	115,270	17,110	193,020	47,486	240,506	
2018	66,815	20,033			10,040	3,337	121,075	11,237	197,930	37,894	235,824	
2019	65,105	20,033			9,660	2,869	126,651	5,422	201,416	28,324	229,740	
2020	62,825	16,767			7,360	2,395	-	-	70,185	19,162	89,347	
2021	59,695	13,806			8,320	2,020	-	-	68,015	15,826	83,841	
2022	56,500	10,967			7,160	1,614	-	-	63,660	12,581	76,241	
2023	48,510	8,510			7,510	1,263	-	-	56,020	9,773	65,793	
2024	43,135	6,110			5,300	958	-	-	48,435	7,068	55,503	
2025	31,475	4,325			5,555	702	-	-	37,030	5,027	42,057	
2026	22,645	3,124			5,820	433	-	-	28,465	3,557	32,022	
2027	23,700	2,072			3,725	212	-	-	27,425	2,284	29,709	
2028	17,125	1,152			1,400	97	-	-	18,525	1,249	19,774	
2028	7,956	358			1,465	33	-	-	9,421	391	9,812	
TOTAL	\$ 1,120,302	422,865	7,510	801	145,410	57,163	1,182,325	349,608	2,455,547	830,437	3,285,984	

(1) Interest on variable general obligation bonds is estimated.

(2) At 12-31-07

H. Restricted assets

The balances of the restricted asset accounts in the enterprise funds are as follows:

Futures margin deposits	\$ 2,963
Construction	19,475
Insurance reserves – injuries and damages	10,204
Insurance reserves – casualties and general	24,923
Medical benefit	9,787
Customer deposits	19,984
Bond reserve and debt service	<u>24,786</u>
Total	<u>\$112,122</u>

V. OTHER INFORMATION

A. Risk management

The City is self-insured for health and medical benefits as well as on the job injury claims. The Health Insurance - Internal Service Fund charges premiums to other funds (primarily to the General Fund) which are used to pay claims and to fund the accrual for “incurred but not reported” (i.e. IBNR) claims and administrative costs of its health and medical benefits program. Additionally, on the job injury claims payable of \$5,498 were recorded in the Governmental Funds.

There were no significant incremental claim adjustment expenditures/expenses other than the expected cost of administering the claims paid by third party administrators. These liabilities, including IBNR (incurred but not reported claims), are based on the estimated ultimate cost of settling the claims using past experience adjusted for current trends, and any other factors that would modify past experience.

The changes in the insurance claims payable for the years ended June 30, 2007 and 2008 are as follows:

	<u>On the Job Injury</u>				
	Health	Sewer Collection and Treatment Fund	Fleet Management Fund	Storm Water Fund	Governmental Funds
Balance - June 30, 2006	\$ 8,163	23	-	-	6,290
Current year provision	76,460	-	102	-	4,529
Payments	(76,565)	-	(102)	-	(4,844)
Balance - June 30, 2007	8,058	23	-	-	5,975
Current year provision	86,771	368	112	73	5,815
Payments	(83,429)	(280)	(89)	(68)	(5,498)
Balance - June 30, 2008	<u>\$ 11,400</u>	<u>111</u>	<u>23</u>	<u>5</u>	<u>6,292</u>

The City did not receive insurance recoveries during the year.

B. Subsequent events

The City, including its fiduciary funds and component units, invests in various investment securities. Subsequent to June 30, 2008, the fair value of the City's investments has declined significantly due to the ongoing financial market crisis. The City's investments are reflected primarily in its fiduciary funds and the fair value of such investments has decreased approximately 22% as of October, 2008.

C. Contingent liabilities and commitments

The City is a defendant in a number of various lawsuits filed in the ordinary course of its operations. The City believes that \$15,204 is a reasonable measure of the ultimate settlement of these matters and has been reflected on the City's Statement of Net Assets.

Amounts received or receivable from grantors, principally the Federal and State governments, are subject to regulatory requirements and adjustments by the agencies. Any disallowed claims, including amounts previously recognized by the City as revenue, would constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantors cannot be determined at this time although City officials expect such amounts, if any, to be immaterial.

The City has commitments at June 30, 2008, for outstanding purchase orders and outstanding contracts reported as reserves for encumbrances in the General Fund of \$7,256. The City had additional commitments totaling \$76,984 for certain infrastructure and sewer construction projects.

D. Joint ventures

Memphis and Shelby County Convention Center Complex

The Memphis and Shelby County Convention Center Complex (the Convention Center) is a joint operation between the City and the County. It is managed by an eight member board consisting of four members appointed by the City and four members appointed by the County. The board is responsible for reporting the results of operations of the Convention Center semi-annually to both the City and the County. Each participant shares equally in the profits of the Convention Center and is responsible for funding any deficit from operations in the same proportion. As of and for its year ended June 30, 2008, the Convention Center reported the following derived from its audited financial statements:

Assets	\$ 12,555
Liabilities	2,081
Net assets	10,474
Operating revenues	4,049
Operating expenses	7,512
Other income	2,477
Change in net assets	(986)

Financial statements for the Convention Center may be obtained from Memphis Cook Convention Center, 255 N. Main Street, Memphis, TN 38103-1623.

Memphis and Shelby County Port Commission

The Memphis and Shelby County Port Commission (the Port Commission), a joint operation between the City and the County, is managed by a seven member board. Three of the board members are appointed by the City and two are appointed by the County. In addition, the director of public works for the City and for the County serves as ex officio members of the board with the right to vote. Capital expenditures over \$5 must be approved by both the City and the County. Excess revenues of the Port Commission are distributed to the City and the County in a sum equal to what would be the City and the County taxes on the property owned by the City and the County, managed and controlled by the Port Commission. Any deficits of the Port Commission are funded equally by the City and the County. As of and for its year ended June 30, 2008, the Port Commission reported the following derived from its audited financial statements:

Assets	\$28,377
Liabilities	7,785
Net assets	20,592
Operating revenues	2,003
Other income	1,311
Operating expenses	2,935
Change in net assets	379

Financial statements for the Port Commission may be obtained from the Memphis and Shelby County Port Commission, 1115 Riverside Blvd., Memphis, TN 38106-2504.

Public Building Authority of Memphis and Shelby County, Tennessee

In April 1989, the City and the County entered into a joint operation creating a nonprofit corporation, the Public Building Authority of Memphis and Shelby County, Tennessee (the PBA). The PBA was responsible for the construction of the Pyramid facility (the Pyramid). The total construction costs of \$64,000 were funded \$27,000 each by the City and the County from the proceeds of various G.O. Bonds issued by each and \$10,000 contributed from the State of Tennessee on behalf of the University of Memphis. The City's portion of the construction costs plus half of the amount contributed from the State is reflected in the Governmental-wide Capital Assets.

In September 1991, the City and the County entered into a contract with a company to manage the Pyramid Arena Operations. The management agreement, effective July 1, 1991, is for a three year period with three 5-year renewal options. This agreement is automatically renewable unless either party provides a written notice to the other that it intends not to renew. Management fees to be paid annually to the company are based upon the following percentages of operating revenues:

Operating Revenues

Up to \$2.5 million	10%
\$2.5 to \$3.5 million	0%
\$3.5 to \$4.5 million	7.5%
above \$4.5 million	5%

Under the management agreement, the City and the County will provide the funds necessary for the Pyramid Arena Operations based upon approved budgets. Excess operating revenues, net of management fees and operating expenses, as defined under the management agreement, will be paid to the City and the County.

As of and for its year ended June 30, 2008, the Pyramid Arena Operations reported the following derived from its audited financial statements:

Assets	\$ 65
Liabilities	79
Net deficit	(14)
Operating revenues	13
Operating expenses	673
Other income	460
Change in net deficit	(200)

Financial statements for the PBA may be obtained from the Pyramid Arena, One Auction Street, Memphis, Tennessee 38105.

New Memphis Arena Public Building Authority of Memphis and Shelby County, Tennessee

In August 2001, the City and the County entered into a joint operation creating a nonprofit corporation, The New Memphis Arena Public Building Authority of Memphis and Shelby County, Tennessee (The New Arena PBA). The New Arena PBA is a non-profit corporation established under the Statutes of the State of Tennessee and is governed by a Board of Directors whose members are jointly appointed by the Mayors and Memphis and Shelby County and approved by the Memphis City Council and the Shelby County Commission. The New Arena PBA is responsible for the construction of a multipurpose sports and entertainment facility (FedEx Forum). The total construction cost of \$250,000 was funded from \$186,000 from Senior Lien Revenue Bonds, \$20,000 from Subordinate Lien Revenue Bonds, \$12,000 each by the City and the County from non-ad valorem revenues, and \$20,000 from the State of Tennessee for a parking structure. As of and for its year ended December 31, 2007, the New Memphis Arena PBA reported the following derived from its audited financial statements:

Assets	\$ 209,124
Liabilities	-
Net assets	209,124
Operating revenues	-
Operating expenses	7,223
Other income	-
Change in net assets	(7,223)

Financial statements for the New Memphis Arena PBA may be obtained from New Memphis Arena PBA, 195 Linden Avenue, Memphis, Tennessee 38103.

Mid-South Coliseum

The Mid-South Coliseum (the Coliseum) is a joint operation between the City and the County. It is managed by a board consisting of two members appointed by the City, two appointed by the County, and one appointed jointly by the City and the County.

As of June 30, 2008, operation of the Coliseum has ceased; therefore, no financial statements were issued.

E. Other postemployment benefits

Effective for the 2008 fiscal year, the City adopted GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. GASB Statement No. 45 establishes standards for the measurement, recognition, and display of other postemployment benefits (OPEB) expenses/expenditures and related liabilities (assets), note disclosures, and required supplementary information. This Statement requires recognition of the cost of other postemployment benefits during the periods when employees render their services and disclosure about actuarially accrued liabilities related to past services and the status and progress of funding the benefits. The requirements of GASB statement No. 45 were implemented prospectively beginning July 1, 2007

As a result of the adoption of GASB Statement No. 45, the City established a new OPEB trust fund. Effective July 1, 2007, the OPEB Trust was established for the exclusive benefit of the City's eligible retired employees and their dependents to fund the postemployment benefits provided through the health and welfare benefit plan. Amounts contributed to the OPEB Trust by the City are held in trust and are irrevocable and are for the sole and exclusive purpose of funding for health and welfare benefits of the eligible participants, and the cost of operating and administering the Trust.

City of Memphis Other Postemployment Benefits (OPEB) Plan

Plan Description. The City's OPEB plan provides medical and life insurance benefits to eligible retired City of Memphis General, Police, Fire and Airport Authority employees and their dependents based on firmly-established past practices. The primary benefit for eligible retirees is postretirement medical coverage through either a Preferred Provider Organization (PPO/Basic) or a Point of Service Plan (POS/Premier). Of premiums paid for retiree health and medical benefits and life insurance, 70 % is paid by the General Fund (with the remaining 30% paid by the retirees) and is recognized as an expenditure, which totaled \$18,821 for 2008. At June 30, 2008, the number of retirees eligible for health and medical benefits is 3,589. The City also provides two life insurance benefits: the first is a self-insured death benefit and the second is a continuation of active life insurance. The authority to conduct the general operation and administration of the single employer plan is vested with the City. Separate financial statements for the plan are not issued.

Funding Policy. The contribution requirements of the plan members and the City are established and may be amended by the City. OPEB eligible members receiving benefits contribute \$119 or \$131 per month for retiree-only coverage and \$236 or \$301 per month for retiree and family coverage depending on medical plan coverage selected. The City pays for medical costs in excess of required retiree premiums and may elect through adoption of the City's annual budget ordinance to contribute an amount in excess of the total annual benefit

payments to a qualified trust for the purpose of funding future OPEB benefits. In fiscal year 2008, the City adopted and established an OPEB Trust for the exclusive purpose of pre-funding and providing for payment of OPEB benefits under the plan. MLGW's Receipt of Medicare Part D prescription drug subsidies is included in operating income.

Annual OPEB Cost. For fiscal 2008, the City contributed 64.5% or \$35,743 of its annual OPEB cost of \$55,418. The annual OPEB cost consisted of the following:

Annual OPEB Cost (Expense)

Annual Required Contribution (ARC)	\$ 55,418
Interest on beginning of year accrual	-
Amortization of beginning of year accrual	<u>-</u>
Fiscal 2008 OPEB cost	<u>\$ 55,418</u>

The Net OPEB Obligation was \$19,675 at June 30, 2008.

Funded Status and Funding Progress. The funded status of the plan as of July 1, 2007, was as follows:

Actuarial accrued liability (AAL)	\$857,062
Actuarial value of plan assets	<u>0</u>
Unfunded actuarial accrued liability (UAAL)	<u>\$857,062</u>
Funded ratio (actuarial value of plan assets/AAL)	0.00%
Covered payroll (active plan members)	\$283,789
UAAL as a percentage of covered payroll	302.0%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements (exhibit F-10), presents multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions. Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the July 1, 2007 actuarial valuation, the entry age normal actuarial cost method was used. The actuarial assumptions included a 5.5 percent investment rate of return (net of administrative expenses) and an annual healthcare cost trend rate of 12 percent initially, reduced by decrements to an ultimate rate of 5 percent after ten

years. Both rates assume a 5.0% salary scale. The City's OPEB unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2008 was 30 years.

Memphis Light, Gas and Water Division Other Post Employment Benefits Trust Fund

Memphis Light, Gas and Water, by resolution of its Board of Commissioners, has established, adopted, and maintains a medical benefits (health and welfare) plan for its retired employees and their eligible dependants. The MLGW plan is a single-employer defined benefit healthcare plan administered by MLGW. MLGW issues a separate audited financial report for the OPEB Trust that includes financial statements and required supplementary information. That report may be obtained by writing to: Manager, General Accounting, P.O. Box 430, Memphis, Tennessee 38101-0430.

The Plan provides post employment health care, life insurance, accident/death and dismemberment (AD&D), medical and prescription drugs to eligible retirees and their dependents. The retiree and their beneficiaries receive this coverage for the life of the retiree. Benefits are payable to a spouse for their lifetime, regardless of when the retiree dies. Dental, dependent life insurance, cancer, accident, and long-term care benefits are available but are 100% paid by the retiree.

Employees retired under the MLGW Pension Plan, or disabled with five years of service at any age, or disabled in the line of duty at any age with no years of service restriction are eligible for OPEB benefits. Health care benefits are also offered to qualifying survivors of deceased retired members and deceased active employees, who are eligible to retire at the time of death. Currently, 2,474 retirees and beneficiaries are eligible for post-employment benefits.

Funding Policy

The contribution requirements of plan members and MLGW are established and may be amended by the MLGW Board of Commissioners. Retiree and spouse contribution rates are periodically reset at 25% of costs for medical and drug benefits. For life insurance and AD&D, retirees contribute 40% of the cost.

The Board of Commissioners has set the employer contribution rate based on the annual required contribution ("ARC"), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize and unfunded actuarial liabilities of the plan over a period not to exceed thirty years. For fiscal year 2007, employer contributions were \$51,253 to the Plan. Plan members receiving benefits contributed \$4,126 through their required contribution of \$40.09 to \$363.24 (dollars) per month depending on the coverage (employee only, employee and spouse, or family) and the health plan selected.

MLGW's receipt of Medicare Part D prescription drug subsidies is included in non-operating income. Subsidies in future years cannot be recognized as a reduction in the actuarial accrued liability.

Annual OPEB Cost and Net OPEB Obligation

An actuarial valuation of MLGW’s post employment welfare benefit program was performed for the Plan as of December 31, 2005, and adjusted for relevant changes for the fiscal year ended December 31, 2007. MLGW’s annual other post employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution (ARC). The following table presents the OPEB cost for the year, the amount contribute to the plan, and changes in the net OPEB obligations for fiscal year 2007:

Annual Required Contribution	\$ 53,536
Interest on net OPEB obligation	4,455
Adjustment to annual required Contribution	<u>-</u>
Annual OPEB cost (expense)	57,991
Contributions made	<u>(51,253)</u>
Increase in net OPEB obligation	6,738
Net OPEB obligation—beginning of year	<u>-</u>
Net OPEB obligation—end of year	<u>\$ 6,738</u>

MLGW’s annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for fiscal year 2007 were as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Employee Contributions</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
December 31, 2007	\$ 57,991	\$ 51,253	88.4%	\$ 6,738

Funded Status and Funding Progress

As of December 31, 2006, the actuarial accrued liability (“SSL”) for benefits was \$743,484 with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (“UAAL”) of \$743,484. The covered payroll (annual payroll of active employees covered by the Plan) was \$148,219, and the ratio of the UAAL to the covered payroll was 501.7%.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revisions as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the MLGW’s OPEB Trust’s financial statements, will provide additional multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits, as actuarial valuations are updated.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and included the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of calculations. Significant methods and assumptions were as follows:

Valuation Date	December 31, 2005, projected one year
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percent of pay, closed 30 years
Remaining amortization Period	30 years as if January 1, 2007
Asset Valuation Method	Market Value
Accrual Assumption:	
Investment Rate of Return (discount rate)	8.00%
Inflation Rate	4.0%
Projected Salary Increases	7.66% at age 20 graded to 4.0% at age 43 and older
Medical Cost Trend Rate for PPO (starting 1/1/2006)	10.00% graded to 5.00% over 5 years
Medical Cost Trend Rate for POS (starting 1/1/2006)	11.00% graded to 5.00% over 6 years
Drug Cost Trend Rate and Medical Cost Trend for HMO	12.00% graded to 5.00% over 7 years

Post-employment benefit cost for the years ended December 31, 2007 and 2006 are as follows:

	Electric Division		Gas Division		Water Division	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Premium Payments	<u>\$11,068</u>	<u>\$11,135</u>	<u>\$5,243</u>	<u>\$5,275</u>	<u>\$3,107</u>	<u>\$3,126</u>

F. Pension and retirement plans

City of Memphis Retirement System

General - The City of Memphis Retirement System is established under Chapter 25, Code of Ordinances, City of Memphis, Tennessee and is administered by a Board of Administration under the direction of the Mayor. Separate financial statements for the plan are not issued.

NOTES TO FINANCIAL STATEMENTS
(Thousands of Dollars)
For the fiscal year ended June 30, 2008

CITY OF MEMPHIS, TENNESSEE
(Continued)

As of and for its year ended June 30, 2008, The City Retirement System reported the following net assets:

Assets:

Cash and cash equivalents	\$ 17,795
Investments, at fair value:	
U.S. government securities - long-term	64,637
Common stock - domestic	528,897
Common stock - foreign	197,826
Mutual funds and money market	248,388
Corporate bonds - domestic	241,423
Corporate bonds - foreign	23,102
Collateralized mortgage obligations	131,253
Asset-backed pooled securities	30,286
Mortgage-backed pooled securities	73,489
Investment in index funds	174,483
Investment in real estate	110,014
Investment in high yield bond fund	10,012
Investment in international equity fund	250,422
Interest and dividends on investments	8,206
Due from other funds	13
Other	5,557
Total assets	<u>\$ 2,115,803</u>

Liabilities:

Notes and accounts payable	21,107
Due to other funds	875
Total liabilities	<u>21,982</u>

Net assets:

Held in trust for pension benefits and pool participants	<u>\$ 2,093,821</u>
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As of and for its year ended June 30, 2008, The City Retirement System reported the following changes in net assets:

Additions:

Employer contributions	\$ 14,598
Plan member contributions	20,609
Interest and dividend income	76,936
Other investment income	1,756
Gain from real estate investments	(11,027)
Net appreciation (depreciation) in fair value of investments	<u>(208,812)</u>
Total additions	<u>(105,940)</u>

Deductions:

Benefits	112,639
Administrative expenses	9,620
Refunds of contributions	15,878
Total deductions	<u>138,137</u>

Net increase	(244,077)
Net assets - beginning of year	<u>2,337,898</u>
Net assets - end of year	<u>\$ 2,093,821</u>

Plan Description - The City Retirement System pension trust fund accounts for the activity of the City of Memphis Retirement System and is a single employer public employee retirement system. Substantially all permanent full-time salaried employees of the City (excluding component units) are required to participate in either of two contributory defined benefit pension plans (the Plans) which are as follows: 1948 Plan - for salaried employees hired prior to July 1, 1978, and 1978 Plan - for salaried employees hired after June 30, 1978. Under City Ordinances, trust assets are reported in one trust fund and not segregated between the two benefit plans. Permanent, full-time employees in job classifications covered by contract with the Social Security Administration are not participants of the Retirement System as they are covered under the Federal Insurance Contribution Act (Social Security).

