

# City of Memphis



TENNESSEE

# 2010

COMPREHENSIVE ANNUAL FINANCIAL REPORT YEAR ENDED JUNE 30, 2010



# TABLE OF CONTENTS

## MAYOR'S LETTER OF TRANSMITTAL

### INTRODUCTORY SECTION

Letter of Transmittal .....	1
GFOA Certificate of Achievement for Excellence in Financial Reporting.....	13
City Officials.....	14
Organizational Chart.....	15

<b>FINANCIAL SECTION</b> .....	<b>Exhibit</b> .....	<b>Page</b>
--------------------------------	----------------------	-------------

<b>Independent Auditors' Report</b> .....	17
-------------------------------------------	----

<b>Management's Discussion and Analysis</b> .....	19
---------------------------------------------------	----

### Basic Financial Statements

#### Government-wide Financial Statements

Statement of Net Assets.....	A-1.....	29
Statement of Activities .....	A-2.....	31

#### Fund Financial Statements

Balance Sheet - Governmental Funds .....	A-3.....	33
Reconciliation of the Balance Sheet to the Statement of Net Assets .....	A-4.....	34
Statement of Revenues, Expenditures, & Changes in Fund Balances .....	A-5.....	35
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	A-6.....	36

#### General Fund

Schedule of Revenues and Other Sources - Budget and Actual on Basis of Budgeting .....	A-7.....	37
Schedule of Expenditures and Other Uses - Budget and Actual on Basis of Budgeting .....	A-8.....	39

#### Proprietary Funds

Statement of Net Assets - Proprietary Funds .....	A-9.....	43
Statement of Revenues, Expenses, and Changes in Fund Net Assets .....	A-10.....	45
Statement of Cash Flows - Proprietary Funds.....	A-11.....	46

#### Fiduciary Funds

Statement of Fiduciary Net Assets - Fiduciary Funds.....	A-12.....	47
Statement of Changes in Fiduciary Net Assets - Fiduciary Funds.....	A-13.....	48

#### Combining Statements of Component Units

Combining Statement of Net Assets.....	A-14.....	49
Combining Statement of Activities .....	A-15.....	51

<b>Notes to the Financial Statements</b> .....	53
------------------------------------------------	----

## TABLE OF CONTENTS

### Other Supplementary Information

#### Combining Nonmajor Funds

Combining Balance Sheet .....	B-1.....	118
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance .....	B-2.....	120
Combining Schedule of Revenues and Expenditures - Budget and Actual on Basis of Budgeting (with annual budgets) .....	B-3.....	122
Combining Schedule of Revenues and Expenditures - Budget and Actual on Basis of Budgeting (with carryover budgets).....	B-4.....	126

#### Combining Enterprise Funds

Combining Statement of Net Assets.....	C-1.....	127
Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets .....	C-2.....	128
Combining Statement of Cash Flows - Enterprise Funds .....	C-3.....	129

#### Combining Internal Service Funds

Combining Statement of Net Assets.....	D-1.....	131
Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets .....	D-2.....	132
Combining Statement of Cash Flows - Internal Service Funds .....	D-3.....	133

#### Combining Fiduciary Funds

Combining Statement of Net Assets.....	E-1.....	135
Combining Statement of Changes in Fund Net Assets .....	E-2.....	136

#### Supplementary Schedules

Schedule of Delinquent Property Taxes Receivable - All Funds .....	F-1.....	137
Schedule of Revenue Bonds - By Issue .....	F-2.....	138
Schedule of General Obligation Debt - By Issue .....	F-3.....	139
Schedule of General Obligation Debt - By Use .....	F-4.....	140
Long-term Debt - Principal and Interest Requirements - Proprietary Funds .....	F-5.....	141
Schedule of Interfund Balances.....	F-6.....	142
Schedule of Interfund Transfers .....	F-7.....	143
Schedule of Deposits and Investments Held Outside of the Cash and Investment Pool - Carrying Amount .....	F-8.....	144
Schedule of Additions and Retirements to Utility Plant .....	F-9.....	145
Schedule of Funding Progress - Other Postemployment Benefits (OPEB) .....	F-10.....	146
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual on Basis of Budgeting - General Fund.....	F-11.....	147
Schedule of Revenues, Expenditures and Changes in Fund Balance Budget Actual .....	F-12.....	148

### STATISTICAL SECTION

Net Assets by Component.....	X-1.....	149
Changes in Net Assets.....	X-2.....	150
Fund Balances of Governmental Funds.....	X-3.....	151
Changes in Fund Balances of Governmental Funds.....	X-4.....	152

## TABLE OF CONTENTS

General Fund Expenditures and Other Uses by Function.....	X-5.....	153
Assessed and Estimated Actual Value of Taxable Property .....	X-6.....	154
Property Tax Rates and Levies - All Direct and Overlapping Governments .....	X-7.....	155
Principal Taxpayers.....	X-8.....	156
Property Tax Levies and Collections .....	X-9.....	157
Special Assessment Collections.....	X-10.....	158
Ratio of Outstanding Debt by Type .....	X-11.....	159
Bonded Debt Outstanding.....	X-12.....	160
Direct and Overlapping Governmental Activities Debt.....	X-13.....	161
Legal Debt Margin Information.....	X-14.....	162
Pledged Revenue Coverage .....	X-15.....	163
Demographic and Economic Statistics .....	X-16.....	164
Principal Employers.....	X-17.....	165
Government Employees by Function.....	X-18.....	166
Operating Assets Function .....	X-19.....	167
Capital Assets by Function.....	X-20.....	168
General Fund Expenditures on State Street Aid .....	X-21.....	169

### SINGLE AUDIT

Supplemental Schedule of Expenditures of Federal and State Awards .....	Y-1.....	171
Note to the Schedule of Expenditures of Federal and State Awards.....		176
Auditors' Report on Compliance and on Internal Control Over Financial Reporting.....		177
Auditors' Report on Compliance and Internal Control Over Compliance Applicable to Each Major Federal Award Program.....		179
Schedule of Findings and Questioned Costs.....		182
Schedule of Prior Year Audit Findings .....		191



COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED JUNE 30, 2010

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



A C WHARTON, JR.  
MAYOR

TENNESSEE

December 2, 2010

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, 2010. This report documents the reality of our financial position and operations for the year, as well as the current economic climate of Memphis.

Fiscal challenges brought on by the "great recession" and unsustainable business models are not unique to Memphis. Memphis is unique in that it has employed transparent, innovative and forward thinking strategies to address the challenges. While skillfully maneuvering the City's financial realities, the City maintained laser-like focus on its priorities---public safety, economic growth, public services and fiscal management.

Much was accomplished this year in the midst of financial turmoil. After years of negotiation, the City celebrated the signing of a 20-year lease for the Pyramid Arena with Bass Pro, 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. The newly opened Tiger Lane Public Green Space, a green park area and a gateway to the Liberty Bowl Stadium, has greatly enhanced the quality of life for football fans and other outdoor enthusiasts alike. The Shelby Farms Greenline, a world-class health

and fitness amenity that connects the farthest reaches of Memphis with the core city, opened with much excitement. Additionally, tremendous progress was made in lowering crime in the city as a result of the City's internationally acclaimed Blue CRUSH program and state-of-the-art Real Time Crime Center. These efforts signify our commitment to working conscientiously to ensure Memphis is an economic leader in the region, where people of all walks of life can be interconnected and live with dignity and fulfillment.

Our accomplishments, despite fiscal difficulties, affirm that our highest hopes for this city and its people will be realized as we continue to work together as One Memphis. As I enter my second year as Mayor, I pledge to continue to move Memphis forward by providing leadership in our efforts to increase efficiency, to improve public safety and public schools, and to foster economic growth. As such, we present this report as part of our commitment to inform all interested parties of our financial condition.

Respectfully submitted

AC Wharton, Jr.  
Mayor

December 31, 2010

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, 2010, is hereby submitted in accordance with the Memphis City Charter requirement for an independent audit conducted by a certified public accounting firm. The financial statements are presented in conformity with generally accepted accounting principles (GAAP) as set forth by the Governmental Accounting Standards Board (GASB) and have been audited in accordance with generally accepted auditing standards. Additionally, the report is presented for compliance with the provisions of the Single Audit Act and related Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments and Non-Profit Organizations.

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

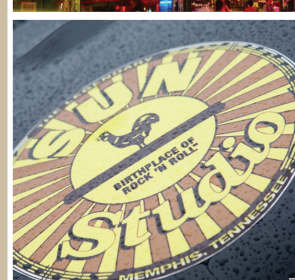
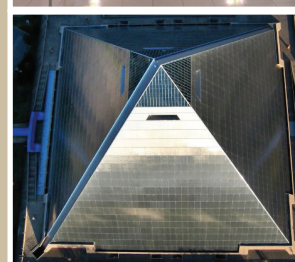
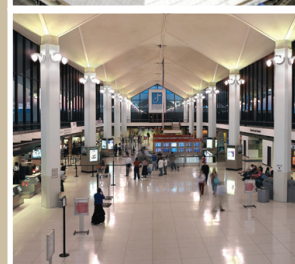
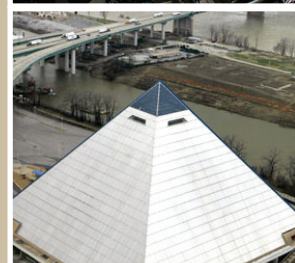
The Office of Internal Audit supports the internal controls within the City by reviewing and appraising existing accounting and management controls, ascertaining compliance with existing plans, policies and procedures, and ascertaining the reliability of accounting and other data developed within the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

The City's financial statements have been audited by Thompson Dunavant PLC and Jones & Tuggle, CPAs, licensed certified public accountants. Thompson Dunavant PLC has issued an unqualified ("clean") opinion on the City's financial statements for the year ended June 30, 2010. 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 676,640. 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.

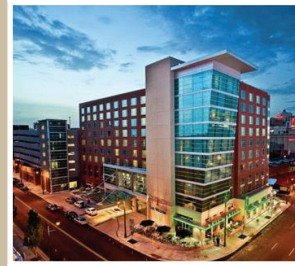
The following entities are considered to be joint ventures of the City:

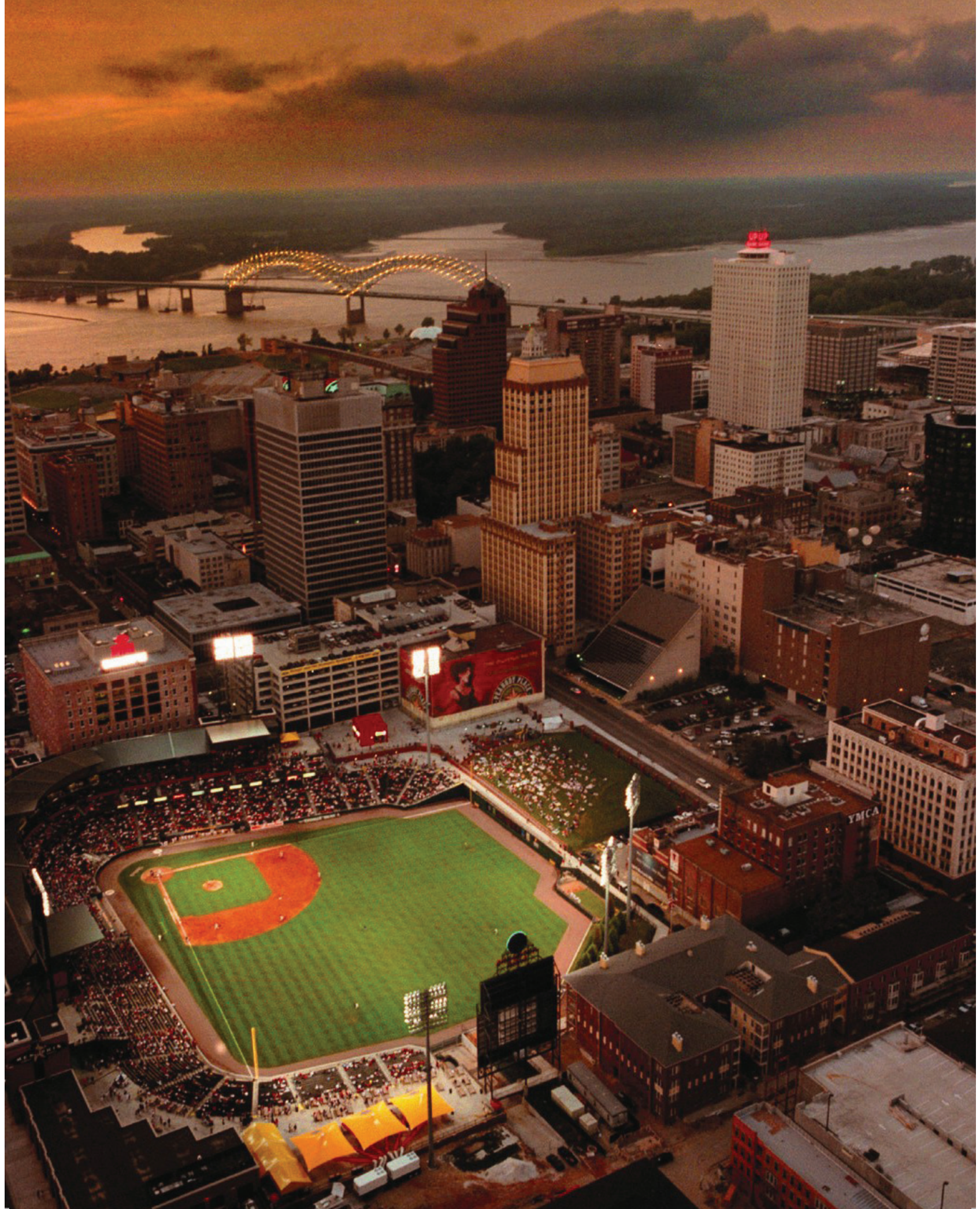
- Memphis and Shelby County Convention Center
- Memphis and Shelby County Port Commission
- New Memphis Arena Public Building Authority of Memphis and Shelby County

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*

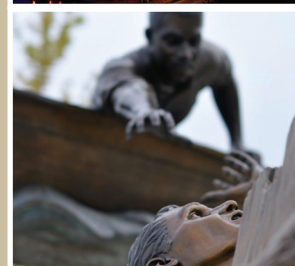
- The Great Recession, the longest and deepest economic contraction since the Great Depression, officially ended in June 2009 according to the National Bureau of Economic Research. The impact on state and national economies is expected to be long lasting and transformational. Many measures of economic activity are not expected to be completely restored for many years.
- The depth and breadth of the recession is evidenced by the forecasted GDP of 2.7 percent in 2010 and 2.2 percent in 2011 which are considered to be lackluster rates of growth for an economy rebounding from recession.
- High rates of unemployment for the nation are expected to be prolonged due to the slow employment recovery. The unemployment rate was only 4.6 percent in 2007 but will likely average 9.7 percent in 2010. Within the southeast region, Tennessee's unemployment rate compares favorably to most other states in the region.
- The nation's housing market is experiencing setbacks after expiration of the first-time homebuyer's tax credit. State and local sales tax collections, construction trades and building material sales will continue to be impacted by the weak housing market.
- The key federal funds rate, hovering just above zero, remains at unprecedented lows. Likewise, inflation remains low and 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, 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-8th District Federal Reserve Bank of St. Louis, between August 2009 and August 2010, nonfarm employment growth in the Memphis MSA was negative by 1.9 percent which was weaker than for the country as a whole, which saw a modest 0.15 percent increase in employment. The largest percentage job losses were in leisure and hospitality (6.1 percent); natural resources, mining, and construction (6 percent); information (4.4 percent), and other services (3.2 percent). However, expansion remains ongoing in the education and health sector which grew by 1.6 percent.

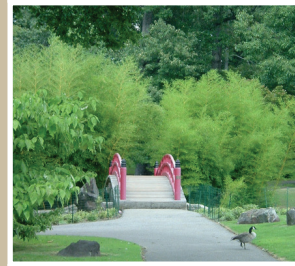
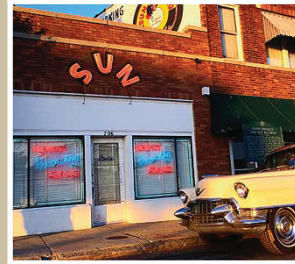
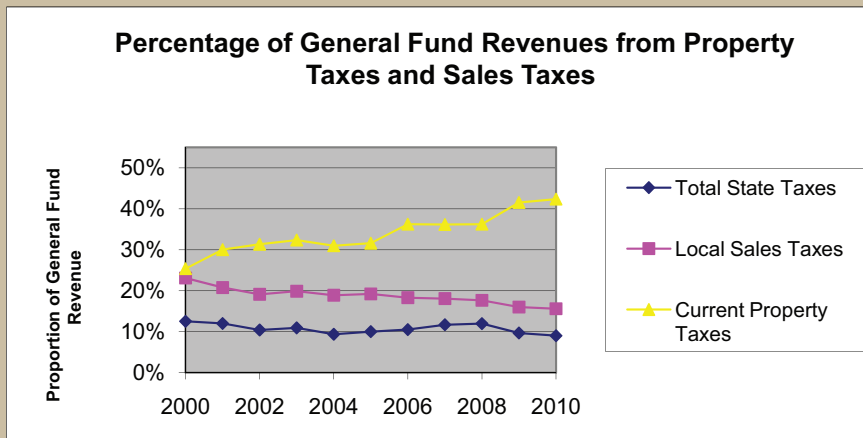
### Unemployment Rates (Seasonally Adjusted), 2009-2010

Region	Sep 2009	Sep 2010	Percent Change
Memphis MSA*	10.4%	9.5%	-8.7%
Tennessee	10.5%	9.2%	-12.4%
United States	9.5%	9.2%	-3.2%

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

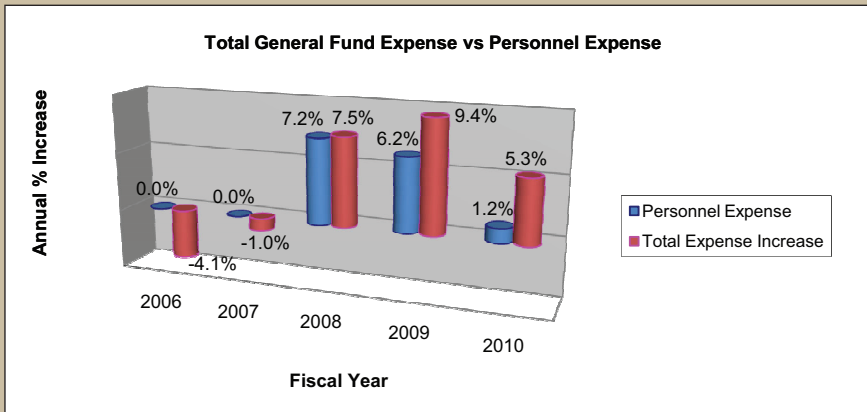
Tennessee's unemployment rate which had been consistently above the nation's rate throughout the recession, dipped in September 2010 to 9.2%. The Memphis MSA unemployment rate was slightly higher than the state's unemployment rate in September 2010. Tennessee's September unemployment rate reflects a 12.4 percent decrease from September 2009. Memphis' unemployment rate decreased to 9.5 percent in September 2010, down 8.7 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 2000, there has been a growing dependence on property tax revenues while both Local Sales Taxes and State Shared Taxes have trended downwards as a percentage of total revenues. During fiscal year 2006, the City realized a significant increase in property tax revenues as a result of a rate increase. During fiscal year 2007 and fiscal year 2008, the percentage of revenues from current property taxes, local sales taxes and state shared taxes remained relatively constant year over year. 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.



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.

- During fiscal year 2005, City managers executed spending cuts and a temporary layoff, resulting in substantial expense savings. In an attempt to contain personnel costs and other operating expenses, the City implemented additional spending cuts and a hiring freeze during fiscal year 2006.
- During fiscal year 2007, growth in personnel expense remained flat while total general fund expenses 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 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 Other Post Employment Benefit (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 programs.



The Memphis real estate market proved not to be immune to the downfall of the global economy and the recession. Sub-prime lending problems that plagued the rest of the nation significantly impacted the Memphis residential market. Total home sales decreased by 15.9% year over year in September. Likewise, the median sales price, average sales price and active listings in September decreased 17.4%, 1.7% and 3.4%, respectively versus the prior year.

**Home Sales in Memphis, Year-to-Date September 2010 - 2009**

	2010	2009	Percent Change
Total Home Sales	1,026	1,220	-15.9%
Median Sales Price	\$92,900	\$112,500	-17.4%
Average Sales Price	\$135,378	\$137,679	-1.7%
Active Listings (Sept.)	9,399	9,522	-1.3%

Source: Memphis Area Association of Realtors Multiple Listing Service.





### Recent Developments:

- AC Wharton, Jr. became the city's mayor 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.
- After years of negotiation, the City celebrated the signing of a 20-year lease for the Pyramid Arena with Bass Pro, with 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. Under the lease, the city receives a minimum base rent amount of \$1 million dollars and will receive a percentage of gross sales.
- The University of Memphis Law School completed a \$42 million building renovation project in downtown Memphis. The school's 400-plus students and 50 faculty members moved into the now state-of-the-art law school that, at 140,000 square feet, is more than twice the size of the old school.
- The largest carrier at Memphis International Airport, Northwest Airlines, completed a merger with Delta Airlines in late 2009. The merger made Delta the largest airline in the world.
- Smith & Nephew, a medical device company, recently purchased property as a part of its \$42 million expansion of its orthopedic division's global headquarters in Memphis. As part of the growth, the company will add 160 new jobs with an average annual wage of \$121,425 including benefits.
- Pinnacle Airlines Corp., which currently employs 600 people in Memphis, reaffirmed its commitment to the City by signing a long-term lease in downtown Memphis.
- In August 2010, the State of Tennessee Supreme Court decided not to hear an appeal requested by the City of Memphis related to the multi-year lawsuit between the City and Memphis City Schools. An earlier decision by a Chancery Court judge and the state court of appeals ruled that the City of Memphis was financially responsible for the city's public schools. The City stopped funding the schools in fiscal year 2009, arguing that Shelby County should be the sole provider of school funding just as it is for all other municipalities in the County.

### Long-term Financial Planning

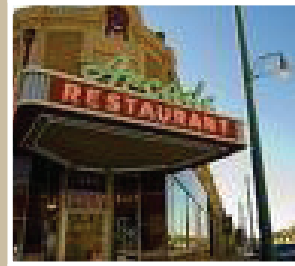
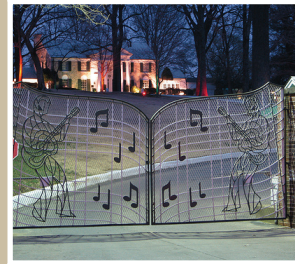
Notwithstanding the current year general fund operating deficit, the financial position of the City remains stable as a result of the City's conservative budgeting methodology and its ability to maintain disciplined spending practices. To ensure the City's financial position remains sound, the City has 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.

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. One of the most promising opportunities is the potential merger of the engineering departments. Also, the City is working with the Memphis Regional Chamber and Memphis Tomorrow to create an economic development "Growth Strategy" that will ideally enhance the city's overall growth, tax base and wages.

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

### Relevant Financial Policies

The City of Memphis implemented Governmental Accounting Standards Board (GASB) Statement



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

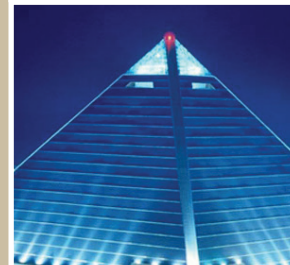
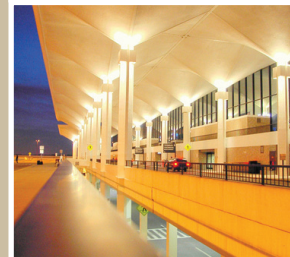
Long-term obligations associated with OPEB costs became a required disclosure for Memphis, effective July 1, 2007. Other required disclosures, per GASB Statement No. 45, include identifying the contributions made in comparison to OPEB costs, changes in net OPEB obligations, funding progress during the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

The City established an OPEB Trust in fiscal year 2008. The current valuation reflects approximately \$1.2 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 2011-2015 are:

- The Fire Division's budget includes funds for upgrades of its various fire station locations and new construction dollars for previous annexation areas.
- The Police Division's budget includes funds for a Skycop System and precinct renovations.
- The Parks Division's budget includes funds for improvements to the Wolf River greenway and rehabilitations to Douglas Pool and the Mallory-Neely and Magevney House.
- The Public Services and Neighborhoods Division's budget includes funding for new equipment for the animal shelter.
- The Memphis Area Transit Authority's capital improvement budget, heavily leveraged by Federal and State funding, will be used to fund a new bus transfer station near the Memphis International Airport. Preventative maintenance is funded partially by G.O. Bonds.
- Riverfront Development's budget includes funds for Cobblestone improvements.
- 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 reflects a new strategy to concentrate City-wide vehicle purchasing to achieve economies of scale. Vehicle acquisitions include 150 marked police cars, 3 fire engines and various heavy duty service equipment.
- Housing and Community Development's budget includes funding for the Hope VI and Dixie Homes neighborhood redevelopment projects. Development and construction of the Fairgrounds is represented in the Fairgrounds Public Greenspace Project.
- The Engineering Division's budget includes funding for replacement of traffic signals and intelligent transportation improvements.





- Information System’s budget includes projects to upgrade the City’s information technology infrastructure and telephone system. An Enterprise Asset Management system is also included in the budget.

### *Capital Planning Process*

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

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

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

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

### *Capital Expenditure Analysis*

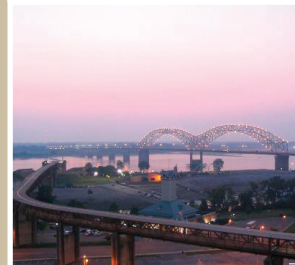
A review of Capital Improvement Projects are undertaken to insure that all major capital expenditures are not only necessary and appropriate but also fall into categories that include, but are not limited to:

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

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

### *Annexation Plans*

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, 2009. This was the 33rd consecutive year that the City has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

The City also received GFOA's Distinguished Budget Presentation Award for its annual budget document for the fiscal year beginning July 1, 2010, the 12th consecutive year for this award.

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

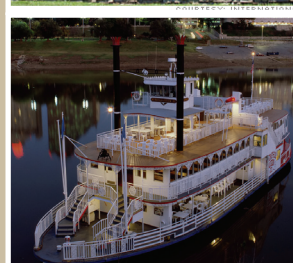
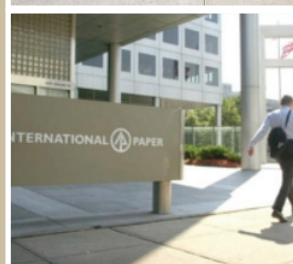
Respectfully submitted,



Roland McElrath, CPA  
Director of Finance



Patrice Thomas, CPA  
Comptroller



# Certificate of Achievement for Excellence in Financial Reporting

Presented to  
**City of Memphis  
Tennessee**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
June 30, 2009

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, 2009. 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.



A stylized handwritten signature in black ink.

President

A handwritten signature in black ink that reads "Jeffrey R. Emer".

Executive Director

**CITY OF MEMPHIS, TENNESSEE  
CITY OFFICIALS**

A C Wharton, Mayor

**CITY COUNCIL**

Harold Collins, Chairman (District 9)

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

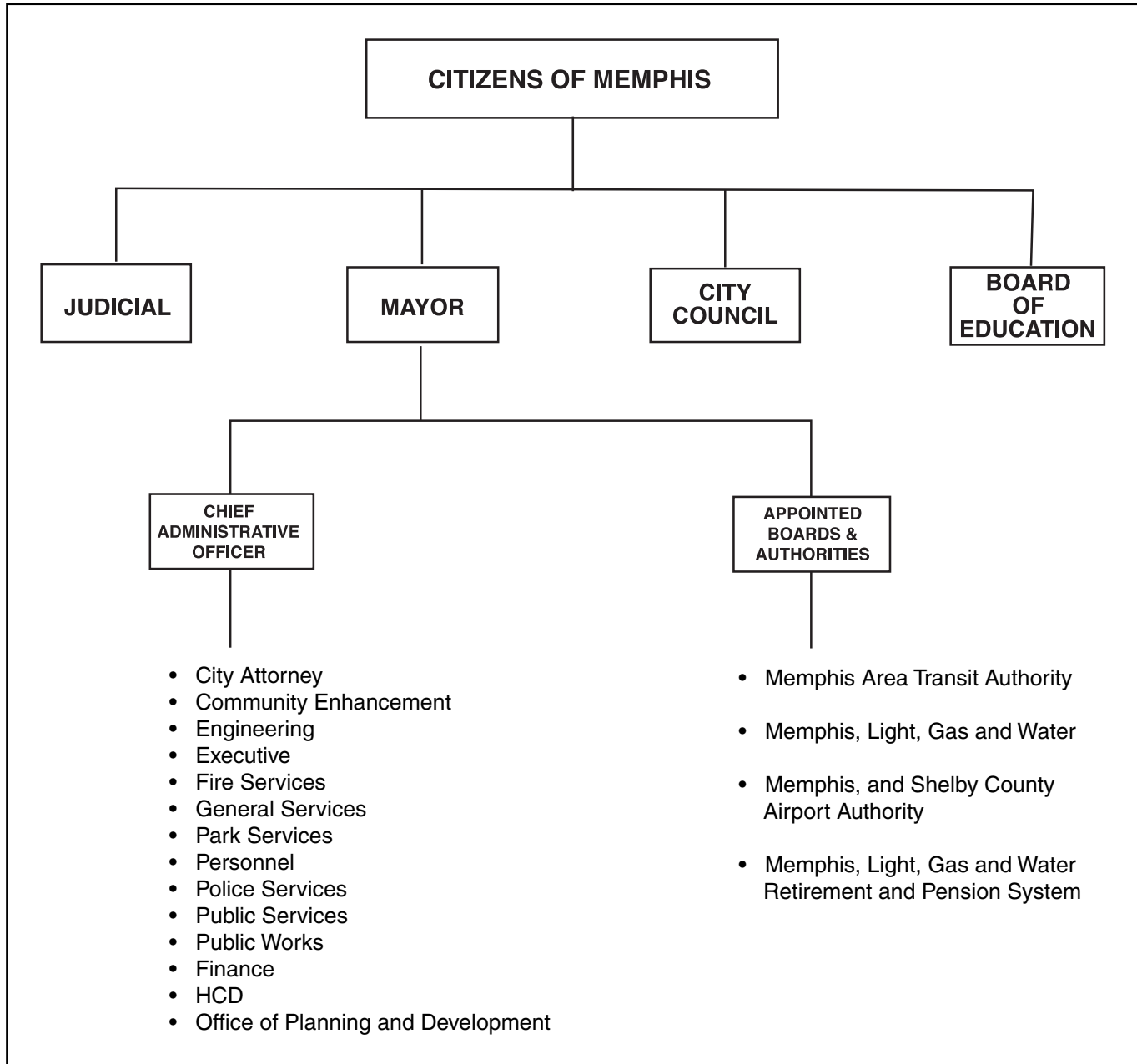
**ADMINISTRATIVE**

George M. Little.....	Chief Administrative Officer
Robert Lipscomb.....	Director, Housing and Community Development
Alvin Benson .....	Director, Fire Services
Rebecca Kissinger.....	Interim Director, General Services
Cynthia Buchanan.....	Director, Park Services
Jerry Collins .....	President, Memphis Light, Gas and Water Division
Rick Copeland.....	Director, Office of Planning and Development
Joseph Sanders .....	Chief Information Officer
Ernest Dobbins.....	Director, Community Enhancement
Rhoda Gillespie.....	Interim Director, Human Resources
Wain Gaskins .....	City Engineer
Larry Godwin.....	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.

