



# 2011

COMPREHENSIVE ANNUAL FINANCIAL REPORT YEAR ENDED JUNE 30, 2011



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COMPREHENSIVE ANNUAL FINANCIAL REPORT  
FISCAL YEAR ENDED JUNE 30, 2011

City of Memphis

Tennessee

A C Wharton

Mayor

George M. Little

Chief Administrative Officer

PREPARED BY DIVISION OF FINANCE

Roland McElrath

Director



# City of Memphis



TENNESSEE

**A C WHARTON, JR.**  
**MAYOR**

December 2, 2011

To Members of the City Council And Fellow Memphians:

I respectfully submit The City of Memphis' Comprehensive Annual Financial Report for the fiscal year ended June 30, 2011. This report documents our financial position and operations for the year, as well as the current economic climate of Memphis.

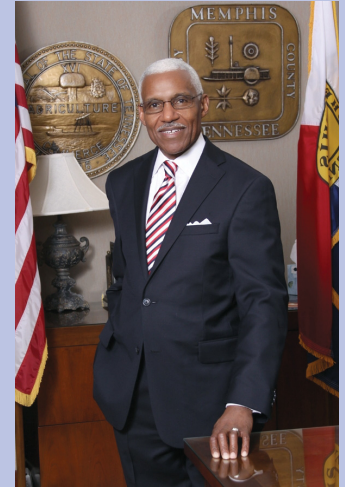
In the midst of financially turbulent times nationwide, our vision to align civic, commercial, and political leaders in an effort to move our city forward and improve the quality of life for all residents remained clear. The focus and actions during the year were targeted directly at the City's foremost priorities -- public safety, economic development, public services and fiscal management. Swift and decisive decisions were made to address the City's financial realities that were shaped by recent fiscal challenges - while capitalizing on every opportunity to make Memphis the City of Choice in which to live, learn, work and recreate.

Despite enormous fiscal hurdles, Memphis proved to be a city in motion by accomplishing much during the year. Memphis celebrated the opening of its new 9,000 square foot Motor Vehicle Inspection Station designed to make the emissions testing and vehicle inspection process as efficient and as pleasant as possible for the citizens of Memphis. Job seekers and local businesses are equally thrilled with the prospects that accompany recent announcements of several successful companies moving to Memphis. City Brewing Company, one of the premier contract beverage producers in the U.S., acquired the Hardy Bottling facility and plans to create 500 new jobs. We also anticipate and welcome future development and job opportunities related the multi-million dollar Electrolux relocation. The leading appliance manufacturer will occupy a \$195 million LEED-certified facility and has committed to creating 1,240 jobs. Also, Mitsubishi Electric Power Products, Inc. announced that it will invest \$197 million in a 330,000 sq. ft. transformer manufacturing facility and a 40,000 sq. ft. office complex on 100 acres in the Rivergate Industrial Park. These ventures and several others announced during this year are sure to foster longterm economic gains for the City and enhance Memphis' stature as a progressive city with an abundance of opportunities.

Our accomplishments, made under financially difficult conditions, are clear indicators that if we continue to work together as One Memphis progress will be made. Our great city will be safer, economically stronger, and better for all. As I enter my first full term as Mayor, I pledge to provide the leadership required to build upon these achievements and to continue to make noticeable differences throughout our wonderful city. As such, we present this report as part of our commitment to inform all interested parties of our financial condition.

Respectfully submitted

A C Wharton, Jr.  
Mayor





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# CITY OF MEMPHIS

T E N N E S S E E





December 31, 2011

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, 2011, 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 U.S. generally accepted accounting principles (GAAP) as set forth by the Governmental Accounting Standards Board (GASB) and have been audited in accordance with U.S. 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.

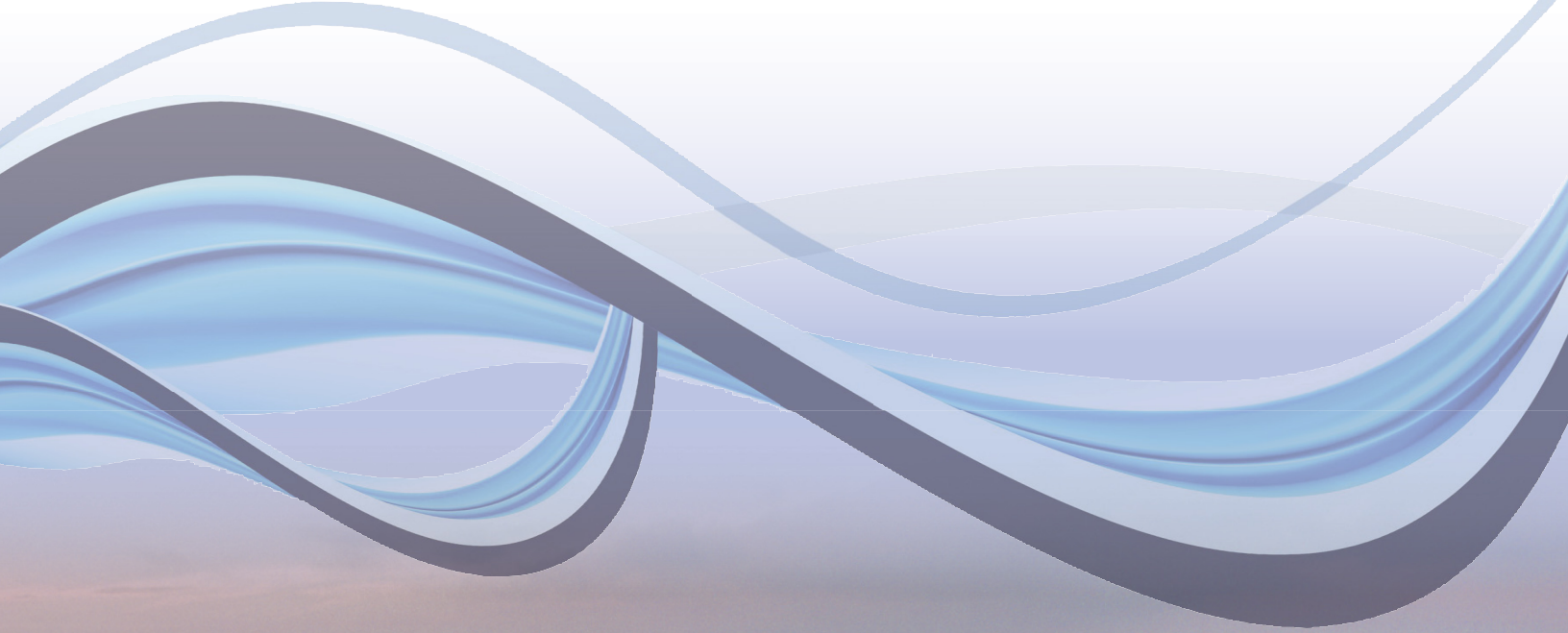
The Office of Internal Audit supports the internal controls within the City by reviewing and appraising existing accounting and management controls, ascertaining compliance with existing plans, policies and procedures, and ascertaining the reliability of accounting and other data developed within the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

The City's financial statements have been audited by Mayer Hoffman McCann P.C. and Jones & Tuggle, CPAs, licensed certified public accountants. Mayer Hoffman McCann P.C. has issued an unqualified ("clean") opinion on the City's financial statements for the year ended June 30, 2011. 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 646,889. 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, 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
- Memphis Zoological Society

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:

- Memphis and Shelby County Convention Center
- Memphis and Shelby County Port Commission
- New Memphis Arena Public Building Authority of Memphis and Shelby County
- Memphis and Shelby County Community Redevelopment Agency

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 provided the following economic overview:

#### **The National Economy**

- Economic growth has slowed but has not stalled. The likelihood of a double-dip recession has increased but remains below 50:50. A depressed housing market and a labor market with no meaningful job gains are influenced by negative expectations of future economic performance, uncertainties regarding the upcoming policy environment, and the perception that the partisan politics in Washington will hinder the nation's ability to address underlying economic and fiscal crises.
- Although there is anticipation of a slight pickup in GDP growth for the third and fourth quarter, the annualized growth will settle in at a disappointing 1.5 percent rate for the year as a whole.
- Unemployment and underemployment remain acute problems for the national economy. The official unemployment rate stood at 9.1 percent in August, marked improvement over the 9.6 percent rate registered in 2010, but still elevated relative to history.
- The depressed state of the housing market will limit job creation in the construction, building material and home furnishing sectors, while putting downward pressure on the sales and property tax bases of states and localities.
- The key federal funds rate is expected to remain near zero. Likewise, inflation is not expected to rise any time in









the near future.

### *Local Economy*

The Memphis Metropolitan Statistical Area (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.

Although the recession has officially ended, it will be years before the state and local economies return to their pre-recession levels. However, Memphis’ strong healthcare system, low cost of living and position as a transportation hub leader will keep the city’s economy relatively stable until the state and nation fully recover.

According to the Center for Regional Economics-8<sup>th</sup> District Federal Reserve Bank of St. Louis, between July 2011 and July 2010, nonfarm employment growth in the Memphis MSA was positive by 0.6 percent which was slightly weaker than for the country as a whole, which saw a 0.9 percent increase in employment. The largest percentage job increases were in natural resources, mining, and construction (10.6 percent), while the largest percentage job losses were in the Government sector (-3.5 percent).

### **Unemployment Rates (Seasonally Adjusted), 2011-2010**

<b>Region</b>	<b>Aug. 2011</b>	<b>Aug. 2010</b>	<b>Percent Change</b>
Memphis MSA*	10.2%	9.8%	3.9%
Tennessee	9.7%	9.4%	3.1%
United States	9.1%	9.6%	-5.2%

Source: U.S. Bureau of Labor Statistics and Tennessee Department of Labor and Workforce Development.

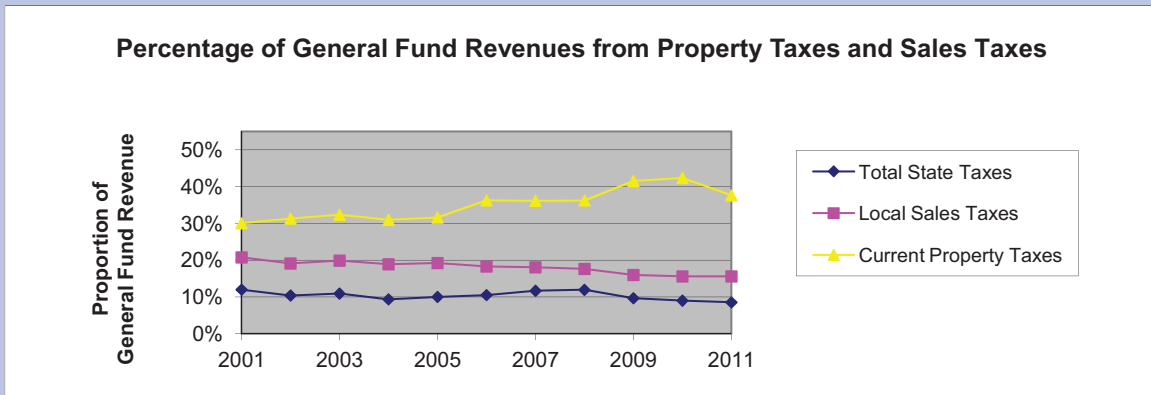
\*Not Seasonally Adjusted

The nation’s unemployment rate decreased 5.2% year over year to 9.1% from 9.6%. Tennessee’s and the Memphis MSA unemployment rate which had been consistently above the nation’s rate throughout the recession, continued a similar trend in 2011. Tennessee’s August unemployment rate reflects a 3.1 percent increase from September 2010. Memphis’ unemployment rate increased to 10.2 percent in August 2011, up 3.9 percent from 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 2001, the percentage of total revenues generated from Property Taxes, Local Sales Taxes and State Shared Taxes remained constant until fiscal year 2006. 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. Property Tax revenues in the general fund increased in total and as a percentage of total revenues due to an increase in the property tax rate allocation to the general fund during fiscal year 2009. No noticeable change in the Property Tax, Local Sales Tax or State Shared Tax revenue source percentages occurred in fiscal year 2010. During fiscal year 2011, total revenues increased due to a significant transfer from the Debt Service Fund and increases in the Local Sales and State Shared Tax collections. The Debt Service Fund transfer provided funding for transfers made to Memphis City Schools from the General Fund. As such, during fiscal year 2011 Property Tax revenues decreased as a percentage of total revenues.



Nationally and locally, fiscal managers are continually faced with managing fluctuating 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.

- In the two fiscal years prior to fiscal year 2007, City managers executed spending cuts, a temporary layoff, and a hiring freeze resulting in substantial expense savings. During fiscal year 2007, growth in personnel expense remained flat while total general fund expenses decreased by 1 percent.
- Total General Fund expenses increased by more than 7 percent in fiscal year 2008 due primarily to an increase in personnel expense. Personnel expense increased as a result of a one-time one percent bonus granted to all employees, funding of the City’s Other Post Employment Benefit (OPEB) Trust Fund and higher overtime and part-time salary expense to compensate for vacancies.
- Personnel expenses grew by 6% in fiscal year 2009 as a result of a 5% general increase given to all employees, the filling of vacancies and an increase in funding to the OPEB Trust Fund. Total expenses increased by 9% as a result of the personnel expense increase, increased subsidies to the Memphis Area Transit Authority (MATA), increased retiree healthcare premium expense and prepayments of debt service for the Fire and Police divisions.
- Despite a 3% general increase in fiscal year 2010, total personnel expense only increased by 1.2%. The 3% general increase was offset by a reduction in overtime expense and part-time salaries expense, and reduced funding to the

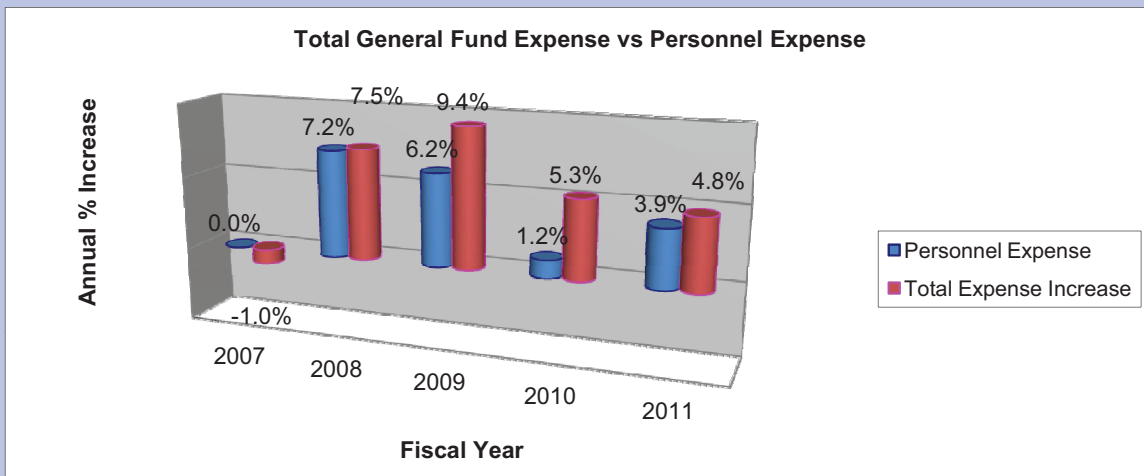






City's OPEB Trust Fund. Total expenses in fiscal year 2010 increased by 5.3% as a result of a transfer of general funds to Memphis City Schools in the amount of \$40 million offset by reduced spending in other non-core program.

- Total expenses in fiscal year 2011 increased by 4.8% primarily due to an increase in the transfer to Memphis City Schools and increased personnel expense. Personnel expense increased by 3.9% due to an increase in healthcare premiums, an increase in funding to the City's OPEB Trust Fund and increased staffing levels. The overall increases were offset by other personnel cost saving measures such as salary reductions for high income employees.



The Memphis real estate market proved not to be immune to the downturn in the global economy and the U.S. recession. Sub-prime lending problems that plagued the rest of the nation significantly impacted the Memphis residential market. Total home sales and median sales price increased slightly by 1.8% and 2.7%, respectively year over year in September. However, the average sales price and active listings in September decreased 4.4% and 12.3%, respectively versus the prior year.

**Home Sales in Memphis, Year-to-Date September 2011 - 2010**

	<u>2011</u>	<u>2010</u>	<u>Percent Change</u>
Total Home Sales	1,083	1,064	1.8%
Median Sales Price	\$93,500	\$91,000	2.7%
Average Sales Price	\$127,530	\$133,401	-4.4%
Active Listings (Sept.)	8,242	9,399	-12.3%

Source: Memphis Area Association of Realtors Multiple Listing Service.







### Recent Developments:

- A C Wharton, Jr. was re-elected to his first full-term as the city's Mayor in October. Mayor Wharton completed a two-year mayoral term as a result of a special election held in October of 2009 after the previous mayor retired in the second year of his four-year term. Prior to becoming the mayor of the City of Memphis, Mayor Wharton served as the mayor of Shelby County for 7 years.
- City Brewing Company, one of the premier contract beverage producers in the U.S., acquired the Hardy Bottling facility and plans to create 500 new jobs.
- Electrolux, a global leader in appliance manufacturing will occupy a \$195 million LEED-certified facility and has committed to creating 1,240 jobs.
- Bass Pro Shops has started leasehold improvements to the Pyramid Arena. The prospects of generating income for the city through the creative reuse of the vacant facility and the more expansive development of the Pinch and Uptown districts of the city are expected to have a wide reach in terms of economic impact for the city. The project is expected to open to the public in August 2013.
- Mitsubishi Electric Power Products, Inc., one of only four global manufacturers of extra-high voltage shell type power transformers, announced in February that the company planned to build a 350,000 square foot facility in Memphis. The project investment is \$200 million and will result in 275 new jobs at full production.
- The Memphis Grizzlies' 2010-2011 season marked the peak of the team's 10-year history in Memphis by winning of its first playoff game and first playoff series. The new Memphis Grizzlies' brand awareness had positive effects in terms of tourism dollars and the city's image.
- In March 2011, the citizens of Memphis voted to surrender the Memphis City Schools charter; thereby, transferring administrative control of the city schools to Shelby County Government. The merger is expected to be completed in fiscal year 2013.

### Long-term Financial Planning

The financial position of the City remains stable 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.

In an effort to improve the financial metrics that determine the City's credit ratings and ultimately lower the City's future debt service costs, the City has adopted a practice of limiting the principal amount of debt issued to no more than the principal amount of debt retired in a given year.

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. Also, the City continues to work 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. 54, Fund Balance Reporting and Governmental Fund Type Definitions during fiscal year 2011. The statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds.

The Statement provides that fund balance reporting distinguish those amounts that are considered nonspendable, such as fund balance associated with inventories. The remaining fund balance is further classified and reported as restricted, committed, assigned and unassigned based on the relative strength of the constraints that control how specific amounts can be spent.

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, according to 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 in fiscal year 2008. The current valuation reflects approximately \$1.3 billion as the Unfunded Actuarial Accrued Liability (UAAL). The city is continually reviewing funding strategies and health benefit plan change alternatives in an effort to reduce the obligation.

## 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. 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 2012-2016 are:

- The Executive Division's budget includes \$20 million in funding for the "Electrolux" economic development project which is expected to result in the creation of over 1,000 new jobs.
- The Fire Division's budget includes funds to purchase two "Quintuple Combination Pumpers" or quints which will serve a dual purpose of engine and ladder truck.
- The Police Division's budget includes funds for 117 police cars.



- 
- The Memphis Area Transit Authority's capital improvement budget is heavily leveraged by Federal and State funding. This year's General Obligation Bond Funding will be used primarily on preventive maintenance.
  - The Public Works Division's budget includes funds to pave over 400 lane miles of streets each year, ADA ramp improvements, and several road 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, minor improvements to various City buildings and equipment replacement. In addition, the budget continues to reflect a new strategy to concentrate City-wide vehicle purchasing to achieve economies of scale.
  - Housing and Community Development's budget includes funding for the Hope VI and Dixie Homes neighborhood redevelopment projects.
  - The Engineering Division's budget includes funding for replacement of traffic signals and intelligent transportation improvements.
  - Information System Division's budget includes projects to upgrade to the City's Oracle Computer System and Treasury System.

### *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 four (4) 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*

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, 2010. This was the 34<sup>th</sup> 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 U.S. 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 also received GFOA's Distinguished Budget Presentation Award for its annual budget document for the fiscal year beginning July 1, 2010, the 13<sup>th</sup> 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, Mayer Hoffman McCann P.C. 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 entire Accounting staff.

Respectfully submitted,

  
Roland McElrath, CPA, CMFO  
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, 2010

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, 2010. 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.



President

Executive Director

**CITY OF MEMPHIS, TENNESSEE  
CITY OFFICIALS**

A C Wharton, Mayor

**CITY COUNCIL**

Myron Lowery, Chairman (District 8-3)

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

**COURTS**

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

**ADMINISTRATIVE**

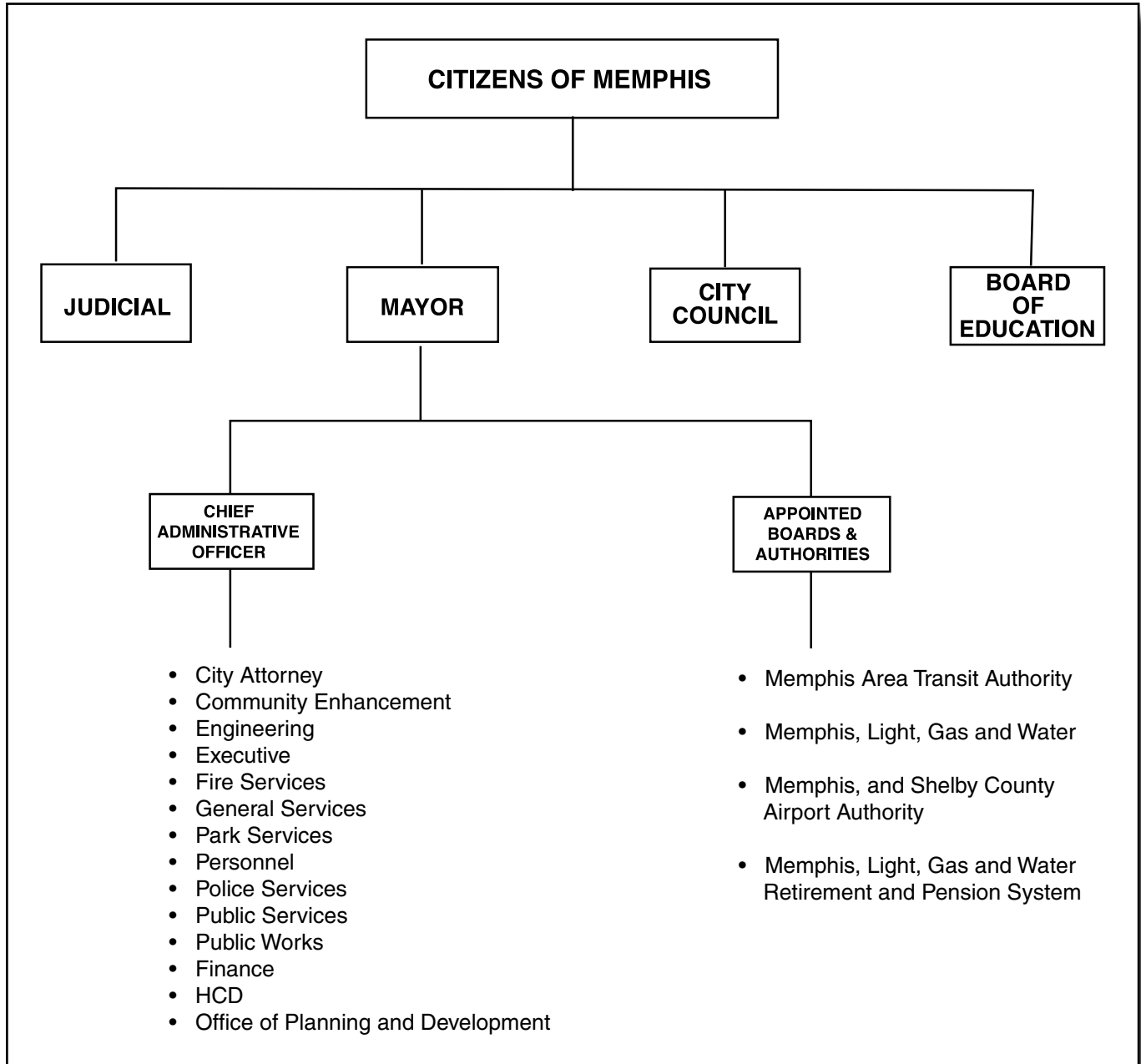
George M. Little.....	Chief Administrative Officer
Robert Lipscomb.....	Director, Housing and Community Development
Alvin Benson.....	Director, Fire Services
Martha Lott.....	Director, General Services
Cynthia Buchanan.....	Director, Park Services
Jerry Collins.....	President, Memphis Light, Gas and Water Division
Richard Copeland.....	Director, Office of Planning and Development
Brenton Nair.....	Chief Information Officer
Johnie McKay.....	Director, Community Enhancement
Quintin Robinson.....	Director, Human Resources
John Cameron.....	City Engineer
Toney Armstrong.....	Director, Police Services
Herman Morris.....	City Attorney
Dwan Gilliom.....	Director, Public Works
Janet Hooks.....	Director, Public Services
Roland McElrath.....	Director, Finance and Administration



# 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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# CITY OF MEMPHIS

T E N N E S S E E

FINANCIAL SECTION



**Mayer Hoffman McCann P.C.**

**An Independent CPA Firm**

Clark Tower  
5100 Poplar Avenue, 30th Floor  
Memphis, Tennessee 38137  
901-685-5575 ph  
901-685-5583 fx  
www.mhm-pc.com



**JONES AND TUGGLE**  
**CERTIFIED PUBLIC ACCOUNTANTS**

## **Independent Auditor's 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, 2011, and the budgetary comparison for the general fund for the year ended June 30, 2011, 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, the Memphis-Shelby County Airport Authority and the Memphis Zoological Society, which represent 94%, 91% and 94%, respectively, of the assets, net assets, and revenues of the aggregate discretely presented component units. 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 40%, 38% and 37%, 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 did not audit the financial statements of the Electric, Gas and Water Divisions of Memphis Light, Gas and Water Division, a major proprietary fund. The Electric, Gas and Water Divisions of Memphis Light, Gas and Water Division represent 87%, 87% and 92%, respectively, of the assets, net assets, and revenues of the business-type activities of the primary government. The financial statements of the Electric, Gas and Water Divisions of Memphis Light, Gas and Water Division as of December 31, 2010 were audited by other auditors, Thompson Dunavant PLC, whose members became shareholders of Mayer Hoffman McCann P.C. as of August 1, 2011, and whose report dated May 19, 2011, expressed an unqualified opinion on those statements.

We conducted our audit in accordance with U.S. generally accepted auditing standards 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, 2011, and the respective changes in financial position and, where applicable cash flows thereof and the respective budgetary comparison for the general fund for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 29, 2011 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 financial statements but are supplementary information required by U.S. generally accepted accounting principles. 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 non-major 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 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 financial statements of the City. The combining and individual non-major 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 financial statements and, in our opinion, are fairly stated in all material respects in relation to the 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 financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

*Mayer Hoffman McCann P.C.*  
*Jones and Fugere*

Memphis, Tennessee  
December 29, 2011



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## **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, 2011. 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 assets exceeded its liabilities at June 30, 2011 by \$1,847,740 (net assets). Total government-wide net assets decreased by \$69,495 in fiscal year 2011.
- At June 30, 2011, the City's governmental activities reported ending net assets of a negative \$256,400, a decrease of \$170,339 or 197.9% from the prior year. The decrease resulted primarily due to increases in liabilities related to pension, other post-employment benefits (OPEB), increased capital project spending and providing funding to Memphis City Schools.
- The City's business-type activities reported ending net assets of \$2,104,140, an increase of \$100,844 or 5.0% from prior year. Prior year adjustment was made to the MLGW division's fiscal year 2009 beginning net assets balance as a result of an employee benefits liability correction and accumulated depreciation on intangible assets as a result of implementing GASB Statement No. 51, Accounting and Financial Reporting for Intangible Assets. Prior year adjustments were also made for prior period revenue and/or expense adjustments in the Sewer, Storm Water and Health Insurance Funds.
- At June 30, 2011, the fund balance for the general fund was \$91,061, an increase of \$6,491 or 7.7% from prior year's balance. The unassigned portion of the fund balance was \$81,125.
- The City's total general obligation and revenue bond debt decreased by \$76,906 or 3.2% 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, 2011. 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

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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, the Memphis-Shelby County Airport Authority, and the Memphis Zoological Society 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.

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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 obligation 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 \$1,847,740 at June 30, 2011.

**Condensed Statement of Net Assets**

	<b>Governmental activities</b>		<b>Business-type activities</b>		<b>Total</b>	
	<b>2010</b>	<b>2011</b>	<b>2010</b>	<b>2011</b>	<b>2010</b>	<b>2011</b>
Current and other assets	\$ 906,105	883,847	1,731,181	1,725,763	2,637,286	2,609,610
Capital assets	1,154,754	1,179,072	1,821,925	1,862,290	2,976,679	3,041,362
Total assets	2,060,859	2,062,919	3,553,106	3,588,053	5,613,965	5,650,972
Long-term liabilities outstanding	1,395,485	1,353,490	1,056,091	954,849	2,451,576	2,308,339
Other liabilities	751,426	965,829	503,100	529,064	1,254,526	1,494,893
Total liabilities	2,146,911	2,319,319	1,559,191	1,483,913	3,706,102	3,803,232
Net assets:						
Invested in capital assets, net of related debt	24,027	6,912	1,664,684	1,705,138	1,688,711	1,712,050
Restricted	-	14,783	75,615	64,909	75,615	79,692
Unrestricted	(110,079)	(278,095)	253,616	334,093	143,537	55,998
Total net assets	\$ (86,052)	(256,400)	1,993,915	2,104,140	1,907,863	1,847,740

By far the largest portion of the City’s net assets (92.7%) 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 (3.0%) is available for payment of debt service and capital projects, while funding current operations with current revenue sources.

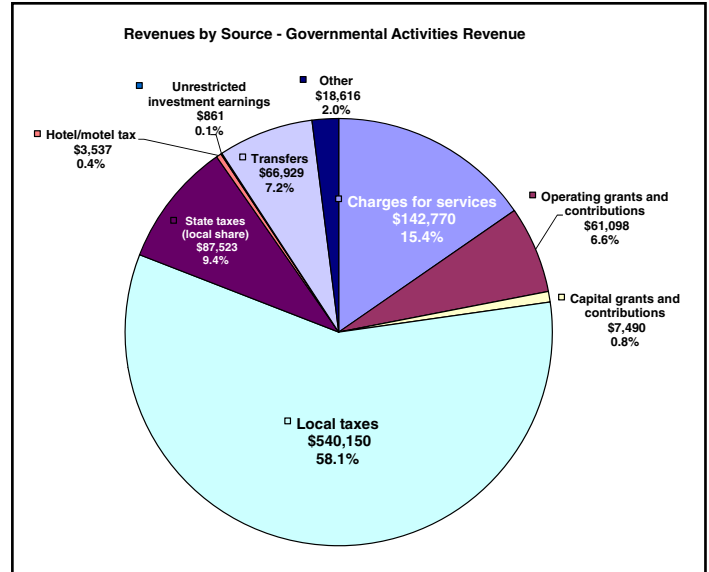
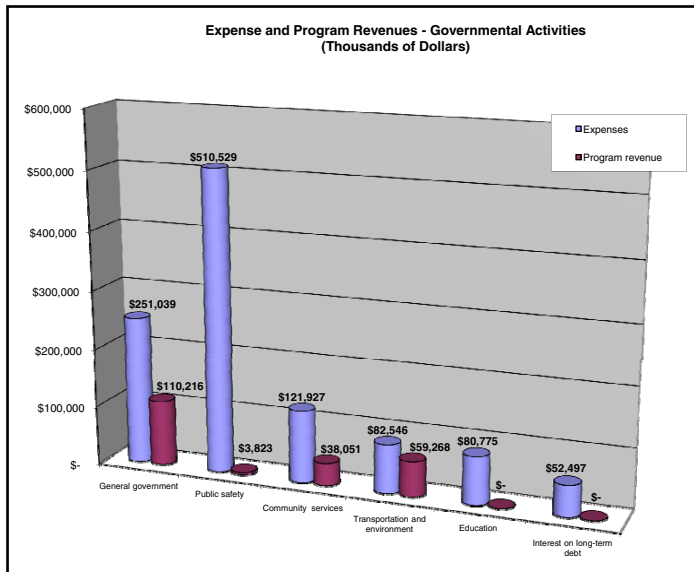
**Condensed Statement of Changes in Net Assets**

	Governmental activities		Business-type activities		Total	
	2010	2011	2010	2011	2010	2011
Revenues:						
Program Revenues:						
Charges for services	\$ 128,573	142,770	1,726,243	1,827,733	1,854,816	1,970,503
Operating grants and contributions	69,135	61,098	28,377	30,321	97,512	91,419
Capital grants and contributions	3,217	7,490	800	1,398	4,017	8,888
General revenues:						
Local taxes	540,970	540,150	-	-	540,970	540,150
State taxes (local share)	87,751	87,523	-	-	87,751	87,523
Hotel/motel tax	4,017	3,537	-	-	4,017	3,537
Unrestricted investment earnings	1,402	861	50,516	41,520	51,918	42,381
Other	13,541	18,616	-	-	13,541	18,616
Total revenues	848,606	862,045	1,805,936	1,900,972	2,654,542	2,763,017
Expenses:						
General government	223,773	251,039	-	-	223,773	251,039
Public safety	482,281	510,529	-	-	482,281	510,529
Community services	129,722	121,927	-	-	129,722	121,927
Transportation and environment	81,539	82,546	-	-	81,539	82,546
Education	117,118	80,775	-	-	117,118	80,775
Interest on long-term debt	58,472	52,497	-	-	58,472	52,497
Sewer collection and treatment	-	-	55,584	61,401	55,584	61,401
Memphis Light, Gas and Water	-	-	1,621,840	1,658,638	1,621,840	1,658,638
Storm Water	-	-	12,571	13,160	12,571	13,160
Total expenses	1,092,905	1,099,313	1,689,995	1,733,199	2,782,900	2,832,512
Increase (decrease) in net assets before transfers	(244,299)	(237,268)	115,941	167,773	(128,358)	(69,495)
Transfers	64,997	66,929	(64,997)	(66,929)	-	-
Increase (decrease) in net assets	(179,302)	(170,339)	50,944	100,844	(128,358)	(69,495)
Net assets - July 1, as restated	93,250	(86,061)	1,942,971	2,003,296	2,036,221	1,917,235
Net assets - June 30	\$ (86,052)	(256,400)	1,993,915	2,104,140	1,907,863	1,847,740

**Governmental activities.** Governmental activities decreased the City's net assets by \$170,339 and Business-Type activities increased net assets by \$100,844, thereby resulting in a net decrease of \$69,495 or 3.6% in total primary government's beginning net assets. Key elements of the governmental activities are discussed below:

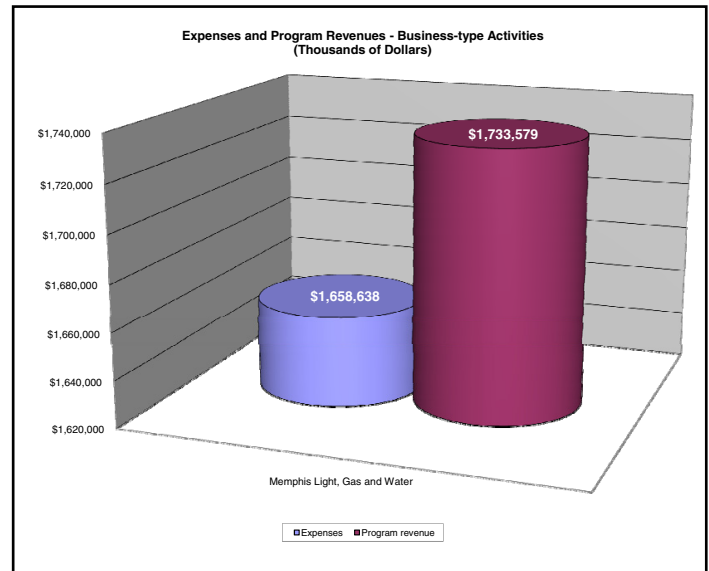
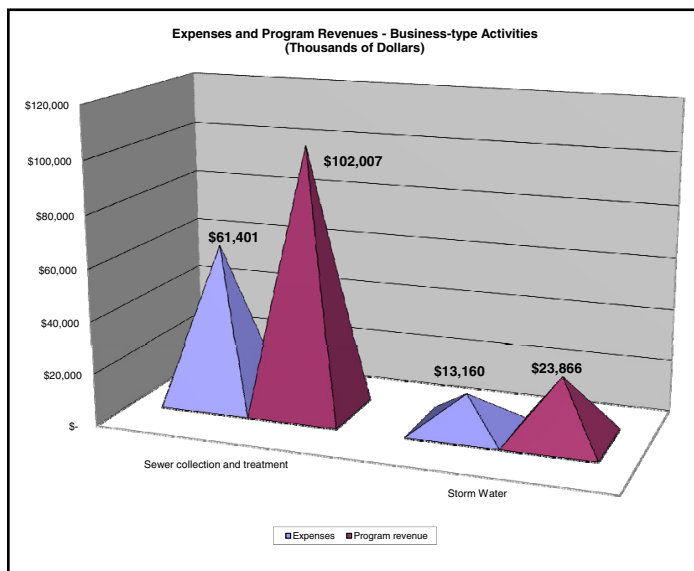
- Total expenses increased by \$6,408 or .6% from last year. Total revenues increased by \$13,439 or 1.6% over last year.
- The most significant increase in expenses from prior year was realized in public safety and general government, whose expenses increased by \$28,248 or 5.9% and \$27,266 or 12.2%, respectively. These increases were the result of increases in the pension and other post employment benefit obligations, increased healthcare premium expense and increased staffing levels.
- The education program expenses decreased by \$36,343 or 31.0% due to the absence of a significant accrual that was made in fiscal year 2010 resulting from a lawsuit filed by Memphis City Schools to reinstate the fiscal year 2009 funding. City Council made a decision to reduce funding to Memphis City Schools in fiscal year 2009. However, funding was provided in fiscal year 2010. In addition, the accrual for the fiscal year 2009 liability was made in fiscal year 2010.
- During fiscal year 2011, revenues increased by \$13,439 or 1.6%, primarily related to an increase in charges for

services of \$14,197 or 11.0%. Charges for services increased due to a solid waste management rate increase.



**Business-type activities.** Business-type activities increased the City’s net assets by \$100,844, accounting for 5% growth in the government’s beginning net assets. Key elements of the increase are as follows:

- MLGW’s Electric Division, Gas Division and Water Division account for \$39.3 million, \$20.9 million and a negative \$0.7 million of the net asset increase, respectively. The Electric division’s net change in net assets was up year over year mainly due to an increase in operating margin (operating revenues less purchased power cost) created by increased sales. The Gas division change in net assets was up year over year as a result of increased in sales. Finally, the Water division’s change in net assets decreased year over year as a result of a increased operation and maintenance cost, partially offset by an increase in operating revenue.
- The Sewer and Storm Water funds also contributed \$34.8 million and \$6.3 million, respectively, towards the business-type total net asset increase. The increases were driven by increased charges for services resulting from rate increases.