At June 30, 2008, the Retirement System membership consisted of:

Retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them	4,070
Active employees:	
Fully vested	3,056
Nonvested	<u>3,165</u>
Total	<u>10,291</u>

The Plans provide retirement benefits as well as death and disability benefits. Retirement benefits vest after ten years of service. General employees, under the 1948 Plan, may retire after completion of 25 years of service or, if earlier, after age 60 and completion of 10 years of service. Under the 1978 Plan, general employees may retire after completion of 25 years of service or, if earlier, after meeting any of the following:

- 1) after age 65 and the completion of 5 years of service,
- 2) after age 60 and the completion of 10 years of service.

Police officers and firefighters under the 1948 Plan and the 1978 Plan may retire after completion of 25 years of service or, if earlier, after age 55 and completion of 10 years of service. Elected and Appointed participants hired prior to October 1, 2004 may retire after 12 years of service.

Benefits amounting to 2.25 percent (for credited service prior to January 1, 1989) and 2.50 percent (for credited service January 1, 1989 and after) of the earnings base for the first 25 years of credited service plus 1 percent of the earnings base for the next 10 years of credited service are payable semi-monthly for life.

Summary of Accounting Policies - The financial statements of the Plans are prepared using the accrual basis of accounting. Contributions, benefits, and refunds are recognized when due and payable in accordance with the terms of the plans.

Method Used to Value Investments - All investments of the City of Memphis Retirement System are reported at fair value. Short term investments are reported at cost, which approximates fair value. All other investments

are valued based upon quoted market prices except for real estate investments, which are appraised by independent appraisals. Memphis Retirement System had no individual investments in excess of 5 percent of plan net assets.

Contributions - The Plans' funding policy provided for actuarially determined periodic contributions at rates of 5 percent per annum for general city employees and up to 7 percent for police and fire employees. The City is required to contribute the remaining amounts necessary to fund the Plans, using the actuarial basis specified by statute. The City is also required to appropriate funds for the trust fund as necessary to pay all costs and expenses of the Plans.

Actuarial Methods and Assumptions - The actuarial valuation method used is a market value related method. The frozen entry age actuarial cost method is used in determining the funding requirements. Significant actuarial assumptions include (a) a rate of return on the investment of present and future assets of 7.5 percent a year compounded annually, (b) projected salary increases of 5 percent a year compounded annually, attributable to inflation, (c) no additional projected salary increases for seniority or merit, and (d) no post-retirement benefit increases.

Schedule of Funding Progress - The frozen entry age actuarial cost method, used in determining funding requirements, only identifies the initial unfunded actuarial accrued liability, which is incurred at the inception of the plan and amortized. All other sources of unfunded liabilities (such as plan amendments and experience gains and losses) become part of normal cost. The schedule of funding progress for the six years ended June 30, 2008 is as follows:

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL)-- Entry Age (b)</u>	<u>Unfunded Actuarial Accrued Liability (UAAL) (b-a)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (d)</u>	<u>UAAL as a Percentage of Covered Payroll (c)/(d)</u>
7/1/2002	1,886,836	N/A	N/A	N/A	217,737	N/A
7/1/2003	1,861,728	N/A	N/A	N/A	226,580	N/A
7/1/2004	1,926,962	N/A	N/A	N/A	241,321	N/A
7/1/2005	1,992,833	N/A	N/A	N/A	254,091	N/A
7/1/2006	2,056,080	N/A	N/A	N/A	262,859	N/A
7/1/2007*	2,121,919	2,063,051	0	N/A	264,966	0%

* Starting with the July 1, 2007 valuation, actuarial accrued liability is provided under the Entry Age Normal Cost Method in order to provide information that serves as a surrogate of the funding progress of the plan

Schedule of Employer Contributions - The schedule of employer contributions for the six years ended June 30, 2008 is as follows:

<u>Year Ended June 30</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed (See Below)1</u>
2003	0	1,909.0
2004	709	513.7
2005	2,695	117.6
2006	11,893	61.9
2007	22,674	60.6
2008	24,072	

Even though the Annual Required Contribution was zero for this plan year \$12,483,000 was contributed to trust.

Annual Pension Cost and Net Pension Asset – The City Retirement System’s annual pension cost and net pension asset for the year ended June 30, 2008 were as follows:

Annual required contribution	\$ 24,072
Interest on net pension asset	(4,695)
Adjustment to annual required contribution	<u>9,120</u>
Annual pension cost	28,497
Contribution made	<u>(14,598)</u>
Increase in net pension obligation	13,899
Net pension asset at beginning of year	<u>(62,603)</u>
Net pension asset at end of year	<u>\$ 48,704</u>

Three-year trend information is as follows:

Year Ended June 30	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Asset
2006	17,565	79.6	76,659
2007	28,093	50.0	62,603
2008	28,497	51.2	48,704

Library Retirement System

General - The Retirement System of the Memphis and Shelby County Public Library and Information System is established under Chapter 18, Code of Ordinances, City of Memphis, Tennessee and is administered by a Board of Administration under the direction of the Library Board of Trustees and City Council. Separate financial statements for the plan are not issued.

As of and for its year ended June 30, 2008, the Library Retirement System reported the following net assets:

Library Retirement System For the Year Ended June 30, 2008

As of and for its year ended June 30, 2008, The Library Retirement System reported the following net assets:

Assets:

Cash and cash equivalents	\$ 831
Investments, at fair value:	
Common stock - domestic	25,331
Investment in index funds	22,063
Investment in real estate	8,326
Investment in limited partnership	5,667
Interest and dividend receivables	21
Receivable for securities sold	<u>156</u>
Total assets	<u>\$ 62,395</u>

Liabilities:

Due to other funds	<u>303</u>
Total liabilities	<u>303</u>

Net assets:

Held in trust for pension benefits and pool participants	<u>\$ 62,092</u>
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As of and for its year ended June 30, 2008, The Library Retirement System reported the following changes in net assets:

Additions:

Employer contributions	\$ 248
Plan member contributions	270
Interest and dividend income	479
Other investment income	(382)
Net appreciation (depreciation) in fair value of investments	<u>(4,418)</u>
Total additions	<u>(3,803)</u>

Deductions:

Benefits	2,660
Administrative expenses	392
Refunds of contributions	<u>95</u>
Total deductions	<u>3,147</u>

Net decrease	(6,950)
Net assets - beginning of year	<u>69,042</u>

Net assets - end of year	<u>\$ 62,092</u>
--------------------------	------------------

Plan Description - The Library Retirement System pension trust fund accounts for the activity of the Library Retirement System, a single employer public employee retirement system. Substantially all regular full-time and permanent part-time employees of the Library are required to participate in either of two contributory defined benefit pension plans. All assets of the Library Retirement System are available for the payment of Pension benefits to either Plan I or Plan II. The Plans are described as follows:

- Plan I - for all employees hired prior to April 1, 1975, and employees hired after March 31, 1975, who do not join Plan II, and
- Plan II - for employees hired after March 31, 1975, who applied for membership in Plan II as a condition of employment.

Hourly-rate employees are not eligible for coverage under the above Library Plans since they are covered under the Federal Insurance Contribution Act (Social Security).

At January 1, 2007* the Library Retirement System membership consisted of:

Retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them	129
Active employees:	
Vested	126
Nonvested	<u>151</u>
Total	<u>406</u>

*January 1, 2008 participant counts are unavailable at this time.

The Library Plans provide retirement benefits as well as death and disability benefits. Retirement benefits, under Plan I, vest after 15 years of service, with partial vesting occurring after 5 years of service. Under Plan II, retirement benefits vest after 10 years of service. Under Plan I, employees may retire under any of the following:

- (a) Completion of 30 years of service
- (b) Completion of 25 years of service and attainment of age 55, or
- (c) Completion of 10 years of service and attainment of age 60.

Under Plan II, employees may retire under any of the following:

- (a) Completion of 30 years of service and attainment of age 60,
- (b) Completion of 25 years of service and attainment of age 62, or
- (c) Completion of 5 years of service and attainment of age 65.

Also under Plan II, employees may retire with reduced benefits after completion of 25 years of service and attainment of age 55. Upon retirement, the normal payment form for retirees is a monthly benefit for life for non-married participants or a monthly benefit for life with 75% of the benefit payable to the surviving spouse following the death of a married participant. Optionally, participants may elect to receive their benefits in any other form available under the Plan(s).

Under both Library Plans effective for retirements after June 30, 1992, monthly benefits are calculated as 2.5 percent of the average compensation multiplied by years of credited service not in excess of 25, plus 1 percent of average compensation for the next 10 years. Average compensation, as defined by Plan I, is the greater of the average monthly compensation for the three consecutive years of service during which compensation was the highest or average monthly compensation for the twelve months preceding the date of retirement. Average compensation, as defined by Plan II, is the greater of the average monthly compensation for the three consecutive years of service during which compensation was the highest.

Summary of Accounting Policies - The financial statements of the Library Plans are prepared using the accrual basis of accounting. Contributions and benefits are recognized when due and payable in accordance with the terms of the Library Plans.

Method Used to Value Investments - All investments of the Library Retirement System are reported at fair value. Short term investments are reported at cost, which approximates fair value. All other investments are valued based upon quoted market prices. The Library Retirement System has no investments in any one organization, which represent more than 5 percent of plan net assets.

Contributions - The Library Plans' funding policy provides for periodic contributions at rates of 3 percent per annum for employees.

Actuarial Methods and Assumptions - The actuarial asset valuation method is a market value method. The frozen entry age actuarial cost method is used in determining the funding requirements. Significant actuarial assumptions include (a) a rate of return on the investment of present and future assets of 7.5 percent a year compounded annually, (b) projected salary increases of 5 percent a year compounded annually, attributable to inflation, and (c) post-retirement benefit increases of 3 percent a year.

Schedule of Funding Progress - The frozen entry age actuarial cost method, used in determining funding requirements, identifies the initial unfunded accrued liability, which is incurred at the inception of the plan and amortized. As long as the unfunded accrued liability is less than zero, all other sources of unfunded liabilities (such as plan amendments and experience gains and losses) become part of normal cost. The schedule of funding progress for the ten years ended January 1, 2008 is as follows:

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Assets in Excess of the Actual Accrued Liability	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
1/1/2003	44,609	49,000		4391	91.0	10,639	41.0
1/1/2004	53,766	50,030	3,736	0	107.0	11,213	0
1/1/2005	59,129	52,814	6,315	0	112.0	11,074	0
1/1/2006	61,017	54,855	6,162	0	111.0	10,190	0
1/1/2007	66,572	59,007	7,565	0	113.0	9,230	0
1/1/2008	66,025	62,704	3,321	0	110	8,768	0

Schedule of Employer Contributions - The schedule of employer contributions for the six years ended June 30, 2008 is as follows:

Year Ended June 30	Annual Required Contribution	Percentage Contributed
2003	0	N/A
2004	1,494	23.0
2005	341	98.0
2006	0	N/A
2007	0	N/A
2008	0	N/A

Annual Pension Cost and Net Pension Asset – The Library Retirement System’s annual pension cost and net pension asset for the year ended June 30, 2008 were as follows:

Interest on net pension asset	\$ (140)
Adjustment to annual required contribution	<u>154</u>
Annual pension cost	14
Contribution made	<u>(267)</u>
Decrease in net pension obligation	253
Net pension asset at beginning of year	<u>1,868</u>
Net pension asset at end of year	<u>\$ 2,121</u>

Three-year trend information is as follows:

Year Ended June 30	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Asset
2006	2	1,646.0	1,579
2007	11	2,727.0	1,868
2008	14	1,907.0	2,121

MLGW Retirement System

General - The MLGW Retirement System is established under a resolution by the Board of Commissioners of MLGW and is administered by the MLGW Pension Board under the direction of the Board of Commissioners. Separate financial statements for the MLGW Retirement System and the MLGW Retiree Medical and Life Insurance Benefits are issued as of and for its year-end December 31, and can be obtained by writing to the MLGW Pension Plan, P.O. Box 430, Memphis, Tennessee 38101-0430.

Plan Description - The MLGW Retirement System pension trust fund accounts for the activity of the MLGW Retirement System, a single employer public employee retirement system. Prior to 1988, the retirement system included the contributory defined benefit plans (the “1948 Plan” and the “1978 Plan”). The 1948 Plan and the 1978 Plan were amended and superseded as of July 1, 1988. All employees who were members of the 1948 Plan and the 1978 Plan automatically became members of the amended, restated and consolidated MLGW Retirement System.

At December 31, 2007, the MLGW Retirement System membership consisted of:

Retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them	2,477
Active employees	<u>2,590</u>
Total	<u>5,067</u>

The MLGW Pension Plan provides retirement, disability and death benefits to participants and their beneficiaries. The MLGW Pension Plan also provides for cost of living adjustments beginning at the age 56 for retired, disabled and surviving spouses on a graded scale of 5% per annum based on the consumer prices index.

Summary of Accounting Policies - The financial statements of the MLGW Retirement System are prepared using the accrual basis of accounting. Contributions and benefits are recognized when due and payable in accordance with the terms of the MLGW Retirement System.

Method Used to Value Investments - All investments of the MLGW Retirement System are reported at fair value. Short term investments are reported at cost, which approximates fair value. All other investments are valued based upon quoted market prices except for real estate investments, which are appraised by independent appraisals. The MLGW Retirement System has no investments in any one organization, which represent more than 5 percent of plan net assets.

Contributions - All members under the MLGW Retirement System are required to contribute 8 percent of the benefit compensation to the MLGW Retirement System. During 2005, MLGW was required to contribute 8 percent of the benefit compensation of all active participants. Investment costs of the MLGW Retirement System are financed through investment earnings. Other administrative costs are included in the annual required contribution amount.

Actuarial Methods and Assumptions - The actuarial valuation method used is the five-year weighted index method. The aggregate actuarial cost method is used in determining the funding requirements. Significant actuarial assumptions include (a) a rate of return on the investment of present and future assets of 8.00 percent a year compounded annually, (b) projected salary increases of 4.00 to 7.66 percent a year compounded annual, and (c) pensioner cost of living adjustments of 1.05 to 2.63 percent compounded annually.

Schedule of Funding Progress - The aggregate cost method does not identify or separately amortize unfunded actuarial liabilities. These liabilities are amortized through the normal cost. Under the aggregate cost method, the actuarial accrued liability equals the actuarial value of assets. At December 31, 2007, the actuarial value of assets was \$1,258,670.

Schedule of Employer Contributions - The schedule of employer contributions for the past six years is as follows:

Year Ended December 31	Annual Required Contribution	Percentage Contributed
2002	9,972	98.8
2003	15,890	67.3
2004	18,241	88.4
2005	18,683	102.8
2006	19,512	101.0
2007	17,217	100.1

G. Component units

As discussed in Note 1, BOE, MATA, and MSCAA are included as discretely presented component units of the City's financial statements. Essential disclosures related to the above discretely presented component units are included in the complete financial statements of each of the individual component units. See Note 1(A). Condensed financial statement information for these discretely presented component units is shown below:

	GOVERNMENTAL TYPE		PROPRIETARY TYPE			COMPONENT
	BOE	MATA	MSCAA	TOTAL	UNITS TOTAL	
Current Assets	\$ 511,818	5,734	27,889	33,623	545,441	
Property, plant and equipment (net of accumulated depreciation)	905,661	137,422	921,792	1,059,214	1,964,875	
Other assets	-	522	279,743	280,265	280,265	
Total assets	<u>\$ 1,417,479</u>	<u>143,678</u>	<u>1,229,424</u>	<u>1,373,102</u>	<u>2,790,581</u>	
Current liabilities	\$ 161,995	5,469	75,643	81,112	243,107	
Long-term liabilities	119,415	800	597,362	598,162	717,577	
Net assets	<u>1,136,069</u>	<u>137,409</u>	<u>556,419</u>	<u>693,828</u>	<u>1,829,897</u>	
Total liabilities and net assets	<u>\$ 1,417,479</u>	<u>143,678</u>	<u>1,229,424</u>	<u>1,373,102</u>	<u>2,790,581</u>	
Operating revenues	\$ 702,697	15,678	139,094	154,772	857,469	
Operating expenses	<u>1,131,762</u>	<u>49,848</u>	<u>92,958</u>	<u>142,806</u>	<u>1,274,568</u>	
Operating income (loss) before depreciation and amortization	<u>\$ (429,065)</u>	<u>(34,170)</u>	<u>46,136</u>	<u>11,966</u>	<u>(417,099)</u>	
Depreciation and amortization	\$ (40,965)	(10,743)	(40,255)	(50,998)	(91,963)	
Grants and contributions not restricted	446,869	-	-	-	446,869	
City of Memphis subsidy	-	20,293	11,977	32,270	32,270	
Federal and State grant revenues	-	18,880	-	18,880	18,880	
Other revenue (expense)	<u>11,640</u>	<u>442</u>	<u>6,874</u>	<u>7,316</u>	<u>18,956</u>	
Change in net assets	(11,521)	(5,298)	24,732	19,434	7,913	
Net assets - beginning of year, as restated	<u>1,147,590</u>	<u>142,707</u>	<u>531,687</u>	<u>674,394</u>	<u>1,821,984</u>	
Net assets - end of year	<u>\$ 1,136,069</u>	<u>137,409</u>	<u>556,419</u>	<u>693,828</u>	<u>1,829,897</u>	

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COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES

CITY OF MEMPHIS

T E N N E S S E E

COMBINING NONMAJOR FUNDS

SPECIAL REVENUE

Community Development – This fund is used to account for the Community Development Block Grant and other related grants. Funds are restricted to uses approved under Federal guidelines.

Drug Enforcement Fund – The Drug Enforcement Fund accounts for confiscated funds that are restricted to the provision of drug enforcement activities.

State Street Aid – The State Street Aid Fund accounts for proceeds of the local share of the tax on motor fuel that are restricted to use only on street and road construction and maintenance.

WIA – The Workforce Investment Act (WIA) Fund accounts for funds received from the Federal Department of Labor for use in training of qualified individuals.

Miscellaneous Grants - The Miscellaneous Grants Fund accounts for several unrelated federal and state grants.

Midtown Corridor – The Midtown Corridor Fund accounts for the revenues and expenditures related to the sale of undeveloped residential lots located within the Midtown Corridor West Redevelopment Plan.

Solid Waste Management – The Solid Waste Management Fund accounts for the revenues and expenditures related to the collection and disposal of solid waste.

Hotel / Motel Tax – The Hotel Motel Tax fund accounts for proceeds of the hotel/motel occupancy tax. Funds are used to repay outstanding bond indebtedness relating to the Cook Convention Center and operating funding for Wonders International Cultural Series and the Mid South Coliseum. Excesses are provided to the Memphis Convention and Visitors Bureau.

New Memphis Arena – The New Memphis Arena Fund accounts for the revenues and expenditures related to financing construction of a sports and basketball arena, FedEx Forum.

MLK Park Improvements – The MLK Fund accounts for funds received from the lease of land within the Dr. Martin Luther King, Jr. (MLK) Park and restricted for its improvements.

Metro Alarm – The Metro Alarm fund accounts for the financial resources enforcing an ordinance to encourage proper alarm use and to reduce false alarm calls.

Community Services – The Community Services Fund accounts for restricted funds received from various agencies and individuals.

Central Business Improvement District – The Central Business Improvement District Fund accounts for the special assessments distributed to the Center City Commission. **Community Redevelopment Fund** – The Community Redevelopment Fund accounts for the use of tax increment financing for improvements in the Uptown Area.

Education Fund – The Education Fund accounts for property taxes collected by the City and distributed to the City of Memphis Board of Education.

CAPITAL PROJECTS

Capital Projects Fund – The Capital Projects Fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities other than those by proprietary funds and trust funds.