(This page left blank intentionally.)

Independent Auditors' Report

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Memphis, Tennessee (the "City") as of and for the year ended June 30, 2010, and the budgetary comparison for the general fund for the year ended June 30, 2010, 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 95%, 92% and 95%, 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 38%, 39% and 38%, respectively, of the assets, net assets, and total deductions of the fiduciary funds. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the aforementioned entities, is based on the reports of the other auditors.

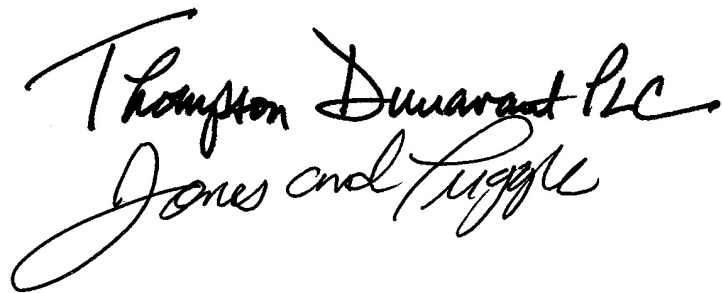
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2010, 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 accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 23, 2010 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's discussion and analysis and the schedule of funding progress for other post employment benefits as listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining and individual fund financial statements and schedules, supplementary schedules, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying supplemental schedule of expenditures of federal and state awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of the City. The combining and individual fund financial statements and schedules, supplementary schedules, and the supplemental schedule of expenditures of federal and state awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

A handwritten signature in black ink, reading "Thompson Duvarant LLC Jones and Pugh". The signature is written in a cursive, flowing style.

Memphis, Tennessee  
December 23, 2010



---

**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, 2010. 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, 2010 by \$1,907,863 (net assets). Total government-wide net assets decreased by \$128,358 in fiscal year 2010.
- At June 30, 2010, the City's governmental activities reported ending net assets of a negative \$86,052, a decrease of \$179,302 or 192.3% from the prior year. The decrease resulted primarily due to increases in liabilities related to pension, other post-employment benefits (OPEB) and accrual of a liability related to a lawsuit with Memphis City Schools.
- The City's business-type activities reported ending net assets of \$1,993,915, an increase of \$50,944 or 2.6% from prior year. A prior year adjustment was made to the MLGW division's beginning net assets balance as a result of a liability correction related to the fiscal year 2008 implementation of GASB Statement No. 49, Pollution Remediation Obligations.
- At June 30, 2010, the fund balance for the general fund was \$84,570, a decrease of \$22,033 from prior year's balance. The unreserved portion of the fund balance was \$76,271.
- The City's total general obligation and revenue bond debt decreased by \$84,593 or 3.4% 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, 2010. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flow in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

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

The government-wide financial statements include not only the City (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.

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

**Fund Financial Statements.** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

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

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

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

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

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

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

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

presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the form of combining statements.

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

**Fiduciary Funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City’s own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The actuarially determined net pension 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 \$1,907,863 at June 30, 2010.

**Condensed Statement of Net Assets**

	Governmental activities		Business-type activities		Total	
	2010	2009	2010	2009	2010	2009
Current and other assets	\$ 906,105	948,401	1,731,181	1,853,297	2,637,286	2,801,698
Capital assets	1,154,754	1,134,285	1,821,925	1,789,526	2,976,679	2,923,811
Total assets	2,060,859	2,082,686	3,553,106	3,642,823	5,613,965	5,725,509
Long-term liabilities outstanding	1,395,485	1,128,834	1,056,091	1,151,213	2,451,576	2,280,047
Other liabilities	751,426	860,602	503,100	558,404	1,254,526	1,419,006
Total liabilities	2,146,911	1,989,436	1,559,191	1,709,617	3,706,102	3,699,053
Net assets:						
Invested in capital assets, net of related debt	24,027	103,451	1,664,684	1,633,163	1,688,711	1,736,614
Restricted	-	-	75,615	91,215	75,615	91,215
Unrestricted	(110,079)	(10,201)	253,616	208,828	143,537	198,627
Total net assets	\$ (86,052)	93,250	1,993,915	1,933,206	1,907,863	2,026,456

By far the largest portion of the City's net assets (88.5%) 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.

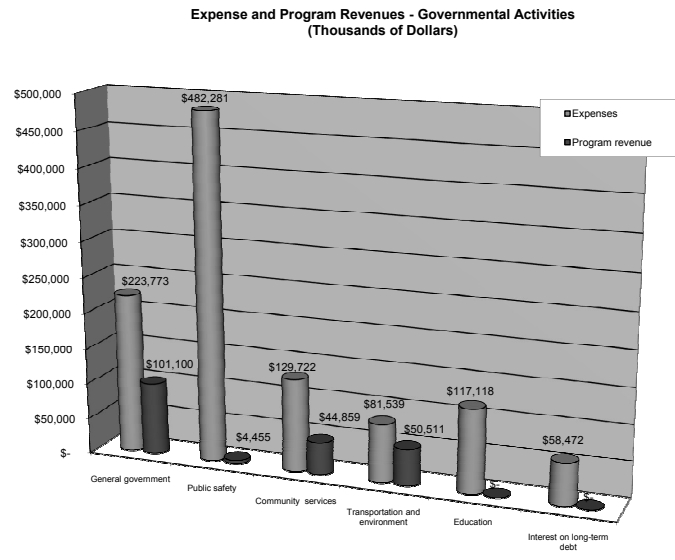
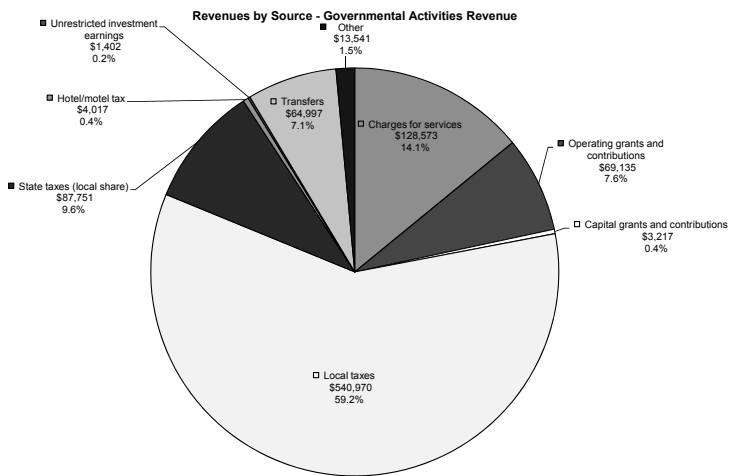
An additional portion of the City's net assets (4.0%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (7.5%) is reflective of the City's practice of maintaining adequate reserves for payment of debt service and capital projects, while funding current operations with current revenue sources.

**Condensed Statement of Changes in Net Assets**

	Governmental activities		Business-type activities		Total	
	2010	2009	2010	2009	2010	2009
Revenues:						
Program Revenues:						
Charges for services	\$ 128,573	124,828	1,726,243	1,891,562	1,854,816	2,016,390
Operating grants and contributions	69,135	56,402	28,377	26,705	97,512	83,107
Capital grants and contributions	3,217	3,217	800	524	4,017	3,741
General revenues:						
Local taxes	540,970	531,339	-	-	540,970	531,339
State taxes (local share)	87,751	88,203	-	-	87,751	88,203
Hotel/motel tax	4,017	4,244	-	-	4,017	4,244
Unrestricted investment earnings	1,402	5,614	50,516	62,356	51,918	67,970
Other	13,541	12,478	-	-	13,541	12,478
Total revenues	848,606	826,325	1,805,936	1,981,147	2,654,542	2,807,472
Expenses:						
General government	223,773	249,707	-	-	223,773	249,707
Public safety	482,281	410,303	-	-	482,281	410,303
Community services	129,722	114,776	-	-	129,722	114,776
Transportation and environment	81,539	79,396	-	-	81,539	79,396
Education	117,118	21,846	-	-	117,118	21,846
Interest on long-term debt	58,472	48,046	-	-	58,472	48,046
Sewer collection and treatment	-	-	55,584	57,802	55,584	57,802
Memphis Light, Gas and Water	-	-	1,621,840	1,790,499	1,621,840	1,790,499
Storm Water	-	-	12,571	13,419	12,571	13,419
Total expenses	1,092,905	924,074	1,689,995	1,861,720	2,782,900	2,785,794
Increase (decrease) in net assets before transfers	(244,299)	(97,749)	115,941	119,427	(128,358)	21,678
Transfers	64,997	46,998	(64,997)	(59,437)	-	(12,439)
Increase (decrease) in net assets	(179,302)	(50,751)	50,944	59,990	(128,358)	9,239
Net assets - July 1, as restated	93,250	144,001	1,942,971	1,873,216	2,036,221	2,017,217
Net assets - June 30	\$ (86,052)	93,250	1,993,915	1,933,206	1,907,863	2,026,456

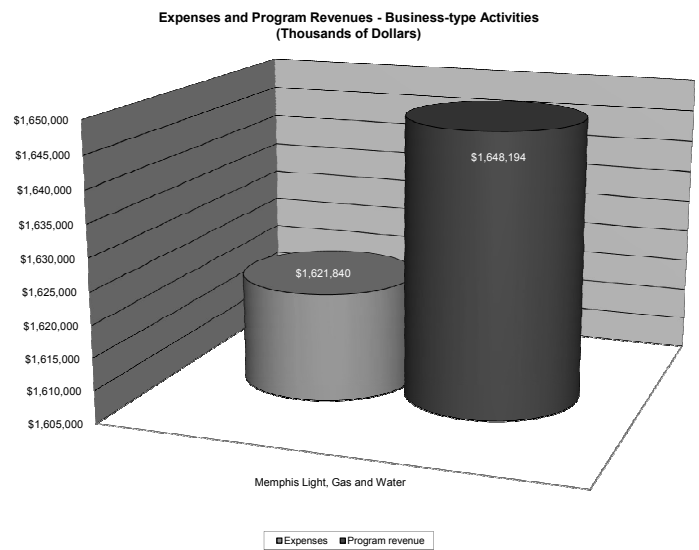
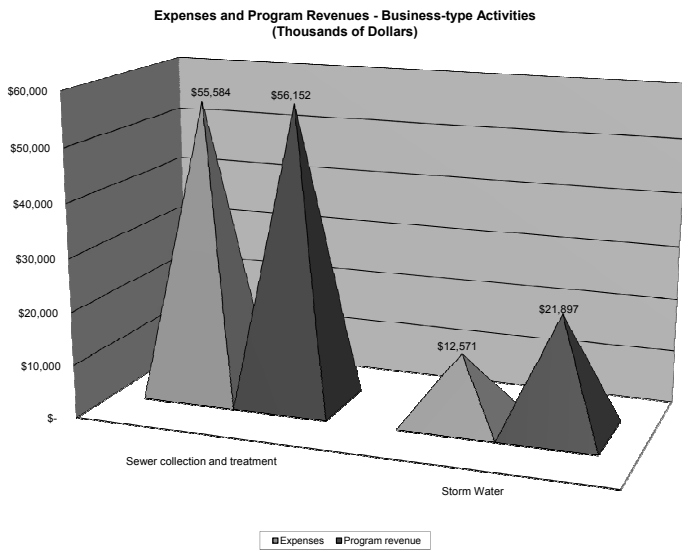
**Governmental activities.** Governmental activities decreased the City’s net assets by \$179,302 and Business-Type activities increased net assets by \$50,944, thereby resulting in a net decrease of \$128,358 or 6.3% in total primary government’s beginning net assets. Key elements of the governmental activities are discussed below:

- Total expenses increased by \$168,831 or 18.3% from last year. Total revenues increased by \$22,281 or 2.7% over last year.
- The most significant increase in expenses from prior year was realized in education, whose expenses increased by \$95,272 or 436.1%. This large increase was the result of a decision by City Council to reduce funding to Memphis City Schools in fiscal year 2009. However, funding was provided in fiscal year 2010. Also, an accrual of a liability was made in fiscal year 2010 resulting from a lawsuit filed by Memphis City Schools to reinstate the fiscal year 2009 funding.
- Public safety expenses increased by \$71,978 or 17.5%. This increase was primarily the result of public safety receiving a significant allocation of an increase in pension and other post employment benefit (OPEB) expenses incurred during the year.
- During fiscal year 2010, revenues increased by \$22,281 or 2.7%, primarily related to an increase in local taxes of \$9,631 and operating grants and contributions of \$12,733 or 22.6%. Local taxes increased due to increased collections in property taxes.



**Business-type activities.** Business-type activities increased the City’s net assets by \$50,944, accounting for 2.6% 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 \$29.1 million, \$19.4 million and \$0.9 million of the net asset increase, respectively. The Electric division’s net change in net assets was down year over year as a result of increased transfers to the city as a result of an increase in net plant, tax and equalization rates. The Gas division change in net assets was down year over year as a result of a decrease in sales, service and other operating revenues as a consequence of a decrease in sales volume and lower wholesale gas prices. Finally, the Water division’s change in net assets decreased year over year as a result of a slight growth in expenses combined with a decline in sales volume and revenues.
- The Stormwater fund also contributed \$5.6 million towards the business-type total net asset increase. These increases were offset by a net asset decrease of \$4.1 million in the Sewer Collection and Treatment fund.



**Financial Analysis of the Government’s Funds**

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

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

As of June 30, 2010, the City’s governmental funds reported combined ending fund balance of \$199,459, a decrease of \$25,759 in comparison with the prior year. Approximately 95.8% or \$191,160 of the fund balance constitutes unreserved fund balance, which is available for spending at the government’s discretion. The remainder of fund balance (\$6,622) is reserved to indicate that it is not available for new spending because it has already been committed to liquidate contracts and purchase orders of the prior period or for special services in the amount of \$1,677.

The general fund is the chief operating fund of the City. At June 30, 2010, unreserved fund balance of the general fund was \$76,271, while total fund balance was \$84,570. As a measure of the general fund’s liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 13.1% of total general fund expenditures, while total general fund balance represents 14.5% of the fund expenditures.

The fund balance of the City’s general fund decreased by \$22,033 during the fiscal year ended June 30, 2010. Key factors resulting in this decrease are as follows:

- Total General Fund Revenues increased by \$4,163 or 0.8% over prior year.
- Total expenditures decreased by \$6,124 or 1.0% over prior year. Expenses of the general government and transportation/environment decreased by \$10,953 or 7.1% and \$2,002 or 23.7%, respectively. However, Public Safety also increased by \$6,457 or 1.8%.
- The decrease in the general government program was driven by decreases in the city attorney division resulting from reduced liability claims settlements and decreases in grants and subsidies. Public Safety increased due to increases in personnel expenses for Police and Fire.
- The general fund’s operating transfers out increased by \$37,279 or 444.7% primarily as a result of a transfer out to the Education Fund of \$40 million as a result of a decision to fund Memphis City Schools in fiscal year 2010 over and above the property tax rate allocated to the schools.

---

The fund balance of the City's Debt Service fund decreased by \$11,808 to \$34,680 during the fiscal year ended June 30, 2010. Key factors resulting in this decrease are as follows:

- Consistent with last year, total expenditures exceeded total revenues plus other financing sources.
- Total revenues were up slightly by \$1,868 or 2.2%. However, total expenditures increased by \$5,363 or 4.8% due to increased principal and interest payments.
- Transfers In were down from last year due primarily to debt service prepayments that were made by Fire and Police in fiscal year 2009.
- Transfers out were down from \$6,000 to \$0 due to a planned transfer out to the General Fund in fiscal year 2009 that did not occur in fiscal year 2010.

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 increased from last year from \$67,239 to \$74,030. The change resulted primarily from the proceeds from issuance of debt.
- The New Memphis Arena Fund (FedEx Forum) activity remained relatively constant year over year. As a result, the fund deficit decreased from \$6,843 to \$6,052. 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 revenues exceeded expenditures by \$146, thereby, increasing fund balance to a negative \$2,152 from a negative \$2,298.

**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 \$249,741 is comprised primarily of \$276,779 for Memphis Light, Gas and Water, which can be used for on-going operations of the public utility system and \$14,535 negative unrestricted net asset for the Sewer Collection and Treatment Fund. Both the Sewer Fund and MLGW are assessed an in-lieu-of tax payment with all proceeds allocated to the General Fund, except for the Water Division payment, which is part of the financing arrangement for the New Memphis Arena. The remaining negative \$12,503 represents unrestricted net assets of the non-major fund, Storm Water.

### **General Fund Budgetary Highlights**

The original operating budget for FY 2010 did not anticipate any use of unreserved fund balance. However, the budget was later revised for various initiatives including a \$40 million transfer out to the Memphis City Schools. Differences between the original budget and the final amended budget can be briefly summarized as follow

- General Fund actual revenues were slightly over budget by \$2,646. Total expenditures were under budget by \$7,214. All divisions within the City contributed to the budget surplus. Net Transfer Ins/Outs were within a million dollars of the revised budget which included a \$40 million transfer to the Education Fund.

### **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, 2010 amounts to \$2,976,679 (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 \$52,868 or 1.8%. The governmental activities and business-type activities shared equally in the increase.

**Condensed Statement Capital Assets**  
**(net of depreciation)**

	<b>Governmental activities</b>		<b>Business-type activities</b>		<b>Total</b>	
	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
Land and buildings	\$ 381,785	390,501	42,405	44,988	424,190	435,489
Improvements other than buildings	560,969	561,593	280,853	281,770	841,822	843,363
Equipment	27,789	31,497	6,836	3,680	34,625	35,177
Construction in progress	184,211	150,694	43,863	32,169	228,074	182,863
Memphis Light, Gas and Water	-	-	1,447,968	1,426,919	1,447,968	1,426,919
<b>Total</b>	<b>\$ 1,154,754</b>	<b>1,134,285</b>	<b>1,821,925</b>	<b>1,789,526</b>	<b>2,976,679</b>	<b>2,923,811</b>

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

- Constructed a fourth Motor Vehicle Inspection Station to accommodate cars in areas of growth since the original three stations were constructed.
- Acquired a new animal shelter facility, veterinary clinic and livestock barn with pasture land that will be used to provide a variety of animal services.
- Acquired several police vehicles towards the goal of adding a total of 150 vehicles to the fleet.

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

**Long-term debt.** At June 30, 2010, the City had total bonded debt outstanding of \$2,431,545. Of this amount, \$1,261,306 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 \$1,170,239 consisted of \$1,155,239 bonds secured solely by specified revenue sources (i.e., revenue bonds) and \$15,000 of bond anticipation notes.

**Condensed Statement of Outstanding Debt**  
**General Obligation and Revenue Bonds**

	<b>Governmental activities</b>		<b>Business-type activities</b>		<b>Total</b>	
	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
General obligation bonds	1,181,278	1,077,670	-	-	1,181,278	1,077,670
Bond anticipation notes	75,400	148,470	15,000	35,000	90,400	183,470
Capital lease obligations	4,628	6,058	-	-	4,628	6,058
Revenue bonds	-	-	1,155,239	1,248,940	1,155,239	1,248,940
<b>Total</b>	<b>\$ 1,261,306</b>	<b>1,232,198</b>	<b>1,170,239</b>	<b>1,283,940</b>	<b>2,431,545</b>	<b>2,516,138</b>

The City’s total debt decreased by \$84,593 (3.4% percent) during FY 2010. Total debt includes state loans, general obligation bonds, bond anticipation notes, capital outlay notes, capital lease obligations, and revenue bonds. Governmental activities’ total debt increased by 2.4%, while business-type activities’ debt decreased by 8.9%.

The City has long held a high grade bond rating on indebtedness from the major credit rating services. As of June 30, 2010, the City held ratings of A1 from Moody’s, AA from Standard and Poor’s and A+ Fitch, Inc. Among the factors most



---

commonly cited by these firms in support of the credit rating assigned to the City's general obligation bonds include a stable and expanding economic climate, broad revenue base, and well-managed finances. In addition, the City has maintained good relations with the rating services and the major investment institutions through comprehensive disclosure of financial data and direct meetings with rating agency officials. The City continues to follow prudent fiscal policies and practices while expanding its financial base.

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

The City issued General Improvement Bonds of \$67,830 in May 2010 and \$87,004 in June 2010. Also, in June 2010, the City issued \$163,206 of General Improvement Refunding Bonds. Bond anticipation notes of \$75,400 were issued in May 2010 by the City. The bond anticipation notes provide interim financing for various capital projects.

In October 2009, MLGW initiated a refunding opportunity for a portion of the 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+. 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 2011 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 FY2011.
- The Operating Budget Revenue for FY2011 of \$634,816 which represents a revenue increase of \$57.5 million or 9.9% from the FY2010 Adopted Budget. This increase is primarily attributable to a planned transfer from the Debt Fund of \$41 million.
- The proposed budget includes a plan to create a new Office of Strategic and Financial Planning that will be responsible for guiding the city's fiscal health.

At June 30, 2010, unreserved fund balance in the general fund was \$76,271. The City has approved an operating budget of \$630,557 in total expenditures (net of program revenue) for FY 2011, with planned contribution of \$4,256 to unreserved fund balance. The City's tax rate for FY 2011 has been set at \$3.1900 per \$100 of assessed value. The tax rate is allocated to General Fund, Education, Debt Service, and Capital Projects. The City continues to explore cost cutting measures and additional revenue sources.

**Requests for Information**

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or request for additional financial information may be addressed to the Office of the Director of Finance, Room 368, City of Memphis, 125 North Main, Memphis, Tennessee 38103. The Comprehensive Annual Financial Report, the 2011 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).

**STATEMENT OF NET ASSETS**  
**(Thousands of Dollars)**  
**June 30, 2010**

**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	\$ 11,492	199,251	210,743	248,775
Investments	70,602	117,558	188,160	54,775
Equity in cash and investment pool	94,206	708	94,914	-
Restricted funds	-	46,678	46,678	-
Receivables (net of allowance for uncollectibles):				
Property taxes	438,075	-	438,075	-
Sales and income taxes	35,245	-	35,245	-
Federal and state grants	61,048	-	61,048	6,923
Interest and dividends on investments	743	35	778	155
Notes and accounts receivable	34	238,239	238,273	5,943
Housing rehabilitation loans	65,420	-	65,420	-
Other	29,550	-	29,550	10,005
Due from other funds	11,099	-	11,099	-
Due from other agencies and governments	87,986	-	87,986	182,707
Inventories	605	38,858	39,463	15,659
Deferred purchased power and gas costs	-	984,135	984,135	-
Collateral held in trust for securities on loan	-	37,006	37,006	-
Prepaid expenses	-	-	-	2,897
Restricted assets:				
Cash and cash equivalents	-	-	-	9,266
Investments	-	50,948	50,948	220,355
Receivables				
Federal and state grants	-	-	-	9,964
Accrued interest	-	-	-	1,224
Special facilities	-	-	-	37,012
Other	-	-	-	73
Non-depreciable capital assets	246,555	57,589	304,144	199,581
Depreciable capital assets (net of accumulated depreciation)	908,199	1,764,336	2,672,535	1,838,209
Bond issue costs	-	-	-	5,474
Other assets	-	17,765	17,765	908
<b>Total assets</b>	<b>\$ 2,060,859</b>	<b>3,553,106</b>	<b>5,613,965</b>	<b>2,849,905</b>

(Continued)

**STATEMENT OF NET ASSETS**  
**(Thousands of Dollars)**  
**June 30, 2010**

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

	<u>Primary Government</u>			<b>Component Units</b>
	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>	
<b>LIABILITIES</b>				
Accounts payable and accrued liabilities	\$ 61,334	273,497	334,831	134,920
Accrued interest payable	10,225	-	10,225	-
Contract retainage	67	482	549	-
Insurance claims payable	7,953	-	7,953	17,585
Due to other funds	7,023	11,076	18,099	-
Due to component units	6,946	-	6,946	-
Due to other agencies and governments	2,431	-	2,431	864
Refundable bonds and deposits	965	-	965	-
Unearned revenue	529,105	-	529,105	56,323
Collateral subject to return to borrowers	-	37,113	37,113	-
Customer common deposits	-	22,884	22,884	-
Other post employment benefits	88,731	4,838	93,569	-
Net Pension Obligations	11,648	-	11,648	-
Other liabilities	-	34,858	34,858	-
Noncurrent liabilities:				
Due within one year	24,998	118,352	143,350	28,730
Due in more than one year	1,395,485	1,056,091	2,451,576	893,110
<b>Total liabilities</b>	<b>2,146,911</b>	<b>1,559,191</b>	<b>3,706,102</b>	<b>1,131,532</b>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	24,027	1,664,684	1,688,711	1,567,679
Restricted for:				
Debt service and construction	-	75,615	75,615	-
Capital acquisition	-	-	-	218,056
Contracted grant programs	-	-	-	12,149
Food service	-	-	-	18,803
Self insurance	-	-	-	500
Other	-	-	-	4,805
Unrestricted:				
Other	(110,079)	253,616	143,537	(103,619)
<b>Total net assets</b>	<b>\$ (86,052)</b>	<b>1,993,915</b>	<b>1,907,863</b>	<b>1,718,373</b>

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

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

For the fiscal year ended June 30, 2010

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

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets			Component Units
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business-Type Activities	Total	
<b>Functions/Programs</b>								
<b>Primary government:</b>								
Governmental Activities:								
General government	\$ 223,773	73,768	24,115	3,217	(122,673)	-	(122,673)	-
Public safety	482,281	4,230	225	-	(477,826)	-	(477,826)	-
Community services	129,722	137	44,722	-	(84,863)	-	(84,863)	-
Transportation and environment	81,539	50,438	73	-	(31,028)	-	(31,028)	-
Education	117,118	-	-	-	(117,118)	-	(117,118)	-
Interest on long-term debt	58,472	-	-	-	(58,472)	-	(58,472)	-
Total governmental activities	1,092,905	128,573	69,135	3,217	(891,980)	-	(891,980)	-
<b>Business-type activities:</b>								
Sewer collection and treatment	55,584	56,152	482	594	-	1,644	1,644	-
Memphis Light, Gas and Water	1,621,840	1,648,194	27,895	-	-	54,249	54,249	-
Storm water	12,571	21,897	-	206	-	9,532	9,532	-
Total business-type activities	1,689,995	1,726,243	28,377	800	-	65,425	65,425	-
<b>Total primary government</b>	<b>\$ 2,782,900</b>	<b>1,854,816</b>	<b>97,512</b>	<b>4,017</b>	<b>(891,980)</b>	<b>65,425</b>	<b>(826,555)</b>	<b>-</b>
<b>Component units:</b>								
Board of Education	\$ 1,227,489	13,189	652,733	20,204	-	-	-	(541,363)
Memphis Area Transit Authority	65,155	9,916	-	18,491	-	-	-	(36,748)
Memphis Zoological Society	17,764	13,067	-	2,688	-	-	-	(2,009)
Airport Authority	137,689	108,352	-	53,353	-	-	-	24,016
<b>Total component units</b>	<b>\$ 1,448,097</b>	<b>144,524</b>	<b>652,733</b>	<b>94,736</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(556,104)</b>

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

For the fiscal year ended June 30, 2010

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

Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			Component Units
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
				Governmental Activities	Business-Type Activities	Total	
General revenues:							
Local taxes:							
Property taxes - levied for education				22,825	-	22,825	-
Property taxes - levied for debt service				84,288	-	84,288	-
Property taxes - levied for capital projects				367	-	367	-
Property taxes - levied for general government				265,705	-	265,705	-
Interest, penalties and commission - property taxes				7,076	-	7,076	-
Sales tax, general				94,462	-	94,462	-
Sales tax, beer				15,057	-	15,057	-
Gross receipts tax				9,837	-	9,837	-
Franchise tax				5,628	-	5,628	-
Other local taxes				35,725	-	35,725	-
State taxes:							
Sales tax				44,142	-	44,142	-
Income tax				7,305	-	7,305	-
Beer tax				342	-	342	-
Alcoholic beverage tax				280	-	280	-
Gasoline inspection tax				1,480	-	1,480	-
State professional privilege tax				1,165	-	1,165	-
State gas motor fuel tax				12,519	-	12,519	-
Three-cent tax				3,760	-	3,760	-
One-cent tax				2,026	-	2,026	-
Tourism development				14,732	-	14,732	-
Hotel/motel tax				4,017	-	4,017	-
Grants and contributions not restricted to specific programs				-	-	-	397,704
City of Memphis subsidy				-	-	-	23,121
Investment income				1,402	50,516	51,918	4,513
Intergovernmental Revenues				4,944	-	4,944	-
Federal grants and entitlements				-	-	-	12,123
State grants				-	-	-	8,170
Other				8,597	-	8,597	6,899
Transfers				64,997	(64,997)	-	-
Total general revenues and transfers				712,678	(14,481)	698,197	452,530
Change in net assets				(179,302)	50,944	(128,358)	(103,574)
Net assets - beginning, as restated				93,250	1,942,971	2,036,221	1,821,947
Net assets - ending				(86,052)	1,993,915	1,907,863	1,718,373

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

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
(Thousands of Dollars)  
June 30, 2010**

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

	<b>General</b>	<b>Debt Service</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 42	-	11,449	11,491
Investments	-	-	70,602	70,602
Equity in cash and investment pool	53,291	17,980	19,723	90,994
Receivables (net of allowance for uncollectibles):				
Property taxes:				
Current property taxes	278,525	86,789	26,009	391,323
Delinquent property taxes	29,814	10,056	6,882	46,752
Sales and income taxes	35,245	-	-	35,245
Federal and state grants	1,893	-	59,155	61,048
Interest and dividends on investments	35	22	686	743
Housing rehabilitation loans	-	-	65,420	65,420
Other	23,143	-	6,407	29,550
Due from other funds	24,531	16,999	14,513	56,043
Due from other agencies and governments	2,791	34,804	8,841	46,436
<b>Total assets</b>	<b>\$ 449,310</b>	<b>166,650</b>	<b>289,687</b>	<b>905,647</b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities:</b>				
Accounts payable and accrued liabilities	\$ 36,508	472	20,228	57,208
Contract retainage	-	-	67	67
Due to other funds	-	-	49,720	49,720
Due to other agencies and governments	1,881	-	550	2,431
Refundable bonds and deposits	965	-	-	965
Deferred revenue	325,386	131,498	138,913	595,797
<b>Total liabilities</b>	<b>364,740</b>	<b>131,970</b>	<b>209,478</b>	<b>706,188</b>
<b>Fund balances:</b>				
Reserved for:				
Encumbrances	6,622	-	-	6,622
Parks special services	1,677	-	-	1,677
Unreserved, undesignated reported in:				
General fund	76,271	-	-	76,271
Special revenue funds	-	-	6,179	6,179
Debt service fund	-	34,680	-	34,680
Capital projects fund	-	-	74,030	74,030
<b>Total fund balances</b>	<b>84,570</b>	<b>34,680</b>	<b>80,209</b>	<b>199,459</b>
<b>Total liabilities and fund balances</b>	<b>\$ 449,310</b>	<b>166,650</b>	<b>289,687</b>	<b>905,647</b>

**RECONCILIATION OF THE BALANCE SHEET TO  
THE STATEMENT OF NET ASSETS  
(Thousands of Dollars)  
June 30, 2010**

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

Total governmental fund balances:	\$ 199,459
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	1,154,100
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	105,385
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.	(11,648)
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.	(86,388)
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.	(18,988)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	<u>(1,427,972)</u>
Net assets of governmental activities	<u>\$ (86,052)</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  
(Thousands of Dollars)  
For the fiscal year ended June 30, 2010**