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**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, unassigned 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, 2011, the City's governmental funds reported combined ending fund balance of \$171,260, a decrease of \$28,199 in comparison with the prior year. Approximately 44.4% or \$76,039 of the fund balance constitutes unassigned fund balance, which is available for spending at the government's discretion. Approximately 8.6% or \$14,783 of the fund balance is considered restricted to indicate the amount is subject to external enforceable legal restrictions. Another \$72,186 or 42.2% of the fund balance is reported as committed indicating amounts whose use is constrained by limitations that the City Council imposed. The remainder of fund balance \$8,252 has been assigned by the administration to indicate that it is not available for new spending primarily because it has already been committed to liquidate contracts and purchase orders of the prior period.

The general fund is the chief operating fund of the City. At June 30, 2011, unassigned fund balance of the general fund was \$81,125, while total fund balance was \$91,061. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 13.6% of total general fund expenditures, while total general fund balance represents 15.3% of the fund expenditures.

The fund balance of the City's general fund increased by \$6,491 during the fiscal year ended June 30, 2011. Key factors resulting in this increase are as follows:

- Total General Fund Revenues increased by \$15,407 or 2.8% over prior year.
- Total expenditures increased by \$12,661 or 2.2% over prior year. Expenses of the general government and community services decreased slightly by \$.84 or .58% and \$1,047 or 1.6%, respectively. However, Public Safety increased by \$14,685 or 4.0%.
- The Public Safety increase was due to increases in healthcare premiums, an increase in funding to the City's other post employment benefit (OPEB) trust fund and increased staffing levels. The healthcare and (OPEB) increased expenses were offset for all programs by other personnel cost saving measures such as salary reductions for high income employees.
- The general fund's operating transfers out increased by \$21,060 or 46.2% primarily as a result of a transfer out to the Education Fund of \$60 million as a result of a decision to fund Memphis City Schools in fiscal year 2011 over and above the property tax rate allocated to the schools.
- The general fund's operating transfer in increased by \$46,838 or 80.0% due to increased transfers from the debt service offsetting the transfer out to the Education Fund.

The fund balance of the City's Debt Service fund decreased by \$17,479 to \$17,201 during the fiscal year ended June 30, 2011. Key factors resulting in this decrease are as follows:

- Total revenues were up slightly by \$1,554 or 1.8%. However, total expenditures decreased by \$39,917 or



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34.1% due to decreased principal and interest payments.

- Transfers outs were up from \$0 to \$45,000 due to a transfer out to the General Fund to offset a transfer out of the General Fund to the Education Fund.

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

- The Capital Projects Fund's fund balance decreased from last year from \$74,030 to \$47,182. The change resulted primarily from an increase in capital outlay expenditures.
- The New Memphis Arena Fund (FedEx Forum) activity remained relatively constant year over year. As a result, the fund deficit decreased from \$6,052 to \$5,086. 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's fund balance increased from a negative \$2,152 to a positive \$4,963 due to a rate increase.

**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 \$329,889 is comprised primarily of \$312,720 for Memphis Light, Gas and Water, which can be used for on-going operations of the public utility system and \$29,603 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 \$12,434 represents unrestricted net assets of the non-major fund, Storm Water

### **General Fund Budgetary Highlights**

The original operating budget for FY 2011 anticipated a contribution to fund balance of \$4,256. Differences between the original budget and the final amended budget can be briefly summarized as follows:

General Fund actual revenues were slightly over budget by \$11,781. Total expenditures were under budget by \$8,526. All divisions within the City contributed to the budget surplus. Net Transfer Ins/Outs were under budget by \$5,103 million dollars of the revised budget due to the actual transfer In from Debt Service being less than budget.

### **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, 2011 amounts to \$3,041,362 (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 \$64,683 or 2.2% . The governmental activities and business-type activities shared equally in the increase.

Condensed Statement Capital Assets  
(net of depreciation)

	Governmental activities		Business-type activities		Total	
	2010	2011	2010	2011	2010	2011
Land and buildings	\$ 381,785	369,347	42,405	39,945	424,190	409,292
Improvements other than buildings	560,969	550,442	280,853	275,635	841,822	826,077
Equipment	27,789	19,654	6,836	10,748	34,625	30,402
Construction in progress	184,211	239,629	43,863	52,545	228,074	292,174
Memphis Light, Gas and Water	-	-	1,447,968	1,483,417	1,447,968	1,483,417
Total	\$ 1,154,754	1,179,072	1,821,925	1,862,290	2,976,679	3,041,362

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

- Completed Tigerlane a greenspace project at the Fairgrounds.
- Repaired Fire Stations.
- Executed anti-blight initiatives.
- Additional information on the City's capital assets can be found in Note IV (D).

**Long-term debt.** At June 30, 2011, the City had total bonded debt outstanding of \$2,354,639. Of this amount, \$1,299,026 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. The remaining balance of \$1,055,613 consists of bonds secured solely by specified revenue sources (i.e., revenue bonds).

Condensed Statement of Outstanding Debt

General Obligation and Revenue Bonds

	Governmental activities		Business-type activities		Total	
	2010	2011	2010	2011	2010	2011
General obligation bonds	1,181,278	1,218,444	-	-	1,181,278	1,218,444
Bond anticipation notes	75,400	75,400	15,000	-	90,400	75,400
Capital lease obligations	4,628	5,182	-	-	4,628	5,182
Revenue bonds	-	-	1,155,239	1,055,613	1,155,239	1,055,613
Total	\$ 1,261,306	1,299,026	1,170,239	1,055,613	2,431,545	2,354,639

The City's total debt decreased by \$76,906 (3.2% percent) during FY 2011. Total debt includes state loans, general obligation bonds, bond anticipation notes, capital lease obligations, and revenue bonds. Governmental activities' total debt increased by 3.0%, while business-type activities' debt decreased by 9.8%.

The City has long held a high grade bond rating on indebtedness from the major credit rating services. As of June 30, 2011, 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

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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.

In June 2011, the City issued General Improvement Bonds of \$59,590 and \$26,600 of General Improvement Refunding Bonds. During fiscal year 2011, the City entered into lease agreements as a lessee for financing the acquisition of equipment for the Solid Waste and City Court Clerk divisions.

In March 2010, MLGW refunded the entire portion of the callable 2003A Electric System Revenue bonds. During this process, MLGW received credit upgrades from Fitch Ratings ("Fitch"). Fitch raised its credit ratings on all MLGW outstanding debt which includes the 2002, 2003A and the 2008 series bonds from AA to AA+. Subsequently in April 2010, MLGW was recalibrated to an AAA rating by Fitch. Moody's Investor Service ("Moody's") and Standard & Poor's ("S&P") reaffirmed their respective ratings on all outstanding Electric System Revenue bonds. The Water Division continues to hold the highest possible bond ratings which are Aaa from Moody's Investor Service and AAA from S&P. 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 2012 fiscal year are discussed more fully in the Budget document and include:

- Although the recession that impacted the US and local economy has officially ended, the budget preparation was predicated on the continuing assumption that the Memphis MSA will have slow to moderate growth during FY2012.
- The Operating Budget Revenue for FY2012 of \$688,584 which represents a revenue increase of \$53.8 million or 8.5% from the FY2011 Adopted Budget. This increase is primarily attributable to a one-time \$0.18 cents property tax increase to support Memphis City Schools and a planned sale of delinquent property tax receivables.
- For the third year, the general fund expenditure budget included over \$55.00 million to "maintenance of effort" to Memphis City Schools. In support of funding the schools, the fiscal 2012 budget includes a 4.6% salary reduction to all employees, including public safety and layoffs.

At June 30, 2011, unassigned fund balance in the general fund was \$81,125. The original approved operating budget of \$661,401 in total expenditures (net of program revenue) for FY 2012 had a planned contribution of \$27,183 to unassigned fund balance. The City's tax rate for FY 2012 has been set at \$3.1889 per \$100 of assessed value. The tax rate is allocated to General Fund, 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 2012 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](http://www.memphistn.gov).

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# CITY OF MEMPHIS

T E N N E S S E E

## BASIC FINANCIAL STATEMENTS

**STATEMENT OF NET ASSETS**  
**(Thousands of Dollars)**  
**June 30, 2011**

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

	<b>Primary Government</b>			<b>Component Units</b>
	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>	
<b>ASSETS</b>				
Cash and cash equivalents	\$ 8,828	166,119	174,947	200,572
Investments	60,732	163,244	223,976	46,970
Equity in cash and investment pool	95,482	24,832	120,314	-
Restricted funds	-	39,956	39,956	-
Receivables (net of allowance for uncollectibles):				
Property taxes	422,600	-	422,600	-
Sales and income taxes	37,574	-	37,574	-
Federal and state grants	51,192	20	51,212	4,785
Interest and dividends on investments	865	52	917	201
Notes and accounts receivable	36	199,089	199,125	8,986
Housing rehabilitation loans	66,317	-	66,317	-
Other	51,597	-	51,597	11,224
Internal Balances	698	(698)	-	-
Due from other agencies and governments	85,940	-	85,940	233,915
Inventories	582	37,393	37,975	15,815
Unbilled Revenues	-	84,677	84,677	-
Deferred purchased power and gas costs	-	885,747	885,747	-
Collateral held in trust for securities on loan	-	64,470	64,470	-
Prepaid expenses	-	-	-	2,470
Restricted assets:				
Cash and cash equivalents	-	-	-	4,832
Investments	-	42,392	42,392	201,643
Receivables				
Federal and state grants	-	-	-	7,161
Accrued interest	-	-	-	1,298
Special facilities	-	-	-	39,262
Other	-	-	-	-
Non-depreciable capital assets	301,973	206,975	508,948	406,730
Depreciable capital assets (net of accumulated depreciation)	877,099	1,655,315	2,532,414	1,675,410
Bond issue costs	-	-	-	4,648
Net Pension asset	1,404	-	1,404	-
Other assets	-	18,470	18,470	1,567
<b>Total assets</b>	<b>\$ 2,062,919</b>	<b>3,588,053</b>	<b>5,650,972</b>	<b>2,867,489</b>

(Continued)

**STATEMENT OF NET ASSETS**  
**(Thousands of Dollars)**  
**June 30, 2011**

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

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
<b>LIABILITIES</b>				
Accounts payable and accrued liabilities	\$ 76,784	300,126	376,910	130,442
Accrued interest payable	16,059	-	16,059	-
Contract retainage	36	181	217	-
Insurance claims payable	8,247	-	8,247	17,739
Due to other agencies and governments	11,456	-	11,456	547
Refundable bonds and deposits	940	-	940	-
Unearned revenue	519,777	-	519,777	61,564
Collateral subject to return to borrowers	-	64,470	64,470	-
Customer common deposits	-	22,344	22,344	-
Other post employment benefits	146,222	8,037	154,259	-
Net Pension Obligations	73,942	-	73,942	-
Other liabilities	-	33,141	33,141	-
Noncurrent liabilities:				
Due within one year	112,366	100,765	213,131	24,075
Due in more than one year	1,353,490	954,849	2,308,339	936,528
<b>Total liabilities</b>	<b>2,319,319</b>	<b>1,483,913</b>	<b>3,803,232</b>	<b>1,170,895</b>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	6,912	1,705,138	1,712,050	1,638,945
Restricted for:				
Debt service and construction	-	64,909	64,909	-
Capital acquisition	-	-	-	168,456
Contracted grant programs	-	-	-	10,611
Food service	-	-	-	21,451
Self insurance	-	-	-	500
Other	14,783	-	14,783	5,807
Unrestricted:				
Other	(278,095)	334,093	55,998	(149,176)
<b>Total net assets</b>	<b>\$ (256,400)</b>	<b>2,104,140</b>	<b>1,847,740</b>	<b>1,696,594</b>

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

**STATEMENT OF ACTIVITIES**  
**(Thousands of Dollars)**

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

For the fiscal year ended June 30, 2011

	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	
<b>Functions/Programs</b>								
<b>Primary government:</b>								
Governmental Activities:								
General government	\$ 251,039	79,691	23,035	7,490	(140,823)	-	(140,823)	-
Public safety	510,529	3,637	186	-	(506,706)	-	(506,706)	-
Community services	121,927	174	37,877	-	(83,876)	-	(83,876)	-
Transportation and environment	82,546	59,268	-	-	(23,278)	-	(23,278)	-
Education	80,775	-	-	-	(80,775)	-	(80,775)	-
Interest on long-term debt	52,497	-	-	-	(52,497)	-	(52,497)	-
Total governmental activities	1,099,313	142,770	61,098	7,490	(887,955)	-	(887,955)	-
Business-type activities:								
Sewer collection and treatment	61,401	98,559	2,255	1,193	-	40,606	40,606	-
Memphis Light, Gas and Water	1,658,638	1,705,513	28,066	-	-	74,941	74,941	-
Storm water	13,160	23,661	-	205	-	10,706	10,706	-
Total business-type activities	1,733,199	1,827,733	30,321	1,398	-	126,253	126,253	-
Total primary government	\$ 2,832,512	1,970,503	91,419	8,888	(887,955)	126,253	(761,702)	-
<b>Component units:</b>								
Board of Education	\$ 1,230,086	12,843	690,101	32,521	-	-	-	(494,621)
Memphis Area Transit Authority	68,333	10,420	-	25,158	-	-	-	(32,755)
Memphis Zoological Society	14,523	14,442	449	855	-	-	-	1,223
Airport Authority	140,508	111,760	-	42,578	-	-	-	13,830
Total component units	\$ 1,453,450	149,465	690,550	101,112	-	-	-	(512,323)

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

**STATEMENT OF ACTIVITIES**  
**(Thousands of Dollars)**  
**For the fiscal year ended June 30, 2011**

	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	
General revenues:							
Local taxes:							
Property taxes - levied for education					20,775		20,775
Property taxes - levied for debt service					83,635		83,635
Property taxes - levied for capital projects					365		365
Property taxes - levied for general government					262,392		262,392
Interest, penalties and commission - property taxes					9,495		9,495
Sales tax, general					104,976		104,976
Sales tax, beer					15,070		15,070
Gross receipts tax					10,594		10,594
Franchise tax					5,970		5,970
Other local taxes					26,878		26,878
State taxes:							
Sales tax					45,512		45,512
Income tax					7,901		7,901
Beer tax					359		359
Alcoholic beverage tax					288		288
Gasoline inspection tax					1,467		1,467
State professional privilege tax					1,516		1,516
State gas motor fuel tax					12,730		12,730
Three-cent tax					3,830		3,830
One-cent tax					2,064		2,064
Tourism development					11,856		11,856
Hotel/motel tax					3,537		3,537
Grants and contributions not restricted to specific programs					-		-
City of Memphis subsidy					-		-
Investment income					861	41,520	42,381
Intergovernmental Revenues					6,492		6,492
Federal grants and entitlements					-		-
State grants					-		-
Other					12,124		12,124
Transfers					66,929	(66,929)	-
Total general revenues and transfers					717,616	(25,409)	692,207
Change in net assets					(170,339)	100,844	(69,495)
Net assets - beginning, as restated					(86,061)	2,003,296	1,917,235
Net assets - ending					(256,400)	2,104,140	1,847,740
							1,696,594

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

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
(Thousands of Dollars)  
June 30, 2011**

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

	General	Debt Service	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>				
Cash and cash equivalents	\$ 41	-	8,786	8,827
Investments	-	-	60,732	60,732
Equity in cash and investment pool	52,408	9,816	24,884	87,108
Receivables (net of allowance for uncollectibles):				
Property taxes:				
Current property taxes	295,200	85,287	3,198	383,685
Delinquent property taxes	24,921	8,375	5,619	38,915
Sales and income taxes	37,574	-	-	37,574
Federal and state grants	2,592	-	48,600	51,192
Interest and dividends on investments	36	5	824	865
Housing rehabilitation loans	-	-	66,317	66,317
Other	41,080	-	10,516	51,596
Due from other funds	32,710	7,672	1,125	41,507
Due from other agencies and governments	806	28,086	13,862	42,754
<b>Total assets</b>	<b>\$ 487,368</b>	<b>139,241</b>	<b>244,463</b>	<b>871,072</b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities:</b>				
Accounts payable and accrued liabilities	\$ 50,351	159	20,528	71,038
Contract retainage	-	-	36	36
Due to other funds	-	-	38,376	38,376
Due to other agencies and governments	2,139	-	3,996	6,135
Refundable bonds and deposits	940	-	-	940
Deferred revenue	342,877	121,881	118,529	583,287
<b>Total liabilities</b>	<b>396,307</b>	<b>122,040</b>	<b>181,465</b>	<b>699,812</b>
<b>Fund balances:</b>				
Restricted	1,684	-	13,099	14,783
Committed	-	17,201	54,985	72,186
Assigned	8,252	-	-	8,252
Unassigned	81,125	-	(5,086)	76,039
<b>Total fund balances</b>	<b>91,061</b>	<b>17,201</b>	<b>62,998</b>	<b>171,260</b>
<b>Total liabilities and fund balances</b>	<b>\$ 487,368</b>	<b>139,241</b>	<b>244,463</b>	<b>871,072</b>



**RECONCILIATION OF THE BALANCE SHEET TO  
THE STATEMENT OF NET ASSETS  
(Thousands of Dollars)  
June 30, 2011**

**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:	\$ 171,260
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	1,178,564
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	106,170
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 Library's Pension system has overfunded its pension obligations.	1,404
Net pension obligations 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 pension obligations.	(73,942)
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.	(142,401)
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.	(17,911)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	<u>(1,479,544)</u>
Net assets of governmental activities	<u>\$ (256,400)</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, 2011

	General	Debt Service	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>				
Local taxes	\$ 434,648	84,987	26,811	546,446
State taxes (local share)	57,043	-	30,480	87,523
Hotel/motel tax	-	-	3,537	3,537
Licenses and permits	10,878	-	515	11,393
Fines and forfeitures	13,324	-	3,637	16,961
Charges for services	29,946	-	59,442	89,388
Investment income	519	225	54	798
Federal grants and entitlements	930	1,542	56,926	59,398
State grants	1,672	-	4,687	6,359
Intergovernmental revenues	4,420	2,072	-	6,492
Other	10,011	1,097	2,908	14,016
<b>Total revenues</b>	<b>563,391</b>	<b>89,923</b>	<b>188,997</b>	<b>842,311</b>
<b>EXPENDITURES</b>				
Current:				
General government	141,853	-	37,439	179,292
Public safety	384,240	-	3,831	388,071
Community services	63,139	-	38,221	101,360
Transportation and environment	6,321	-	67,721	74,042
Education	-	-	82,400	82,400
Capital outlay	-	-	100,550	100,550
Debt service:				
Redemption of serial bonds and notes	-	24,100	-	24,100
Interest	-	52,303	-	52,303
Bond issuance cost	-	407	605	1,012
Service charges	-	190	4	194
<b>Total expenditures</b>	<b>595,553</b>	<b>77,000</b>	<b>330,771</b>	<b>1,003,324</b>
Revenues over (under) expenditures	(32,162)	12,923	(141,774)	(161,013)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	105,375	14,337	67,901	187,613
Transfers out	(66,722)	(45,000)	(8,962)	(120,684)
Issuance of debt	-	-	60,824	60,824
Issuance of refunding debt	-	25,366	-	25,366
Retirement of refunded debt obligation	-	(27,108)	-	(27,108)
Premium on debt issue	-	2,003	4,800	6,803
<b>Total other financing sources (uses)</b>	<b>38,653</b>	<b>(30,402)</b>	<b>124,563</b>	<b>132,814</b>
Net change in fund balances	6,491	(17,479)	(17,211)	(28,199)
Fund balances - beginning of year	84,570	34,680	80,209	199,459
<b>Fund balances - end of year</b>	<b>\$ 91,061</b>	<b>17,201</b>	<b>62,998</b>	<b>171,260</b>

See accompanying notes to financial statements.

**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, 2011**

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

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

Net change in fund balances - total governmental funds	\$ (28,199)
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.	24,464
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	785
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.	(50,253)
Changes in general liabilities reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental	(1,319)
Changes in pension and Other post employment benefits (OPEB) liabilities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	(116,903)
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>1,086</u>
Change in net assets of governmental activities	<u><u>\$ (170,339)</u></u>

**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, 2011

**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>		
<b>REVENUES</b>				
<b>Local taxes:</b>				
Property taxes	\$ 271,041	271,041	266,335	(4,706)
Interest, penalties and commission - property taxes	6,313	6,313	9,495	3,182
Receipts in lieu of taxes contractual	12,921	12,921	12,864	(57)
Sales tax general	95,000	95,000	104,010	9,010
Sales tax beer	14,673	14,673	15,070	397
Alcoholic beverage tax	4,000	4,000	4,322	322
Liquor by the drink tax	2,424	2,424	2,618	194
Gross receipts tax	8,287	8,287	10,594	2,307
Excise tax	793	793	144	(649)
Franchise tax	5,493	5,493	5,970	477
Other local taxes	2,538	2,538	3,226	688
<b>Total local taxes</b>	<b>423,483</b>	<b>423,483</b>	<b>434,648</b>	<b>11,165</b>
<b>State taxes (local share):</b>				
Sales tax	41,062	41,062	45,512	4,450
Income taxes	8,900	8,900	7,901	(999)
Beer taxes	345	345	359	14
Alcoholic beverage tax	265	265	288	23
State professional privilege tax	-	1,545	1,516	(29)
Gasoline inspection fees	1,474	1,474	1,467	(7)
<b>Total state taxes (local share)</b>	<b>52,046</b>	<b>53,591</b>	<b>57,043</b>	<b>3,452</b>
<b>Licenses and permits:</b>				
Auto licenses	10,700	10,700	9,888	(812)
Dog licenses	359	359	436	77
Liquor by the drink licenses	270	270	206	(64)
Other	405	405	348	(57)
<b>Total licenses and permits</b>	<b>11,734</b>	<b>11,734</b>	<b>10,878</b>	<b>(856)</b>
<b>Fines and forfeitures:</b>				
City courts	12,176	12,176	12,651	475
Library	850	850	673	(177)
<b>Total fines and forfeitures</b>	<b>\$ 13,026</b>	<b>13,026</b>	<b>13,324</b>	<b>298</b>

(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, 2011

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

	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>	<b>Variance with Final Budget-Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>Charges for services:</b>				
Building and other inspection fees	\$ 848	848	393	(455)
Park commission revenues	4,418	4,418	3,699	(719)
Parking meter revenues	580	580	454	(126)
Ambulance service fees	16,220	16,220	19,067	2,847
Rents	663	663	767	104
Tax sale attorney fees	600	600	871	271
Wrecker and storage fees	2,128	2,128	1,794	(334)
Police special events	1,917	1,917	541	(1,376)
Other	2,109	2,109	2,360	251
<b>Total charges for services</b>	<b>29,483</b>	<b>29,483</b>	<b>29,946</b>	<b>463</b>
<b>Investment income:</b>				
Interest on investments	1,963	1,963	361	(1,602)
Other	73	73	158	85
<b>Total investment income</b>	<b>2,036</b>	<b>2,036</b>	<b>519</b>	<b>(1,517)</b>
<b>Federal grants</b>	<b>364</b>	<b>364</b>	<b>930</b>	<b>566</b>
<b>State grants</b>	<b>1,443</b>	<b>1,443</b>	<b>1,672</b>	<b>229</b>
<b>Intergovernmental revenues</b>	<b>3,802</b>	<b>3,802</b>	<b>4,420</b>	<b>618</b>
<b>Other:</b>				
Auctions and sale of assets	1,825	1,825	2,580	755
Property damage reimbursement	200	200	283	83
Property insurance recoveries	-	120	2,178	2,058
Local shared revenue	3,655	3,665	2,336	(1,329)
Miscellaneous	6,558	6,838	2,634	(4,204)
<b>Total other</b>	<b>12,238</b>	<b>12,648</b>	<b>10,011</b>	<b>(2,637)</b>
<b>Total revenues</b>	<b>\$ 549,655</b>	<b>551,610</b>	<b>563,391</b>	<b>11,781</b>
<b>Other source:</b>				
<b>Transfers in:</b>				
Solid waste management fund	\$ 1,031	1,031	-	(1,031)
Debt service fund	51,000	51,000	45,000	(6,000)
Sewer collection and treatment fund	5,175	5,175	5,969	794
MLG&W fund	53,750	53,750	54,048	298
Community services fund	-	-	358	358
<b>Total other source</b>	<b>\$ 110,956</b>	<b>110,956</b>	<b>105,375</b>	<b>(5,581)</b>

**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, 2011

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

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
<b>EXPENDITURES</b>				
<b>General government:</b>				
Legislative:				
Personal services	\$ 1,306	1,306	1,310	(4)
Materials and supplies	389	389	240	149
Total legislative	1,695	1,695	1,550	145
Judicial:				
Personal services	570	570	551	19
Materials and supplies	74	74	30	44
Total judicial	644	644	581	63
Court clerk:				
Personal services	3,142	3,142	3,082	60
Materials and supplies	1,982	1,632	1,629	3
Capital outlay	9	9	-	9
Total court clerk	5,133	4,783	4,711	72
Executive:				
Personal services	3,277	3,277	3,205	72
Materials and supplies	1,916	1,761	1,185	576
Capital outlay	54	-	-	-
Grants and subsidies	2,958	1,994	1,963	31
Expense reimbursement	-	-	(30)	30
Total executive	8,205	7,032	6,323	709
Finance and administration:				
Personal services	5,543	5,449	5,135	314
Materials and supplies	1,258	1,353	1,018	335
Capital outlay	2	-	-	-
Expense reimbursement	(903)	(903)	(892)	(11)
Total finance and administration	\$ 5,900	5,899	5,261	638

(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, 2011

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

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget-Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
City attorney:				
Personal services	\$ 5,227	5,227	4,953	274
Materials and supplies	13,376	13,996	13,361	635
Expense reimbursement	(4,098)	(4,098)	(3,366)	(732)
<b>Total city attorney</b>	<b>14,505</b>	<b>15,125</b>	<b>14,948</b>	<b>177</b>
City engineer:				
Personal services	8,906	9,522	8,828	694
Materials and supplies	1,905	2,367	1,866	501
Capital outlay	8	8	-	8
Expense reimbursement	(5,701)	(5,801)	(4,598)	(1,203)
<b>Total city engineer</b>	<b>5,118</b>	<b>6,096</b>	<b>6,096</b>	<b>-</b>
Information systems:				
Personal services	2,603	2,603	2,298	305
Materials and supplies	18,539	18,421	18,269	152
Capital outlay	255	242	182	60
Expense reimbursement	(1,658)	(1,658)	(1,645)	(13)
<b>Total information systems</b>	<b>19,739</b>	<b>19,608</b>	<b>19,104</b>	<b>504</b>
Human resources:				
Personal services	4,547	4,752	4,075	677
Materials and supplies	3,955	1,619	1,559	60
Expense reimbursement	(513)	(498)	(371)	(127)
<b>Total human resources</b>	<b>7,989</b>	<b>5,873</b>	<b>5,263</b>	<b>610</b>
General services:				
Personal services	9,932	9,932	9,825	107
Materials and supplies	5,984	6,102	5,728	374
Capital outlay	-	13	13	-
Expense reimbursement	(3,043)	(3,043)	(2,562)	(481)
<b>Total general services</b>	<b>12,873</b>	<b>13,004</b>	<b>13,004</b>	<b>-</b>
Special appropriations:				
Personal services	173	173	146	27
Materials and supplies	30	30	25	5
Grants and subsidies	57,531	68,893	68,892	1
Expense reimbursement	(3,984)	(3,984)	(3,984)	-
<b>Total special appropriations</b>	<b>53,750</b>	<b>65,112</b>	<b>65,079</b>	<b>33</b>
<b>Total general government</b>	<b>\$ 135,551</b>	<b>144,871</b>	<b>141,920</b>	<b>2,951</b>

(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, 2011

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

	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>	<b>Variance with Final Budget-Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>Public safety:</b>				
Police:				
Personal services	\$ 207,508	206,492	205,926	566
Materials and supplies	18,824	18,908	18,907	1
Capital outlay	83	-	-	-
Expense reimbursement	(49)	(49)	(125)	76
Total police	<u>226,366</u>	<u>225,351</u>	<u>224,708</u>	<u>643</u>
Fire:				
Personal services	144,647	144,874	144,873	1
Materials and supplies	15,379	15,346	15,232	114
Capital outlay	844	161	161	-
Expense reimbursement	(200)	(200)	(235)	35
Total fire	<u>160,670</u>	<u>160,181</u>	<u>160,031</u>	<u>150</u>
Total public safety	<u>387,036</u>	<u>385,532</u>	<u>384,739</u>	<u>793</u>
<b>Community services:</b>				
Parks and recreation:				
Personal services	15,940	15,935	15,802	133
Materials and supplies	12,285	12,807	12,774	33
Capital outlay	113	43	42	1
Inventory	75	55	10	45
Expense reimbursement	(129)	(129)	(100)	(29)
Total parks and recreation	<u>28,284</u>	<u>28,711</u>	<u>28,528</u>	<u>183</u>
Public Service:				
Personal services	18,015	17,748	16,923	825
Materials and supplies	5,910	6,256	5,810	446
Capital outlay	3	-	-	-
Grants & subsidies	-	10	10	-
Total public service	<u>\$ 23,928</u>	<u>24,014</u>	<u>22,743</u>	<u>1,271</u>

(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, 2011

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

	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>	<b>Variance with Final Budget-Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
Community development:				
Personal services	\$ 275	330	329	1
Materials and supplies	146	146	144	2
Grants and subsidies	4,514	4,524	4,523	1
<b>Total community development</b>	<b>4,935</b>	<b>5,000</b>	<b>4,996</b>	<b>4</b>
Community enhancement:				
Personal services	6,487	6,632	6,178	454
Materials and supplies	2,500	2,492	2,390	102
Capital outlay	43	41	-	41
Expense reimbursement	(602)	(602)	(619)	17
<b>Total community enhancement</b>	<b>8,428</b>	<b>8,563</b>	<b>7,949</b>	<b>614</b>
<b>Total community services</b>	<b>65,575</b>	<b>66,288</b>	<b>64,216</b>	<b>2,072</b>
<b>Transportation and environment:</b>				
Public works:				
Personal services	7,427	7,377	7,192	185
Materials and supplies	18,398	17,756	16,107	1,649
Capital outlay	3	3	-	3
Expense reimbursement	(16,009)	(16,009)	(16,882)	873
<b>Total public works</b>	<b>9,819</b>	<b>9,127</b>	<b>6,417</b>	<b>2,710</b>
<b>Total transportation and environment</b>	<b>9,819</b>	<b>9,127</b>	<b>6,417</b>	<b>2,710</b>
<b>Total expenditures</b>	<b>\$ 597,981</b>	<b>605,818</b>	<b>597,292</b>	<b>8,526</b>
<b>Other use - transfers out (primary):</b>				
Debt service fund	\$ 2,934	3,253	3,253	-
Storm water fund	452	452	-	452
Miscellaneous grants fund	310	310	284	26
Community redevelopment fund	1,300	3,185	3,185	-
Education fund	60,000	60,000	60,000	-
<b>Total transfers out</b>	<b>64,996</b>	<b>67,200</b>	<b>66,722</b>	<b>478</b>
<b>Total other uses</b>	<b>\$ 64,996</b>	<b>67,200</b>	<b>66,722</b>	<b>478</b>

**STATEMENT OF NET ASSETS  
PRORIETARY FUNDS  
(Thousands of Dollars)  
June 30, 2011**

**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				
<b>ASSETS</b>								
Current assets:								
Cash and cash equivalents	\$ 251	84,374	71,621	9,872	1	166,119	1	
Investments	42,610	63,112	50,083	7,439	-	163,244	-	
Equity in cash and investment pool	24,832	-	-	-	-	24,832	8,374	
Restricted funds - current	-	28,301	7,318	4,337	-	39,956	-	
Receivables:								
Notes and accounts	10,184	110,083	53,731	15,748	2,004	191,750	36	
Interest on investments	52	-	-	-	-	52	-	
Federal and state grants	-	-	-	-	20	20	-	
Due from other funds	8,915	-	-	-	-	8,915	5,204	
Unbilled revenues	-	62,806	19,426	2,445	-	84,677	-	
Prepaid power cost	-	100,504	-	-	-	100,504	-	
Unrecovered purchased gas cost	-	-	432	-	-	432	-	
Inventories of materials and supplies	-	18,313	17,170	1,910	-	37,393	582	
Collateral held in trust for securities on loan	-	36,890	22,152	5,428	-	64,470	-	
Other current assets	-	1,930	7,278	224	-	9,432	-	
<b>Total current assets</b>	<b>86,844</b>	<b>506,313</b>	<b>249,211</b>	<b>47,403</b>	<b>2,025</b>	<b>891,796</b>	<b>14,197</b>	
Non-current assets:								
Restricted assets:								
Investments, less current portion	-	25,577	7,483	9,332	-	42,392	-	
<b>Total restricted assets</b>	<b>-</b>	<b>25,577</b>	<b>7,483</b>	<b>9,332</b>	<b>-</b>	<b>42,392</b>	<b>-</b>	
Capital assets:								
Land	13,616	-	-	-	37	13,653	-	
Buildings	106,090	-	-	-	-	106,090	-	
Utility plant	-	1,501,609	554,010	440,254	-	2,495,873	-	
Improvements other than buildings	505,234	-	-	-	32,816	538,050	-	
Machinery and equipment	27,222	-	-	-	10,421	37,643	4,063	
Less accumulated depreciation and amortization	(354,461)	(572,208)	(254,323)	(185,925)	(14,647)	(1,381,564)	(3,555)	
<b>Total capital assets</b>	<b>297,701</b>	<b>929,401</b>	<b>299,687</b>	<b>254,329</b>	<b>28,627</b>	<b>1,809,745</b>	<b>508</b>	
Construction in progress	29,357	-	-	-	23,188	52,545	-	
<b>Net capital assets</b>	<b>327,058</b>	<b>929,401</b>	<b>299,687</b>	<b>254,329</b>	<b>51,815</b>	<b>1,862,290</b>	<b>508</b>	
Other noncurrent assets:								
Notes receivable	-	-	5,887	1,452	-	7,339	-	
Prepaid power cost - long term	-	785,243	-	-	-	785,243	-	
Prepayments In Lieu of Taxes	-	1,904	44	-	-	1,948	-	
Unamortized debt expense	-	4,333	-	-	-	4,333	-	
Other assets	-	1,329	599	397	-	2,325	-	
<b>Total other noncurrent assets</b>	<b>-</b>	<b>792,809</b>	<b>6,530</b>	<b>1,849</b>	<b>-</b>	<b>801,188</b>	<b>-</b>	
<b>Total noncurrent assets</b>	<b>327,058</b>	<b>1,747,787</b>	<b>313,700</b>	<b>265,510</b>	<b>51,815</b>	<b>2,705,870</b>	<b>508</b>	
<b>Total assets</b>	<b>\$ 413,902</b>	<b>2,254,100</b>	<b>562,911</b>	<b>312,913</b>	<b>53,840</b>	<b>3,597,666</b>	<b>14,705</b>	

**STATEMENT OF NET ASSETS  
PRORIETARY FUNDS  
(Thousands of Dollars)  
June 30, 2011**

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

<b>Business Type Activities - Enterprise Funds</b>							
<b>Major Funds</b>							<b>Governmental Activities- Internal Service Funds</b>
<b>Sewer Col- lection and Treatment</b>	<b>MLGW Electric Division</b>	<b>MLGW Gas Division</b>	<b>MLGW Water Division</b>	<b>Non - Major Fund</b>	<b>Total</b>		
<b>LIABILITIES</b>							
Current liabilities:							
Accounts payable	\$ 2,698	121,946	37,900	-	1,037	163,581	4,496
Bonds and notes payable	-	82,883	-	-	-	82,883	-
Accrued liabilities	2,953	46,795	35,137	13,614	344	98,843	-
Derivative financial instruments	-	-	1,983	-	-	1,983	-
Payables due from restricted assets	-	28,301	5,989	3,412	-	37,702	-
Insurance claims payable	-	-	-	-	-	-	8,247
Contract retainage	166	-	-	-	15	181	-
Due to other funds	4,612	-	-	-	9,205	13,817	3,432
Deferred revenue	-	-	-	-	-	-	6,045
Current installment of revenue							
bonds payable	9,965	-	-	-	-	9,965	-
Collateral subject to return to borrowers	-	36,890	22,152	5,428	-	64,470	-
Other post employment benefits	5,298	-	-	-	2,739	8,037	3,821
Vacation, sick and other leave benefits	3,292	-	-	-	1,119	4,411	2,371
<b>Total current liabilities paid from current assets</b>	<b>28,984</b>	<b>316,815</b>	<b>103,161</b>	<b>22,454</b>	<b>14,459</b>	<b>485,873</b>	<b>28,412</b>
Long-term (net of current maturities):							
Revenue bonds payable	145,575	807,287	-	1,612	-	954,474	-
State loans payable	3,881	-	-	-	-	3,881	-
Customer common deposits	-	17,846	3,865	633	-	22,344	-
Other	754	18,448	4,702	7,254	-	31,158	-
<b>Total long-term liabilities</b>	<b>150,210</b>	<b>843,581</b>	<b>8,567</b>	<b>9,499</b>	<b>-</b>	<b>1,011,857</b>	<b>-</b>
<b>Total liabilities</b>	<b>179,194</b>	<b>1,160,396</b>	<b>111,728</b>	<b>31,953</b>	<b>14,459</b>	<b>1,497,730</b>	<b>28,412</b>
<b>NET ASSETS (DEFICIT)</b>							
Invested in capital assets, net of related debt	171,518	929,401	299,687	252,717	51,815	1,705,138	508
Restricted for debt service and construction	33,587	15,748	5,950	9,624	-	64,909	-
Unrestricted (deficit)	29,603	148,555	145,546	18,619	(12,434)	329,889	(14,215)
<b>TOTAL NET ASSETS (DEFICIT)</b>	<b>\$ 234,708</b>	<b>1,093,704</b>	<b>451,183</b>	<b>280,960</b>	<b>39,381</b>	<b>2,099,936</b>	<b>(13,707)</b>
Adjustment to reflect the consolidation of internal service funds related to enterprise funds						4,204	
<b>Net assets of business-type activities</b>						<b>\$ 2,104,140</b>	

See accompanying notes to financial statements.