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**NON MAJOR FUNDS
COMBINING BALANCE SHEET
(Thousands of Dollars)
June 30, 2008**

**CITY OF MEMPHIS, TENNESSEE
Exhibit B-1**

	Special Revenue							
	Community Development	Drug Enforcement	State Street Aid	Workforce Investment Act	Miscellaneous Grants	Midtown Corridor	Solid Waste Management	Hotel/ Motel Tax
ASSETS								
Cash and cash equivalents	\$ 6,989	131	-	-	1	-	-	-
Investments	-	-	-	-	-	-	-	-
Equity in cash and investment pool	-	2,182	-	295	223	337	-	3,041
Receivables (net of allowance for uncollectibles):								
Property taxes:								
Current property taxes	-	-	-	-	-	-	-	-
Delinquent property taxes	-	-	-	-	-	-	-	-
Federal grants and entitlements	23,578	-	-	5,410	4,001	-	-	-
State grants and entitlements	75	-	3,238	-	646	-	-	-
Interest on investments	1,022	18	-	-	-	5	-	-
Housing rehabilitation loans	67,666	-	-	-	-	-	-	-
Other	175	1	-	7	4,050	-	2	3
Due from other funds	-	4,319	-	-	-	1,398	-	-
Due from other agencies and governments	-	-	-	-	-	-	3,932	358
Total assets	\$ 99,505	6,651	3,238	5,712	8,921	1,740	3,934	3,402
LIABILITIES AND FUND BALANCES								
Liabilities:								
Accounts payable	\$ 824	194	-	794	199	-	1,323	-
Accrued liabilities	282	-	-	-	74	-	670	3,402
Contract retainage	-	-	-	-	63	-	-	-
Due to other funds	13,925	-	3,238	4,303	1,414	-	976	-
Due to other agencies and governments	-	-	-	-	-	-	-	-
Deferred revenue	84,466	789	-	652	6,928	-	1	-
Total liabilities	99,497	983	3,238	5,749	8,678	-	2,970	3,402
Fund balances:								
Undesignated, as restated	8	5,668	-	(37)	243	1,740	964	-
Total fund balances	8	5,668	-	(37)	243	1,740	964	-
Total liabilities and fund balances	\$ 99,505	6,651	3,238	5,712	8,921	1,740	3,934	3,402

**NON MAJOR FUNDS
COMBINING BALANCE SHEET
(Thousands of Dollars)
June 30, 2008**

**CITY OF MEMPHIS, TENNESSEE
Exhibit B-1
(Continued)**

New Memphis Arena	MLK Park	Metro Alarm	Community Services	Central Business Improvement District	Community Redevelopment	Education	Capital Projects	Total	
-	-	-	-	-	-	-	75	7,196	ASSETS
-	-	-	-	-	-	-	5,648	5,648	Cash and cash equivalents
-	609	1,628	485	155	2,778	986	22,507	35,226	Investments
-	-	-	-	2,658	-	21,810	367	24,835	Equity in cash and investment pool
-	-	-	-	242	-	9,899	32	10,173	Receivables (net of allowance for uncollectibles):
-	-	-	-	-	-	-	-	-	Property taxes:
-	-	-	-	-	-	-	1,339	34,328	Current property taxes
-	2	4	1	-	-	-	128	4,087	Prior property taxes
-	-	-	-	-	-	-	-	1,052	Federal grants and entitlements
-	-	-	-	-	-	-	-	67,666	State grants and entitlements
-	-	5	-	-	-	-	1,085	5,328	Interest on investments
-	-	-	-	-	-	-	-	5,717	Housing rehabilitation loans
-	-	-	-	-	2,032	9	-	6,331	Other
-	-	-	-	-	-	-	-	-	Due from other funds
-	-	-	-	-	-	-	-	-	Due from other agencies and governments
-	611	1,637	486	3,055	4,810	32,704	31,181	207,587	Total assets
LIABILITIES AND FUND BALANCES									
-	5	3	-	17	4	195	8,139	11,697	Liabilities:
-	-	-	-	-	-	-	-	4,428	Accounts payable
-	-	-	-	-	-	-	(24)	39	Accrued liabilities
7,718	-	-	-	-	-	-	6,252	37,826	Contract retainage
-	-	-	-	137	-	1,410	27	1,574	Due to other funds
-	63	-	-	2,901	2,032	31,099	4,114	133,045	Due to other agencies and governments
-	-	-	-	-	-	-	-	-	Deferred revenue
7,718	68	3	-	3,055	2,036	32,704	18,508	188,609	Total liabilities
(7,718)	543	1,634	486	-	2,774	-	12,673	18,978	Fund balances:
(7,718)	543	1,634	486	-	2,774	-	12,673	18,978	Undesignated, as restated
-	611	1,637	486	3,055	4,810	32,704	31,181	207,587	Total fund balances
Total I fund balances									

**NON MAJOR FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
(Thousands of Dollars) June 30, 2008**

**CITY OF MEMPHIS, TENNESSEE
Exhibit B-2**

	Special Revenue							
	Community Development	Drug Enforcement	State Street Aid	Workforce Investment Act	Miscellaneous Grants	Midtown Corridor	Solid Waste Management	Hotel/ Motel Tax
REVENUES								
Local taxes:								
Property taxes	\$ -	-	-	-	-	-	-	-
Special assessments - current	-	-	-	-	-	-	-	-
Special assessments - prior	-	-	-	-	-	-	-	-
Sales tax general	-	-	-	-	-	-	-	-
Other local taxes	-	-	-	-	-	-	6	-
Total local taxes	-	-	-	-	-	-	6	-
State taxes (local share)	-	-	19,326	-	-	-	-	-
Hotel/motel tax	-	-	-	-	-	-	-	4,342
Charges for services	-	-	-	-	-	-	47,790	-
Investment income	-	215	-	-	-	54	-	-
Federal grants and entitlements	21,211	-	-	9,893	4,169	-	-	-
State grants	-	-	-	44	5,813	-	136	-
Intergovernmental revenue	-	-	-	-	-	-	-	-
Fines and forfeitures	-	5,203	-	-	-	-	-	-
Other	558	98	-	-	2,174	6	287	-
Total revenues	21,769	5,516	19,326	9,937	12,156	60	48,219	4,342
EXPENDITURES								
General government	-	-	-	-	12,163	-	-	3,402
Public safety	-	4,595	-	-	-	-	-	-
Community service	21,769	-	-	9,974	-	-	-	-
Transportation and environment	-	-	16,270	-	-	-	51,310	-
Education	-	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-	-
Bond issuance cost	-	-	-	-	-	-	-	-
Total expenditures	21,769	4,595	16,270	9,974	12,163	-	51,310	3,402
Revenues over (under) expenditures	-	921	3,056	(37)	(7)	60	(3,091)	940
OTHER FINANCING SOURCES (USES)								
Transfers in	-	-	-	-	59	-	-	658
Transfers out	-	-	(3,056)	-	(78)	-	-	(1,598)
Proceeds from issuance of debt	-	-	-	-	-	-	-	-
Retirement of refunded debt obligation	-	-	-	-	-	-	-	-
Premium on debt issuance	-	-	-	-	-	-	-	-
Total other financing sources and uses	-	-	(3,056)	-	(19)	-	-	(940)
Net change in fund balances	-	921	-	(37)	(26)	60	(3,091)	-
Fund balances - beginning of year as restated	8	4,747	-	-	269	1,680	4,055	-
Fund balances - end of year	\$ 8	5,668	-	(37)	243	1,740	964	-

**NON MAJOR FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
(Thousands of Dollars) June 30, 2008**

**CITY OF MEMPHIS, TENNESSEE
Exhibit B-2
(Continued)**

New Memphis Arena	MLK Park	Metro Alarm	Community Services	Central Business Improvement District	Community Redevelopment	Education	Capital Projects	Total	
-	-	-	-	-	5,410	92,438	361	98,209	REVENUES
-	-	-	-	2,402	-	-	-	2,402	Local taxes:
-	-	-	-	63	-	-	-	63	Property taxes
658	-	-	-	-	-	-	-	658	Special assessments - current
-	-	-	-	57	-	-	-	63	Special assessments - prior
-	-	-	-	-	-	-	-	-	Sales tax general
-	-	-	-	-	-	-	-	-	Other local taxes
658	-	-	-	2,522	5,410	92,438	361	101,395	Total local taxes
9,483	-	-	-	-	-	-	-	28,809	State taxes (local share)
-	-	-	-	-	-	-	-	4,342	Hotel/motel tax
-	147	456	-	-	-	-	-	48,393	Charges for services
-	19	48	11	-	-	-	-	347	Investment income
-	-	-	-	-	-	-	1,325	36,598	Federal grants and entitlements
-	-	-	-	-	-	-	315	6,308	State grants
-	-	-	-	-	-	-	1,892	1,892	Intergovernmental revenue
-	-	-	-	-	-	-	-	5,203	Fines and forfeitures
-	-	-	121	-	-	-	352	3,596	Other
10,141	166	504	132	2,522	5,410	92,438	4,245	236,883	Total revenues
11,983	-	401	-	2,522	3,870	-	-	34,341	EXPENDITURES
-	-	-	-	-	-	-	-	4,595	General government
-	131	-	-	-	-	-	-	31,874	Public safety
-	-	-	-	-	-	-	-	67,580	Community service
-	-	-	-	-	-	92,438	-	92,438	Transportation and environment
-	-	-	-	-	-	-	79,089	79,089	Education
-	-	-	-	-	-	-	1,911	1,911	Capital outlay
-	-	-	-	-	-	-	-	-	Bond issuance cost
11,983	131	401	-	2,522	3,870	92,438	81,000	311,828	Total expenditures
(1,842)	35	103	132	-	1,540	-	(76,755)	(74,945)	Revenues over (under) expenditures
3,158	-	-	-	-	1,751	-	16	5,642	OTHER FINANCING SOURCES (USES)
(658)	-	-	-	-	(2,343)	-	-	(7,733)	Transfers in
-	-	-	-	-	-	-	189,735	189,735	Transfers out
-	-	-	-	-	-	-	(70,000)	(70,000)	Proceeds from issuance of debt
-	-	-	-	-	-	-	2,204	2,204	Retirement of refunded debt ob
-	-	-	-	-	-	-	-	-	Premium on debt issuance
2,500	-	-	-	-	(592)	-	121,955	119,848	Total other financing sources and uses
658	35	103	132	-	948	-	45,200	44,903	Net change in fund balances
(8,376)	508	1,531	354	-	1,826	-	(32,527)	(25,925)	Fund balances - beginning of year as restated
(7,718)	543	1,634	486	-	2,774	-	12,673	18,978	Fund balances - end of year, as restated

**NON MAJOR SPECIAL REVENUE FUNDS
 COMBINING SCHEDULE OF REVENUES AND EXPENDITURES -
 BUDGET AND ACTUAL ON BASIS OF BUDGETING
 (WITH ANNUAL BUDGETS)
 (Thousands of Dollars)
 For the fiscal year ended June 30, 2008**

	Budget Amounts			Variance with Final Budget- Positive (Negative)
	Original	Final	Actual	
COMMUNITY DEVELOPMENT				
Revenues:				
Federal grants	\$ 24,815	24,815	21,211	(3,604)
Other	-	-	558	558
Total revenues	24,815	24,815	21,769	(3,046)
Expenditures:				
Community service	24,815	24,815	21,769	3,046
Total expenditures	24,815	24,815	21,769	3,046
Revenues over (under) expenditures	\$ -	-	-	-
DRUG ENFORCEMENT FUND				
Revenues:				
Investment income	\$ -	-	215	215
Fines and forfeitures	3,385	3,385	5,203	1,818
Other	25	25	98	73
Total revenues	3,410	3,410	5,516	2,106
Expenditures:				
Public safety	3,835	4,448	4,595	(147)
Total expenditures	3,835	4,448	4,595	(147)
Revenues over (under) expenditures	\$ (425)	(1,038)	921	1,959
STATE STREET AID FUND				
Revenues:				
State gasoline tax (local share)	\$ 20,547	20,547	19,326	(1,221)
Total revenue	20,547	20,547	19,326	(1,221)
Expenditures:				
Transportation & environment	17,358	17,358	16,270	1,088
Total expenditures	17,358	17,358	16,270	1,088
Other financing (uses):				
Transfers out	(3,189)	(3,189)	(3,056)	133
Total other financing (uses)	(3,189)	(3,189)	(3,056)	133
Revenues over (under) expenditures and other financing sources (uses)	\$ -	-	-	(2,176)
WORKFORCE INVESTMENT ACT				
Revenues:				
Federal grants	\$ 9,746	9,746	9,893	147
State grants	357	357	44	(313)
Other	-	-	-	-
Total revenues	10,103	10,103	9,937	(166)
Expenditures:				
Community service	10,103	10,103	9,974	129
Total expenditures	10,103	10,103	9,974	129
Revenues (under) expenditures and other financing (uses)	\$ -	-	(37)	(37)

(Continued)

**NON MAJOR SPECIAL REVENUE FUNDS
 COMBINING SCHEDULE OF REVENUES AND EXPENDITURES -
 BUDGET AND ACTUAL ON BASIS OF BUDGETING
 (WITH ANNUAL BUDGETS)
 (Thousands of Dollars)
 For the fiscal year ended June 30, 2008**

**CITY OF MEMPHIS, TENNESSEE
 Exhibit B-3
 (Continued)**

	Budget Amounts			Variance with Final Budget- Positive(Negative)
	Original	Final	Actual	
MISCELLANEOUS GRANTS				
Revenues:				
Federal grants	\$ 9,342	9,342	4,169	(5,173)
State grants	1,837	1,837	5,813	3,976
Other	6,142	6,142	2,174	(3,968)
Total revenues	17,321	17,321	12,156	(5,165)
Expenditures:				
General government	17,321	17,321	12,163	5,158
Public safety	-	-	-	-
Total expenditures	17,321	17,321	12,163	5,158
Other financing sources (uses):				
Transfers in	-	-	59	59
Transfers out	-	-	(78)	(78)
Total other financing sources (uses)	-	-	(19)	(19)
Revenues over (under) expenditures and other financing sources (uses)	\$ -	-	(26)	(26)
SOLID WASTE MANAGEMENT FUND				
Revenues:				
Other local taxes	\$ -	-	6	6
Charges for services	48,200	48,200	47,790	(410)
State grants	60	60	136	76
Other	325	325	287	(38)
Total revenues	48,585	48,585	48,219	(366)
Expenditures:				
Transportation and environment	49,108	49,817	51,310	(1,493)
Total expenditures	49,108	49,817	51,310	(1,493)
Other financing sources (uses):				
Transfers in	-	-	-	-
Transfers out	(1,391)	(1,391)	-	1,391
Total other financing sources (uses)	(1,391)	(1,391)	-	1,391
Revenues over (under) expenditures and other financing sources (uses)	\$ (1,914)	(2,623)	(3,091)	(468)
HOTEL/MOTEL TAX				
Revenues:				
Hotel /motel tax	\$ 4,000	4,000	4,342	342
Total revenues	4,000	4,000	4,342	342
Expenditures:				
General government	3,060	3,060	3,402	(342)
Total expenditures	3,060	3,060	3,402	(342)
Other financing sources (uses):				
Transfers in	645	645	658	13
Transfers out	(1,585)	(1,585)	(1,598)	(13)
Total other financing sources (uses)	(940)	(940)	(940)	-
Revenues over (under) expenditures and other financing sources (uses)	\$ -	-	-	-

(Continued)

**NON MAJOR SPECIAL REVENUE FUNDS
 COMBINING SCHEDULE OF REVENUES AND EXPENDITURES -
 BUDGET AND ACTUAL ON BASIS OF BUDGETING
 (WITH ANNUAL BUDGETS)
 (Thousands of Dollars)
 For the fiscal year ended June 30, 2008**

	Original	Final	Actual	Final Budget- Positive(Negative)
NEW MEMPHIS ARENA				
Revenues:				
Sales tax general	\$ 645	645	658	13
State taxes (local share)	8,700	9,483	9,483	-
Total revenues	9,345	10,128	10,141	13
Expenditures:				
General government	11,200	11,983	11,983	-
Total expenditures	11,200	11,983	11,983	-
Other financing sources (uses):				
Transfers in	3,145	3,145	3,158	13
Transfers out	(645)	(645)	(658)	(13)
Total other financing sources (uses)	2,500	2,500	2,500	-
Revenues over (under) expenditures and other financing sources (uses)	\$ 645	645	658	13
MLK PARK				
Revenues:				
Charges for services	\$ 381	381	147	(234)
Investment income	-	-	19	19
Total revenues	381	381	166	(215)
Expenditures:				
Community service	381	385	131	254
Total expenditures	381	385	131	254
Revenues over (under) expenditures	\$ -	(4)	35	39
METRO ALARMS				
Revenues:				
Charges for services	\$ 556	556	456	(100)
Investment income	-	-	48	48
Total revenues	556	556	504	(52)
Expenditures:				
General government	328	348	401	(53)
Total expenditures	328	348	401	(53)
Revenues over (under) expenditures	\$ 228	208	103	(105)
COMMUNITY REDEVELOPMENT				
Revenues:				
Local taxes	\$ 1,556	1,556	5,410	3,854
State grants	-	(5)	-	5
Total revenues	1,556	1,551	5,410	3,859
Expenditures:				
General government	476	476	3,870	(3,394)
Total expenditures	476	476	3,870	(3,394)
Other financing sources (uses):				
Transfers in	1,891	1,891	1,751	(140)
Transfers out	(2,980)	(2,980)	(2,343)	637
Total other financing sources (uses)	(1,089)	(1,089)	(592)	497
Revenues over (under) expenditures and other financing sources (uses)	\$ (9)	(14)	948	962

**NON MAJOR SPECIAL REVENUE FUNDS
 COMBINING SCHEDULE OF REVENUES AND EXPENDITURES -
 BUDGET AND ACTUAL ON BASIS OF BUDGETING
 (WITH ANNUAL BUDGETS)
 (Thousands of Dollars)
 For the fiscal year ended June 30, 2008**

**CITY OF MEMPHIS, TENNESSEE
 Exhibit B-3
 (Continued)**

	Original	Final	Actual	Final Budget- Positive(Negative)
TOTAL NONMAJOR SPECIAL REVENUE FUNDS				
Revenues:				
Local taxes	1,556	1,556	5,416	3,860
Sales tax general	645	645	658	13
State taxes (local share)	29,247	30,030	28,809	(1,221)
Charges for services	49,137	49,137	48,393	(744)
Investment income	-	-	282	282
Federal grants and entitlements	43,903	43,903	35,273	(8,630)
State grants	2,254	2,249	5,993	3,744
Fines and forfeitures	3,385	3,385	5,203	1,818
Hotel/motel tax	4,000	4,000	4,342	342
Other	6,492	6,492	3,117	(3,375)
Total revenues	140,619	141,397	137,486	(3,911)
Expenditures:				
General government	32,385	33,188	31,819	1,369
Public safety	3,835	4,448	4,595	(147)
Community services	35,299	35,303	31,874	3,429
Transportation and environment	66,466	67,175	67,580	(405)
Total expenditures	137,985	140,114	135,868	4,246
Other financing sources (uses)				
Transfers in	5,681	5,681	5,626	(55)
Transfers out	(9,790)	(9,790)	(7,733)	2,057
Total other financing sources (uses)	(4,109)	(4,109)	(2,107)	2,002
Revenues over (under) expenditures and other financing sources (uses)	\$ (1,475)	(2,826)	(489)	2,337

ALL SPECIAL FUNDS (WITH CARRYOVER BUDGETS)
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL
(Thousands of Dollars)
For the fiscal year ended June 30, 2008

CITY OF MEMPHIS, TENNESSEE
Exhibit B-4

	Budget	Recognized thru June 30, 2007	Recognized Current Year	Recognized thru June 30, 2008	Variance
MIDTOWN CORRIDOR FUND					
Revenues:					
Investment income	\$ -	325	54	379	379
Other	-	19	6	25	25
Sale of land	2,932	4,080	-	4,080	1,148
Total revenues	2,932	4,424	60	4,484	1,552
Expenditures:					
Personal services	122	91	-	91	31
Materials and supplies	776	685	-	685	91
Capital outlay	5	4	-	4	1
Land acquisition	1,764	1,764	-	1,764	-
Grants and subsidies	-	200	-	200	(200)
Total expenditures	2,667	2,744	-	2,744	(77)
Revenues over expenditures	\$ 265	1,680	60	1,740	1,475

CITY OF MEMPHIS

T E N N E S S E E

ENTERPRISE FUNDS

Enterprise Funds account for the acquisition, operations and maintenance of the City's facilities and services which are entirely or predominantly supported by user charges or where the City has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. All activities necessary to provide services are accounted for in these funds, including, but not limited to, administration, operations, maintenance, and debt service.

Storm Water – The Storm Water Fund accounts for the operations of the storm water system operated by the City.