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

	General	Debt Service	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>				
Local taxes	\$ 420,879	84,288	28,974	534,141
State taxes (local share)	54,714	-	33,037	87,751
Hotel/motel tax	-	400	3,617	4,017
Licenses and permits	11,119	-	-	11,119
Fines and forfeitures	12,162	-	4,230	16,392
Charges for services	31,815	-	51,036	82,851
Investment income	980	254	67	1,301
Federal grants and entitlements	814	-	57,309	58,123
State grants	1,761	-	4,168	5,929
Intergovernmental revenues	4,488	2,348	-	6,836
Other	9,252	1,079	3,365	13,696
<b>Total revenues</b>	<b>547,984</b>	<b>88,369</b>	<b>185,803</b>	<b>822,156</b>
<b>EXPENDITURES</b>				
Current:				
General government	142,693	-	34,356	177,049
Public safety	369,555	-	4,627	374,182
Community services	64,186	-	44,906	109,092
Transportation and environment	6,458	-	67,229	73,687
Education	-	-	62,825	62,825
Capital outlay	-	-	86,656	86,656
Debt service:				
Redemption of serial bonds and notes	-	61,803	-	61,803
Interest	-	53,866	-	53,866
Bond issuance cost	-	1,052	1,731	2,783
Service charges	-	196	-	196
<b>Total expenditures</b>	<b>582,892</b>	<b>116,917</b>	<b>302,330</b>	<b>1,002,139</b>
Revenues under expenditures	(34,908)	(28,548)	(116,527)	(179,983)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	58,537	15,548	46,472	120,557
Transfers out	(45,662)	-	(9,898)	(55,560)
Issuance of debt	-	-	81,764	81,764
Issuance of refunding debt	-	163,206	148,470	311,676
Retirement of refunded debt obligation	-	(174,017)	(148,470)	(322,487)
Premium on debt issue	-	12,003	6,271	18,274
<b>Total other financing sources (uses)</b>	<b>12,875</b>	<b>16,740</b>	<b>124,609</b>	<b>154,224</b>
Net change in fund balances	(22,033)	(11,808)	8,082	(25,759)
Fund balances - beginning of year	106,603	46,488	72,127	225,218
<b>Fund balances - end of year</b>	<b>\$ 84,570</b>	<b>34,680</b>	<b>80,209</b>	<b>199,459</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, 2010**

**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 \$ (25,759)

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. 20,494

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. 7,845

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. (26,543)

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. (147,364)

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. (7,975)

Change in net assets of governmental activities \$ (179,302)

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

**GENERAL FUND**  
**STATEMENT OF REVENUES AND OTHER SOURCES -**  
**BUDGET AND ACTUAL ON BASIS OF BUDGETING**  
(Thousands of Dollars)  
For the fiscal year ended June 30, 2010

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

	<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>				
<b>Local taxes:</b>				
Property taxes	\$ 260,367	260,367	265,705	5,338
Interest, penalties and commission - property taxes	6,760	6,760	7,076	316
Receipts in lieu of taxes contractual	11,143	11,143	12,846	1,703
Sales tax general	95,764	95,764	94,462	(1,302)
Sales tax beer	15,474	15,474	15,057	(417)
Alcoholic beverage tax	3,989	3,989	4,195	206
Liquor by the drink tax	2,554	2,554	2,576	22
Gross receipts tax	9,163	9,163	9,837	674
Excise tax	793	793	612	(181)
Franchise tax	5,050	5,050	5,628	578
Other local taxes	2,403	2,403	2,885	482
<b>Total local taxes</b>	<b>413,460</b>	<b>413,460</b>	<b>420,879</b>	<b>7,419</b>
<b>State taxes (local share):</b>				
Sales tax	46,947	46,947	44,142	(2,805)
Income taxes	12,600	12,600	7,305	(5,295)
Beer taxes	371	371	342	(29)
Alcoholic beverage tax	247	247	280	33
State professional privilege tax	-	-	1,165	1,165
Gasoline inspection fees	1,489	1,489	1,480	(9)
<b>Total state taxes (local share)</b>	<b>61,654</b>	<b>61,654</b>	<b>54,714</b>	<b>(6,940)</b>
<b>Licenses and permits:</b>				
Auto licenses	10,593	10,593	10,093	(500)
Dog licenses	359	359	363	4
Liquor by the drink licenses	270	270	251	(19)
Other	475	475	412	(63)
<b>Total licenses and permits</b>	<b>11,697</b>	<b>11,697</b>	<b>11,119</b>	<b>(578)</b>
<b>Fines and forfeitures:</b>				
City courts	10,782	10,782	11,451	669
Library	850	850	711	(139)
<b>Total fines and forfeitures</b>	<b>\$ 11,632</b>	<b>11,632</b>	<b>12,162</b>	<b>530</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, 2010

**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	\$ 585	716	340	(376)
Park commission revenues	4,407	4,407	5,295	888
Parking meter revenues	580	580	463	(117)
Ambulance service fees	15,500	15,500	18,097	2,597
Rents	749	749	2,427	1,678
Tax sale attorney fees	596	595	770	175
Wrecker and storage fees	2,128	2,128	1,886	(242)
Police special events	1,739	1,739	1,671	(68)
911 emergency services	293	293	-	(293)
Other	2,199	2,652	866	(1,786)
<b>Total charges for services</b>	<b>28,776</b>	<b>29,359</b>	<b>31,815</b>	<b>2,456</b>
<b>Investment income:</b>				
Interest on investments	3,443	3,443	777	(2,666)
Other	73	73	203	130
<b>Total investment income</b>	<b>3,516</b>	<b>3,516</b>	<b>980</b>	<b>(2,536)</b>
<b>Federal grants</b>	<b>371</b>	<b>371</b>	<b>814</b>	<b>443</b>
<b>State grants</b>	<b>1,283</b>	<b>1,706</b>	<b>1,761</b>	<b>55</b>
<b>Intergovernmental revenues</b>	<b>3,802</b>	<b>5,085</b>	<b>4,488</b>	<b>(597)</b>
<b>Other:</b>				
Auctions and sale of assets	2,311	2,311	2,220	(91)
Property damage reimbursement	271	271	196	(75)
Property insurance recoveries	-	-	1,096	1,096
Local shared revenue	2,231	2,231	2,281	50
Miscellaneous	2,000	2,045	3,459	1,414
<b>Total other</b>	<b>6,813</b>	<b>6,858</b>	<b>9,252</b>	<b>2,394</b>
<b>Total revenues</b>	<b>\$ 543,004</b>	<b>545,338</b>	<b>547,984</b>	<b>2,646</b>
<b>Other source:</b>				
<b>Transfers in:</b>				
Sewer collection and treatment fund	\$ 5,175	5,175	5,839	664
MLG&W fund	52,337	52,337	52,698	361
<b>Total other source</b>	<b>\$ 57,512</b>	<b>57,512</b>	<b>58,537</b>	<b>1,025</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, 2010

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

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget- Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>EXPENDITURES</b>				
<b>General government:</b>				
Legislative:				
Personal services	\$ 1,350	1,331	1,309	22
Materials and supplies	379	379	216	163
Total legislative	<u>1,729</u>	<u>1,710</u>	<u>1,525</u>	<u>185</u>
Judicial:				
Personal services	562	518	501	17
Materials and supplies	59	100	92	8
Total judicial	<u>621</u>	<u>618</u>	<u>593</u>	<u>25</u>
Court clerk:				
Personal services	3,002	2,936	2,933	3
Materials and supplies	825	1,148	1,147	1
Capital outlay	31	7	-	7
Total court clerk	<u>3,858</u>	<u>4,091</u>	<u>4,080</u>	<u>11</u>
Executive:				
Personal services	4,681	4,084	3,774	310
Materials and supplies	1,652	1,996	1,571	425
Capital outlay	117	77	39	38
Grants and subsidies	1,295	1,384	1,338	46
Expense reimbursement	(30)	(30)	(30)	-
Total executive	<u>7,715</u>	<u>7,511</u>	<u>6,692</u>	<u>819</u>
Finance and administration:				
Personal services	4,878	5,024	5,023	1
Materials and supplies	1,144	1,111	890	221
Capital outlay	2	-	-	-
Expense reimbursement	(782)	(922)	(925)	3
Total finance and administration	<u>\$ 5,242</u>	<u>5,213</u>	<u>4,988</u>	<u>225</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, 2010

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

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
City attorney:				
Personal services	\$ 5,222	5,171	4,712	459
Materials and supplies	14,093	13,844	13,041	803
Expense reimbursement	(4,089)	(4,089)	(3,001)	(1,088)
Total city attorney	15,226	14,926	14,752	174
City engineer:				
Personal services	9,053	8,797	8,797	-
Materials and supplies	1,999	1,973	1,421	552
Expense reimbursement	(5,154)	(5,154)	(5,003)	(151)
Total city engineer	5,898	5,616	5,215	401
Information systems:				
Personal services	2,406	2,469	2,468	1
Materials and supplies	16,699	18,280	17,632	648
Capital outlay	755	707	570	137
Expense reimbursement	(1,658)	(1,658)	(1,684)	26
Total information systems	18,202	19,798	18,986	812
Human resources:				
Personal services	5,327	5,067	4,806	261
Materials and supplies	4,230	3,926	3,299	627
Capital outlay	50	50	(50)	100
Expense reimbursement	(467)	(477)	(499)	22
Total human resources	9,140	8,566	7,556	1,010
General services:				
Personal services	9,229	9,839	9,838	1
Materials and supplies	5,179	5,671	5,668	3
Capital outlay	5	-	-	-
Expense reimbursement	(2,588)	(3,738)	(3,745)	7
Total general services	11,825	11,772	11,761	11
Special appropriations:				
Personal services	164	164	153	11
Materials and supplies	30	30	15	15
Grants and subsidies	58,536	70,022	70,017	5
Expense reimbursement	(3,978)	(3,978)	(3,984)	6
Total special appropriations	54,752	66,238	66,201	37
Total general government	\$ 134,208	146,059	142,349	3,710

(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, 2010

**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	\$ 198,530	193,308	192,912	396
Materials and supplies	19,306	19,392	19,391	1
Capital outlay	633	180	166	14
Expense reimbursement	(143)	(143)	(186)	43
Total police	<u>218,326</u>	<u>212,737</u>	<u>212,283</u>	<u>454</u>
Fire:				
Personal services	144,282	141,781	141,635	146
Materials and supplies	16,351	15,384	14,670	714
Capital outlay	1,043	442	659	(217)
Expense reimbursement	(225)	(225)	(252)	27
Total fire	<u>161,451</u>	<u>157,382</u>	<u>156,712</u>	<u>670</u>
Total public safety	<u>379,777</u>	<u>370,119</u>	<u>368,995</u>	<u>1,124</u>
<b>Community services:</b>				
Parks and recreation:				
Personal services	16,244	15,949	15,775	174
Materials and supplies	12,382	14,149	14,148	1
Capital outlay	113	96	96	-
Inventory	92	92	8	84
Expense reimbursement	(94)	(94)	-	(94)
Total parks and recreation	<u>28,737</u>	<u>30,192</u>	<u>30,027</u>	<u>165</u>
Public Service:				
Personal services	16,643	16,832	16,420	412
Materials and supplies	5,564	5,652	5,407	245
Capital outlay	5	23	5	18
Total public service	<u>\$ 22,212</u>	<u>22,507</u>	<u>21,832</u>	<u>675</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, 2010

**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>		
Community development:				
Personal services	\$ 267	269	268	1
Materials and supplies	145	139	96	43
Grants and subsidies	5,055	4,355	4,127	228
Total community development	<u>5,467</u>	<u>4,763</u>	<u>4,491</u>	<u>272</u>
Community enhancement:				
Personal services	6,024	6,092	5,758	334
Materials and supplies	2,002	1,808	1,747	61
Capital outlay	127	127	-	127
Expense reimbursement	(430)	(430)	(371)	(59)
Total community enhancement	<u>7,723</u>	<u>7,597</u>	<u>7,134</u>	<u>463</u>
Total community services	<u>64,139</u>	<u>65,059</u>	<u>63,484</u>	<u>1,575</u>
<b>Transportation and environment:</b>				
Public works:				
Personal services	7,353	7,102	6,885	217
Materials and supplies	17,015	14,953	14,898	55
Capital outlay	10	10	7	3
Expense reimbursement	(14,596)	(14,596)	(15,126)	530
Total public works	<u>9,782</u>	<u>7,469</u>	<u>6,664</u>	<u>805</u>
Total transportation and environment	<u>9,782</u>	<u>7,469</u>	<u>6,664</u>	<u>805</u>
<b>Total expenditures</b>	<u>\$ 587,906</u>	<u>588,706</u>	<u>581,492</u>	<u>7,214</u>
<b>Other use - transfers out (primary):</b>				
Solid waste management	\$ 700	-	-	-
Debt service fund	1,986	2,821	2,820	1
Storm water fund	452	452	452	-
Miscellaneous grants fund	415	103	32	71
Community redevelopment fund	1,300	2,358	2,358	-
Education fund	-	40,000	40,000	-
Total transfers out	<u>4,853</u>	<u>45,734</u>	<u>45,662</u>	<u>72</u>
<b>Total other uses</b>	<u>\$ 4,853</u>	<u>45,734</u>	<u>45,662</u>	<u>72</u>



**STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
(Thousands of Dollars)  
June 30, 2010**

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

	Business Type Activities - Enterprise Funds						Governmental Activities- Internal Service Funds
	Major Funds					Total	
	Sewer Col- lection and Treatment	MLGW Electric Division	MLGW Gas Division	MLGW Water Division	Non - Major Fund		
<b>ASSETS</b>							
Current assets:							
Cash and cash equivalents	\$ 251	108,592	81,576	8,831	1	199,251	1
Investments	32,922	45,505	33,026	3,714	-	115,167	-
Derivative financial instruments	-	40	2,351	-	-	2,391	-
Equity in cash and investment pool	708	-	-	-	-	708	3,212
Restricted funds - current	-	28,738	12,676	5,264	-	46,678	-
Receivables:							
Notes and accounts	4,515	147,775	61,200	13,922	1,870	229,282	34
Interest on investments	35	-	-	-	-	35	-
Due from other funds	-	-	-	-	-	-	5,094
Prepaid power cost	-	95,582	1,585	-	-	97,167	-
Inventories of materials and supplies	-	22,191	14,525	2,142	-	38,858	605
Collateral held in trust for securities on loan	-	21,419	12,755	2,832	-	37,006	-
Other current assets	-	3,483	1,872	1,667	-	7,022	-
<b>Total current assets</b>	<b>38,431</b>	<b>473,325</b>	<b>221,566</b>	<b>38,372</b>	<b>1,871</b>	<b>773,565</b>	<b>8,946</b>
Non-current assets:							
Restricted assets:							
Investments, less current portion	-	24,932	8,622	17,394	-	50,948	-
<b>Total restricted assets</b>	<b>-</b>	<b>24,932</b>	<b>8,622</b>	<b>17,394</b>	<b>-</b>	<b>50,948</b>	<b>-</b>
Capital assets:							
Land	13,692	-	-	-	34	13,726	-
Buildings	106,090	-	-	-	-	106,090	-
Utility plant	-	1,450,893	539,873	432,985	-	2,423,751	-
Improvements other than buildings	502,330	-	-	-	30,753	533,083	-
Machinery and equipment	24,011	-	-	-	7,770	31,781	4,063
Less accumulated depreciation and amortization	(341,471)	(552,162)	(244,377)	(179,244)	(13,115)	(1,330,369)	(3,409)
<b>Total capital assets</b>	<b>304,652</b>	<b>898,731</b>	<b>295,496</b>	<b>253,741</b>	<b>25,442</b>	<b>1,778,062</b>	<b>654</b>
Construction in progress	23,844	-	-	-	20,019	43,863	-
<b>Net capital assets</b>	<b>328,496</b>	<b>898,731</b>	<b>295,496</b>	<b>253,741</b>	<b>45,461</b>	<b>1,821,925</b>	<b>654</b>
Other noncurrent assets:							
Notes receivable	-	-	6,734	2,223	-	8,957	-
Prepaid power cost - long term	-	886,968	-	-	-	886,968	-
Prepayments In Lieu of Taxes	-	1,426	414	-	-	1,840	-
Unamortized debt expense	-	6,099	-	-	-	6,099	-
Other assets	304	1,420	650	430	-	2,804	-
<b>Total other noncurrent assets</b>	<b>304</b>	<b>895,913</b>	<b>7,798</b>	<b>2,653</b>	<b>-</b>	<b>906,668</b>	<b>-</b>
<b>Total noncurrent assets</b>	<b>328,800</b>	<b>1,819,576</b>	<b>311,916</b>	<b>273,788</b>	<b>45,461</b>	<b>2,779,541</b>	<b>654</b>
<b>Total assets</b>	<b>\$ 367,231</b>	<b>2,292,901</b>	<b>533,482</b>	<b>312,160</b>	<b>47,332</b>	<b>3,553,106</b>	<b>9,600</b>

**STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
(Thousands of Dollars)  
June 30, 2010**

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

<u>Business Type Activities - Enterprise Funds</u>							
	<u>Major Funds</u>				<u>Non - Major Fund</u>	<u>Total</u>	<u>Governmental Activities- Internal Service Funds</u>
	<u>Sewer Col- lection and Treatment</u>	<u>MLGW Electric Division</u>	<u>MLGW Gas Division</u>	<u>MLGW Water Division</u>			
<b>LIABILITIES</b>							
Current liabilities:							
Accounts payable	\$ 1,890	113,330	40,974	-	722	156,916	2,876
Bonds and notes payable	-	86,082	15,000	-	-	101,082	-
Accrued liabilities	2,541	50,992	18,855	10,432	244	83,064	-
Payables due from restricted assets	-	20,966	7,287	5,264	-	33,517	-
Insurance claims payable	-	-	-	-	-	-	7,953
Contract retainage	405	-	-	-	77	482	-
Due to other funds	4,612	-	-	-	10,339	14,951	3,466
Deferred revenue	-	-	-	-	-	-	5,339
Current installment of revenue							
bonds payable	9,115	7,766	-	-	-	16,881	-
Collateral subject to return to borrowers	-	21,494	12,776	2,843	-	37,113	-
Other post employment benefits	3,182	-	-	-	1,656	4,838	2,343
Vacation, sick and other leave benefits	3,172	-	-	-	1,336	4,508	2,736
<b>Total current liabilities paid from current assets</b>	<b>24,917</b>	<b>300,630</b>	<b>94,892</b>	<b>18,539</b>	<b>14,374</b>	<b>453,352</b>	<b>24,713</b>
Long-term (net of current maturities):							
Revenue bonds payable	139,155	909,690	-	3,127	-	1,051,972	-
State loans payable	3,881	-	-	-	-	3,881	-
Customer common deposits	-	17,199	5,068	617	-	22,884	-
Other	-	21,196	3,254	6,527	-	30,977	-
<b>Total long-term liabilities</b>	<b>143,036</b>	<b>948,085</b>	<b>8,322</b>	<b>10,271</b>	<b>-</b>	<b>1,109,714</b>	<b>-</b>
<b>Total liabilities</b>	<b>167,953</b>	<b>1,248,715</b>	<b>103,214</b>	<b>28,810</b>	<b>14,374</b>	<b>1,563,066</b>	<b>24,713</b>
<b>NET ASSETS (DEFICIT)</b>							
Invested in capital assets, net of related debt	180,226	892,888	295,496	250,613	45,461	1,664,684	654
Restricted for debt service and construction	33,587	15,295	9,957	16,776	-	75,615	-
Unrestricted (deficit)	(14,535)	136,003	124,815	15,961	(12,503)	249,741	(15,767)
<b>TOTAL NET ASSETS (DEFICIT)</b>	<b>\$ 199,278</b>	<b>1,044,186</b>	<b>430,268</b>	<b>283,350</b>	<b>32,958</b>	<b>1,990,040</b>	<b>(15,113)</b>
Adjustment to reflect the consolidation of internal service funds related to enterprise funds						3,875	
<b>Net assets of business-type activities</b>						<b>\$ 1,993,915</b>	

See accompanying notes to financial statements.

**STATEMENT OF REVENUES, EXPENSES AND CHANGES  
IN FUND NET ASSETS / PROPRIETARY FUNDS  
(Thousands of Dollars)  
For the fiscal year ended June 30, 2010**

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

	Business Type Activities - Enterprise Funds							
	Major Funds					Non - Major Fund	Total	Governmental Activities- Internal Service Funds
	Sewer Collection and Treatment	MLGW Electric Division	MLGW Gas Division	MLGW Water Division				
Charges for services	\$ 56,152	1,208,856	359,681	79,657	21,897	1,726,243	96,442	
<b>Operating revenues</b>	<b>56,152</b>	<b>1,208,856</b>	<b>359,681</b>	<b>79,657</b>	<b>21,897</b>	<b>1,726,243</b>	<b>96,442</b>	
Operating expenses other than depreciation and amortization:								
Personal services	17,803	-	-	-	8,072	25,875	12,112	
Materials, supplies, services, and other	18,169	-	-	-	3,435	21,604	5,784	
Capital outlay	-	-	-	-	11	11	186	
Purchased power and gas for resale	-	969,309	240,518	-	-	1,209,827	-	
Production	-	-	-	16,215	-	16,215	-	
Operation	-	116,680	64,651	40,939	-	222,270	-	
Maintenance	-	48,243	8,810	8,522	-	65,575	-	
In Lieu of Taxes	-	589	234	-	-	823	-	
Inventories	-	-	-	-	-	-	16,601	
Claims incurred	-	-	-	-	-	-	59,509	
Total operating expenses other than depreciation and amortization	35,972	1,134,821	314,213	65,676	11,518	1,562,200	94,192	
Operating income before depreciation and amortization	20,180	74,035	45,468	13,981	10,379	164,043	2,250	
Depreciation and amortization: On assets acquired with own funds	12,928	41,444	12,458	10,932	1,053	78,815	154	
Loss on disposal of asset	-	-	-	-	-	-	4	
<b>Operating income</b>	<b>7,252</b>	<b>32,591</b>	<b>33,010</b>	<b>3,049</b>	<b>9,326</b>	<b>85,228</b>	<b>2,092</b>	
Non-operating revenues:								
Transmission credits	-	27,895	-	-	-	27,895	-	
Investment income	176	48,112	1,590	638	-	50,516	101	
Other	483	-	-	-	-	483	-	
Total non-operating revenues	659	76,007	1,590	638	-	78,894	101	
Non-operating expenses:								
Interest on bonded indebtedness	6,658	41,536	463	297	-	48,954	-	
Interest on state loan	74	-	-	-	-	74	-	
Total non-operating expenses	6,732	41,536	463	297	-	49,028	-	
Income (loss) before capital contributions and transfers	1,179	67,062	34,137	3,390	9,326	115,094	2,193	
Transfers in	-	-	-	-	452	452	-	
Transfers out	(5,839)	(37,999)	(14,699)	(2,500)	(4,412)	(65,449)	(10,121)	
Capital contributions	594	-	-	-	206	800	-	
Change in net assets (deficit)	(4,066)	29,063	19,438	890	5,572	50,897	(7,928)	
Total net assets (deficit) - beginning of year, as restated	203,345	1,015,123	410,830	282,460	27,386		(7,185)	
<b>Total net assets (deficit) - end of year</b>	<b>\$ 199,279</b>	<b>1,044,186</b>	<b>430,268</b>	<b>283,350</b>	<b>32,958</b>		<b>(15,113)</b>	
Adjustment to reflect the consolidation of internal service funds related to enterprise funds						47		
<b>Change in net assets of business-type activities</b>						<b>\$ 50,944</b>		

See accompanying notes to financial statements.

**STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
(Thousands of Dollars)  
For the fiscal year ended June 30, 2010**

**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	\$ 54,745	1,207,244	391,749	72,978	21,690	1,748,406	231
Receipts from other division funds	-	-	-	-	-	-	32,123
Employee contributions	-	-	-	-	-	-	16,718
Employer contributions	-	-	-	-	-	-	46,368
Payments to suppliers	(20,130)	(890,061)	(225,673)	(20,432)	(3,833)	(1,160,129)	(6,347)
Payments to employees	(16,074)	(103,922)	(51,618)	(38,813)	(7,308)	(217,735)	(10,354)
Payments to other division funds	-	(41)	(1,517)	1,519	-	(39)	(1,447)
Payments for taxes	-	(791)	(186)	-	-	(977)	-
Payments for inventory	-	-	-	-	-	-	(16,809)
Payments for claims incurred	-	-	-	-	-	-	(58,681)
Net cash provided by operating activities	18,541	212,429	112,755	15,252	10,549	369,526	1,802
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>							
Transfers to City	-	(37,999)	(14,699)	(2,500)	-	(55,198)	-
Receipt of miscellaneous revenue	482	-	-	-	-	482	-
Principal payments on long-term debt	-	(82,210)	-	-	-	(82,210)	-
Interest expense on bonds	-	(50,735)	-	-	-	(50,735)	-
Proceeds from issuance of notes payable	-	-	15,000	-	-	15,000	-
Principal payments on notes payable	-	-	(35,000)	-	-	(35,000)	-
Interest expense on notes payable	-	-	(674)	-	-	(674)	-
Advances from other funds	-	-	-	-	1,010	1,010	-
Transfers from other funds	-	-	-	-	452	452	-
Transfers to other funds	(5,839)	-	-	-	(4,412)	(10,251)	(10,121)
Net cash used by noncapital and related financing	(5,357)	(170,944)	(35,373)	(2,500)	(2,950)	(217,124)	(10,121)
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>							
Proceeds from sale of revenue bonds	20,000	-	-	-	-	20,000	-
Proceeds from state loan	3,881	-	-	-	-	3,881	-
Bond issue costs	54	-	-	-	-	54	(4)
Loss on disposal of capital asset	-	-	-	-	-	-	(4)
Acquisition and construction of capital assets	(12,212)	(72,726)	(17,136)	(17,155)	(7,805)	(127,034)	(130)
Contributions in aid of construction	-	10,532	796	3,152	-	14,480	-
Receipts from state grants	-	-	-	-	206	206	-
Principal payments on capital debt	(8,855)	(7,156)	-	(4,700)	-	(20,711)	-
Interest payments on capital debt	(6,732)	(695)	-	(433)	-	(7,860)	-
Capital contributions	594	-	-	-	-	594	-
Net cash provided used by capital and related financing activities	(3,270)	(70,045)	(16,340)	(19,136)	(7,599)	(116,390)	(134)
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>							
Sales and maturities of investments	15,295	29,413	5,044	3,142	-	52,894	-
Purchase of investments	(27,623)	(16,811)	(21,786)	(1,801)	-	(68,021)	-
Payments received on notes receivable	-	1,708	1,712	-	-	3,420	-
Issuance of notes receivable	-	-	-	(94)	-	(94)	-
Investment income earned on investments	180	2,048	193	248	-	2,669	124
Net cash provided (used) by investing activities	(12,148)	16,358	(14,837)	1,495	-	(9,132)	124
Net increase (decrease) in cash and cash equivalents	(2,234)	(12,202)	46,205	(4,889)	-	26,880	(8,329)
Cash and cash equivalents, beginning of year	3,193	168,113	54,303	33,426	1	259,036	11,542
Cash and cash equivalents, end of year	\$ 959	155,911	100,508	28,537	1	285,916	3,213
<b>Reconciliation of operating income to net cash provided (used) by operating activities</b>							
Operating income	7,252	32,591	33,010	3,049	9,326	85,228	2,092
Adjustments to reconcile operating income to net cash provided by operating activities:							
Depreciation expense	12,928	44,425	15,487	11,577	1,053	85,470	154
Loss on disposal of asset	-	-	-	-	-	-	4
Transmission credits	-	27,895	-	-	-	27,895	-
Prepay power credits	-	40,838	-	-	-	40,838	-
Other income	-	5,074	341	382	-	5,797	-
(Increase) decrease in assets:							
Accounts receivable	(1,404)	3,862	34,707	(223)	(206)	36,736	246
Prepaid power cost	-	92,155	-	-	-	92,155	-
Prepayments - in lieu of taxes	-	18	49	-	-	67	-
Deferred purchased power and gas cost	-	-	(1,311)	-	-	(1,311)	-
Inventories	-	1,566	16,965	249	-	18,780	(208)
Other assets	-	630	18,549	(1,726)	-	17,453	-
(Increase) decrease in liabilities:							
Accounts payable	(1,920)	(33,012)	(3,983)	-	-	(38,915)	-
Other accounts payable and accrued expenses	1,685	4,557	3,291	1,608	376	11,517	(486)
Customer deposits	-	1,920	873	118	-	2,911	-
Insurance reserves	-	(806)	290	(158)	-	(674)	-
Medical benefit accrual	-	(2,065)	(920)	(611)	-	(3,596)	-
Other	-	(7,219)	(4,593)	987	-	(10,825)	-
Total adjustments	11,289	179,838	79,745	12,203	1,223	284,298	(290)
Net cash provided by operating activities	\$ 18,541	212,429	112,755	15,252	10,549	369,526	1,802
<b>Reconciliation of cash and cash equivalents per statements of cash flows to the balance sheets:</b>							
Restricted funds	\$ -	53,670	21,298	22,658	-	97,626	-
Less investments included in restricted funds	-	(6,351)	(2,366)	(2,952)	-	(11,669)	-
Cash and cash equivalents included in restricted funds	-	47,319	18,932	19,706	-	85,957	-
Current assets - cash and cash equivalents	251	108,592	81,576	8,831	1	199,251	1
Current assets - equity in cash and investment pool	708	-	-	-	-	708	3,212
Total cash and cash equivalents	\$ 959	155,911	100,508	28,537	1	285,916	3,213

During the year, the Sewer Fund received \$594 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, 2010

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

	<b>Pension and OPEB Trust Funds</b>
	<u>                    </u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 93,018
Investments, at fair value:	
U.S. government securities - long-term	132,458
Common stock - domestic	885,268
Common stock - foreign	318,602
Corporate bonds - domestic	461,298
Corporate bonds - foreign	44,028
Mutual funds and money market funds	40,978
Investment in corporate bond mutual funds	33,015
Collateralized mortgage obligations	51,710
Asset-backed pooled securities	2,475
Mortgage-backed pooled securities	207,150
Investments in index funds	331,372
Investment in real estate	113,164
Investment in high yield bond fund	6,272
Investment in international equity fund	164,837
Investment in international bond fund	<u>24,652</u>
Total investments	2,817,279
Equity in cash and investment pool	1,186
Interest and dividends receivables	12,054
Receivable for securities sold	58,157
Due from other funds	7,417
Employer and employee contributions receivable	4,634
Collateral held in trust for securities on loan	<u>186,804</u>
<b>Total assets</b>	<u>3,180,549</u>
<b>LIABILITIES</b>	
Notes & accounts payable	271,482
Due to other funds	<u>417</u>
<b>Total liabilities</b>	<u>271,899</u>
<b>NET ASSETS</b>	
Held in trust for pension benefits, pool participants, and OPEB	<u>\$ 2,908,650</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, 2010**

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

	<b>Pension and OPEB Trust Funds</b>
	<u>                    </u>
<b>ADDITIONS</b>	
Contributions:	
Employer	\$ 121,304
Plan members	49,184
Total contributions	<u>170,488</u>
Transfer from other fund	10,121
Investment income:	
Interest and dividend income	87,778
Securities lending income	519
Other investment income	2,424
Net appreciation/(depreciation) in the fair value of investments	<u>305,055</u>
Total investment income	<u>395,776</u>
<b>Total Additions</b>	<u>576,385</u>
<b>DEDUCTIONS</b>	
Benefits	269,638
OPEB expense paid on behalf of OPEB trust	18,242
Administrative expenses	16,945
Refunds of contributions	<u>12,698</u>
<b>Total Deductions</b>	<u>317,523</u>
<b>Net increase</b>	258,862
Net assets - beginning of year	<u>2,649,788</u>
<b>Net assets - end of year</b>	<u><u>\$ 2,908,650</u></u>

See accompanying notes to financial statements.