**STATEMENT OF REVENUES, EXPENSES AND CHANGES  
IN FUND NET ASSETS / PROPRIETARY FUNDS**

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

(Thousands of Dollars)

For the fiscal year ended June 30, 2011

**Business Type Activities - Enterprise Funds**

**Major  
Funds**

	<b>Sewer Col- lection and Treatment</b>	<b>MLGW Electric Division</b>	<b>MLGW Gas Division</b>	<b>MLGW Water Division</b>	<b>Non - Major Fund</b>	<b>Total</b>	<b>Governmental Activities- Internal Service Funds</b>
Charges for services	\$ 98,559	1,281,485	339,435	84,593	23,661	1,827,733	104,586
<b>Operating revenues</b>	<b>98,559</b>	<b>1,281,485</b>	<b>339,435</b>	<b>84,593</b>	<b>23,661</b>	<b>1,827,733</b>	<b>104,586</b>
Operating expenses other than depreciation and amortization:							
Personnel services	19,327	-	-	-	8,500	27,827	11,946
Materials, supplies, services, and other	20,486	-	-	-	3,099	23,585	7,373
Capital outlay	106	-	-	-	29	135	55
Purchased power and gas for resale	-	1,032,960	213,538	-	-	1,246,498	-
Production	-	-	-	17,050	-	17,050	-
Operation	-	115,243	70,103	44,821	-	230,167	-
Maintenance	-	44,830	8,764	10,037	-	63,631	-
In Lieu of Taxes	-	584	76	-	-	660	-
Inventories	-	-	-	-	-	-	18,329
Claims incurred	-	-	-	-	-	-	61,992
<b>Total operating expenses other than depreciation and amortization</b>	<b>39,919</b>	<b>1,193,617</b>	<b>292,481</b>	<b>71,908</b>	<b>11,628</b>	<b>1,609,553</b>	<b>99,695</b>
Operating income before depreciation and amortization	58,640	87,868	46,954	12,685	12,033	218,180	4,891
Depreciation and amortization: On assets acquired with own funds	13,078	42,100	12,266	11,079	1,532	80,055	146
<b>Operating income</b>	<b>45,562</b>	<b>45,768</b>	<b>34,688</b>	<b>1,606</b>	<b>10,501</b>	<b>138,125</b>	<b>4,745</b>
Non-operating revenues:							
Transmission credits	-	28,066	-	-	-	28,066	-
Investment income	446	38,795	1,915	364	-	41,520	63
Federal grant	248	-	-	-	-	248	-
Other	1,678	-	-	-	-	1,678	-
<b>Total non-operating revenues</b>	<b>2,372</b>	<b>66,861</b>	<b>1,915</b>	<b>364</b>	<b>-</b>	<b>71,512</b>	<b>63</b>
Non-operating expenses:							
Interest on bonded indebtedness	8,160	34,948	48	191	-	43,347	-
Interest on state loan	109	-	-	-	-	109	-
Other	135	-	-	-	-	135	-
<b>Total non-operating expenses</b>	<b>8,404</b>	<b>34,948</b>	<b>48</b>	<b>191</b>	<b>-</b>	<b>43,591</b>	<b>-</b>
Income (loss) before capital contributions and transfers	39,530	77,681	36,555	1,779	10,501	166,046	4,808
Transfers in	-	-	-	-	-	-	-
Transfers out	(5,969)	(38,408)	(15,640)	(2,500)	(4,412)	(66,929)	(3,393)
Capital contributions	1,193	-	-	-	205	1,398	-
Change in net assets (deficit)	34,754	39,273	20,915	(721)	6,294	100,515	1,415
Total net assets (deficit) - beginning of year, as restated	199,954	1,054,431	430,268	281,681	33,087		(15,122)
<b>Total net assets (deficit) - end of year</b>	<b>\$ 234,708</b>	<b>1,093,704</b>	<b>451,183</b>	<b>280,960</b>	<b>39,381</b>		<b>(13,707)</b>
Adjustment to reflect the consolidation of internal service funds related to enterprise funds						329	
<b>Change in net assets of business-type activities</b>						<b>\$ 100,844</b>	

See accompanying notes to financial statements.



**STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
(Thousands of Dollars)  
For the fiscal year ended June 30, 2011**

**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
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>							
Receipts from customers and users	\$ 93,501	1,267,061	339,463	79,861	23,508	1,803,394	355
Receipts from other division funds	-	-	-	-	-	-	32,552
Employee contributions	-	-	-	-	-	-	19,249
Employer contributions	-	-	-	-	-	-	52,973
Payments to suppliers	(19,066)	(919,070)	(234,485)	(27,662)	(2,875)	(1,203,158)	(5,713)
Payments to employees	(17,636)	(115,460)	(56,168)	(42,742)	(7,534)	(239,540)	(10,869)
Payments to other division funds	(8,915)	(519)	(1,430)	1,606	-	(9,258)	10
Payments for taxes	-	(426)	897	-	-	471	-
Payments for inventory	-	-	-	-	-	-	(18,307)
Payments for claims incurred	-	-	-	-	-	-	(61,758)
Net cash provided by operating activities	47,884	231,586	48,277	11,063	13,099	351,909	8,492
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>							
Transfers to City	-	(38,408)	(15,640)	(2,500)	-	(56,548)	-
Debt issuance expense	(16)	-	-	-	-	(16)	-
Receipt of miscellaneous revenue	1,678	-	-	-	-	1,678	-
Principal payments on long-term debt	-	(558,055)	-	-	-	(558,055)	-
Interest expense on bonds	-	(45,019)	-	-	-	(45,019)	-
Proceeds from issuance of long-term debt	-	471,305	-	-	-	471,305	-
Principal payments on notes payable	-	-	(15,000)	-	-	(15,000)	-
Interest expense on notes payable	-	-	(126)	-	-	(126)	-
Advances from other funds	-	-	-	-	(1,135)	(1,135)	-
Transfers from other funds	-	-	-	-	(4,412)	(4,412)	-
Transfers to other funds	(5,969)	-	-	-	-	(5,969)	(3,393)
Net cash used by noncapital and related financing	(4,307)	(170,177)	(30,766)	(2,500)	(5,547)	(213,297)	(3,393)
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>							
Proceeds from sale of revenue refunding bonds	31,680	-	-	-	-	31,680	-
Bond issue costs	938	-	-	-	-	938	-
Acquisition and construction of capital assets	(11,639)	(70,511)	(18,988)	(12,740)	(7,757)	(121,635)	-
Contributions in aid of construction	-	7,827	16	720	-	8,563	-
Receipts from state grants	-	-	-	-	205	205	-
Receipts from federal grants	248	-	-	-	-	248	-
Principal payments on capital debt	(24,345)	(7,354)	-	(1,540)	-	(33,239)	-
Interest payments on capital debt	(8,269)	(350)	-	(166)	-	(8,785)	-
Capital contributions	1,193	-	-	-	-	1,193	-
Net cash provided used by capital and related financing activities	(10,194)	(70,388)	(18,972)	(13,726)	(7,552)	(120,832)	-
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>							
Sales and maturities of investments	10,254	25,661	21,825	5,883	-	63,623	-
Purchase of investments	(19,942)	(46,648)	(39,601)	(10,687)	-	(116,878)	-
Payments received on notes receivable	-	1,139	1,712	-	-	2,851	-
Issuance of notes receivable	-	-	-	772	-	772	-
Investment income earned on investments	429	1,509	374	180	-	2,492	63
Net cash provided (used) by investing activities	(9,259)	(18,339)	(15,690)	(3,852)	-	(47,140)	63
Net increase (decrease) in cash and cash equivalents	24,124	(27,318)	(17,151)	(9,015)	-	(29,360)	5,162
Cash and cash equivalents, beginning of year	959	155,911	100,508	28,537	1	285,916	3,213
Cash and cash equivalents, end of year	\$ 25,083	128,593	83,357	19,522	1	256,556	8,375
<b>Reconciliation of operating income to net cash provided (used) by operating activities</b>							
Operating income	45,562	45,768	34,688	1,606	10,501	138,125	4,745
Adjustments to reconcile operating income to net cash provided by operating activities:							
Depreciation expense	13,078	42,259	14,780	11,433	1,532	83,082	146
Transmission credits	-	28,066	-	-	-	28,066	-
Prepay power credits	-	34,609	-	-	-	34,609	-
Other income	-	2,645	568	184	-	3,397	-
(Increase) decrease in assets:							
Accounts receivable	(13,973)	(29,779)	(6,841)	(4,201)	(153)	(54,947)	(117)
Unbilled revenues	-	4,756	7,437	(70)	-	12,123	-
Prepaid power cost	-	96,803	-	-	-	96,803	-
Prepayments - in lieu of taxes	-	(479)	370	-	-	(109)	-
Deferred purchased power and gas cost	-	-	1,154	-	-	1,154	-
Inventories	-	3,877	(2,644)	232	-	1,465	22
Other assets	-	485	(2,897)	1,475	-	(937)	-
(Increase) decrease in liabilities:							
Accounts payable	808	8,617	(3,073)	-	-	6,352	-
Other accounts payable and accrued expenses	2,409	(4,228)	3,206	489	1,219	3,095	3,696
Customer deposits	-	304	(1,911)	26	-	(1,581)	-
Insurance reserves	-	566	196	(290)	-	472	-
Medical benefit accrual	-	(395)	(175)	(117)	-	(687)	-
Other	-	(2,288)	3,419	296	-	1,427	-
Total adjustments	2,322	185,818	13,589	9,457	2,598	213,784	3,747
Net cash provided by operating activities	\$ 47,884	231,586	48,277	11,063	13,099	351,909	8,492
<b>Reconciliation of cash and cash equivalents per statements of cash flows to the balance sheets:</b>							
Restricted funds	\$ -	53,878	14,801	13,669	-	82,348	-
Less investments included in restricted funds	-	(9,659)	(3,065)	(4,019)	-	(16,743)	-
Cash and cash equivalents included in restricted funds	-	44,219	11,736	9,650	-	65,605	-
Current assets - cash and cash equivalents	251	84,374	71,621	9,872	1	166,119	1
Current assets - equity in cash and investment pool	24,832	-	-	-	-	24,832	8,374
Total cash and cash equivalents	\$ 25,083	128,593	83,357	19,522	1	256,556	8,375

During the year, the Sewer Fund received \$1,193 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, 2011

**CITY OF MEMPHIS, TENNESSEE**  
**Exhibit A-12**

	<u>Pension and OPEB Trust Funds</u>	<u>Sold Property Tax Receivable Agency Fund</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 158,354	-
Investments, at fair value:		
Short-term investments	14,209	-
U.S. government securities - long-term	109,902	-
Common stock - domestic	1,063,851	-
Common stock - foreign	303,118	-
Preferred stock - domestic	145	-
Preferred stock - foreign	1,710	-
Corporate bonds - domestic	420,158	-
Corporate bonds - foreign	76,458	-
Mutual funds and money market funds	53,616	-
Investment in corporate bond mutual funds	36,827	-
Collateralized mortgage obligations	49,468	-
Asset-backed pooled securities	107	-
Mortgage-backed pooled securities	237,184	-
Equity exchange index fund - domestic	3,526	-
Investments in index funds	353,765	-
Investment in real estate	185,959	-
Investment in high yield bond fund	7,116	-
Investment in international equity fund	275,495	-
Investment in international bond fund	33,195	-
Distressed debt funds - domestic	1,903	-
Distressed debt funds - foreign	1,597	-
Total investments	<u>3,229,309</u>	-
Equity in cash and investment pool	14,042	2,262
Interest and dividend receivables	12,116	-
Receivable for securities sold	63,395	-
Property tax receivable - delinquent	-	10,357
Miscellaneous receivables	4	-
Due from other agencies and governments	367	-
Employer and employee contributions receivable	924	-
Collateral held in trust for securities on loan	<u>175,490</u>	-
<b>Total assets</b>	<u>3,654,001</u>	<u>12,619</u>
<b>LIABILITIES</b>		
Accounts payable and other liabilities	333,484	2,262
Due to other agencies and governments	367	-
Deferred revenue	-	10,357
<b>Total liabilities</b>	<u>333,851</u>	<u>12,619</u>
<b>NET ASSETS</b>		
Held in trust for pension benefits, pool participants, and OPEB	<u>\$ 3,320,150</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, 2011**

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

	<b>Pension and OPEB Trust Funds</b>
<b>ADDITIONS</b>	
Contributions:	
Employer	\$ 123,904
Plan members	53,375
Total contributions	<u>177,279</u>
Transfer from other fund	3,393
Investment income:	
Interest and dividend income	82,249
Securities lending income	465
Other investment income	1,240
Gain on real estate investments	2,548
Net appreciation/(depreciation) in the fair value of investments	<u>464,115</u>
Total investment income	<u>550,617</u>
<b>Total Additions</b>	<u>731,289</u>
<b>DEDUCTIONS</b>	
Benefits	286,931
OPEB expense paid on behalf of OPEB trust	1,727
Administrative expenses	18,502
Refunds of contributions	<u>12,629</u>
<b>Total Deductions</b>	<u>319,789</u>
<b>Net increase</b>	411,500
Net assets - beginning of year	<u>2,908,650</u>
<b>Net assets - end of year</b>	<u>\$ 3,320,150</u>

See accompanying notes to financial statements.

**COMBINING STATEMENT OF NET ASSETS  
COMPONENT UNITS  
(Thousands of Dollars)  
June 30, 2011**

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

	<b>Board of Education</b>	<b>Memphis Area Transit Authority</b>	<b>Airport Authority</b>	<b>Memphis Zoological Society</b>	<b>Total</b>
<b>ASSETS</b>					
Current unrestricted assets:					
Cash and cash equivalents	\$ 175,446	4,362	15,611	5,153	200,572
Investments	30,120		10,271	6,579	46,970
Receivables:					
Federal and state grants	-	4,772	13	-	4,785
Accrued interest	-	-	201	-	201
Accounts	-	-	8,986	-	8,986
Other	6,904	180	-	4,140	11,224
Due from other agencies and governments	233,893	-	-	22	233,915
Inventories of materials and supplies	11,138	2,249	1,910	518	15,815
Prepaid expenses	-	316	2,154	-	2,470
<b>Total current unrestricted assets</b>	<b>457,501</b>	<b>11,879</b>	<b>39,146</b>	<b>16,412</b>	<b>524,938</b>
Current restricted assets:					
Cash and cash equivalents	-	-	4,832	-	4,832
Investments	-	500	131,556	-	132,056
Receivables:					
Federal and state grants	-	-	7,161	-	7,161
Accrued interest	-	-	1,298	-	1,298
<b>Total current restricted assets</b>	<b>-</b>	<b>500</b>	<b>144,847</b>	<b>-</b>	<b>145,347</b>
<b>Total current assets</b>	<b>457,501</b>	<b>12,379</b>	<b>183,993</b>	<b>16,412</b>	<b>670,285</b>
Non-current restricted assets:					
Investments	-	-	69,587	-	69,587
Receivables:					
Special facilities rent	-	-	39,262	-	39,262
<b>Total non-current restricted assets</b>	<b>-</b>	<b>-</b>	<b>108,849</b>	<b>-</b>	<b>108,849</b>
Capital Assets:					
Land	34,700	2,731	160,772	-	198,203
Buildings	1,307,213	152,751	347,454	-	1,807,418
Improvements other than buildings	-	-	902,069	-	902,069
Machinery, buses and equipment	173,506	103,407	94,461	99	371,473
Less accumulated depreciation and amortization	(583,075)	(129,773)	(648,971)	(28)	(1,361,847)
<b>Total capital assets, net</b>	<b>932,344</b>	<b>129,116</b>	<b>855,785</b>	<b>71</b>	<b>1,917,316</b>
Construction in progress	64,002	22,054	78,768	-	164,824
<b>Net capital assets</b>	<b>996,346</b>	<b>151,170</b>	<b>934,553</b>	<b>71</b>	<b>2,082,140</b>
Bond issue costs	-	-	4,648	-	4,648
Other assets	-	711	-	856	1,567
<b>Total assets</b>	<b>\$ 1,453,847</b>	<b>164,260</b>	<b>1,232,043</b>	<b>17,339</b>	<b>2,867,489</b>

**COMBINING STATEMENT OF NET ASSETS  
COMPONENT UNITS  
(Thousands of Dollars)  
June 30, 2011**

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

	<b>Board of Education</b>	<b>Memphis Area Transit Authority</b>	<b>Airport Authority</b>	<b>Memphis Zoological Society</b>	<b>Total</b>
<b>LIABILITIES</b>					
Current:					
Notes and accounts payable	\$ 94,142	3,720	12,980	711	111,553
Due to other agencies and governments	547	-	-	-	547
Accrued liabilities	2,846	4,121	11,264	658	18,889
Insurance claims payable	16,014	1,725	-	-	17,739
Deferred revenue	59,751	268	-	1,545	61,564
Current installment of revenue bonds payable	-	-	24,075	-	24,075
<b>Total current liabilities</b>	<b>173,300</b>	<b>9,834</b>	<b>48,319</b>	<b>2,914</b>	<b>234,367</b>
Long-term (net of current maturities):					
Other post employment benefits	371,972	8,624	-	-	380,596
General obligation bonds payable	-	-	2,015	-	2,015
Revenue bonds payable	-	-	468,932	-	468,932
Due to other agencies and governments	2,407	800	-	-	3,207
Deferred lease revenue	-	-	73,287	-	73,287
Other long term obligations	6,656	-	1,835	-	8,491
<b>Total long-term liabilities</b>	<b>381,035</b>	<b>9,424</b>	<b>546,069</b>	<b>-</b>	<b>936,528</b>
<b>Total liabilities</b>	<b>554,335</b>	<b>19,258</b>	<b>594,388</b>	<b>2,914</b>	<b>1,170,895</b>
<b>NET ASSETS</b>					
Invested in capital assets, net of related debt	993,393	151,170	494,311	71	1,638,945
Restricted for:					
Capital acquisition	44,944	-	118,699	4,813	168,456
Contracted grant programs	10,611	-	-	-	10,611
Food service	21,451	-	-	-	21,451
Self insurance	-	500	-	-	500
Other	-	-	-	5,807	5,807
Unrestricted	(170,887)	(6,668)	24,645	3,734	(149,176)
<b>TOTAL NET ASSETS</b>	<b>\$ 899,512</b>	<b>145,002</b>	<b>637,655</b>	<b>14,425</b>	<b>1,696,594</b>

See accompanying notes to financial statements.

**COMBINING STATEMENT OF ACTIVITIES  
 COMPONENT UNITS  
 (Thousands of Dollars)  
 For the fiscal year ended June 30, 2011**

**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	Memphis Zoological Society	Total
Board of Education	\$ 1,230,086	12,843	690,101	32,521	(494,621)	-	-	-	(494,621)
Memphis Area Transit Authority	68,333	10,420	-	25,158	-	(32,755)	-	-	(32,755)
Memphis Zoological Society	14,523	14,442	449	855	-	-	-	1,223	1,223
Airport Authority	140,508	111,760	-	42,578	-	-	13,830	-	13,830
Total component units	\$ 1,453,450	149,465	690,550	101,112	(494,621)	(32,755)	13,830	1,223	(512,323)
General revenues:									
Grants and contributions not restricted to specific programs									
City of Memphis subsidy					436,363	-	123	-	436,486
Investment income (loss)					-	22,114	-	-	22,114
Federal grants and entitlements					443	-	2,697	1,008	4,148
State grants					-	14,210	-	-	14,210
Other					-	8,451	-	-	8,451
Total general revenues and special items					436,806	44,912	4,911	87	5,135
Changes in net assets					(57,815)	12,157	21,561	2,318	(21,779)
Net assets - beginning					957,327	132,845	616,094	12,107	1,718,373
Net assets - ending					\$ 899,512	145,002	637,655	14,425	1,696,594

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, Parks, Public Works, Human Resources, Public Services, Community Enhancement, 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 Fund are as of December 31, 2010. 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. In February 2011 the City Council passed a resolution accepting the BOE's surrender of the Memphis City Schools Charter. Furthermore, in March 2011, the citizens of Memphis voted to surrender the Memphis City Schools charter. These actions transferred administrative control of the city schools to Shelby County Government. However, in accordance with State of Tennessee Statue the merger will not be completed until fiscal year 2013. Until the merger is completed the City remains responsible for partial funding of Memphis City Schools.

**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.

**Memphis Zoological Society (MZS)** – MZS was created as a not-for-profit in April 1951 by Charter to manage and support the Memphis Zoo and Aquarium in its efforts to preserve wildlife through education, conservation and research. All land, buildings, exhibits and other physical assets used by the society are the property of the City of Memphis. MZS operates on a 52-53 week fiscal year ending on the last Sunday in the month of June. The year ended June 26, 2011, contained 52 weeks.

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

<b>BOE</b>	<b>MATA</b>	<b>MSCAA</b>	<b>MZS</b>
2597 Avery Avenue	1370 Levee Road	2491 Winchester Rd., Ste. 113	2000 Prentiss Place
Memphis, TN 38112	Memphis, TN 38108	Memphis, TN 38116	Memphis, TN 38112
(901) 325-5461	(901) 722-7162	(901) 922-8000	(901) 333-6500

### **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)):

- Memphis and Shelby County Convention Center Complex
- Memphis and Shelby County Port Commission
- New Memphis Arena Public Building Authority of Memphis and Shelby County, Tennessee
- Memphis and Shelby County Community Redevelopment Agency
- Sports Authority of Memphis and Shelby County Incorporated

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**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.

**Economic Growth Development Engine Industrial Development Board (EDGE)** - In January 2011, Shelby County Commissioners and the Memphis City Council approved a resolution establishing the authorization and formation of the Economic Growth Development Engine Industrial Development Board of the City of Memphis and County of Shelby, TN (“EDGE”). The resolution approved and directed the Industrial Development Board (IDB), the Depot Redevelopment Corporation of Memphis and Shelby County and the Memphis and Shelby County Port Commission to take all actions appropriate to effectuate coordination and consolidate operations where possible within EDGE. EDGE operates as a nonprofit corporation for the purpose of acting as the leading and coordinating entity of Memphis and Shelby County, Tennessee, for all economic, developmental, and growth initiatives among other development organizations.

**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. A resolution approving and directing the IDB to consolidate within the Economic Growth Development Industrial Development Board (EDGE) was passed in January 2011 by the Memphis City Council and Shelby County Commission.

**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

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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. A resolution approving and directing the Depot Redevelopment Corporation to consolidate within the Economic Growth Development Industrial Development Board (EDGE) was passed in January 2011 by the Memphis City Council and Shelby County Commission.

**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 non-fiduciary 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 and agency 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



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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 post-employment benefit plans, which accumulate resources for payments to qualified participants and investments held for external organizations. Fiduciary funds include the City's Agency Fund which accounts for the assets and the related liability held by the City for purchasers of the City's delinquent property tax receivables. The City reports the following fiduciary funds:

**City Retirement System Fund**

**Library Retirement System Fund**

**City Other Postemployment Benefits Trust Fund**

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**Memphis Light, Gas and Water Retirement System Fund**

**Memphis Light Gas and Water Other Postemployment Benefits Trust Fund**

**Sold Property Tax Receivable 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 and MZS have 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 non-operating 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 non-operating 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.

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**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, 2011, related to tax levies for fiscal year 2011 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, 2011, are recorded as deferred revenue at June 30, 2011.

**Interfund receivables and payables**

Activities 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 that constitute reimbursements of a fund for expenditures or expenses initially made from it that 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, 2011. 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 include

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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 \$8,269. 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, are 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.

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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 plans. 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 plans 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 - Net Assets**

Fund equity is generally the difference between assets and liabilities. Government-wide and proprietary fund statements report fund equity as net assets. Fund equity for governmental fund statements are reported as fund balance (see Note IV (I)).

Government-wide and proprietary funds' net assets are classified into three components. "Invested in capital assets, net of related debt" consists of capital assets net of accumulated depreciation and reduced by outstanding debt used to finance purchase or construction of those assets. "Restricted" net assets are noncapital net assets that must be used for a particular purpose as specified creditors, grantors, or contributors external to the City. "Unrestricted" net assets are remaining net assets that do not meet the definition of the other two categories.

The City of Memphis implemented Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* during fiscal year 2011. The statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds.

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The Statement provides that fund balance be reported and classified in the following manner based on the relative strength of the constraints that control how specific amounts can be spent:

**Non-spendable Fund balance** includes amounts that cannot be spent because they are either (a) not in spendable form (e.g. inventories, prepaids) or (b) legally or contractually required to remain intact (e.g. endowments).

**Restricted Fund balance** includes amounts constrained for a specific purpose by external parties, constitutional provision, or enabling legislation. (e.g. State and Federal Grant Funds). Effectively, restrictions may only be changed or lifted with the consent of the resource provider.

**Committed Fund balance** includes amounts formally constrained for a specific purpose by a government using its highest level of decision making authority. The commitment of these funds can only be changed by the government taking the same formal action that imposed the constraint originally.

**Assigned Fund balance** includes amounts a government intends to use for a particular purpose. Intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority. With the exception of the General Fund, this is the residual fund balance of the classification of all government funds with positive balances.

**Unassigned Fund balance** represents general fund amounts not classified elsewhere.

City Council, the City's highest level of decision making authority, passed a resolution establishing fund balance policies as required by GASB 54. The policies stipulate that (1) when it is appropriate for fund balance to be assigned, the authority to do so has been delegated to the Director of Finance upon approval of the Mayor, (2) in circumstances where an expenditure is to be made for a purpose for which amounts are available in multiple fund balance classifications, the order in which resources will be expended is as follow: restricted fund balance, followed by committed fund balance, assigned fund balance, and lastly, unassigned fund balance and (3) the city shall strive to maintain a yearly fund balance in the general operating fund in which the unassigned fund balance is ten (10) percent of the total operating expenditures.

**Reclassification of Funds and Restatement of Fund Balance/Net Assets**

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

MLGW Electric Division

Net assets at December 31, 2009	\$ 1,044,186
GASB Statement No. 51, accumulated depreciation on intangible assets	<u>10,245</u>
Restated net assets at December 31, 2009	<u>\$ 1,054,431</u>

MLGW Water Division

Net assets at December 31, 2009	\$ 283,350
Adjustment to employee benefit accruals	<u>(1,669)</u>
Restated net assets at December 31, 2009	<u>\$ 281,681</u>

Sewer Collection and Treatment

Net assets at June 30, 2010	\$ 199,278
Reduction of prior period expense	65
Recognition of prior period revenue	<u>611</u>
Restated net assets at June 30, 2010	<u>\$ 199,954</u>

Storm Water Fund

Net assets at June 30, 2010	\$ 32,958
Reduction of prior period expense	<u>129</u>
Restated net assets at June 30, 2010	<u>\$ 33,087</u>

Health Insurance Fund

Net assets (deficit) at June 30, 2010	\$ (6,384)
Recognition of prior period expense	<u>(9)</u>
Restated net assets (deficit) at June 30, 2010	<u>\$ (6,393)</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 \$1,479,544 difference are as follows:

Bonds payable	\$ 1,179,469
Bond anticipation notes payable	75,400
Accreted Interest	1,999
Unamortized loan costs	36,976
Capital lease obligations	5,182
Accrued interest payable	16,059
Claims and judgments liability	74,529
Compensated absences	<u>89,930</u>
Net adjustment to reduce-fund balance-total governmental funds to arrive at net assets-governmental activities	<u>\$ 1,479,544</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 \$24,464 difference are as follows:

Capital outlay	\$ 100,550
Depreciation expense	<u>(76,086)</u>
Net adjustment to increase net changes in fund balances-total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ 24,464</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 (\$50,253) difference are as follows:

Debt issued or incurred:	
Issuance of general obligation bonds	\$ (86,190)
Capital lease	(2,250)

**NOTES TO FINANCIAL STATEMENTS**  
**(Thousands of Dollars)**  
**For the fiscal year ended June 30, 2011**

**CITY OF MEMPHIS, TENNESSEE**  
**(Continued)**

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Bond issue costs	1,012
Capital lease payment	1,907
Premium on bond issue	(6,803)
Principal repayments:	
General obligation debt	22,404
Payment to escrow agent for refunding	27,108
Amortization of premium on general obligation bonds	5,092
Accrued interest payable	(5,834)
Vacation, sick, and other leave benefits	<u>(6,699)</u>

Net adjustment to decrease net changes in fund balances-  
total governmental funds to arrive at changes in net assets  
of governmental activities \$ (50,253)

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 (\$118,222) difference are as follows:

Liability Changes:

Claims and judgments liability	(1,319)
City Net Pension Obligation	(59,751)
Library Net Pension Asset	(1,139)
Other Post Employment Benefit Obligation	<u>(56,013)</u>

Net adjustment to decrease net changes in fund  
balances - total governmental funds to arrive at  
changes in net assets of governmental activities \$(118,222)

**III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

**A. Budgetary information**

The City Council annually approves the budget ordinance for the General, Enterprise Funds, Internal Service Funds, Debt Service, and Special Revenue Funds (except Community Service Fund, Central Business Improvement District Fund, Midtown Corridor Fund, and Education Fund) 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, Materials 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

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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 re-appropriated 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, 2011, 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 2011.

#### **C. Deficit fund equity**

The New Memphis Arena Special Revenue Fund has a deficit fund balance of \$5,086 as of June 30, 2011. 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 Healthcare 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 5 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.

The Unemployment Compensation Internal Service Fund deficit fund balance of \$1,693 as of June 30, 2011, decreased by \$105 from prior year. The Health Insurance Fund's prior year deficit fund balance was reduced from \$6,393 to \$3,039 as a result of a premium increase. Reduced unemployment costs and healthcare administration costs are expected to eliminate the deficits over time. The Fleet Management Internal Service Fund deficit fund balance of \$9,058 increased from prior year by \$2,038. Management is continuing a review of these funds' operations and charges to ensure the funds' cost and charge structure are in alignment. As a result, a strategy will be developed to eliminate the current fund deficits over time.

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## **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 are 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 earned \$274 during the year ended June 30, 2011, which was applied to a collateral insufficiency liability. On June 30, 2011, the market value of the securities transferred was \$94,403 and the market value of the securities the City was holding was \$97,527. 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 direct 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, 2011, the government's investments in general obligation bonds were rated Aa2 by Moody's Investor Service, AA by S & P, and AA- 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.

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

At June 30, 2011 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, 2011, were as follows:

<b>Description</b>	<b>Carrying Amount</b>	<b>Bank Balance</b>
Cash deposits	\$ <u>(6,048)</u>	<u>7,859</u>

The investments held by the pool consist of the following at June 30, 2011:

<b>Description</b>	<b>Maturity Dates</b>	<b>Interest Rates</b>	<b>Fair Value</b>	<b>Duration</b>
U.S. Government agencies	Jul 2011-Sept 2014	.49-6.79	\$ 102,958	.12-.36
Commercial paper	Jul 2011		17,967	.01-.18
Certificate of Deposit	Aug 2011-Dec 2011	.75-1.20	5,000	.12
U.S. Treasury Obligations	Jun 2012-Apr 2015	.375-4.00	13,676	.24-.36
Corporate and foreign bonds	Dec 2011-Jun 2015	1.25-3.00	<u>3,788</u>	.24-.48
Total			143,389	
Investments not subject to Categorization - Money market funds			<u>209</u>	
Total investments			<u>\$ 143,598</u>	

The Pool does not issue separate financial statements. Condensed financial information as of June 30, 2011 is as follows (dollar amounts and share amounts are the same):

Condensed Statement of Net Assets	
Investments	\$ 143,598
Bank overdraft	<u>(6,048)</u>
Net assets	<u>\$ 137,550</u>

Net assets held in trust for pool participants:

Internal participants	<u>137,550</u>
Total net assets held in trust for pool participants	<u>\$ 137,550</u>

Condensed Statement of Changes in Net Assets

Additions:	
Investment income	\$ 761
Purchase of units	<u>2,229,332</u>
Total Additions	2,230,093
Deduction:	
Redemption of units	<u>2,188,643</u>

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Net decrease	41,450
Net assets held in trust for pool participants:	
Beginning of Year	<u>96,100</u>
End of Year	<u>\$ 137,550</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, 2011, the City's investments in general obligation bonds were rated Aa2 by Moody's Investor Service, AA by Standard & Poor's, and AA- 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, 2011, were as follows:



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**CITY OF MEMPHIS, TENNESSEE**  
**(Continued)**

<b>Description</b>	<b><u>Carrying Amount</u></b>	<b><u>Bank Balance</u></b>
Cash deposits	\$ 19,388	<u>\$ 9,636</u>
Cash on hand	<u>415</u>	
Total Deposits and cash on hand	<u>\$ 19,803</u>	

The investments held by the primary government outside the Pool consist of the following at June 30, 2011:

<b>Description</b>	<b><u>Fair Value</u></b>
Short-term investments	\$244,232
U.S. Government securities	167,156
Corporate bonds – domestic	15,983
Asset-backed pool securities	<u>28,785</u>
Total	456,156
Investments not subject to categorization:	
State of Tennessee LGIP	5,306
Purchased interest	<u>5</u>
Total	<u>5,311</u>
Total Investments	<u>\$ 461,467</u>

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

Pool deposits	\$ (6,048)
Pool investments	143,598
Other deposits and cash on hand	19,803
Other investments	<u>461,467</u>
Total	618,820
Equity in cash and investment pool – Port Commission	(932)
Equity in cash and investment pool – Sold Tax receivable agency fund	(2,262)
Equity in cash and investment pool – City OPEB Trust	<u>(14,042)</u>
Total	<u>\$ 601,584</u>
Cash and cash equivalents	\$ 174,946
Investments	223,976
Equity in cash and investment pool	120,314
Restricted special fund-customer deposits	39,956
Restricted investments	<u>42,392</u>
Total	<u>\$ 601,584</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, 2011, were as follows:

<b>Description</b>	<b>Carrying Amount</b>	<b>Bank Balance</b>
Cash deposits	\$ 22,719	<u>\$41,061</u>
State of Tennessee local government investment pool	<u>152,727</u>	
Total Deposits	<u>\$175,446</u>	

**BOE Investments** - Investments by type at June 30, 2011, were as follows:

<b>Description</b>	<b>Fair Value</b>
Government backed securities	\$ 13,459
Short-term investments	<u>16,662</u>
Total Investments	<u>\$ 30,120</u>

**MATA Deposits** - Deposits by type at June 30, 2011, were as follows:

<b>Description</b>	<b>Carrying Amount</b>	<b>Bank Balance</b>
Cash deposits	\$ 4,361	<u>\$ 4,475</u>
Cash on hand	<u>1</u>	
Total Deposits and cash on hand	<u>\$ 4,362</u>	

**MATA Investments** - Investments by type at June 30, 2011, were as follows:

<b>Description</b>	<b>Fair Value</b>
Federal Home Loan Mortgage Debt security	<u>\$ 500</u>
Total Investments	<u>\$ 500</u>

**MSCAA Deposits** - Deposits by type at June 30, 2011, were as follows:

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

<b>Description</b>	<b><u>Carrying Amount</u></b>
Cash deposits	\$ 20,429
Cash on hand	<u>14</u>
Total Deposits, cash equivalents and cash on hand	<u>\$ 20,443</u>

**MSCAA Investments** - Investments by type at June 30, 2011, were as follows:

<b>Description</b>	<b><u>Fair Value</u></b>
U.S. Government agencies	\$ 185,950
Investments not subject to categorization:	
Mutual Funds	951
Forward Purchase Agreement	<u>24,513</u>
Total Investments	<u>\$ 211,414</u>

**MZS Deposits** – Deposits by type at June 30, 2011 were as follows:

<b>Description</b>	<b><u>Carrying Amount</u></b>
Cash deposits	\$5,153
Cash on hand	<u>-</u>
Total deposits	<u>\$5,153</u>

**MZS Investments** – Investments by type at June 30, 2011, were as follows:

<b>Description</b>	<b>Fair Value</b>
Money market mutual funds	\$ 2,410
CFGM funds	4,149
Common stocks	<u>20</u>
Total Investments	<u>\$6,579</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	\$ 205,404
Total component unit investments	<u>248,613</u>
Total	<u>\$ 454,017</u>
Cash and cash equivalents	\$ 200,572
Investments	46,970
Restricted cash and cash equivalents	4,832
Restricted Investments	132,056
Non current restricted investment	<u>69,587</u>
Total	<u>\$ 454,017</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.

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**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, 2011, are as follows:

Current to one year	\$	32,465
One to two years		62,342
Two to three years		51,602
Three to four years		38,007
Four to five years		41,554
Five or more years		465,589
		<hr/>
		691,559
Funds with indeterminable maturities		1,388
		<hr/>
	\$	<hr/> <hr/> 692,947

**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.

The City Plan's exposure to credit risk at June 30, 2011, is presented below by investment category as rated by Standard and Poor's rating service.

<u>Type of Investment</u>	<u>Percentage of Fair Value</u>	<u>Ratings</u>	<u>Fixed Income</u>
Government bonds	\$24,478	AAA	3.53%
	14,284	AA+	2.06%
	6,799	BBB	0.98%
	4,755	NR	0.69%
Non-government-backed CMOs	6,112	AAA	0.88%
	211	AA	0.03%
	146	A+	0.02%
	237	NR	0.03%
Asset-backed securities	107	AAA	0.02%
Corporate bonds and index funds	110,047	AAA	15.88%
	14,413	AA+	2.08%
	13,973	AA	2.02%
	14,481	AA-	2.09%
	14,546	A+	2.10%
	35,003	A	5.05%
	37,845	A-	5.46%
	16,746	BBB+	2.42%
	16,972	BBB	2.45%
	15,595	BBB-	2.25%
	14,607	BB+	2.11%
	31,493	BB	4.54%
	31,623	BB-	4.56%
	28,088	B+	4.05%
	34,272	B	4.95%
	22,669	B-	3.27%
	9,256	CCC+	1.34%
	1,357	CCC	0.20%
	54	CC	0.01%
	65,228	NR	9.41%
Government mortgage-backed securities	106,124	AAA	15.32%
	1,411	BBB+	0.20%
	<u>15</u>	NR	<u>0.00%</u>
Total Fixed Income	<u>\$692,947</u>		<u>100%</u>

**Foreign currency risk**

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

The City Plan's exposure to foreign currency risk – in U.S. Dollars – as of June 30, 2011, is as follows:

<u>Currency</u>	<u>Equities</u>	<u>Corporate Bonds</u>	<u>Total</u>
Arab Emirate Dirham (Dubai)	\$ -	\$ 385	\$ 385
Australian dollar	12,023	1,809	13,832
Barbadian dollar	-	114	114
Bermudian dollar	-	1,500	1,500
Brazilian real	-	4,337	4,337
British pound sterling	111,222	16,350	127,572
Canadian dollar	10,014	18,463	28,477
Cayman Islands dollar	-	1,906	1,906
Chinese yuan (renminbi)	-	315	315
Danish krone	1,166	3,872	5,038
Euro	22,201	16,361	38,562
Hong Kong dollar	1,493	-	1,493
Indian rupee	-	499	499
Israeli shekel	1,480	56	1,536
Japanese yen	16,457	3	16,460
Mexican peso	-	1,962	1,962
Norwegian krone	2,375	-	2,375
Qatari riyal	-	1,267	1,267
Russian ruble	-	1,229	1,229
Singapore dollar	826	309	1,135
South Korean won	-	616	616
Swedish krona	4,346	-	4,346
Swiss franc	4,821	5,105	9,926
Total securities subject to foreign credit risk	\$ 188,424	\$ 76,458	\$ 264,882
International portfolio in U.S dollars	252,777	-	252,777
	<u>\$ 441,201</u>	<u>\$ 76,458</u>	<u>\$ 517,659</u>

**City OPEB Trust-Deposits and Investments**

City OPEB Trust Investments at June 30, 2011, were as follows:

<u>Description</u>	<u>Fair Value</u>
Mutual Funds	\$12,512

**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:

	<b>General</b>	<b>Debt Service</b>	<b>Sewer Collection and Treatment</b>	<b>Memphis Light, Gas and Water</b>	<b>Nonmajor and Other Funds</b>	<b>Total</b>
<b>Receivables:</b>						
Property taxes	\$ 330,690	97,104	-	-	10,704	438,498
Sales and income taxes	37,574	-	-	-	-	37,574
Federal and state grants	2,592	-	-	-	48,600	51,192
Interest and dividends on investments	36	5	52	-	824	917
Notes and accounts receivable	-	-	10,296	189,554	-	199,850
Housing and rehabilitation loans	-	-	-	-	82,896	82,896
Other	180,736	-	-	-	10,519	191,255
Gross receivables	551,628	97,109	10,348	189,554	153,543	1,002,182
Less allowance for uncollectibles	(150,225)	(3,442)	(112)	(9,992)	(18,466)	(182,237)
<b>Net total receivables</b>	<b>\$ 401,403</b>	<b>93,667</b>	<b>10,236</b>	<b>179,562</b>	<b>135,077</b>	<b>819,945</b>

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, 2011, 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 2011 levy was based was approximately \$11.8 billion. The market value was approximately \$38.1 billion making the overall assessed value 31.04 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, 2011, were 92.38 percent of the tax levy.