**ENTERPRISE FUNDS
STATEMENT OF NET ASSETS
(Thousands of Dollars)
For the fiscal year ended June 30, 2008**

**CITY OF MEMPHIS, TENNESSEE
Exhibit C-1**

	<u>Storm Water</u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 1
Receivables:	
Accounts receivable	1,457
Federal and state grants	<u>31</u>
Total current assets	1,489
Capital assets:	
Improvements other than buildings	22,126
Machinery and equipment	7,006
Less accumulated depreciation and amortization	<u>(13,450)</u>
Total capital assets	15,682
Construction in progress	<u>11,197</u>
Net capital assets	<u>26,879</u>
Total assets	<u>28,368</u>
LIABILITIES	
Current liabilities:	
Accounts payable	1,040
Accrued liabilities	502
Contract retainage	354
Due to other funds	5,365
Vacation, sick and other leave benefits	<u>1,228</u>
Total current liabilities	<u>8,489</u>
Total liabilities	<u>8,489</u>
NET ASSETS	
Invested in capital assets	26,879
Unrestricted	<u>(7,000)</u>
TOTAL NET ASSETS	<u>\$ 19,879</u>

**ENTERPRISE FUNDS
STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN FUND NET ASSETS
(Thousands of Dollars)
For the fiscal year ended June 30, 2008**

**CITY OF MEMPHIS, TENNESSEE
Exhibit C-2**

	<u>Storm Water</u>
Operating revenues-charges for services	\$ 16,983
Operating expenses other than depreciation and amortization:	
Personal services	7,768
Materials, supplies, services, and other	2,381
Capital outlay	<u>2,779</u>
Total operating expenses other than depreciation and amortization	<u>12,928</u>
Operating income before depreciation and amortization	<u>4,055</u>
Depreciation and amortization: On assets acquired with own funds	<u>552</u>
Operating income	<u><u>3,503</u></u>
Non-operating revenues:	
State Grant	181
Other	<u>4</u>
Total non-operating revenues	<u>185</u>
Income before capital contributions and transfers	<u>3,688</u>
Transfers in	452
Transfers out	<u>(2,300)</u>
Change in net assets	1,840
Total net assets - beginning of year	<u>18,039</u>
Total net assets - end of year	<u><u>\$ 19,879</u></u>

**ENTERPRISE FUNDS
STATEMENT OF CASH FLOWS
(Thousands of Dollars)
For the fiscal year ended June 30, 2008**

	<u>Storm Water</u>
CASH FLOWS FROM OPERATING ACTIVITIES:	
Receipts from customers and users	16,629
Payments to suppliers	(4,132)
Payments to employees	(6,126)
Net cash provided by (used for) operating activities	<u>6,371</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:	
Advances from other funds	1,114
Transfers from other funds	452
Receipt of local shared revenue	4
Transfers to other funds	(2,300)
Net cash (used) by noncapital and related financing	<u>(730)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Acquisition and construction of capital assets	(5,820)
State grant	180
Net cash (used) in capital and related financing activities	<u>(5,640)</u>
Net increase (decrease) in cash and cash equivalents	1
Cash and cash equivalents, beginning of year	-
Cash and cash equivalents, end of year	<u><u>1</u></u>
Reconciliation of operating (loss) to net cash provided (used) by operating activities	
Operating Income(loss)	3,503
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation expense	552
Decrease in assets:	
Accounts Receivable	(355)
Decrease in liabilities:	
Other accounts payable and accrued expenses	2,671
Total adjustments	<u>2,868</u>
Net cash provided by (used for) operating activities	<u><u>6,371</u></u>

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COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES

CITY OF MEMPHIS

T E N N E S S E E

INTERNAL SERVICE FUNDS

Internal Service Funds are used to account for the financing of goods or services provided by one department to other departments of the City on a cost reimbursement basis.

Printing and Mail – Printing and Mail is a centralized operation to provide printing and mail services to City government agencies.

Health Insurance – Health Insurance Fund accounts for the City’s self insurance for health benefits for City employees, their dependents, and retirees.

Unemployment Compensation – Unemployment Compensation accounts for the City’s self insurance for unemployment benefits which may be due for employment benefits for City employees.

Fleet Management – Fleet Management accounts for the consolidated operations and maintenance of City vehicles.

INTERNAL SERVICE
FUNDS

INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF NET ASSETS
(Thousands of Dollars)
For the fiscal year ended June 30, 2008

CITY OF MEMPHIS, TENNESSEE
Exhibit D-1

	Printing and Mail	Health Insurance	Unemployment Compensation	Fleet Management	Total
ASSETS					
Current assets:					
Cash and cash equivalents	\$ -	-	-	1	1
Equity in cash and investment pool	-	15,178	-	-	15,178
Receivables	-	74	-	-	74
Due from other funds	-	8,896	-	2	8,898
Inventories	27	-	-	484	511
Total current assets	27	24,148	-	487	24,662
Furniture and equipment	322	11	-	3,264	3,597
Less accumulated depreciation	(304)	(11)	-	(2,899)	(3,214)
Net capital assets	18	-	-	365	383
Total assets	45	24,148	-	852	25,045
LIABILITIES					
Current liabilities:					
Accounts payable and accrued expenses	96	1,983	141	1,974	4,194
Insurance claims payable	-	11,400	-	-	11,400
Due to other funds	83	-	1,657	3,672	5,412
Deferred revenues	-	6,834	-	-	6,834
Vacation, sick and other leave benefits	54	31	-	1,894	1,979
Total current liabilities	233	20,248	1,798	7,540	29,819
NET ASSETS (DEFICIT)					
Invested in capital assets	18	-	-	365	383
Unrestricted	(206)	3,900	(1,798)	(7,053)	(5,157)
Total net assets (deficit)	\$ (188)	3,900	(1,798)	(6,688)	(4,774)

INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET ASSETS
(Thousands of Dollars)
For the fiscal year ended June 30, 2008

CITY OF MEMPHIS, TENNESSEE
Exhibit D-2

	Printing and Mail	Health Insurance	Unemployment Compensation	Fleet Management	Total
Operating revenues:					
Charges for services	\$ 1,749	-	-	26,665	28,414
Medicare Part D reimbursements	-	1,377	-	-	1,377
Employee contributions	-	23,291	-	-	23,291
Employer contributions	-	57,820	643	-	58,463
Total operating revenues	1,749	82,488	643	26,665	111,545
Operating expenses other than depreciation:					
Personal services	341	349	-	8,309	8,999
Materials and supplies	517	4,363	-	1,241	6,121
Capital outlay	-	-	-	42	42
Inventories	708	-	-	17,149	17,857
Claims incurred	-	83,429	509	-	83,938
Total operating expenses other than depreciation	1,566	88,141	509	26,741	116,957
Operating income (loss) before depreciation	183	(5,653)	134	(76)	(5,412)
Depreciation:					
On assets acquired with own funds	2	-	-	65	67
Total depreciation	2	-	-	65	67
Operating income (loss)	181	(5,653)	134	(141)	(5,479)
Investment income	-	968	11	-	979
Change in net assets	181	(4,685)	145	(141)	(4,500)
Total net assets (deficit) - beginning of year	(369)	8,585	(1,943)	(6,547)	(274)
Total net assets (deficit) - end of year	\$ (188)	3,900	(1,798)	(6,688)	(4,774)

**INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
(Thousands of Dollars)
For the fiscal year ended June 30, 2008**

**CITY OF MEMPHIS, TENNESSEE
Exhibit D-3**

	Printing and Mail	Health Insurance	Unemployment Compensation	Fleet Management	Total
CASH FLOWS FROM OPERATING ACTIVITIES:					
Receipts from customers and users	\$ 50	-		265	315
Receipts from other division funds	1,705	20	642	26,400	28,767
Medicare Part D reimbursement		1,377			1,377
Miscellaneous revenue		-			-
Employee contributions		23,291			23,291
Employer contributions		57,958			57,958
Payments to suppliers	(489)	(3,294)	(420)	(922)	(5,125)
Payments to employees	(352)	(753)		(7,564)	(8,669)
Payments to other division funds	(192)	10,726	(233)	(786)	9,515
Payments for inventory	(701)			(17,197)	(17,898)
Payments for claims incurred		(80,088)			(80,088)
Net cash provided by operating activities	21	9,237	(11)	196	9,443
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:					
Acquisition and construction of capital assets	(21)	-	-	(195)	(216)
Net cash used in capital and related financing activities	(21)	-	-	(195)	(216)
CASH FLOWS FROM INVESTING ACTIVITIES:					
Investing income earned on investments	-	968	11	-	979
Net cash provided by investing activities	-	968	11	-	979
Net Increase in cash and cash equivalents	-	10,205	-	1	10,206
Cash and cash equivalents, beginning of year	-	4,973	-	-	4,973
Cash and cash equivalents, end of year	\$ -	15,178	-	1	15,179
Reconciliation of operating income (loss) to net cash provided by operating activities					
Operating income (loss)	\$ 181	(5,653)	134	(141)	(5,479)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:					
Depreciation expense	2	-	-	65	67
(Increase) decrease in assets:					
Other assets	7	10,726	-	(48)	10,685
Accounts receivable	6	10	-	6	22
(Increase) decrease in liabilities:					
Other accounts payable and accrued expenses	(175)	4,154	(145)	314	4,148
Total adjustments	(160)	14,890	(145)	337	14,922
Net cash provided by operating activities	\$ 21	9,237	(11)	196	9,443

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COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES

CITY OF MEMPHIS

T E N N E S S E E

FIDUCIARY FUNDS

Fiduciary Funds are used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. This includes pension trust and investment trust funds. Included in the Fiduciary Funds are:

Retirement Systems – Included here are the retirement systems for the City of Memphis, the Library, Memphis Light, Gas and Water and reserves for the City of Memphis' other post employment benefits.

Memphis Light, Gas and Water Retiree Medical and Life Insurance Benefits – Included in this fund are reserves for retiree benefits for post-retirement major medical and life insurance benefits.

FIDUCIARY FUNDS

FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET ASSETS
(Thousands of Dollars)
For the fiscal year ended June 30, 2008

CITY OF MEMPHIS, TENNESSEE
Exhibit E-1

	Pension Trust					Total Pension Trust Funds
	City Retirement System	Library Retirement System	Memphis Light, Gas and Water Retirement System	OPEB Investment Trust	Memphis Light, Gas and Water OPEB Trust	
ASSETS						
Cash and cash equivalents	\$ 17,795	831	55,867	-	36,867	111,360
Investments, at fair value:						
Short-term investments	-	-	8,594	-	-	8,594
U.S. government securities - long-term	64,637	-	73,906	-	-	138,543
Common stock - domestic	528,897	25,331	526,506	-	29,703	1,110,437
Common stock - foreign	197,826	-	141,910	-	1,932	341,668
Preferred stock - foreign	-	-	-	-	618	618
Corporate bonds - domestic	241,423	-	49,396	-	15	290,834
Corporate bonds - foreign	23,102	-	-	-	3,581	26,683
Bond and equity mutual funds	248,388	-	11,290	2,909	-	262,587
Collateralized mortgage obligations	131,253	-	22,344	-	-	153,597
Asset-backed pooled securities	30,286	-	-	-	-	30,286
Mortgage-backed pooled securities	73,489	-	167,650	-	-	241,139
Investment in index funds	174,483	22,063	26,365	-	-	222,911
Investment in real estate	110,014	8,326	161,495	-	-	279,835
Investment in high yield bond fund	10,012	-	10,573	-	-	20,585
Investment in international equity fund	250,422	-	-	-	-	250,422
Investment in multi-class investment fund	-	-	-	-	11,431	11,431
Investment in limited partnership	-	5,667	-	-	1,032	6,699
Total investments	2,084,232	61,387	1,200,029	2,909	48,312	3,396,869
Interest and dividends receivables	8,206	21	4,387	2	58	12,674
Receivable for securities sold	5,540	156	4,000	-	19	9,715
Other receivables	17	-	-	-	-	17
Due from other funds	13	-	-	-	-	13
Employer and employee contributions receivable	-	-	890	-	6,738	7,628
Collateral held in trust for securities on loan	-	-	180,150	-	7,545	187,695
Total assets	2,115,803	62,395	1,445,323	2,911	99,539	3,725,971
LIABILITIES						
Notes & accounts payable	21,107	-	181,992	-	12,025	215,124
Due to other funds	875	303	-	-	-	1,178
Total liabilities	21,982	303	181,992	-	12,025	216,302
NET ASSETS						
Held in trust for pension benefits, pool participants, and OPEB	\$ 2,093,821	62,092	1,263,331	2,911	87,514	3,509,669

FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
(Thousands of Dollars)
For the fiscal year ended June 30, 2008

CITY OF MEMPHIS, TENNESSEE
Exhibit E-2

	<u>Pension Trust</u>					
	City Retirement System	Library Retirement System	Memphis Light, Gas and Water Retirement System	OPEB Investment Trust	Memphis Light, Gas and Water OPEB Trust	Total Pension Trust Funds
ADDITIONS						
Contributions:						
Employer	\$ 14,598	248	17,230	3,000	57,991	93,067
Plan member	20,609	270	11,369	-	4,126	36,374
Total contributions	<u>35,207</u>	<u>518</u>	<u>28,599</u>	<u>3,000</u>	<u>62,117</u>	<u>129,441</u>
Investment income:						
Interest and dividend income	76,936	479	31,887	11	1,295	110,608
Securities lending income	-	-	856	-	31	887
Other investment income	1,756	(382)	125	-	46	1,545
Gain/(loss) on real estate investments	(11,027)	-	-	-	-	(11,027)
Net appreciation/(depreciation) in the fair value of investments	<u>(208,812)</u>	<u>(4,418)</u>	<u>44,941</u>	<u>(100)</u>	<u>1,913</u>	<u>(166,476)</u>
Total investment income/(loss)	<u>(141,147)</u>	<u>(4,321)</u>	<u>77,809</u>	<u>(89)</u>	<u>3,285</u>	<u>(64,463)</u>
Total Additions	<u>(105,940)</u>	<u>(3,803)</u>	<u>106,408</u>	<u>2,911</u>	<u>65,402</u>	<u>64,978</u>
DEDUCTIONS						
Benefits	112,639	2,660	69,706	-	21,297	206,302
OPEB expense paid on behalf of OPEB Trust	-	-	-	-	18,094	18,094
Administrative expenses	9,620	392	736	-	1,330	12,078
Refunds of contributions	15,878	95	3,305	-	-	19,278
Total Deductions	<u>138,137</u>	<u>3,147</u>	<u>73,747</u>	<u>-</u>	<u>40,721</u>	<u>255,752</u>
Net increase/(decrease)	<u>(244,077)</u>	<u>(6,950)</u>	<u>32,661</u>	<u>2,911</u>	<u>24,681</u>	<u>(190,774)</u>
Net assets - beginning of year	<u>2,337,898</u>	<u>69,042</u>	<u>1,230,670</u>	<u>-</u>	<u>62,833</u>	<u>3,700,443</u>
Net assets - end of year	<u>\$ 2,093,821</u>	<u>62,092</u>	<u>1,263,331</u>	<u>2,911</u>	<u>87,514</u>	<u>3,509,669</u>

See accompanying notes to financial statements.

COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES

CITY OF MEMPHIS

T E N N E S S E E

SUPPLEMENTARY SCHEDULES

**SUPPLEMENTARY
SCHEDULES**

**ALL FUNDS
COMBINED SCHEDULE OF DELINQUENT
PROPERTY TAXES RECEIVABLE
(Thousands of Dollars)
June 30, 2008**

**CITY OF MEMPHIS, TENNESSEE
Exhibit F-1**

Tax Year	General	Debt Service	Capital Projects	Education	Total (1)
1998	\$ 380	152	-	233	765
1999	558	223	-	343	1,124
2000	1,093	452	-	558	2,103
2001	1,530	632	-	782	2,944
2002	1,539	638	3	788	2,968
2003	1,715	710	3	878	3,306
2004	2,394	992	5	1,226	4,617
2005	3,369	1,225	5	1,460	6,059
2006	4,667	1,697	8	2,023	8,395
2007	11,325	4,118	19	4,907	20,369
Total delinquent property taxes receivable	28,570	10,839	43	13,198	52,650
Allowance for uncollectibles	7,142	2,710	11	3,299	13,162
Net delinquent property taxes receivable	\$ 21,428	8,129	32	9,899	39,488
Special assessment tax, net of allowance					242
Total tax, net of allowance					\$ 39,730

(1) As of June 30, 2008, \$16,688 of delinquent taxes were in Chancery Court for collection.

SCHEDULE OF REVENUE BONDS - BY ISSUE
(Thousands of Dollars)
For the fiscal year ended June 30, 2008

CITY OF MEMPHIS, TENNESSEE
Exhibit F-2

Description, Issue and Final Maturity Dates	Interest Rates (%)	Original Issue	Redemptions	Balance Outstanding At Year End
SEWER COLLECTION AND TREATMENT FUND				
Sanitary Sewerage System Revenue Bonds				
February 1998 to 2018	4.50-4.80	\$ 20,000	\$ 20,000	\$ -
June 2000 to 2020	4.65-5.75	20,000	19,125	875
January 2001 to 2014	4.00-5.25	20,795	7,235	13,560
March 2002 to 2021	4.00-5.00	25,000	4,425	20,575
August 2002 to 2016	3.00-4.30	22,805	9,170	13,635
June 2004 to 2024	3.00-5.25	30,000	3,100	26,900
December 2005 to 2025	3.50-5.50	32,000	2,090	29,910
September 2006 to 2020	4.00-5.00	20,220	265	19,955
December 2007 to 2028	4.00-4.50	20,000	-	20,000
Total sewer collection and treatment fund		210,820	65,410	145,410
MEMPHIS LIGHT, GAS AND WATER DIVISION (1)				
Electric Division				
Electric System Revenue Refunding Bonds:				
January 2003 to 2010	3.00-5.00	41,625	24,725	16,900
November 2004 to 2018	2.00-5.00	1,292,170	282,140	1,010,030
December 2017 to 2018	Variable	100,000	-	100,000
Notes Payable:				
First Tennessee Bank	7.58	11,810	7,380	4,430
Total electric division		1,445,605	314,245	1,131,360
Gas Division				
Anticipation Note Payable	3.95	40,000	-	40,000
Total gas division		40,000	0	40,000
Water Division				
Southeast Memphis Suburban Utility District Waterworks Revenue Bonds				
January 1993 to 2006	3.35-6.00	24,140	24,140	0
December 2000 to 2012	3.30-5.25	12,575	5,190	7,385
August 2002 to 2009	4.00-5.00	16,895	13,315	3,580
Total water division		53,610	42,645	10,965
Total MLG&W		1,539,215	356,890	1,182,325
Total revenue bonds		\$ 1,750,035	\$ 422,300	\$ 1,327,735

(1) All MLG&W bonds reflect amounts outstanding at December 31, 2007

SCHEDULE OF GENERAL OBLIGATION DEBT - BY ISSUE
(Thousands of Dollars)
For the fiscal year ended June 30, 2008

CITY OF MEMPHIS, TENNESSEE
Exhibit F-3

Description, Issue and Final Maturity Dates	Interest Rates (%)	Original Issue	Redemptions	Balance Outstanding At Year End
GENERAL OBLIGATION BONDS				
Government Serial Bonds				
General City Government Serial Bonds				
General improvement:				
December 1993 to 2011	3.25-5.00	48,996	34,904	14,092
August 1995 to 2007	Variable	26,200	26,200	-
August 1995 to 2007	Variable	13,500	13,500	-
August 1996 to 2013	5.00-5.25	50,130	50,130	-
May 1997 to 2010	4.55-5.875	7,490	7,490	-
April 1998 to 2011	5.50-5.70	19,290	11,855	7,435
July 1998 to 2018	4.25-5.00	76,045	76,045	-
September 1998 to 2015	4.50-5.75	81,045	75,810	5,235
January 1999 to 2012	4.00-5.75	42,290	15,930	26,360
May 1999 to 2010	4.00-5.00	59,305	52,720	6,585
April 2001 to 2009	5.25-5.75	140,000	133,895	6,105
November 2001 to 2016	2.125-5.25	92,985	13,060	79,925
June 2002 to 2022	4.00-5.25	170,000	149,520	20,480
August 2002 to 2007	3.00-3.25	24,040	24,040	-
May 2003 to 2022	3.00-5.00	96,940	52,700	44,240
February 2004 to 2017	2.00-5.00	34,160	11,320	22,840
November 2004 to 2023	3.00-5.00	125,000	12,880	112,120
March 2005 to 2019	3.25-5.25	166,880	-	166,880
June 2005 to 2018	4.00-5.25	115,635	-	115,635
February 2006 to 2025	4.25-5.00	115,115	-	115,115
December 2006 to 2022	4.00-5.00	89,385	365	89,020
May 2007 to 2027	4.75-5.00	94,935	-	94,935
April 2008 to 2028	3.25-5.00	99,735	-	99,735
Total general government serial bonds		1,789,101	762,364	1,026,737
Government Term Bonds				
General City Government Term Bonds				
General improvement:				
May 1997 to 2011	5.65	3,565	-	3,565
July 1998 to 2005	5.10	13,145	13,145	-
May 1999 to 2012	5.00	10,695	10,695	-
Total government term bonds		27,405	23,840	3,565
Total general obligation bonds		1,816,506	786,204	1,030,302
BOND ANTICIPATION NOTES	Variable	90,000	-	90,000
NOTES PAYABLE - UNION PLANTERS BANK		5,500	5,500	-
CAPITAL LEASE OBLIGATIONS:				
November 2007 to August 2012	3.83	7,510	-	7,510
Total capital lease obligations		7,510	-	7,510
TOTAL GENERAL OBLIGATION DEBT		\$ 1,919,516	\$ 791,704	\$ 1,127,812