**COMBINING STATEMENT OF NET ASSETS  
COMPONENT UNITS  
(Thousands of Dollars)  
June 30, 2010**

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

	Board of Education	Memphis Area Transit Authority	Airport Authority	Memphis Zoological Society	Total
<b>ASSETS</b>					
Current unrestricted assets:					
Cash and cash equivalents	\$ 231,438	2,543	9,933	4,861	248,775
Investments	30,007	-	18,025	6,743	54,775
Receivables:					
Federal and state grants	-	6,897	26	-	6,923
Accrued interest	-	-	155	-	155
Accounts	-	-	5,943	-	5,943
Other	4,060	533	-	5,412	10,005
Due from other agencies and governments	182,707	-	-	-	182,707
Inventories of materials and supplies	11,245	2,185	1,699	530	15,659
Prepaid expenses	-	256	2,641	-	2,897
<b>Total current unrestricted assets</b>	<b>459,457</b>	<b>12,414</b>	<b>38,422</b>	<b>17,546</b>	<b>527,839</b>
Current restricted assets:					
Cash and cash equivalents	-	-	9,266	-	9,266
Investments	-	522	167,864	-	168,386
Receivables:					
Account Receivable	-	-	73	-	73
Federal and state grants	-	-	9,964	-	9,964
Accrued interest	-	-	1,224	-	1,224
<b>Total current restricted assets</b>	<b>-</b>	<b>522</b>	<b>188,391</b>	<b>-</b>	<b>188,913</b>
<b>Total current assets</b>	<b>459,457</b>	<b>12,936</b>	<b>226,813</b>	<b>17,546</b>	<b>716,752</b>
Non-current restricted assets:					
Investments	-	-	51,969	-	51,969
Receivables:					
Special facilities rent	-	-	37,012	-	37,012
<b>Total non-current restricted assets</b>	<b>-</b>	<b>-</b>	<b>88,981</b>	<b>-</b>	<b>88,981</b>
Capital Assets:					
Land	34,700	2,731	162,150	-	199,581
Buildings	1,250,979	152,433	345,586	-	1,748,998
Improvements other than buildings	-	-	899,783	-	899,783
Machinery, buses and equipment	161,563	98,205	88,270	99	348,137
Less accumulated depreciation and amortization	(555,015)	(123,930)	(602,095)	(24)	(1,281,064)
<b>Total capital assets, net</b>	<b>892,227</b>	<b>129,439</b>	<b>893,694</b>	<b>75</b>	<b>1,915,435</b>
Construction in progress	84,563	7,546	30,246	-	122,355
<b>Net capital assets</b>	<b>976,790</b>	<b>136,985</b>	<b>923,940</b>	<b>75</b>	<b>2,037,790</b>
Bond issue costs	-	-	5,474	-	5,474
Other assets	-	183	-	725	908
<b>Total assets</b>	<b>\$ 1,436,247</b>	<b>150,104</b>	<b>1,245,208</b>	<b>18,346</b>	<b>2,849,905</b>

**COMBINING STATEMENT OF NET ASSETS  
COMPONENT UNITS  
(Thousands of Dollars)  
June 30, 2010**

**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	\$ 93,427	6,333	13,524	535	113,819
Due to other agencies and governments	777	-	21	66	864
Accrued liabilities	2,106	2,901	11,967	4,127	21,101
Insurance claims payable	15,996	1,589	-	-	17,585
Deferred revenue	54,536	276	-	1,511	56,323
Current installment of general obligation bonds payable	-	-	1,905	-	1,905
Current installment of revenue bonds payable	-	-	26,825	-	26,825
<b>Total current liabilities</b>	<b>166,842</b>	<b>11,099</b>	<b>54,242</b>	<b>6,239</b>	<b>238,422</b>
Long-term (net of current maturities):					
Other post employment benefits	302,266	5,360	-	-	307,626
General obligation bonds payable	-	-	3,920	-	3,920
Revenue bonds payable	-	-	494,704	-	494,704
Due to other agencies and governments	3,731	800	-	-	4,531
Deferred lease revenue	-	-	74,879	-	74,879
Other long term obligations	6,081	-	1,369	-	7,450
<b>Total long-term liabilities</b>	<b>312,078</b>	<b>6,160</b>	<b>574,872</b>	<b>-</b>	<b>893,110</b>
<b>Total liabilities</b>	<b>478,920</b>	<b>17,259</b>	<b>629,114</b>	<b>6,239</b>	<b>1,131,532</b>
<b>NET ASSETS</b>					
Invested in capital assets, net of related debt	973,059	136,985	457,560	75	1,567,679
Restricted for:					
Capital acquisition	77,670	-	135,975	4,411	218,056
Contracted grant programs	12,149	-	-	-	12,149
Food service	18,803	-	-	-	18,803
Self insurance	-	500	-	-	500
Other	-	-	-	4,805	4,805
Unrestricted	(124,354)	(4,640)	22,559	2,816	(103,619)
<b>TOTAL NET ASSETS</b>	<b>\$ 957,327</b>	<b>132,845</b>	<b>616,094</b>	<b>12,107</b>	<b>1,718,373</b>

See accompanying notes to financial statements.



**COMBINING STATEMENT OF ACTIVITIES  
 COMPONENT UNITS  
 (Thousands of Dollars)  
 For the fiscal year ended June 30, 2010**

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

Functions/Programs	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	\$ 1,227,489	13,189	652,733	20,204	(541,363)	-	-	-	(541,363)
Memphis Area Transit Authority	65,155	9,916	-	18,491	(36,748)	-	-	-	(36,748)
Memphis Zoological Society	17,764	13,067	-	2,688	-	-	-	(2,009)	(2,009)
Airport Authority	137,689	108,352	-	53,353	-	24,016	-	-	24,016
Total component units	\$ 1,448,097	144,524	652,733	94,736	(541,363)	(36,748)	24,016	(2,009)	(556,104)
General revenues:									
Grants and contributions not restricted to specific programs					397,586	-	-	118	397,704
City of Memphis subsidy					-	23,121	-	-	23,121
Investment income (loss)					1,047	17	2,900	549	4,513
Federal grants and entitlements					-	12,123	-	-	12,123
State grants					-	8,170	-	-	8,170
Other					-	372	5,893	634	6,899
Total general revenues and special items					398,633	43,803	8,793	1,301	452,530
Changes in net assets					(142,730)	7,055	32,809	(708)	(103,574)
Net assets - beginning					1,100,057	125,790	583,285	12,815	1,821,947
Net assets - ending					\$ 957,327	132,845	616,094	12,107	1,718,373

See accompanying notes to financial statements.

(This page left blank intentionally.)

Note	Page
I. Summary of Significant Accounting Policies	
A. Reporting entity .....	54
B. Government-wide and fund financial statements .....	56
C. Measurement focus, basis of accounting, and financial statement presentation .....	57
D. Assets, liabilities, and net assets or equity.....	59
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 .....	63
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 .....	63
III. Stewardship, Compliance, and Accountability	
A. Budgetary information.....	64
B. Excess of expenditures over appropriations .....	65
C. Deficit fund equity .....	65
IV. Detailed Notes on all Funds	
A. Deposits and investments .....	66
B. Receivables.....	76
C. Property taxes .....	77
D. Capital assets .....	79
E. Interfund receivable, payables, and transfers .....	85
F. Leases .....	86
G. Long-term debt .....	87
H. Restricted assets.....	91
V. Other Information	
A. Risk management .....	92
B. Subsequent events.....	92
C. Contingent liabilities.....	93
D. Joint ventures.....	93
E. Other postemployment benefits.....	95
F. Pension and retirement plans .....	103
G. Component units.....	115

---

**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, 2009. The disclosures for other divisions, component units, and joint ventures are as of their June 30 fiscal year-end.

**Blended Component Units**

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

**Discretely Presented Component Units**

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

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

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

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

**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 27, 2010, 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

**Jointly Governed Organizations**

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

---

**Memphis and Shelby County Center City Commission (the Commission)** – The Commission is an organization responsible for promotion and redevelopment of the Memphis Center City area. Board members (seven) are appointed by the City and the County Mayors, with approval by the City Council and the County Commission, for three year terms. The City collects special assessment taxes for the promotion and maintenance of the Memphis Center City area which are remitted annually to the Commission for such activities.

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

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

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

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

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

## **B. Government-wide and fund financial statements**

The government-wide financial statements (i.e., the statements of net assets and the statement of activities) report information on all of the 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 funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

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

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

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

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

The City reports the following major governmental funds:

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

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

---

The City reports the following major proprietary funds:

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

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

Additionally, the City reports the following fund types:

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

**Printing and Mail Internal Service Fund**

**Health Insurance Internal Service Fund**

**Unemployment Compensation Internal Service Fund**

**Fleet Management Internal Service Fund**

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

**City Retirement System Fund**

**Library Retirement System Fund**

**City Other Post Employment Benefits Trust Fund**

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

**Memphis Light Gas and Water Other Post Employment Benefits Trust Fund**

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City, MSCAA and MATA have elected not to follow subsequent private-sector guidance. MLGW 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 of the government as well as its component units are generally stated at fair value (see Note IV (A)). Fair value is based on quoted market prices, if available, or estimated using quoted market prices for similar securities. The City uses amortized cost on all investments that mature within a year or less of the date of purchase.

##### **Property taxes receivable**

Property taxes are recorded as receivables when levied, net of estimated uncollectibles. The receivables collected during the current fiscal year and those collected by August 31, 2010, related to tax levies for fiscal year 2010 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, 2010, are recorded as deferred revenue at June 30, 2010.

##### **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, 2010. 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 infrastructure that was acquired in fiscal years ending after June 30, 1980.

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. The total interest expense incurred by the Sewer Fund during the current fiscal year was \$6,732. 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.

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**

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

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

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

MLGW Electric Division

Fund balance at December 31, 2008	\$ 1,010,672
GASB Statement No. 49, Pollution Remediation Obligations	<u>4,451</u>
Restated fund balance at December 31, 2008	<u>\$ 1,015,123</u>

Sewer Collection and Treatment

Fund balance at June 30, 2009	\$ 203,029
Capitalization of prior period expense	<u>316</u>
Restated fund balance at June 30, 2009	<u>\$ 203,345</u>

Storm Water Fund

Fund balance at June 30, 2009	\$ 22,387
Capitalization of prior period expense	<u>4,999</u>
Restated fund balance at June 30, 2009	<u>\$ 27,386</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 \$1,427,972 difference are as follows:

Bonds payable	\$ 1,142,494
Bond anticipation notes payable	75,400
Accreted interest	1,999
Unamortized loan costs	36,785
Capital lease obligations	4,628
Accrued interest payable	10,225
Claims and judgments liability	73,210
Compensated absences	<u>83,231</u>
Net adjustment to reduce-fund balance-total governmental funds to arrive at net assets-governmental activities	<u>\$ 1,427,972</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 \$20,494 difference are as follows:

Capital outlay	\$ 86,656
Depreciation expense	<u>(66,162)</u>
Net adjustment to increase net changes in fund balances-total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ 20,494</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 (\$26,543) difference are as follows:

**Debt issued or incurred:**

Issuance of general obligation bonds	\$ 318,040
Bond anticipation notes	75,400
Bond issue costs	(2,927)
Capital lease payment	(1,430)
Premium on bond issue	18,274
Principal repayments: General obligation debt	(60,373)
Payment to escrow agent for refunding	(322,487)
Accretion of general obligation bonds	(3,751)
Amortization of premium on general obligation bonds	2,706
Accrued interest payable	2,800
Vacation, sick, and other leave benefits	<u>291</u>

Net adjustment to decrease net changes in fund balances-  
total governmental funds to arrive at changes in net assets  
of governmental activities \$ (26,543)

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 (\$147,364) difference are as follows:

**Liability Changes:**

Claims and judgments liability	\$ (51,250)
City net pension obligation	(54,417)
Library net pension asset	209
Other post employment benefit obligation	<u>(41,906)</u>

Net adjustment to decrease net changes in fund  
balances - total governmental funds to arrive at  
changes in net assets of governmental activities \$ (147,364)

**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 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, 2010, 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 2010.

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

The New Memphis Arena Special Revenue Fund has a deficit fund balance of \$6,052 as of June 30, 2010. 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 Capital Projects 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 6 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 \$1,798 as of June 30, 2010 remained unchanged from prior year. Future unemployment premium increases are expected to eliminate the deficit over time. The Fleet Management Internal Service Fund deficit fund balance of \$7,020 remained unchanged

---

from prior year. The Solid Waste Fund deficit balance of \$2,152 as of June 30, 2010 was reduced by \$146 from last year. The Health Insurance Fund had a deficit fund balance of \$6,384 as a result of rising healthcare cost for active and retired employees. Management is continuing a review of these funds' operations and charges to ensure that the funds' cost and charge structure are in alignment. As a result, a strategy will be developed to eliminate the current fund deficit over time.

#### **IV. DETAILED NOTES ON ALL FUNDS**

##### **A. Deposits and investments**

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

City ordinances, as interpreted by opinions of the City Attorney, authorize the City to enter into stock and bonds borrowed/cash or bond pledged securities lending agreements, that is a transfer of securities with a simultaneous receipt of securities. The securities received in the transfer are the type which the City is legally authorized to hold. The market value of the securities received in the agreement is 102 percent of the value of the securities transferred in the case of the securities of United States issuers and 105 percent in the case of securities of non-United States issuers. The securities transferred are a part of the total investments reported below. The securities being held are not reported as a part of the total investments. The City retains the interest income on the securities being transferred and earned \$256 during the year ended June 30, 2010, which was applied to a collateral insufficiency liability. On June 30, 2010, the market value of the securities transferred was \$143,910 and the market value of the securities the City was holding was \$146,558. 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, 2010, the government's investments in general obligation bonds were rated AA2 by Moody's Investor Service, AA by S & P, and A+ by Fitch Ratings.

**Concentration of Credit Risk**

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

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

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

**NOTES TO FINANCIAL STATEMENTS**  
**(Thousands of Dollars)**  
**For the fiscal year ended June 30, 2010**

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

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

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

**Custodial Credit Risk**

Custodial credit risk is the risk that in the event of a bank failure the government's deposits may not be returned. At June 30, 2010 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, 2010, were as follows:

<b>Description</b>	<b>Carrying Amount</b>	<b>Bank Balance</b>
Cash deposits	<u>\$ (6,531)</u>	<u>5,170</u>

The investments held by the pool consist of the following at June 30, 2010:

<b>Description</b>	<b>Maturity Dates</b>	<b>Interest Rates</b>	<b>Fair Value</b>	<b>Duration</b>
U.S. Government agencies	Jul 2010-Sept 2014	.875-6.79	\$ 77,920	.06-.12
Commercial paper	Jul 2010		10,178	.06
Certificate of Deposit	Aug 2010-Dec 2010	1.00-1.35	5,000	.12
U.S. Treasury Obligations	Nov 2010-June 2013	1.00-1.375	5,796	.24-.36
Corporate and foreign bonds	Mar 2011-Dec 2012	1.25-3.00	<u>3,630</u>	.24-.36
Total			102,524	
Investments not subject to				
Categorization - Money market funds			<u>107</u>	
Total investments			<u>\$ 102,631</u>	

The Pool does not issue separate financial statements. Condensed financial information as of June 30, 2010 is as follows (dollar amounts and share amounts are the same):

Condensed Statement of Net Assets

Investments	\$ 102,631
Bank overdraft	<u>(6,531)</u>
Net assets	<u>\$ 96,100</u>

Net assets held in trust for pool participants:

Internal participants	<u>96,100</u>
Total net assets held in trust for pool participants	<u>\$ 96,100</u>

Condensed Statement of Changes in Net Assets

Additions:

Investment income	\$ 1,243
Purchase of units	<u>2,191,910</u>
Total additions	2,193,153

Deduction:

Redemption of units	<u>2,225,817</u>
Net decrease	(32,664)

Net assets held in trust for pool participants:

Beginning of year	<u>128,764</u>
End of year	<u>\$ 96,100</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, 2010, the City's investments in general obligation bonds were rated A1 by Moody's Investor Service, AA by Standard & Poor's, and A+ by Fitch Ratings.

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

Deposits held by the primary government outside of the Pool at June 30, 2010, were as follows:

<b>Description</b>	<b>Carrying Amount</b>	<b>Bank Balance</b>
Cash deposits	\$ 29,315	<u>\$ 8,804</u>
Cash on hand	<u>385</u>	
Total deposits and cash on hand	<u>\$ 29,700</u>	

The investments held by the primary government outside the Pool consist of the following at June 30, 2010:

<b>Description</b>	<b>Fair Value</b>
Short-term investments	\$ 21,992
U.S. Government securities	135,745
Corporate bonds – domestic	19,616
Asset-backed pool securities	<u>14,417</u>
Total	191,770
Investments not subject to categorization:	
Bond and equity mutual funds	269,396
State of Tennessee LGIP	5,658
Purchased interest	<u>5</u>
Total	<u>275,059</u>
Total investments	<u>\$ 466,829</u>

**NOTES TO FINANCIAL STATEMENTS**  
**(Thousands of Dollars)**  
**For the fiscal year ended June 30, 2010**

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

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

Pool deposits	\$ (6,531)
Pool investments	102,631
Other deposits and cash on hand	29,700
Other investments	<u>466,829</u>
Total	\$ 592,629
Equity in cash and investment pool - City OPEB Trust	<u>(1,186)</u>
Total	<u>\$ 591,443</u>
Cash and cash equivalents	\$ 210,743
Investments	188,160
Equity in cash and investment pool	94,914
Restricted special fund-customer deposits	46,678
Restricted investments	<u>50,948</u>
Total	<u>\$ 591,443</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, 2010, were as follows:

<b>Description</b>	<b><u>Carrying Amount</u></b>	<b><u>Bank Balance</u></b>
Cash deposits	\$ 25,862	<u>\$ 41,795</u>
State of Tennessee local government investment pool	<u>205,576</u>	
Total deposits	<u>\$ 231,438</u>	

**BOE Investments** - Investments by type at June 30, 2010, were as follows:

<b>Description</b>	<b><u>Fair Value</u></b>
U. S. Government mortgage backed securities	\$ 2,212
Short-term investments	<u>27,795</u>
Total investments	<u>\$ 30,007</u>

**NOTES TO FINANCIAL STATEMENTS**  
**(Thousands of Dollars)**  
**For the fiscal year ended June 30, 2010**

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

**MATA Deposits** - Deposits by type at June 30, 2010, were as follows:

<b>Description</b>	<b><u>Carrying Amount</u></b>	<b><u>Bank Balance</u></b>
Cash deposits	\$ 2,542	<u>\$ 3,316</u>
Cash on hand	<u>1</u>	
Total deposits and cash on hand	<u>\$ 2,543</u>	

**MATA Investments** - Investments by type at June 30, 2010, were as follows:

<b>Description</b>	<b><u>Fair Value</u></b>
Federal Home Loan Mortgage Debt security	<u>\$ 522</u>
Total investments	<u>\$ 522</u>

**MSCAA Deposits** - Deposits by type at June 30, 2010, were as follows:

<b>Description</b>	<b><u>Carrying Amount</u></b>
Cash deposits	\$ 16,186
Cash equivalents	2,999
Cash on hand	<u>14</u>
Total deposits, cash equivalents and cash on hand	<u>\$ 19,199</u>

**MSCAA Investments** - Investments by type at June 30, 2010, were as follows:

<b>Description</b>	<b><u>Fair Value</u></b>
U.S. Government agencies	\$ 212,584
Investments not subject to categorization:	
Mutual funds	761
Forward purchase agreement	<u>24,513</u>
Total Investments	<u>\$ 237,858</u>

**MZS Deposits** – Deposits by type at June 30, 2010 were as follows:

<b>Description</b>	<b>Carrying Amount</b>
Cash deposits	\$ 4,861
Cash on hand	<u>-</u>
Total deposits	<u>\$ 4,861</u>

**MZS Investments** – Investments by type at June 30, 2010, were as follows:

<b>Description</b>	<b>Fair Value</b>
Money market mutual funds	\$ 3,814
CFGM funds	2,918
Common stocks	<u>11</u>
Total Investments	<u>\$ 6,743</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	\$ 258,041
Total component unit investments	<u>275,130</u>
Total	<u>\$ 533,171</u>
Cash and cash equivalents	\$ 248,775
Investments	54,775
Restricted cash and cash equivalents	9,266
Restricted investments	168,386
Non current restricted investment	<u>51,969</u>
Total	<u>\$ 533,171</u>

**City of Memphis Retirement System – Deposits and Investments**

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

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

---

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

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

**Interest rate risk**

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

The fair values of fixed-income investments, grouped by maturity at June 30, 2010, are as follows:

Current to one year	\$ 39,156
One to two years	37,716
Two to three years	40,501
Three to four years	60,154
Four to five years	70,452
Five or more years	<u>417,578</u>
	665,557
Funds with indeterminable maturities	<u>3,345</u>
	<u>\$ 668,902</u>

**Credit risk**

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

The City Plan's exposure to credit risk at June 30, 2010, is presented below by investment category as rated by Standard and Poor's rating service.



**NOTES TO FINANCIAL STATEMENTS**  
**(Thousands of Dollars)**  
**For the fiscal year ended June 30, 2010**

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

Type of Investment	Fair Value	Ratings	Percentage of Fixed Income
Government bonds	\$ 87,537	AAA	13.09%
	6,723	TSY	1.01%
Non-government-backed CMOs	9,907	AAA	1.48%
	214	AA	0.03%
	144	A+	0.02%
	41	A	0.01%
	396	BBB	0.06%
	118	B-	0.02%
	4,025	CCC	0.60%
	1,105	CC	0.17%
	129	D	0.02%
	2,061	NR	0.31%
Asset-backed securities	1,572	AAA	0.23%
	265	B-	0.04%
	638	CCC	0.10%
Corporate bonds and index funds	113,855	AAA	17.02%
	7,366	AA+	1.10%
	7,409	AA	1.11%
	12,653	AA-	1.89%
	15,429	A+	2.31%
	42,969	A	6.42%
	28,450	A-	4.25%
	23,911	BBB+	3.57%
	20,717	BBB	3.10%
	23,730	BBB-	3.55%
	13,414	BB+	2.00%
	19,582	BB	2.93%
	17,441	BB-	2.61%
	20,967	B+	3.13%
	22,307	B	3.33%
	16,001	B-	2.39%
	4,441	CCC+	0.66%
	2,511	CCC	0.38%
	38,291	NR	5.72%
Government mortgage-backed securities	102,583	AAA	15.34%
Total Fixed Income	<u>\$ 668,902</u>		<u>100.00%</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, 2010, is as follows:

<b>Currency</b>	<b>Equities</b>	<b>Corporate Bonds</b>	<b>Total</b>
Australian dollar	\$ 7,672	\$ 1,415	\$ 9,087
Bermudian dollar	-	100	100
Brazilian real	978	1,273	2,251
British pound sterling	88,628	7,522	96,150
Canadian dollar	10,049	14,569	24,618
Cayman Islands dollar	-	378	378
Chinese yuan (renminbi)	764	-	764
Danish krone	6,146	3,854	10,000
Euro	33,148	10,751	43,899
Hong Kong dollar	6,265	-	6,265
Israeli shekel	3,096	57	3,153
Japanese yen	29,151	-	29,151
Norwegian krone	3,245	-	3,245
Polish zloty	-	12	12
Qatari riyal	-	1,143	1,143
Russian ruble	162	1,175	1,337
Singapore dollar	3,218	312	3,530
South African rand	1,917	-	1,917
South Korean won	1,292	-	1,292
Swedish krona	1,407	-	1,407
Swiss franc	<u>13,637</u>	<u>1,467</u>	<u>15,104</u>
Total securities subject to foreign credit risk	\$ 210,775	\$ 44,028	\$ 254,803
International portfolio in U.S. dollars	<u>144,755</u>	<u>-</u>	<u>144,755</u>
	<u>\$ 355,530</u>	<u>\$ 44,028</u>	<u>\$ 399,558</u>

**City OPEB Trust-Deposits and Investments**

City OPEB Trust investments at June 30, 2010, were as follows:

<b>Description</b>	<b>Fair Value</b>
Mutual funds	\$10,285

**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:

**NOTES TO FINANCIAL STATEMENTS**  
**(Thousands of Dollars)**  
**For the fiscal year ended June 30, 2010**

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

	General	Debt Service	Sewer Collection and Treatment	Memphis Light, Gas and Water	Nonmajor and Other Funds	Total
<b>Receivables:</b>						
Property taxes	\$ 320,531	100,899	-	-	35,964	457,394
Sales and income taxes	35,245	-	-	-	-	35,245
Federal and state grants	1,893	-	-	-	59,155	61,048
Interest and dividends on investments	35	22	35	-	686	778
Notes and accounts receivable	-	-	4,627	234,529	-	239,156
Housing and rehabilitation loans	-	-	-	-	81,775	81,775
Other	159,077	-	-	-	6,407	165,484
Gross receivables	516,781	100,921	4,662	234,529	183,987	1,040,880
Less allowance for uncollectibles	(146,836)	(4,054)	(112)	(11,632)	(18,858)	(181,492)
<b>Net total receivables</b>	<b>\$ 369,945</b>	<b>96,867</b>	<b>4,550</b>	<b>222,897</b>	<b>165,129</b>	<b>859,388</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, 2010, 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 2010 levy was based was approximately \$12.1 billion. The market value was approximately \$38.8 billion making the overall assessed value 31.07 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, 2010, were 93.70 percent of the tax levy.

---

At June 30, 2010 the allowance for uncollectibles by fund was as follows:

General Fund	\$ 12,192
Education Special Revenue Fund	2,400
Debt Service Fund	4,054
Capital Projects Fund	<u>17</u>
Total	<u>\$ 18,663</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, 2010, 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 22.5% of the MLGW electric payments to the County in accordance with the calculation required by state law.

**NOTES TO FINANCIAL STATEMENTS**  
**(Thousands of Dollars)**  
**For the fiscal year ended June 30, 2010**

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

**D. Capital assets**

Capital asset activity for the year ended June 30, 2010, was as follows:

**Primary Government**

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
<b>Governmental Activities:</b>					
Capital assets, not being depreciated:					
Land	\$ 62,234	\$ 110	\$ -	\$ -	\$ 62,344
Construction in progress	150,694	68,129	(34,612)	-	184,211
Total capital assets, not being depreciated	<u>212,928</u>	<u>68,239</u>	<u>(34,612)</u>	<u>-</u>	<u>246,555</u>
Capital assets being depreciated:					
Buildings	530,387	3,700	-	-	534,087
Improvements other than buildings	756,737	20,208	(2,361)	-	774,584
Machinery and equipment	340,269	14,970	(4,167)	(23)	351,049
Total capital assets being depreciated	<u>1,627,393</u>	<u>38,878</u>	<u>(6,528)</u>	<u>(23)</u>	<u>1,659,720</u>
Less accumulated depreciation for:					
Buildings	(202,120)	(12,526)	-	-	(214,646)
Improvements other than buildings	(195,144)	(19,321)	850	-	(213,615)
Machinery and equipment	(308,772)	(18,578)	4,089	1	(323,260)
Total accumulated depreciation	<u>(706,036)</u>	<u>(50,425)</u>	<u>4,939</u>	<u>1</u>	<u>(751,521)</u>
Total capital assets being depreciated, net	<u>921,357</u>	<u>(11,547)</u>	<u>(1,589)</u>	<u>(22)</u>	<u>908,199</u>
Governmental activities capital assets, net	<u>\$ 1,134,285</u>	<u>\$ 56,692</u>	<u>\$ (36,201)</u>	<u>\$ (22)</u>	<u>\$ 1,154,754</u>

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
<b>Business-type Activities:</b>					
Capital assets not being depreciated:					
Land	\$ 13,726	\$ -	\$ -	\$ -	\$ 13,726
Construction in progress	32,169	20,972	(9,278)	-	43,863
Memphis Light, Gas and Water assets	131,530	91,666	(85,497)	-	137,699
Total capital assets, not being depreciated	<u>177,425</u>	<u>112,638</u>	<u>(94,775)</u>	<u>-</u>	<u>195,288</u>
Capital assets being depreciated:					
Buildings	106,090	-	-	-	106,090
Improvements other than buildings	523,848	9,235	-	-	533,083
Machinery and equipment	29,815	4,381	(2,438)	23	31,781
Memphis Light, Gas and Water assets	2,230,397	84,595	(28,940)	-	2,286,052
Total capital assets being depreciated	<u>2,890,150</u>	<u>98,211</u>	<u>(31,378)</u>	<u>23</u>	<u>2,957,006</u>
Less accumulated depreciation for:					
Buildings	(74,828)	(2,583)	-	-	(77,411)
Improvements other than buildings	(242,078)	(10,152)	-	-	(252,230)
Machinery and equipment	(26,135)	(1,247)	2,438	(1)	(24,945)
Memphis Light, Gas and Water depreciation	(935,008)	(76,483)	35,708	-	(975,783)
Total accumulated depreciation	<u>(1,278,049)</u>	<u>(90,465)</u>	<u>38,146</u>	<u>(1)</u>	<u>(1,330,369)</u>
Total capital assets being depreciated, net	<u>1,612,101</u>	<u>7,746</u>	<u>6,768</u>	<u>22</u>	<u>1,626,637</u>
Business-type activities capital assets, net	<u>\$ 1,789,526</u>	<u>\$ 120,384</u>	<u>\$ (88,007)</u>	<u>\$ 22</u>	<u>\$ 1,821,925</u>

**NOTES TO FINANCIAL STATEMENTS**  
**(Thousands of Dollars)**  
**For the fiscal year ended June 30, 2010**

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

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

Governmental activities:	
Executive	\$ 237
Finance	4,108
General services	946
Information services	3,774
Fire services	4,092
Police services	8,853
Park services	7,616
Public services	6,079
Housing and community development	288
Public works	13,438
Engineering	824
Community enhancement	3
City Court Clerk	2
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>165</u>

Total depreciation expense - Governmental activities \$ 50,425

Business-type activities:	
Sewer	\$ 12,928
Storm Water	1,053
Memphis Light, Gas and Water	<u>76,483</u>
Total depreciation expense - Business-type activities	<u>\$ 90,464</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	\$ 41,444	\$ 12,458	\$ 10,932	\$ 64,834
Transportation costs	2,805	3,034	666	6,505
Salvage returns	176	(5)	(21)	150
Statement of Cash Flows, Depreciation Expense:	<u>\$ 44,425</u>	<u>\$ 15,487</u>	<u>\$ 11,577</u>	<u>\$ 71,489</u>
Retirements	1,761	244	150	2,155
Salvage	1,549	228	98	1,875
Shelby County Board of Public Utilities				
Acquisition - annual amortization	-	-	964	964
	<u>\$ 47,735</u>	<u>\$ 15,959</u>	<u>\$ 12,789</u>	<u>\$ 76,483</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 / Proprietary Funds.