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**CITY OF MEMPHIS, TENNESSEE**  
**(Continued)**

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At June 30, 2011 the allowance for uncollectibles by fund was as follows:

General Fund	\$ 10,569
Education Special Revenue Fund	1,774
Debt Service Fund	3,443
Capital Projects Fund	<u>15</u>
Total	<u>\$ 15,801</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, 2011, as follows:

General Fund	\$2.2917
Education Special Revenue Fund	.1868
Debt Service Fund	.7141
Capital Projects Fund	<u>.0031</u>
Total	<u>\$3.1957</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 a portion of the MLGW electric payments to Shelby County. The amount was calculated based on City Council resolutions and City Charter provisions governing the PILOT sharing arrangement with Shelby County.

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**CITY OF MEMPHIS, TENNESSEE**  
**(Continued)**

**D. Capital assets**

Capital asset activity for the year ended June 30, 2011, was as follows:

**Primary Government**

	<b>Beginning Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Transfers</b>	<b>Ending Balance</b>
<b>Governmental Activities:</b>					
Capital assets not being depreciated:					
Land	\$ 62,344	\$ -	\$ -	\$ -	\$ 62,344
Construction in progress	184,211	65,751	(10,333)	-	239,629
Total capital assets not being depreciated	<u>246,555</u>	<u>65,751</u>	<u>(10,333)</u>	<u>-</u>	<u>301,973</u>
Capital assets being depreciated:					
Buildings	534,087	135	-	-	534,222
Improvements other than buildings	774,584	9,038	-	-	783,622
Machinery and equipment	351,049	2,049	-	-	353,098
Total capital assets being depreciated	<u>1,659,720</u>	<u>11,222</u>	<u>-</u>	<u>-</u>	<u>1,670,942</u>
Less accumulated depreciation for:					
Buildings	(214,646)	(12,573)	-	-	(227,219)
Improvements other than buildings	(213,615)	(19,565)	-	-	(233,180)
Machinery and equipment	(323,260)	(10,184)	-	-	(333,444)
Total accumulated depreciation	<u>(751,521)</u>	<u>(42,322)</u>	<u>-</u>	<u>-</u>	<u>(793,843)</u>
Total capital assets being depreciated, net	<u>908,199</u>	<u>(31,100)</u>	<u>-</u>	<u>-</u>	<u>877,099</u>
Governmental activities capital assets, net	<u>\$ 1,154,754</u>	<u>\$ 34,651</u>	<u>\$ (10,333)</u>	<u>\$ -</u>	<u>\$ 1,179,072</u>
<b>Business-type Activities:</b>					
Capital assets not being depreciated:					
Land	\$ 13,726	\$ 3	\$ (75)	\$ -	\$ 13,654
Construction in progress	43,863	16,801	(8,119)	-	52,545
Memphis Light, Gas and Water assets	137,699	93,571	(90,494)	-	140,776
Total capital assets not being depreciated	<u>195,288</u>	<u>110,375</u>	<u>(98,688)</u>	<u>-</u>	<u>206,975</u>
Capital assets being depreciated:					
Buildings	106,090	-	-	-	106,090
Improvements other than buildings	533,083	6,810	(1,843)	-	538,050
Machinery and equipment	31,781	5,862	-	-	37,643
Memphis Light, Gas and Water assets	2,286,052	90,136	(21,091)	-	2,355,097
Total capital assets being depreciated	<u>2,957,006</u>	<u>102,808</u>	<u>(22,934)</u>	<u>-</u>	<u>3,036,880</u>
Less accumulated depreciation for:					
Buildings	(77,411)	(2,388)	-	-	(79,799)
Improvements other than buildings	(252,230)	(10,309)	124	-	(262,415)
Machinery and equipment	(24,945)	(1,950)	-	-	(26,895)
Memphis Light, Gas and Water depreciation	(965,538)	(73,914)	26,996	-	(1,012,456)
Total accumulated depreciation	<u>(1,320,124)</u>	<u>(88,561)</u>	<u>27,120</u>	<u>-</u>	<u>(1,381,565)</u>
Total capital assets being depreciated, net	<u>1,636,882</u>	<u>14,247</u>	<u>4,186</u>	<u>-</u>	<u>1,655,315</u>
Business-type activities capital assets, net	<u>\$ 1,832,170</u>	<u>\$ 124,622</u>	<u>\$ (94,502)</u>	<u>\$ -</u>	<u>\$ 1,862,290</u>

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

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:	
Executive	\$ 155
Finance	3,820
General services	837
Information services	1,277
Fire services	2,819
Police services	6,477
Park services	7,565
Public services	4,957
Housing and Community Development	323
Public works	13,380
Engineering	530
Community enhancement	35
City Court Clerk	1
Capital assets held by the government's internal service funds that are charged to the various functions based on their usage of the assets	<u>146</u>
 Total depreciation expense - Governmental activities	 <u>\$ 42,322</u>
 Business-type activities:	
Sewer	\$ 13,115
Storm Water	1,532
Memphis Light, Gas and Water	<u>73,914</u>
Total depreciation expense - Business-type activities	<u>\$ 88,561</u>

	<b>MLGW Electric Division</b>	<b>MLGW Gas Division</b>	<b>MLGW Water Division</b>	<b>Total</b>
Statement of Revenues, Expenses and Changes in Net Assets:				
Depreciation expense	\$ 42,100	\$ 12,266	\$ 11,079	\$ 65,445
Transportation costs	373	2,513	351	3,237
Salvage returns	1,843	238	101	2,182
Retirements	(2,057)	(237)	(98)	(2,392)
Statement of Cash Flows, Depreciation Expense:	<u>\$ 42,259</u>	<u>\$ 14,780</u>	<u>\$ 11,433</u>	<u>\$ 68,472</u>
Retirements	2,057	237	98	2,392
Salvage	1,783	235	68	2,086
Transfer	-	-	-	-
Shelby County Board of Public Utilities				
Acquisition - annual amortization	-	-	964	964
	<u>\$ 46,099</u>	<u>\$ 15,252</u>	<u>\$ 12,563</u>	<u>\$ 73,914</u>

The reported MLGW numbers show a small difference between depreciation expense in the Statement of Revenues, Expenses and Changes in Fund Net Assets / Proprietary Funds and the depreciation expense noted in the Statement of Cash Flows - 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 and Changes in Fund Net Assets / assets, the cost of removal and the proceeds from salvage are to be charged against the accumulated depreciation accounts when they are incurred. As a result, gains or losses generally are not recorded in the retirement of the utility's assets.

**Construction Commitments**

The government had active construction projects as of June 30, 2011. At year-end the government's commitments with contractors were as follows:

<u>Function/Activity</u>	<u>Commitment</u>
Executive	\$ 7,784
Fire services	2,164
Police services	2,460
Park services	9,134
Public works	21,157
Port Commission	87
Public services	2,687
General services	4,973
Housing and Community Development	31,033
Engineering	11,964
Information systems	5,245
Library services	17
Sewer	20,948
Community Enhancement	1,280
	<u>\$ 120,933</u>

**Discretely Presented Component Units**

Activity for the Board of Education for the year ended June 30, 2011, was as follows:

	<u>Beginning</u>		<u>Increases</u>		<u>Decreases</u>		<u>Transfers</u>		<u>Ending</u>
	<u>Balance</u>								<u>Balance</u>
Capital assets not being depreciated:									
Land	\$ 34,700	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 34,700	
Construction in progress	84,563	58,102	-	(78,663)				64,002	
Total capital assets not being depreciated	<u>119,263</u>	<u>58,102</u>		<u>(78,663)</u>				<u>98,702</u>	
Capital assets being depreciated:									
Buildings and improvements	1,250,979	-	(22,429)	78,663				1,307,213	
Equipment and furniture	161,563	19,446	(7,503)	-				173,506	
Total capital assets being depreciated	<u>1,412,542</u>	<u>19,446</u>	<u>(29,932)</u>	<u>78,663</u>				<u>1,480,719</u>	
Less accumulated depreciation for:									
Buildings and improvements	(448,148)	(36,858)	18,476	-				(466,530)	
Equipment and furniture	(106,867)	(16,816)	7,138	-				(116,545)	
Total accumulated depreciation	<u>(555,015)</u>	<u>(53,674)</u>	<u>25,614</u>	<u>-</u>				<u>(583,075)</u>	
Total capital assets being depreciated, net	<u>857,527</u>	<u>(34,228)</u>	<u>(4,318)</u>	<u>78,663</u>				<u>897,644</u>	
Capital assets, net	<u>\$ 976,790</u>	<u>\$ 23,874</u>	<u>\$ (4,318)</u>	<u>\$ -</u>				<u>\$ 996,346</u>	

Activity for the Memphis Area Transit Authority for the year ended June 30, 2011, was as follows:

	<b>Beginning Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance</b>
Capital assets not being depreciated:				
Land	\$ 2,731	\$ -	\$ -	\$ 2,731
Construction in progress	7,546	14,606	(98)	22,054
Total capital assets not being depreciated	<u>10,277</u>	<u>14,606</u>	<u>(98)</u>	<u>24,785</u>
Capital assets being depreciated:				
Buildings and improvements	152,433	318	-	152,751
Buses and other revenue vehicles	77,256	9,855	(5,172)	81,939
Machinery and equipment	20,949	534	(15)	21,468
Total capital assets being depreciated	<u>250,638</u>	<u>10,707</u>	<u>(5,187)</u>	<u>256,158</u>
Less accumulated depreciation for:				
Buildings and improvements	(56,081)	(4,841)	-	(60,922)
Buses and other revenue vehicles	(51,491)	(4,876)	4,841	(51,526)
Machinery and equipment	(16,358)	(1,080)	113	(17,325)
Total accumulated depreciation	<u>(123,930)</u>	<u>(10,797)</u>	<u>4,954</u>	<u>(129,773)</u>
Total capital assets being depreciated, net	<u>126,708</u>	<u>(90)</u>	<u>(233)</u>	<u>126,385</u>
Capital assets, net	<u>\$ 136,985</u>	<u>\$ 14,516</u>	<u>\$ (331)</u>	<u>\$ 151,170</u>

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**CITY OF MEMPHIS, TENNESSEE**  
**(Continued)**

Activity for the Memphis-Shelby County Airport Authority for the year ended June 30, 2011, was as follows:

	<b>Beginning Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance</b>
Capital assets not being depreciated:				
Land	\$ 162,150	\$ (1,378)	\$ -	\$ 160,772
Avigation easements	42,324	1,379	-	43,703
Construction in progress	30,246	69,294	(20,772)	78,768
Total capital assets not being depreciated	<u>234,720</u>	<u>69,295</u>	<u>(20,772)</u>	<u>283,243</u>
Capital assets being depreciated:				
Runways, taxiways, aprons and airfield lighting	693,600	11,347	(10,887)	694,060
Buildings	345,586	1,868	-	347,454
Facilities constructed for tenants	104,077	-	-	104,077
Roads, bridges and fences	59,782	447	-	60,229
Equipment and utility systems	88,270	7,564	(1,373)	94,461
Total capital assets being depreciated	<u>1,291,315</u>	<u>21,226</u>	<u>(12,260)</u>	<u>1,300,281</u>
Less accumulated depreciation for:				
Runways, taxiways, aprons and airfield lighting	(275,158)	(31,080)	8,146	(298,092)
Buildings	(208,716)	(14,293)	-	(223,009)
Facilities constructed for tenants	(31,060)	(2,800)	-	(33,860)
Roads, bridges and fences	(21,736)	(3,110)	-	(24,846)
Equipment and utility systems	(65,425)	(5,071)	1,332	(69,164)
Total accumulated depreciation	<u>(602,095)</u>	<u>(56,354)</u>	<u>9,478</u>	<u>(648,971)</u>
Total capital assets being depreciated, net	<u>689,220</u>	<u>(35,128)</u>	<u>(2,782)</u>	<u>651,310</u>
Capital assets, net	<u>\$ 923,940</u>	<u>\$ 34,167</u>	<u>\$ (23,554)</u>	<u>\$ 934,553</u>

NOTES TO FINANCIAL STATEMENTS  
(Thousands of Dollars)  
For the fiscal year ended June 30, 2011

CITY OF MEMPHIS, TENNESSEE  
(Continued)

**E. Interfund receivables, payables, and transfers.**

	Transfers in:									Totals
	General Fund	Debt Service	Miscellaneous Grants	Hotel/Motel Tax	New Memphis Arena	Community Redevelopment	Education Fund	Total Nonmajor Special Revenue	OPEB Trust Fund	
Transfers out:										
General fund	\$ -	3,253	284	-	-	3,185	60,000	63,469	-	66,722
Debt service	45,000	-	-	-	-	-	-	-	-	45,000
Nonmajor special revenue:										
State Street Aid	-	1,768	-	-	-	-	-	-	-	1,768
Miscellaneous grants	-	192	-	-	-	-	-	-	-	192
Solid waste	-	1,662	-	-	-	-	-	-	-	1,662
Hotel/Motel tax	-	1,333	-	-	966	-	-	966	-	2,299
New Memphis arena	-	1,404	-	966	-	-	-	966	-	2,370
Community services	358	-	-	-	-	-	-	-	-	358
Community Redevelopment	-	313	-	-	-	-	-	-	-	313
Total nonmajor special revenue	358	6,672	-	966	966	-	-	1,932	-	8,962
Enterprise fund:										
Sewer	5,969	-	-	-	-	-	-	-	-	5,969
Memphis light, gas and water	54,048	-	-	-	2,500	-	-	2,500	-	56,548
Storm water	-	4,412	-	-	-	-	-	-	-	4,412
Internal Service:										
Health insurance	-	-	-	-	-	-	-	-	3,393	3,393
	\$ 105,375	14,337	284	966	3,466	3,185	60,000	67,901	3,393	191,006



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

The composition of interfund balances as of June 30, 2011 is as follows:

Due to/from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
<b>GOVERNMENTAL FUND TYPES</b>		
<b>General</b>	Community Development	\$ 21,813
	State Street Aid	2,853
	Sewer	4,612
	Unemployment Compensation	1,605
	Fleet Management	1,827
		<u>32,710</u>
<b>Debt Service</b>	State Street Aid	295
	Capital Projects	6,377
	Storm Water	1,000
		<u>7,672</u>
<b>Special Revenue:</b>		
Drug Enforcement	Workforce Investment Act	121
Drug Enforcement	Miscellaneous Grants	1,003
Drug Enforcement	JOBS	1
		<u>1,125</u>
<b>PROPRIETARY FUND TYPES</b>		
<b>Internal Service:</b>		
Printing and Mail	Community Development	71
Health Insurance	New Memphis Arena	5,086
Fleet Management	Community Development	47
		<u>5,204</u>
<b>ENTERPRISE FUND TYPES</b>		
Sewer	Storm Water	8,915
Storm Water	Community Development	710
		<u>9,625</u>
<b>FIDUCIARY FUND TYPES</b>		
<b>Pension Trust:</b>		
City OPEB Trust	Library Retirement	290
City OPEB Trust	City Retirement	77
		<u>367</u>
Total		<u>\$ 56,703</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.

**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 lease agreements as a lessee for financing the acquisition of equipment for the Solid Waste and City Court Clerk Divisions. The lease agreements qualified as capital leases for accounting purposes and, therefore, were recorded at the present value of future minimum lease payments as of the inception dates.

The assets acquired through capital leases are as follows:

Assets:		
Equipment		\$ 9,760
Accumulated Depreciation		<u>(4,578)</u>
Total		<u>\$ 5,182</u>

The remaining debt service requirement for capital lease obligations for the City at June 30, 2011, is as follows:

<b>Fiscal Year</b>	
2012	2,144
2013	2,144
2014	483
2015	483
2016	241
Less Interest	<u>( 313)</u>
Present Value of Payments	<u>\$ 5,182</u>

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**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 June 2011, the City issued \$59,590 of General Improvement Bonds, Series 2011. 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.

In June 2011, the City issued \$26,600 of General Improvement Refunding Bonds, Series 2011 to refund \$26,600 in General Improvement Bonds, Series 2003 Ref. The net proceeds of \$27,369 (after the payment of \$129 in underwriter's discount and \$132 cost of issuance) were used to purchase U.S. Government, State, and Local Series Securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for future debt service payments on the above-mentioned bonds. As a result, this Series' bonds are considered defeased. The proceeds and extinguishment of debt as well as the issue costs paid by the City were recorded in the Debt Service Fund for the refunding issue.

**Commercial Paper Program**

The City issued \$75,400 in bond anticipation notes in May 2010. The issue resulted in net proceeds of \$79,618 (after the net issue premium of \$4,219, payment of \$242 in underwriter's discount, and \$192 cost of issuance). The purpose of the bond anticipation notes is to provide interim financing of various capital projects. The debt is classified as long-term debt and is reflected in the City's Statement of Net Assets. The proceeds and issue cost of these debt instruments were recorded in the City's Capital Projects Fund as other source and debt issue cost.

MLGW buys and stores natural gas during the off-season (summer) to use in the upcoming winter months. In July 2009, the Gas Division issued a revenue anticipation note in the amount of \$15,000 with a yield rate of 1.25% to provide funds for the purchase of gas and related storage. The note was repaid in full on March 31, 2010.

**Revenue Bonds**

During 2010, the Electric Division issued \$460,050 of Series 2010 bonds to advance refund a portion of the outstanding Electric System Subordinate Revenue Bonds, Series 2003A, and to pay certain costs of issuance of the Series 2010 Bonds. The refunding was undertaken to reduce total future debt service payments. The 2010 Series Bonds have a net present value benefit of \$16,541, with a cash savings of \$18,809 over the life of the bonds. The first principal payment is to be made December 1, 2014 and thereafter annually with a final maturity date of December 1, 2018. The Series 2010 Bonds bear interest at annual fixed rates ranging from 2.50% to 5.00%. The Series 2010 Bonds are not subject to optional redemption, but will be subject to extraordinary redemption prior to maturity.

In December 2010, the City issued \$16,450 in Sanitary Sewerage System Revenue Bonds, Series 2010B (Recovery Zone Economic Development bonds) to finance improvements, additions and extension to the Sanitary Sewerage System of the City. The issue resulted in net proceeds of \$16,208 (after the underwriter's discount of \$112 and issuance costs of \$130). The proceeds and the issue cost of these debt instruments were recorded in the City's

Sewer Collection and Treatment Fund. Interest on the Series 2010 Bonds is payable semiannually on each April 1 and October 1, commencing April 1, 2011. The interest rate varies from 1.148% to 4.137%.

In June 2011, the City issued \$15,165 of Sanitary Sewerage System Revenue Refunding Bonds, Series 2011 to refund a portion of certain Series 2002 of the Sanitary Sewerage System's outstanding Revenue Bonds. The aggregate difference in debt service between the refunding debt and the refunded debt was \$1,364. The issue resulted in net proceeds of \$16,327 (after the original issue premium of \$1,402, the underwriter's discount of \$103 and the issuance costs of \$137). The proceeds and issue cost of these debt instruments were recorded in the City's Sewer Collection and Treatment Fund.

**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, 2011, a total of approximately \$153,190 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, 2011:

	<b>General Obligation Bonds</b>	<b>Bond Anticipation Notes</b>	<b>Capital Lease Obligations</b>	<b>Revenue Bonds</b>	<b>Total</b>
Governmental Funds	\$ 1,218,444	75,400	5,182	-	1,299,026
Enterprise Funds	-	-	-	1,055,613	1,055,613
Total long-term debt	\$ 1,218,444	75,400	5,182	1,055,613	2,354,639

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

Long-term liability activity for the year ended June 30, 2011, was as follows:

	<b>Balance June 30, 2010</b>	<b>Additions</b>	<b>Reductions</b>	<b>Balance June 30, 2011</b>	<b>Due Within One Year</b>
<b>Governmental activities:</b>					
General obligation bonds payable	\$ 1,142,494	86,190	(49,215)	1,179,469	34,164
Premium on general obligation bonds	36,785	5,918	(5,727)	36,976	-
Bond anticipation notes payable	75,400	-	-	75,400	75,400
Capital lease agreements	4,628	2,250	(1,696)	5,182	1,973
Accreted value on bonds	1,999	-	-	1,999	-
Legal Claims and Judgments	73,210	1,319	-	74,529	-
Vacation, sick and other leave benefits	85,967	6,707	(373)	92,301	829
	<u>\$ 1,420,483</u>	<u>102,384</u>	<u>(57,011)</u>	<u>1,465,856</u>	<u>112,366</u>
<b>Business-type activities:</b>					
Revenue bonds	\$ 148,270	31,615	(24,345)	155,540	9,965
Net premium/discount on revenue bonds	304	1,162	(712)	754	-
MLGW revenue bonds	955,330	460,050	(565,450)	849,930	90,420
Premium on MLGW revenue bonds	49,937	69,740	(48,714)	70,963	-
Less deferred amounts:					
For issuance discounts and on refunding	(101)	(24,573)	3,100	(21,574)	-
MLGW notes payable	1,499	-	(1,499)	-	-
MLGW anticipation note payable	15,000	-	(15,000)	-	-
Vacation, sick and other leave benefits	4,508	120	(217)	4,411	380
	<u>\$ 1,174,747</u>	<u>538,114</u>	<u>(652,837)</u>	<u>1,060,024</u>	<u>100,765</u>

The accreted value of bonds represents accrued interest on the \$1,339 principal portion of compound interest bonds of the 1993A Refunding Bonds. The cumulative accreted interest of the 1993A Refunding Bonds is \$1,999 at June 30, 2011. The compounded accreted value (principal plus accreted interest) of this portion of the 1993A Refunding Bonds at maturity (August 1, 2011) is \$3,545.

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, 2011 follows:

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

Description	Interest Rates(%)	Original Issue	Balance Outstanding at Year End
General Obligation Debt:			
General City Government Serial Bonds (1)	2.00 - 6.15	\$ 2,071,951	\$ 1,181,468
Bond Anticipation Notes	4.00	75,400	75,400
Net Premium/(Discount) on General Obligation Debt			36,976
Capital Lease Obligations	3.75-4.32	9,760	5,182
Total General Obligation Debt		<u>\$ 2,157,111</u>	<u>1,299,026</u>
Revenue Bonds:			
Sanitary Sewerage System	2.00-6.30	\$ 222,435	155,540
Electric Division, MLG&W (2)	2.50-5.00	1,902,585	848,305
Water Division, MLG&W (2)	4.15-5.25	12,575	1,625
Net Premium/(Discount) on revenue bonds	4.15		71,717
Unamortized deferred amount on bond refundings			(21,574)
Bond Anticipation Notes:			
Gas Division, MLGW (2)	1.25	15,000	-
Total Revenue Bonds		<u>\$ 2,152,595</u>	<u>1,055,613</u>
Total			<u>\$ 2,354,639</u>

(1) Includes accreted value of \$1,999 as of June 30, 2011.

(2) All MLG&W bonds reflect amounts outstanding at December 31, 2010

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

Debt service requirements to maturity for general obligation and revenue bond long-term indebtedness at June 30, 2011 are as follows:

<b>Total Long-term Indebtedness</b>											
<b>Fiscal Year</b>	<b>General Obligation</b>				<b>Revenue</b>						
	<b>City</b>		<b>Capital Lease</b>		<b>Sewer System</b>		<b>MLG&amp;W(2)</b>				
	<b>Principal</b>	<b>Interest(1)</b>	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest(1)</b>	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2011							90,420	41,505	90,420	41,505	131,925
2012	109,564	61,205	1,973	171	9,965	6,836	96,815	37,071	218,317	105,283	323,600
2013	66,000	54,213	2,044	100	10,480	6,569	99,700	32,291	178,224	93,173	271,397
2014	76,290	50,904	456	27	10,895	6,143	102,765	27,431	190,406	84,505	274,911
2015	73,985	47,308	470	13	11,155	5,707	107,775	22,417	193,385	75,445	268,830
2016	83,190	43,665	239	2	10,940	5,254	112,935	17,151	207,304	66,072	273,376
2017	84,490	39,696	-	-	11,435	4,834	117,195	11,554	213,120	56,084	269,204
2018	88,505	35,685	-	-	11,305	4,331	122,325	5,777	222,135	45,793	267,928
2019	92,090	31,430	-	-	9,030	3,822	-	-	101,120	35,252	136,372
2020	89,550	27,147	-	-	10,010	3,404	-	-	99,560	30,551	130,111
2021	93,345	22,940	-	-	8,890	2,926	-	-	102,235	25,866	128,101
2022	92,285	18,561	-	-	9,305	2,475	-	-	101,590	21,036	122,626
2023	90,175	13,854	-	-	7,245	2,056	-	-	97,420	15,910	113,330
2024	68,120	10,006	-	-	7,575	1,681	-	-	75,695	11,687	87,382
2025	25,185	7,541	-	-	7,910	1,289	-	-	33,095	8,830	41,925
2026	18,965	6,324	-	-	5,900	938	-	-	24,865	7,262	32,127
2027	12,085	5,527	-	-	3,655	687	-	-	15,740	6,214	21,954
2028	12,575	4,862	-	-	3,805	480	-	-	16,380	5,342	21,722
2029	13,090	4,151	-	-	2,430	298	-	-	15,520	4,449	19,969
2030	13,640	3,403	-	-	2,525	144	-	-	16,165	3,547	19,712
2031	8,815	2,616	-	-	1,085	33	-	-	9,900	2,649	12,549
2032	9,180	2,151	-	-	-	-	-	-	9,180	2,151	11,331
2033	9,555	1,660	-	-	-	-	-	-	9,555	1,660	11,215
2034	9,620	1,154	-	-	-	-	-	-	9,620	1,154	10,774
2035	10,015	612	-	-	-	-	-	-	10,015	612	10,627
2036	4,555	226	-	-	-	-	-	-	4,555	226	4,781
<b>TOTAL</b>	<b>\$ 1,254,869</b>	<b>496,841</b>	<b>5,182</b>	<b>313</b>	<b>155,540</b>	<b>59,907</b>	<b>849,930</b>	<b>195,197</b>	<b>2,265,521</b>	<b>752,258</b>	<b>3,017,779</b>

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

(2) At 12-31-10

**H. Restricted assets**

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

Futures margin deposits	\$ 1,329
Construction	1,100
Insurance reserves – injuries and damages	10,800
Insurance reserves – casualties and general	27,071
Medical benefit	7,484
Customer deposits	21,575
Bond reserve and debt service	<u>12,999</u>
Total	<u>\$82,348</u>

**I. Fund Balance by Purpose**

Following is more detailed information on the governmental fund balances.

	General	Debt Service	Non-major		Total Governmental Funds
			Capital Projects	Other Non-major	
Equity - Fund Balances:					
Restricted					
Parks Special Services	1,684	-	-	-	1,684
Solid Waste Management	-	-	-	4,963	4,963
Miscellaneous Grants	-	-	-	251	251
Drug Enforcement	-	-	-	7,877	7,877
Community Development	-	-	-	8	8
Committed					
Debt Service Requirements	-	17,201	-	-	17,201
Midtown Corridor	-	-	-	1,788	1,788
MLK Park Improvements	-	-	-	171	171
Community Redevelopment	-	-	-	3,867	3,867
Metro Alarms	-	-	-	1,971	1,971
Casino Gaming Commission	-	-	-	6	6
Capital Projects	-	-	47,182	-	47,182
Assigned					
Encumbrances	8,252	-	-	-	8,252
Unassigned	81,125	-	-	(5,086)	76,039
Total Fund Balances	<u>91,061</u>	<u>17,201</u>	<u>47,182</u>	<u>15,816</u>	<u>171,260</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 \$8,359 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, 2010 and 2011 are as follows:



	<b>On the Job Injury</b>					
	<b>Health</b>	<b>OPEB</b>	<b>Sewer Collection and Treatment Fund</b>	<b>Fleet Management Fund</b>	<b>Storm Water Fund</b>	<b>Governmental Funds</b>
Balance - June 30, 2009	\$ 7,194	5,106	46	58	30	4,002
Current year provision	58,765	43,998	90	59	2	3,147
Payments	(58,006)	(43,105)	(95)	(65)	(16)	(3,979)
Balance - June 30, 2010	7,953	5,999	41	52	16	3,170
Current year provision	61,075	41,215	499	126	149	9,535
Payments	(60,780)	(40,992)	(351)	(89)	(96)	(4,346)
Balance - June 30, 2011	\$ 8,248	6,222	189	89	69	8,359

The City received insurance recoveries during the year in compensation for damage during a 2010 storm to the zoo in the amount of \$123,201, the sign shop in the amount of \$400,000, the Art Academy in the amount of 69,789, and city hall in the amount of \$28,370. The City also received insurance recoveries during the year in compensation for damage to the WYPL Radio tower in the amount of \$75,833, damage to a helicopter in a crash for \$400,942, and damage to a swimming pool during a 2009 storm for \$119,671.

**B. Subsequent events**

In July 2011, the City entered into an interlocal agreement related to the financing of the Electrolux Home Products, Inc. Project. The project supports the development of a new appliance manufacturing and assembly facility, warehouse and distribution facility, and regional headquarters facility in Frank Pidgeon Industrial Park. The agreement executed by the City of Memphis, Shelby County and the Memphis and Shelby County Port Commission provided consent by the City and County to allow the Port Commission to issue revenue debt on behalf of the County and City. In the event the Port Commission lacks sufficient funds to pay such debt, the debt will be payable from the County's and City's legally available non-ad valorem revenues. The outstanding debt shall not be joint, but will be apportioned 50% to the City and 50% to the County. In September 2011, the Port Commission issued \$40,795 of Development Revenue Bonds in accordance with the provisions of the agreement. The State of Tennessee provided \$92,000 towards the project.

In September 2011, the City entered into a loan agreement with the Memphis Center City Revenue Finance Corporation (MCCRF). In accordance with the agreement, the MCCRF issued \$40,540 of federally taxable senior revenue bonds, \$100,245 of tax exempt subordinate revenue bonds and \$56,150 of federally taxable subordinate revenue bonds in support of the Pyramid and Pinch District Redevelopment Project. The bonds are limited obligations of the MCCRF secured by an assignment and pledge of a Trust Estate, which consists primarily of the payments and prepayments required to be made by the City under and pursuant to the Loan Agreement and which are to be provided from the City's Memphis Cook Convention Center Tourism Development Zone (TDZ) revenues. The project supports the redevelopment of a public arena and related properties located in the center city area of the City. Upon completion, the project will be a retail tourism destination featuring a proposed 300,000 square foot "Bass Pro Shops Outdoor World" facility which will include retail space, exhibit/entertainment space, restaurant and hotel.

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In September 2011, as a part of the Pyramid and Pinch District Redevelopment Project mentioned above, the City purchased the County's share of the Memphis Cook Convention Center for \$75 million. The purchase agreement gave the City total control of the state sales tax revenue generated by the Memphis Cook Convention Center Tourism Development Zone (TDZ) revenues.

In December 2011, the City Council approved an ordinance to modify the pension benefits allowable under the City's Pension and Retirement Plan in an effort to protect the actuarial soundness and to ensure the long-term financial viability of the Plan. The Plan changes primarily impacted employees hired on or after July 1, 2012 and the employee contribution amounts for Fire and Police officers with less than 10 years of service as of June 30, 2012.

The City entered into agreements with a vendor to sell a portion the City's 2008 to 2010 delinquent property tax receivables in late June 2011 and a portion of the City's 2011 delinquent property tax receivables in November 2011. The total proceeds were \$14,467 and \$19,074 for the June 2011 and November 2011 sales, respectively.

### **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 \$19,468 is a reasonable measure of the ultimate settlement of these matters. However, the City's Statement of Net Assets reflects a total liability of \$74,529 which includes the \$19,468 plus \$55,061 related to an extraordinary lawsuit discussed in more detail below. The \$55,061 consisted of the \$57,461 referenced below offset by a mutually agreed upon reduction for a \$2,400 grant provided by the City.

The City was a party to a lawsuit with the Board of Education of the Memphis City Schools (BOE), in which the BOE sought to compel the City to provide funding in the amount of \$57,461 for BOE's 2008-09 school year. The BOE's claim for \$57,461 has been finally adjudicated by Tennessee Courts. The City filed a counterclaim in the lawsuit seeking to enforce agreements between the City and the BOE that allows the City to withhold from any funding to the BOE amounts loaned to the BOE for capital projects. The amount of the City's counter-claim exceeds \$57,461.

In addition, the City has also filed a counter-claim in a separate lawsuit between the BOE and the City to enforce a settlement agreement, which resolved BOE's claim for \$57,461 in exchange for the City's release of a portion of the amounts loaned to the BOE for capital projects. Neither of the City's counter-claims has been decided yet by the Chancery Court of Shelby County, Tennessee and if decided in the City's favor could reduce or eliminate the City's obligation to provide funds to BOE for the 2008-09 school year.

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.

Pursuant to an interlocal agreement by and among The Memphis and Shelby County Sports Authority, Inc. (the "Sports Authority"), Shelby County (the "County") and the City, in the event the revenues pledged to the support of certain senior lien bonds issued by the Sports Authority (the "Senior Lien Bonds") prove to be insufficient to

pay debt service on the Senior Lien Bonds in any bond year (ending on October 31), the City and the County, pursuant to the provisions of Section 7-67-116 of the Tennessee Code Annotated, have covenanted to timely appropriate from legally available non-ad valorem revenues, not later than October 31 of the fiscal year ending June 30 following the date of such deficit, sufficient moneys to replenish draws from the debt service reserve fund used to make scheduled debt service on the Senior Lien Bonds in the prior year.

As of June 30, 2011, the Senior Lien Bonds were outstanding in an aggregate principal amount of \$207,260,000. The obligation of the City and the County to replenish draws on the debt service reserve fund relating to the Senior Lien Bonds is apportioned on the following basis: 50% from the City, and 50% from the County but is not a joint obligation. The obligation to replenish the debt service reserve fund relating to the Senior Lien Bonds is not a general obligation of the City.

The City has commitments at June 30, 2011, for outstanding purchase orders and outstanding contracts reported as assigned fund balance for encumbrances in the General Fund of \$8,252. The City had additional commitments totaling \$120,933 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, 2011, the Convention Center reported the following derived from its audited financial statements:

Assets	\$10,211
Liabilities	1,585
Net assets	8,626
Operating revenues	3,734
Operating expenses	7,069
Other income	3,047
Change in net assets	\$ (288)

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

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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.

The Port commission shared in the proceeds of two general obligation bonds issued by the City. The bonds are direct obligations of the City which has pledged full faith and credit and taxing power to the punctual payment of principal and interest. The Port Commission is required to repay its proportionate share of principal and interest for each bond at the time such obligations become due. The interest rates for the two bonds range from 5.0% to 6.0%.

During the year, a joint resolution was passed to waive all existing debt owed by the Port Commission due to Shelby County and the City. As of June 30, 2011, the Port Commission has no outstanding debt to the City or Shelby County. The write off of the debt owed to the City resulted in a \$5,605,471 capital contribution.

As of and for its year ended June 30, 2011, the Port Commission reported the following derived from its audited financial statements:

Assets	\$27,008
Liabilities	899
Net assets	26,109
Operating revenues	2,735
Other expense	701
Operating expenses	1,724
Capital contribution	5,605
Change in net assets	\$ 5,915

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

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**Memphis and Shelby County Community Redevelopment Agency**

Memphis and Shelby County Community Redevelopment Agency (CRA) is a joint operation of the City and County and is managed by a seven member board. Three members are appointed by the City Mayor with approval by the City /Council and three members are appointed by the County Mayor with the approval of the County Commission. One member is jointly approved by the City and County. The CRA's purpose is to ameliorate the slum and blight conditions within the City of Memphis and unincorporated areas of Shelby County. Efforts thus far have been to utilize tax increment financing to redevelop the Uptown and Highland Row areas of Memphis. As of and for its year ended June 30, 2009 (its most recent financial statements), the CRA reported the following from its audited financial statements:

Assets	\$12,160
Liabilities	14,066
Net assets	(1,906)
Operating revenues	4,899
Operating expenses	598
Other expense	218
Change in net assets	\$ 4,083

Financial Statements for the CRA may be obtained from the City of Memphis Division of Planning and Development, 125 N. Main, suite 468, Memphis, TN 38103.

**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 of Memphis and Shelby County and approved by the Memphis City Council and the Shelby County Commission. The New Arena PBA was 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.

The New Arena PBA did not have any financial activity for the current fiscal year and only has ownership rights to the FedEx Forum as assets. The Tennessee Comptroller of the Treasury has granted an exemption from an annual audit. As such, no audited financial statements are presented.

**Sports Authority of Memphis and Shelby County Incorporated**

The Sports Authority of Memphis and Shelby County Incorporated (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. The Authority has issued bonds in connection with the financing of a multipurpose sports and

entertainment facility (FedEx Forum). The bonds are payable from city and county hotel/motel taxes, MLGW in lieu of tax payments, seat license fees, car rental taxes, and certain taxes generated by the Memphis Grizzlies.

**E. Other postemployment benefits**

The City accounts for other postemployment benefits in accordance with 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 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.

**ASSETS**

Investments, at fair value:

Mutual funds and money market funds	\$ 12,512
Total investments	<u>12,512</u>

Equity in cash and investment pool	14,042
Interest and dividend receivables	13
Due from other funds	<u>367</u>

<b>Total assets</b>	<u>26,934</u>
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**LIABILITIES**

Accounts payable and other	<u>10,197</u>
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<b>Total liabilities</b>	<u>10,197</u>
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**NET ASSETS**

Held in trust for OPEB	<u><u>\$ 16,737</u></u>
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**ADDITIONS**

Contributions:

Employer	\$	32,699
Plan members		12,673
Total contributions		<u>45,372</u>

Transfer from other fund		3,393
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Investment income:

Interest and dividend income		284
Net appreciation/(depreciation) in the fair value of investments		1,944
Total investment income		<u>2,228</u>

<b>Total Additions</b>		<u>50,993</u>
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**DEDUCTIONS**

Benefits		41,043
Administrative expenses		3,124
		<u>44,167</u>

<b>Total Deductions</b>		<u>44,167</u>
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<b>Net increase</b>		6,826
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Net assets - beginning of year		<u>9,911</u>
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<b>Net assets - end of year</b>	\$	<u><u>16,737</u></u>
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**City of Memphis Other Post Employment 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 percent is paid by the General Fund (with the remaining 30 percent paid by the retirees) and is recognized as an expenditure, which totaled \$29,159 for 2011. At June 30, 2011, the number of retirees eligible for health and medical benefits is 3,742. 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.

**Summary of Accounting Policies** – The financial statements of the OPEB plan are prepared using the accrual basis of accounting.

**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 \$66.30 to \$157.33 per month for retiree-only coverage and \$132.60 to \$312.02 per month for retiree and family coverage depending on the 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 2009, 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. The City’s receipt of Medicare Part D prescription drug subsidies is included in operating income.