SCHEDULE OF GENERAL OBLIGATION DEBT - BY ISSUE
(Thousands of Dollars)
For the fiscal year ended June 30, 2008

CITY OF MEMPHIS, TENNESSEE
Exhibit F-4

Use	Balance Outstanding At Year End
GENERAL OBLIGATION BONDS	
General Improvement	\$ 1,004,262
Schools	12,475
Airport	7,435
Convention Center	1,387
Port Commission	4,743
	<hr/>
Total general obligation bonds	1,030,302
BOND ANTICIPATION NOTES	90,000
CAPITAL LEASE OBLIGATIONS	7,510
TOTAL GENERAL OBLIGATION DEBT	<hr/> \$ 1,127,812 <hr/>

**LONG TERM DEBT PRINCIPAL AND INTEREST REQUIREMENTS
 PROPRIETARY FUNDS
 (Thousands of Dollars)
 For the fiscal year ended June 30, 2008**

**CITY OF MEMPHIS, TENNESSEE
 Exhibit F-5**

Fiscal Year	Revenue					
	Sewer Collection & Treatment		Memphis Light, Gas & Water (1)		Total Requirements	
	Principal	Interest	Principal	Interest	Principal	Interest
2008	-	-	128,360	55,487	128,360	55,487
2009	8,285	6,642	92,601	51,177	100,886	57,819
2010	8,855	6,068	95,313	46,666	104,168	52,734
2011	9,115	5,720	91,960	41,974	101,075	47,694
2012	8,550	5,353	96,815	37,457	105,365	42,810
2013	9,065	4,979	99,700	32,677	108,765	37,656
2014	9,320	4,578	104,675	27,817	113,995	32,395
2015	9,565	4,161	109,905	22,584	119,470	26,745
2016	9,340	3,729	115,270	17,110	124,610	20,839
2017	10,040	3,337	121,075	11,237	131,115	14,574
2018	9,660	2,869	126,651	5,422	136,311	8,291
2019	7,360	2,395	-	-	7,360	2,395
2020	8,320	2,020	-	-	8,320	2,020
2021	7,160	1,614	-	-	7,160	1,614
2022	7,510	1,263	-	-	7,510	1,263
2023	5,300	958	-	-	5,300	958
2024	5,555	702	-	-	5,555	702
2025	5,820	433	-	-	5,820	433
2026	3,725	212	-	-	3,725	212
2027	1,400	97	-	-	1,400	97
2028	1,465	33	-	-	1,465	33
Total	\$ 145,410	57,163	1,182,325	349,608	1,327,735	406,771

(1) At 12-31-07

SCHEDULE OF INTERFUND BALANCES
 (Thousands of Dollars)
 For the fiscal year ended June 30, 2008

CITY OF MEMPHIS, TENNESSEE
 Exhibit F-6

Primary Government

	Governmental Fund Types							Proprietary Funds			Pension Trust	Total Payables - Reporting Entity.
	General Fund	Drug Enforcement	Midtown Corridor	Debt Service	Health Insurance	Fleet Management	Internal Service	Retirement	Pension Trust			
GOVERNMENTAL FUND TYPES												
General	\$ -	-	-	-	-	-	-	-	-	-	13	13
Special Revenue:												
Community development	13,923	-	-	-	-	-	-	-	-	2	-	13,925
State street aid	2,840	-	-	398	-	-	-	-	-	-	-	3,238
Workforce investment act	-	4,303	-	-	-	-	-	-	-	-	-	4,303
Miscellaneous grants	-	16	1,398	-	-	-	-	-	-	-	-	1,414
Solid waste	976	-	-	-	-	-	-	-	-	-	-	976
New Memphis arena	-	-	-	-	7,718	-	-	-	-	-	-	7,718
Capital Projects												
	-	-	-	6,252	-	-	-	-	-	-	-	6,252
PROPRIETARY FUND TYPES												
Enterprise:												
Sewer	4,612	-	-	-	-	-	-	-	-	-	-	4,612
Storm water	-	-	-	5,365	-	-	-	-	-	-	-	5,365
Internal Service:												
Printing and mail	83	-	-	-	-	-	-	-	-	-	-	83
Unemployment compensation	1,657	-	-	-	-	-	-	-	-	-	-	1,657
Fleet Management	3,672	-	-	-	-	-	-	-	-	-	-	3,672
FIDUCIARY FUND TYPES												
Pension Trust:												
City retirement	-	-	-	-	875	-	-	-	-	-	-	875
Library retirement	-	-	-	-	303	-	-	-	-	-	-	303
Total receivables - primary govt.	27,763	4,319	1,398	12,015	8,896	2	8,896	2	13			54,406
Total receivables - reporting entity	\$ 27,763	4,319	1,398	12,015	8,896	2	8,896	2	13			54,406

SCHEDULE OF INTERFUND TRANSFERS
 (Thousands of Dollars)
 For the fiscal year ended June 30, 2008

CITY OF MEMPHIS, TENNESSEE
 Exhibit F-7

	Primary Government											Total Transfers Out
	Governmental Fund Types										Business Type Activities	
	General Fund	Debt Service	Miscellaneous Grants	Hotel/Motel Tax	New Memphis Arena	Community Redevelopment	Capital Projects	Storm water	Enterprise			
GOVERNMENTAL FUND TYPES												
General Fund	\$ -	1,264	59	-	-	1,673	-	452	-	-	-	3,448
Special Revenue:												
State street aid	-	3,056	-	-	-	-	-	-	-	-	-	3,056
Miscellaneous grants	-	-	-	-	-	78	-	-	-	-	-	78
Hotel/Motel tax	-	940	-	-	658	-	-	-	-	-	-	1,598
New Memphis arena	-	-	-	658	-	-	-	-	-	-	-	658
Community redevelopment	-	2,343	-	-	-	-	-	-	-	-	-	2,343
Debt Service Fund	-	-	-	-	-	-	16	-	-	-	-	16
PROPRIETARY FUND TYPES												
Enterprise:												
Sewer collection and treatment	5,376	-	-	-	-	-	-	-	-	-	-	5,376
Memphis light, gas and water	49,389	-	-	-	2,500	-	-	-	-	-	-	51,889
Storm water	-	2,300	-	-	-	-	-	-	-	-	-	2,300
Total transfers in	\$ 54,765	9,903	59	658	3,158	1,751	16	452	-	-	-	70,762

A discrepancy of \$2646 exists between the amount reported as transfers by the General and transfers to the General Fund by MLGW due to a transaction occurring to MLGW year end and prior to the City's June 30th year end.

**SCHEDULE OF ADDITIONS AND RETIREMENTS
TO UTILITY PLANT
(Thousands of Dollars)
For the fiscal year ended June 30, 2008**

**CITY OF MEMPHIS, TENNESSEE
Exhibit F-9**

MEMPHIS LIGHT, GAS AND WATER DIVISION (1)

	Balance January 1, 2007	Additions	Deletions	Transfers	Balance December 31, 2007
Electric Division	\$ 1,185,295	69,224	(12,673)	35,424	1,277,270
Gas Division	537,214	12,554	(3,726)	(35,424)	510,618
Water Division	385,212	14,103	(2,704)	-	396,611
Total	\$ 2,107,721	95,881	(19,103)	-	2,184,499

Note: Utility plant in service balances exclude amounts for construction work in process, non-utility property and land held for future use.

SEWER COLLECTION AND TREATMENT FUND (2)

	Balance July 1, 2007	Additions	Deletions	Balance June 30, 2008
Land and buildings	\$ 119,782	-	-	119,782
Improvements other than buildings	496,045	1,148	-	497,193
Equipment and furniture	24,603	1,287	(3,357)	22,533
Construction work in progress	1,710	9,499	-	11,209
Total	\$ 642,140	11,934	(3,357)	650,717

(1) MLG&W is presented for the year ended December 31.

(2) Sewer Collection and Treatment Fund is presented for the year ended June 30.

**SCHEDULE OF FUNDING PROGRESS
OTHER POSTEMPLOYMENT BENEFITS (OPEB)
(Thousands of Dollars)
For the fiscal year ended June 30, 2008**

Fiscal Year Ending	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded/ (Over funded) AAL (UAAL) (b) – (a)	Funded Ratio (a) ÷ (b)	Covered Payroll ¹ (c)	UAAL as a Percentage of Covered Payroll ¹ [(b) – (a)] ÷ (c)
June 30, 2008	\$0	\$857,062	\$857,062	0%	\$283,789	302.00%

¹Payroll as of June 30, 2007 includes only plan participants.

Source: City of Memphis Actuary's Report for Retiree Health and Life Insurance Benefits

Note: The City of Memphis implemented GASB Statement 45 for the fiscal year ended June 30, 2008. The first OPEB actuarial valuation was conducted as of July 1, 2007 and adjusted for relevant changes for fiscal year ending June 30, 2008. There is no data prior to the first valuation.

GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL ON BASIS OF BUDGETING
(Thousands of Dollars)
For the fiscal year ended June 30, 2008

CITY OF MEMPHIS, TENNESSEE
Exhibit F-11

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget- Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Local taxes	\$ 366,197	359,197	368,754	9,557
State taxes (local share)	61,061	61,061	67,384	6,323
Licenses and permits	11,677	11,677	11,934	257
Fines and forfeitures	9,163	9,163	10,040	877
Charges for services	27,076	27,123	28,395	1,272
Investment income	336	4,336	4,638	302
Federal grants	384	384	761	377
State grants	754	800	1,600	800
Intergovernmental revenues	3,557	3,557	3,557	-
Other	8,144	8,400	13,730	5,330
Total revenues	<u>488,349</u>	<u>485,698</u>	<u>510,793</u>	<u>25,095</u>
EXPENDITURES				
General government	148,637	145,848	133,241	12,607
Public safety	342,726	343,453	343,151	302
Community services	62,198	65,781	61,011	4,770
Transportation and environment	9,369	9,369	6,893	2,476
Total expenditures	<u>562,930</u>	<u>564,451</u>	<u>544,296</u>	<u>20,155</u>
Revenues under expenditures	<u>(74,581)</u>	<u>(78,753)</u>	<u>(33,503)</u>	<u>45,250</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	73,988	79,988	54,765	(25,223)
Transfers out	(3,065)	(3,530)	(3,448)	82
Total other financing sources and uses	<u>\$ 70,923</u>	<u>76,458</u>	<u>51,317</u>	<u>(25,141)</u>
Adjustment for encumbrances - prior year			(5,352)	
Adjustment for encumbrances - current year			<u>7,256</u>	
Revenues under expenditures (GAAP basis)			<u>\$ 19,718</u>	

DEBT SERVICE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE BUDGET AND ACTUAL
(Thousands of Dollars)
For the fiscal year ended June 30, 2008

CITY OF MEMPHIS, TENNESSEE
Exhibit F-12

	Original and Final Budget	Actual	Variance with Final Budget- Positive (Negative)
REVENUES			
Local taxes	\$ 76,704	77,946	1,242
Hotel/motel tax	398	398	-
Investment income	500	2,382	1,882
Intergovernmental revenue-			
Memphis-Shelby County Airport Authority	3,918	3,883	(35)
Memphis-Shelby County Port Commission	381	381	-
Board of Education	1,494	1,494	-
Total intergovernmental revenue	<u>5,793</u>	<u>5,758</u>	<u>(35)</u>
Other	<u>3,826</u>	<u>1,094</u>	<u>(2,732)</u>
Total revenues	<u>87,221</u>	<u>87,578</u>	<u>357</u>
EXPENDITURES			
Redemption of serial bonds and notes	46,645	42,925	3,720
Interest	47,963	49,015	(1,052)
Other	354	602	(248)
Total expenditures	<u>94,962</u>	<u>92,542</u>	<u>2,420</u>
Revenues (under) expenditures	<u>(7,741)</u>	<u>(4,964)</u>	<u>2,777</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	6,816	9,903	3,087
Transfers out	<u>(21,000)</u>	<u>(16)</u>	<u>20,984</u>
Total other financing sources and uses	<u>(14,184)</u>	<u>9,887</u>	<u>24,071</u>
Net change in fund balances	<u>\$ (21,925)</u>	<u>4,923</u>	<u>26,848</u>
Fund balance - beginning of year		<u>53,793</u>	
Fund balance - end of year		<u>\$ 58,716</u>	

CITY OF MEMPHIS

T E N N E S S E E

STATISTICAL SECTION

The statistical section provides additional historical perspective, context, and detail to assist in assessing the City's economic condition. The statistical section is presented in the following five categories:

Financial Trends Information assists in understanding and assessing how the City's financial position has changed over time.

Revenue Capacity Information assists in understanding and assessing the factors affecting the City's ability to generate its own-source revenues.

Debt Capacity Information assists in understanding and assessing the City's debt burden and its ability to issue additional debt.

Demographic and Economic Information assists in understanding the City's socioeconomic and provides information that facilitates comparisons of financial statement information over time and among governments.

Operating Information provides contextual information about the City's operations and resources in order to assist readers in using the financial statement information in understanding and assessing the City's economic condition.

NET ASSETS BY COMPONENT
Last Seven Fiscal Years
(Thousands of Dollars)

CITY OF MEMPHIS, TENNESSEE
Exhibit X-1

	Fiscal Year						
	2002	2003	2004	2005	2006	2007	2008
Governmental activities:							
Invested in capital assets, net of related debt	\$ 57,299	\$ 24,716	\$ 272,199	\$ 269,490	\$ 239,334	\$ 162,807	98,113
Restricted for:							
Debt service and construction	28,648	30,874	42,297	-	-	-	-
Contracted grant programs	3,744	5,068	3,718	-	-	-	-
Encumbrances	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-
Unrestricted:							
Net pension asset	-	67,847	74,893	81,491	78,238	64,471	50,825
Unrestricted, other	(21,192)	(54,319)	(174,983)	(175,783)	(134,764)	(8,886)	(4,974)
Total governmental activities net assets	68,499	74,186	218,124	175,198	182,808	218,392	143,964
Business-type activities:							
Invested in capital assets, net of related debt	1,268,016	1,310,278	1,388,651	1,434,661	1,467,373	1,512,730	1,587,881
Restricted for debt service and construction	143,894	161,117	89,222	90,115	89,905	118,799	88,703
Unrestricted	144,152	114,184	151,995	156,991	209,677	215,600	232,880
Total business-type activities net assets	1,556,062	1,585,579	1,629,868	1,681,767	1,766,955	1,847,129	1,909,464
Primary government:							
Invested in capital assets, net of related debt	1,325,315	1,334,994	1,660,850	1,704,151	1,725,518	1,675,537	1,685,994
Restricted for:							
Debt service and construction	172,542	191,991	131,519	90,115	89,905	118,799	88,703
Contracted grant programs	3,744	5,068	3,718	-	-	-	-
Other	-	-	-	-	-	-	-
Encumbrances	-	-	-	-	-	-	-
Unrestricted	122,960	59,865	(22,988)	(18,792)	56,102	271,185	278,731
Total primary government net assets	\$ 1,624,561	\$ 1,591,918	\$ 1,773,099	\$ 1,775,474	\$ 1,871,525	\$ 2,065,521	\$ 2,053,428

The City implemented GASB 34 in fiscal year 2002. Therefore, ten years of data is not available.

CHANGES IN NET ASSETS
Last Seven Fiscal Years
(Thousands of Dollars)

CITY OF MEMPHIS, TENNESSEE
Exhibit X-2

	2002	2003	2004	2005	2006	2007	2008
Program Revenues							
Governmental activities:							
Charges for services:							
General government	\$ 50,223	\$ 43,604	\$ 45,016	\$ 33,781	\$ 45,500	\$ 71,939	\$ 71,398
Public Safety	5,294	2,673	1,725	2,459	3,785	4,584	5,203
Community services	642	125	125	125	125	125	147
Transportation and environment	25,836	22,325	22,011	21,942	46,097	47,937	47,790
Operating grants and contributions	54,046	60,476	89,832	57,424	56,472	49,415	49,822
Capital grants and contributions	26,858	5,195	1,598	3,785	1,494	1,201	3,217
Total governmental activities program revenues	162,899	134,398	160,307	119,516	153,473	175,201	177,577
Business-type activities:							
Charges for services:							
Sewer collection and treatment	35,963	34,773	35,722	46,909	48,670	52,543	52,510
Memphis Light, Gas and Water	1,230,483	1,158,345	1,257,141	1,367,644	1,553,537	1,603,383	1,649,378
Golf	-	3,395	3,204	3,079	2,934	2,963	-
Storm water	-	-	-	-	927	12,988	16,983
Operating grants and contributions	28,385	21,675	22,268	22,675	23,205	24,117	25,185
Capital grants and contributions	3,256	4,032	7,344	4,544	5,805	6,306	1,766
Total business-type activities program revenues	1,298,087	1,222,220	1,325,679	1,444,851	1,635,078	1,702,300	1,745,822
Total primary government program revenues	1,460,986	1,356,618	1,485,986	1,564,367	1,788,551	1,877,501	1,923,399
Expenses							
Governmental Activities:							
General government	133,168	170,815	159,005	187,105	190,796	200,184	271,906
Public safety	279,997	308,308	310,624	318,106	340,621	362,050	394,476
Community services	150,659	102,013	154,950	107,129	101,488	108,341	96,130
Transportation and environment	92,735	75,753	71,821	59,523	66,262	72,106	81,492
Education	109,113	89,192	84,465	85,144	91,225	91,405	91,392
Interest on long term debt	33,152	38,604	42,443	37,142	43,583	44,772	50,250
Total governmental activities expenses	798,824	784,685	823,308	794,149	833,975	878,858	985,646
Business-type activities:							
Sewer collection and treatment	45,997	50,391	45,201	50,512	48,991	47,852	51,507
Memphis Light, Gas and Water	1,229,233	1,155,423	1,265,411	1,398,375	1,507,661	1,577,503	1,629,803
Golf	-	4,683	4,589	4,270	4,153	3,893	-
Storm water	-	-	-	-	1,343	7,223	13,480
Total business-type activities expenses	1,275,230	1,210,497	1,315,201	1,453,157	1,562,148	1,636,471	1,694,790
Total primary government expenses	2,074,054	1,995,182	2,138,509	2,247,306	2,396,123	2,515,329	2,680,436
Net (expense)/revenue							
Governmental activities	(635,925)	(650,287)	(663,001)	(674,633)	(680,502)	(703,657)	(808,069)
Business-type activities	22,857	11,723	10,478	(8,306)	72,930	65,829	51,032
Total primary government net expense	(613,068)	(638,564)	(652,523)	(682,939)	(607,572)	(637,828)	(757,037)
General Revenues and Other Changes in Net Assets							
Governmental activities							
Taxes							
Local taxes	503,096	488,805	526,433	527,453	536,715	541,795	549,149
State taxes (local share)	71,210	71,561	68,806	75,441	83,602	92,554	96,193
Hotel/motel tax	3,514	3,599	3,706	3,936	4,399	4,607	4,740
Unrestricted investment earnings	6,155	2,230	1,236	-	3,596	7,907	7,367
Federal grants and entitlements	-	-	-	909	-	-	-
Intergovernmental revenues	10,334	12,942	8,746	10,227	-	14,171	9,315
Decreases in net pension obligation	-	8,774	25,584	6,598	-	-	-
Other	20,816	10,673	-	15,608	15,871	11,569	13,140
Transfers	1,300	1,300	1,588	1,587	43,929	59,966	59,113
Total governmental activities	616,425	599,884	636,099	641,759	688,112	732,569	739,017
Business-type activities:							
Investment earnings	17,734	16,112	17,840	61,792	63,619	69,910	74,064
Gain on sale of capital assets	7	-	-	-	-	-	-
Transfers	(1,300)	(1,300)	(1,588)	(1,587)	(43,929)	(59,966)	(61,759)
Total business-type activities	16,441	14,812	16,252	60,205	19,690	9,944	12,305
Total primary government	632,866	614,696	652,351	701,964	707,802	742,513	751,322
Change in Net Assets							
Government activities	(19,500)	(50,403)	(26,902)	(32,874)	7,610	28,912	(69,052)
Business-type activities	39,298	26,535	26,730	51,899	92,620	75,773	63,337
Total primary government	\$ 19,798	\$ (23,868)	\$ (172)	\$ 19,025	\$ 100,230	\$ 104,685	\$ (5,715)

The City implemented GASB 34 in fiscal year 2002. Therefore, ten years of data is not available.