The Federal Energy Regulatory Commission’s Uniform System of Accounts states that upon the retirement of a utility’s 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 City had active construction projects as of June 30, 2010. At year-end the City’s commitments with contractors were as follows:

<b><u>Function/Activity</u></b>	<b><u>Commitment</u></b>
Executive	\$ 560
Fire services	6,112
Police services	5,568
Park services	10,080
Public works	12,729
Port Commission	87
Public services	5,374
General services	2,415
Housing and Community Development	20,863
Engineering	11,983
Information systems	7,888
Library services	226
Sewer	<u>6,191</u>
	<u>\$ 90,076</u>

**NOTES TO FINANCIAL STATEMENTS**  
**(Thousands of Dollars)**  
**For the fiscal year ended June 30, 2010**

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

**Discretely Presented Component Units**

Activity for the Board of Education for the year ended June 30, 2010, was as follows:

	<b>Beginning Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Transfers</b>	<b>Ending Balance</b>
Capital assets, not being depreciated:					
Land	\$ 34,250	\$ 398	\$ -	\$ 52	\$ 34,700
Construction in progress	30,843	62,307	-	(8,587)	84,563
Total capital assets, not being depreciated	<u>65,093</u>	<u>62,705</u>	<u>-</u>	<u>(8,535)</u>	<u>119,263</u>
Capital assets, being depreciated:					
Buildings and improvements	1,244,690	3,541	(5,787)	8,535	1,250,979
Equipment and furniture	208,166	19,261	(65,864)	-	161,563
Total capital assets being depreciated	<u>1,452,856</u>	<u>22,802</u>	<u>(71,651)</u>	<u>8,535</u>	<u>1,412,542</u>
Less accumulated depreciation for:					
Buildings and improvements	(418,129)	(32,709)	2,690	-	(448,148)
Equipment and furniture	(158,347)	(14,203)	65,683	-	(106,867)
Total accumulated depreciation	<u>(576,476)</u>	<u>(46,912)</u>	<u>68,373</u>	<u>-</u>	<u>(555,015)</u>
Total capital assets being depreciated, net	<u>876,380</u>	<u>(24,110)</u>	<u>(3,278)</u>	<u>8,535</u>	<u>857,527</u>
Capital assets, net	<u>\$ 941,473</u>	<u>\$ 38,595</u>	<u>\$ (3,278)</u>	<u>\$ -</u>	<u>\$ 976,790</u>



**NOTES TO FINANCIAL STATEMENTS**  
**(Thousands of Dollars)**  
**For the fiscal year ended June 30, 2010**

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

Activity for the Memphis Area Transit Authority for the year ended June 30, 2010, 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	3,618	4,885	(957)	7,546
Total capital assets not being depreciated	<u>6,349</u>	<u>4,885</u>	<u>(957)</u>	<u>10,277</u>
Capital assets being depreciated:				
Buildings and improvements	151,597	836	-	152,433
Buses and other revenue vehicles	69,966	11,983	(4,693)	77,256
Machinery and equipment	19,414	1,678	(143)	20,949
Total capital assets being depreciated	<u>240,977</u>	<u>14,497</u>	<u>(4,836)</u>	<u>250,638</u>
Less accumulated depreciation for:				
Buildings and improvements	(50,776)	(5,305)	-	(56,081)
Buses and other revenue vehicles	(51,375)	(4,593)	4,477	(51,491)
Machinery and equipment	(15,755)	(746)	143	(16,358)
Total accumulated depreciation	<u>(117,906)</u>	<u>(10,644)</u>	<u>4,620</u>	<u>(123,930)</u>
Total capital assets being depreciated, net	<u>123,071</u>	<u>3,853</u>	<u>(216)</u>	<u>126,708</u>
Capital assets, net	<u>\$ 129,420</u>	<u>\$ 8,738</u>	<u>\$ (1,173)</u>	<u>\$ 136,985</u>

**NOTES TO FINANCIAL STATEMENTS**  
**(Thousands of Dollars)**  
**For the fiscal year ended June 30, 2010**

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

Activity for the Memphis-Shelby County Airport Authority for the year ended June 30, 2010, 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	\$ -	\$ -	\$ 162,150
Avigation easements	42,324	-	-	42,324
Construction in progress	42,568	53,758	(66,080)	30,246
<b>Total capital assets not being depreciated</b>	<b>247,042</b>	<b>53,758</b>	<b>(66,080)</b>	<b>234,720</b>
Capital assets being depreciated:				
Runways, taxiways, aprons and airfield lighting	634,269	59,331	-	693,600
Buildings	341,007	4,897	(318)	345,586
Facilities constructed for tenants	103,893	184	-	104,077
Roads, bridges and fences	59,566	216	-	59,782
Equipment and utility systems	87,193	1,364	(287)	88,270
<b>Total capital assets being depreciated</b>	<b>1,225,928</b>	<b>65,992</b>	<b>(605)</b>	<b>1,291,315</b>
Less accumulated depreciation for:				
Runways, taxiways, aprons and airfield lighting	(245,679)	(29,723)	244	(275,158)
Buildings	(194,903)	(13,862)	49	(208,716)
Facilities constructed for tenants	(28,267)	(2,793)	-	(31,060)
Roads, bridges and fences	(18,637)	(3,099)	-	(21,736)
Equipment and utility systems	(60,120)	(5,592)	287	(65,425)
<b>Total accumulated depreciation</b>	<b>(547,606)</b>	<b>(55,069)</b>	<b>580</b>	<b>(602,095)</b>
<b>Total capital assets being depreciated, net</b>	<b>678,322</b>	<b>10,923</b>	<b>(25)</b>	<b>689,220</b>
<b>Capital assets, net</b>	<b>\$ 925,364</b>	<b>\$ 64,681</b>	<b>\$ (66,105)</b>	<b>\$ 923,940</b>

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

The composition of interfund transfers for the year ended June 30, 2010 is as follows:

	Transfers in:										
	General Fund	Debt Service	Nonmajor Special Revenue					Storm Water	OPEB Trust Fund	Totals	
	Miscellaneous Grants	Hotel/Motel Tax	New Memphis Arena	Community Redevelopment	Education Fund	Total Nonmajor Special Revenue					
Transfers out:											
General fund	\$ -	2,820	32	-	-	2,358	40,000	42,390	452	-	45,662
Debt service	-	-	-	-	-	-	-	-	-	-	-
Nonmajor special revenue:											
State Street Aid	-	1,768	-	-	-	-	-	-	-	-	1,768
Miscellaneous grants	-	-	-	-	-	-	-	-	-	-	-
Solid waste	-	-	-	-	-	-	-	-	-	-	-
Hotel/Motel tax	-	1,027	-	791	-	-	-	791	-	-	1,818
New Memphis arena	-	3,478	-	791	-	-	-	791	-	-	4,269
MLK Park Improvement	-	-	-	-	-	-	-	-	-	-	-
Community redevelopment	-	2,043	-	-	-	-	-	-	-	-	2,043
<b>Total nonmajor special revenue</b>	<b>-</b>	<b>11,136</b>	<b>32</b>	<b>791</b>	<b>791</b>	<b>2,358</b>	<b>40,000</b>	<b>43,972</b>	<b>452</b>	<b>-</b>	<b>55,560</b>
Enterprise fund:											
Sewer	5,839	-	-	-	-	-	-	-	-	-	5,839
Memphis light, gas and water	52,698	-	-	2,500	-	-	2,500	-	-	-	55,198
Storm water	-	4,412	-	-	-	-	-	-	-	-	4,412
Internal Service:											
Health insurance	-	-	-	-	-	-	-	-	-	10,121	10,121
<b>Total</b>	<b>\$ 58,537</b>	<b>15,548</b>	<b>32</b>	<b>791</b>	<b>3,291</b>	<b>2,358</b>	<b>40,000</b>	<b>46,472</b>	<b>452</b>	<b>10,121</b>	<b>131,130</b>

The composition of interfund balances as of June 30, 2010 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	\$ 10,083
	State Street Aid	3,069
	Solid Waste	3,301
	Sewer	4,612
	Unemployment Compensation	1,649
	Fleet Management	<u>1,817</u>
		<u>24,531</u>
<b>Debt Service</b>	State Street Aid	295
	Capital Projects	6,365
	Storm Water	<u>10,339</u>
		<u>16,999</u>
<b>Special Revenue:</b>		
Drug Enforcement	Community Development	2,805
Drug Enforcement	Workforce Investment Act	2,467
Drug Enforcement	Miscellaneous Grants	<u>20</u>
		<u>5,292</u>
<b>Midtown Corridor</b>	Miscellaneous Grants	1,117
<b>Capital Projects</b>	New Memphis Arena	8,104
<b>PROPRIETARY FUND TYPES</b>		
<b>Internal Service:</b>		
Printing and Mail	Community Development	60
Health Insurance	Community Development	5,000
Fleet Management	Community Development	<u>34</u>
		<u>5,094</u>
<b>FIDUCIARY FUND TYPES</b>		
<b>Pension Trust:</b>		
City OPEB Trust	Community Development	7,000
City OPEB Trust	Library Retirement	114
City OPEB Trust	City Retirement	<u>303</u>
		<u>7,417</u>
Total		<u>\$ 68,554</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 a lease agreement as a lessee for financing the acquisition of equipment for the Solid Waste Division. This lease agreement qualified as a capital lease for accounting purposes and, therefore, was recorded at the present value of its future minimum lease payments as of the inception date.

The assets acquired through capital leases are as follows:

Assets:

Equipment	\$ 7,510
Accumulated Depreciation	<u>(2,882)</u>
Total	<u>\$ 4,628</u>

The remaining debt service requirement for the capital lease obligation for the City at June 30, 2010, is as follows:

Fiscal Year	
2011	1,662
2012	1,662
2013	<u>1,662</u>
	4,986
Less Interest	<u>( 358)</u>
Present Value of Payments	<u>\$ 4,628</u>

---

**G. Long-term debt**

**General Obligation Bonds**

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

In May 2010, the City issued \$67,830 of General Improvement Bonds, Series 2010A \$27,880 and 2010B \$39,950. The issue resulted in net proceeds of \$69,882 (after the net issue premium of \$2,052 payment of \$327 in underwriter's discount and \$269 cost of issuance). The proceeds of 2010A \$29,932 were applied to refund \$29,694 a portion of bond anticipation notes balance obtained in May 2009. The proceeds of 2010B \$39,950 were recorded in the City's Debt Service Fund as other sources and debt issue cost.

In June 2010, the City issued \$87,004 of General Improvement Bonds, Series 2010C \$62,550, Series 2010E \$13,294, and Series 2010F \$11,160. 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 2010, the City issued \$163,206 of General Improvement Refunding Bonds, Series 2010D \$121,205 and 2010E \$42,001 to refund \$7,190 in General Improvement Bonds, Series 2002, \$9,145 in General Improvement Bonds, Series 2003, \$16,410 in General Improvement Bonds, Series 2004, \$27,235 in General Improvement Bonds, Series 2007A, \$28,845 in General Improvement Bonds, Series 2008, \$29,985 in General Improvement Bonds, Series 2009 and to refund \$3,545 in General Improvement Refunding Bonds, Series Ref. 1993A, \$1,260 in General Improvement Refunding Bonds, Series Ref. 1997, \$1,905 in General Improvement Refunding Bonds, Series Ref. 1998, \$9,490 in General Improvement Refunding Bonds, Series Ref. 1999, \$23,805 in General Improvement Refunding Bonds, Series Ref. 2001. The net proceeds of \$175,209 (after the net issue premium of \$12,003, payment of \$855 in underwriter's discount and \$237 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, these 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 paid when due in March 2010.

**Revenue Bonds**

During 2008, the Electric Division of MLGW issued \$96,930 in revenue bonds to refund \$100,000 of Series 2003B revenue bonds. The refunding was undertaken to convert 2003B auction rate securities into fixed rate securities of the same maturity. The Series 2008 revenue bonds bear interest at annual fixed rates ranging from 4.00% to 5.00%.

**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, 2010, a total of approximately \$269,155 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, 2010:

	<b>General Obligation Bonds</b>	<b>Bond Anticipation Notes</b>	<b>Capital Lease Obligations</b>	<b>Revenue Bonds</b>	<b>Total</b>
Governmental Funds	\$ 1,181,278	75,400	4,628	-	1,261,306
Enterprise Funds	-	15,000		1,155,239	1,170,239
Total long-term debt	<u>\$ 1,181,278</u>	<u>90,400</u>	<u>4,628</u>	<u>1,155,239</u>	<u>2,431,545</u>

**NOTES TO FINANCIAL STATEMENTS**  
**(Thousands of Dollars)**  
**For the fiscal year ended June 30, 2010**

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

Long-term liability activity for the year ended June 30, 2010, was as follows:

	<b>Balance</b>			<b>Balance</b>	<b>Due Within</b>
	<b>June 30, 2009</b>	<b>Additions</b>	<b>Reductions</b>	<b>June 30, 2010</b>	<b>One Year</b>
<b>Governmental activities:</b>					
General obligation bonds payable	\$ 1,041,524	318,040	(217,070)	1,142,494	22,615
Premium on general obligation bonds	30,396	15,347	(8,958)	36,785	-
Bond anticipation notes payable	148,470	75,400	(148,470)	75,400	-
Capital lease agreements	6,058	-	(1,430)	4,628	1,485
Accreted value on bonds	5,750	179	(3,930)	1,999	-
Legal Claims and Judgments	21,960	51,250	-	73,210	-
Vacation, sick and other leave benefits	85,676	5,906	(5,615)	85,967	898
	<u>\$ 1,339,834</u>	<u>466,122</u>	<u>(385,473)</u>	<u>1,420,483</u>	<u>24,998</u>
<b>Business-type activities:</b>					
Revenue bonds	\$ 137,125	20,000	(8,855)	148,270	9,115
Net premium/discount on revenue bonds	358	89	(143)	304	-
MLGW revenue bonds	1,047,875	-	(92,545)	955,330	92,349
Premium on MLGW revenue bonds	60,805	-	(10,868)	49,937	-
Less deferred amounts:					
For issuance discounts and on refunding	(243)	-	142	(101)	-
MLGW notes payable	3,020	-	(1,521)	1,499	1,499
MLGW anticipation note payable	35,000	15,000	(35,000)	15,000	15,000
Vacation, sick and other leave benefits	4,457	51	-	4,508	389
	<u>\$ 1,288,397</u>	<u>35,140</u>	<u>(148,790)</u>	<u>1,174,747</u>	<u>118,352</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, 2010. 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, 2010 follows:

**NOTES TO FINANCIAL STATEMENTS**  
**(Thousands of Dollars)**  
**For the fiscal year ended June 30, 2010**

**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	\$ 1,985,761	\$ 1,144,493
Bond Anticipation Notes	4.00	75,400	75,400
Net Premium/(Discount) on General Obligation Debt			36,785
Capital Lease Obligations	3.75	7,510	4,628
<b>Total General Obligation Debt</b>		<b>\$ 2,068,671</b>	<b>1,261,306</b>
Revenue Bonds:			
Sanitary Sewerage System	3.00-6.30	\$ 210,820	148,270
Electric Division, MLG&W (2)	3.00-7.58	1,442,535	953,664
Water Division, MLG&W (2)	4.05-5.25	29,470	3,165
Net Premium/(Discount) on revenue bonds			50,241
Unamortized deferred amount on bond refundings			(101)
Bond Anticipation Notes:			
Gas Division, MLGW (2)	1.25	15,000	15,000
<b>Total Revenue Bonds</b>		<b>\$ 1,697,825</b>	<b>1,170,239</b>
<b>Total</b>			<b>\$ 2,431,545</b>

(1) Includes accreted value of \$1,999 as of June 30, 2010.

(2) All MLG&W bonds reflect amounts outstanding at December 31, 2009



**NOTES TO FINANCIAL STATEMENTS**  
**(Thousands of Dollars)**  
**For the fiscal year ended June 30, 2010**

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

Debt service requirements to maturity for general obligation and revenue bond long-term indebtedness at June 30, 2010 are as follows:

Total Long-term Indebtedness											
Fiscal Year	General Obligation				Revenue						Total
	City		Capital Lease		Sewer System		MLG&W(2)		Total Requirements		
	Principal	Interest(1)	Principal	Interest	Principal	Interest(1)	Principal	Interest	Principal	Interest	
2010							93,848	47,107	93,848	47,107	140,955
2011	22,615	52,303	1,485	177	9,115	6,769	91,960	42,538	125,175	101,787	226,962
2012	111,563	58,960	1,542	120	9,290	6,391	96,815	38,021	219,210	103,492	322,702
2013	66,000	51,426	1,601	61	9,830	5,995	99,700	33,240	177,131	90,722	267,853
2014	73,500	48,056	-	-	10,105	5,571	104,675	28,381	188,280	82,008	270,288
2015	76,860	44,571	-	-	10,375	5,129	109,905	23,148	197,140	72,848	269,988
2016	80,620	40,813	-	-	10,180	4,668	115,270	17,674	206,070	63,155	269,225
2017	84,490	36,942	-	-	10,910	4,244	119,700	11,911	215,100	53,097	268,197
2018	88,505	32,932	-	-	10,565	3,741	124,956	6,008	224,026	42,681	266,707
2019	90,375	28,677	-	-	8,305	3,231	-	-	98,680	31,908	130,588
2020	89,955	24,467	-	-	9,300	2,818	-	-	99,255	27,285	126,540
2021	89,535	20,213	-	-	8,180	2,360	-	-	97,715	22,573	120,288
2022	88,275	16,036	-	-	8,575	1,944	-	-	96,850	17,980	114,830
2023	87,705	11,544	-	-	6,410	1,570	-	-	94,115	13,114	107,229
2024	65,525	7,819	-	-	6,710	1,243	-	-	72,235	9,062	81,297
2025	22,465	5,485	-	-	7,020	900	-	-	29,485	6,385	35,870
2026	16,105	4,403	-	-	4,980	601	-	-	21,085	5,004	26,089
2027	9,085	3,750	-	-	2,705	406	-	-	11,790	4,156	15,946
2028	9,430	3,226	-	-	2,825	258	-	-	12,255	3,484	15,739
2029	9,790	2,672	-	-	1,415	137	-	-	11,205	2,809	14,014
2030	10,175	2,090	-	-	1,475	46	-	-	11,650	2,136	13,786
2031	5,180	1,475	-	-	-	-	-	-	5,180	1,475	6,655
2032	5,385	1,165	-	-	-	-	-	-	5,385	1,165	6,550
2033	5,595	841	-	-	-	-	-	-	5,595	841	6,436
2034	5,485	509	-	-	-	-	-	-	5,485	509	5,994
2035	5,675	171	-	-	-	-	-	-	5,675	171	5,846
<b>TOTAL</b>	<b>\$ 1,219,893</b>	<b>500,546</b>	<b>4,628</b>	<b>358</b>	<b>148,270</b>	<b>58,022</b>	<b>956,829</b>	<b>248,028</b>	<b>2,329,620</b>	<b>806,954</b>	<b>3,136,574</b>

(1) Interest on variable general obligation bonds is estimated.  
(2) At 12-31-09

**H. Restricted assets**

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

Futures margin deposits	\$ 4,886
Construction	2,738
Insurance reserves – injuries and damages	10,327
Insurance reserves – casualties and general	26,349
Medical benefit	8,172
Customer deposits	23,155
Bond reserve and debt service	<u>21,999</u>
Total	<u>\$ 97,626</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 \$3,170 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, 2009 and 2010 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, 2008	\$ 11,400	-	111	23	5	6,292
Current year provision	39,698	49,552	(20)	116	103	3,368
Payments	(43,904)	(44,446)	(45)	(81)	(78)	(5,658)
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	<u>\$ 7,953</u>	<u>5,999</u>	<u>41</u>	<u>52</u>	<u>16</u>	<u>3,170</u>

The City received insurance recoveries during the year in compensation for fire damage to equipment in the solid waste composting facility in the amount of \$99.

**B. Subsequent events**

In December 2010, the City issued \$16,450 of Sanitary Sewage System Revenue Bonds, Series 2010B. The issue resulted in net proceeds of \$16,207 (after the net issue costs of \$131 and an underwriter’s discount of \$112). The proceeds and issue cost of these debt instruments were recorded in the City’s Sewer Collection and Treatment Fund.

---

**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 \$18,149 is a reasonable measure of the ultimate settlement of these matters. However, the City's Statement of Net Assets reflects a total liability for legal claims and judgments of \$73,210 which includes the \$18,149 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 is 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.

The parties, at the time of this writing, are engaged in settlement talks with respect to the judgment. It appears likely the negotiations will result in a settlement which would enhance greatly the City's ability to honor any amount ultimately determined to be owed to the BOE by reducing the judgment amount and paying the reduced amount over an extended number of years.

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

The City has commitments at June 30, 2010, for outstanding purchase orders and outstanding contracts reported as reserves for encumbrances in the General Fund of \$6,622. The City had additional commitments totaling \$90,076 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, 2010, the Convention Center reported the following derived from its audited financial statements:

Assets	\$11,179
Liabilities	2,000
Net assets	9,179
Operating revenues	4,198
Operating expenses	7,300
Other income	2,560
Change in net assets	\$ (542)

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

**Memphis and Shelby County Port Commission**

The Memphis and Shelby County Port Commission (the Port Commission), a joint operation between the City and the County, is managed by a seven member board. Three of the board members are appointed by the City and two are appointed by the County. In addition, the director of public works for the City and for the County serves as ex officio members of the board with the right to vote. Capital expenditures over \$5 must be approved by both the City and the County. Excess revenues of the Port Commission are distributed to the City and the County in a sum equal to what would be the City and the County taxes on the property owned by the City and the County, managed and controlled by the Port Commission. Any deficits of the Port Commission are funded equally by the City and the County. As of and for its year ended June 30, 2010, the Port Commission reported the following derived from its audited financial statements:

Assets	\$27,107
Liabilities	6,912
Net assets	20,195
Operating revenues	2,480
Other expense	425
Operating expenses	2,384
Change in net assets	\$ (329)

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

**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. No financial report was available for CRA.

**Public Building Authority of Memphis and Shelby County, Tennessee**

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

The Pyramid is no longer in operations. In April 2009, Shelby County commissioners approved a resolution to transfer Shelby County's ownership to the City of Memphis. A formal dissolution agreement was completed during fiscal year 2010.

**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 and intermodal transfer station.

The Tennessee Comptroller of the Treasury has granted an exemption from an annual audit. As such, no audited financial statements are presented.

**Mid-South Coliseum**

In August 2009, Shelby County Commissioners voted to transfer the County's ownership rights of the Mid-South Coliseum which was a joint operation between the City and the County. It was managed by a board consisting of two members appointed by the City, two appointed by the County, and one appointed jointly by the City and the County. The joint venture was formally dissolved during fiscal year 2010.

**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

**NOTES TO FINANCIAL STATEMENTS**  
**(Thousands of Dollars)**  
**For the fiscal year ended June 30, 2010**

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

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	\$ 10,285
Total investments	<u>10,285</u>
Equity in cash and investment pool	1,186
Interest and dividends receivables	11
Due from other funds	<u>7,417</u>
<b>Total assets</b>	<u>18,899</u>

**LIABILITIES**

Notes & accounts payable	<u>8,988</u>
<b>Total liabilities</b>	<u>8,988</u>

**NET ASSETS**

Held in trust for OPEB	<u>\$ 9,911</u>
------------------------	-----------------

**ADDITIONS**

Contributions:	
Employer	\$ 26,582
Plan members	<u>9,607</u>
Total contributions	<u>36,189</u>
Transfer from other fund	10,121
Investment income:	
Interest and dividend income	242
Net appreciation/(depreciation) in the fair value of investments	<u>489</u>
Total investment income	<u>731</u>
Total Additions	<u>47,041</u>

**DEDUCTIONS**

Benefits	43,105
Administrative expenses	<u>2,936</u>
<b>Total Deductions</b>	<u>46,041</u>

<b>Net increase</b>	1,000
Net assets - beginning of year	<u>8,911</u>
<b>Net assets - end of year</b>	<u>\$ 9,911</u>

**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 \$25,582 for 2010. At June 30, 2010, the number of retirees eligible for health and medical benefits is 3,697. 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 \$134.47 per month for retiree-only coverage and \$132.60 to \$266.68 per month for retiree and family coverage depending on medical plan coverage selected. The City pays for medical costs in excess of required retiree premiums and may elect through adoption of the City’s annual budget ordinance to contribute an amount in excess of the total annual benefit payments to a qualified trust for the purpose of funding future OPEB benefits. In fiscal year 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.

*Annual OPEB Cost and net OPEB obligation.* For fiscal 2010, the City contributed 44.3 percent or \$35,674 of its annual OPEB cost of \$81,222. The annual OPEB cost and obligation as of June 30, 2010 were as follows:

Annual OPEB Cost

Annual Required Contribution (ARC)	\$ 80,477
Interest on beginning of year accrual	2,455
Amortization of beginning of year accrual	(1,627)
Interest on the amortization	<u>(83)</u>
Fiscal 2010 OPEB cost	\$ 81,222
Contributions made	<u>(35,674)</u>
Change in net OPEB Obligation	45,548
Net OPEB Obligation - beginning of year	<u>48,130</u>
Net OPEB Obligation - end of year	\$ <u>93,678</u>

*Three Year Schedule of Percentage of OPEB Cost Contributed*

<b>Fiscal Year Ended</b>	<b>Annual Required Contributions</b>	<b>Actual Contributions</b>	<b>Percentage Contributed</b>
June 30, 2008	\$ 55,418	\$ 35,743	64.5%
June 30, 2009	\$ 66,273	\$ 38,159	57.6%
June 30, 2010	\$ 80,477	\$ 35,674	44.3%

- 1 Includes a \$3,000,000 contribution in excess of the net employer benefit payments.  
 2 Includes a \$6,000,000 contribution in excess of the net employer benefit payments.  
 3 Includes a \$1,000,000 contribution in excess of the net employer benefit payments.

*Funded Status and Funding Progress.* The funded status of the plan as of July 1, 2009, 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>
7/1/2007	0	857,062	857,062	0.0%	283,789	302.0%
7/1/2008	2,911	937,151	934,240	0.3%	315,682	295.9%
7/1/2009	2,566	1,167,930	1,165,364	0.2%	313,285	372.0%

\* 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 multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

In the July 1, 2009 actuarial valuation, the entry age normal actuarial cost method was used. The actuarial assumptions included a 5.1 percent investment rate of return (net of administrative expenses) and an annual healthcare cost trend rate of 10.4 percent initially, reduced by decrements to an ultimate rate of 4.5 percent after twenty years. Both 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, 2010, was 30 years.

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

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

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

Employees retired under the MLGW Pension Plan, or disabled with five years of service at any age, or disabled in the line of duty at any age with no years of service restriction are eligible for OPEB benefits. Health care benefits are also offered to qualifying survivors of deceased retired members and deceased active employees, who are eligible to retire at the time of death. Currently, 2,482 retirees and beneficiaries are eligible for post-employment benefits.

**ASSETS**

Cash and cash equivalents	\$ 7,796
Investments, at fair value:	
Common stock - domestic	32,867
Common stock - foreign	10,487
Investment in international equity fund	13,597
Bond and equity mutual fund	<u>57,667</u>
Total investments	114,618
Employer receivable	3,726
Interest and dividends receivables	98
Receivable for securities sold	336
Collateral held in trust for securities on loan	<u>12,232</u>
<b>Total assets</b>	<u>138,806</u>

**LIABILITIES**

Notes & accounts payable	<u>12,585</u>
<b>Total liabilities</b>	<u>12,585</u>

**NET ASSETS**

Held in trust for pension benefits, pool participants, and OPEB	<u>\$ 126,221</u>
--------------------------------------------------------------------	-------------------

**ADDITIONS**

Contributions:	
Employer	\$ 55,689
Plan members	<u>4,213</u>
Total contributions	<u>59,902</u>

Investment income:	
Interest and dividend income	2,252
Securities lending income	26
Other investment income	3
Net appreciation in the fair value of investments	<u>22,186</u>
Total investment income	<u>24,467</u>

<b>Total Additions</b>	<u>84,369</u>
------------------------	---------------

**DEDUCTIONS**

Benefits	23,829
OPEB expense paid on behalf of OPEB trust	18,242
Administrative expenses	<u>1,346</u>

<b>Total Deductions</b>	<u>43,417</u>
-------------------------	---------------

<b>Net increase</b>	40,952
---------------------	--------

Net assets - beginning of year	<u>85,269</u>
--------------------------------	---------------

<b>Net assets - end of year</b>	<u>\$ 126,221</u>
---------------------------------	-------------------

**Funding Policy**

The contribution requirements of plan members and MLGW are established and may be amended by the MLGW Board of Commissioners. Retiree and spouse contribution rates are periodically reset at 25 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 2009, employer contributions were \$55,688 to the Plan. Plan members receiving benefits contributed \$4,213 through their required contribution of \$32.19 to \$363.24 (dollars) per month depending on the coverage (employee only, employee and spouse, or family) and the health plan selected.

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

**Annual OPEB Cost and Net OPEB Obligation**

An actuarial valuation of MLGW’s post employment welfare benefit program was performed for the Plan as of December 31, 2005, and adjusted for relevant changes for the fiscal year ended December 31, 2007. MLGW’s annual other post employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution (ARC). The following table presents the OPEB cost for the year, the amount contribute to the plan, and changes in the net OPEB obligations for fiscal years 2009 and 2008:

	<u>2009</u>	<u>2008</u>
Annual Required Contribution	\$ 55,340	\$ 57,991
Interest on net OPEB obligation	-	-
Adjustment to annual required Contribution	<u>-</u>	<u>-</u>
Annual OPEB cost (expense)	55,340	57,991
Contributions made	<u>(55,688)</u>	<u>(66,881)</u>
Change in net OPEB obligation (asset)	(348)	(8,890)
Net OPEB obligation (asset)—beginning of year	<u>(2,152)</u>	<u>6,738</u>
Net OPEB obligation (asset)—end of year	<u>\$ (2,500)</u>	<u>\$ (2,152)</u>

MLGW’s annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for fiscal years 2009, 2008 and 2007 were as follows:

<u>Fiscal year Ended</u>	<u>Annual OPEB Cost</u>	<u>Employee Contributions</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation (asset)</u>
December 31, 2009	\$ 55,340	\$ 55,688	100.6%	\$ (2,500)
December 31, 2008	57,991	66,881	115.3%	(2,152)
December 31, 2007	57,991	51,253	88.4%	6,738

**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) (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>
December 31, 2007***	15,097	674,002	658,905	2.2%	144,756	455.2%
December 31, 2006*	0	743,484	743,484	0.0%	148,219**	501.6%

\* 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 healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revisions as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the MLGW's OPEB Trust's financial statements, will provide additional multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits, as actuarial valuations are updated.