**Funded Status and Funding Progress** – The funded status of the plan as of July 1, 2011, was as follows:

<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets (a)</b>	<b>Actuarial Accrued Liability (AAL) (b)</b>	<b>Unfunded/ (Overfunded) AAL (UAAL) (c) = (b) - (a)</b>	<b>Funded Ratio (a) / (b)</b>	<b>Covered Payroll (d)</b>	<b>UAAL as a Percentage of Covered Payroll * (c) / (d)</b>
7/1/2009	\$2,911	\$937,151	\$934,240	0.3%	\$315,682	295.9%
7/1/2010	\$2,566	\$1,167,930	\$1,165,364	0.2%	\$313,285	372.0%
7/1/2011	\$10,297	\$1,345,355	\$1,335,058	0.8%	\$337,200	395.9%

\* Covered payroll includes all active plan participants.

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 multi-year 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 the 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, 2010 actuarial valuation, the Entry Age Normal Actuarial Cost Method was used. The actuarial



assumptions included a 5.2 percent investment rate of return (net of administrative expenses) and an annual pre-Medicare health care cost trend rate of 9.47% percent initially, reduced by decrements to an ultimate rate of 4.5 percent in fiscal year 2027 and after. The actuarial annual post-Medicare health care cost trend rate is 9.86% and is to be reduced by decrements to an ultimate rate of 4.5% in fiscal year 2027 and after. All rates assume a 5.0 percent 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, 2011, was 30 years.

**Schedule of Employer Contributions** – The schedule of employer contributions for the four years ended June 30, 2011 is as follows:

<b>Year Ended June 30</b>	<b>Annual Required Contributions</b>	<b>Actual Contributions</b>	<b>Percentage Contributed</b>
2008	\$ 55,418	\$ 35,743 <sup>1</sup>	64.5%
2009	\$ 66,273	\$ 38,159 <sup>2</sup>	57.6%
2010	\$ 80,477	\$ 35,674 <sup>3</sup>	44.3%
2011	\$ 95,376	\$ 36,130 <sup>4</sup>	37.9%

<sup>1</sup> Includes a \$3,000 contribution in excess of the net employer benefit payments

<sup>2</sup> Includes a \$6,000 contribution in excess of the net employer benefit payments

<sup>3</sup> Includes a \$1,000 contribution in excess of the net employer benefit payments

<sup>4</sup> Includes a \$3,541 contribution in excess of the net employer benefit payments

**Annual OPEB Cost and Net OPEB Obligation** – For fiscal year 2011, the City contributed 37.3 percent or \$36,130 of its annual OPEB cost of \$96,870. The annual OPEB cost consisted of the following:

Annual Required Contribution (ARC)	\$ 95,376
Interest on beginning of year accrual	4,871
Amortization of beginning of year accrual	(3,210)
Interest on the amortization	(167)
Annual OPEB cost (AOC)	\$ 96,870
Contributions made	(36,130)
Change in net OPEB Obligation	60,740
Net OPEB Obligation – beginning of year	93,678
Net OPEB Obligation – end of year	<u>\$154,418</u>

Three-year trend information is as follows:

<b>Year Ended June 30</b>	<b>Annual OPEB Cost</b>	<b>Percentage of AOC Contributed</b>	<b>Net OPEB Obligation</b>
2009	\$66,614	57.3%	\$48,130
2010	81,222	43.9	93,678
2011	96,870	37.3	154,418

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**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 dependents. 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, prescription drugs, life insurance and accident/death and dismemberment (AD&D) to retirees. Eligible dependents are provided life insurance, health care and prescription drugs. Benefits are payable to a retiree and his/her spouse for their lifetime. Qualified dependents will continue to receive benefits as long as they are qualified under the MLGW Plan. Dental, dependent life insurance, cancer, accident and long-term care benefits are available but are 100 percent paid by the retiree.

Employees retired under the MLGW Retirement and 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 were eligible to retire at the time of death. Currently, 4,068 retirees and beneficiaries are receiving post-employment benefits.

**NOTES TO FINANCIAL STATEMENTS**  
**(Thousands of Dollars)**  
**For the fiscal year ended June 30, 2011**

**CITY OF MEMPHIS, TENNESSEE**  
**(Continued)**

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**ASSETS**

Cash and cash equivalents	\$	6,875
Investments, at fair value:		
Common stock - domestic		44,860
Common stock - foreign		16,745
Preferred stock - foreign		221
Equity exchange index fund - domestic		3,526
Investment in international equity fund		14,739
Investment in corporate bond mutual funds		36,827
Investment in international bond fund		33,195
Distressed debt funds - domestic		1,903
Distressed debt funds - foreign		1,597
Total investments		<u>153,613</u>
Employer receivable		10
Interest and dividend receivables		134
Receivable for securities sold		10
Collateral held in trust for securities on loan		<u>12,963</u>
<b>Total assets</b>		<u>173,605</u>

**LIABILITIES**

Accounts payable and other		<u>13,236</u>
<b>Total liabilities</b>		<u>13,236</u>

**NET ASSETS**

Held in trust for OPEB	\$	<u><u>160,369</u></u>
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**NOTES TO FINANCIAL STATEMENTS**  
**(Thousands of Dollars)**  
**For the fiscal year ended June 30, 2011**

**CITY OF MEMPHIS, TENNESSEE**  
**(Continued)**

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**ADDITIONS**

Contributions:

Employer	\$	43,476
Plan members		<u>4,763</u>
Total contributions		<u>48,239</u>

Investment income:

Interest and dividend income		2,963
Securities lending income		27
Other investment income		3
Net appreciation in the fair value of investments		<u>13,051</u>
Total investment income		<u>16,044</u>

**Total Additions** 64,283

**DEDUCTIONS**

Benefits		26,683
OPEB expense paid on behalf of OPEB trust		<u>1,727</u>
Administrative expenses		<u>1,725</u>

**Total Deductions** 30,135

**Net increase** 34,148

Net assets - beginning of year 126,221

**Net assets - end of year** \$ 160,369

**Funding Policy**

The contribution requirements of plan members and MLGW are established and may be amended by the MLGW Board of Commissioners. Contribution rates for retired plan members and beneficiaries currently receiving benefits are periodically reset at 25 percent of costs for medical and drug benefits. For life insurance and AD&D, retirees contribute 40 percent 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 2010, employer contributions were \$43,476 to the Plan. Plan members receiving benefits contributed \$4,763 through their required contribution of \$43.77 to \$431.29 (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, 2009. During 2011, an updated actuarial valuation was performed. The actuarial valuation of MLGW’s post-employment welfare benefit program as of December 31, 2009, was updated based on the revised valuation. 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 2010:

Annual Required Contribution (ARC)	\$ 43,693
Interest on net OPEB asset	(188)
Adjustment to ARC	<u>146</u>
Annual OPEB cost	43,651
Contributions made	<u>(43,476)</u>
Change in net OPEB asset	175
Net OPEB asset – beginning of fiscal year	<u>(2,500)</u>
Net OPEB asset – end of fiscal year	<u>\$ (2,325)</u>

MLGW’s annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for fiscal years 2010, 2009 and 2008 were as follows:

<b><u>Fiscal Year Ended</u></b>	<b><u>Annual OPEB Cost</u></b>	<b><u>Employer Contributions</u></b>	<b><u>Percentage of Annual OPEB Cost Contributed</u></b>	<b><u>Net OPEB Obligation (Asset)</u></b>
December 31, 2010	\$ 43,651	\$ 43,476	99.6%	\$ (2,325)
December 31, 2009	55,340	55,688	100.6%	(2,500)
December 31, 2008	57,991	66,881	115.3%	(2,152)

**Funded Status and Funding Progress**

<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets (a)</b>	<b>Actuarial Accrued Liability (AAL) (b)</b>	<b>Unfunded/ (Overfunded) AAL (UAAL) (c) = (b) - (a)</b>	<b>Funded Ratio (a) / (b)</b>	<b>Covered Payroll (d)</b>	<b>UAAL as a Percentage of Covered Payroll (e) / (d)</b>
December 31, 2006 *	\$ 0	\$ 743,484	\$ 743,484	0.0%	\$ 148,219 **	501.6%
December 31, 2007 ***	\$ 15,097	\$ 674,002	\$ 658,905	2.2%	\$ 144,756	455.2%
December 31, 2009	\$ 125,234	\$ 591,528	\$ 466,294	21.2%	\$ 153,117	304.5%

\* Projected from 12/31/05 valuation

\*\* Projected from 2006 payroll

\*\*\* Revised actuarial assumptions

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 health care cost trend. Actuarially determined amounts 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 above schedule of funding progress, as presented as “required supplementary information” following the notes to the MLGW’s OPEB Trust’s financial statements, provides additional multi-year trend information about 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 the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of the 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 the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of calculations. Actuarial methods and significant assumptions were as follows:

Valuation Date	December 31, 2009
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percent of pay, 30 years
Remaining Amortization Period	27 years as of December 31, 2009
Asset Valuation Method	Market Value
Accrual Assumption:	
Investment Rate of Return (discount rate)	7.50%
Inflation Rate	3.25%
Projected Salary Increases	Ultimately 7.60% at age 24 graded to 3.25% at age 60 and older
Medical Cost Trend Rate for PPO, POS and HMO (starting 1/1/2010)	9.25% graded to 5.00% over 9 years
Medical Cost Trend Rate for POS and HMO	9.00% graded to 5.00% over 8 years
Drug Cost Trend Rate	8.50% graded to 5.00% over 7 years

**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.

As of and for its year ended June 30, 2011, the City Retirement System reported the following net assets:

**ASSETS**

Cash and cash equivalents	\$ 95,690
Investments, at fair value:	
U.S. Government securities - long-term	50,316
Common stock - domestic	690,802
Common stock - foreign	188,424
Corporate bonds - domestic	298,533
Corporate bonds - foreign	76,458
Mutual funds and money market funds	27,474
Collateralized mortgage obligations	6,706
Asset-backed pooled securities	107
Mortgage-backed pooled securities	107,550
Investment in index fund	153,278
Investment in real estate	87,639
Investment in international equity fund	<u>252,777</u>
Total investments	1,940,064
Interest and dividend receivables	7,303
Receivable for securities sold	<u>62,993</u>
<b>Total assets</b>	<u><u>2,106,050</u></u>

**LIABILITIES**

Accounts payable and other	119,528
Due to other funds	<u>77</u>
<b>Total liabilities</b>	<u><u>119,605</u></u>

**NET ASSETS**

Held in trust for pension benefits	<u><u>\$ 1,986,445</u></u>
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**NOTES TO FINANCIAL STATEMENTS**  
**(Thousands of Dollars)**  
**For the fiscal year ended June 30, 2011**

**CITY OF MEMPHIS, TENNESSEE**  
**(Continued)**

As of and for its year ended June 30, 2011, the City Retirement System reported the following changes in net assets:

**ADDITIONS**

Contributions:

Employer	\$ 20,132
Plan members	23,992
Total contributions	<u>44,124</u>

Investment income:

Interest and dividend income	51,611
Other investment income	975
Gain/(loss) on real estate investments	2,548
Net appreciation/(depreciation) in the fair value of investments	<u>330,097</u>
Total investment income	<u>385,231</u>

**Total Additions** 429,355

**DEDUCTIONS**

Benefits	135,576
Administrative expenses	8,924
Refunds of contributions	<u>10,326</u>

**Total Deductions** 154,826

**Net increase** 274,529

Net assets - beginning of year 1,711,916

**Net assets - end of year** \$ 1,986,445

**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).



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At June 30, 2011, the Retirement System membership consisted of:

Retirees and beneficiaries currently receiving benefits and Terminated employees entitled to benefits but not yet receiving them	4,651
Active employees:	
Fully vested	3,155
Nonvested	<u>3,118</u>
Total	<u>10,924</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 November 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. The City of 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 asset valuation method is the Entry Age Normal Actuarial Cost Method with level-dollar open amortization of the unfunded accrued liability. The amortization period is 30 years. The method divides the cost of funding into two parts; normal cost and actuarial accrued liability.

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) post-retirement benefit increases of 1 percent to 3 percent depending on the calendar year of retirement.

**Schedule of Funding Progress** - The normal cost method is the level annual payment that would be required to fund the pension if paid from the date each employee was hired to the date of his retirement. Actuarial accrued liability is the amount of assets that would have been accumulated had the plan been established on the date the employee with the longest period of service was hired. If the actuarial accrued liability were fully funded, the total annual cost would be the normal cost. The schedule of funding progress for the six years ended June 30, 2011 is as follows:

<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets (a)</b>	<b>Actuarial Accrued Liability (AAL) -- Entry Age (b)</b>	<b>Unfunded Actuarial Accrued Liability (UAAL) (c) = (b) - (a)</b>	<b>Funded Ratio (a) / (b)</b>	<b>Covered Payroll (d)</b>	<b>UAAL as a Percentage of Covered Payroll (c) / (d)</b>
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	102.9%	\$264,966	0.0%
7/1/2008	\$2,184,255	\$2,090,088	\$0	104.5%	\$281,040	0.0%
7/1/2009	\$1,773,457	\$2,222,984	\$449,527	79.8%	\$296,134	151.8%
7/1/2010	\$1,805,071	\$2,336,075	\$531,004	77.3%	\$308,889	171.9%
7/1/2011	\$1,838,424	\$2,447,974	\$609,550	75.1%	\$316,434	192.6%

\* Starting with the July 1, 2007, valuation, the 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, 2011 is as follows:

<b>Year Ended June 30</b>	<b>Annual Required Contribution</b>	<b>Percentage Contributed</b>
2006	\$11,893	117.6%
2007	22,674	61.9
2008	24,072	60.6
2009	21,208	76.3
2010	71,447	24.4
2011	80,021	25.2

**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, 2011 were as follows:

Annual required contribution	\$ 80,021
Interest on net pension obligation	1,064
Adjustment to annual required contribution	<u>(1,202)</u>
Annual pension cost	79,883
Contribution made	<u>(20,132)</u>
Increase in net pension obligation	59,751
Net pension obligation at beginning of year	<u>14,191</u>
Net pension obligation at end of year	<u>\$ 73,942</u>

Three-year trend information is as follows:

<b><u>Year Ended</u></b> <b><u>June 30</u></b>	<b><u>Annual Pension</u></b> <b><u>Cost (APC)</u></b>	<b><u>Percentage of APC</u></b> <b><u>Contributed</u></b>	<b><u>Net Pension</u></b> <b><u>Obligation (Asset)</u></b>
2009	\$24,650	65.6%	\$(40,226)
2010	71,836	24.2	14,191
2011	79,883	25.2	73,942

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**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, 2011, the Library Retirement System reported the following net assets:

**ASSETS**

Investments, at fair value:	
Common stock - domestic	\$ 29,312
Mutual funds and money market funds	287
Investment in index funds	20,690
Investment in international equity fund	<u>7,979</u>
Total investments	58,268
Interest and dividend receivables	5
Receivable for securities sold	<u>156</u>
<b>Total assets</b>	<u>58,429</u>

**LIABILITIES**

Due to other funds	<u>290</u>
<b>Total liabilities</b>	<u>290</u>

**NET ASSETS**

Held in trust for pension benefits	<u><u>\$ 58,139</u></u>
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**NOTES TO FINANCIAL STATEMENTS**  
**(Thousands of Dollars)**  
**For the fiscal year ended June 30, 2011**

**CITY OF MEMPHIS, TENNESSEE**  
**(Continued)**

As of and for its year ended June 30, 2011, the Library Retirement System reported the following changes in net assets:

**ADDITIONS**

Contributions:

Employer	\$ 212
Plan members	212
Total contributions	<u>424</u>

Investment income:

Interest and dividend income	158
Other investment income	2
Net appreciation in the fair value of investments	<u>9,733</u>
Total investment income	<u>9,893</u>

**Total Additions** 10,317

**DEDUCTIONS**

Benefits	3,103
Administrative expenses	<u>534</u>

**Total Deductions** 3,637

**Net increase** 6,680

Net assets - beginning of year 51,459

**Net assets - end of year** \$ 58,139

**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).

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At January 1, 2011, the Library Retirement System membership consisted of:

Retirees and beneficiaries currently receiving benefits and Terminated employees entitled to benefits but not yet receiving them	149
Active employees:	
Vested	143
Nonvested	<u>53</u>
Total	<u>345</u>

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 percent 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 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 the Aggregate Entry Age Actuarial Cost Method with a closed amortization period of 28 years (based on 30 years as of June 30, 2006). The method divides the cost of funding into two parts – normal cost and actuarial accrued liability. 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 3.5 percent a year compounded annually, attributable to inflation; and (c) post-retirement benefit increases of 3 percent a year.

**Schedule of Funding Progress** – The normal cost method is the level annual payment that would be required to fund the pension if paid from the date each employee was hired to the date of his retirement. Actuarial accrued liability is the amount of assets that would have been accumulated had the plan been established on the date the employee with the longest period of service was hired. If the actuarial accrued liability were fully funded, the total annual cost would be the normal cost. The schedule of funding progress for the six years ended January 1, 2011 is as follows:

*(in thousands of dollars)*

<b>Actuarial Valuation Date *</b>	<b>Actuarial Value of Assets</b>	<b>Actuarial Accrued Liability (AAL)-- Entry Age</b>	<b>Assets in Excess of the Actual Accrued Liability</b>	<b>Unfunded Actuarial Liability (UAAL)</b>	<b>Funded Ratio</b>	<b>Covered Payroll</b>	<b>UAAL as a Percentage of Covered Payroll</b>
1/1/2005	59,129	52,814	6,315	0	112.0%	11,074	0.0%
1/1/2006	61,017	54,855	6,162	0	111.0%	10,190	0.0%
1/1/2007	66,572	59,007	7,565	0	113.0%	9,230	0.0%
1/1/2008	69,025	62,704	6,321	0	110.0%	8,768	0.0%
1/1/2009	49,765	61,049	(11,284)	11,284	82.0%	7,648	148.0%
1/1/2011	57,907	64,638	(6,731)	6,731	89.6%	6,832	98.5%

\* January 1, 2010, participant counts are not available.

**Schedule of Employer Contributions** - The schedule of employer contributions for the six years ended June 30, 2011, is as follows:

<b>Year Ended June 30</b>	<b>Annual Required Contribution</b>	<b>Percentage Contributed</b>
2006	0	N/A
2007	0	N/A
2008	0	N/A
2009	0	N/A
2010	0	N/A
2011	1,332	17.1

**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, 2011, were as follows:

Annual required contribution	\$ 1,332
Interest on net pension asset	(191)
Adjustment to annual required contribution	<u>225</u>
Annual pension cost	1,366
Contribution made	<u>(227)</u>
Increase in net pension obligation	1,139
Net pension asset at beginning of year	<u>(2,543)</u>
Net pension asset at end of year	<u>\$ (1,404)</u>

Three-year trend information is as follows:

<b>Year Ended</b> <b><u>June 30</u></b>	<b>Annual Pension</b> <b><u>Cost (APC)</u></b>	<b>Percentage of APC</b> <b><u>Contributed</u></b>	<b>Net Pension</b> <b><u>Asset</u></b>
2009	\$18	1,295.6%	\$(2,334)
2010	18	1,261.1	(2,543)
2011	1,366	16.6	(1,404)

**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 Manager of Risk Management & Employee Benefits, P.O. Box 430, Memphis, Tennessee 38101-9969.

**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 two 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. The MLGW Pension Plan was amended and restated effective January 1, 2009. Participants in the 1948 Plan (which includes those employees hired before July 1, 1978) are entitled to the greater of their retirement benefit determined under the 1948 Plan or their retirement benefit under the MLGW Pension Plan.

At December 31, 2010, the MLGW Retirement System membership consisted of:

Retirees and beneficiaries currently receiving benefits and Terminated employees entitled to benefits but not yet receiving them	2,536
Active employees	<u>2,600</u>
Total	<u>5,136</u>



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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 of 56 for retired members and surviving spouses, and at any age for disabled members on a graded scale up to 5 percent per annum based on the National Consumer Price 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 values except for real estate investments, which are appraised by independent appraisals, and certain limited partnership investments. 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 8.0 percent of the benefit compensation to the MLGW Retirement System. As of December 31, 2010, MLGW's current required contribution is 17.1 percent of pensionable earnings 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 annual required contribution for the current year was determined as part of the January 1, 2011 actuarial valuation using the Entry Age Normal Cost Method. The information about funded status and funding progress has also been prepared using the Entry Age Normal Actuarial Cost Method.

Effective plan year 2009, the asset valuation method was changed from a five-year weighted index method with a 30 percent corridor around market value to the IRS-approved method described as Approval 15 in Revenue Procedure 2000-40. The Actuarial Value of Assets under the new method smoothes all investment gains and losses since the January 1, 2004 valuation. The 30 percent corridor around market value has not been changed. The aggregate actuarial cost method is used in determining the funding requirements. Significant changes to the actuarial assumptions include (a) the assumed investment return net of investment expenses was reduced from 8 percent to 7.5 percent, (b) the salary scale assumption was changed from the prior age-based table to a select-and-ultimate table with projected salary increases of 7 percent to 11 percent per year compounded annually, and (c) the mortality assumption for healthy participants was changed from the 1994 Group Annuity Mortality Table to the RP-2000 Combined Healthy Mortality table with Blue Collar Adjustment for males and the RP-2000 Combined Mortality Table with White Collar Adjustment for females.

**Schedule of Funding Progress** – As of January 1, 2011, the most recent actuarial valuation date, the MLGW Pension Plan was 88.5 percent funded. The actuarial accrued liability (“AAL”) for benefits was \$1,324,410, and the actuarial value of assets was \$1,171,383, resulting in an unfunded actuarial accrued liability (“UAAL”) of \$153,027. The covered payroll (annual payroll of active employees covered by the pension plan) was \$153,509, and the ratio of the UAAL to the covered payroll was 99.7 percent.

*(in thousands of dollars)*

<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets (a)</b>	<b>Actuarial Accrued Liability (AAL) * (b)</b>	<b>Unfunded Actuarial Accrued Liability (UAAL) (b) - (a)</b>	<b>Funded Ratio (a) / (b)</b>	<b>Covered Payroll (c)</b>	<b>UAAL as a Percentage of Covered Payroll [(b) - (a)] / (c)</b>
1/1/2009	\$1,176,590	\$1,243,630	\$67,040	94.6%	\$150,253	44.6%
1/1/2010	\$1,191,027	\$1,292,791	\$101,764	92.1%	\$154,057	66.1%
1/1/2011	\$1,171,383	\$1,324,410	\$153,027	88.5%	\$153,509	99.7%

\* The aggregate actuarial cost method is used to determine the annual required contribution of the Plan. Because the method does not identify or separately amortize unfunded actuarial liabilities, information about the funded status and funding progress is prepared using the Entry Age Normal Cost Method and is intended to serve as a surrogate for the funding progress of the Plan.

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

<b>Year Ended December 31</b>	<b>Annual Required Contribution</b>	<b>Percentage Contributed</b>
2005	\$18,683	102.8%
2006	19,512	100.6
2007	17,217	100.1
2008	10,541	175.2
2009	22,401	95.5
2010	27,381	100.0

**Annual Pension Cost and Net Pension Asset** – The MLGW Retirement System’s annual pension cost and net pension asset for the year ended December 31, 2010, were as follows:

Annual required contribution	\$ 27,381
Interest on net pension asset	(1,248)
Adjustment to annual required contribution	<u>1,814</u>
Annual pension cost	27,947
Contribution made	<u>(27,385)</u>
Increase in net pension obligation	562
Net pension asset at beginning of year	<u>(16,641)</u>
Net pension asset at end of year	<u>\$ (16,079)</u>

**NOTES TO FINANCIAL STATEMENTS**  
**(Thousands of Dollars)**  
**For the fiscal year ended June 30, 2011**

**CITY OF MEMPHIS, TENNESSEE**  
**(Continued)**

Three-year trend information is as follows:

<b>Year Ended June 30</b>	<b>Annual Pension Cost (APC)</b>	<b>Percentage of APC Contributed</b>	<b>Net Pension Obligation (Asset)</b>
2008	\$ 10,913	169.2%	\$ (18,237)
2009	22,984	93.1%	(16,641)
2010	27,947	98.0%	(16,079)

**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:

	<b>GOVERNMENTAL TYPE</b>		<b>PROPRIETARY TYPE</b>			<b>ZOO</b>	<b>COMPONENT UNITS TOTAL</b>
	<b>BOE</b>	<b>MATA</b>	<b>MSCAA</b>	<b>TOTAL</b>			
Current Assets	\$ 457,501	12,379	183,993	196,372	16,412	670,285	
Property, plant and equipment (net of accumulated depreciation)	996,346	151,170	934,553	1,085,723	71	2,082,140	
Other assets	-	711	113,497	114,208	856	115,064	
Total assets	<u>\$ 1,453,847</u>	<u>164,260</u>	<u>1,232,043</u>	<u>1,396,303</u>	<u>17,339</u>	<u>2,867,489</u>	
Current liabilities	\$ 173,300	9,834	48,319	58,153	2,914	234,367	
Long-term liabilities	381,035	9,424	546,069	555,493	-	936,528	
Net assets	899,512	145,002	637,655	782,657	14,425	1,696,594	
Total liabilities and net assets	<u>\$ 1,453,847</u>	<u>164,260</u>	<u>1,232,043</u>	<u>1,396,303</u>	<u>17,339</u>	<u>2,867,489</u>	
Operating revenues	\$ 735,465	35,578	111,760	147,338	14,442	897,245	
Operating expenses	1,230,086	58,004	54,938	112,942	14,484	1,357,512	
Operating income (loss) before depreciation and amortization	<u>\$ (494,621)</u>	<u>(22,426)</u>	<u>56,822</u>	<u>34,396</u>	<u>(42)</u>	<u>(460,267)</u>	
Depreciation and amortization	\$ -	(10,329)	(57,067)	(67,396)	(3)	(67,399)	
Grants and contributions not restricted	436,363	-	42,578	42,578	106	479,047	
City of Memphis subsidy	-	22,114	-	22,114	-	22,114	
Federal and State grant revenues	-	22,661	-	22,661	343	23,004	
Interest and investment income (loss)	443	-	2,697	2,697	1,008	4,148	
Interest expense	-	-	(25,772)	(25,772)	-	(25,772)	
Other revenue (expense)	-	137	2,303	2,440	906	3,346	
Change in net assets	(57,815)	12,157	21,561	33,718	2,318	(21,779)	
Net assets - beginning of year, as restated	957,327	132,845	616,094	748,939	12,107	1,718,373	
Net assets - end of year	<u>\$ 899,512</u>	<u>145,002</u>	<u>637,655</u>	<u>782,657</u>	<u>14,425</u>	<u>1,696,594</u>	

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# COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES

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## 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. 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, 2011**

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

	Community Development	Drug Enforcement	State Street Aid	Workforce Investment Act	Miscellaneous Grants	Midtown Corridor	Solid Waste Management	Hotel/ Motel Tax
<b>ASSETS</b>								
Cash and cash equivalents	\$ 8,277	412	-	-	1	-	-	-
Investments	-	-	-	-	-	-	-	-
Equity in cash and investment pool	-	8,073	-	116	202	1,787	2,192	1,871
Receivables (net of allowance for uncollectibles):								
Property taxes:								
Current property taxes	-	-	-	-	-	-	-	-
Delinquent property taxes	-	-	-	-	-	-	-	-
Federal grants and entitlements	32,577	-	-	4,568	5,844	-	-	-
State grants and entitlements	75	-	3,148	-	1,972	-	-	-
Interest on investments	817	4	-	-	-	1	-	-
Housing rehabilitation loans	66,317	-	-	-	-	-	-	-
Other	133	9	-	-	3,662	-	25	7
Due from other funds	-	1,125	-	-	-	-	-	-
Due from other agencies and governments	-	-	-	-	-	-	4,982	326
<b>Total assets</b>	<b>\$ 108,196</b>	<b>9,623</b>	<b>3,148</b>	<b>4,684</b>	<b>11,681</b>	<b>1,788</b>	<b>7,199</b>	<b>2,204</b>
<b>LIABILITIES AND FUND BALANCES</b>								
<b>Liabilities:</b>								
Accounts payable	\$ 1,413	537	-	2,507	679	-	1,264	2,204
Accrued liabilities	-	-	-	-	2	-	950	-
Contract retainage	-	-	-	-	-	-	-	-
Due to other funds	22,641	-	3,148	121	1,003	-	-	-
Due to other agencies and governments	-	-	-	-	-	-	-	-
Deferred revenue	84,134	1,209	-	2,056	9,746	-	22	-
<b>Total liabilities</b>	<b>108,188</b>	<b>1,746</b>	<b>3,148</b>	<b>4,684</b>	<b>11,430</b>	<b>-</b>	<b>2,236</b>	<b>2,204</b>
<b>Fund balances:</b>								
Restricted	8	7,877	-	-	251	-	4,963	-
Committed	-	-	-	-	-	1,788	-	-
Unassigned	-	-	-	-	-	-	-	-
<b>Total fund balances</b>	<b>8</b>	<b>7,877</b>	<b>-</b>	<b>-</b>	<b>251</b>	<b>1,788</b>	<b>4,963</b>	<b>-</b>
<b>Total liabilities and fund balances</b>	<b>\$ 108,196</b>	<b>9,623</b>	<b>3,148</b>	<b>4,684</b>	<b>11,681</b>	<b>1,788</b>	<b>7,199</b>	<b>2,204</b>

**NON MAJOR FUNDS  
COMBINING BALANCE SHEET  
(Thousands of Dollars)  
June 30, 2011**

**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	
-	-	-	-	-	-	-	96	8,786	<b>ASSETS</b>
-	-	-	-	-	-	-	60,732	60,732	Cash and cash equivalents
-	243	1,969	6	24	3,871	4,005	525	24,884	Investments
-	-	-	-	2,828	-	-	370	3,198	Equity in cash and investment pool
-	-	-	-	232	-	5,351	36	5,619	Receivables (net of allowance for uncollectibles):
-	-	-	-	-	-	-	282	43,271	Property taxes:
-	-	-	-	-	-	-	134	5,329	Current property taxes
-	-	1	-	-	-	-	1	824	Delinquent property taxes
-	-	-	-	-	-	-	-	66,317	Federal grants and entitlements
-	-	14	-	-	-	-	6,666	10,516	State grants and entitlements
-	-	-	-	-	-	-	-	1,125	Interest on investments
-	-	-	-	-	-	-	-	-	Housing rehabilitation loans
-	-	-	-	-	-	-	-	-	Other
-	-	-	-	-	8,554	-	-	13,862	Due from other funds
-	-	-	-	-	-	-	-	-	Due from other agencies and governments
-	243	1,984	6	3,084	12,425	9,356	68,842	244,463	<b>Total assets</b>
-	9	5	-	23	4	9	10,914	19,568	<b>LIABILITIES AND FUND BALANCES</b>
-	-	8	-	-	-	-	-	960	<b>Liabilities:</b>
-	-	-	-	-	-	-	36	36	Accounts payable
5,086	-	-	-	-	-	-	6,377	38,376	Accrued liabilities
-	-	-	-	-	-	-	-	-	Contract retainage
-	-	-	-	-	-	3,996	-	3,996	Due to other funds
-	63	-	-	3,061	8,554	5,351	4,333	118,529	Due to other agencies and governments
5,086	72	13	-	3,084	8,558	9,356	21,660	181,465	Deferred revenue
-	-	-	-	-	-	-	-	-	<b>Total liabilities</b>
-	171	1,971	6	-	3,867	-	47,182	54,985	<b>Fund balances:</b>
(5,086)	-	-	-	-	-	-	-	(5,086)	Restricted
(5,086)	171	1,971	6	-	3,867	-	47,182	62,998	Committed
-	-	-	-	-	-	-	-	-	Unassigned
-	243	1,984	6	3,084	12,425	9,356	68,842	244,463	Total fund balances
-	-	-	-	-	-	-	-	-	<b>Total liabilities and fund balances</b>



**NON MAJOR FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCE  
(Thousands of Dollars) June 30, 2011**

**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
<b>REVENUES</b>								
<b>Local taxes:</b>								
Property taxes	\$ -	-	-	-	-	-	-	-
Special assessments - current	-	-	-	-	-	-	-	-
Special assessments - prior	-	-	-	-	-	-	-	-
Sales tax general	-	-	-	-	-	-	-	-
Other local taxes	-	-	-	-	-	-	42	-
<b>Total local taxes</b>	-	-	-	-	-	-	42	-
State taxes (local share)	-	-	18,624	-	-	-	-	-
Hotel/motel tax	-	-	-	-	-	-	-	3,537
Licenses and Permits	-	-	-	-	-	-	-	-
Fines and forfeitures	-	3,637	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	59,268	-
Investment income	-	37	-	-	-	8	-	-
Federal grants and entitlements	24,444	-	-	13,433	12,738	-	-	-
State grants	-	-	-	-	3,508	-	-	-
Other	-	149	-	-	1,968	-	332	-
<b>Total revenues</b>	24,444	3,823	18,624	13,433	18,214	8	59,642	3,537
<b>EXPENDITURES</b>								
General government	-	-	-	-	18,298	-	-	2,204
Public safety	-	3,831	-	-	-	-	-	-
Community service	24,444	-	-	13,433	-	-	-	-
Transportation and environment	-	-	16,856	-	-	-	50,865	-
Education	-	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-	-
Bond issuance cost	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
<b>Total expenditures</b>	24,444	3,831	16,856	13,433	18,298	-	50,865	2,204
<b>Revenues over (under) expenditures</b>	-	(8)	1,768	-	(84)	8	8,777	1,333
<b>OTHER FINANCING SOURCES (USES)</b>								
Transfers in	-	-	-	-	284	-	-	966
Transfers out	-	-	(1,768)	-	(192)	-	(1,662)	(2,299)
Proceeds from issuance of debt	-	-	-	-	-	-	-	-
Issuance of refunding debt	-	-	-	-	-	-	-	-
Retirement of refunded debt obligation	-	-	-	-	-	-	-	-
Premium on debt issuance	-	-	-	-	-	-	-	-
<b>Total other financing sources and uses</b>	-	-	(1,768)	-	92	-	(1,662)	(1,333)
<b>Net change in fund balances</b>	-	(8)	-	-	8	8	7,115	-
Fund balances - beginning of year	8	7,885	-	-	243	1,780	(2,152)	-
<b>Fund balances - end of year</b>	\$ 8	7,877	-	-	251	1,788	4,963	-

**NON MAJOR FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCE  
(Thousands of Dollars) June 30, 2011**

**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	
									<b>REVENUES</b>
-	-	-	-	-	-	22,400	371	22,771	Local taxes:
-	-	-	-	2,575	-	-	-	2,575	Property taxes
-	-	-	-	14	-	-	-	14	Special assessments - current
966	-	-	-	-	-	-	-	966	Special assessments - prior
-	-	-	-	45	-	-	398	485	Sales tax general
									Other local taxes
966	-	-	-	2,634	-	22,400	769	26,811	Total local taxes
11,856	-	-	-	-	-	-	-	30,480	State taxes (local share)
-	-	-	-	-	-	-	-	3,537	Hotel/motel tax
-	-	515	-	-	-	-	-	515	Licenses and Permits
-	-	-	-	-	-	-	-	3,637	Fines and forfeitures
-	174	-	-	-	-	-	-	59,442	Charges for services
-	1	8	-	-	-	-	-	54	Investment income
-	-	-	-	-	-	-	6,311	56,926	Federal grants and entitlements
-	-	-	-	-	-	-	1,179	4,687	State grants
-	-	31	-	-	-	-	428	2,908	Other
12,822	175	554	-	2,634	-	22,400	8,687	188,997	Total revenues
									<b>EXPENDITURES</b>
12,952	-	397	-	2,634	954	-	-	37,439	General government
-	-	-	-	-	-	-	-	3,831	Public safety
-	193	-	151	-	-	-	-	38,221	Community service
-	-	-	-	-	-	-	-	67,721	Transportation and environment
-	-	-	-	-	-	82,400	-	82,400	Education
-	-	-	-	-	-	-	100,550	100,550	Capital outlay
-	-	-	-	-	-	-	605	605	Bond issuance cost
-	-	-	-	-	-	-	4	4	Other
12,952	193	397	151	2,634	954	82,400	101,159	330,771	Total expenditures
(130)	(18)	157	(151)	-	(954)	(60,000)	(92,472)	(141,774)	Revenues over (under) expenditures
									<b>OTHER FINANCING SOURCES (USES)</b>
3,466	-	-	-	-	3,185	60,000	-	67,901	Transfers in
(2,370)	-	-	(358)	-	(313)	-	-	(8,962)	Transfers out
-	-	-	-	-	-	-	60,824	60,824	Proceeds from issuance of debt
-	-	-	-	-	-	-	-	-	Issuance of refunding debt
-	-	-	-	-	-	-	-	-	Retirement of refunded debt obligation
-	-	-	-	-	-	-	4,800	4,800	Premium on debt issuance
1,096	-	-	(358)	-	2,872	60,000	65,624	124,563	Total other financing sources and uses
966	(18)	157	(509)	-	1,918	-	(26,848)	(17,211)	Net change in fund balances
(6,052)	189	1,814	515	-	1,949	-	74,030	80,209	Fund balances - beginning of year
(5,086)	171	1,971	6	-	3,867	-	47,182	62,998	Fund balances - end of year

**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, 2011**

	<u>Budget Amounts</u>			Variance with Final Budget- Positive (Negative)
	Original	Final	Actual	
<b>COMMUNITY DEVELOPMENT</b>				
<b>Revenues:</b>				
Federal grants	\$ 66,286	66,286	24,444	(41,842)
Other	300	300	-	(300)
Total revenues	66,586	66,586	24,444	(42,142)
<b>Expenditures:</b>				
Community service	66,586	66,586	24,444	42,142
Total expenditures	66,586	66,586	24,444	42,142
Revenues over (under) expenditures	\$ -	-	-	-
<b>DRUG ENFORCEMENT FUND</b>				
<b>Revenues:</b>				
Investment income	\$ -	-	37	37
Fines and forfeitures	-	5,080	3,637	(1,443)
Other	-	50	149	99
Total revenues	-	5,130	3,823	(1,307)
<b>Expenditures:</b>				
Public safety	-	5,464	3,831	1,633
Total expenditures	-	5,464	3,831	1,633
Revenues over (under) expenditures	\$ -	(334)	(8)	326
<b>STATE STREET AID FUND</b>				
<b>Revenues:</b>				
State gasoline tax (local share)	\$ 18,579	18,579	18,624	45
Total revenues	18,579	18,579	18,624	45
<b>Expenditures:</b>				
Transportation & environment	16,811	16,811	16,856	(45)
Total expenditures	16,811	16,811	16,856	(45)
<b>Other financing (uses):</b>				
Transfers out	(1,768)	(1,768)	(1,768)	-
Total other financing (uses)	(1,768)	(1,768)	(1,768)	-
Revenues over (under) expenditures and other financing sources (uses)	\$ -	-	-	90