FUND BALANCES OF GOVERNMENTAL FUND
Last Ten Fiscal Years
(Thousands of Dollars)

CITY OF MEMPHIS, TENNESSEE
Exhibit X-3

	Fiscal Year									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
General fund										
Reserved	\$ 25,376	8,362	8,055	11,949	8,595	6,804	5,312	4,194	6,747	8,945
Unreserved	38,335	45,361	53,457	57,680	53,189	19,598	(4,100)	29,746	72,093	89,613
Total general fund	63,711	53,723	61,512	69,629	61,784	26,402	1,212	33,940	78,840	98,558
All other governmental funds										
Reserved	58,597	71,464	8,119	1,145	-	477	-	-	-	-
Unreserved, reported in:										
Debt service fund	10,836	9,570	10,866	18,793	13,277	13,918	8,042	30,418	53,793	58,716
Capital projects fund	-	-	-	1,193	8,660	19,407	303	(27,577)	(32,527)	12,673
Special revenue funds	3,408	3,301	4,923	(6,927)	(6,542)	(5,235)	(4,208)	(2,275)	6,602	6,305
Total all other governmental funds	72,841	84,335	23,908	14,204	15,395	28,567	4,137	566	27,868	77,694
Total governmental funds	\$ 136,552	138,058	85,420	83,833	77,179	54,969	5,349	34,506	106,708	176,252

Note: In 2008, General fund beginning fund balance was restated from \$83,318 to \$78,840, Capital projects was restated from \$(31,809) to \$(32,527) and Special revenue funds were restated from \$6,608 to \$6,602.

CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
Last Ten Fiscal Years
(Thousands of Dollars)

CITY OF MEMPHIS, TENNESSEE
Exhibit X-4

	Fiscal Year									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Revenues										
Local taxes	\$ 307,947	338,702	388,143	496,695	493,984	516,952	522,876	533,045	540,282	548,095
State taxes (local share)	66,901	72,128	73,298	71,210	71,561	68,806	75,441	83,602	92,554	96,193
Hotel/motel tax	-	-	2,034	3,514	3,599	3,706	3,936	4,399	4,607	4,740
Licenses and permits	10,834	11,829	11,852	11,731	11,921	12,257	12,059	12,478	11,918	11,934
Fines and forfeitures	14,154	14,140	13,389	13,560	13,118	12,574	13,639	13,009	13,422	15,243
Charges for services	32,783	34,841	38,032	40,464	40,105	41,269	41,139	66,941	72,307	76,788
Investment income	10,062	10,410	11,199	6,165	2,180	1,221	855	3,076	7,411	7,367
Federal grants and entitlements	40,323	43,506	30,785	46,640	41,042	46,757	41,559	35,212	41,673	37,359
State grants	8,353	8,124	5,951	8,226	9,723	29,202	10,506	4,202	4,449	7,908
Intergovernmental revenues	21,779	28,508	35,162	32,613	15,723	14,145	16,370	15,948	14,705	11,207
Other	25,637	20,079	20,602	21,073	22,987	28,321	18,562	18,457	14,548	18,420
Total revenues	538,773	582,267	630,447	751,891	725,943	775,210	756,942	790,369	817,876	835,254
Expenditures										
General government	103,627	102,943	108,317	128,826	149,055	158,736	148,520	141,436	141,541	167,215
Public safety	229,696	238,724	251,911	265,815	286,251	297,205	309,341	320,190	323,691	347,366
Instruction and administration	-	-	-	-	-	-	-	80,029	-	-
Community services	68,812	80,562	70,639	105,395	77,709	104,584	91,668	65,189	91,404	91,945
Transportation and environment	63,626	65,091	58,628	63,690	61,886	71,126	60,190	-	68,199	74,256
Education	-	-	-	80,487	79,590	83,974	85,446	90,946	91,952	92,438
Capital outlay	131,684	151,880	187,595	140,011	98,019	91,161	146,723	98,737	62,416	79,089
Debt service:										
Redemption of serial bonds and notes	41,691	45,634	47,528	45,292	43,341	50,792	52,385	46,046	36,528	42,925
Interest	28,296	30,416	39,179	33,847	37,258	40,310	37,065	43,338	46,738	49,015
Bond issuance cost	526	289	130	182	-	207	3,495	416	940	1,932
Service charges	475	88	690	675	303	1,221	405	624	1,308	581
Total expenditures	668,433	715,627	764,617	864,220	833,412	899,316	935,238	886,951	864,717	946,762
Excess of revenues over (under) expenditures	(129,660)	(133,360)	(134,170)	(112,329)	(107,469)	(124,106)	(178,296)	(96,582)	(46,841)	(111,508)
Other financing sources (uses)										
Transfers in	70,476	66,021	52,848	176,386	54,571	62,037	54,981	93,393	82,184	70,310
Transfers out	(68,808)	(73,219)	(65,196)	(179,211)	(53,271)	(60,449)	(53,394)	(37,073)	(22,218)	(11,197)
Proceeds from issuance of debt	279,142	138,956	92,000	337,377	125,176	134,160	507,515	188,030	220,712	189,735
Retirement of refunded debt obligation	(124,646)	-	-	(228,570)	(24,257)	(36,343)	(410,290)	(120,385)	(175,172)	(70,000)
Bond issuance cost	-	-	-	-	-	-	-	(839)	(788)	-
Premium on debt issue	-	-	-	-	-	2,491	39,916	2,615	12,855	2,204
Other financing source-capital lease/capital outlay	4,759	3,108	1,880	6,040	4,310	-	-	-	-	-
Other	-	-	-	-	(1,093)	-	-	-	-	-
Total other financing sources	160,923	134,866	81,532	112,022	105,436	101,896	138,728	125,741	117,573	181,052
Net change in fund balances/(deficit)	\$ 31,263	1,506	(52,638)	(307)	(2,033)	(22,210)	(39,568)	29,159	70,732	69,544
Debt service as a percentage of noncapital expenditures	13.2%	13.6%	15.2%	11.0%	11.0%	11.4%	11.8%	11.5%	10.7%	10.9%

**GENERAL FUND EXPENDITURES AND OTHER USES
BY FUNCTION
(Thousands of Dollars)
Last Ten Fiscal Years**

**CITY OF MEMPHIS, TENNESSEE
Exhibit X-5**

	For the Fiscal Years Ended June 30									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
General Government										
Legislative	\$ 1,160	1,146	1,311	1,372	1,419	1,487	1,411	1,368	1,541	1,598
Judicial	413	451	448	501	503	511	513	525	523	623
Court clerk	2,615	2,773	2,170	2,942	2,513	2,686	2,901	2,886	2,796	3,393
Executive	1,923	1,752	1,769	1,818	1,868	2,120	2,442	2,475	2,862	8,257
Finance and administration	5,467	5,471	6,387	5,498	5,249	6,035	4,952	4,560	4,004	4,627
City attorney	4,088	4,353	4,503	5,492	5,646	7,164	11,180	2,786	4,708	6,188
City engineer	-	-	8,276	8,207	8,226	9,924	8,279	9,783	13,040	13,945
Information systems	-	-	-	-	10,026	15,747	11,897	8,785	4,980	5,146
Human resources	3,422	3,089	3,238	3,460	3,353	3,448	2,920	13,315	13,983	17,224
General services	12,054	12,125	12,454	12,796	13,871	14,203	12,302	11,288	10,365	10,834
Special appropriations	37,393	40,211	39,959	52,895	54,517	58,618	59,600	58,842	56,554	61,039
Total general government	68,535	71,371	80,515	94,981	107,191	121,943	118,397	116,613	115,356	132,874
Public Safety										
Police	128,968	136,825	146,253	152,986	162,299	173,972	178,632	181,979	181,512	193,024
Fire	92,346	94,866	99,360	107,450	117,259	119,639	128,336	135,586	138,394	149,747
Total public safety	221,314	231,691	245,613	260,436	279,558	293,611	306,968	317,565	319,906	342,771
Community Services										
Library	16,271	16,694	18,630	21,657	21,096	21,126	19,854	18,574	-	-
Parks and recreation	28,240	30,077	30,395	28,404	24,455	26,033	22,068	21,268	23,307	31,017
Public Service	7,917	8,494	10,435	11,753	11,985	12,382	8,712	7,070	24,687	21,627
Community development	6,716	6,317	3,354	4,910	4,805	4,718	6,936	4,640	5,763	4,743
Community enhancement	-	-	-	-	-	-	-	-	-	2,684
Total community services	59,144	61,582	62,814	66,724	62,341	64,259	57,570	51,552	53,757	60,071
Transportation and Environment										
Public works	26,444	25,873	18,090	18,318	18,857	19,614	17,143	18,197	5,769	6,676
Total transportation and environment	26,444	25,873	18,090	18,318	18,857	19,614	17,143	18,197	5,769	6,676
Transfers out - primary	28,659	30,056	27,366	28,181	23,052	34,814	22,134	10,476	13,177	3,448
Transfers out - component unit (1)	12,150	13,000	14,000	-	-	-	-	-	-	-
Total	\$ 416,246	433,573	448,398	468,640	490,999	534,241	522,212	514,403	507,965	545,840

(1) Beginning in 2002, payments to discretely presented component units are reported as expenditures.

ASSESSED AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY

Last ten fiscal years

**CITY OF MEMPHIS, TENNESSEE
Exhibit X-6**

Fiscal Year	Real Property			Personal Property			Utilities and Carriers (55%) (Real and Personal) (1)			Total Assessed to Total Market Value	Total Direct Tax Rate	
	Farm and Residential(25%)		Commercial and Industrial(40%) (3)		Commercial and Industrial(30%) (2)		Privately Owned		Total Assessed Value			Estimated Actual Value
	Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value				
1999	\$3,263,856,200	\$13,055,424,800	\$3,594,147,490	\$9,130,614,500	\$1,022,711,990	\$3,403,992,800	\$719,101,721	\$1,307,457,674	\$8,599,817,401	\$26,897,489,774	31.97%	2.7700
2000	3,289,560,950	13,158,243,800	3,391,717,000	8,632,347,900	1,024,187,360	3,408,300,100	750,642,363	1,366,169,101	8,456,107,673	26,565,060,901	31.83%	2.7700
2001	3,840,642,800	15,362,571,200	4,076,629,418	10,359,736,580	1,003,553,475	3,340,403,600	776,925,512	1,412,591,840	9,697,751,205	30,475,303,220	31.82%	3.3700
2002	3,825,350,400	15,301,401,600	3,980,384,369	10,112,159,800	1,054,764,970	3,511,817,900	904,397,490	1,644,359,073	9,764,897,229	30,569,738,373	31.94%	3.2304
2003	4,196,715,250	16,786,861,000	4,105,623,644	10,437,117,200	1,051,851,210	3,501,707,400	846,729,349	1,539,507,907	10,200,919,453	32,265,193,507	31.62%	3.2304
2004	4,239,551,575	16,958,206,300	3,971,880,085	10,096,505,900	997,752,815	3,321,838,600	783,769,116	1,425,034,756	9,992,953,591	31,801,585,556	31.42%	3.2304
2005	4,869,679,825	19,478,719,300	4,371,575,300	11,119,490,800	1,030,040,160	3,429,662,300	837,348,675	1,522,452,136	11,108,643,960	35,550,324,536	31.25%	3.2304
2006	4,911,984,475	19,647,937,900	4,279,098,355	10,884,205,500	1,043,440,480	3,475,008,700	921,568,343	1,675,578,805	11,156,091,653	35,682,730,905	31.26%	3.4332
2007	5,135,189,100	20,540,756,400	4,291,102,795	10,921,043,300	1,031,524,225	3,434,824,100	911,976,305	1,658,138,736	11,369,792,425	36,554,762,536	31.10%	3.4332
2008	5,199,303,925	20,797,215,700	4,320,668,495	11,005,511,900	1,037,557,855	3,455,649,100	835,038,281	1,518,251,420	11,392,568,556	36,776,628,120	30.98%	3.4332

(1) Does not include City-owned utilities (Electric and Gas Divisions) which are assessed a separate in-lieu-of-tax. Prior to Fiscal Year 1988, the Electric Division inside the City was taxed at combined City and County tax rates, the Electric Division outside the City was taxed at the County rate and the Gas Division inside the City was taxed at the City rate. Beginning with fiscal year 1988, the Electric and Gas Divisions are taxed under the provisions of State Statutes, "The Municipal Electric System Tax Equivalent Law of 1987" and "The Municipal Gas System Tax Equivalent Law of 1987" respectively. Under these laws, the annual tax equivalent is the sum of: (1) The equalized tax rate applied to the net plant value and book value of materials and supplies, and (2) Four percent (4%) of the average of revenue less power cost for the preceding three (3) fiscal years. The law also provides that no payment shall be less than the amount paid in Fiscal Year 1987. Net proceeds from this source go only to the City General Fund and are not allocated by the tax rate ordinance. The City contributes a portion of the proceeds to the County based on a tax rate formula.

(2) Includes intangible personal property which is assessed at 40%.

(3) Includes multiple real estate assessed at 0-40% as well as greenbelt commercial at 25%, greenbelt industrial at 25% and greenbelt multiple real estate at 0-40%.

Sources: Shelby County Assessor (real and personal) and State of Tennessee Office of State Assessed Property (utilities and carriers)

**PROPERTY TAX RATE AND LEVIES -
ALL DIRECT AND OVERLAPPING GOVERNMENTS
Last Ten Fiscal Years**

**CITY OF MEMPHIS, TENNESSEE
Exhibit X-7**

Fiscal Year	Tax Rates per \$100 Assessed Value			Tax Levies		
	City	County	Total	City	County	Total
1999	\$ 2.77	\$ 2.82	\$ 5.59	210,700,956	335,220,331	545,921,287
2000	2.77	3.54	6.31	234,064,460	435,779,520	669,843,980
2001	3.37	3.54	6.91	284,214,898	447,808,677	732,023,575
2002	3.23	3.79	7.02	314,190,509	549,355,956	863,546,465
2003	3.23	3.79	7.02	309,292,650	555,311,765	864,604,415
2004	3.23	4.04	7.27	325,695,529	596,378,594	922,074,123
2005	3.23	4.04	7.27	324,340,510	606,615,294	930,955,804
2006	3.43	4.04	7.47	380,947,344	681,245,173	1,062,192,517
2007	3.43	4.04	7.47	384,877,389	704,279,575	1,089,156,964
2008	3.43	4.04	7.47	392,477,211	717,010,251	1,109,487,462

Taxes are assessed as of January 1 and are due on June 1 for City and October 1 for Shelby County.
No tax rate limits exist. Tax must be assessed sufficiently to pay debt service.

Source of County information: Shelby County Finance Department

**PRINCIPAL PROPERTY TAXPAYERS
Current Year and Nine Years Ago**

**CITY OF MEMPHIS, TENNESSEE
Exhibit X-8**

	2008			1999		
	Name of Taxpayer	Taxable Assessed Value	Percentage of Total Taxable Assessed Value	Name of Taxpayer	Taxable Assessed Value	Percentage of Total Taxable Assessed Value
	Federal Express	\$ 377,831,443	3.32	Federal Express	\$ 357,932,395	4.16
	Bell South Telecommunications	105,465,464	0.93	Belz Enterprises	165,503,602	1.92
	Wolfchase Galleria, LTD	52,127,720	0.46	Bell South Telecommunications	161,011,316	1.87
	Pinnacle Airlines, Inc.	41,483,095	0.36	Wolfchase Galleria, LTD	49,969,320	0.58
	AMISUB (St. Francis Hospital) Inc.	36,820,000	0.32	Boyle Investment Co. & Affiliates	33,207,270	0.39
	A.T. & T. Mobility LLC	25,937,411	0.23	Avron B. Fogleman & Affiliates	33,130,685	0.39
	Northwest Airlines, Inc.	22,592,299	0.20	Baptist Memorial Hospital	29,988,440	0.35
	Shopping Center Associates	21,564,320	0.19	Mapco Petroleum, Inc.	29,781,120	0.35
	Cargill	19,428,150	0.17	Northwest Airlines	27,720,233	0.32
	DRA CRT Germantown Center LP	19,417,600	0.16	AMISUB (St. Francis Hospital) Inc.	26,753,860	0.31
	Total Assessed Valuation of Top 10 Taxpayers	722,667,502	6.34		914,998,241	10.64
	Balance of Assessed Valuation	10,669,901,054	93.66		7,684,819,160	89.36
		\$ 11,392,568,556	100.00		\$ 8,599,817,401	100.00

Source: City of Memphis Tax System

PROPERTY TAX LEVIES AND COLLECTIONS
As of June 30 for the last ten fiscal years

CITY OF MEMPHIS, TENNESSEE
Exhibit X-9

Fiscal Year	Total Tax Levy	Current Tax Collections	Percent Collected	Delinquent Tax Collections	Total Tax Collections	Total Collections as Percent of Current Levy	Prior Years Outstanding Delinquent Taxes	Outstanding Delinquent Taxes as Percent of Current Levy
1999	\$ 210,700,956	\$ 193,904,816	92.03	\$ 8,235,688	\$ 202,140,504	95.94	\$ 19,460,186	9.24
2000	234,064,460	213,875,079	91.37	4,468,222	218,343,301	93.28	21,029,909	8.98
2001	284,214,898	260,938,982	91.81	10,690,611	271,629,593	95.57	22,693,903	7.98
2002	314,190,509	293,021,608	93.26	11,780,320	304,801,928	97.01	26,273,142	8.36
2003	309,292,650	286,509,335	92.63	14,156,364	300,665,699	97.21	26,939,877	8.71
2004	325,695,529	296,247,065	90.96	16,494,982	312,742,047	96.02	29,109,210	8.94
2005	324,340,510	300,716,889	92.72	15,066,930	315,783,819	97.36	30,283,302	9.34
2006	380,947,344	356,886,796	93.68	15,835,849	372,722,645	97.84	30,367,032	7.97
2007	384,877,389	361,358,644	93.89	16,264,065	377,622,709	98.12	30,620,012	7.96
2008	392,477,211	368,298,361	93.84	15,852,825	384,151,186	97.88	32,281,474	8.23

Taxes are normally due on June 1 and delinquent on September 1 each year and may be paid in two installments (June 1 through June 30 and August 1 through August 31). A penalty of 1/2 of 1% accrues the first of each month taxes remain delinquent and interest is charged at 12% per annum until paid. Discounts are not allowed. Delinquent taxes may be collected by foreclosure proceedings through court ordered tax sales.

Source: City of Memphis Tax System

Fiscal Year	Collections			
	Construction	Interest	Promotional Costs	Total
1999	\$ 13,971	\$ 7,808	\$ 413,295	\$ 435,074
2000	22,780	12,724	28,522	64,026
2001	1,045	583	6,345	7,973
2002	92	52	242	386
2003	78	4	2,438	2,520
2004	389	217	47	653
2005	344	192	3,072	3,608
2006	7,218	4,032	11,100	22,350
2007	2,533	1,415	838	4,786
2008	2,533	1,415	-	3,948

NOTE: The special assessment fund was established in fiscal year 1979 to account for the financing of the downtown merchant's share of the cost of the Mid- America Mall , plus the yearly cost of promotional events for the Mall and downtown area. In accordance with GASB 6, the Special Assessment Fund was eliminated in 1987.