**Actuarial Methods and Assumptions**

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

Valuation Date	December 31, 2007 (Revised for 2009)
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percent of pay, 30 years
Remaining amortization Period	29 years as of December 31, 2007
Asset Valuation Method	Market Value
Accrual Assumption:	
Investment Rate of Return (discount rate)	7.50%
Inflation Rate	3.25%
Projected Salary Increases	7.60% at age 20 graded to 3.25% at age 60 and older
Medical Cost Trend Rate for PPO, POS and HMO (starting 1/1/2008)	8.5% graded to 5.00% over 7 years
Drug Cost Trend Rate	8.00% graded to 5.00% over 6 years

Post-employment benefit cost for the years ended December 31, 2009 and 2008 are as follows:

	<u>Electric Division</u>		<u>Gas Division</u>		<u>Water Division</u>	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
<b>Premium Payments</b>	<u>\$11,658</u>	<u>\$11,019</u>	<u>\$4,469</u>	<u>\$4,224</u>	<u>\$3,303</u>	<u>\$3,122</u>

**F. Pension and retirement plans**

**City of Memphis Retirement System**

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

As of and for its year ended June 30, 2010, the City Retirement System reported the following net assets:

**ASSETS**

Cash and cash equivalents	\$ 43,713
Investments, at fair value:	
U.S. Government securities - long-term	94,261
Common stock - domestic	577,242
Common stock - foreign	210,775
Corporate bonds - domestic	259,996
Corporate bonds - foreign	44,028
Mutual funds and money market funds	18,410
Collateralized mortgage obligations	18,140
Asset-backed pooled securities	2,475
Mortgage-backed pooled securities	102,583
Investment in index fund	147,419
Investment in real estate	60,256
Investment in international equity fund	<u>144,755</u>
Total investments	1,680,340
Interest and dividend receivables	7,105
Receivable for securities sold	<u>49,928</u>
<b>Total assets</b>	<u>1,781,086</u>

**LIABILITIES**

Notes and accounts payable	69,056
Due to other funds	<u>114</u>
<b>Total liabilities</b>	<u>69,170</u>

**NET ASSETS**

Held in trust for pension benefits and pool participants	<u>\$ 1,711,916</u>
----------------------------------------------------------	---------------------

As of and for its year ended June 30, 2010, the City Retirement System reported the following changes in net assets:

**ADDITIONS**

Contributions:

Employer	\$ 17,419
Plan members	<u>23,381</u>
Total contributions	40,800

Investment income:

Interest and dividend income	56,614
Other investment income	2,340
Net appreciation in the fair value of investments	<u>157,159</u>
Total investment income/(loss)	<u>216,097</u>

<b>Total Additions</b>	<u>256,897</u>
------------------------	----------------

**DEDUCTIONS**

Benefits	128,452
Administrative expenses	8,242
Refunds of contributions	<u>10,435</u>

<b>Total Deductions</b>	<u>147,129</u>
-------------------------	----------------

<b>Net increase</b>	109,768
---------------------	---------

Net assets - beginning of year	<u>1,602,148</u>
--------------------------------	------------------

<b>Net assets - end of year</b>	<u>\$ 1,711,916</u>
---------------------------------	---------------------

**Plan Description** - The City Retirement System pension trust fund accounts for the activity of the City of Memphis Retirement System and is a single employer public employee retirement system. Substantially all permanent full-time salaried employees of the City (excluding component units) are required to participate in

either of two contributory defined benefit pension plans (the Plans) which are as follows: 1948 Plan - for salaried employees hired prior to July 1, 1978, and 1978 Plan - for salaried employees hired after June 30, 1978. Under City Ordinances, trust assets are reported in one trust fund and not segregated between the two benefit plans. Permanent, full-time employees in job classifications covered by contract with the Social Security Administration are not participants of the Retirement System as they are covered under the Federal Insurance Contribution Act (Social Security).

At June 30, 2009, the Retirement System membership consisted of:

Retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them	4,525
Active employees:	
Fully vested	3,131
Nonvested	<u>3,149</u>
 Total	 <u>10,805</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. 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, 2010 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) (b-a)</b>	<b>Funded Ratio (c) (a)/(b)</b>	<b>Covered Payroll (d)</b>	<b>UAAL as a Percentage of Covered Payroll (c)/(d)</b>
7/1/2005	1,992,833	N/A	N/A	N/A	254,091	N/A
7/1/2006	2,056,080	N/A	N/A	N/A	262,859	N/A
7/1/2007*	2,121,919	2,063,051	0	102.9%	264,966	0.0%
7/1/2008	2,184,225	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%

\* 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, 2010 is as follows:

<b>Year Ended June 30</b>	<b>Annual Required Contribution</b>	<b>Percentage Contributed</b>
2005	2,695	513.7
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



**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, 2010 were as follows:

Annual required contribution	\$ 71,447
Interest on net pension asset	(3,017)
Adjustment to annual required contribution	<u>3,406</u>
Annual pension cost	71,836
Contribution made	<u>(17,419)</u>
Increase in net pension obligation	54,417
Net pension asset at beginning of year	<u>(40,226)</u>
Net pension obligation at end of year	<u>\$ 14,191</u>

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	28,497	51.2	(48,704)
2009	24,650	65.6	(40,226)
2010	71,836	24.2	14,191

**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, 2010, the Library Retirement System reported the following net assets:

**ASSETS**

Investments, at fair value:

Common stock - domestic	\$ 26,455
Mutual funds and money market funds	546
Investment in index funds	18,108
Investment in international equity fund	<u>6,485</u>
Total investments	51,594
Interest and dividend receivables	12
Receivable for securities sold	<u>156</u>
<b>Total assets</b>	<u>51,762</u>

**LIABILITIES**

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

**NET ASSETS**

Held in trust for pension benefits and pool participants	<u>\$ 51,459</u>
----------------------------------------------------------	------------------

As of and for its year ended June 30, 2010, the Library Retirement System reported the following changes in net assets:

**ADDITIONS**

Contributions:

Employer	\$ 226
Plan members	<u>226</u>
Total contributions	452

Investment income:

Interest and dividend income	148
Other investment income	3
Net appreciation in the fair value of investments	<u>5,415</u>
Total investment income	<u>5,566</u>

<b>Total Additions</b>	<u>6,018</u>
------------------------	--------------

**DEDUCTIONS**

Benefits	3,041
Administrative expenses	<u>221</u>

<b>Total Deductions</b>	<u>3,262</u>
-------------------------	--------------

<b>Net increase</b>	2,756
---------------------	-------

Net assets - beginning of year	<u>48,703</u>
--------------------------------	---------------

<b>Net assets - end of year</b>	<u>\$ 51,459</u>
---------------------------------	------------------

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

Plan I - for all employees hired prior to April 1, 1975, and employees hired after March 31, 1975, who do not join Plan II, and

Plan II - for employees hired after March 31, 1975, who applied for membership in Plan II as a condition of employment.

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

At January 1, 2009,\* the Library Retirement System membership consisted of:

Retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them	140
Active employees:	
Vested	129
Nonvested	<u>92</u>
Total	<u><u>361</u></u>

\*January 1, 2010 participant counts are unavailable at this time.

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

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

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

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

---

Also under Plan II, employees may retire with reduced benefits after completion of 25 years of service and attainment of age 55. Upon retirement, the normal payment form for retirees is a monthly benefit for life for non-married participants or a monthly benefit for life with 75 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 greater of the average monthly compensation for the three consecutive years of service during which compensation was the highest.

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

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

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

**Actuarial Methods and Assumptions** - The actuarial asset valuation method is 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, 2009 is as follows:

**NOTES TO FINANCIAL STATEMENTS**  
**(Thousands of Dollars)**  
**For the fiscal year ended June 30, 2010**

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

*(in thousands of dollars)*

<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets</b>	<b>Actuarial 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>
1/1/2004	53,766	50,030	3,736	0	107.0%	11,213	0.0%
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%

**Schedule of Employer Contributions** - The schedule of employer contributions for the six years ended June 30, 2010, is as follows:

<b>Year Ended June 30</b>	<b>Annual Required Contribution</b>	<b>Percentage Contributed</b>
2005	341	98.0
2006	0	N/A
2007	0	N/A
2008	0	N/A
2009	0	N/A
2010	0	N/A

**Annual Pension Cost and Net Pension Asset** – The Library Retirement System’s annual pension cost and net pension asset for the year ended June 30, 2010, were as follows:

Interest on net pension asset	\$ (159)
Adjustment to annual required contribution	<u>177</u>
Annual pension cost	18
Contribution made	<u>(227)</u>
Decrease in net pension obligation	(209)
Net pension asset at beginning of year	<u>(2,334)</u>
Net pension asset at end of year	<u>\$ (2,543)</u>

Three-year trend information is as follows:

<b>Year Ended</b> <b>June 30</b>	<b>Annual Pension</b> <b>Cost (APC)</b>	<b>Percentage of APC</b> <b>Contributed</b>	<b>Net Pension</b> <b>Asset</b>
2008	14	1,907.0	(2,121)
2009	18	1,295.6	(2,334)
2010	18	1,261.1	(2,543)

**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 38101-0430.

**Plan Description** - The MLGW Retirement System pension trust fund accounts for the activity of the MLGW Retirement System, a single employer public employee retirement system. Prior to 1988, the retirement system included the contributory defined benefit plans (the “1948 Plan” and the “1978 Plan”). The 1948 Plan and the 1978 Plan were amended and superseded as of July 1, 1988. All employees who were members of the 1948 Plan and the 1978 Plan automatically became members of the amended, restated and consolidated MLGW Retirement System. 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, 2009, the MLGW Retirement System membership consisted of:

Retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them	2,490
Active employees	<u>2,621</u>
Total	<u><u>5,111</u></u>

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

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

**Method Used to Value Investments** - All investments of the MLGW Retirement System are reported at fair value. Short term investments are reported at cost, which approximates fair value. All other investments are valued based upon quoted market prices except for real estate investments, which are appraised by independent

appraisals. The MLGW Retirement System has no investments in any one organization, which represent more than 5 percent of Plan net assets.

**Contributions** - All members under the MLGW Retirement System are required to contribute 8 percent of the benefit compensation to the MLGW Retirement System. As of December 31, 2009, MLGW’s current required contribution is 14.87 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, 2010 actuarial valuation using the aggregate actuarial cost method. The aggregate actuarial cost method does not identify or separately amortize unfunded actuarial liabilities. The information about funded status and funding progress has been prepared using the entry age normal actuarial cost method.

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, 2010, the most recent actuarial valuation date, the MLGW Pension Plan was 92.1 percent funded. The actuarial accrued liability (“AAL”) for benefits was \$1,292,791, and the actuarial value of assets was \$1,191,027, resulting in an unfunded actuarial accrued liability (“UAAL”) of \$101,764. The covered payroll (annual payroll of active employees covered by the pension plan) was \$154,057, and the ratio of the UAAL to the covered payroll was 66.1 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>UUAL as a Percentage of Covered Payroll ((b-a)/c)</b>
1/1/2008	1,258,670	1,240,867	(17,803)	101.4%	146,830	0.0%
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%

\*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 actuarial cost method and is intended to serve as a surrogate for the funded 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>
2004	18,241	88.4
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

**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, 2009, were as follows:

Annual required contribution	\$ 22,401
Interest on net pension asset	(1,368)
Adjustment to annual required contribution	<u>1,951</u>
Annual pension cost	22,984
Contribution made	<u>(21,388)</u>
Increase in net pension obligation	1,596
Net pension asset at beginning of year	<u>(18,237)</u>
Net pension asset at end of year	<u>\$ (16,641)</u>

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 Asset</b>
2007	17,596	97.9%	(10,684)
2008	10,913	169.2%	(18,237)
2009	22,984	93.1%	(16,641)



**NOTES TO FINANCIAL STATEMENTS**  
**(Thousands of Dollars)**  
**For the fiscal year ended June 30, 2010**

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

**G. Component units**

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

	GOVERNMENTAL TYPE		PROPRIETARY TYPE			ZOO	COMPONENT UNITS TOTAL
	BOE	MATA	MSCAA	TOTAL			
Current Assets	\$ 459,457	12,936	226,813	239,749	17,546	716,752	
Property, plant and equipment (net of accumulated depreciation)	976,790	136,985	-	923,940	75	924,015	
Other assets	-	183	94,455	94,638	725	95,363	
Total assets	<u>\$ 1,436,247</u>	<u>150,104</u>	<u>1,245,208</u>	<u>1,395,312</u>	<u>18,346</u>	<u>2,849,905</u>	
Current liabilities	\$ 166,842	11,099	54,242	65,341	6,239	238,422	
Long-term liabilities	312,078	6,160	574,872	581,032	-	893,110	
Net assets	957,327	132,845	616,094	748,939	12,107	1,718,373	
Total liabilities and net assets	<u>\$ 1,436,247</u>	<u>150,104</u>	<u>1,245,208</u>	<u>1,395,312</u>	<u>18,346</u>	<u>2,849,905</u>	
Operating revenues	\$ 686,126	28,407	108,352	136,759	15,755	838,640	
Operating expenses	1,227,489	54,512	53,070	107,582	17,764	1,352,835	
Operating income (loss) before depreciation and amortization	<u>\$ (541,363)</u>	<u>(26,105)</u>	<u>55,282</u>	<u>29,177</u>	<u>(2,009)</u>	<u>(514,195)</u>	
Depreciation and amortization	\$ -	(10,643)	(55,940)	(66,583)	-	(66,583)	
Grants and contributions not restricted	397,586	-	53,353	53,353	118	451,057	
City of Memphis subsidy	-	23,121	-	23,121	-	23,121	
Federal and State grant revenues	-	20,293	-	20,293	-	20,293	
Interest and investment income (loss)	1,047	17	2,900	2,917	549	4,513	
Interest expense	-	-	(28,679)	(28,679)	-	(28,679)	
Other revenue (expense)	-	372	5,893	6,265	634	6,899	
Change in net assets	<u>(142,730)</u>	<u>7,055</u>	<u>32,809</u>	<u>39,864</u>	<u>(708)</u>	<u>(103,574)</u>	
Net assets - beginning of year, as restated	1,100,057	125,790	583,285	709,075	12,815	1,821,947	
Net assets - end of year	<u>\$ 957,327</u>	<u>132,845</u>	<u>616,094</u>	<u>748,939</u>	<u>12,107</u>	<u>1,718,373</u>	

(This page left blank intentionally.)

(This page left blank intentionally.)

**NON MAJOR FUNDS  
COMBINING BALANCE SHEET  
(Thousands of Dollars)  
June 30, 2010**

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

	Special Revenue							
	Community Development	Drug Enforcement	State Street Aid	Workforce Investment Act	Miscellaneous Grants	Midtown Corridor	Solid Waste Management	Hotel/ Motel Tax
<b>ASSETS</b>								
Cash and cash equivalents	\$ 10,972	381	-	-	-	-	-	-
Investments	-	-	-	-	-	-	-	-
Equity in cash and investment pool	-	3,022	-	-	202	663	-	2,238
Receivables (net of allowance for uncollectibles):								
Property taxes:								
Current property taxes	-	-	-	-	-	-	-	-
Delinquent property taxes	-	-	-	-	-	-	-	-
Federal grants and entitlements	33,476	-	-	8,862	8,383	-	-	-
State grants and entitlements	75	-	3,364	-	2,243	-	-	-
Interest on investments	681	4	-	-	-	-	-	-
Housing rehabilitation loans	65,420	-	-	-	-	-	-	-
Other	126	4	-	-	2,339	-	9	7
Due from other funds	-	5,292	-	-	-	1,117	-	-
Due from other agencies and governments	-	-	-	-	-	-	4,299	346
<b>Total assets</b>	<b>\$ 110,750</b>	<b>8,703</b>	<b>3,364</b>	<b>8,862</b>	<b>13,167</b>	<b>1,780</b>	<b>4,308</b>	<b>2,591</b>
<b>LIABILITIES AND FUND BALANCES</b>								
<b>Liabilities:</b>								
Accounts payable	\$ 1,761	310	-	3,917	604	-	2,298	2,591
Accrued liabilities	316	6	-	-	-	-	854	-
Contract retainage	-	-	-	-	-	-	-	-
Due to other funds	24,982	-	3,364	2,467	1,137	-	3,301	-
Due to other agencies and governments	-	-	-	-	-	-	-	-
Deferred revenue	83,683	502	-	2,478	11,183	-	7	-
<b>Total liabilities</b>	<b>110,742</b>	<b>818</b>	<b>3,364</b>	<b>8,862</b>	<b>12,924</b>	<b>-</b>	<b>6,460</b>	<b>2,591</b>
<b>Fund balances:</b>								
Undesignated	8	7,885	-	-	243	1,780	(2,152)	-
<b>Total fund balances</b>	<b>8</b>	<b>7,885</b>	<b>-</b>	<b>-</b>	<b>243</b>	<b>1,780</b>	<b>(2,152)</b>	<b>-</b>
<b>Total liabilities and fund balances</b>	<b>\$ 110,750</b>	<b>8,703</b>	<b>3,364</b>	<b>8,862</b>	<b>13,167</b>	<b>1,780</b>	<b>4,308</b>	<b>2,591</b>

**NON MAJOR FUNDS  
COMBINING BALANCE SHEET  
(Thousands of Dollars)  
June 30, 2010**

**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	11,449	<b>ASSETS</b>
-	-	-	-	-	-	-	70,602	70,602	Cash and cash equivalents
-	262	1,840	515	51	2,438	393	8,099	19,723	Investments
-	-	-	-	2,929	-	22,703	377	26,009	Equity in cash and investment pool
-	-	-	-	190	-	6,650	42	6,882	Receivables (net of allowance for uncollectibles):
-	-	-	-	-	-	-	-	-	Property taxes:
-	-	-	-	-	-	-	2,606	53,327	Current property taxes
-	-	-	-	-	-	-	146	5,828	Delinquent property taxes
-	-	1	-	-	-	-	-	686	Federal grants and entitlements
-	-	-	-	-	-	-	-	-	State grants and entitlements
2,052	-	15	-	-	-	-	-	65,420	Interest on investments
-	-	-	-	-	-	-	1,855	6,407	Housing rehabilitation loans
-	-	-	-	-	-	-	8,104	14,513	Other
-	-	-	-	-	4,196	-	-	8,841	Due from other funds
-	-	-	-	-	-	-	-	-	Due from other agencies and governments
2,052	262	1,856	515	3,170	6,634	29,746	91,927	289,687	<b>Total assets</b>
-	10	11	-	50	489	90	6,890	19,021	<b>LIABILITIES AND FUND BALANCES</b>
-	-	31	-	-	-	-	-	1,207	<b>Liabilities:</b>
-	-	-	-	-	-	-	67	67	Accounts payable
8,104	-	-	-	-	-	-	6,365	49,720	Accrued liabilities
-	-	-	-	-	-	-	-	-	Contract retainage
-	-	-	-	-	-	523	27	550	Due to other funds
-	63	-	-	3,120	4,196	29,133	4,548	138,913	Due to other agencies and governments
-	-	-	-	-	-	-	-	-	Deferred revenue
8,104	73	42	-	3,170	4,685	29,746	17,897	209,478	<b>Total liabilities</b>
(6,052)	189	1,814	515	-	1,949	-	74,030	80,209	<b>Fund balances:</b>
(6,052)	189	1,814	515	-	1,949	-	74,030	80,209	Undesignated
2,052	262	1,856	515	3,170	6,634	29,746	91,927	289,687	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, 2010**

	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	-	-	-	-	-	-	19	-
<b>Total local taxes</b>	-	-	-	-	-	-	19	-
State taxes (local share)	-	-	18,305	-	-	-	-	-
Hotel/motel tax	-	-	-	-	-	-	-	3,617
Fines and forfeitures	-	4,230	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	50,438	-
Investment income	-	45	-	-	-	9	-	-
Federal grants and entitlements	29,119	-	-	15,343	7,512	-	-	-
State grants	-	-	-	180	2,470	-	73	-
Other	57	180	-	-	2,809	-	308	-
<b>Total revenues</b>	29,176	4,455	18,305	15,523	12,791	9	50,838	3,617
<b>EXPENDITURES</b>								
General government	-	-	-	-	12,823	-	-	2,590
Public safety	-	4,627	-	-	-	-	-	-
Community service	29,176	-	-	15,523	-	-	-	-
Transportation and environment	-	-	16,537	-	-	-	50,692	-
Education	-	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-	-
Bond issuance cost	-	-	-	-	-	-	-	-
<b>Total expenditures</b>	29,176	4,627	16,537	15,523	12,823	-	50,692	2,590
<b>Revenues over (under) expenditures</b>	-	(172)	1,768	-	(32)	9	146	1,027
<b>OTHER FINANCING SOURCES (USES)</b>								
Transfers in	-	-	-	-	32	-	-	791
Transfers out	-	-	(1,768)	-	-	-	-	(1,818)
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)	-	32	-	-	(1,027)
<b>Net change in fund balances</b>	-	(172)	-	-	-	9	146	-
Fund balances - beginning of year	8	8,057	-	-	243	1,771	(2,298)	-
<b>Fund balances - end of year</b>	\$ 8	7,885	-	-	243	1,780	(2,152)	-

**NON MAJOR FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCE  
(Thousands of Dollars) June 30, 2010**

**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	
-	-	-	-	-	2,048	22,825	367	25,240	<b>REVENUES</b>
-	-	-	-	2,770	-	-	-	2,770	Local taxes:
-	-	-	-	103	-	-	-	103	Property taxes
791	-	-	-	-	-	-	-	791	Special assessments - current
-	-	-	-	55	-	-	(4)	70	Special assessments - prior
-	-	-	-	-	-	-	-	-	Sales tax general
-	-	-	-	-	-	-	-	-	Other local taxes
791	-	-	-	2,928	2,048	22,825	363	28,974	Total local taxes
14,732	-	-	-	-	-	-	-	33,037	State taxes (local share)
-	-	-	-	-	-	-	-	3,617	Hotel/motel tax
-	-	-	-	-	-	-	-	4,230	Fines and forfeitures
-	137	461	-	-	-	-	-	51,036	Charges for services
-	1	10	2	-	-	-	-	67	Investment income
-	-	-	-	-	-	-	5,335	57,309	Federal grants and entitlements
-	-	-	-	-	-	-	1,445	4,168	State grants
-	-	-	11	-	-	-	-	3,365	Other
15,523	138	471	13	2,928	2,048	22,825	7,143	185,803	Total revenues
13,754	-	455	-	2,928	1,806	-	-	34,356	<b>EXPENDITURES</b>
-	-	-	-	-	-	-	-	4,627	General government
-	207	-	-	-	-	-	-	44,906	Public safety
-	-	-	-	-	-	-	-	67,229	Community service
-	-	-	-	-	-	62,825	-	62,825	Transportation and environment
-	-	-	-	-	-	-	86,656	86,656	Education
-	-	-	-	-	-	-	1,731	1,731	Capital outlay
-	-	-	-	-	-	-	-	-	Bond issuance cost
13,754	207	455	-	2,928	1,806	62,825	88,387	302,330	Total expenditures
1,769	(69)	16	13	-	242	(40,000)	(81,244)	(116,527)	Revenues over (under) expenditures
3,291	-	-	-	-	2,358	40,000	-	46,472	<b>OTHER FINANCING SOURCES (USES)</b>
(4,269)	-	-	-	-	(2,043)	-	-	(9,898)	Transfers in
-	-	-	-	-	-	-	81,764	81,764	Transfers out
-	-	-	-	-	-	-	148,470	148,470	Proceeds from issuance of debt
-	-	-	-	-	-	-	(148,470)	(148,470)	Issuance of refunding debt
-	-	-	-	-	-	-	6,271	6,271	Retirement of refunded debt obligation
-	-	-	-	-	-	-	-	-	Premium on debt issuance
(978)	-	-	-	-	315	40,000	88,035	124,609	Total other financing sources and uses
791	(69)	16	13	-	557	-	6,791	8,082	Net change in fund balances
(6,843)	258	1,798	502	-	1,392	-	67,239	72,127	Fund balances - beginning of year
(6,052)	189	1,814	515	-	1,949	-	74,030	80,209	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, 2010**

	Budget Amounts			Variance with Final Budget- Positive (Negative)
	Original	Final	Actual	
<b>COMMUNITY DEVELOPMENT</b>				
<b>Revenues:</b>				
Federal grants	\$ 24,157	24,157	29,119	4,962
Other	85	85	57	(28)
Total revenues	24,242	24,242	29,176	4,934
<b>Expenditures:</b>				
Community service	24,242	24,242	29,176	(4,934)
Total expenditures	24,242	24,242	29,176	(4,934)
Revenues over (under) expenditures	\$ -	-	-	-
<b>DRUG ENFORCEMENT FUND</b>				
<b>Revenues:</b>				
Investment income	\$ -	-	45	45
Fines and forfeitures	-	4,621	4,230	(391)
Other	-	50	180	130
Total revenues	-	4,671	4,455	(216)
<b>Expenditures:</b>				
Public safety	-	6,475	4,627	1,848
Total expenditures	-	6,475	4,627	1,848
Revenues over (under) expenditures	\$ -	(1,804)	(172)	1,632
<b>STATE STREET AID FUND</b>				
<b>Revenues:</b>				
State gasoline tax (local share)	\$ 18,579	18,579	18,305	(274)
Total revenues	18,579	18,579	18,305	(274)
<b>Expenditures:</b>				
Transportation & environment	16,811	16,811	16,537	274
Total expenditures	16,811	16,811	16,537	274
<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)	\$ -	-	-	(548)
<b>WORKFORCE INVESTMENT ACT</b>				
<b>Revenues:</b>				
Federal grants	\$ 19,453	19,453	15,343	(4,110)
State grants	343	343	180	(163)
Other	1	1	-	(1)
Total revenues	19,797	19,797	15,523	(4,274)
<b>Expenditures:</b>				
Community service	-	-	15,523	(15,523)
Total expenditures	-	-	15,523	(15,523)
Revenues over (under) expenditures	\$ 19,797	19,797	-	(19,797)



**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, 2010**

	Budget Amounts			Variance with Final Budget- Positive(Negative)
	Original	Final	Actual	
<b>MISCELLANEOUS GRANTS</b>				
<b>Revenues:</b>				
Federal grants	\$ 57,305	57,305	7,512	(49,793)
State grants	6,101	6,101	2,470	(3,631)
Other	330	330	2,809	2,479
Total revenues	63,736	63,736	12,791	(50,945)
<b>Expenditures:</b>				
General government	63,736	63,736	12,823	50,913
Total expenditures	63,736	63,736	12,823	50,913
<b>Other financing sources (uses):</b>				
Transfers in	-	-	32	32
Total other financing sources (uses)	-	-	32	32
Revenues over (under) expenditures and other financing sources (uses)	\$ -	-	-	-
<b>SOLID WASTE MANAGEMENT FUND</b>				
<b>Revenues:</b>				
Other local taxes	\$ 1	1	19	18
Charges for services	50,905	50,905	50,438	(467)
State grants	125	125	73	(52)
Other	125	225	308	83
Total revenues	51,156	51,256	50,838	(418)
<b>Expenditures:</b>				
Transportation and environment	52,206	52,472	50,692	1,780
Total expenditures	52,206	52,472	50,692	1,780
<b>Other financing sources (uses):</b>				
Transfers in	1,214	1,314	-	(1,314)
Transfers out	(1,560)	(1,560)	-	1,560
Total other financing sources (uses)	(346)	(246)	-	246
Revenues over (under) expenditures and other financing sources (uses)	\$ (1,396)	(1,462)	146	1,608
<b>HOTEL/MOTEL TAX</b>				
<b>Revenues:</b>				
Hotel /motel tax	\$ 3,106	3,106	3,617	511
Total revenues	3,106	3,106	3,617	511
<b>Expenditures:</b>				
General government	2,239	2,239	2,590	(351)
Total expenditures	2,239	2,239	2,590	(351)
<b>Other financing sources (uses):</b>				
Transfers in	787	787	791	4
Transfers out	(1,654)	(1,654)	(1,818)	(164)
Total other financing sources (uses)	(867)	(867)	(1,027)	(160)
Revenues over (under) expenditures and other financing sources (uses)	\$ -	-	-	-

**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, 2010**

	Original	Final	Actual	Final Budget- Positive(Negative)
<b>NEW MEMPHIS ARENA</b>				
<b>Revenues:</b>				
Sales tax general	\$ 788	788	791	3
State taxes (local share)	9,897	14,732	14,732	-
Total revenues	10,685	15,520	15,523	3
<b>Expenditures:</b>				
General government	12,398	17,232	13,754	3,478
Total expenditures	12,398	17,232	13,754	3,478
<b>Other financing sources (uses):</b>				
Transfers in	3,287	3,287	3,291	4
Transfers out	(787)	(787)	(4,269)	(3,482)
Total other financing sources (uses)	2,500	2,500	(978)	(3,478)
Revenues over (under) expenditures and other financing sources (uses)	\$ 787	788	791	3
<b>MLK PARK</b>				
<b>Revenues:</b>				
Charges for services	\$ 131	131	137	6
Investment income	-	-	1	1
Total revenues	131	131	138	7
<b>Expenditures:</b>				
Community service	202	202	207	(5)
Total expenditures	202	202	207	(5)
Revenues over (under) expenditures and other financing sources (uses)	\$ (71)	(71)	(69)	2
<b>METRO ALARMS</b>				
<b>Revenues:</b>				
Charges for services	\$ 523	523	461	(62)
Investment income	-	-	10	10
Other	4	4	-	(4)
Total revenues	527	527	471	(56)
<b>Expenditures:</b>				
General government	357	357	455	(98)
Total expenditures	357	357	455	(98)
Revenues over (under) expenditures	\$ 170	170	16	(154)
<b>COMMUNITY REDEVELOPMENT</b>				
<b>Revenues:</b>				
Local taxes	\$ 4,110	4,110	2,048	(2,062)
State grants	-	-	-	-
Other	-	-	-	-
Total revenues	4,110	4,110	2,048	(2,062)
<b>Expenditures:</b>				
General government	4,110	4,110	1,806	2,304
Total expenditures	4,110	4,110	1,806	2,304
<b>Other financing sources (uses):</b>				
Transfers in	-	-	2,358	2,358
Transfers out	-	-	(2,043)	(2,043)
Total other financing sources (uses)	-	-	315	315
Revenues over (under) expenditures and other financing sources (uses)	\$ -	-	557	557

**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, 2010**

	Original	Final	Actual	Final Budget- Positive(Negative)
<b>TOTAL NONMAJOR SPECIAL REVENUE FUNDS</b>				
<b>Revenues:</b>				
Local taxes	4,111	4,111	2,067	(2,044)
Sales tax general	788	788	791	3
State taxes (local share)	28,476	33,311	33,037	(274)
Charges for services	51,559	51,559	51,036	(523)
Investment income	4	4	56	52
Federal grants and entitlements	100,915	100,915	51,974	(48,941)
State grants	6,569	6,569	2,723	(3,846)
Fines and forfeitures	-	4,621	4,230	(391)
Hotel/motel tax	3,106	3,106	3,617	511
Other	545	695	3,354	2,659
<b>Total revenues</b>	<b>196,073</b>	<b>205,679</b>	<b>152,885</b>	<b>(52,794)</b>
<b>Expenditures:</b>				
General government	82,840	87,674	31,428	56,246
Public safety	-	6,475	4,627	1,848
Community services	24,444	24,444	44,906	(20,462)
Transportation and environment	69,017	69,283	67,229	2,054
<b>Total expenditures</b>	<b>176,301</b>	<b>187,876</b>	<b>148,190</b>	<b>39,686</b>
<b>Other financing sources (uses)</b>				
Transfers in	5,288	5,388	6,472	1,084
Transfers out	(5,769)	(5,769)	(9,866)	(4,097)
<b>Total other financing sources (uses)</b>	<b>(481)</b>	<b>(381)</b>	<b>(3,394)</b>	<b>(3,013)</b>
Revenues over (under) expenditures and other financing sources (uses)	\$ 19,291	17,422	1,301	(16,121)

**ALL SPECIAL FUNDS (WITH CARRYOVER BUDGETS)**  
**SCHEDULE OF REVENUES AND EXPENDITURES**  
**BUDGET AND ACTUAL**  
(Thousands of Dollars)  
For the fiscal year ended June 30, 2010

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

	<b>Budget</b>	<b>Recognized thru June 30, 2009</b>	<b>Recognized Current Year</b>	<b>Recognized thru June 30, 2010</b>	<b>Variance</b>
<b>MIDTOWN CORRIDOR FUND</b>					
<b>Revenues:</b>					
Investment income	\$ -	410	9	419	419
Other	-	25	-	25	25
Sale of land	2,932	4,080	-	4,080	1,148
<b>Total revenues</b>	<b>2,932</b>	<b>4,515</b>	<b>9</b>	<b>4,524</b>	<b>1,592</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>1,771</b>	<b>9</b>	<b>1,780</b>	<b>1,515</b>

**ENTERPRISE FUNDS**  
**STATEMENT OF NET ASSETS**  
(Thousands of Dollars)  
June 30, 2010

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

	<u>Storm Water</u>
<b>ASSETS</b>	
Current assets:	
Cash	\$ 1
Receivables:	
Accounts receivable	<u>1,870</u>
Total current assets	1,871
Capital assets:	
Land	34
Improvements other than buildings	30,753
Machinery and equipment	7,770
Less accumulated depreciation and amortization	<u>(13,115)</u>
Total capital assets	25,442
Construction in progress	<u>20,019</u>
Net capital assets	<u>45,461</u>
<b>Total assets</b>	<u>47,332</u>
<b>LIABILITIES</b>	
Current liabilities:	
Accounts payable	722
Accrued liabilities	244
Contract retainage	77
Due to other funds	10,339
Other post employment benefits	1,656
Vacation, sick and other leave benefits	<u>1,336</u>
Total current liabilities	<u>14,374</u>
<b>Total liabilities</b>	<u>14,374</u>
<b>NET ASSETS</b>	
Invested in capital assets	45,461
Unrestricted	<u>(12,503)</u>
<b>Total net assets</b>	<u>\$ 32,958</u>

**ENTERPRISE FUNDS**  
**STATEMENT OF REVENUES, EXPENSES,**  
**AND CHANGES IN FUND NET ASSETS**  
(Thousands of Dollars)  
For the fiscal year ended June 30, 2010

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

	<u>Storm Water</u>
Operating revenues-charges for services	\$ 21,897
Operating expenses other than depreciation and amortization:	
Personal services	8,072
Materials, supplies, services, and other	3,435
Capital outlay	<u>11</u>
Total operating expenses other than depreciation and amortization	<u>11,518</u>
Operating income before depreciation and amortization	<u>10,379</u>
Depreciation and amortization: On assets acquired with own funds	<u>1,053</u>
<b>Operating income</b>	<u>9,326</u>
Income before capital contributions and transfers	<u>9,326</u>
Transfers in	452
Transfers out	(4,412)
Capital contribution - state	<u>206</u>
Change in net assets	5,572
Total net assets - beginning of year (restated)	<u>27,386</u>
<b>Total net assets - end of year</b>	<u><u>\$ 32,958</u></u>

**ENTERPRISE FUNDS  
STATEMENT OF CASH FLOWS  
(Thousands of Dollars)  
For the fiscal year ended June 30, 2010**

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

	<u>Storm Water</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>	
Receipts from customers and users	\$ 21,690
Payments to suppliers	(3,833)
Payments to employees	(7,308)
Net cash provided by (used for) operating activities	<u>10,549</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>	
Advances from other funds	1,010
Transfers from other funds	452
Transfers to other funds	(4,412)
Net cash provided by (used for) noncapital and related financing	<u>(2,950)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>	
Acquisition and construction of capital assets	(7,805)
Capital contribution - state	206
Net cash provided by (used for) capital and related financing activities	<u>(7,599)</u>
Net increase (decrease) in cash	-
Cash, beginning of year	1
Cash, end of year	\$ <u><u>1</u></u>
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities</b>	
Operating Income (loss)	\$ 9,326
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation expense	1,053
Decrease in assets:	
Accounts Receivable	(206)
Decrease in liabilities:	
Other accounts payable and accrued expenses	376
Total adjustments	<u>1,223</u>
Net cash provided by (used for) operating activities	\$ <u><u>10,549</u></u>

(This page left blank intentionally.)