**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, 2011**

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

	Budget Amounts			Variance with Final Budget- Positive(Negative)
	Original	Final	Actual	
<b>WORKFORCE INVESTMENT ACT</b>				
<b>Revenues:</b>				
Federal grants	\$ 15,541	15,541	13,433	(2,108)
State grants	163	163	-	(163)
Total revenues	15,704	15,704	13,433	(2,271)
<b>Expenditures:</b>				
Community service	15,704	15,704	13,433	2,271
Total expenditures	15,704	15,704	13,433	2,271
Revenues over (under) expenditures	\$ -	-	-	-
<b>MISCELLANEOUS GRANTS</b>				
<b>Revenues:</b>				
Federal grants	\$ 73,390	73,390	12,738	(60,652)
State grants	5,482	5,482	3,508	(1,974)
Other	863	863	1,968	1,105
Total revenues	79,735	79,735	18,214	(61,521)
<b>Expenditures:</b>				
General government	79,735	79,735	18,298	61,437
Total expenditures	79,735	79,735	18,298	61,437
<b>Other financing sources (uses):</b>				
Transfers in			284	284
Transfers out	-	-	(192)	(192)
Total other financing sources (uses)	-	-	92	(192)
Revenues over (under) expenditures and other financing sources (uses)	\$ -	-	8	(276)
<b>SOLID WASTE MANAGEMENT FUND</b>				
<b>Revenues:</b>				
Other local taxes	\$ -	-	42	42
Charges for services	58,750	58,750	59,268	518
State grants	73	73	-	(73)
Other	348	398	332	(66)
Total revenues	59,171	59,221	59,642	421
<b>Expenditures:</b>				
Transportation and environment	55,793	55,793	50,865	4,928
Total expenditures	55,793	55,793	50,865	4,928
<b>Other financing sources (uses):</b>				
Transfers out	(2,693)	(2,693)	(1,662)	1,031
Total other financing sources (uses)	(2,693)	(2,693)	(1,662)	1,031
Revenues over (under) expenditures and other financing sources (uses)	\$ 685	735	7,115	6,380

**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, 2011**

	Original	Final	Actual	Final Budget- Positive(Negative)
<b>HOTEL/MOTEL TAX</b>				
<b>Revenues:</b>				
Hotel /motel tax	\$ 3,000	3,000	3,537	537
Total revenues	3,000	3,000	3,537	537
<b>Expenditures:</b>				
General government	1,817	1,817	2,204	(387)
Total expenditures	1,817	1,817	2,204	(387)
<b>Other financing sources (uses):</b>				
Transfers in	800	800	966	166
Transfers out	(1,983)	(1,983)	(2,299)	(316)
Total other financing sources (uses)	(1,183)	(1,183)	(1,333)	(150)
Revenues over (under) expenditures and other financing sources (uses)	\$ -	-	-	-
<b>NEW MEMPHIS ARENA</b>				
<b>Revenues:</b>				
Sales tax general	\$ 800	800	966	166
State taxes (local share)	12,750	12,750	11,856	(894)
Total revenues	13,550	13,550	12,822	(728)
<b>Expenditures:</b>				
General government	15,250	15,250	12,952	2,298
Total expenditures	15,250	15,250	12,952	2,298
<b>Other financing sources (uses):</b>				
Transfers in	3,300	3,300	3,466	166
Transfers out	(800)	(800)	(2,370)	(1,570)
Total other financing sources (uses)	2,500	2,500	1,096	(1,404)
Revenues over (under) expenditures and other financing sources (uses)	\$ 800	800	966	166
<b>MLK PARK</b>				
<b>Revenues:</b>				
Charges for services	\$ 131	131	174	43
Investment income	-	-	1	1
Total revenues	131	131	175	44
<b>Expenditures:</b>				
Community service	259	259	193	66
Total expenditures	259	259	193	66
Revenues over (under) expenditures and other financing sources (uses)	\$ (128)	(128)	(18)	110

**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, 2011**

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

	Original	Final	Actual	Final Budget- Positive(Negative)
<b>TOTAL NONMAJOR SPECIAL REVENUE FUNDS</b>				
<b>Revenues:</b>				
Local taxes	4,110	4,110	42	(4,068)
Sales tax general	800	800	966	166
State taxes (local share)	31,329	31,329	30,480	(849)
Licenses & permits	482	482	515	33
Charges for services	58,881	58,881	59,442	561
Investment income	5	5	46	41
Federal grants and entitlements	155,217	155,217	50,615	(104,602)
State grants	5,718	5,718	3,508	(2,210)
Fines and forfeitures	-	5,080	3,637	(1,443)
Hotel/motel tax	3,000	3,000	3,537	537
Other	1,516	1,616	2,480	864
<b>Total revenues</b>	<b>261,058</b>	<b>266,238</b>	<b>155,268</b>	<b>(110,970)</b>
<b>Expenditures:</b>				
General government	101,335	101,335	34,805	66,530
Public safety	-	5,464	3,831	1,633
Community services	82,549	82,549	38,070	44,479
Transportation and environment	72,604	72,604	67,721	4,883
<b>Total expenditures</b>	<b>256,488</b>	<b>261,952</b>	<b>144,427</b>	<b>117,525</b>
<b>Other financing sources (uses)</b>				
Transfers in	4,100	4,100	7,901	3,801
Transfers out	(7,244)	(7,244)	(8,604)	(1,360)
<b>Total other financing sources (uses)</b>	<b>(3,144)</b>	<b>(3,144)</b>	<b>(703)</b>	<b>2,441</b>
Revenues over (under) expenditures and other financing sources (uses)	\$ 1,426	1,142	10,138	8,996

**ALL SPECIAL FUNDS (WITH CARRYOVER BUDGETS)**  
**SCHEDULE OF REVENUES AND EXPENDITURES**  
**BUDGET AND ACTUAL**  
(Thousands of Dollars)  
For the fiscal year ended June 30, 2011

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

	<b>Budget</b>	<b>Recognized thru June 30, 2010</b>	<b>Recognized Current Year</b>	<b>Recognized thru June 30, 2011</b>	<b>Variance</b>
<b>MIDTOWN CORRIDOR FUND</b>					
<b>Revenues:</b>					
Investment income	\$ -	419	8	427	427
Other	-	25	-	25	25
Sale of land	2,932	4,080	-	4,080	1,148
<b>Total revenues</b>	<b>2,932</b>	<b>4,524</b>	<b>8</b>	<b>4,532</b>	<b>1,600</b>
<b>Expenditures:</b>					
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)
<b>Total expenditures</b>	<b>2,667</b>	<b>2,744</b>	<b>-</b>	<b>2,744</b>	<b>(77)</b>
<b>Revenues over expenditures</b>	<b>\$ 265</b>	<b>1,780</b>	<b>8</b>	<b>1,788</b>	<b>1,523</b>

# 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)  
June 30, 2011**

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

	<u>Storm Water</u>
<b>ASSETS</b>	
Current assets:	
Cash	\$ 1
Receivables:	
Accounts receivable	2,004
Federal and state grants	<u>20</u>
Total current assets	2,025
Capital assets:	
Land	37
Improvements other than buildings	32,816
Machinery and equipment	10,421
Less accumulated depreciation and amortization	<u>(14,647)</u>
Total capital assets	28,627
Construction in progress	<u>23,188</u>
Net capital assets	<u>51,815</u>
<b>Total assets</b>	<u>53,840</u>
<b>LIABILITIES</b>	
Current liabilities:	
Accounts payable	1,037
Accrued liabilities	344
Contract retainage	15
Due to other funds	9,205
Other post employment benefits	2,739
Vacation, sick and other leave benefits	<u>1,119</u>
Total current liabilities	<u>14,459</u>
<b>Total liabilities</b>	<u>14,459</u>
<b>NET ASSETS</b>	
Invested in capital assets	51,815
Unrestricted	<u>(12,434)</u>
<b>Total net assets</b>	<u>\$ 39,381</u>

**ENTERPRISE FUNDS  
STATEMENT OF REVENUES, EXPENSES,  
AND CHANGES IN FUND NET ASSETS  
(Thousands of Dollars)  
For the fiscal year ended June 30, 2011**

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

	<u>Storm Water</u>
Operating revenues-charges for services	\$ 23,661
Operating expenses other than depreciation and amortization:	
Personnel services	8,500
Materials, supplies, services, and other	3,099
Capital outlay	<u>29</u>
Total operating expenses other than depreciation and amortization	<u>11,628</u>
Operating income before depreciation and amortization	<u>12,033</u>
Depreciation and amortization: On assets acquired with own funds	<u>1,532</u>
<b>Operating income</b>	<u>10,501</u>
Income before capital contributions and transfers	<u>10,501</u>
Transfers in	-
Transfers out	(4,412)
Capital contribution - state	<u>205</u>
Change in net assets	6,294
Total net assets - beginning of year, restated	<u>33,087</u>
<b>Total net assets - end of year</b>	<u><u>\$ 39,381</u></u>

**ENTERPRISE FUNDS**  
**STATEMENT OF CASH FLOWS**  
(Thousands of Dollars)  
For the fiscal year ended June 30, 2011

	<u>Storm Water</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>	
Receipts from customers and users	\$ 23,508
Payments to suppliers	(2,875)
Payments to employees	(7,534)
Net cash provided by (used for) operating activities	<u>13,099</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>	
Repayment of advances from other funds	(1,135)
Transfers to other funds	(4,412)
Net cash provided by (used for) noncapital and related financing	<u>(5,547)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>	
Acquisition and construction of capital assets	(7,757)
Capital contribution - state	205
Net cash provided by (used for) capital and related financing activities	<u>(7,552)</u>
Net increase (decrease) in cash	-
Cash, beginning of year	1
Cash, end of year	<u>\$ 1</u>
<b>Reconciliation of operating income (loss) to net cash provided by (used for) operating activities</b>	
Operating Income (loss)	\$ 10,501
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation expense	1,532
Decrease in assets:	
Accounts Receivable	(153)
Decrease in liabilities:	
Other accounts payable and accrued expenses	1,219
Total adjustments	<u>2,598</u>
Net cash provided by (used for) operating activities	<u>\$ 13,099</u>

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# 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**  
**COMBINING STATEMENT OF NET ASSETS**  
(Thousands of Dollars)  
June 30, 2011

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

	<b>Printing and Mail</b>	<b>Health Insurance</b>	<b>Unemployment Compensation</b>	<b>Fleet Management</b>	<b>Total</b>
<b>ASSETS</b>					
Current assets:					
Cash and cash equivalents	\$ -	-	-	1	1
Equity in cash and investment pool	191	8,183	-	-	8,374
Receivables	5	15	-	16	36
Due from other funds	71	5,086	-	47	5,204
Inventories	25	-	-	557	582
<b>Total current assets</b>	<b>292</b>	<b>13,284</b>	<b>-</b>	<b>621</b>	<b>14,197</b>
Furniture and equipment	469	11	-	3,583	4,063
Less accumulated depreciation	(364)	(11)	-	(3,180)	(3,555)
<b>Net capital assets</b>	<b>105</b>	<b>-</b>	<b>-</b>	<b>403</b>	<b>508</b>
<b>Total assets</b>	<b>397</b>	<b>13,284</b>	<b>-</b>	<b>1,024</b>	<b>14,705</b>
<b>LIABILITIES</b>					
Current liabilities:					
Accounts payable and accrued expenses	51	1,748	88	2,609	4,496
Insurance claims payable	-	8,247	-	-	8,247
Due to other funds	-	-	1,605	1,827	3,432
Deferred revenues	-	6,045	-	-	6,045
Other post employment benefits	185	208	-	3,428	3,821
Vacation, sick and other leave benefits	78	75	-	2,218	2,371
<b>Total current liabilities</b>	<b>314</b>	<b>16,323</b>	<b>1,693</b>	<b>10,082</b>	<b>28,412</b>
<b>NET ASSETS (DEFICIT)</b>					
Invested in capital assets	105	-	-	403	508
Unrestricted	(22)	(3,039)	(1,693)	(9,461)	(14,215)
<b>Total net assets (deficit)</b>	<b>\$ 83</b>	<b>(3,039)</b>	<b>(1,693)</b>	<b>(9,058)</b>	<b>(13,707)</b>

**INTERNAL SERVICE FUNDS**  
**COMBINING STATEMENT OF REVENUES, EXPENSES**  
**AND CHANGES IN FUND NET ASSETS**  
(Thousands of Dollars)  
For the fiscal year ended June 30, 2011

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

	<b>Printing and Mail</b>	<b>Health Insurance</b>	<b>Unemployment Compensation</b>	<b>Fleet Management</b>	<b>Total</b>
Operating revenues:					
Charges for services	\$ 2,050	-	-	29,703	31,753
Employee contributions	-	19,249	-	-	19,249
Employer contributions	-	52,267	1,317	-	53,584
<b>Total operating revenues</b>	<b>2,050</b>	<b>71,516</b>	<b>1,317</b>	<b>29,703</b>	<b>104,586</b>
Operating expenses other than depreciation:					
Personnel services	532	428	-	10,986	11,946
Materials and supplies	855	3,623	-	2,895	7,373
Capital outlay	-	-	-	55	55
Inventories	636	-	-	17,693	18,329
Claims incurred	-	60,780	1,212	-	61,992
<b>Total operating expenses other than depreciation</b>	<b>2,023</b>	<b>64,831</b>	<b>1,212</b>	<b>31,629</b>	<b>99,695</b>
Operating income before depreciation	27	6,685	105	(1,926)	4,891
Depreciation:					
On assets acquired with own funds	34	-	-	112	146
<b>Total depreciation</b>	<b>34</b>	<b>-</b>	<b>-</b>	<b>112</b>	<b>146</b>
<b>Operating income</b>	<b>(7)</b>	<b>6,685</b>	<b>105</b>	<b>(2,038)</b>	<b>4,745</b>
Non-operating revenues:					
Investment income	1	62	-	-	63
<b>Total non-operating revenues</b>	<b>1</b>	<b>62</b>	<b>-</b>	<b>-</b>	<b>63</b>
Income before transfers	(6)	6,747	105	(2,038)	4,808
Transfers out	-	(3,393)	-	-	(3,393)
Change in net assets	(6)	3,354	105	(2,038)	1,415
Total net assets (deficit) - beginning of year, restated	89	(6,393)	(1,798)	(7,020)	(15,122)
<b>Total net assets (deficit) - end of year</b>	<b>\$ 83</b>	<b>(3,039)</b>	<b>(1,693)</b>	<b>(9,058)</b>	<b>(13,707)</b>

**INTERNAL SERVICE FUNDS  
COMBINING STATEMENT OF CASH FLOWS  
(Thousands of Dollars)  
For the fiscal year ended June 30, 2011**

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

	Printing and Mail	Health Insurance	Unemployment Compensation	Fleet Management	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>					
Receipts from customers and users	\$ 59	(6)	-	302	355
Receipts from other division funds	1,975	(84)	1,273	29,388	32,552
Employee contributions	-	19,249	-	-	19,249
Employer contributions	-	52,973	-	-	52,973
Payments to suppliers	(976)	(2,738)	-	(1,999)	(5,713)
Payments to employees	(455)	(387)	-	(10,027)	(10,869)
Payments from other division funds	-	-	-	10	10
Payments for inventory	(633)	-	-	(17,674)	(18,307)
Payments for claims incurred	-	(60,485)	(1,273)	-	(61,758)
Net cash provided by operating activities	(30)	8,522	-	-	8,492
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>					
Transfers to other funds	-	(3,393)	-	-	(3,393)
Net cash used in noncapital financing activities	-	(3,393)	-	-	(3,393)
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>					
Acquisition and construction of capital assets	-	-	-	-	-
Net cash used in capital and related financing activities	-	-	-	-	-
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>					
Investing income earned on investments	1	62	-	-	63
Net cash provided by investing activities	1	62	-	-	63
Net Increase (decrease) in cash and cash equivalents	(29)	5,191	-	-	5,162
Cash and cash equivalents, beginning of year	220	2,992	-	1	3,213
Cash and cash equivalents, end of year	\$ 191	8,183	-	1	8,375
<b>Reconciliation of operating income to net cash provided by operating activities</b>					
Operating income	\$ (7)	6,685	105	(2,038)	4,745
Adjustments to reconcile operating income to net cash provided by operating activities:					
Depreciation expense	34	-	-	112	146
(Increase) decrease in assets:					
Inventories	3	-	-	19	22
Accounts receivable	(15)	(90)	-	(12)	(117)
Increase (decrease) in liabilities:					
Other accounts payable and accrued expenses	(45)	1,927	(105)	1,919	3,696
Total adjustments	(23)	1,837	(105)	2,038	3,747
Net cash provided by operating activities	\$ (30)	8,522	-	-	8,492



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# 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**  
**STATEMENT OF FIDUCIARY NET ASSETS**  
(Thousands of Dollars)  
For the fiscal year ended June 30, 2011

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

	Pension Trust					Total Pension and OPEB Trust Funds
	City Retirement System	Library Retirement System	Memphis Light, Gas and Water Retirement System	City OPEB Trust	Memphis Light, Gas and Water OPEB Trust	
<b>ASSETS</b>						
Cash and cash equivalents	\$ 95,690	-	55,789	-	6,875	158,354
Investments, at fair value:						
Short-term investments	-	-	14,209	-	-	14,209
U.S. government securities - long-term	50,316	-	59,586	-	-	109,902
Common stock - domestic	690,802	29,312	298,877	-	44,860	1,063,851
Common stock - foreign	188,424	-	97,949	-	16,745	303,118
Preferred stock - domestic	-	-	145	-	-	145
Preferred stock - foreign	-	-	1,489	-	221	1,710
Corporate bonds - domestic	298,533	-	121,625	-	-	420,158
Corporate bonds - foreign	76,458	-	-	-	-	76,458
Mutual funds and money market funds	27,474	287	13,343	12,512	-	53,616
Investment in corporate bond mutual funds	-	-	-	-	36,827	36,827
Collateralized mortgage obligations	6,706	-	42,762	-	-	49,468
Asset-backed pooled securities	107	-	-	-	-	107
Mortgage-backed pooled securities	107,550	-	129,634	-	-	237,184
Equity exchange index fund - domestic	-	-	-	-	3,526	3,526
Investment in index funds	153,278	20,690	179,797	-	-	353,765
Investment in real estate	87,639	-	98,320	-	-	185,959
Investment in high yield bond fund	-	-	7,116	-	-	7,116
Investment in international equity fund	252,777	7,979	-	-	14,739	275,495
Investment in international bond fund	-	-	-	-	33,195	33,195
Distressed debt funds - domestic	-	-	-	-	1,903	1,903
Distressed debt funds - foreign	-	-	-	-	1,597	1,597
<b>Total investments</b>	<b>1,940,064</b>	<b>58,268</b>	<b>1,064,852</b>	<b>12,512</b>	<b>153,613</b>	<b>3,229,309</b>
Equity in cash and investment pool	-	-	-	14,042	-	14,042
Interest and dividend receivables	7,303	5	4,661	13	134	12,116
Receivable for securities sold	62,993	156	236	-	10	63,395
Miscellaneous receivables	-	-	4	-	-	4
Due from other agencies and governments	-	-	-	367	-	367
Employer and employee contributions receivable	-	-	914	-	10	924
Collateral held in trust for securities on loan	-	-	162,527	-	12,963	175,490
<b>Total assets</b>	<b>2,106,050</b>	<b>58,429</b>	<b>1,288,983</b>	<b>26,934</b>	<b>173,605</b>	<b>3,654,001</b>
<b>LIABILITIES</b>						
Accounts payable and other	119,528	-	190,523	10,197	13,236	333,484
Due to other agencies and governments	77	290	-	-	-	367
<b>Total liabilities</b>	<b>119,605</b>	<b>290</b>	<b>190,523</b>	<b>10,197</b>	<b>13,236</b>	<b>333,851</b>
<b>NET ASSETS</b>						
Held in trust for pension benefits, pool participants and OPEB	\$ 1,986,445	58,139	1,098,460	16,737	160,369	3,320,150

**FIDUCIARY FUNDS**  
**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS**  
(Thousands of Dollars)  
For the fiscal year ended June 30, 2011

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

	Pension Trust			City OPEB Trust	Memphis Light, Gas and Water OPEB Trust	Total Pension and OPEB Trust Funds
	City Retirement System	Library Retirement System	Memphis Light, Gas and Water Retirement System			
<b>ADDITIONS</b>						
Contributions:						
Employer	\$ 20,132	212	27,385	32,699	43,476	123,904
Plan members	23,992	212	11,735	12,673	4,763	53,375
Total contributions	44,124	424	39,120	45,372	48,239	177,279
Transfer from other fund	-	-	-	3,393	-	3,393
Investment income:						
Interest and dividend income	51,611	158	27,233	284	2,963	82,249
Securities lending income	-	-	438	-	27	465
Other investment income	975	2	260	-	3	1,240
Gain on real estate investments	2,548	-	-	-	-	2,548
Net appreciation in the fair value of investments	330,097	9,733	109,290	1,944	13,051	464,115
Total investment income	385,231	9,893	137,221	2,228	16,044	550,617
<b>Total Additions</b>	429,355	10,317	176,341	50,993	64,283	731,289
<b>DEDUCTIONS</b>						
Benefits	135,576	3,103	80,526	41,043	26,683	286,931
OPEB expense paid on behalf of OPEB trust	-	-	-	-	1,727	1,727
Administrative expenses	8,924	534	4,195	3,124	1,725	18,502
Refunds of contributions	10,326	-	2,303	-	-	12,629
<b>Total Deductions</b>	154,826	3,637	87,024	44,167	30,135	319,789
<b>Net increase</b>	274,529	6,680	89,317	6,826	34,148	411,500
Net assets - beginning of year	1,711,916	51,459	1,009,143	9,911	126,221	2,908,650
<b>Net assets - end of year</b>	\$ 1,986,445	58,139	1,098,460	16,737	160,369	3,320,150

See accompanying notes to financial statements.

**COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES**

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**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, 2011**

<u>Tax Year</u>	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Education</u>	<u>Total (1)</u>
2001	\$ 1,207	499	-	617	2,323
2002	1,159	480	2	593	2,234
2003	1,070	443	2	548	2,063
2004	1,564	648	3	801	3,016
2005	1,848	672	3	801	3,324
2006	1,692	615	3	733	3,043
2007	2,891	1,051	4	1,253	5,199
2008	5,086	1,553	7	427	7,073
2009	6,491	2,022	9	529	9,051
2010	10,099	3,146	14	823	14,082
Total delinquent property taxes receivable	33,107	11,129	47	7,125	51,408
Allowance for uncollectibles	8,186	2,754	11	1,774	12,725
Net delinquent property taxes receivable	<u>\$ 24,921</u>	<u>8,375</u>	<u>36</u>	<u>5,351</u>	<u>38,683</u>
Special assessment tax, net of allowance				<u>232</u>	
Total tax, net of allowance				<u>\$ 38,915</u>	

(1) As of June 30, 2011, \$23,819 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, 2011**

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

Description, Issue and Final Maturity Dates	Interest Rates (%)	Original Issue	Redemptions	Balance Outstanding At Year End
<b>SEWER COLLECTION AND TREATMENT FUND</b>				
Sanitary Sewerage System Revenue Bonds				
January 2001 to 2014	4.00-5.25	20,795	12,800	7,995
March 2002 to 2021	4.00-5.00	25,000	22,730	2,270
August 2002 to 2016	3.00-4.30	22,805	15,100	7,705
June 2004 to 2024	3.00-5.25	30,000	6,525	23,475
December 2005 to 2025	3.25-5.00	32,000	5,605	26,395
September 2006 to 2020	4.00-5.00	20,220	2,270	17,950
December 2007 to 2028	4.00-4.50	20,000	1,865	18,135
November 2009 to 2030	3.00-6.30	20,000	-	20,000
October 2011 to 2030	1.14-6.10	16,450	-	16,450
October 2011 to 2021	2.00-5.00	15,165	-	15,165
<b>Total sewer collection and treatment fund</b>		<b>222,435</b>	<b>66,895</b>	<b>155,540</b>
<b>MEMPHIS LIGHT, GAS AND WATER DIVISION (1)</b>				
<b>Electric Division</b>				
Electric System Revenue Refunding Bonds:				
January 2008 to 2010	4.00-5.00	41,625	41,625	-
November 2008 to 2018	3.00-5.00	1,292,170	1,000,845	291,325
July 2017 to 2018	4.00-5.00	96,930	-	96,930
December 2014 to 2018	2.50-5.00	460,050	-	460,050
Notes Payable:				
First Tennessee Bank	7.58	11,810	11,810	-
<b>Total electric division</b>		<b>1,902,585</b>	<b>1,054,280</b>	<b>848,305</b>
<b>Gas Division</b>				
Anticipation Note Payable (2)	1.25	15,000	15,000	-
<b>Total gas division</b>		<b>15,000</b>	<b>15,000</b>	<b>-</b>
<b>Water Division</b>				
Southeast Memphis Suburban Utility District Waterworks Revenue Bonds				
December 2009 to 2012	4.15-5.25	12,575	10,950	1,625
<b>Total water division</b>		<b>12,575</b>	<b>10,950</b>	<b>1,625</b>
<b>Total MLG&amp;W</b>		<b>1,930,160</b>	<b>1,080,230</b>	<b>849,930</b>
<b>Total revenue bonds</b>		<b>\$ 2,152,595</b>	<b>\$ 1,147,125</b>	<b>\$ 1,005,470</b>

(1) All MLG&W bonds reflect amounts outstanding at December 31, 2010

(2) Anticipation notes were issued in July 2009 for \$15 million. The note was repaid on March 31, 2010.

**SCHEDULE OF GENERAL OBLIGATION DEBT - BY ISSUE**  
**(Thousands of Dollars)**  
**For the fiscal year ended June 30, 2011**

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

Description, Issue and Final Maturity Dates	Interest Rates (%)	Original Issue	Redemptions	Balance Outstanding At Year End
<b>GENERAL OBLIGATION BONDS</b>				
<b>Government Serial Bonds</b>				
<b>General City Government Serial Bonds</b>				
General improvement:				
December 1993 to 2011	3.25-5.00	48,996	45,658	3,338
April 1998 to 2011	5.50-5.70	19,290	17,275	2,015
September 1998 to 2015	4.30-5.25	81,045	81,045	-
January 1999 to 2012	4.00-5.25	42,290	39,065	3,225
May 1999 to 2010	4.00-5.00	59,305	59,305	-
April 2001 to 2009	5.25-5.75	140,000	140,000	-
November 2001 to 2016	2.125-5.25	92,985	43,380	49,605
June 2002 to 2022	4.00-5.50	170,000	170,000	-
May 2003 to 2022	3.00-5.00	96,940	96,940	-
February 2004 to 2017	2.00-5.00	34,160	18,525	15,635
November 2004 to 2023	3.00-5.00	125,000	38,940	86,060
March 2005 to 2019	3.25-5.25	166,880	17,010	149,870
June 2005 to 2018	4.00-5.25	115,635	8,155	107,480
February 2006 to 2025	4.25-5.00	115,115	16,365	98,750
December 2006 to 2022	4.00-5.00	89,385	12,755	76,630
May 2007 to 2027	4.75-5.00	94,935	27,235	67,700
April 2008 to 2028	3.25-5.00	99,735	28,845	70,890
May 2009 to 2029	4.00-5.00	76,025	29,985	46,040
May 2010 to 2030	3.00-6.15	67,830	-	67,830
June 2010 to 2035	2.49-6.04	250,210	-	250,210
June 2011 to 2036	2.00-5.00	86,190	-	86,190
Total general government serial bonds		2,071,951	890,483	1,181,468
<b>BOND ANTICIPATION NOTES</b>				
City Direct Issue	4.00	75,400	-	75,400
<b>CAPITAL LEASE OBLIGATIONS:</b>				
November 2007 to August 2012	3.75	7,510	4,367	3,143
December 2010 to December 2015	2.77	2,250	211	2,039
Total capital lease obligations		9,760	4,578	5,182
<b>TOTAL GENERAL OBLIGATION DEBT</b>		<b>\$ 2,157,111</b>	<b>\$ 895,061</b>	<b>\$ 1,262,050</b>



**SCHEDULE OF GENERAL OBLIGATION DEBT - BY ISSUE**  
**(Thousands of Dollars)**  
**For the fiscal year ended June 30, 2011**

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

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<b>Use</b>	<b>Balance Outstanding At Year End</b>
<hr/>	
<b>GENERAL OBLIGATION BONDS</b>	
General Improvement	\$ 1,166,241
Schools	12,475
Airport	2,015
Convention Center	<u>737</u>
Total general obligation bonds	1,181,468
<b>BOND ANTICIPATION NOTES</b>	75,400
<b>CAPITAL LEASE OBLIGATIONS</b>	5,182
<b>TOTAL GENERAL OBLIGATION DEBT</b>	<u><u>\$ 1,262,050</u></u>

**LONG TERM DEBT PRINCIPAL AND INTEREST REQUIREMENTS  
 PROPRIETARY FUNDS  
 (Thousands of Dollars)  
 For the fiscal year ended June 30, 2011**

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

Fiscal Year	Revenue				Total Requirements	
	Sewer Collection & Treatment		Memphis Light, Gas & Water (1)			
	Principal	Interest	Principal	Interest	Principal	Interest
2011	-	-	90,420	41,505	90,420	41,505
2012	9,965	6,836	96,815	37,071	106,780	43,907
2013	10,480	6,569	99,700	32,291	110,180	38,860
2014	10,895	6,143	102,765	27,431	113,660	33,574
2015	11,155	5,707	107,775	22,417	118,930	28,124
2016	10,940	5,254	112,935	17,151	123,875	22,405
2017	11,435	4,834	117,195	11,554	128,630	16,388
2018	11,305	4,331	122,325	5,777	133,630	10,108
2019	9,030	3,822	-	-	9,030	3,822
2020	10,010	3,404	-	-	10,010	3,404
2021	8,890	2,926	-	-	8,890	2,926
2022	9,305	2,475	-	-	9,305	2,475
2023	7,245	2,056	-	-	7,245	2,056
2024	7,575	1,681	-	-	7,575	1,681
2025	7,910	1,289	-	-	7,910	1,289
2026	5,900	938	-	-	5,900	938
2027	3,655	687	-	-	3,655	687
2028	3,805	480	-	-	3,805	480
2029	2,430	298	-	-	2,430	298
2030	2,525	144	-	-	2,525	144
2031	1,085	33	-	-	1,085	33
<b>Total</b>	<b>\$ 155,540</b>	<b>59,907</b>	<b>849,930</b>	<b>195,197</b>	<b>1,005,470</b>	<b>255,104</b>

(1) At 12-31-10

**SCHEDULE OF INTERFUND BALANCES**  
 (Thousands of Dollars)  
 June 30, 2011

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

Primary Government

	Governmental Fund Types										Proprietary Funds				Business Type		Fiduciary
	General Fund	Drug Enforcement	Debt Service	Printing and Mail	Health Insurance	Fleet Management	Storm water	Sewer	Enterprise Funds		City OPEB Trust	Total Payables - Reporting Entity.					
									Internal Service								
<b>GOVERNMENTAL FUND TYPES</b>																	
<b>Special Revenue:</b>																	
Community development	\$ 21,813			71		47	710					22,641					
State street aid	2,853		295									3,148					
Workforce investment act		121										121					
Miscellaneous grants		1,003										1,003					
JOBS		1										1					
New Memphis arena					5,086							5,086					
<b>Capital Projects</b>			6,377									6,377					
<b>PROPRIETARY FUND TYPES</b>																	
<b>Enterprise:</b>																	
Sewer	4,612											4,612					
Storm water			1,000					8,915				9,915					
<b>Internal Service:</b>																	
Unemployment compensation	1,605											1,605					
Fleet Management	1,827											1,827					
<b>FIDUCIARY FUND TYPES</b>																	
<b>Pension Trust:</b>																	
City retirement														77			77
Library retirement														290			290
<b>Total receivables - primary govt.</b>	32,710	1,125	7,672	71	5,086	47	710	8,915			367	56,703					
<b>Total receivables - reporting entity</b>	\$ 32,710	1,125	7,672	71	5,086	47	710	8,915			367	56,703					

**SCHEDULE OF INTERFUND TRANSFERS**  
 (Thousands of Dollars)  
 For the fiscal year ended June 30, 2011

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

	Primary Government									
	Governmental Fund Types					Fiduciary				
	General Fund	Debt Service	Miscellaneous Grants	Hotel/Motel Tax	New Memphis Arena	Community Redevelopment	Education fund	OPEB Trust Fund	Total Transfers Out	
<b>GOVERNMENTAL FUND TYPES</b>										
General Fund	\$ 45,000	3,253	284			3,185	60,000			66,722
Debt Service										45,000
<b>Special Revenue:</b>										
State street aid		1,768								1,768
Miscellaneous Grants		192								192
Solid Waste		1,662			966					1,662
Hotel/Motel tax		1,333								2,299
New Memphis arena		1,404		966						2,370
Community services	358									358
CRA		313								313
<b>PROPRIETARY FUND TYPES</b>										
<b>Enterprise:</b>										
Sewer collection and treatment	5,969									5,969
Memphis light, gas and water	54,048				2,500					56,548
Storm water		4,412								4,412
<b>Internal Service:</b>										
Health insurance								3,393		3,393
<b>Total transfers in</b>	\$ 105,375	14,337	284	966	3,466	3,185	60,000	3,393		191,006

**COMBINED SCHEDULE OF DEPOSITS AND INVESTMENTS  
HELD OUTSIDE OF THE CASH AND INVESTMENTS POOL - CARRYING AMOUNT  
(Thousands of Dollars)  
For the fiscal year ended June 30, 2011**

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

	Governmental Fund Types				Proprietary Funds			Internal Service Funds		Fiduciary Fund Types					Total
	General	Special Revenue	Capital Projects	Sewer	MLGW	Non-Major Funds	Fleet Maintenance	Total	City OPEB Trust	Memphis Light, Gas and Water OPEB Trust	City Retirement System	Library Retirement System	MLGW Retirement System	Trust and Agency	
<b>Investments:</b>															
Short-term investments	-	-	9,867	13,618	220,747	-	-	244,232	-	-	-	-	-	14,209	
U.S. government securities - long-term	-	-	45,642	28,904	92,610	-	-	167,156	-	-	50,316	-	-	59,586	
Common stock - domestic	-	-	-	-	-	-	-	-	44,860	690,802	29,312	-	-	1,063,851	
Common stock - foreign	-	-	-	-	-	-	-	-	16,745	188,424	-	-	-	303,118	
Preferred stock - domestic	-	-	-	-	-	-	-	-	-	-	-	-	-	145	
Preferred stock - foreign	-	-	-	-	-	-	-	-	221	-	-	-	-	1,710	
Corporate bonds - domestic	-	-	-	-	15,983	-	-	15,983	-	-	298,533	-	-	420,158	
Corporate bonds - foreign	-	-	-	-	-	-	-	-	-	76,458	-	-	-	76,458	
Asset-backed pooled securities	-	-	-	-	28,785	-	-	28,785	-	-	107	-	-	107	
Collateralized mortgage obligations	-	-	-	-	-	-	-	-	-	6,706	-	-	-	49,468	
Mortgage-backed pooled securities	-	-	-	-	-	-	-	-	-	107,550	-	-	-	237,184	
Equity exchange index fund - domestic	-	-	-	-	-	-	-	-	3,526	-	-	-	-	3,526	
Investment in high yield bond fund	-	-	-	-	-	-	-	-	14,739	252,777	7,979	-	-	275,495	
Investment in international equity fund	-	-	-	-	-	-	-	-	-	153,278	20,690	-	-	353,765	
Investment in index funds	-	-	-	-	-	-	-	-	-	33,195	-	-	-	33,195	
Investment in international bond fund	-	-	-	-	-	-	-	-	-	87,639	-	-	-	185,959	
Investment in real estate	-	-	-	-	-	-	-	-	-	27,474	287	-	-	13,343	
Bond and equity mutual fund	-	-	-	-	-	-	-	-	12,512	-	-	-	-	53,616	
Investment in corporate bond mutual fund	-	-	-	-	-	-	-	-	-	36,827	-	-	-	36,827	
Distressed debt funds - domestic	-	-	-	-	-	-	-	-	1,903	-	-	-	-	1,903	
Distressed debt funds - foreign	-	-	-	-	-	-	-	-	1,597	-	-	-	-	1,597	
Purchased interest	-	-	-	5	-	-	-	5	-	-	-	-	-	-	
State of Tennessee local government investment pool	-	-	5,223	83	-	-	-	5,306	-	-	-	-	-	-	
<b>Total investments</b>	-	-	60,732	42,610	358,125	-	-	461,467	12,512	153,613	1,940,064	58,268	1,064,852	3,229,309	
<b>Deposits:</b>															
Cash deposits	41	8,690	96	251	10,723	1	1	19,803	-	6,875	95,690	-	-	158,354	
<b>Total deposits</b>	41	8,690	96	251	10,723	1	1	19,803	-	6,875	95,690	-	-	158,354	
<b>Total investments and deposits</b>	41	8,690	60,828	42,861	368,848	1	1	481,270	12,512	160,488	2,035,754	58,268	1,120,641	3,387,663	

**SCHEDULE OF ADDITIONS AND RETIREMENTS  
TO UTILITY PLANT  
(Thousands of Dollars)  
For the fiscal year ended June 30, 2011**

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

**MEMPHIS LIGHT, GAS AND WATER DIVISION <sup>1</sup>**

	<b>Balance</b>				<b>Balance</b>
	<b>January 1, 2010</b>	<b>Additions</b>	<b>Deletions</b>	<b>Transfers</b>	<b>December 31, 2010</b>
Electric Division <sup>3</sup>	\$ 1,339,183	59,543	(10,533)	-	1,388,193
Gas Division <sup>3</sup>	522,933	15,509	(5,041)	-	533,401
Water Division <sup>3</sup>	423,936	15,084	(5,517)	-	433,503
<b>Total</b>	<b>\$ 2,286,052</b>	<b>90,136</b>	<b>(21,091)</b>	<b>-</b>	<b>2,355,097</b>

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

**SEWER COLLECTION AND TREATMENT FUND <sup>2</sup>**

	<b>Balance</b>				<b>Balance</b>
	<b>July 1, 2010</b>	<b>Additions</b>	<b>Deletions</b>	<b>Transfers</b>	<b>June 30, 2011</b>
Land and buildings	\$ 119,782	-	(75)	-	119,707
Improvements other than buildings	502,330	4,747	(1,843)	-	505,234
Equipment and furniture	24,011	3,211	-	-	27,222
Construction work in progress	23,844	8,920	(3,407)	-	29,357
	<b>\$ 669,967</b>	<b>16,878</b>	<b>(5,325)</b>	<b>-</b>	<b>681,520</b>

<sup>1</sup> MLGW is presented for the year ended December 31.

<sup>2</sup> Sewer Collection and Treatment Fund is presented for the year ended June 30.

<sup>3</sup> Restated December 31, 2009 balance

**SCHEDULE OF FUNDING PROGRESS  
OTHER POSTEMPLOYMENT BENEFITS (OPEB)  
(Thousands of Dollars)  
For the fiscal year ended June 30, 2011**

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

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 <sup>1</sup> (c)	UAAL as a Percentage of Covered Payroll <sup>1</sup> [(b) – (a)] ÷ (c)
June 30, 2009	\$2,911	\$937,151	\$934,240	0.3%	\$315,682	295.9%
June 30, 2010	\$2,566	\$1,167,930	\$1,165,364	0.2%	\$313,285	372.0%
June 30, 2011	\$10,297	\$1,345,355	\$1,335,058	0.8%	\$337,200	395.9%

<sup>1</sup> Covered Payroll includes all active plan participants.