RATIOS OF OUTSTANDING DEBT BY TYPE
 (Thousands of Dollars)
 Last ten fiscal years

CITY OF MEMPHIS, TENNESSEE
 Exhibit X-11

Fiscal Year	Governmental Activities										Business-Type Activities						Total Primary Government	Percentage of Personal Income	Per Capita		
	General Obligation Bonds		Bond Anticipation Notes		State Loans		Capital Outlay Notes		Capital Payable Notes		Sewer Revenue Bonds		Electric Revenue Bonds		Gas Bond Anticipation Notes					Water Revenue Bonds	
1999	620,917	-	7,745	12,600	-	3,172	78,025	158,970	-	59,675	941,104	2.84%	1,461								
2000	722,162	-	6,322	6,970	-	1,285	92,720	137,775	-	53,810	1,021,044	2.96%	1,571								
2001	676,236	92,000	4,835	3,255	4,714	1,880	87,115	127,240	-	47,695	1,044,970	2.88%	1,546								
2002	805,434	45,000	3,436	1,100	3,929	7,249	106,355	102,689	-	40,960	1,116,152	2.98%	1,656								
2003	863,161	25,000	2,302	-	3,143	10,053	101,435	101,513	-	40,960	1,147,567	2.97%	1,705								
2004	814,360	125,000	1,108	-	2,357	4,215	124,835	1,453,252	-	34,230	2,559,357	6.26%	3,809								
2005	882,312	125,000	189	-	1,571	2,626	117,790	1,364,214	-	27,150	2,520,852	5.90%	3,751								
2006	915,315	114,000	-	-	786	970	142,410	1,290,175	-	19,710	2,483,366	5.55%	3,668								
2007	971,679	70,000	-	-	-	-	133,700	1,212,702	-	13,940	2,402,021	5.33%	3,564								
2008	1,030,302	90,000	-	-	-	7,510	145,410	1,131,360	40,000	10,965	2,455,547	5.44%	3,643								

Source: Bureau of Economic Analysis, The Memphis Chamber & U.S. Census Bureau

**RATIOS OF GENERAL BONDED DEBT TO APPRAISED
AND ASSESSED VALUES AND BONDED DEBT PER CAPITA**
Last ten fiscal years

CITY OF MEMPHIS, TENNESSEE
Exhibit X-12

For the Fiscal Years Ended June 30

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Estimated population (4)	643,715	650,100	676,087	674,478	673,120	671,929	672,277	677,345	674,028	674,028
Appraised property valuation (3)	\$ 26,897,490	26,565,060	30,475,303	30,569,738	32,265,194	31,801,586	35,550,325	35,682,731	36,554,763	36,776,628
Assessed valuation (3)	\$ 8,599,817	8,456,108	9,697,751	9,764,897	10,200,919	9,992,954	11,108,644	11,156,092	11,369,792	11,392,569
Total general obligation debt (1) (3)	\$ 644,434	736,739	782,920	866,148	903,659	947,040	1,011,698	1,031,071	1,042,744	1,127,812
Self-supporting debt (2) (3)	\$ 51,241	47,362	43,008	38,599	34,259	29,656	25,386	21,539	17,663	13,565
Net Debt (3)	\$ 593,193	689,377	739,912	827,549	869,400	917,384	986,312	1,009,532	1,025,081	1,114,247
Bonded debt per capita - total debt	\$ 1,001	1,133	1,158	1,284	1,342	1,409	1,505	1,522	1,547	1,673
Bonded debt per capita - net debt	\$ 922	1,060	1,094	1,227	1,292	1,365	1,467	1,490	1,521	1,653
Bonded debt to appraised valuation -total debt	2.40%	2.77%	2.57%	2.83%	2.80%	2.98%	2.85%	2.89%	2.85%	3.07%
Bonded debt to appraised valuation -net debt	2.21%	2.60%	2.43%	2.71%	2.69%	2.88%	2.77%	2.83%	2.80%	3.03%
Bonded debt to assessed valuation -total debt	7.49%	8.71%	8.07%	8.87%	8.86%	9.48%	9.11%	9.24%	9.17%	9.90%
Bonded debt to assessed valuation -net debt	6.90%	8.15%	7.63%	8.47%	8.52%	9.18%	8.88%	9.05%	9.02%	9.78%

(1) Debt includes City general obligation bonds and capital lease obligations (2001-2009).

(2) The self-supporting debt includes Port Commission Bonds, Airport Bonds, and bonds sold for the Convention Center.

(3) In thousands of dollars.

(4) Source-U.S. Census Bureau

DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
(Thousands of Dollars)
As of June 30, 2008

CITY OF MEMPHIS, TENNESSEE
Exhibit X-13

Name of Governmental Unit	Debt Outstanding	Estimated Percentage Applicable(1)	Estimated Share of Overlapping Debt(2)
Memphis Board of Education (Primary Government Obligation)	\$ 12,475	100%	12,475
Memphis-Shelby County Airport Authority (Primary Government Obligation)	7,435	100%	7,435
City of Memphis (5)	<u>1,010,392</u>	100%	<u>1,010,392</u>
	1,030,302		1,030,302
Bond Anticipation Notes	90,000	100%	90,000
Notes payable	0	100%	0
Capital lease obligations	<u>7,510</u>	100%	<u>7,510</u>
Total (3)	1,127,812		1,127,812
Shelby County debt	<u>1,735,025</u>	68.0%	<u>1,179,817</u>
Total overlapping debt (4)	<u>\$ 2,862,837</u>		<u>2,307,629</u>

- (1) Determined by ratio of assessed valuation of property subject to taxation in City of Memphis to valuation of property subject to taxation in Shelby County.
- (2) Amount in debt outstanding column multiplied by percentage applicable.
- (3) Has not been adjusted for the \$58,707 which is available for payment of principal and interest in the debt service fund.
- (4) Does not include revenue bonds.
- (5) The City of Memphis has no legal debt margin.

LEGAL DEBT MARGIN INFORMATION
 (Thousands of Dollars)
 Last ten fiscal years

CITY OF MEMPHIS, TENNESSEE
 Exhibit X-14

	Fiscal Year									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Debt capacity limit	\$ 1,031,978	1,014,733	1,163,730	1,171,788	1,224,110	1,199,154	1,333,037	1,338,731	1,364,375	1,367,108
Total net debt applicable to limit	593,193	689,377	739,912	827,549	869,400	917,384	986,312	1,009,532	1,033,129	1,114,247
Legal debt capacity margin balance	\$ 438,785	325,356	423,818	344,239	354,710	281,770	346,725	329,199	331,246	252,861
Total net debt applicable to the limit as a percentage of debt limit	57.48%	67.94%	63.58%	70.62%	71.02%	76.50%	73.99%	75.41%	75.72%	81.50%

Legal Debt Margin Calculation for Fiscal Year 2008

Total assessed value	\$ 11,392,569
Debt capacity limit (12% of total assessed value)	1,367,108
Debt applicable to limit:	
Total bonded debt	\$ 1,127,812
Less self-supporting debt	(13,565)
Total net debt applicable to limit	1,114,247
Legal debt capacity margin balance	\$ 252,861

**PLEGGED REVENUE COVERAGE - MLG&W AND
SEWER COLLECTION AND TREATMENT FUND**

**CITY OF MEMPHIS, TENNESSEE
Exhibit X-15**

Last ten fiscal years
(Thousands of Dollars)

<u>Year</u>	<u>Total Income</u>	<u>Operating and Maintenance Expenses</u>	<u>Net Revenue Available for Debt Service</u>	<u>Total Debt Service</u>	<u>Debt Service Coverage</u>
ELECTRIC DIVISION (1)					
1998	849,121	764,393	84,728	29,642	2.86
1999	848,890	762,824	86,066	29,642	2.90
2000	880,013	795,727	84,286	17,907	4.71
2001	850,979	787,456	63,523	31,551	2.01
2002	865,160	811,969	53,191	72,244	0.74
2003	871,138	822,527	48,611	60,028	0.81
2004	952,976	869,830	83,146	22,961	3.62
2005	1,076,882	886,428	190,454	138,202	1.38
2006	1,180,252	990,437	189,815	138,796	1.37
2007	1,217,396	1,025,267	192,129	140,301	1.37
GAS DIVISION (1)					
1998	203,349	166,739	36,610	-	N/A
1999	203,562	169,369	34,193	-	N/A
2000	263,824	236,133	27,691	-	N/A
2001	350,999	345,263	5,736	619	9.27
2002	261,799	243,950	17,849	-	N/A
2003	356,076	334,113	21,963	-	N/A
2004	368,318	361,357	6,961	-	N/A
2005	486,503	450,367	36,136	-	N/A
2006	435,679	417,510	18,169	-	N/A
2007	448,258	430,325	17,933	-	N/A
WATER DIVISION (1)					
1998	62,811	36,704	26,107	21,244	1.23
1999	63,949	36,155	27,794	8,933	3.11
2000	67,511	38,244	29,267	8,826	3.32
2001	61,117	41,738	19,379	9,117	2.13
2002	56,447	43,568	12,879	6,641	1.94
2003	56,432	47,720	8,712	8,427	1.03
2004	69,605	54,789	14,816	8,596	1.72
2005	75,279	55,158	20,121	6,565	3.06
2006	79,559	58,606	20,953	3,554	5.90
2007	81,175	63,471	17,704	3,546	4.99
SEWER COLLECTION AND TREATMENT FUND (2)					
1999	40,713	28,702	12,011	9,194	1.31
2000	40,017	29,215	10,802	9,156	1.18
2001	45,845	29,568	16,277	11,364	1.43
2002	40,354	30,779	9,575	10,002	0.96
2003	39,749	33,690	6,059	11,174	0.54
2004	35,935	31,038	4,897	12,354	0.40
2005	47,652	33,495	14,157	12,693	1.12
2006	50,278	30,782	19,496	14,920	1.31
2007	54,218	31,210	23,008	14,216	1.62
2008	54,123	32,774	21,349	14,927	1.43

(1) MLG&W revenue bond coverage is presented for years ended December 31.

(2) Sewer Collection and Treatment Fund revenue bond coverage is presented for the year ended June 30.

DEMOGRAPHIC AND ECONOMICS STATISTICS

Last ten fiscal years

Year	Population	Personal Income (amounts expressed in thousands)	Per Capita Personal Income	Median Age	School Enrollment	Unemployment Rate
1998	596,725	31,775,068	26,953	Not available	109,600	3.8
1999	643,715	33,139,503	27,737	Not available	117,900	3.6
2000	650,100	34,458,835	28,518	31.6	118,365	3.8
2001	676,087	36,241,448	29,839	Not available	118,995	4.1
2002	674,478	37,395,712	30,557	Not available	118,122	5.2
2003	673,120	38,592,109	31,677	33.4	118,000	6.2
2004	671,929	40,876,802	32,741	Not available	118,000	5.6
2005	672,277	42,720,000	33,880	33.4	119,021	5.7
2006	677,345	44,758,000	35,113	33.6	120,162	6.2
2007	674,028	45,107,701	35,470	33.4	120,275	6.4

Source-Memphis City Schools, Bureau of Economic Analysis, The Memphis Chamber & U.S. Census Bureau

Name of Employer	2008		1999	
	Employees	Percentage of Total City Employment	Employees	Percentage of Total City Employment
Federal Express Corporation	30,000	4.79%	29,500	6.58%
Memphis City Schools	16,000	2.55%	14,860	3.31%
United States Government	14,800	2.36%	14,000	3.12%
Methodist Healthcare	10,000	1.60%	6,636	1.48%
Baptist Memorial Healthcare Corp.	8,000	1.28%	6,414	1.43%
Shelby County Government	7,183	1.15%	5,162	1.15%
Memphis City Government	6,680	1.07%	4,872	1.09%
Naval Support Activity Mid-South	6,500	1.04%	4,700	1.05%
Wal-Mart Stores, Inc.	6,500	1.04%	4,335	0.97%
Tennessee State Government	5,247	0.84%	4,308	0.96%
Total	110,910	17.70%	94,787	21.14%

Source - Memphis Regional Chamber

FULL-TIME EQUIVALENT GOVERNMENT EMPLOYEES BY FUNCTION

Last ten fiscal years

Function and Activity	Fiscal Year									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
General government	754	792	831	851	857	857	874	859	828	1,231
Public safety										
Police										
Officers	1,967	2,132	2,402	2,152	2,015	1,996	2,147	2,024	2,018	2,385
Civilians	521	595	604	644	690	670	598	578	667	483
Fire										
Firefighters and officers	1,433	1,519	1,562	1,556	1,603	1,629	1,639	1,668	1,553	1,721
Civilians	134	139	132	140	76	144	157	140	255	168
Highways and streets										
Engineering	110	108	172	170	181	189	191	186	186	186
Maintenance	326	355	290	282	272	274	275	277	301	311
Sanitation	690	693	693	677	658	652	653	654	653	653
Culture and recreation	339	345	428	418	397	417	422	326	318	346
Sewer	296	287	273	288	287	289	290	293	289	290

OPERATING INDICATORS BY FUNCTION
Last ten fiscal years

CITY OF MEMPHIS, TENNESSEE
Exhibit X-19

Function	Fiscal Year									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Police										
Physical arrests	84,555	87,277	79,663	82,786	78,368	88,076	79,586	51,871	48,746	57,304
Parking violations	139,398	236,848	146,425	134,610	128,225	122,004	136,057	119,017	90,005	86,497
Traffic violations	202,106	250,646	261,081	225,478	257,849	229,222	245,512	233,961	222,745	217,766
Fire										
Number of calls answered	54,252	61,695	64,392	64,344	65,571	64,691	62,153	66,357	27,597	24,974
Inspections	N/A	N/A	78,829	56,201	165,303	N/A	N/A	N/A	N/A	N/A
Highways and streets										
Street resurfacing (miles)	N/A	N/A	N/A	317.35	236.32	216.13	300.12	193.93	101.00	144.88
Potholes repaired	N/A	N/A	N/A	2,312	1,945	1,735	1,896	1,052	993	1,499
Sanitation										
Refuse collected (tons/day)	1,213	1,216	1,233	1,227	1,278	1,329	1,214	1,295	1,174	1,086
Recyclables collected (tons/day)	285	331	340	377	399	380	415	464	466	377
Culture and recreation										
Athletic field permits issued	N/A	N/A	N/A	739	294	97	168	1,527	892	1,054
Community center admissions	N/A	N/A	N/A	1,171,124	1,264,776	1,401,897	793,029	392,125	1,561,281	1,725,798
Water										
Average daily consumption (thousands of gallons)	128,836	132,937	136,237	134,384	113,851	119,386	121,456	124,676	128,149	125,972
Wastewater										
Average daily sewage treatment (thousands of gallons)	168,100	154,400	155,500	170,400	160,500	149,700	167,200	155,400	151,000	172,400

N/A - Information was not recorded at this time.

CAPITAL ASSET STATISTICS BY FUNCTION
Last ten fiscal years

CITY OF MEMPHIS, TENNESSEE
Exhibit X-20

Function and Activity	Fiscal Year									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Public safety:										
Police:										
Stations	7	8	8	8	8	8	8	9	9	10
Community policing offices	15	15	15	15	15	15	15	15	15	14
Patrol units	1,167	1,272	1,377	1,530	2,776	800	800	800	800	800
Fire:										
Number of Stations	52	52	52	52	54	54	59	59	55	56
Number of Truck (Ladder)	25	25	25	26	26	27	27	27	26	27
Solid Waste Managements:										
Collection trucks	296	296	296	296	296	296	296	296	296	296
Solid waste disposed (Tons)	391,097	403,618	409,063	417,024	436,001	446,071	425,170	451,472	420,306	396,606
Streets and Highways:										
Streets (miles)	3,183	3,200	3,200	4,662	4,662	4,662	6,750	6,750	6,750	6,750
Curb & gutter (miles)	3,590	3,590	3,590	3,590	3,590	3,590	3,590	3,590	3,590	3,590
Streetlights	66,147	69,157	69,157	69,715	71,287	71,376	71,376	73,684	77,689	80,570
Traffic signals	800	800	800	800	800	800	800	830	821	825
Roadside ditches	574	574	574	574	574	580	580	580	580	580
Community services:										
Parks acreage	5,425	5,387	5,387	5,387	5,387	5,387	5,387	5,387	5,387	5,387
Parks	214	187	187	187	187	187	187	187	187	187
Golf courses	7	7	7	7	7	7	7	8	8	8
Community centers	26	26	28	28	28	28	28	28	28	24
Tennis courts	6	7	7	7	7	7	7	7	7	7
Swimming pools	17	15	15	15	17	17	17	17	18	18
Water:										
Water mains (miles)	3,050	3,095	3,095	4,650	4,650	4,650	6,680	6,680	3,672	3,700
Fire hydrants	22,000	22,000	22,000	22,000	22,000	22,000	22,000	22,000	29,665	29,050
Daily storage capacity (millions of gallons)	262.5	262.5	262.5	437.5	437.5	437.5	437.5	437.5	437.5	437.5
Sanitary Sewer and Storm:										
Miles of sewer lines	3,600	3,600	3,600	3,600	3,600	3,600	3,605	3,605	3,610	3,615
Miles of storm drainage	3,924	3,929	3,929	3,929	3,929	3,929	3,988	3,988	3,988	3,988

GENERAL FUND EXPENDITURES ON STATE STREET AID
For the fiscal year ended June 30, 2008
(Thousands of Dollars)

CITY OF MEMPHIS, TENNESSEE
Exhibit X-21

	<u>2008</u>
Revenues	
State taxes (local share)	\$ 16,270
Total revenues	<u>16,270</u>
Expenditures	
Traffic engineering	874
Street signs and markings	2,291
Mass transit	14,930
Traffic signal maintenance	2,463
Street maintenance	4,829
Street lighting	<u>10,682</u>
Total expenditures	<u>36,069</u>
Excess of expenditures over revenues	<u>\$ 19,799</u>

Note: Municipal state aid revenue can only be spent on expenditures allowed under T.C.A. 54-4-204.