**INTERNAL SERVICE FUNDS**  
**COMBINING STATEMENT OF NET ASSETS**  
(Thousands of Dollars)  
June 30, 2010

	<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	220	2,992	-	-	3,212
Receivables	-	19	-	15	34
Due from other funds	60	5,000	-	34	5,094
Inventories	29	-	-	576	605
<b>Total current assets</b>	<b>309</b>	<b>8,011</b>	<b>-</b>	<b>626</b>	<b>8,946</b>
Furniture and equipment	469	11	-	3,583	4,063
Less accumulated depreciation	(330)	(11)	-	(3,068)	(3,409)
<b>Net capital assets</b>	<b>139</b>	<b>-</b>	<b>-</b>	<b>515</b>	<b>654</b>
<b>Total assets</b>	<b>448</b>	<b>8,011</b>	<b>-</b>	<b>1,141</b>	<b>9,600</b>
<b>LIABILITIES</b>					
Current liabilities:					
Accounts payable and accrued expenses	171	920	149	1,636	2,876
Insurance claims payable	-	7,953	-	-	7,953
Due to other funds	-	-	1,649	1,817	3,466
Deferred revenues	-	5,339	-	-	5,339
Other post employment benefits	109	116	-	2,118	2,343
Vacation, sick and other leave benefits	79	67	-	2,590	2,736
<b>Total current liabilities</b>	<b>359</b>	<b>14,395</b>	<b>1,798</b>	<b>8,161</b>	<b>24,713</b>
<b>NET ASSETS (DEFICIT)</b>					
Invested in capital assets	139	-	-	515	654
Unrestricted	(50)	(6,384)	(1,798)	(7,535)	(15,767)
<b>Total net assets (deficit)</b>	<b>\$ 89</b>	<b>(6,384)</b>	<b>(1,798)</b>	<b>(7,020)</b>	<b>(15,113)</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, 2010**

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

	Printing and Mail	Health Insurance	Unemployment Compensation	Fleet Management	Total
Operating revenues:					
Charges for services	\$ 2,214	-	-	28,460	30,674
Employee contributions	-	16,718	-	-	16,718
Employer contributions	-	47,547	1,503	-	49,050
Other	-	-	-	-	-
<b>Total operating revenues</b>	<b>2,214</b>	<b>64,265</b>	<b>1,503</b>	<b>28,460</b>	<b>96,442</b>
Operating expenses other than depreciation:					
Personal services	447	389	-	11,276	12,112
Materials and supplies	827	3,868	-	1,089	5,784
Capital outlay	-	-	-	186	186
Inventories	829	-	-	15,772	16,601
Claims incurred	-	58,006	1,503	-	59,509
<b>Total operating expenses other than depreciation</b>	<b>2,103</b>	<b>62,263</b>	<b>1,503</b>	<b>28,323</b>	<b>94,192</b>
Operating income before depreciation	111	2,002	-	137	2,250
Depreciation:					
On assets acquired with own funds	21	-	-	133	154
<b>Total depreciation</b>	<b>21</b>	<b>-</b>	<b>-</b>	<b>133</b>	<b>154</b>
Loss on disposal of asset	-	-	-	4	4
<b>Operating income</b>	<b>90</b>	<b>2,002</b>	<b>-</b>	<b>-</b>	<b>2,092</b>
Non-operating revenues:					
Investment income	1	100	-	-	101
<b>Total non-operating revenues</b>	<b>1</b>	<b>100</b>	<b>-</b>	<b>-</b>	<b>101</b>
Income before transfers	91	2,102	-	-	2,193
Transfers out	-	(10,121)	-	-	(10,121)
Change in net assets	91	(8,019)	-	-	(7,928)
Total net assets (deficit) - beginning of year	(2)	1,635	(1,798)	(7,020)	(7,185)
<b>Total net assets (deficit) - end of year</b>	<b>\$ 89</b>	<b>(6,384)</b>	<b>(1,798)</b>	<b>(7,020)</b>	<b>(15,113)</b>

**INTERNAL SERVICE FUNDS  
COMBINING STATEMENT OF CASH FLOWS  
(Thousands of Dollars)  
For the fiscal year ended June 30, 2010**

	<b>Printing and Mail</b>	<b>Health Insurance</b>	<b>Unemployment Compensation</b>	<b>Fleet Management</b>	<b>Total</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>					
Receipts from customers and users	\$ 45	(9)	-	195	231
Receipts from other division funds	2,124	340	1,434	28,225	32,123
Employee contributions	-	16,718	-	-	16,718
Employer contributions	-	46,368	-	-	46,368
Payments to suppliers	(774)	(4,680)	-	(893)	(6,347)
Payments to employees	(366)	112	-	(10,100)	(10,354)
Payments to other division funds	-	-	-	(1,447)	(1,447)
Payments for inventory	(834)	-	-	(15,975)	(16,809)
Payments for claims incurred	-	(57,247)	(1,434)	-	(58,681)
Net cash provided by operating activities	195	1,602	-	5	1,802
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>					
Transfers to other funds	-	(10,121)	-	-	(10,121)
Net cash used in noncapital financing activities	-	(10,121)	-	-	(10,121)
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>					
Loss on disposal of capital asset	-	-	-	(4)	(4)
Acquisition and construction of capital assets	(129)	-	-	(1)	(130)
Net cash used in capital and related financing activities	(129)	-	-	(5)	(134)
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>					
Investing income earned on investments	1	123	-	-	124
Net cash provided by investing activities	1	123	-	-	124
Net Increase (decrease) in cash and cash equivalents	67	(8,396)	-	-	(8,329)
Cash and cash equivalents, beginning of year	153	11,388	-	1	11,542
Cash and cash equivalents, end of year	\$ 220	2,992	-	1	3,213
<b>Reconciliation of operating income to net cash provided by operating activities</b>					
Operating income	\$ 90	2,002	-	-	2,092
Adjustments to reconcile operating income to net cash provided by operating activities:					
Depreciation expense	21	-	-	133	154
Loss on disposal of asset	-	-	-	4	4
(Increase) decrease in assets:					
Inventories	(5)	-	-	(203)	(208)
Accounts receivable	(45)	331	-	(40)	246
Increase (decrease) in liabilities:					
Other accounts payable and accrued expenses	134	(731)	-	111	(486)
Total adjustments	105	(400)	-	5	(290)
Net cash provided by operating activities	\$ 195	1,602	-	5	1,802

(This page left blank intentionally.)

**FIDUCIARY FUNDS**  
**STATEMENT OF FIDUCIARY NET ASSETS**  
(Thousands of Dollars)  
For the fiscal year ended June 30, 2010

	<b>Pension Trust</b>					<b>Total Pension and OPEB Trust Funds</b>
	<b>City Retirement System</b>	<b>Library Retirement System</b>	<b>Memphis Light, Gas and Water Retirement System</b>	<b>City OPEB Trust</b>	<b>Memphis Light, Gas and Water OPEB Trust</b>	
<b>ASSETS</b>						
Cash and cash equivalents	\$ 43,713	-	41,509	-	7,796	93,018
Investments, at fair value:						
Short-term investments	-	-	-	-	-	-
U.S. government securities - long-term	94,261	-	38,197	-	-	132,458
Common stock - domestic	577,242	26,455	248,704	-	32,867	885,268
Common stock - foreign	210,775	-	97,340	-	10,487	318,602
Corporate bonds - domestic	259,996	-	201,302	-	-	461,298
Corporate bonds - foreign	44,028	-	-	-	-	44,028
Mutual funds and money market funds	18,410	546	11,737	10,285	-	40,978
Investment in corporate bond mutual funds	-	-	-	-	33,015	33,015
Collateralized mortgage obligations	18,140	-	33,570	-	-	51,710
Asset-backed pooled securities	2,475	-	-	-	-	2,475
Mortgage-backed pooled securities	102,583	-	104,567	-	-	207,150
Investment in index funds	147,419	18,108	165,845	-	-	331,372
Investment in real estate	60,256	-	52,908	-	-	113,164
Investment in high yield bond fund	-	-	6,272	-	-	6,272
Investment in international equity fund	144,755	6,485	-	-	13,597	164,837
Investment in international bond fund	-	-	-	-	24,652	24,652
Total investments	1,680,340	51,594	960,442	10,285	114,618	2,817,279
Equity in cash and investment pool	-	-	-	1,186	-	1,186
Interest and dividend receivables	7,105	12	4,828	11	98	12,054
Receivable for securities sold	49,928	156	7,737	-	336	58,157
Due from other funds	-	-	-	7,417	-	7,417
Employer and employee contributions receivable	-	-	908	-	3,726	4,634
Collateral held in trust for securities on loan	-	-	174,572	-	12,232	186,804
<b>Total assets</b>	<b>1,781,086</b>	<b>51,762</b>	<b>1,189,996</b>	<b>18,899</b>	<b>138,806</b>	<b>3,180,549</b>
<b>LIABILITIES</b>						
Notes & accounts payable	69,056	-	180,853	8,988	12,585	271,482
Due to other funds	114	303	-	-	-	417
<b>Total liabilities</b>	<b>69,170</b>	<b>303</b>	<b>180,853</b>	<b>8,988</b>	<b>12,585</b>	<b>271,899</b>
<b>NET ASSETS</b>						
Held in trust for pension benefits, pool participants and OPEB	\$ 1,711,916	51,459	1,009,143	9,911	126,221	2,908,650

**FIDUCIARY FUNDS**  
**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS**  
(Thousands of Dollars)  
For the fiscal year ended June 30, 2010

	<b>Pension Trust</b>					
	<b>City Retirement System</b>	<b>Library Retirement System</b>	<b>Memphis Light, Gas and Water Retirement System</b>	<b>City OPEB Trust</b>	<b>Memphis Light, Gas and Water OPEB Trust</b>	<b>Total Pension and OPEB Trust Funds</b>
<b>ADDITIONS</b>						
Contributions:						
Employer	\$ 17,419	226	21,388	26,582	55,689	121,304
Plan members	23,381	226	11,757	9,607	4,213	49,184
Total contributions	40,800	452	33,145	36,189	59,902	170,488
Transfer from other fund	-	-	-	10,121	-	10,121
Investment income:						
Interest and dividend income	56,614	148	28,522	242	2,252	87,778
Securities lending income	-	-	493	-	26	519
Other investment income	2,340	3	78	-	3	2,424
Net appreciation/(depreciation) in the fair value of investments	157,143	5,415	119,822	489	22,186	305,055
Total investment income	216,097	5,566	148,915	731	24,467	395,776
<b>Total Additions</b>	<b>256,897</b>	<b>6,018</b>	<b>182,060</b>	<b>47,041</b>	<b>84,369</b>	<b>576,385</b>
<b>DEDUCTIONS</b>						
Benefits	128,452	3,041	71,211	43,105	23,829	269,638
OPEB expense paid on behalf of OPEB trust	-	-	-	-	18,242	18,242
Administrative expenses	8,242	221	4,200	2,936	1,346	16,945
Refunds of contributions	10,435	-	2,263	-	-	12,698
<b>Total Deductions</b>	<b>147,129</b>	<b>3,262</b>	<b>77,674</b>	<b>46,041</b>	<b>43,417</b>	<b>317,523</b>
<b>Net increase</b>	<b>109,768</b>	<b>2,756</b>	<b>104,386</b>	<b>1,000</b>	<b>40,952</b>	<b>258,862</b>
Net assets - beginning of year	1,602,148	48,703	904,757	8,911	85,269	2,649,788
<b>Net assets - end of year</b>	<b>\$ 1,711,916</b>	<b>51,459</b>	<b>1,009,143</b>	<b>9,911</b>	<b>126,221</b>	<b>2,908,650</b>

See accompanying notes to financial statements.

**ALL FUNDS  
 COMBINED SCHEDULE OF DELINQUENT  
 PROPERTY TAXES RECEIVABLE  
 (Thousands of Dollars)  
 June 30, 2010**

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

<u>Tax Year</u>	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Education</u>	<u>Total (1)</u>
2000	\$ 1,001	414	-	511	1,926
2001	1,235	510	-	631	2,376
2002	1,252	519	2	641	2,414
2003	1,174	487	2	601	2,264
2004	1,693	701	3	867	3,264
2005	2,171	789	4	941	3,905
2006	2,142	779	4	928	3,853
2007	3,879	1,411	6	1,681	6,977
2008	8,423	2,570	12	698	11,703
2009	16,782	5,228	23	1,368	23,401
Total delinquent property taxes receivable	39,752	13,408	56	8,867	62,083
Allowance for uncollectibles	9,938	3,352	14	2,217	15,521
Net delinquent property taxes receivable	\$ 29,814	10,056	42	6,650	46,562
Special assessment tax, net of allowance					190
Total tax, net of allowance					\$ 46,752

(1) As of June 30, 2010, \$21,759 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, 2010**

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

<b>Description, Issue and Final Maturity Dates</b>	<b>Interest Rates (%)</b>	<b>Original Issue</b>	<b>Redemptions</b>	<b>Outstanding At Year End</b>
<b>SEWER COLLECTION AND TREATMENT FUND</b>				
Sanitary Sewerage System Revenue Bonds				
June 2000 to 2020	4.65-5.75	20,000	20,000	-
January 2001 to 2014	4.00-5.25	20,795	10,865	9,930
March 2002 to 2021	4.00-5.00	25,000	6,435	18,565
August 2002 to 2016	3.00-4.30	22,805	13,105	9,700
June 2004 to 2024	3.00-5.25	30,000	5,345	24,655
December 2005 to 2025	3.25-5.00	32,000	4,390	27,610
September 2006 to 2020	4.00-5.00	20,220	1,270	18,950
December 2007 to 2028	4.00-4.50	20,000	1,140	18,860
November 2009 to 2030	3.00-6.30	20,000	-	20,000
<b>Total sewer collection and treatment fund</b>		<b>210,820</b>	<b>62,550</b>	<b>148,270</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	35,770	5,855
November 2008 to 2018	3.00-5.00	1,292,170	442,790	849,380
July 2017 to 2018	4.00-5.00	96,930	-	96,930
Notes Payable:				
First Tennessee Bank	7.58	11,810	10,311	1,499
<b>Total electric division</b>		<b>1,442,535</b>	<b>488,871</b>	<b>953,664</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>-</b>	<b>15,000</b>
<b>Water Division</b>				
Southeast Memphis Suburban Utility District Waterworks Revenue Bonds				
December 2000 to 2012	4.05-5.25	12,575	9,410	3,165
August 2002 to 2009	4.25	16,895	16,895	-
<b>Total water division</b>		<b>29,470</b>	<b>26,305</b>	<b>3,165</b>
<b>Total MLG&amp;W</b>		<b>1,487,005</b>	<b>515,176</b>	<b>971,829</b>
<b>Total revenue bonds</b>		<b>\$ 1,697,825</b>	<b>\$ 577,726</b>	<b>\$ 1,120,099</b>

(1) All MLG&W bonds reflect amounts outstanding at December 31, 2009

(2) In April 2009 MLG&W's Gas Division repaid in full \$35 million in bond anticipation notes issued in September 2008. New anticipation notes were issued in July 2009 for \$15 million.



**SCHEDULE OF GENERAL OBLIGATION DEBT - BY ISSUE**  
**(Thousands of Dollars)**  
**For the fiscal year ended June 30, 2010**

**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	70,340	26,600
February 2004 to 2017	2.00-5.00	34,160	18,505	15,655
November 2004 to 2023	3.00-5.00	125,000	38,940	86,060
March 2005 to 2019	3.25-5.25	166,880	10,210	156,670
June 2005 to 2018	4.00-5.25	115,635	5,000	110,635
February 2006 to 2025	4.25-5.00	115,115	10,910	104,205
December 2006 to 2022	4.00-5.00	89,385	5,570	83,815
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
Total general government serial bonds		1,985,761	841,268	1,144,493
<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	2,882	4,628
<b>TOTAL GENERAL OBLIGATION DEBT</b>		<u>\$ 2,068,671</u>	<u>\$ 844,150</u>	<u>\$ 1,224,521</u>

**SCHEDULE OF GENERAL OBLIGATION DEBT - BY ISSUE**  
**(Thousands of Dollars)**  
**For the fiscal year ended June 30, 2010**

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

Use	Balance Outstanding At Year End
<b>GENERAL OBLIGATION BONDS</b>	
General Improvement	\$ 1,123,443
Schools	12,475
Airport	3,920
Convention Center	737
Port Commission	3,918
	<hr/>
Total general obligation bonds	1,144,493
<b>BOND ANTICIPATION NOTES</b>	75,400
<b>CAPITAL LEASE OBLIGATIONS</b>	4,628
<b>TOTAL GENERAL OBLIGATION DEBT</b>	<hr/> <b>\$ 1,224,521</b> <hr/>

**LONG TERM DEBT PRINCIPAL AND INTEREST REQUIREMENTS  
 PROPRIETARY FUNDS  
 (Thousands of Dollars)  
 For the fiscal year ended June 30, 2010**

**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
2010	-	-	93,848	47,107	93,848	47,107
2011	9,115	6,769	91,960	42,538	101,075	49,307
2012	9,290	6,391	96,815	38,021	106,105	44,412
2013	9,830	5,995	99,700	33,240	109,530	39,235
2014	10,105	5,571	104,675	28,381	114,780	33,952
2015	10,375	5,129	109,905	23,148	120,280	28,277
2016	10,180	4,668	115,270	17,674	125,450	22,342
2017	10,910	4,244	119,700	11,911	130,610	16,155
2018	10,565	3,741	124,956	6,008	135,521	9,749
2019	8,305	3,231	-	-	8,305	3,231
2020	9,300	2,818	-	-	9,300	2,818
2021	8,180	2,360	-	-	8,180	2,360
2022	8,575	1,944	-	-	8,575	1,944
2023	6,410	1,570	-	-	6,410	1,570
2024	6,710	1,243	-	-	6,710	1,243
2025	7,020	900	-	-	7,020	900
2026	4,980	601	-	-	4,980	601
2027	2,705	406	-	-	2,705	406
2028	2,825	258	-	-	2,825	258
2029	1,415	137	-	-	1,415	137
2030	1,475	46	-	-	1,475	46
<b>Total</b>	<b>\$ 148,270</b>	<b>58,022</b>	<b>956,829</b>	<b>248,028</b>	<b>1,105,099</b>	<b>306,050</b>

(1) At 12-31-09

**SCHEDULE OF INTERFUND BALANCES**  
 (Thousands of Dollars)  
 June 30, 2010

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

Primary Government													
Governmental Fund Types													
General Fund	Drug Enforcement	Mid-town Corridor	Capital Projects	Debt Service	Printing and Mail	Health Insurance	Fleet Management	City OPEB Trust	Pension Trust	Proprietary Funds			Total Payables - Reporting Entity.
										Internal Service			
<b>GOVERNMENTAL FUND TYPES</b>													
<b>Special Revenue:</b>													
\$	10,083	2,805	-	-	60	5,000	34	7,000	-	-	-	24,982	
	3,069	-	-	295	-	-	-	-	-	-	-	3,364	
	-	2,467	-	-	-	-	-	-	-	-	-	2,467	
	-	20	1,117	-	-	-	-	-	-	-	-	1,137	
	3,301	-	-	-	-	-	-	-	-	-	-	3,301	
	-	-	8,104	-	-	-	-	-	-	-	-	8,104	
	-	-	-	6,365	-	-	-	-	-	-	-	6,365	
<b>Capital Projects</b>													
<b>PROPRIETARY FUND TYPES</b>													
<b>Enterprise:</b>													
	4,612	-	-	-	-	-	-	-	-	-	-	4,612	
	-	-	-	10,339	-	-	-	-	-	-	-	10,339	
<b>Internal Service:</b>													
	1,649	-	-	-	-	-	-	-	-	-	-	1,649	
	1,817	-	-	-	-	-	-	-	-	-	-	1,817	
<b>FIDUCIARY FUND TYPES</b>													
<b>Pension Trust:</b>													
	-	-	-	-	-	-	-	114	-	-	-	114	
	-	-	-	-	-	-	-	303	-	-	-	303	
<b>Total receivables - primary govt.</b>													
	24,531	5,292	1,117	8,104	60	5,000	34	7,417	-	-	-	68,554	
<b>Total receivables - reporting entity</b>													
\$	24,531	5,292	1,117	8,104	60	5,000	34	7,417	-	-	-	68,554	

**SCHEDULE OF INTERFUND TRANSFERS**  
 (Thousands of Dollars)  
 For the fiscal year ended June 30, 2010

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

Primary Government

	Governmental Fund Types										Business Type Activities		
	Governmental Fund Types					Nonmajor Special Revenue					Business Type Activities		
	General Fund	Debt Service	Miscellaneous Grants	Hotel/Motel Tax	New Memphis Arena	Community Redevelopment	Education fund	Storm water	OPEB Trust Fund	Fiduciary	Enterprise	Storm water	Total Transfers Out
<b>GOVERNMENTAL FUND TYPES</b>													
General Fund	\$ -	2,820	32	-	-	2,358	40,000	452	-	-	452	-	45,662
<b>Special Revenue:</b>													
Slate street aid	-	1,768	-	-	-	-	-	-	-	-	-	-	1,768
Hotel/Motel tax	-	1,027	-	-	791	-	-	-	-	-	-	-	1,818
New Memphis arena	-	3,478	-	791	-	-	-	-	-	-	-	-	4,269
Community redevelopment	-	2,043	-	-	-	-	-	-	-	-	-	-	2,043
<b>PROPRIETARY FUND TYPES</b>													
<b>Enterprise:</b>													
Sewer collection and treatment	5,839	-	-	-	-	-	-	-	-	-	-	-	5,839
Memphis light, gas and water	52,698	-	-	-	2,500	-	-	-	-	-	-	-	55,198
Storm water	-	4,412	-	-	-	-	-	-	-	-	-	-	4,412
<b>Internal Service:</b>													
Health insurance	-	-	-	-	-	-	-	-	10,121	-	-	-	10,121
<b>Total transfers in</b>	\$ 58,537	15,548	32	791	3,291	2,358	40,000	452	10,121	-	452	10,121	131,130



**SCHEDULE OF ADDITIONS AND RETIREMENTS  
TO UTILITY PLANT  
(Thousands of Dollars)  
For the fiscal year ended June 30, 2010**

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

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

	<b>Balance January 1, 2009</b>	<b>Additions</b>	<b>Deletions</b>	<b>Transfers</b>	<b>Balance December 31, 2009</b>
Electric Division	\$ 1,330,466	52,520	(14,249)	-	1,368,737
Gas Division	523,960	18,272	(11,997)	-	530,235
Water Division	405,113	15,669	(2,694)	-	418,088
<b>Total</b>	<b>\$ 2,259,539</b>	<b>86,461</b>	<b>(28,940)</b>	<b>-</b>	<b>2,317,060</b>

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

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

	<b>Balance July 1, 2009</b>	<b>Additions</b>	<b>Deletions</b>	<b>Transfers</b>	<b>Balance June 30, 2010</b>
Land and buildings	\$ 119,782	-	-	-	119,782
Improvements other than buildings	497,154	5,178	(2)	-	502,330
Equipment and furniture	22,803	2,068	(883)	23	24,011
Construction work in progress <sup>3</sup>	18,578	9,932	(4,666)	-	23,844
<b>Total</b>	<b>\$ 658,317</b>	<b>17,178</b>	<b>(5,551)</b>	<b>23</b>	<b>669,967</b>

<sup>1</sup> MLG&W 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 July 1, 2009 balance

**SCHEDULE OF FUNDING PROGRESS  
OTHER POSTEMPLOYMENT BENEFITS (OPEB)  
(Thousands of Dollars)  
For the fiscal year ended June 30, 2010**

**CITY OF MEMPHIS**

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, 2008	\$0	\$857,062	\$857,062	0.0%	\$283,789	302.0%
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%

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

Source: 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, 2010

	<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	\$ 413,460	413,460	420,879	7,419
State taxes (local share)	61,654	61,654	54,714	(6,940)
Licenses and permits	11,697	11,697	11,119	(578)
Fines and forfeitures	11,632	11,632	12,162	530
Charges for services	28,776	29,359	31,815	2,456
Investment income	3,516	3,516	980	(2,536)
Federal grants	371	371	814	443
State grants	1,283	1,706	1,761	55
Intergovernmental revenues	3,802	5,085	4,488	(597)
Other	6,813	6,858	9,252	2,394
<b>Total revenues</b>	<b>543,004</b>	<b>545,338</b>	<b>547,984</b>	<b>2,646</b>
<b>EXPENDITURES</b>				
General government	134,208	146,059	142,349	3,710
Public safety	379,777	370,119	368,995	1,124
Community services	64,139	65,059	63,484	1,575
Transportation and environment	9,782	7,469	6,664	805
<b>Total expenditures</b>	<b>587,906</b>	<b>588,706</b>	<b>581,492</b>	<b>7,214</b>
Revenues under expenditures	(44,902)	(43,368)	(33,508)	9,860
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	57,512	57,512	58,537	1,025
Transfers out	(4,853)	(45,734)	(45,662)	72
<b>Total other financing sources and uses</b>	<b>\$ 52,659</b>	<b>11,778</b>	<b>12,875</b>	<b>1,097</b>
Adjustment for encumbrances - prior year			(8,023)	
Adjustment for encumbrances - current year			6,623	
Revenues over expenditures (GAAP basis)			<b>\$ (22,033)</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, 2010**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance with Final Budget- Positive (Negative)</b>
<b>REVENUES</b>				
Local taxes	\$ 79,729	79,729	84,288	4,559
Hotel/motel tax	400	400	400	-
Investment income	2,000	2,000	254	(1,746)
Intergovernmental revenue:				-
Memphis-Shelby County Airport Authority	2,074	2,074	2,074	-
Memphis-Shelby County Port Commission	423	423	274	(149)
MHA	2,053	2,053	-	(2,053)
Total intergovernmental revenue	<u>4,550</u>	<u>4,550</u>	<u>2,348</u>	<u>(2,202)</u>
Other	<u>1,431</u>	<u>1,431</u>	<u>1,079</u>	<u>(352)</u>
<b>Total revenues</b>	<u>88,110</u>	<u>88,110</u>	<u>88,369</u>	<u>259</u>
<b>EXPENDITURES</b>				
Redemption of serial bonds and notes	64,938	64,938	61,803	3,135
Interest	53,992	53,992	53,866	126
Other	350	350	1,248	(898)
<b>Total expenditures</b>	<u>119,280</u>	<u>119,280</u>	<u>116,917</u>	<u>2,363</u>
<b>Revenues under expenditures</b>	<u>(31,170)</u>	<u>(31,170)</u>	<u>(28,548)</u>	<u>2,622</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	13,057	13,057	15,548	2,491
Proceeds from Refunded Debt	-	-	175,209	175,209
Retirement of Refunded Debt	-	-	(174,017)	(174,017)
<b>Total other financing sources and uses</b>	<u>13,057</u>	<u>13,057</u>	<u>16,740</u>	<u>3,683</u>
Net change in fund balances	<u>\$ (18,113)</u>	<u>(18,113)</u>	<u>(11,808)</u>	<u>6,305</u>
Fund balance - beginning of year			46,488	
<b>Fund balance - end of year</b>			<u>\$ 34,680</u>	