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

**GENERAL FUND**  
**SCHEDULE 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, 2011

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

	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>	<b>Variance with Final Budget- Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>REVENUES</b>				
Local taxes	\$ 423,483	423,483	434,648	11,165
State taxes (local share)	52,046	53,591	57,043	3,452
Licenses and permits	11,734	11,734	10,878	(856)
Fines and forfeitures	13,026	13,026	13,324	298
Charges for services	29,483	29,483	29,946	463
Investment income	2,036	2,036	519	(1,517)
Federal grants	364	364	930	566
State grants	1,443	1,443	1,672	229
Intergovernmental revenues	3,802	3,802	4,420	618
Other	12,238	12,648	10,011	(2,637)
<b>Total revenues</b>	<b>549,655</b>	<b>551,610</b>	<b>563,391</b>	<b>11,781</b>
<b>EXPENDITURES</b>				
General government	135,551	144,871	141,920	2,951
Public safety	387,036	385,532	384,739	793
Community services	65,575	66,288	64,216	2,072
Transportation and environment	9,819	9,127	6,417	2,710
<b>Total expenditures</b>	<b>597,981</b>	<b>605,818</b>	<b>597,292</b>	<b>8,526</b>
Revenues under expenditures	(48,326)	(54,208)	(33,901)	20,307
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	110,956	110,956	105,375	(5,581)
Transfers out	(64,996)	(67,200)	(66,722)	478
<b>Total other financing sources and uses</b>	<b>\$ 45,960</b>	<b>43,756</b>	<b>38,653</b>	<b>(5,103)</b>
Adjustment for encumbrances - prior year			(6,623)	
Adjustment for encumbrances - current year			8,362	
<b>Revenues over expenditures (GAAP basis)</b>			<b>\$ 6,491</b>	



**DEBT SERVICE FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE BUDGET AND ACTUAL  
(Thousands of Dollars)  
For the fiscal year ended June 30, 2011**

**CITY OF MEMPHIS, TENNESSEE  
Exhibit F-12**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance with Final Budget- Positive (Negative)</b>
<b>REVENUES</b>				
Local taxes	\$ 83,913	83,913	84,987	1,074
Hotel/motel tax	401	401	-	(401)
Investment income	2,000	2,000	225	(1,775)
Federal grants	-	-	1,542	1,542
Intergovernmental revenue:				-
Memphis-Shelby County Airport Authority	2,072	2,072	2,072	-
MHA	2,038	2,038	-	(2,038)
Total intergovernmental revenue	<u>4,110</u>	<u>4,110</u>	<u>2,072</u>	<u>(2,038)</u>
Other	<u>1,267</u>	<u>1,267</u>	<u>1,097</u>	<u>(172)</u>
<b>Total revenues</b>	<u>91,691</u>	<u>91,691</u>	<u>89,921</u>	<u>(1,770)</u>
<b>EXPENDITURES</b>				
Redemption of serial bonds and notes	24,100	24,100	24,100	-
Interest	55,211	55,211	52,303	2,908
Other	350	351	597	(246)
<b>Total expenditures</b>	<u>79,661</u>	<u>79,662</u>	<u>77,000</u>	<u>2,662</u>
<b>Revenues over expenditures</b>	<u>12,030</u>	<u>12,029</u>	<u>12,921</u>	<u>892</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	11,960	11,960	14,337	2,379
Transfers out	(51,000)	(51,000)	(45,000)	6,000
Proceeds from Refunded Debt	-	-	27,369	27,369
Retirement of Refunded Debt	-	-	(27,108)	(27,108)
<b>Total other financing sources and uses</b>	<u>(39,040)</u>	<u>(39,040)</u>	<u>(30,400)</u>	<u>8,640</u>
Net change in fund balances	<u>\$ (27,010)</u>	<u>(27,011)</u>	<u>(17,479)</u>	<u>9,532</u>
Fund balance - beginning of year			<u>34,680</u>	
<b>Fund balance - end of year</b>			<u>\$ 17,201</u>	

**SOLD PROPERTY TAX RECEIVABLE AGENCY FUND  
SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES  
(Thousands of Dollars)  
For the fiscal year ended June 30, 2011**

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

	<b>Beginning Balance</b>	<b>Additions</b>	<b>Deductions</b>	<b>Ending Balance</b>
<b>ASSETS:</b>				
Equity in cash and investment pool	\$ -	2,262	-	2,262
Property tax receivable - delinquent	-	13,314	2,957	10,357
<b>Total assets</b>	<b>\$ -</b>	<b>15,576</b>	<b>2,957</b>	<b>12,619</b>
<b>LIABILITIES</b>				
Accounts payable & other liabilities	\$ -	2,262	-	2,262
Deferred revenue	-	13,314	2,957	10,357
<b>Total liabilities</b>	<b>\$ -</b>	<b>15,576</b>	<b>2,957</b>	<b>12,619</b>

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# 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 Nine Fiscal Years**  
**(Thousands of Dollars)**

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

	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
<b>Governmental activities:</b>										
Invested in capital assets, net of related debt	\$ 57,299	\$ 24,716	\$ 272,199	\$ 269,490	\$ 239,334	\$ 162,807	\$ 98,113	\$ 103,451	\$ 24,027	\$ 6,912
Restricted for:										
Debt service and construction	28,648	30,874	42,297	-	-	-	-	-	-	-
Contracted grant programs	3,744	5,068	3,718	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	14,783
Unrestricted:										
Net pension asset	-	67,847	74,893	81,491	78,238	64,471	50,825	42,560	-	-
Unrestricted, other	(21,192)	(54,319)	(174,983)	(175,783)	(134,764)	(8,886)	(4,974)	(52,761)	(110,079)	(278,095)
Total governmental activities net assets	68,499	74,186	218,124	175,198	182,808	218,392	143,964	93,250	(86,052)	(256,400)
<b>Business-type activities:</b>										
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	1,633,163	1,664,684	1,705,138
Restricted for debt service and construction	143,894	161,117	89,222	90,115	89,905	118,799	88,703	91,215	75,615	64,909
Unrestricted	144,152	114,184	151,995	156,991	209,677	215,600	232,880	208,828	253,616	334,093
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	1,933,206	1,993,915	2,104,140
<b>Primary government:</b>										
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	1,736,614	1,688,711	1,712,050
Restricted for:										
Debt service and construction	172,542	191,991	131,519	90,115	89,905	118,799	88,703	91,215	75,615	64,909
Contracted grant programs	3,744	5,068	3,718	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	14,783
Unrestricted	122,960	59,865	(22,988)	(18,792)	56,102	271,185	278,731	198,627	143,537	55,998
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	\$ 2,026,456	\$ 1,907,863	\$ 1,847,740

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

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

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
<b>Program Revenues</b>										
Governmental activities:										
Charges for services:										
General government	\$ 50,223	\$ 43,604	\$ 45,016	\$ 33,781	\$ 45,500	\$ 71,939	\$ 71,398	\$ 67,880	\$ 73,768	\$ 79,691
Public Safety	5,294	2,673	1,725	2,459	3,785	4,584	5,203	6,420	4,230	3,637
Community services	642	125	125	125	125	125	147	137	137	174
Transportation and environment	25,836	22,325	22,011	21,942	46,097	47,937	47,790	50,391	50,438	59,268
Operating grants and contributions	54,046	60,476	89,832	57,424	56,472	49,415	49,822	56,402	69,135	61,098
Capital grants and contributions	26,858	5,195	1,598	3,785	1,494	1,201	3,217	3,217	3,217	7,490
Total governmental activities program revenues	162,899	134,398	160,307	119,516	153,473	175,201	177,577	184,447	200,925	211,358
Business-type activities:										
Charges for services:										
Sewer collection and treatment	35,963	34,773	35,722	46,909	48,670	52,543	52,510	53,778	56,162	98,559
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	1,818,104	1,648,194	1,705,513
Golf	-	3,395	3,204	3,079	2,934	2,963	-	-	-	-
Storm water	-	-	-	-	927	12,988	16,983	19,680	21,897	23,661
Operating grants and contributions	28,385	21,675	22,268	22,675	23,205	24,117	25,185	26,705	28,377	30,321
Capital grants and contributions	3,256	4,032	7,344	4,544	5,805	6,306	1,766	524	800	1,398
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	1,918,791	1,755,430	1,859,452
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	2,103,238	1,956,355	2,070,810
<b>Expenses</b>										
Governmental Activities:										
General government	133,168	170,815	159,005	187,105	190,796	200,184	271,906	249,707	223,773	251,039
Public safety	279,997	308,308	310,624	318,106	340,621	362,050	394,476	410,303	482,281	510,529
Community services	150,659	102,013	154,950	107,129	101,488	108,341	96,130	114,776	129,722	121,927
Transportation and environment	92,735	75,753	71,821	59,523	66,262	72,106	81,492	79,396	81,539	82,546
Education	109,113	89,192	84,465	85,144	91,225	91,405	91,392	21,846	117,118	80,775
Interest on long term debt	33,152	38,604	42,443	37,142	43,583	44,772	50,250	48,046	58,472	52,497
Total governmental activities expenses	798,824	784,685	823,308	794,149	833,975	878,858	985,646	924,074	1,092,905	1,099,313
Business-type activities:										
Sewer collection and treatment	45,997	50,391	45,201	50,512	48,991	47,852	51,507	57,802	55,584	61,401
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	1,790,499	1,621,840	1,658,638
Golf	-	4,683	4,589	4,270	4,153	3,893	-	-	-	-
Storm water	-	-	-	-	1,343	7,223	13,480	13,419	12,571	13,160
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	1,861,720	1,689,995	1,733,199
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	2,785,794	2,782,900	2,832,512
<b>Net (expense)/revenue</b>										
Governmental activities	(635,925)	(650,287)	(663,001)	(674,633)	(680,502)	(703,657)	(808,069)	(739,627)	(891,980)	(887,955)
Business-type activities	22,857	11,723	10,478	(8,306)	72,930	65,829	51,032	57,071	65,435	126,253
Total primary government net expense	(613,068)	(638,564)	(652,523)	(682,939)	(607,572)	(637,828)	(757,037)	(682,556)	(826,545)	(761,702)
<b>General Revenues and Other Changes in Net Assets</b>										
Governmental activities:										
Taxes										
Local taxes	503,096	488,805	526,433	527,453	536,715	541,795	549,149	531,339	540,970	540,150
State taxes (local share)	71,210	71,561	68,806	75,441	83,602	92,554	96,193	88,203	87,751	87,523
Hotel/motel tax	3,514	3,599	3,706	3,936	4,399	4,607	4,740	4,244	4,017	3,537
Unrestricted investment earnings	6,155	2,230	1,236	-	3,596	7,907	7,367	5,614	1,402	861
Federal grants and entitlements	-	-	-	909	-	-	-	-	-	-
Intergovernmental revenues	10,334	12,942	8,746	10,227	-	14,171	9,315	4,163	4,944	6,492
Decreases in net pension obligation	-	8,774	25,584	6,598	-	-	-	-	-	-
Other	20,816	10,673	-	15,608	15,871	11,569	13,140	8,315	8,597	12,124
Transfers	1,300	1,300	1,588	1,587	43,929	59,966	59,113	46,998	64,997	66,929
Total governmental activities	616,425	599,884	636,099	641,759	688,112	732,569	739,017	688,876	712,678	717,616
Business-type activities:										
Investment earnings	17,734	16,112	17,840	61,792	63,619	69,910	74,064	62,356	50,516	41,520
Gain on sale of capital assets	7	-	-	-	-	-	-	-	-	-
Transfers	(1,300)	(1,300)	(1,588)	(1,587)	(43,929)	(59,966)	(61,759)	(59,437)	(64,997)	(66,929)
Total business-type activities	16,441	14,812	16,252	60,205	19,690	9,944	12,305	2,919	(14,481)	(25,409)
Total primary government	632,866	614,696	652,351	701,964	707,802	742,513	751,322	691,795	698,197	692,207
<b>Change in Net Assets</b>										
Government activities	(19,500)	(50,403)	(26,902)	(32,874)	7,610	28,912	(69,052)	(50,751)	(179,302)	(170,339)
Business-type activities	39,298	26,535	26,730	51,899	92,620	75,773	63,337	59,990	50,944	100,844
Total primary government	\$ 19,798	\$ (23,868)	\$ (172)	\$ 19,025	\$ 100,230	\$ 104,685	\$ (5,715)	\$ 9,239	\$ (128,358)	\$ (69,495)

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

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

	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
<b>General fund</b>										
Restricted	\$ -	-	-	-	-	-	-	-	-	1,684
Assigned	-	-	-	-	-	-	-	-	-	8,252
Unassigned	-	-	-	-	-	-	-	-	-	81,125
Reserved	11,949	8,595	6,804	5,312	4,194	6,747	8,945	9,691	8,299	-
Unreserved	57,680	53,189	19,598	(4,100)	29,746	72,093	89,613	96,912	76,271	-
Total general fund	69,629	61,784	26,402	1,212	33,940	78,840	98,558	106,603	84,570	91,061
<b>All other governmental funds</b>										
Restricted	-	-	-	-	-	-	-	-	-	13,099
Committed	-	-	-	-	-	-	-	-	-	72,186
Unassigned	-	-	-	-	-	-	-	-	-	(5,086)
Reserved	1,145	-	477	-	-	-	-	-	-	-
Unreserved, reported in:										
Debt service fund	18,793	13,277	13,918	8,042	30,418	53,793	58,716	46,488	34,680	-
Capital projects fund	1,193	8,660	19,407	303	(27,577)	(32,527)	12,673	67,239	74,030	-
Special revenue funds	(6,927)	(6,542)	(5,235)	(4,208)	(2,275)	6,602	6,305	4,888	6,179	-
Total all other governmental funds	14,204	15,395	28,567	4,137	566	27,868	77,694	118,615	114,889	80,199
<b>Total governmental funds</b>	\$ 83,833	77,179	54,969	5,349	34,506	106,708	176,252	225,218	199,459	171,260

Note: In 2009, Workforce Investment Act fund, a special revenue fund, beginning fund balance was restated from \$(37) to \$0.

**CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS**

**Last Ten Fiscal Years**

**(Thousands of Dollars)**

**CITY OF MEMPHIS, TENNESSEE**

**Exhibit X-4**

	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
<b>Revenues</b>										
Local taxes	\$ 496,695	493,984	516,952	522,876	533,045	540,282	548,095	525,468	534,141	546,446
State taxes (local share)	71,210	68,806	75,441	75,441	83,602	92,554	96,193	88,203	87,751	87,523
Hotel/motel tax	3,514	3,599	3,706	3,936	4,306	4,607	4,244	4,017	4,740	3,537
Licenses and permits	11,731	11,921	12,257	12,059	12,478	11,918	11,934	11,427	11,119	11,393
Fines and forfeitures	13,560	13,118	12,574	13,639	13,009	13,422	15,243	16,657	16,392	16,961
Charges for services	40,464	40,105	41,269	41,139	66,941	72,307	76,788	78,339	82,851	89,388
Investment income	6,165	2,180	1,221	855	3,076	7,411	3,367	5,183	1,301	798
Federal grants and entitlements	46,640	41,042	46,757	41,559	35,212	41,673	37,359	40,175	58,123	59,398
State grants	8,226	9,723	29,202	10,506	4,202	4,449	7,908	12,456	5,929	6,359
Intergovernmental revenues	32,613	15,723	14,145	16,370	15,948	14,705	11,207	6,055	6,836	6,492
Other	21,073	22,987	28,321	18,562	18,457	14,548	18,420	13,430	13,696	14,016
<b>Total revenues</b>	<b>751,891</b>	<b>725,943</b>	<b>775,210</b>	<b>756,942</b>	<b>790,369</b>	<b>817,876</b>	<b>835,254</b>	<b>801,637</b>	<b>822,156</b>	<b>842,311</b>
<b>Expenditures</b>										
General government	128,826	149,055	158,736	149,520	141,436	141,541	167,215	185,741	177,049	179,292
Public safety	265,815	286,251	297,205	309,341	320,190	323,691	347,366	367,366	374,182	388,071
Instruction and administration	-	-	-	-	80,029	-	-	-	-	-
Community services	105,395	77,709	104,584	91,688	65,189	91,404	91,945	97,700	109,092	101,360
Transportation and environment	63,690	61,886	71,126	60,190	-	68,199	74,256	76,725	73,687	74,042
Education	80,487	79,590	83,974	85,446	90,946	91,952	92,438	23,919	62,825	82,400
Capital outlay	140,011	98,019	91,161	146,723	98,737	62,416	79,089	91,800	86,656	100,550
Debt service:										
Redemption of serial bonds and notes	45,292	43,341	50,792	52,385	46,046	36,528	42,925	58,565	61,803	24,100
Interest	33,847	37,258	40,310	37,065	43,338	46,738	49,015	52,451	53,866	52,303
Bond issuance cost	182	207	207	3,495	416	940	1,932	1,399	2,783	1,012
Service charges	675	303	1,221	405	624	1,308	581	523	196	194
<b>Total expenditures</b>	<b>864,220</b>	<b>833,412</b>	<b>893,316</b>	<b>935,238</b>	<b>886,951</b>	<b>864,717</b>	<b>946,762</b>	<b>956,189</b>	<b>1,002,139</b>	<b>1,003,324</b>
Excess of revenues over (under) expenditures	(112,329)	(107,469)	(124,106)	(178,296)	(96,582)	(46,841)	(111,508)	(154,552)	(179,983)	(161,013)
<b>Other financing sources (uses)</b>										
Transfers in	176,386	54,571	62,037	54,981	93,393	82,184	70,310	87,226	120,557	187,613
Transfers out	(179,211)	(53,271)	(60,449)	(53,394)	(37,073)	(22,218)	(11,197)	(25,143)	(55,560)	(120,684)
Proceeds from issuance of debt	337,377	125,176	134,160	507,515	188,030	220,712	189,735	284,495	393,440	60,824
Issuance of refunding debt	-	-	-	-	-	-	-	-	-	25,366
Retirement of refunded debt obligation	(228,570)	(24,257)	(36,343)	(410,290)	(120,385)	(175,172)	(70,000)	(150,000)	(322,487)	(27,108)
Bond issuance cost	-	-	-	-	(839)	(788)	-	-	-	-
Premium on debt issue	-	-	2,491	38,916	2,615	12,855	2,204	6,903	18,274	6,803
Other financing source-capital lease/capital outlay	6,040	4,310	-	-	-	-	-	-	-	-
Other	-	(1,093)	-	-	-	-	-	-	-	-
<b>Total other financing sources</b>	<b>112,022</b>	<b>105,436</b>	<b>101,896</b>	<b>138,728</b>	<b>125,741</b>	<b>117,573</b>	<b>181,052</b>	<b>203,481</b>	<b>154,224</b>	<b>132,814</b>
<b>Net change in fund balances/(deficit)</b>	<b>\$(307)</b>	<b>\$(2,033)</b>	<b>\$(22,210)</b>	<b>\$(39,568)</b>	<b>29,159</b>	<b>70,732</b>	<b>69,544</b>	<b>48,929</b>	<b>\$(25,759)</b>	<b>\$(28,199)</b>
Debt service as a percentage of noncapital expenditures	11.0%	11.0%	11.4%	11.8%	11.5%	10.7%	10.9%	13.1%	13.0%	8.6%



**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

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
General Government										
Legislative	\$ 1,372	1,419	1,487	1,411	1,368	1,541	1,598	1,560	1,515	1,572
Judicial	501	503	511	513	525	523	623	587	576	606
Court clerk	2,942	2,513	2,686	2,901	2,886	2,796	3,393	3,378	4,042	4,675
Executive	1,818	1,868	2,120	2,442	2,475	2,862	8,257	7,688	6,545	6,390
Finance and administration	5,498	5,249	6,035	4,952	4,560	4,004	4,627	5,141	5,018	5,196
City attorney	5,492	5,646	7,164	11,180	9,783	13,040	13,945	17,789	14,506	14,978
City engineer	8,207	8,226	9,924	8,279	8,785	4,980	5,146	6,224	5,327	5,981
Information systems	-	10,026	15,747	11,897	13,315	13,983	17,224	17,699	18,850	19,158
Human resources	3,460	3,353	3,448	2,920	2,786	4,708	6,188	8,116	7,787	5,367
General services	12,796	13,871	14,203	12,302	11,288	10,365	10,834	12,348	11,730	12,941
Special appropriations	52,895	54,517	58,618	59,600	58,842	56,554	61,039	73,116	66,797	64,989
Total general government	94,981	107,191	121,943	118,397	116,613	115,356	132,874	153,646	142,693	141,853
Public Safety										
Police	152,986	162,299	173,972	178,632	181,979	181,512	193,024	206,326	212,492	224,752
Fire	107,450	117,259	119,639	128,336	135,586	138,394	149,747	156,772	157,063	159,488
Total public safety	260,436	279,558	293,611	306,968	317,565	319,906	342,771	363,098	369,555	384,240
Community Services										
Library	21,657	21,096	21,126	19,854	18,574	-	-	-	-	-
Parks and recreation	28,404	24,455	26,033	22,068	21,268	23,307	31,017	29,678	29,992	28,593
Public Service	11,753	11,985	12,382	8,712	7,070	24,687	21,627	22,557	21,821	22,661
Community development	4,910	4,805	4,718	6,936	4,640	5,763	4,743	4,717	5,093	4,498
Community enhancement	-	-	-	-	-	-	2,684	6,860	7,280	7,387
Total community services	66,724	62,341	64,259	57,570	51,552	53,757	60,071	63,812	64,186	63,139
Transportation and Environment										
Public works	18,318	18,857	19,614	17,143	18,197	5,769	6,676	8,460	6,458	6,321
Total transportation and environment	18,318	18,857	19,614	17,143	18,197	5,769	6,676	8,460	6,458	6,321
Transfers out - primary	28,181	23,052	34,814	22,134	10,476	13,177	3,448	8,383	45,662	66,722
Total	\$ 468,640	490,999	534,241	522,212	514,403	507,965	545,840	597,399	628,554	662,275

(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		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	Assessed Value	Estimated Actual Value						
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
2009	5,476,099,925	21,904,399,700	4,893,771,265	12,450,961,410	1,196,861,700	3,986,490,000	775,027,935	1,409,141,700		12,341,760,825		39,750,992,810	31.05%	3,2500
2010	5,359,781,600	21,439,126,400	4,743,781,550	12,089,810,000	1,133,365,185	3,774,783,400	816,425,195	1,484,409,445		12,053,353,530		38,788,129,245	31.07%	3,1957
2011	5,301,771,500	21,207,086,000	4,507,983,385	11,506,347,200	1,128,790,635	3,760,225,200	877,932,058	1,596,240,105		11,816,477,578		38,069,898,505	31.04%	3,1957

(1) Does not include City-owned utilities (Electric and Gas Divisions) which are assessed a separate in-lieu-of-tax. 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's 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 real estate at 25%, greenbelt industrial real estate at 25% and greenbelt multiple real estate at 0-40%. For real estate, where parcel classification is multiple, the assessments will not equal the percentage multiple of the market appraisal or greenbelt.

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**

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
<b>City Direct Rates</b>										
General Fund	\$ 1.6785	\$ 1.6753	\$ 1.6753	\$ 1.6753	\$ 1.9088	\$ 1.9088	\$ 1.9088	\$ 2.3427	\$ 2.2917	\$ 2.2917
Debt Service	0.6941	0.6941	0.6941	0.6941	0.6941	0.6941	0.6941	0.7141	0.7141	0.7141
CJP	0.0000	0.0032	0.0032	0.0032	0.0032	0.0032	0.0032	0.0032	0.0031	0.0031
Education	0.8578	0.8578	0.8578	0.8578	0.8271	0.8271	0.8271	0.1900	0.1868	0.1868
<b>Total City Direct Rate</b>	<b>3.2304</b>	<b>3.2304</b>	<b>3.2304</b>	<b>3.2304</b>	<b>3.4332</b>	<b>3.4332</b>	<b>3.4332</b>	<b>3.2500</b>	<b>3.1957</b>	<b>3.1957</b>
<b>County Direct Rates</b>										
General Fund	1.25	1.25	1.43	1.43	1.31	1.22	1.22	1.22	1.23	1.33
Debt Service	0.51	0.51	0.58	0.58	0.70	0.80	0.80	0.80	0.81	0.79
Education	2.03	2.03	2.03	2.03	2.03	2.02	2.02	2.02	1.98	1.90
<b>Total County Direct Rate</b>	<b>3.79</b>	<b>3.79</b>	<b>4.04</b>	<b>4.04</b>	<b>4.04</b>	<b>4.04</b>	<b>4.04</b>	<b>4.04</b>	<b>4.02</b>	<b>4.02</b>
<b>Total Overlapping Rate</b>	<b>7.0204</b>	<b>7.0204</b>	<b>7.2704</b>	<b>7.2704</b>	<b>7.4732</b>	<b>7.4732</b>	<b>7.4732</b>	<b>7.2900</b>	<b>7.2157</b>	<b>7.2157</b>
<b>Tax Levies</b>										
City	\$ 314,190,509	\$ 309,292,650	\$ 325,695,529	\$ 324,340,510	\$ 380,947,344	\$ 384,877,389	\$ 392,477,211	\$ 375,803,751	\$ 389,347,038	\$ 380,172,801
County	549,355,956	555,311,765	596,378,594	606,615,294	681,245,173	704,279,575	717,010,251	730,042,595	768,641,959	756,936,983
<b>Total Tax Levies</b>	<b>863,546,465</b>	<b>864,604,415</b>	<b>922,074,123</b>	<b>930,955,804</b>	<b>1,062,192,517</b>	<b>1,089,156,964</b>	<b>1,109,487,462</b>	<b>1,105,846,346</b>	<b>1,157,988,997</b>	<b>1,137,109,784</b>

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. Tax rates are per \$100 of assessed value.

Source of County information: Shelby County Finance Department

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

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

	2011			2002		
	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	\$ 491,829,776	4.16	Federal Express	\$ 417,678,610	4.72
	Bell South Telecommunications	96,813,531	0.82	Bell South Telecommunications	152,091,363	1.72
	Wolfchase Galleria, LTD	60,006,960	0.51	Wolfchase Galleria, LTD	56,703,280	0.64
	AMISUB (St. Francis Hospital)	36,154,640	0.31	Northwest Airlines, Inc.	33,958,035	0.38
	BNSF Railway Company	30,094,886	0.25	AMISUB (St. Francis Hospital) Inc.	32,400,000	0.37
	Delta Airlines, Inc.	27,028,019	0.23	Beiz Enterprises	25,755,915	0.29
	Pinnacle Airlines, Inc.	25,538,351	0.22	Cargill, Inc.	23,433,650	0.26
	Shopping Center Associates	21,303,520	0.18	Williams Refining LLC	23,236,450	0.26
	AT & T Mobility LLC	21,174,474	0.18	Shopping Center Associates	22,669,840	0.26
	Highwoods Realty LP	20,572,000	0.17	Trizechahn TBI Clark Tower LLC	21,600,000	0.24
	Total Assessed Valuation of Top 10 Taxpayers	830,516,157	7.03		809,527,143	9.14
	Balance of Assessed Valuation	10,985,961,421	92.97		8,955,370,086	90.86
		\$ 11,816,477,578	100.00		\$ 9,764,897,229	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
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
2009	375,803,751	352,497,179	93.80	14,750,644	367,247,823	97.72	34,538,869	9.19
2010	389,347,038	363,573,869	93.38	13,566,861	377,140,730	96.86	38,682,060	9.94
2011	380,186,210	351,201,407	92.38	13,968,564	365,169,971	96.05	37,327,820	9.82

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

<b>Fiscal Year</b>	<b>Collections</b>			
	<b>Construction</b>	<b>Interest</b>	<b>Promotional Costs</b>	<b>Total</b>
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
2009	9,281	1,436	-	10,717
2010	-	-	-	-
2011	-	-	-	-

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. In fiscal year 2010 the special assessment was fully collected and/or written off as uncollectible.

**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	Notes Payable	Capital Leases	Sewer Revenue Bonds	Electric Revenue Bonds	Gas Bond Anticipation Notes	Water Revenue Bonds			
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
2009	1,047,274	148,470	-	-	-	6,058	137,125	1,043,030	35,000	7,865	2,424,822	5.10%	3,625
2010	1,144,493	75,400	-	-	-	4,628	148,270	953,664	15,000	3,165	2,344,620	4.68%	3,463
2011	1,181,468	75,400	-	-	-	5,182	155,540	848,305	-	1,625	2,267,520	4.48%	3,505

Sources: Bureau of Economic Analysis and Memphis Regional Chamber

**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

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Estimated population (4)	674,478	673,120	671,929	672,277	677,345	674,028	674,028	669,651	676,640	646,889
Appraised property valuation (3) (5)	\$ 30,569,738	32,265,194	31,801,586	35,550,325	35,682,731	36,554,763	36,776,628	39,750,993	38,788,129	38,069,899
Assessed valuation (3) (5)	\$ 9,764,897	10,200,919	9,992,954	11,108,644	11,156,092	11,369,792	11,392,569	12,341,761	12,053,354	11,816,478
Total general obligation debt (1) (3)	\$ 866,148	903,659	947,040	1,011,698	1,031,071	1,042,744	1,127,812	1,201,802	1,224,521	1,262,050
Self-supporting debt (2) (3)	\$ 38,599	34,259	29,656	25,386	21,539	17,663	13,565	11,137	8,575	4,657
Net Debt (3)	\$ 827,549	869,400	917,384	986,312	1,009,532	1,025,081	1,114,247	1,190,665	1,215,946	1,257,393
Bonded debt per capita - total debt	\$ 1,284	1,342	1,409	1,505	1,522	1,547	1,673	1,795	1,810	1,951
Bonded debt per capita - net debt	\$ 1,227	1,292	1,365	1,467	1,490	1,521	1,653	1,778	1,797	1,944
Bonded debt to appraised valuation -total debt	2.83%	2.80%	2.98%	2.85%	2.89%	2.85%	3.07%	3.02%	3.16%	3.32%
Bonded debt to appraised valuation -net debt	2.71%	2.69%	2.88%	2.77%	2.83%	2.80%	3.03%	3.00%	3.13%	3.30%
Bonded debt to assessed valuation -total debt	8.87%	8.86%	9.48%	9.11%	9.24%	9.17%	9.90%	9.74%	10.16%	10.68%
Bonded debt to assessed valuation -net debt	8.47%	8.52%	9.18%	8.88%	9.05%	9.02%	9.78%	9.65%	10.09%	10.64%

(1) Debt includes City general obligation bonds and capital lease obligations (2002-2011).

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

(3) In thousands of dollars.

(4) Source-U.S. Census Bureau

(5) Sources: Shelby County Assessor and State of Tennessee Office of State Assessed Property



**DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT**  
**(Thousands of Dollars)**  
**As of June 30, 2011**

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

	<b>Debt Outstanding</b>	<b>Estimated Percentage Applicable(1)</b>	<b>Estimated Share of Overlapping Debt(2)</b>
<u>Direct Governmental Indebtedness:</u>			
Memphis Board of Education (Primary Government Obligation)	\$ 12,475	100%	12,475
Memphis-Shelby County Airport Authority (Primary Government Obligation)	2,015	100%	2,015
City of Memphis (5)	<u>1,166,978</u>	100%	<u>1,166,978</u>
	1,181,468		1,181,468
Bond anticipation notes	75,400	100%	75,400
Notes payable	-	100%	-
Capital lease obligations	<u>5,182</u>	100%	<u>5,182</u>
Total direct government indebtedness (3)	<u>1,262,050</u>		<u>1,262,050</u>
<u>Overlapping bonded indebtedness:</u>			
Shelby County debt	<u>1,665,674</u>	62.4%	<u>1,039,381</u>
Total overlapping bonded indebtedness	<u>1,665,674</u>		<u>1,039,381</u>
Total direct and overlapping debt (4)	<u>\$ 2,927,724</u>		<u>2,301,431</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 \$17,201 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									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Debt capacity limit	\$ 1,171,788	1,224,110	1,199,154	1,333,037	1,338,731	1,364,375	1,367,108	1,481,011	1,446,402	1,417,977
Total net debt applicable to limit	827,549	869,400	917,384	986,312	1,009,532	1,033,129	1,114,247	1,190,665	1,213,947	1,259,298
Legal debt capacity margin balance	\$ 344,239	354,710	281,770	346,725	329,199	331,246	252,861	290,346	232,455	158,679
Total net debt applicable to the limit as a percentage of debt limit	70.62%	71.02%	76.50%	73.99%	75.41%	75.72%	81.50%	80.40%	83.93%	88.81%

**Legal Debt Margin Calculation for Fiscal Year 2011**

Total assessed value (1)	\$ 11,816,478
Debt capacity limit (12% of total assessed value)	1,417,977
Debt applicable to limit:	
Total bonded debt	\$ 1,262,050
Less self-supporting debt	(2,752)
Total net debt applicable to limit	1,259,298
Legal debt capacity margin balance	\$ 158,679

(1) Sources: Shelby County Assessor and State of Tennessee Office of State Assessed Property

**PLEDGED 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>
<b>ELECTRIC DIVISION (1)</b>					
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
2008	1,296,758	1,144,136	152,622	140,820 <sup>3</sup>	1.08
2009	1,284,863	1,134,821	150,042	140,796	1.07
2010	1,348,346	1,193,617	154,729	610,778	0.25
<b>GAS DIVISION (1)</b>					
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
2008	527,102	470,593	56,509	6,255 <sup>4</sup>	9.03
2009	361,271	314,213	47,058	20,674	2.28
2010	341,350	292,481	48,869	15,126	3.23
<b>WATER DIVISION (1)</b>					
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
2008	82,433	65,470	16,963	3,545	4.79
2009	80,295	65,676	14,619	5,133	2.85
2010	84,957	71,908	13,049	1,706	7.65
<b>SEWER COLLECTION AND TREATMENT FUND (2)</b>					
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
2009	54,443	38,646	15,797	14,899	1.06
2010	56,810	35,972	20,838	15,587	1.34
2011	100,931	39,919	61,012	17,384	3.51

(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.

(3) Amount represents total debt service net of \$100,479 in proceeds from issuance of long-term debt to refund existing bonds.

(4) Restated - amount represents total debt service net of \$35,000 in proceeds from issuance of long-term debt.

**DEMOGRAPHIC AND ECONOMICS STATISTICS**  
**Last ten fiscal years**

**CITY OF MEMPHIS, TENNESSEE**  
**Exhibit X-16**

<b>Year</b>	<b>Population</b>	<b>Personal Income (amounts expressed in thousands)</b>	<b>Per Capita Personal Income</b>	<b>Median Age</b>	<b>School Enrollment</b>	<b>Unemployment Rate</b>
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
2008	669,651	47,515,739	37,147	33.4	117,349	5.2
2009	676,640	50,093,990	38,577	33.8	107,041	10.0
2010	646,889	50,613,401	35,775	33.5	106,656	10.9

Source - Bureau of Economic Analysis, and Memphis Regional Chamber

Name of Employer	2011		2002	
	Employees	Percentage of Total City Employment	Employees	Percentage of Total City Employment
Federal Express Corporation	30,000	7.41%	30,000	6.09%
Memphis City Schools	15,991	3.95%	14,000	2.84%
United States Government	15,500	3.83%	14,000	2.84%
Tennessee State Government	9,000	2.22%	7,630	1.55%
Methodist Le Bonheur Healthcare	8,700	2.15%	7,028	1.43%
Memphis City Government	7,231	1.79%	6,588	1.34%
Baptist Memorial Healthcare Corp.	6,845	1.69%	6,150	1.25%
Shelby County Government	6,336	1.57%	5,055	1.03%
Wal-Mart Stores, Inc.	6,000	1.48%	5,000	1.02%
Shelby County Schools	5,200	1.28%	4,450	0.90%
<b>Total</b>	<b>110,803</b>	<b>27.38%</b>	<b>99,901</b>	<b>20.29%</b>

Source - Memphis Regional Chamber

**FULL-TIME EQUIVALENT GOVERNMENT EMPLOYEES BY FUNCTION**  
**Last ten fiscal years**

**CITY OF MEMPHIS, TENNESSEE**  
**Exhibit X-18**

Function and Activity	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
<b>General government</b>	851	857	857	874	859	828	1,231	1,340	1,261	1,147
<b>Public safety</b>										
Police										
Officers	2,152	2,015	1,996	2,147	2,024	2,018	2,385	2,273	2,444	2,550
Civilians	644	690	670	598	578	667	483	482	447	478
Fire										
Firefighters and officers	1,556	1,603	1,629	1,639	1,668	1,553	1,721	1,729	1,758	1,678
Civilians	140	76	144	157	140	255	168	147	116	184
<b>Highways and streets</b>										
Engineering	170	181	189	191	186	186	186	152	146	124
Maintenance	282	272	274	275	277	301	311	309	287	274
<b>Sanitation</b>	677	658	652	653	654	653	653	653	611	604
<b>Culture and recreation</b>	418	397	417	422	326	318	346	264	261	240
<b>Sewer</b>	288	287	289	290	293	289	290	290	290	289

Source - City of Memphis Operating Budget Book FY 2011

**OPERATING INDICATORS BY FUNCTION**  
**Last ten fiscal years**

**CITY OF MEMPHIS, TENNESSEE**  
**Exhibit X-19**

Function	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Police										
Physical arrests	82,786	78,368	88,076	79,586	51,871	48,746	57,304	65,734	61,322	82,003
Parking violations	134,610	128,225	122,004	136,057	119,017	90,005	86,497	97,554	92,433	89,374
Traffic violations	225,478	257,849	229,222	245,512	233,961	222,745	217,766	250,284	224,647	222,435
Fire										
Number of calls answered	64,344	65,571	64,691	62,153	66,357	27,597	24,974	24,974	24,974	23,892
Inspections	56,201	165,303	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Highways and streets										
Street resurfacing (miles)	317.35	236.32	216.13	300.12	193.93	101.00	144.88	123.25	99.12	137.93
Potholes repaired	2,312	1,945	1,735	1,896	1,052	993	1,499	1,230	946	982
Sanitation										
Refuse collected (tons/day)	1,227	1,278	1,329	1,214	1,295	1,174	1,086	1,005	1,121	1,161
Recyclables collected (tons/day)	377	399	380	415	464	466	377	488	435	374
Culture and recreation										
Athletic field permits issued	739	294	97	168	1,527	892	1,054	1,093	1,465	1,786
Community center admissions	1,171,124	1,264,776	1,401,897	793,029	392,125	1,561,281	1,725,798	1,419,032	1,472,891	1,653,610
Water										
Average daily consumption (thousands of gallons)	134,384	113,851	119,386	121,456	124,676	128,149	125,972	122,267	115,519	118,768
Wastewater										
Average daily sewage treatment (thousands of gallons)	170,400	160,500	149,700	167,200	155,400	151,000	172,400	154,000	169,000	172,950

Source: City of Memphis Operating Budget Book FY 2011 and /or Internal Division Operating Reports  
 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									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
<b>Public Safety:</b>										
Police:										
Stations	8	8	8	8	9	9	10	10	10	10
Community policing offices	15	15	15	15	15	15	14	14	14	14
Patrol units	1,530	2,776	800	800	800	800	800	825	800	1,056
Fire:										
Stations	52	54	54	59	59	55	56	56	56	57
Trucks (ladder)	26	26	27	27	27	26	27	27	27	27
<b>Solid Waste Management:</b>										
Collection trucks	296	296	296	296	296	296	296	296	253	253
Solid waste disposed (tons)	417,024	436,001	446,071	425,170	451,472	420,306	396,606	389,762	406,191	424,025
<b>Streets and Highways:</b>										
Streets (miles)	4,662	4,662	4,662	6,750	6,750	6,750	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	3,950	3,950
Streetlights	69,715	71,287	71,376	71,376	73,684	77,689	80,570	81,900	82,640	82,706
Traffic signals	800	800	800	800	830	821	825	825	830	770
Roadside ditches	574	574	580	580	580	580	580	580	580	580
<b>Community Services:</b>										
Parks acreage	5,387	5,387	5,387	5,387	5,387	5,387	5,387	5,387	5,387	5,387
Parks	187	187	187	187	187	187	187	187	187	187
Golf courses	7	7	7	7	8	8	8	8	8	8
Community centers	28	28	28	28	28	28	24	24	24	24
Tennis courts	7	7	7	7	7	7	7	7	7	7
Swimming pools	15	17	17	17	17	18	18	18	18	17
<b>Water:</b>										
Water mains (miles)	4,650	4,650	4,650	6,680	6,680	3,672	3,700	3,710	3,716	3,716
Fire hydrants	22,000	22,000	22,000	22,000	22,000	29,665	29,050	30,221	30,423	30,423
Daily storage capacity (millions of gallons)	437.5	437.5	437.5	437.5	437.5	437.5	437.5	437.5	437.5	437.5
<b>Sanitary Sewer and Storm:</b>										
Miles of sewer lines	3,600	3,600	3,600	3,605	3,605	3,610	3,615	3,620	3,625	3,630
Miles of storm drainage	3,929	3,929	3,929	3,988	3,988	3,988	3,988	3,988	3,988	3,988

Source - City of Memphis Operating Budget Book FY 2011 and/or Internal Division Operating Reports.