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**SUPPLEMENTAL SCHEDULE OF EXPENDITURES
OF FEDERAL AND STATE AWARDS
For the fiscal year ended June 30, 2008**

**CITY OF MEMPHIS, TENNESSEE
Exhibit Y-1**

	Federal CFDA Number	Grant Number	Receivable (Deferral) June 30, 2007	Receipts FY 08	Expenditures FY 08	Receivable (Deferral) June 30, 2008
FEDERAL GOVERNMENT AWARDS						
DEPARTMENT OF AGRICULTURE						
Passed through Tennessee Department of Human Services						
Summer Lunch Program	10.559	DA0300050,DA040006	136,658	-	1,331	137,989
Urban Forestry	10.675	Z0401525300	(20,596)	-	-	(20,596)
TOTAL DEPARTMENT OF AGRICULTURE			116,062	-	1,331	117,393
DEPARTMENT OF HOMELAND SECURITY						
Urban Search and Rescue Task Force						
Urban Search and Rescue Task Force	97.025	EMW2001CA0131,WKI	(59,635)	-	-	(59,635)
Urban Search and Rescue Task Force	97.025	W2004CA622271,EMW	3,430	13,899	7,961	(2,508)
Urban Search and Rescue Task Force 06	97.025	EMW2006CA0230	225,678	158,689	(20,225)	46,864
Urban Search and Rescue Task	97.025	EMW-2007-CA-0178	-	634,723	652,422	17,699
Emergency Management Agency	97.025	Z0301587600, Z04020264	12,286	-	-	12,286
Emergency Management Agency	97.025	EMW2003CA0448	-	323,508	323,508	-
Passed through City of Jackson , TN						
Emergency Management Agency	97.025		-	-	38,542	38,542
Subtotal (97.025)			181,759	1,130,719	1,002,208	53,248
Passed through Tennessee Department of Military						
Severe Storms , Tornadoes, Straight-Line Winds and Floo	97.036	Z0821284100	-	-	405,249	405,249
Katrina Shelters	97.036	Z0603096800	168,336	168,336	-	-
			168,336	168,336	405,249	405,249
Emergency Management Agency						
Community Emergency Response Team Training	97.042	Z072060800	123,882	124,182	152,300	152,000
Metro Medical Response System	97.053	Z0301551500	12,012	-	-	12,012
Buffer Zone Protection	97.071	EMW2004GR0655	255,542	-	13,804	269,346
UASI FY04 Terrorism Early Warning	97.078	Z0503101801	(382,290)	-	382,290	-
Bridge Security	97.008	2004-TU-14-0005	-	100,000	100,000	-
	97.056	2005-GB-T5-0108	-	-	1,600,000	1,600,000
TOTAL DEPARTMENT OF HOMELAND SECURITY			359,241	1,523,237	3,655,851	2,491,855
DEPARTMENT OF HEALTH AND HUMAN SERVICES						
Passed through Tennessee Department of Health						
Rape Services and Prevention	16.575	GG0511592, GR06173	57,571	-	847	58,418
TOTAL DEPARTMENT OF HEALTH AND HUMAN SERVICES			57,571	-	847	58,418
DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT						
Community Development Block Grant						
Lead Based Paint	14.218	B01MC470006,B01MC470006	3,620,393	11,449,871	12,689,275	4,859,797
Emergency Shelter	14.900	TN1HB017200, TN1LHD1	1,134,266	2,805,540	1,959,551	288,277
Home Program	14.231	S02.03MC4-70002	153,461	298,320	292,817	147,958
Housing Opportunities for Persons with Aids	14.239	M02.03MC470202	1,478,308	2,762,935	3,459,089	2,174,462
Shelter Plus Care	14.241	TN37H9-7F040,8F001	(257,444)	2,261,288	2,168,648	(350,084)
Fair Housing	14.238	TN37C970105, TN37C101001	1,590	280,200	435,450	156,840
Brownfields Economic Dev Initiative	14.408	FH400G01028	(84,731)	-	-	(84,731)
	14.246	B-98-BD-47-0009	461,411	-	109,688	571,099
TOTAL DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			6,507,254	19,858,154	21,114,518	7,763,618

(Continued)

**SUPPLEMENTAL SCHEDULE OF EXPENDITURES
OF FEDERAL AND STATE AWARDS
For the fiscal year ended June 30, 2008**

**CITY OF MEMPHIS, TENNESSEE
Exhibit Y-1
(Continued)**

	Federal CFDA Number	Grant Number	Receivable (Deferral) June 30, 2007	Receipts FY 08	Expenditures FY 08	Receivable (Deferral) June 30, 2008
DEPARTMENT OF JUSTICE						
Encourage Arrest Policies	16.590	2004WEAX0031	374,594	-	34,456	409,050
Encourage Arrest Policies	16.590	2004WEAX0031	19,296	-	419,360	438,656
			393,890	-	453,816	847,706
Local Law Enforcement	16.592	2003LBBX2211	3,766	-	-	3,766
Local Law Enforcement	16.592	2004LBBX0674	8,903	-	-	8,903
Subtotal (16.592)			12,669	-	-	12,669
Cops Technology Program FY05	16.710	2005CKWX0430	877,208	877,208	57,654	57,654
Project Safe Neighborhood Housing Demo	16.609	2004-GP-CX-0704	197,911	209,991	-	(12,080)
Gang Resistance Education	21.053	96689071 ATC010132,	89,175	-	(25,991)	63,184
GREAT FY06	21.053	2006-JV-FX-0031	13,405	27,027	2,538	(11,084)
GREAT FY07	16.737	2007-JV-FX-0255	-	-	77,991	77,991
JAG 07-11	16.738	2007-F2834-TN-DJ	-	592,144	79,210	(512,934)
			1,177,699	1,706,370	191,402	(337,269)
Police Athletic League	16.540		3,893	-	-	3,893
Passed through Tennessee Department of Human Services			89,529	-	3,388	92,917
Victims of Crime	16.575	Z00004855	1,677,680	1,706,370	648,606	619,916
TOTAL DEPARTMENT OF JUSTICE						
			(189,238)	-	-	(189,238)
DEPARTMENT OF LABOR						
Passed through Public Private Ventures	16.202		690,933	3,701,562	5,816,865	2,806,236
Ready for Work			791,264	1,807,561	2,836,581	1,820,284
Workforce Investment Act - Adult	17.258	DA0400062	74,841	718,156	1,205,309	561,994
Workforce Investment Act - Youth	17.259	DA0400062	-	-	-	-
Workforce Investment Act - Dislocated	17.260	DA0400062	74,841	718,156	1,205,309	561,994
Workforce Investment Act - Title 1 National Emergency	17.260	DA0400062	74,841	718,156	1,205,309	561,994
Workforce Investment Act - Title 1 Hurricane Katrina	17.261	DA040062	(7,160)	-	-	(7,160)
Workforce Investment Act - Title 1 Incumbent Workers	17.269	DA040062	(21,320)	750	-	(22,070)
			1,339,320	6,228,029	9,858,755	4,970,046
TOTAL DEPARTMENT OF LABOR						
			93,448	614,747	239,989	(281,310)
DEPARTMENT OF TRANSPORTATION						
Passed through Tennessee Department of Transportation	20.205	STP-M-9409,CM-STP-9409	66,416	-	-	66,416
Congestion Mitigation Air Quality	20.205	CM-ITS-9547(601)	168,216	293,888	212,119	86,447
Restoration	20.205	CM-STP-9409(44)	161,694	645,533	586,116	102,277
Transportation Improvement 25	20.205	CM-STP-9409(59)	32,663	-	-	32,663
Enhanced Traffic Signal Maintenance Response	20.205	CM-STP-9409(49)	123,904	39,993	20,485	104,396
Traffic Signal System	20.205	CM-STP-9409(42),(47)	(41,420)	127,240	71,209	(97,451)
Enhanced Traffic Signal Implementation	20.205	CM-STP-9409(41),(48)	604,921	1,721,401	1,129,918	134,338
Subtotal (20.205)			(2,728)	-	-	(2,728)
Mississippi River Cycling Corridor	20.219	EN-STP-7900(16)	19,920	-	-	19,920
Riverbluff Walkway	20.219	EN-STP-7900(13)	40,744	-	-	40,744
Cobblestone Walkway	20.219	STP-EN-9409(62)	57,936	-	-	57,936
Subtotal (20.219)			662,857	1,721,401	1,129,918	71,374
TOTAL DEPARTMENT OF TRANSPORTATION						
			10,719,985	31,037,191	36,409,826	16,092,620
TOTAL FEDERAL GRANTS			\$			

(Continued)

**SUPPLEMENTAL SCHEDULE OF EXPENDITURES
OF FEDERAL AND STATE AWARDS
For the fiscal year ended June 30, 2008**

**CITY OF MEMPHIS, TENNESSEE
Exhibit Y-1
(Continued)**

STATE GOVERNMENT GRANTS		Federal CFDA Number	Grant Number	\$	Receivable (Deferral) June 30, 2007	Receipts FY 08	Expenditures FY 08	Receivable (Deferral) June 30, 2008
Memphis Fire Division In-service Training Supplement			NONE	63,306	-	-	-	63,306
Memphis Fire Division In-service Training Supplement 05			NONE	(9,450)	-	-	-	(9,450)
Memphis Fire Division In-service Training Supplement 06			NONE	-	882,600	881,200	-	(1,400)
Memphis Fire Division In-service Training Supplement			NONE	(4,500)	-	4,500	-	-
Memphis Police Division In-service Training Supplement			NONE	(506)	2,279,400	2,244,600	-	(35,306)
Local Emergency Planning Committee			GG0209756	210,163	-	1,210	-	211,373
Stop Violence Against Women			Z0001451	23,797	-	-	-	23,797
State Highway Maintenance Grant			CMA971, CMA1030	102,695	913,348	963,104	-	152,451
State Highway Maintenance Grant			CMA1170	-	-	186,132	-	186,132
Landmarks Commission Training - Historic Zoning			GG0511346	(3,600)	-	-	-	(3,600)
Memphis Landmarks Commission Training			GG0712649	1,728	-	-	-	1,728
Enterprise Zone			GG000860300	27,474	-	-	-	27,474
Help Care			Z03010557,Z04015720,Z0502030	(58,707)	-	-	-	(58,707)
TIP Project - Cleveland Track Material			Z0200852000	(569)	-	-	-	(569)
Planning Grant			FHWA-PL-112	16,442	42,404	86,582	-	60,620
Memphis Survey Grant FY06			GG0209746	53,267	-	-	-	53,267
Plough Boulevard			GG0612176	(27,716)	-	-	-	(27,716)
Motor Vehicle Inspection Station			STP-EN-9409(61)	(182,286)	-	-	-	(182,286)
Raleigh Lagrange-Sycamore			STP-EN-7900(21)	(91,525)	-	-	-	(91,525)
Cobblestone Walkway			CM-S-TP-9409(54)	(220,922)	-	107,156	-	(113,766)
Parkway Streetscape Improv			BR-STP-2878(2)	(345,881)	-	-	-	(345,881)
Bicycling Network Phase I			SBCS290000296	(710,637)	-	-	-	(710,637)
Juvenile Accountability Block			STP-EN-9409(63)	(640)	-	-	-	(640)
Governor Highway Safety FY06			STP-EN-9409(73)	33,485	44,770	44,770	-	33,485
Governor Highway Safety FY06			GG041063700	928	-	-	-	928
Governor Highway Safety FY06			Z03011860	935	-	-	-	935
Governor Highway Network FY06			Z0602729400	41,945	-	(41,945)	-	-
Governor Highway Network			Z0802734800	1,523	-	-	-	1,523
Governor Highway Network			Z0802398600	-	22,606	72,813	-	50,207
Governor Highway Network			Z0802403700	-	222,059	530,881	-	308,822
Governor Highway Network			Z0802367600	-	1,364	3,955	-	2,591
Deploy Traffic Signal Systems FY07			Z0802369200	-	53,964	101,249	-	47,285
Backyard Wildlife			010764.00	-	-	1,636	-	1,636
Highway Safety			Z02005120	363	-	-	-	363
Storm Water Program			Z05024096	44	-	-	-	44
Victims of Crime FY06-FY09			Z04016777	(245)	-	-	-	(245)
STOP FY06-FY09			GG0511351	12,727	-	-	-	12,727
Household Hazardous Waste			Z07033198	120,545	210,947	188,342	-	97,940
Enhancement Grant Program			Z07033057	(343)	8,589	363	-	(8,569)
Internet Crimes Against Children			GG0712743	436	471,674	471,674	-	-
GHSO FY07 Multiple Violation			STP-EN-7900(24)	-	-	-	-	436
GHSO FY07 Network Coord			GG082393100	45,007	197,817	28,264	-	28,264
GHSO FY07 Alcohol Saturation			Z07035678	2,899	18,964	16,370	-	(1,466)
SYEP & EMT Training			Z0703609600	286,733	994,525	742,723	-	305
Library Community Enhancement State Grant			NONE	-	-	22,067	-	34,931
Library State Grants			NONE	-	40,000	40,000	-	22,067
Workforce Development MOU			GG082369000	-	50,500	50,500	-	-
Workforce Development MOU			GG0712740	-	22,270	18,220	-	(4,050)
Workforce Development MOU			GG0511369	-	8	8	-	-
Workforce Development MOU			GG0712631	-	751	751	-	-
Workforce Development MOU			GR0822660	-	16,798	17,968	-	1,170
TOTAL STATE GRANTS				\$ (708,830)	6,495,358	6,916,437		(287,751)
TOTAL GRANTS				\$ 10,011,155	37,532,549	43,326,263		15,804,869

See accompanying note to this schedule.

**City of Memphis
Note to the Schedule of Expenditures of Federal and State Awards
For the Year Ended June 30, 2008**

Basis of Presentation

The accompanying schedule of expenditures of federal and state awards includes the federal and state grant activity of the City of Memphis and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations . Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the general-purpose financial statements.

**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 Honorable Mayor and
Members of the City Council
City of Memphis, Tennessee

We have audited the financial statements of the governmental activities, the business type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of City of Memphis (the "City"), as of and for the year ended June 30, 2008, and the budgetary comparison for the general fund for the year ended June 30, 2008, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 23, 2008. 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 City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

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 City'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 City's financial statements that is more than inconsequential will not be prevented or detected by the City's internal control. We consider the deficiencies described in the accompanying schedule of findings and questioned costs and shown as items 2008-1, 2008-2, 2008-3, and 2008-4 to be significant deficiencies in internal control over financial reporting.

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 City's internal control.

Our consideration of the 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 the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider items 2008-1 and 2008-2 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of the City's compliance with certain provisions of laws, regulations, contracts, and grant agreements, 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*.

We also noted certain other matters that we reported to management of the City in a separate letter dated December 23, 2008.

The City's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the City's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the Mayor, City Council, management, the State of Tennessee, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Thompson Dunavant LLC". The signature is written in a cursive, flowing style.

Memphis, Tennessee
December 23, 2008

Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133

To the Honorable Mayor and
Members of the City Council
City of Memphis, Tennessee

Compliance

We have audited the compliance of City of Memphis (the "City") with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2008. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the City's compliance with those requirements.

In our opinion, the City complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008.

Internal Control Over Compliance

The management of the City is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses as defined below.

A control deficiency in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses.

The City's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the City's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the Mayor, City Council, management, the State of Tennessee, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Thompson Dunaway PC". The signature is written in a cursive, flowing style.

Memphis, Tennessee
December 23, 2008

CITY OF MEMPHIS

Schedule of Findings and Questioned Costs For the Year Ended June 30, 2008

A. Summary of Auditor's Results

1. The auditors' report expresses an unqualified opinion on the financial statements of City of Memphis.
2. Four significant deficiencies relating to the audit of the financial statements are reported in the Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements in accordance with *Government Auditing Standards*. We consider deficiencies 2008-1 and 2008-2 to be material weaknesses.
3. No instances of noncompliance material to the financial statements of City of Memphis, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. No significant deficiencies relating to the audit of the major federal award programs are reported in the Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133.
5. The auditor's report on compliance for the major federal award programs for City of Memphis expresses an unqualified opinion on all major federal programs.
6. There were no audit findings related to major programs that are required to be reported under OMB Circular A-133.
7. The programs tested as major programs included:

97.056	Port Security Grant Program
17.258	Workforce Investment Act – Adult Program
17.259	Workforce Investment Act – Youth Activities
17.260	Workforce Investment Act – Dislocated Workers
8. The threshold for distinguishing Type A and B programs was \$1,092,295.
9. City of Memphis, Tennessee was determined to be a low risk auditee.

CITY OF MEMPHIS

Schedule of Findings and Questioned Costs (Continued) For the Year Ended June 30, 2008

B. Findings - Financial Statement Audit

Material Weaknesses

2008-1 Proper Accounting for Fixed Assets

Condition: Key positions in the Comptroller's office were unfilled during the majority of the fiscal year. As a result, during the year, the City's fixed asset activity was not recorded in the fixed asset software system or in the Fixed Asset Fund. Consequently, throughout the year the City did not have accurate fixed asset records. The lack of complete and up to date fixed asset records hinders the City's ability to monitor the safeguarding of fixed assets and delays the completion of the year end close out of the general ledger.

Also during the audit, we noted completed construction in progress projects in the Sewer and Storm Water Funds were not transferred to the appropriate fixed asset accounts at the time of their completion. This oversight also resulted in unrecorded depreciation for the year.

Criteria: Timely, consistent recording and reconciliation of fixed assets and review thereof are essential for strong internal controls over fixed assets.

Effect: Without timely accounting, reconciliations and reviews, there is more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Recommendation: To provide better control and prevent the need for major adjustments to the property accounts at the end of each year, we suggest procedures be implemented to ensure fixed asset activity is recorded on a monthly basis. Additionally, a process should be implemented to ensure the general ledger fixed asset accounts are reconciled to the detailed records on a monthly basis and that such records and reconciliations are reviewed by the deputy comptroller. The review should be documented by signing or initialing the reconciliation.

Response: Our priority for correcting this weakness is immediate. Our corrective action plan includes filling key open positions within the Comptroller's office. In the interim, the Comptroller's office is utilizing temporary staffing to bring all fixed assets accounting complete and promptly reconciled on a monthly basis. A process will be implemented to ensure that fixed assets general ledger accounts are reconciled to detailed records on a monthly basis. Completion of this process will be evidenced by the signature of the Deputy Controller. All unusual reconciling items will be promptly investigated and resolved by the Comptroller.

2008-2 Review and Reconciliation of Bank Statements

Condition: Key positions in the Comptroller's office were unfilled during the majority of the fiscal year. As a result of these unfilled accounting positions, the bank statements for the operating and payroll accounts are not currently being reconciled on a timely basis, and consequently are not being reviewed on a current basis. This condition was noted as a significant deficiency in the prior year.

CITY OF MEMPHIS

Schedule of Findings and Questioned Costs (Continued) For the Year Ended June 30, 2008

B. Findings - Financial Statement Audit (continued)

Material Weaknesses (continued)

2008-2 Review and Reconciliation of Bank Statements (continued)

Criteria: Timely reconciliations of bank accounts and review thereof are essential for strong internal controls over cash.

Effect: Without timely bank reconciliations and reviews, there is more than a remote likelihood that a misstatement of the City's financial statements that is more than inconsequential will not be prevented or detected.

Recommendation: We recommend that provisions be made to ensure all bank statements are reconciled monthly to the general ledger. We also suggest that the comptroller review the bank reconciliations and promptly investigate and resolve all unusual reconciling items. The review should be documented by signing or initialing the reconciliation.

Response: Our priority for correcting this deficiency is immediate. Our corrective action plan includes filling key open positions within the Comptroller's office. In the interim, the Comptroller's office is utilizing temporary staffing to bring all reconciliations current and promptly reconciling accounts on a monthly basis. The Deputy Comptroller reviews and signs each bank reconciliation upon completion. All unusual reconciling items will be promptly investigated and resolved by the Deputy Comptroller.

Significant Deficiencies

2008-3 Travel Expenses

Condition: In connection with our testing of expense reports for travel, we noted that employees often submit expense reports much later than required by City of Memphis travel policies. Also, numerous expense reports pertaining to fiscal year end June 30, 2008 cash advances have not been submitted. Both conditions were noted as significant deficiencies in the prior year.

Criteria: Expense reports are required to be submitted for settlement within 15 days of return from travel. Travel is authorized before advances for travel is made, but settlement for the advances does not occur until the expense report is submitted.

Effect: When expense reports for travel are not submitted in accordance with policies, there is more than a remote likelihood that a misstatement of the City's financial statements that is more than inconsequential will not be prevented or detected.

CITY OF MEMPHIS

Schedule of Findings and Questioned Costs (Continued) For the Year Ended June 30, 2008

B. Findings - Financial Statement Audit (continued)

Significant Deficiencies (continued)

2008-3 Travel Expenses (continued)

Recommendation: We recommend that management strongly enforce City policies concerning expense reports for travel. Furthermore, we suggest that the travel and advance list be reviewed on a monthly basis by appropriate personnel with the goal of settling expense reports in a timely manner.

Response: Our priority for correcting this deficiency is immediate. Our corrective action plan includes developing on a monthly basis a listing of outstanding expense reports by employee by City division. The Deputy Comptroller of Accounts Payable and Records routinely performs follow-up to enforce the City policy and on a monthly basis, reports the status of the follow-up to the Comptroller for any additional actions until all expense reports are closed in accordance with City policy.

2008-4 Payroll Expenses

Condition: In connection with our testing of payroll, we noted that timesheets are often submitted to the payroll department without a supervisor's signature as directed in the Finance Division Policy and Procedures Manual. It was also noted that timesheets could not be located for several employees.

Criteria: Completed timesheets are required to be approved by a supervisor before they are forwarded to Division Payroll Department for submission in Oracle. Timesheets are to be retained for two years.

Effect: If timesheets are not reviewed and approved by supervisors, there is more than a remote likelihood that a misstatement of the City's financial statements that is more than inconsequential will not be prevented or detected.

Recommendation: We recommend that management strongly enforce City policies concerning payroll. Furthermore, we suggest that timesheets be reviewed every pay period by appropriate personnel with the goal of ensuring employees are paid for the appropriate amount of hours worked.

Response: Our priority for correcting this deficiency is immediate. Our corrective action plan includes developing each pay period a certification process indicating proper approval of timesheets. The Deputy Comptroller will resolve each instance of non-compliance with the appropriate personnel immediately and identify the reason for the exception. The Comptroller as needed will introduce new control procedures to address recurring instances of non-compliance.

C. Findings and Questioned Costs - Major Federal Award Programs Audit

NONE

CITY OF MEMPHIS

Summary Schedule of Prior Year Audit Findings
June 30, 2008

There were no prior year audit findings.

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