**GENERAL FUND EXPENDITURES ON STATE STREET AID**  
For the fiscal year ended June 30, 2011  
(Thousands of Dollars)

**CITY OF MEMPHIS, TENNESSEE**  
Exhibit X-21

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	<u>2011</u>
<b>Revenues</b>	
State taxes (local share)	\$ 16,856
Total revenues	<u>16,856</u>
<b>Expenditures</b>	
Traffic engineering	980
Street signs and markings	2,561
Mass transit	16,930
Traffic signal maintenance	2,449
Street maintenance	3,033
Street lighting	11,383
Grounds maintenance	<u>919</u>
Total expenditures	<u>38,255</u>
Excess of expenditures over revenues	<u>\$ 21,399</u>

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

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# CITY OF MEMPHIS

T E N N E S S E E

SINGLE AUDIT

**SUPPLEMENTAL SCHEDULE OF EXPENDITURES  
OF FEDERAL AND STATE AWARDS  
For the fiscal year ended June 30, 2011**

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

FEDERAL GOVERNMENT AWARDS		Federal CFDA Number	Grant Number	Receivable (Deferral) June 30, 2010	Receipts FY 11	Expenditures FY 11	Receivable (Deferral) June 30, 2011
<b>DEPARTMENT OF AGRICULTURE</b>							
Passed through Tennessee Department of Human Services							
	Summer Lunch Program	10.559	DA0300050,DA0400069	140,893	-	-	140,893
	Urban Forestry	10.675	Z0401525300	(20,596)	-	-	(20,596)
	<b>TOTAL DEPARTMENT OF AGRICULTURE</b>			<b>120,297</b>	<b>-</b>	<b>-</b>	<b>120,297</b>
<b>DEPARTMENT OF HOMELAND SECURITY</b>							
Urban Search and Rescue Task Force		97.025	EMW2001CA0131,WK03036603	(47,859)	-	62,258	14,399
	Urban Search and Rescue Task Force	97.025	W2004CA622271,EMW2005CA0274	(2,508)	-	-	(2,508)
	Urban Search and Rescue Task Force 06	97.025	EMW2006CA0230	60,177	11,164	-	49,013
	Urban Search and Rescue Task Force	97.025	EMW-2007-CA-0178	130,379	4,026	(304,312)	(177,959)
	Urban Search and Rescue Task Force 09	97.025	2009-SR-24-K021	105,850	449,138	497,424	154,136
	Urban Search and Rescue Task Force 09	97.025	2010-SR-24-K044	17,243	18,236	633,666	632,673
	Subtotal (97.025)			<b>263,282</b>	<b>482,564</b>	<b>889,036</b>	<b>669,754</b>
<b>Passed through Tennessee Department of Military</b>							
	Severe Storms , Tornados, Straight-Line Winds and Flooding	97.036	Z0821284100	311,842	-	-	311,842
	Severe Storms , Tornados, Straight-Line Winds and Flooding	97.036	34101-0000003054	844,489	-	-	844,489
	Severe Storms , Tornados, Straight-Line Winds and Flooding	97.036	Z0603096800	-	560,272	1,296,952	736,680
	Subtotal (97.036)			<b>1,156,331</b>	<b>560,272</b>	<b>1,296,952</b>	<b>1,893,011</b>
	Emergency Management Agency	97.042		-	148,577	148,577	-
	Emergency Management Agency	97.042		110,151	110,151	-	-
	Subtotal (97.042)			<b>110,151</b>	<b>258,729</b>	<b>148,577</b>	<b>-</b>
	Community Emergency Response Team Training	97.053	Z0301551500	12,012	-	-	12,012
	Operations and Safety	97.044	EMW-2008-FO-07116	-	1,108,400	1,104,458	(3,942)
	Bridge Security	97.056	2005-GB-T5-0108	139,629	3,184,984	2,918,264	(127,091)
	Metro Medical Response System	97.071	EMW2004GR0655	269,346	-	(9,307)	260,039
	Metro Medical Response System	97.071		200,378	523,744	346,027	22,661
	Subtotal (97.071)			<b>469,724</b>	<b>523,744</b>	<b>336,720</b>	<b>282,700</b>
	Buffer Zone Protection	97.078	Z0503101801	668,005	667,732	-	273
	Subtotal (97.078)			<b>2,819,134</b>	<b>6,786,424</b>	<b>6,694,007</b>	<b>2,726,718</b>
<b>TOTAL DEPARTMENT OF HOMELAND SECURITY</b>							
<b>DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>							
Passed through Tennessee Department of Health							
	Rape Services and Prevention	93.136	GG0511592, GR0617324	58,418	-	-	58,418
	Subtotal (93.136)			<b>58,418</b>	<b>-</b>	<b>-</b>	<b>58,418</b>
<b>DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</b>							
	Community Development Block Grant	14.218	B01MC470006,B01MC470006	9,263,876	10,968,298	10,153,684	8,449,262
	Neighborhood Stabilization Program HERA	14.218	B08MN470003	2,792,764	4,651,994	2,614,609	755,379
	Subtotal (14.218)			<b>12,056,640</b>	<b>15,620,292</b>	<b>12,768,293</b>	<b>9,204,641</b>

(Continued)

**SUPPLEMENTAL SCHEDULE OF EXPENDITURES  
OF FEDERAL AND STATE AWARDS  
For the fiscal year ended June 30, 2011**

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

	Federal CFDA Number	Grant Number	Receivable (Deferral) June 30, 2010	Receipts FY 11	Expenditures FY 11	Receivable (Deferral) June 30, 2011
<b>DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT (continued)</b>						
Lead Based Paint	14.900	TNLHB017200.TNLHD000603	\$ (96,355)	\$ 965,512	\$ 1,138,638	\$ 76,771
Emergency Shelter	14.231	S02.03MCA-70002	195,985	380,437	405,084	220,632
Home Program	14.239	M02.03MCA70202	3,670,114	5,309,264	5,422,536	3,783,386
Housing Opportunities for Persons with Aids	14.241	TN37H9-7F040.8F001	661,255	2,225,300	1,891,882	327,837
Shelter Plus Care	14.238	TN37C970105.TN37C101001	148,434	666,985	779,555	261,004
Fair Housing	14.408	FH400G01028	(84,731)	-	-	(84,731)
Brownfields Economic Dev Initiative	14.246	B-98-BD-47-0009	489,953	163,516	-	326,437
ARRA Homeless Prevention/Rapid Re-Housing	14.257	S09MY470002	181,965	1,576,033	1,584,693	190,625
ARRA Community Development Block Grant Recovery	14.253	B-09-MY-47-0006	1,112,367	846,713	362,454	628,108
<b>TOTAL DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</b>			<b>18,335,627</b>	<b>27,754,052</b>	<b>24,353,135</b>	<b>14,934,710</b>
<b>DEPARTMENT OF JUSTICE</b>						
Equitable Sharing Forfeitures	16.000		(1,930,058)	421,974	347,648	(2,004,383)
Encourage Arrest Policies	16.590	2004WEAX0031	(6,480)	-	-	(6,480)
OCS: COOR Le Initiative	16.753	2008-DD-BX-0282	512,403	-	85,124	597,527
OCS: COOR Le Initiative	16.753	2009-D1-BX-0178	-	-	15,532	15,532
Subtotal (16.753)			512,403	-	100,656	613,059
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	325,817	-	206,317	532,134
COPS Technology Program FY06	16.710	2006CKWX0684	732,338	987,382	216,821	(38,223)
COPS Technology Program FY06	16.710	2006CKWX0280	360,000	691,060	-	(331,060)
ARRA COPS Hiring Recovery	16.710	2009JWXX0079	1,756,043	2,980,066	1,259,351	35,328
COPS Interoperable	16.710	2005INWX0019	2,926,578	-	1,970,961	4,897,539
COPS Hiring Recovery	16.710	2010RKXX0007	-	-	122,605	122,605
Subtotal (16.710)			6,100,776	4,658,508	3,776,055	5,218,323
Project Safe Neighborhood Housing Demo	16.609	2004-GP-CX-0704	66,324	99,994	16,063	(17,608)
Economic Crimes Task Force	16.609		-	167,453	167,453	-
Subtotal (16.609)			66,324	267,447	183,516	(17,608)
GREAT FY07	16.737	2007-JV-FX-0255	4,722	-	-	4,722
JAG 07-11	16.738	2007-F2834-TN-DJ	(266,504)	-	79,700	(186,804)
JAG 08	16.738	2008-DJ-BX-0465	(172,421)	-	89,824	(82,597)
JAG 09	16.738	2009-G9418-TN-DJ	(660,565)	-	30,382	(630,183)
Subtotal (16.738)			(1,099,490)	-	199,906	(899,584)
Safeways: Old Allen	16.751		3,058	-	4,692	7,750
ARRA JAG FY09 RECOVERY	16.804	2009-F2956-TN-SU	(2,953,442)	-	671,573	(2,281,869)
Second Chance Act BJA	16.812	2009-CZ-2010	474	-	3,182	3,656
Gang Resistance Education	21.053	96689071,ATC010132,STC030000171	63,184	-	-	63,184
GREAT FY06	21.053	2006-JV-FX-0031	(11,084)	-	-	(11,084)
Subtotal (21.053)			52,100	-	-	52,100
Police Athletic League	16.540		3,893	-	-	3,893
<b>Passed through Tennessee Department of Human Services</b>						
Victims of Crime	16.575	Z00004855	98,120	-	-	98,120
<b>TOTAL DEPARTMENT OF JUSTICE</b>			<b>865,070</b>	<b>5,347,929</b>	<b>5,287,228</b>	<b>804,369</b>

(Continued)

**SUPPLEMENTAL SCHEDULE OF EXPENDITURES  
OF FEDERAL AND STATE AWARDS  
For the fiscal year ended June 30, 2011**

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

Federal CFDA Number	Grant Number	Receivable (Deferral) June 30, 2010	Receipts FY'11	Expenditures FY 11	Receivable (Deferral) June 30, 2011
<b>DEPARTMENT OF LABOR</b>					
17.151		\$ 14,762	\$ 29,691	\$ 15,112	\$ 182
ARRA COBRA Stimulus					
Passed through Public Private Ventures					
16.202		(189,238)	-	-	(189,238)
Ready for Work					
<b>Passed through Tennessee Department of Labor</b>					
17.258	DA0400062	294,383	3,557,063	3,148,362	(114,318)
17.258	DA0400062	(6,000)	53,585	101,163	41,578
Subtotal (17.258)					
17.259	DA0400062	288,383	3,610,648	3,249,525	(72,740)
17.259	DA0400062	3,588,408	5,004,979	4,557,695	3,141,124
Subtotal (17.259)					
17.260	DA0400062	(1,341,799)	1,049,104	1,335,086	(1,055,817)
17.260	DA0400062	2,246,609	6,054,083	5,892,781	2,085,307
Subtotal (17.260)					
17.261	DA0400062	2,574,491	5,294,158	3,088,959	369,292
17.261	DA0400062	923,624	2,290,686	1,251,701	(115,361)
Subtotal (17.261)					
17.261	EA-18574-09-60-A-47	3,498,115	7,584,844	4,340,660	253,931
Workforce Investment Act - Title 1 Hurricane Katrina					
17.261	EA-18574-09-60-A-47	(7,160)	-	-	(7,160)
17.261	EA-20266-10-60-A-47	58,283	105,419	-	(47,136)
Second Chance Connection					
17.261	EA-20266-10-60-A-47	58,637	190,000	-	(131,363)
Youth Services					
Subtotal (17.261)					
17.269	DA0400062	22,246	295,419	-	(185,659)
17.207	DA0400062	17,950	-	152,997	170,947
17.267	DA0400062	(10,347)	-	-	(10,347)
17.278	DA0400062	-	-	85,814	85,814
17.266	DA0400062	(1,051)	25,000	(4,991)	(31,042)
<b>TOTAL DEPARTMENT OF LABOR</b>					
		5,997,187	17,599,685	13,731,897	2,129,399
<b>DEPARTMENT OF TRANSPORTATION</b>					
Passed through Tennessee Department of Transportation					
20.205	PIN 070149	-	23,138	141,635	118,497
20.205	STP-M-9409,CM-STP-9409,GG980770	66,264	-	-	66,264
20.205	CM-ITS-9547(601)	66,416	-	-	66,416
20.205	CM-STP-9409(44)	61,806	69	-	61,737
20.205	CM-STP-9409(59)	80,285	27,376	171,801	224,710
20.205	CM-STP-9409(49)	32,663	-	-	32,663
20.205	CM-STP-9409(42),(47)	345,683	53,975	6,625	298,333
20.205	PIN-102617-00	2,189,586	1,884,105	(242,784)	62,698
20.205	CM-STP-9409(41),(48),(141),(142),(145),(47),(50)	(102,800)	34,985	34,282	(103,503)
20.205	STP-M-9409(128,32,33)	-	23,251	7,229	(16,022)
20.205	STP-M-9409(124)	-	3,539	-	(3,539)
20.205	STP-M-9409(144)	-	14,878	238,399	223,521
20.205	STP-M-2813(9)	-	-	1,416	1,416
20.205	ARRA Winchley/Shelby/Winchester	-	2,268	354,655	352,387
20.205	ARRA Sam Cooper RR	-	2,261	137,066	134,805
20.205	ARRA Bridge Guardrail	-	2,685	172,685	170,000
20.205	ARRA Repaving	4,246	1,849,007	4,362,365	2,517,604
Subtotal (20.205)					
		2,744,149	3,921,537	5,385,374	4,207,986

(Continued)

**SUPPLEMENTAL SCHEDULE OF EXPENDITURES  
OF FEDERAL AND STATE AWARDS  
For the fiscal year ended June 30, 2011**

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

	Federal CFDA Number	Grant Number	Receivable (Deferral) June 30, 2010	Receipts FY 11	Expenditures FY 11	Receivable (Deferral) June 30, 2011
<b>DEPARTMENT OF TRANSPORTATION (continued)</b>						
<b>Passed through Tennessee Department of Transportation (continued)</b>						
Mississippi River Cycling Corridor	20.219	EN-STP-7900(16)	(2,728)	-	-	(2,728)
Forest Hill	20.219	STP-M-9409(90)	30,592	60,526	27,942	(1,992)
Winchester/Perkins	20.219	STP-M-9409(96)	-	-	45,380	45,380
Holmes/Milbran	20.219	STP-M-9409(97)	132,975	95,402	58,786	96,359
Holmes Road East	20.219	PIN-108701-00	18,392	26,896	17,323	8,819
Poplar/Sweetbriar Interchange	20.219	PIN-110296-00	804	101,393	207,380	106,791
Riverbluff Walkway	20.219	EN-STP-7900(13)	19,920	-	-	19,920
Cobblestone Walkway	20.219	STP-EN-9409(62)	40,744	-	-	40,744
Subtotal (20.219)			240,699	284,217	356,811	313,293
GHSO FY07 Multiple Violation	20.600	Z07035691	(1,466)	-	-	(1,466)
GHSO FY09 CARD	20.600	Z09214633	19,435	-	-	19,435
Governor Highway Network FY10	20.600	PT-10-31	5,206	8,657	6,961	3,510
GHSO Network Coordinator Law FY11	20.600	Z11GHS265	-	-	227	227
Subtotal (20.600)			23,175	8,657	7,188	21,706
Governor Highway Network	20.601	Z0802398600	1,067	-	-	1,067
GHSO FY09 Network Law	20.601	Z09214366	4,990	-	-	4,990
GHSO FY10 CARD	20.601	K8-10-80	19,082	65,671	51,441	4,852
Subtotal (20.601)			25,139	65,671	51,441	10,909
Governor Highway Network	20.607	Z0802403700	3,915	-	-	3,915
GHSO FY09 Multiple Violation	20.607	Z09214367	2,109	-	144	2,253
GHSO Alcohol Saturation FY10	20.607	154AL-10-29	263,974	462,222	239,284	41,036
GHSO Alcohol Saturation FY11	20.607	Z11GHS004	-	61,677	79,937	18,260
Subtotal (20.607)			269,998	523,899	319,365	65,464
Governor Highway Network	20.600,20.607	Z0802367600	(731)	-	-	(731)
GHSO FY09 Alcohol Saturation	20.600,20.607	Z09214632	268,388	257,749	-	10,639
Subtotal (20.600, 20.607)			267,657	257,749	-	9,908
Governor Highway Safety	20.605,20.600	Z03011860	935	-	-	935
Governor Highway Network FY06	20.605,20.600	Z0602734800	1,523	-	-	1,523
GHSO FY07 Network Coord	20.605,20.600	Z07035678	305	-	-	305
GHSO FY07 Alcohol Saturation	20.605,20.600	Z0703609600	34,931	-	-	34,931
Subtotal (20.605, 20.600)			37,694	-	-	37,694
Governor Highway Network	20.600,20.601	Z0802369200	(1,264)	-	-	(1,264)
<b>TOTAL DEPARTMENT OF TRANSPORTATION</b>			<b>3,607,246</b>	<b>5,061,730</b>	<b>6,120,179</b>	<b>4,665,695</b>
<b>DEPARTMENT OF INTERIOR NATIONAL PARK SERVICE</b>						
Aquatic Facilities Major Maintenance	15.406	47-CTY-1620-0101	(43,940)	-	-	(43,940)
<b>TOTAL DEPARTMENT OF INTERIOR</b>			<b>(43,940)</b>	<b>-</b>	<b>-</b>	<b>(43,940)</b>
<b>DEPARTMENT OF ENERGY</b>						
ARRA Energy Efficiency & Conservation Block	81.128	DE-EE0000955	-	2,608,413	2,608,413	-
<b>TOTAL DEPARTMENT OF ENERGY</b>			<b>-</b>	<b>2,608,413</b>	<b>2,608,413</b>	<b>-</b>
<b>INSTITUTE OF MUSEUM AND LIBRARY SERVICES</b>						
Library State Grant	45.310	30504-00311-67	-	11,000	11,000	-
<b>TOTAL INSTITUTE OF MUSEUM AND LIBRARY SERVICES</b>			<b>-</b>	<b>11,000</b>	<b>11,000</b>	<b>-</b>

(Continued)

**SUPPLEMENTAL SCHEDULE OF EXPENDITURES  
OF FEDERAL AND STATE AWARDS  
For the fiscal year ended June 30, 2011**

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

Federal CFDA Number	Grant Number	Receivable (Deferral) June 30, 2010	Receipts FY 11	Expenditures FY 11	Receivable (Deferral) June 30, 2011
11.557	47-41-B10527	\$ -	193,515	178,531	\$ (14,984)
		-	193,515	178,531	(14,984)
		<u>31,759,040</u>	<u>65,362,749</u>	<u>58,984,392</u>	<u>25,380,683</u>
<b>DEPARTMENT OF COMMERCE</b>					
ARRA B TOP Recovery					
<b>TOTAL DEPARTMENT OF COMMERCE</b>					
<b>TOTAL FEDERAL GRANTS</b>					
<b>STATE GOVERNMENT GRANTS</b>					
		\$	\$	\$	\$
	NONE	63,306	-	-	63,306
	Memphis Fire Division In-service Training Supplement	(9,450)	-	-	(9,450)
	Memphis Fire Division In-service Training Supplement 05	(1,409)	-	-	(1,409)
	Memphis Fire Division In-service Training Supplement 06	(2,570)	-	-	(2,570)
	Memphis Fire Division In-service Training Supplement	(1,014,000)	-	26,400	(987,600)
	Memphis Fire Division In-service Training Supplement	-	994,200	986,400	(7,800)
	Memphis Fire Division In-service Training Supplement	(35,306)	-	-	(35,306)
	Memphis Police Division In-service Training Supplement	(1,214,400)	-	1,214,400	-
	Memphis Police Division In-service Training Supplement	212,825	-	-	212,825
	Local Emergency Planning Committee	23,797	-	-	23,797
	Stop Violence Against Women	Z00001451	-	-	-
	State Highway Maintenance Grant	CMA1340	890,815	958,296	67,481
	State Highway Maintenance Grant	CMA1303	894,618	918,866	203,772
	State Highway Maintenance Grant	CMA1282	24,028	-	186
	State Highway Maintenance Grant	GG0511346	-	-	(3,600)
	Landmarks Commission Training - Historic Zoning	-	-	2,235	-
	Landmarks Commission Training - Historic Zoning	3,388	-	-	3,388
	Landmarks Commission Training - Historic Zoning	-	-	-	-
	Landmarks Commission Training - Historic Zoning	1,728	-	-	1,728
	Memphis Historic Properties Survey	27,474	-	-	27,474
	Memphis Landmarks Commission Training	(58,707)	-	-	(58,707)
	Enterprise Zone	(569)	-	-	(569)
	Help Care	152,775	67,953	94,636	179,458
	TILP Project - Cleveland Track Material	FHWA-PL-112	-	-	-
	Planning Grant	GG0209746	-	-	-
	Memphis Survey Grant	GG0612176	-	-	-
	Memphis Survey Grant FY06	(27,716)	-	-	(27,716)
	Plough Boulevard	(182,286)	-	-	(182,286)
	Plough Blvd Landscape Phase I	STP-EN-9409(61)	-	-	-
	Motor Vehicle Inspection Station	STP-EN-7900(21)	-	-	(92,228)
	Raleigh Lagrange-Sycamore	CM-STP-9409(54)	-	52,100	142,450
	Cobblestone Walkway	BR-STP-2878(2)	-	-	(345,881)
	Martyrs Park Riverwalk Improvement	SBC5290000296	-	-	(710,637)
	Parways Maintenance/Renovation	STP-EN-9409(63)	-	-	(97,745)
	Bicycling Network Phase I	STP-EN-7900(20)	-	-	(640)
	Juvenile Accountability Block	STP-EN-9409(73)	-	233,633	232,993
		GG041063700	-	-	33,485
		928	-	-	928

(Continued)



**SUPPLEMENTAL SCHEDULE OF EXPENDITURES  
OF FEDERAL AND STATE AWARDS  
For the fiscal year ended June 30, 2011**

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

Federal CFDA Number	Grant Number	Receivable (Deferral) June 30, 2010	Receipts FY 11	Expenditures FY 11	Receivable (Deferral) June 30, 2011
<b>STATE GOVERNMENT GRANTS (continued)</b>					
	010764-00	\$	3,311	\$	3,311
Deploy Traffic Signal Systems FY07	Z02005120		363	-	363
Backyard Wildlife	Z05024096		44	100	(56)
Highway Safety	Z04016777		(245)	-	(245)
Highway Safety	GG0511351		13,350	-	13,350
Storm Water Program	Z07033198		119,156	-	119,156
Victims of Crime FY06-FY09	Z07033057		(20,067)	-	(20,067)
STOP FY06-FY09	GG0712743		7,943	149,157	73,369
Household Hazardous Waste	STP-EN-7900(24)		19,784	29,022	41,067
Enhancement Grant Program	GG082393100		103,105	176,477	37,661
Internet Crimes Against Children	NONE		2,623	-	2,623
SYEP & EMT Training	GG0712740		(4,050)	-	(4,050)
Workforce Development MOU	GR0822660		1,170	-	1,170
Workforce Development MOU	RFS 343.52-893-09		(1,471)	-	(1,471)
Rape Prevention and Education Proj	Z0821284100		51,974	-	51,974
Severe Storms, Tornados, Straight-Line Winds	34101-0000003054		150,005	-	150,005
Severe Storms, Tornados, Straight-Line Winds	34101-00000006297		-	72,053	72,053
Severe Storms, Tornados, Straight-Line Winds	GG-09-27651		(1,427,399)	91,074	(1,437,723)
Riviana Foods Fast Track	GG-08-24188-00		(559,562.00)	606,742.87	20,175.13
Nucor Steel Memphis Fast Track	GG-07-21564-00		(340,739)	-	(340,739)
Illinois Central Fast Track Infrastructure	STP-M-9409(98)		27,436	22,147	8,739
Walnut Grove Bend	NONE		178,725	-	178,725
Parks Community Enhancement	20.219		283	-	4,928
Project Safe Neighborhoods	2008-GP-CX-0056		(4,604,345)	3,965,068	(2,340,414)
<b>TOTAL STATE GRANTS</b>			<b>3,965,068</b>	<b>6,228,999</b>	<b>(2,340,414)</b>
<b>TOTAL GRANTS</b>			<b>\$ 69,327,817</b>	<b>\$ 65,213,391</b>	<b>\$ 23,040,269</b>

**City of Memphis  
Notes to the Schedule of Expenditures of Federal and State Awards  
For the Year Ended June 30, 2011**

**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.

**Prior Year Restatement of Schedule of Expenditures of Federal and State Awards**

During the year, it was determined that expenditures relating to Equitable Sharing Forfeitures from the Department of Justice had not been reported on prior years Schedules of Expenditures of Federal and State Awards ("SEFA") for fiscal years 1993 through 2010. It was also determined that expenditures for the Governor's Highway Safety Office (GHSO) from the Department of Transportation passed through Tennessee Department of Transportation were reported in the State Grants Expenditures instead of the Federal SEFA for fiscal years 2006 through 2010. The City of Memphis has assessed the impact of these items and determined that the June 30, 2010 receivable balances should be restated. The Equitable Sharing Forfeitures receivable balance decreased receivables by \$1,930,058. The GHSO increased the Federal receivables by \$622,399 and decreased State receivables by a corresponding amount. Total grants receivable as of June 30, 2010 were restated from \$29,084,753 to \$27,154,695.



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**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, 2011, and the budgetary comparison for the general fund for the year ended June 30, 2011, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 23, 2011. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Other auditors audited the financial statements of the Board of Education of the Memphis City Schools, the Memphis-Shelby County Airport Authority, and the Electric, Gas and Water Divisions of Memphis, Light, Gas and Water Division as described in our report on the City's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting and on compliance and other matters that are reported on separately by other auditors. This report also does not include the results of our testing of internal control over financial reporting and on compliance and other matters for Memphis Area Transit Authority as we reported those results separately.

**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 was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified a deficiency in internal control over financial reporting that we consider to be a material weakness and other deficiencies that we consider to be significant deficiencies.

A deficiency in internal control 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 and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs and shown as item 2011-1 to be a material weakness in internal control over financial reporting.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompany schedule of findings and questioned costs as items 2011-2 and 2011-3 to be significant deficiencies.

#### 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*. However, the results of our test disclosed immaterial instances of noncompliance which are described in the accompanying schedule of findings and questioned costs as items 2011-4 and 2011-5.

We noted certain other matters that we reported to management of the City in a separate letter dated December 29, 2011.

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 City 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.

Mayer Hoffman McCann P.C.  
James Paul Fugate

Memphis, Tennessee  
December 29, 2011



Mayer Hoffman McCann P.C.

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**JONES AND TUGGLE**  
CERTIFIED PUBLIC ACCOUNTANTS

**Report on Compliance with Requirements That Could Have a Direct and Material Effect on 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 the 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 could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2011. 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.

The City's basic financial statements include the operations of the Board of Education of the Memphis City Schools, the Memphis-Shelby County Airport Authority and the Electric, Gas and Water Divisions of Memphis, Light, Gas and Water Division which expended federal awards which are not included in the accompanying schedule of expenditures of federal awards during the year ended June 30, 2011. Our audit, described below, did not include the operations of these entities because the entities engaged other auditors to perform audits in accordance with OMB Circular A-133. The City's basic financial statements also include operations of Memphis Area Transit Authority. We performed an audit in accordance with OMB Circular A-133 for this entity. The schedule of expenditures of federal awards for the year ended June 30, 2011 does not include these operations as we reported on them separately.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards; 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 compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

## 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 to determine the auditing procedures for the purpose of expressing our opinion on compliance, and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified a deficiency in internal control over compliance that we consider to be a material weakness and other deficiencies in internal control over compliance that we consider to be significant deficiencies.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2011-1 to be a material weakness.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2011-3 to be a significant deficiency.

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 City 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.

*Mayor Hoffman Mc Cann P.C.  
Jens and Fugge*

Memphis, Tennessee

## CITY OF MEMPHIS

### Schedule of Findings and Questioned Costs For the Year Ended June 30, 2011

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#### A. Summary of Auditor's Results

1. The auditor's report expresses an unqualified opinion on the financial statements of City of Memphis.
2. Three 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 deficiency 2011-1 to be a material weakness.
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. One material weakness and one additional significant deficiency relating to the audit of the major federal award programs are reported in the Report on Compliance with Requirements That Could Have a Direct and Material Effect on 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 two 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:
  - Community Development Block Grants/Entitlement Cluster
    - 14.218 Community Development Block Grants/Entitlement Grants
    - 14.253 ARRA - Community Development Block Grants ARRA Entitlement Grants (CDBG-R) Recovery Act Funded
  - Edward Byrne Memorial Justice Assistance Grant Cluster
    - 16.738 Edward Byrne Memorial Justice Assistance Grant Program
    - 16.804 ARRA - Edward Byrne Memorial Justice Assistance Grant (JAG) Program/Grant to Units of Local Government
  - Workforce Investment Act Cluster
    - 17.258 ARRA - Workforce Investment Act – Adult Program
    - 17.259 ARRA - Workforce Investment Act – Youth Activities
    - 17.260 ARRA - Workforce Investment Act – Dislocated Workers
  - Highway Planning and Construction Cluster
    - 20.205 ARRA - Highway Planning and Construction
    - 20.219 Recreational Trails Program
  - Other programs
    - 11.557 ARRA – Broadband Technology Opportunities Program
    - 16.710 ARRA - Public Safety Partnership and Community Policing Grants
    - 81.128 ARRA - Energy Efficiency and Conservation Block Grant Program
    - 97.056 Port Security Grant Program



## CITY OF MEMPHIS

### Schedule of Findings and Questioned Costs (Continued) For the Year Ended June 30, 2011

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#### A. Summary of Auditor's Results (continued)

8. The threshold for distinguishing Type A and B programs was \$1,769,532.
9. City of Memphis, Tennessee was not determined to be a low risk auditee.

#### B. Findings - Financial Statement Audit

##### Material Weakness

##### 2011-1 Federal and State Grants Receivable

Condition: We noted that federal grant receivables and related revenues for the Beale Street Landing grants in the Capital Projects Fund were overstated by approximately \$6,000,000. It was determined that errors had been made in posting the grant receipts which resulted in the overstatement and audit adjustments.

Also, in connection with our testing of accounts receivable for Fund 221 – Community Development Fund, we noted that receipts are not consistently matched to the related expenditure. Through inquiry of management, it was discovered frequently receipts were charged to one grant award, while the expenditures were charged to a different grant award. As a result, we found that the deferred revenue account consists of various receipts that have not been appropriately applied to the related expenditures. As a result, accounts receivable net of deferred revenue may be overstated.

Criteria: Accurate general ledger accounting is critical to account for and monitor federal and state grants.

Effect: If grant receipts are not properly accounted for, there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected on a timely basis.

Recommendation: We recommend that management thoroughly review the detail of each award and appropriately apply receipts to the related expenditures. We also recommend that management review the processes for accounting for federal and state grant activity. Management should establish controls to ensure grant accounting is accurate and should implement internal review procedures to help ensure the validity, completeness, and accuracy of federal and state grant receivables.

Response: Priority for correcting this weakness is immediate. The corrective action plan includes reviewing our processes for accounting for federal and state grant activity to ensure receipts are recorded timely and accurately. In addition, on a monthly basis, the Grants Accountant and the Grants Compliance Office will perform monthly analytics of the grants accounts receivables and deferred revenue for individual grant awards for reasonableness. Any material discrepancies will be promptly investigated and resolved. In addition, the Grants Compliance Office will coordinate with Housing and Community Development (HCD) division's internal Grants Compliance Office to investigate and resolve discrepancies related to the HCD grants.



## CITY OF MEMPHIS

### Schedule of Findings and Questioned Costs (Continued) For the Year Ended June 30, 2011

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#### B. Findings - Financial Statement Audit (continued)

##### Significant Deficiencies

###### 2011-2 Reconciliation of Bank Statements

Condition: We noted certain significant reconciling items on the concentration and general funding account reconciliations, resulting from a failure to match transactions recorded in the general ledger to transactions clearing the bank statement. We noted management has made significant improvements in the bank reconciliation process, but we believe the remaining unreconciled items represent a significant deficiency.

Criteria: Timely identification and resolution of all reconciling items, and review thereof, are essential for strong internal controls over cash.

Effect: Because bank reconciliations include reconciling items resulting from a failure to match transactions clearing the bank statement, there is a reasonable possibility that a misstatement of the City's financial statements will not be prevented, detected or corrected on a timely basis.

Recommendation: We recommend that management continue to improve the bank reconciliation process to ensure all bank statements are reconciled monthly to the general ledger and that all unusual reconciling items are promptly investigated and resolved.

Response: Priority for correcting this weakness is immediate. The corrective action plan includes continuing to improve the cash reconciliation process by filling key vacant positions with experienced and credentialed staff, continuing to work with the City's Information System division to identify ways to leverage technology and implement best practice procedures as outlined in an accounting technical guidance document.

###### 2011-3 Preparation of Schedule of Expenditures of Federal and State Awards (SEFA)

Condition: The SEFA preparation process has improved over the past year. However, the City continues to only perform a complete update of the SEFA schedule once at fiscal year end. As disclosed in the notes to the SEFA schedule, the prior year receivable balances have been restated. Additionally, SEFA schedule preparation was delayed with several revisions occurring late into our audit process.

Criteria: A complete and accurate SEFA schedule is critical to determining major programs and essential in accounting for federal and state grants.

## CITY OF MEMPHIS

### Schedule of Findings and Questioned Costs (Continued) For the Year Ended June 30, 2011

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#### B. Findings - Financial Statement Audit (continued)

##### Significant Deficiencies (continued)

##### 2011-3 Preparation of Schedule of Expenditures of Federal and State Awards (SEFA) (continued)

Effect: If the SEFA schedule is not complete and accurate throughout the year, management's ability to monitor and administer the related programs is greatly hindered. Furthermore, an inaccurate SEFA schedule provided to the auditors can result in additional costs, unnecessary procedures and audit inefficiencies.

Recommendation: We recommend that management establish centralized data accumulation and reporting requirements, whereby the program fiscal directors are required to timely report program fiscal information to the grant's accountant. The Grants Compliance Office can also provide assistance to ensure that all program fiscal directors have timely reported complete and accurate information to the grant's accountant. Additional review procedures should be implemented to help ensure the completeness and accuracy of the SEFA schedule.

Response: Priority for correcting this deficiency is immediate. The corrective action plan includes working with the City's Information Systems division to develop an automated approach to developing the SEFA report in lieu of the current manual process. Also, Accounting will continue working with the Grants Compliance Office in developing and maintaining a centralized data and reporting repository. As an additional review procedure, the grant's accountant will review the Schedule of Expenditures of Federal and State Awards with program fiscal directors and the Grants Compliance Office on a quarterly basis.

##### 2011-4 *CFDA 17.258-17.260 Workforce Investment Act Cluster* *Department of Labor*

*Grant Awards: All open grants during fiscal year ended June 30, 2011*

Condition: We selected 18 monthly reports for review. Of these reports, three were not submitted timely. Each monthly report that was not submitted timely was submitted within three days of the requirement. We also tested four close-out reports, all of which were not submitted timely. Each of these reports were submitted within two days of the requirement.

Criteria: Monthly expenditure reports and monthly drawdown requests must be submitted timely to reflect the current period expenditures and be submitted within 20 days. Close out reports must be submitted within 45 days after the end of the grant reporting period.

Effect: Untimely reports are considered a reporting compliance finding and may hinder eligibility of future federal funding.

CITY OF MEMPHIS

Schedule of Findings and Questioned Costs (Continued)  
For the Year Ended June 30, 2011

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

Significant Deficiencies (continued)

2011-4 *CFDA 17.258-17.260 Workforce Investment Act Cluster (continued)*

*Department of Labor*

*Grant Awards: All open grants during fiscal year ended June 30, 2011*

Recommendation: We recommend that management strongly enforce the compliance requirements outlined in the grant agreements and implement oversight procedures to ensure the required reports are submitted timely to the granting agency.

Response: Priority for correcting this deficiency is immediate. The corrective action plan includes filling key open positions within the Workforce Investment Network (WIN) administrative staff with experienced and credentialed employees. In the interim, WIN will employ temporary staffing to ensure timely and accurate expense reporting and drawdown requests.

2011-5 *CFDA 17.259 Workforce Investment Act Youth Program*

*Department of Labor*

*Grant Awards: DA0400062*

Condition: We examined a sample of timesheets for youth who participated in the Summer Youth Program. We noted that actual hours paid for 7 of the 25 participants selected did not agree to the recalculated hours according to the timesheets. It appears the third-party service provider did not recompute the total hours listed on the timesheets.

Questioned Cost: The net overpayment to the participants resulted in \$60 of questioned costs.

Criteria: Participants in the program should be paid based upon actual hours worked.

Effect: Unsupported cost related to federal grant expenditures could result in disallowed charges.

Recommendation: We recommend management and/or the third-party service provider be more diligent in the calculation and recalculation of hours worked by the participants in the program.

Response: The priority for correcting this deficiency is immediate. The corrective action plan includes developing within the administering division appropriate procedures to ensure paid time is supported by a properly approved timesheet. The administering division's finance officer will resolve each instance of non-compliance with the appropriate personnel immediately and identify the reason for the exception. In addition, the finance officer will introduce new control procedures to address recurring instances of non-compliance.

**CITY OF MEMPHIS**

Summary Schedule of Prior Year Audit Findings  
June 30, 2011

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- 2010-10 *CFDA 17.258-17.260 Workforce Investment Act Cluster*  
*Department of Labor*  
*Grant Awards: All open grants during fiscal year ended June 30, 2010*

Condition: This finding was a significant deficiency stating that the monthly, quarterly and close out reports required by the granting agency were not submitted timely. Further, monthly reports submitted to the State did not accurately report administrative and program expenditures.

Current Status: Substantially implemented. Key positions within the Workforce Investment Network (WIN) staff were filled with experienced and qualified employees to ensure accurate and timely expense reporting and drawdown requests. All reports submitted to the state appeared accurate but not all reports were submitted timely.

- 2010-11 *CFDA 17.258-17.260 Workforce Investment Act Cluster*  
*Department of Labor*  
*Grant Awards: LW135T91DSLWK09*

Condition: During our testing, we noted certain instances in which proper supporting documentation was not maintained for expenditures, which were reimbursed by the granting agency. The documentation for three expenditures was not available, resulting in \$3,248.37 in questioned costs.

Current Status: Implemented. Appropriate procedures were put in place to ensure each expenditure is reviewed and approved by the grants managing director and supported by sufficient and proper original documentation.

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