**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	2010
<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	
Restricted for:										
Debt service and construction	28,648	30,874	42,297	-	-	-	-	-	-	-
Contracted grant programs	3,744	5,068	3,718	-	-	-	-	-	-	-
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)	
Total governmental activities net assets	68,499	74,186	218,124	175,198	182,808	218,392	143,964	93,250	(86,052)	
<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	
Restricted for debt service and construction	143,894	161,117	89,222	90,115	89,905	118,799	88,703	91,215	75,615	
Unrestricted	144,152	114,184	151,995	156,991	209,677	215,600	232,880	208,828	253,616	
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	
<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	
Restricted for:										
Debt service and construction	172,542	191,991	131,519	90,115	89,905	118,799	88,703	91,215	75,615	
Contracted grant programs	3,744	5,068	3,718	-	-	-	-	-	-	
Unrestricted	122,960	59,865	(22,988)	(18,792)	56,102	271,185	278,731	198,627	143,537	
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	

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

**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
<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
Public Safety	5,294	2,673	1,725	2,459	3,785	4,584	5,203	6,420	4,230
Community services	642	125	125	125	125	125	147	137	137
Transportation and environment	25,836	22,325	22,011	21,942	46,097	47,937	47,790	50,391	50,438
Operating grants and contributions	54,046	60,476	89,832	57,424	56,472	49,415	49,822	56,402	69,135
Capital grants and contributions	26,858	5,195	1,598	3,785	1,494	1,201	3,217	3,217	3,217
<b>Total governmental activities program revenues</b>	<b>162,899</b>	<b>134,398</b>	<b>160,307</b>	<b>119,516</b>	<b>153,473</b>	<b>175,201</b>	<b>177,577</b>	<b>184,447</b>	<b>200,925</b>
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
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
Golf	-	3,395	3,204	3,079	2,934	2,963	-	-	-
Storm water	-	-	-	-	927	12,988	16,983	19,680	21,897
Operating grants and contributions	28,385	21,675	22,268	22,675	23,205	24,117	25,185	26,705	28,377
Capital grants and contributions	3,256	4,032	7,344	4,544	5,805	6,306	1,766	524	800
<b>Total business-type activities program revenues</b>	<b>1,298,087</b>	<b>1,222,220</b>	<b>1,325,679</b>	<b>1,444,851</b>	<b>1,635,078</b>	<b>1,702,300</b>	<b>1,745,822</b>	<b>1,918,791</b>	<b>1,755,430</b>
<b>Total primary government program revenues</b>	<b>1,460,986</b>	<b>1,356,618</b>	<b>1,485,986</b>	<b>1,564,367</b>	<b>1,788,551</b>	<b>1,877,501</b>	<b>1,923,399</b>	<b>2,103,238</b>	<b>1,956,355</b>
<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
Public safety	279,997	308,308	310,624	318,106	340,621	362,050	394,476	410,303	482,281
Community services	150,659	102,013	154,950	107,129	101,488	108,341	96,130	114,776	129,722
Transportation and environment	92,735	75,753	71,821	59,523	66,262	72,106	81,492	79,396	81,539
Education	109,113	89,192	84,465	85,144	91,225	91,405	91,392	21,846	117,118
Interest on long term debt	33,152	38,604	42,443	37,142	43,583	44,772	50,250	48,046	58,472
<b>Total governmental activities expenses</b>	<b>798,824</b>	<b>784,685</b>	<b>823,308</b>	<b>794,149</b>	<b>833,975</b>	<b>878,858</b>	<b>985,646</b>	<b>924,074</b>	<b>1,092,905</b>
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
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
Golf	-	4,683	4,589	4,270	4,153	3,893	-	-	-
Storm water	-	-	-	-	1,343	7,223	13,480	13,419	12,571
<b>Total business-type activities expenses</b>	<b>1,275,230</b>	<b>1,210,497</b>	<b>1,315,201</b>	<b>1,453,157</b>	<b>1,562,148</b>	<b>1,636,471</b>	<b>1,694,790</b>	<b>1,861,720</b>	<b>1,689,995</b>
<b>Total primary government expenses</b>	<b>2,074,054</b>	<b>1,995,182</b>	<b>2,138,509</b>	<b>2,247,306</b>	<b>2,396,123</b>	<b>2,515,329</b>	<b>2,680,436</b>	<b>2,785,794</b>	<b>2,782,900</b>
<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)
Business-type activities	22,857	11,723	10,478	(8,306)	72,930	65,829	51,032	57,071	65,435
<b>Total primary government net expense</b>	<b>(613,068)</b>	<b>(638,564)</b>	<b>(652,523)</b>	<b>(682,939)</b>	<b>(607,572)</b>	<b>(637,828)</b>	<b>(757,037)</b>	<b>(682,556)</b>	<b>(826,545)</b>
<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
State taxes (local share)	71,210	71,561	68,806	75,441	83,602	92,554	96,193	88,203	87,751
Hotel/motel tax	3,514	3,599	3,706	3,936	4,399	4,607	4,740	4,244	4,017
Unrestricted investment earnings	6,155	2,230	1,236	-	3,596	7,907	7,367	5,614	1,402
Federal grants and entitlements	-	-	-	909	-	-	-	-	-
Intergovernmental revenues	10,334	12,942	8,746	10,227	-	14,171	9,315	4,163	4,944
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
Transfers	1,300	1,300	1,588	1,587	43,929	59,966	59,113	46,998	64,997
<b>Total governmental activities</b>	<b>616,425</b>	<b>599,884</b>	<b>636,099</b>	<b>641,759</b>	<b>688,112</b>	<b>732,569</b>	<b>739,017</b>	<b>688,876</b>	<b>712,678</b>
Business-type activities:									
Investment earnings	17,734	16,112	17,840	61,792	63,619	69,910	74,064	62,356	50,516
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)
<b>Total business-type activities</b>	<b>16,441</b>	<b>14,812</b>	<b>16,252</b>	<b>60,205</b>	<b>19,690</b>	<b>9,944</b>	<b>12,305</b>	<b>2,919</b>	<b>(14,481)</b>
<b>Total primary government</b>	<b>632,866</b>	<b>614,696</b>	<b>652,351</b>	<b>701,964</b>	<b>707,802</b>	<b>742,513</b>	<b>751,322</b>	<b>691,795</b>	<b>698,197</b>
<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)
Business-type activities	39,298	26,535	26,730	51,899	92,620	75,773	63,337	59,990	50,944
<b>Total primary government</b>	<b>\$ 19,798</b>	<b>\$ (23,868)</b>	<b>\$ (172)</b>	<b>\$ 19,025</b>	<b>\$ 100,230</b>	<b>\$ 104,685</b>	<b>\$ (5,715)</b>	<b>\$ 9,239</b>	<b>\$ (128,358)</b>

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

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

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

	Fiscal Year									
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
<b>General fund</b>										
Reserved	8,055	11,949	8,595	6,804	5,312	4,194	6,747	8,945	9,691	8,299
Unreserved	53,457	57,680	53,189	19,598	(4,100)	29,746	72,093	89,613	96,912	76,271
Total general fund	61,512	69,629	61,784	26,402	1,212	33,940	78,840	98,558	106,603	84,570
<b>All other governmental funds</b>										
Reserved	8,119	1,145	-	477	-	-	-	-	-	-
Unreserved, reported in:										
Debt service fund	10,866	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	4,923	(6,927)	(6,542)	(5,235)	(4,208)	(2,275)	6,602	6,305	4,888	6,179
Total all other governmental funds	23,908	14,204	15,395	28,567	4,137	566	27,868	77,694	118,615	114,889
<b>Total governmental funds</b>	\$ 85,420	83,833	77,179	54,969	5,349	34,506	106,708	176,252	225,218	199,459

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									
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
<b>Revenues</b>										
Local taxes	388,143	496,695	493,984	516,952	522,876	533,045	540,282	548,095	525,468	534,141
State taxes (local share)	73,298	71,210	71,561	68,806	75,441	83,602	92,554	96,193	88,203	87,751
Hotel/motel tax	2,034	3,514	3,599	3,706	3,936	4,399	4,607	4,740	4,244	4,017
Licenses and permits	11,852	11,731	11,921	12,257	12,059	12,478	11,918	11,934	11,427	11,119
Fines and forfeitures	13,389	13,560	13,118	12,574	13,639	13,009	13,422	15,243	16,657	16,392
Charges for services	38,032	40,464	40,105	41,269	41,139	66,941	72,307	76,788	78,339	82,851
Investment income	11,199	6,165	2,180	1,221	855	3,076	7,411	7,367	5,183	1,301
Federal grants and entitlements	30,785	46,640	41,042	46,757	41,559	35,212	41,673	37,359	40,175	58,123
State grants	5,951	8,226	9,723	29,202	10,506	4,202	4,449	7,908	12,456	5,929
Intergovernmental revenues	35,162	32,613	15,723	14,145	16,370	15,948	14,705	11,207	6,055	6,836
Other	20,602	21,073	22,987	28,321	18,562	18,457	14,548	18,420	13,430	13,696
<b>Total revenues</b>	<b>630,447</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>Expenditures</b>										
General government	108,317	128,826	149,055	158,736	148,520	141,436	141,541	167,215	185,741	177,049
Public safety	251,911	265,815	286,251	297,205	309,341	320,190	323,691	347,366	367,366	374,182
Instruction and administration	-	-	-	-	-	80,029	-	-	-	-
Community services	70,639	105,395	77,709	104,584	91,668	65,189	91,404	91,945	97,700	109,092
Transportation and environment	58,628	63,690	61,886	71,126	60,190	-	68,199	74,256	76,725	73,687
Education	-	80,487	79,590	83,974	85,446	90,946	91,952	92,438	23,919	62,825
Capital outlay	187,595	140,011	98,019	91,161	146,723	98,737	62,416	79,089	91,800	86,656
Debt service:										
Redemption of serial bonds and notes	47,528	45,292	43,341	50,792	52,385	46,046	36,528	42,925	58,565	61,803
Interest	39,179	33,847	37,258	40,310	37,065	43,338	46,738	49,015	52,451	53,866
Bond issuance cost	130	182	-	207	3,495	416	940	1,932	1,399	2,783
Service charges	690	675	303	1,221	405	624	1,308	581	523	196
<b>Total expenditures</b>	<b>764,617</b>	<b>864,220</b>	<b>833,412</b>	<b>899,316</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>
Excess of revenues over (under) expenditures	(134,170)	(112,329)	(107,469)	(124,106)	(178,296)	(96,582)	(46,841)	(111,508)	(154,552)	(179,983)
<b>Other financing sources (uses)</b>										
Transfers in	52,848	176,386	54,571	62,037	54,981	93,393	82,184	70,310	87,226	120,557
Transfers out	(65,196)	(179,211)	(53,271)	(60,449)	(53,394)	(37,073)	(22,218)	(11,197)	(25,143)	(55,560)
Proceeds from issuance of debt	92,000	337,377	125,176	134,160	507,515	188,030	220,712	189,735	284,495	393,440
Retirement of refunded debt obligation	-	(228,570)	(24,257)	(36,343)	(410,290)	(120,385)	(175,172)	(70,000)	(150,000)	(322,487)
Bond issuance cost	-	-	-	-	-	(839)	(788)	-	-	-
Premium on debt issue	-	-	-	2,491	39,916	2,615	12,855	2,204	6,903	18,274
Other financing source-capital lease/capital outlay	1,880	6,040	4,310	-	-	-	-	-	-	-
Other	-	-	(1,093)	-	-	-	-	-	-	-
<b>Total other financing sources</b>	<b>81,532</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>Net change in fund balances/(deficit)</b>	<b>(52,638)</b>	<b>(307)</b>	<b>(2,033)</b>	<b>(22,210)</b>	<b>(39,568)</b>	<b>29,159</b>	<b>70,792</b>	<b>69,544</b>	<b>48,929</b>	<b>(25,759)</b>
Debt service as a percentage of noncapital expenditures	15.2%	11.0%	11.0%	11.4%	11.8%	11.5%	10.7%	10.9%	13.1%	13.0%

**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									
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
General Government										
Legislative	1,311	1,372	1,419	1,487	1,411	1,368	1,541	1,598	1,560	1,515
Judicial	448	501	503	511	513	525	523	623	587	576
Court clerk	2,170	2,942	2,513	2,686	2,901	2,886	2,796	3,393	3,378	4,042
Executive	1,769	1,818	1,868	2,120	2,442	2,475	2,862	8,257	7,688	6,545
Finance and administration	6,387	5,498	5,249	6,035	4,952	4,560	4,004	4,627	5,141	5,018
City attorney	4,503	5,492	5,646	7,164	11,180	9,783	13,040	13,945	17,789	14,506
City engineer	8,276	8,207	8,226	9,924	8,279	8,785	4,980	5,146	6,224	5,327
Information systems	-	-	10,026	15,747	11,897	13,315	13,983	17,224	17,699	18,850
Human resources	3,238	3,460	3,353	3,448	2,920	2,786	4,708	6,188	8,116	7,787
General services	12,454	12,796	13,871	14,203	12,302	11,288	10,365	10,834	12,348	11,730
Special appropriations	39,959	52,895	54,517	58,618	59,600	58,842	56,554	61,039	73,116	66,797
<b>Total general government</b>	<b>80,515</b>	<b>94,981</b>	<b>107,191</b>	<b>121,943</b>	<b>118,397</b>	<b>116,613</b>	<b>115,356</b>	<b>132,874</b>	<b>153,646</b>	<b>142,693</b>
Public Safety										
Police	146,253	152,986	162,299	173,972	178,632	181,979	181,512	193,024	206,326	212,492
Fire	99,360	107,450	117,259	119,639	128,336	135,586	138,394	149,747	156,772	157,063
<b>Total public safety</b>	<b>245,613</b>	<b>260,436</b>	<b>279,558</b>	<b>293,611</b>	<b>306,968</b>	<b>317,565</b>	<b>319,906</b>	<b>342,771</b>	<b>363,098</b>	<b>369,555</b>
Community Services										
Library	18,630	21,657	21,096	21,126	19,854	18,574	-	-	-	-
Parks and recreation	30,395	28,404	24,455	26,033	22,068	21,268	23,307	31,017	29,678	29,992
Public Service	10,435	11,753	11,985	12,382	8,712	7,070	24,687	21,627	22,557	21,821
Community development	3,354	4,910	4,805	4,718	6,936	4,640	5,763	4,743	4,717	5,093
Community enhancement	-	-	-	-	-	-	-	2,684	6,860	7,280
<b>Total community services</b>	<b>62,814</b>	<b>66,724</b>	<b>62,341</b>	<b>64,259</b>	<b>57,570</b>	<b>51,552</b>	<b>53,757</b>	<b>60,071</b>	<b>63,812</b>	<b>64,186</b>
Transportation and Environment										
Public works	18,090	18,318	18,857	19,614	17,143	18,197	5,769	6,676	8,460	6,458
<b>Total transportation and environment</b>	<b>18,090</b>	<b>18,318</b>	<b>18,857</b>	<b>19,614</b>	<b>17,143</b>	<b>18,197</b>	<b>5,769</b>	<b>6,676</b>	<b>8,460</b>	<b>6,458</b>
Transfers out - primary	27,366	28,181	23,052	34,814	22,134	10,476	13,177	3,448	8,383	45,662
Transfers out - component unit (1)	14,000	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>\$ 448,398</b>	<b>468,640</b>	<b>490,999</b>	<b>534,241</b>	<b>522,212</b>	<b>514,403</b>	<b>507,965</b>	<b>545,840</b>	<b>597,399</b>	<b>628,554</b>

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

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

**ASSESSED AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY  
Last ten fiscal years**

Fiscal Year	Utilities and Carriers (55%) (Real and Personal) (1)										Total Assessed to Total Market Value	Total Direct Tax Rate		
	Real Property			Personal Property			Privately Owned						Total Assessed Value	Estimated Actual Value
	Farm and Residential(25%)	Commercial and Industrial(40%)(3)	Commercial and Industrial(30%)(2)	Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value					
2001	\$ 3,840,642,800	\$ 15,362,571,200	\$ 4,076,629,418	\$ 10,359,736,580	\$ 1,003,553,475	\$ 3,340,403,600	\$ 776,925,512	\$ 1,412,591,840	\$ 9,697,751,205	\$ 30,475,303,220	31.82%	\$ 3,3700		
2002	3,825,350,400	15,301,401,600	3,980,384,369	10,112,159,800	1,054,764,970	3,511,817,900	904,397,490	1,644,359,073	9,764,897,229	30,569,738,373	31.94%	3,2304		
2003	4,196,715,250	16,786,861,000	4,105,623,644	10,437,117,200	1,051,851,210	3,501,707,400	846,729,349	1,539,507,907	10,200,919,453	32,265,193,507	31.62%	3,2304		
2004	4,239,551,575	16,988,206,300	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	911,876,305	1,658,138,736	11,389,792,425	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		

(1) Does not include City-owned utilities (Electric and Gas Divisions) which are assessed 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**

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
<b>City Direct Rates</b>										
General Fund	\$ 1.7510	\$ 1.6785	\$ 1.6753	\$ 1.6753	\$ 1.6753	\$ 1.9088	\$ 1.9088	\$ 1.9088	\$ 2.3427	\$ 2.2917
Debt Service	0.7241	0.6941	0.6941	0.6941	0.6941	0.6941	0.6941	0.6941	0.7141	0.7141
CJP	0.0000	0.0000	0.0032	0.0032	0.0032	0.0032	0.0032	0.0032	0.0032	0.0031
Education	0.8949	0.8578	0.8578	0.8578	0.8578	0.8271	0.8271	0.8271	0.1900	0.1868
<b>Total City Direct Rate</b>	<b>3.3700</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>County Direct Rates</b>										
General Fund	1.38	1.25	1.25	1.43	1.43	1.31	1.22	1.22	1.22	1.23
Debt Service	0.51	0.51	0.51	0.58	0.58	0.70	0.80	0.80	0.80	0.81
Education	1.65	2.03	2.03	2.03	2.03	2.03	2.02	2.02	2.02	1.98
<b>Total County Direct Rate</b>	<b>3.54</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>Total Overlapping Rate</b>	<b>6.9100</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>Tax Levies</b>										
City	\$ 284,214,898	\$ 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
County	447,808,677	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
<b>Total Tax Levies</b>	<b>732,023,575</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>

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**

Name of Taxpayer	2010		2001		Name of Taxpayer	2001		Percentage of Total Taxable Assessed Value
	Taxable Assessed Value	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Percentage of Total Taxable Assessed Value				
Federal Express	\$ 416,493,826	3.46	\$ 352,498,952	3.64	Federal Express	352,498,952	3.64	
Bell South Telecommunications	106,678,551	0.89	148,611,496	1.53	Bell South Telecommunications	148,611,496	1.53	
Wolfchase Galleria, LTD	60,006,960	0.50	61,304,080	0.63	Wolfchase Galleria, LTD	61,304,080	0.63	
Cargill, Inc.	31,218,490	0.26	64,436,292	0.66	Baptist Memorial Hospital	64,436,292	0.66	
Delta Airlines, Inc. (Northwest)	26,432,693	0.22	36,956,840	0.38	AMISUB (St. Francis Hospital) Inc.	36,956,840	0.38	
BNSF Railway Company	26,314,885	0.22	28,955,985	0.30	Belz Enterprises	28,955,985	0.30	
Pinnacle Airlines, Inc.	25,686,283	0.21	26,373,063	0.27	Northwest Airlines, Inc.	26,373,063	0.27	
HRLP Crescent Center LLC	23,425,880	0.19	25,575,640	0.26	Shopping Center Associates	25,575,640	0.26	
Shopping Center Associates	21,990,080	0.18	25,069,810	0.26	Williams Refining LLC	25,069,810	0.26	
AT & T Mobility LLC	21,918,007	0.18	22,000,000	0.23	TrizecHalhn TBI Clark Tower LLC	22,000,000	0.23	
<b>Total Assessed Valuation of Top 10 Taxpayers</b>	<b>760,165,655</b>	<b>6.31</b>	<b>791,782,158</b>	<b>8.16</b>				
<b>Balance of Assessed Valuation</b>	<b>11,293,187,875</b>	<b>93.69</b>	<b>8,905,969,047</b>	<b>91.84</b>				
	<b>\$ 12,053,353,530</b>	<b>100.00</b>	<b>\$ 9,697,751,205</b>	<b>100.00</b>				

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 Tax Collections	Total Collections as Percent of Current Levy	Prior Years Outstanding Delinquent Taxes	Outstanding Delinquent Taxes as Percent of Current Levy
2001	\$ 284,214,898	\$ 260,938,982	91.81	\$ 10,690,611	\$ 271,629,593	\$ 271,629,593	95.57	\$ 22,693,903	7.98
2002	314,190,509	293,021,608	93.26	11,780,320	304,801,928	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	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	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	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	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	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	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	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	377,140,730	96.86	38,682,060	9.94

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>
2001	\$ 1,045	\$ 583	\$ 6,345	\$ 7,973
2002	92	52	242	386
2003	78	4	2,438	2,520
2004	389	217	47	653
2005	344	192	3,072	3,608
2006	7,218	4,032	11,100	22,350
2007	2,533	1,415	838	4,786
2008	2,533	1,415	-	3,948
2009	9,281	1,436	-	10,717
2010	-	-	-	-

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			
2001	676,236	92,000	4,835	3,255	4,714	1,880	87,115	127,240	-	47,695	1,044,970	2.88%	1,546
2002	805,434	45,000	3,436	1,100	3,929	7,249	106,355	102,689	-	40,960	1,116,152	2.98%	1,656
2003	863,161	25,000	2,302	-	3,143	10,053	101,435	101,513	-	40,960	1,147,567	2.97%	1,705
2004	814,360	125,000	1,108	-	2,357	4,215	124,835	1,453,252	-	34,230	2,559,357	6.26%	3,809
2005	882,312	125,000	189	-	1,571	2,626	117,790	1,364,214	-	27,150	2,520,852	5.90%	3,751
2006	915,315	114,000	-	-	786	970	142,410	1,290,175	-	19,710	2,483,366	5.55%	3,668
2007	971,679	70,000	-	-	-	-	133,700	1,212,702	-	13,940	2,402,021	5.33%	3,564
2008	1,030,302	90,000	-	-	-	7,510	145,410	1,131,360	40,000	10,965	2,455,547	5.44%	3,643
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

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

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

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

For the Fiscal Years Ended June 30

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Estimated population (4)	676,087	674,478	673,120	671,929	672,277	677,345	674,028	674,028	669,651	676,640
Appraised property valuation (3)	\$ 30,475,303	\$ 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
Assessed valuation (3)	\$ 9,697,751	\$ 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
Total general obligation debt (1) (3)	\$ 782,920	\$ 866,148	\$ 903,659	\$ 947,040	\$ 1,011,698	\$ 1,031,071	\$ 1,042,744	\$ 1,127,812	\$ 1,201,802	\$ 1,224,521
Self-supporting debt (2) (3)	\$ 43,008	\$ 38,599	\$ 34,259	\$ 29,656	\$ 25,386	\$ 21,539	\$ 17,663	\$ 13,565	\$ 11,137	\$ 8,575
Net Debt (3)	\$ 739,912	\$ 827,549	\$ 869,400	\$ 917,384	\$ 986,312	\$ 1,009,532	\$ 1,025,081	\$ 1,114,247	\$ 1,190,665	\$ 1,215,946
Bonded debt per capita - total debt	\$ 1,158	\$ 1,284	\$ 1,342	\$ 1,409	\$ 1,505	\$ 1,522	\$ 1,547	\$ 1,673	\$ 1,795	\$ 1,810
Bonded debt per capita - net debt	\$ 1,094	\$ 1,227	\$ 1,292	\$ 1,365	\$ 1,467	\$ 1,490	\$ 1,521	\$ 1,653	\$ 1,778	\$ 1,797
Bonded debt to appraised valuation -total debt	2.57%	2.83%	2.80%	2.98%	2.85%	2.89%	2.85%	3.07%	3.02%	3.16%
Bonded debt to appraised valuation -net debt	2.43%	2.71%	2.69%	2.88%	2.77%	2.83%	2.80%	3.03%	3.00%	3.13%
Bonded debt to assessed valuation -total debt	8.07%	8.87%	8.86%	9.48%	9.11%	9.24%	9.17%	9.90%	9.74%	10.16%
Bonded debt to assessed valuation -net debt	7.63%	8.47%	8.52%	9.18%	8.88%	9.05%	9.02%	9.78%	9.65%	10.09%

(1) Debt includes City general obligation bonds and capital lease obligations (2001-2010).

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

(3) In thousands of dollars.

(4) Source-U.S. Census Bureau

**DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT**  
**(Thousands of Dollars)**  
**As of June 30, 2010**

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

	Debt Outstanding	Estimated Percentage Applicable(1)	Estimated Share of Overlapping Debt(2)
<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)	3,920	100%	3,920
City of Memphis (5)	<u>1,128,098</u>	100%	<u>1,128,098</u>
	1,144,493		1,144,493
Bond anticipation notes	75,400	100%	75,400
Notes payable	-	100%	-
Capital lease obligations	<u>4,628</u>	100%	<u>4,628</u>
Total direct government indebtedness (3)	<u>1,224,521</u>		<u>1,224,521</u>
<u>Overlapping bonded indebtedness:</u>			
Shelby County debt	<u>1,707,260</u>	62.6%	<u>1,068,745</u>
Total overlapping bonded indebtedness	<u>1,707,260</u>		<u>1,068,745</u>
 Total direct and overlapping debt (4)	 <u>\$ 2,931,781</u>		 <u>2,293,266</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 \$34,680 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									
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Debt capacity limit	\$ 1,163,730	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
Total net debt applicable to limit	739,912	827,549	869,400	917,384	986,312	1,009,532	1,033,129	1,114,247	1,190,665	1,215,946
Legal debt capacity margin balance	\$ 423,818	344,239	354,710	281,770	346,725	329,199	331,246	252,861	290,346	230,456
Total net debt applicable to the limit as a percentage of debt limit	63.58%	70.62%	71.02%	76.50%	73.99%	75.41%	75.72%	81.50%	80.40%	84.07%

**Legal Debt Margin Calculation for Fiscal Year 2010**

Total assessed value	\$ 12,053,354
Debt capacity limit (12% of total assessed value)	1,446,402
Debt applicable to limit:	
Total bonded debt	\$ 1,224,521
Less self-supporting debt	(8,575)
Total net debt applicable to limit	1,215,946
Legal debt capacity margin balance	\$ 230,456



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

**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>					
2000	880,013	795,727	84,286	17,907	4.71
2001	850,979	787,456	63,523	31,551	2.01
2002	865,160	811,969	53,191	72,244	0.74
2003	871,138	822,527	48,611	60,028	0.81
2004	952,976	869,830	83,146	22,961	3.62
2005	1,076,882	886,428	190,454	138,202	1.38
2006	1,180,252	990,437	189,815	138,796	1.37
2007	1,217,396	1,025,267	192,129	140,301	1.37
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
<b>GAS DIVISION (1)</b>					
2000	263,824	236,133	27,691	-	N/A
2001	350,999	345,263	5,736	619	9.27
2002	261,799	243,950	17,849	-	N/A
2003	356,076	334,113	21,963	-	N/A
2004	368,318	361,357	6,961	-	N/A
2005	486,503	450,367	36,136	-	N/A
2006	435,679	417,510	18,169	-	N/A
2007	448,258	430,325	17,933	-	N/A
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
<b>WATER DIVISION (1)</b>					
2000	67,511	38,244	29,267	8,826	3.32
2001	61,117	41,738	19,379	9,117	2.13
2002	56,447	43,568	12,879	6,641	1.94
2003	56,432	47,720	8,712	8,427	1.03
2004	69,605	54,789	14,816	8,596	1.72
2005	75,279	55,158	20,121	6,565	3.06
2006	79,559	58,606	20,953	3,554	5.90
2007	81,175	63,471	17,704	3,546	4.99
2008	82,433	65,470	16,963	3,545	4.79
2009	80,295	65,676	14,619	5,133	2.85
<b>SEWER COLLECTION AND TREATMENT FUND (2)</b>					
2001	45,845	29,568	16,277	11,364	1.43
2002	40,354	30,779	9,575	10,002	0.96
2003	39,749	33,690	6,059	11,174	0.54
2004	35,935	31,038	4,897	12,354	0.40
2005	47,652	33,495	14,157	12,693	1.12
2006	50,278	30,782	19,496	14,920	1.31
2007	54,218	31,210	23,008	14,216	1.62
2008	54,123	32,774	21,349	14,927	1.43
2009	54,443	38,646	15,797	14,899	1.06
2010	56,810	35,972	20,838	15,587	1.34

(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>
2000	650,100	34,458,835	28,518	31.6	118,365	3.8
2001	676,087	36,241,448	29,839	Not available	118,995	4.1
2002	674,478	37,395,712	30,557	Not available	118,122	5.2
2003	673,120	38,592,109	31,677	33.4	118,000	6.2
2004	671,929	40,876,802	32,741	Not available	118,000	5.6
2005	672,277	42,720,000	33,880	33.4	119,021	5.7
2006	677,345	44,758,000	35,113	33.6	120,162	6.2
2007	674,028	45,107,701	35,470	33.4	120,275	6.4
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

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

Name of Employer	2010		2001	
	Employees	Percentage of Total City Employment	Employees	Percentage of Total City Employment
Federal Express Corporation	32,000	5.81%	30,000	5.11%
Memphis City Schools	16,184	2.94%	14,860	2.53%
United States Government	14,600	2.65%	14,000	2.39%
Tennessee State Government	9,000	1.63%	11,000	1.87%
Methodist Le Bonheur Healthcare	8,442	1.53%	8,295	1.41%
Memphis City Government	7,080	1.29%	6,588	1.12%
Baptist Memorial Healthcare Corp.	6,470	1.17%	6,145	1.05%
Shelby County Government	6,100	1.11%	5,123	0.87%
Wal-Mart Stores, Inc.	6,000	1.09%	4,004	0.68%
Shelby County Schools	5,200	0.94%	4,000	0.68%
			4,000	0.68%
<b>Total</b>	<b>111,076</b>	<b>20.17%</b>	<b>108,015</b>	<b>18.40%</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									
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
<b>General government</b>	831	851	857	857	874	859	828	1,231	1,340	1,261
<b>Public safety</b>										
Police										
Officers	2,402	2,152	2,015	1,996	2,147	2,024	2,018	2,385	2,273	2,444
Civilians	604	644	690	670	598	578	667	483	482	447
Fire										
Firefighters and Officers	1,562	1,556	1,603	1,629	1,639	1,668	1,553	1,721	1,729	1,758
Civilians	132	140	76	144	157	140	255	168	147	116
<b>Highways and streets</b>										
Engineering	172	170	181	189	191	186	186	186	152	146
Maintenance	290	282	272	274	275	277	301	311	309	287
<b>Sanitation</b>	693	677	658	652	653	654	653	653	653	611
<b>Culture and recreation</b>	428	418	397	417	422	326	318	346	264	261
<b>Sewer</b>	273	288	287	289	290	293	289	290	290	290

Source - City of Memphis Operating Budget Book FY 2010

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

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

Function	Fiscal Year									
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Police										
Physical arrests	79,663	82,786	78,368	88,076	79,586	51,871	48,746	57,304	65,734	61,322
Parking violations	146,425	134,610	128,225	122,004	136,057	119,017	90,005	86,497	97,554	92,433
Traffic violations	261,081	225,478	257,849	229,222	245,512	233,961	222,745	217,766	250,284	224,647
Fire										
Number of calls answered	64,392	64,344	65,571	64,691	62,153	66,357	27,597	24,974	24,974	24,974
Inspections	78,829	56,201	165,303	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Highways and streets										
Street resurfacing (miles)	N/A	317.35	236.32	216.13	300.12	193.93	101.00	144.88	123.25	99.12
Potholes repaired	N/A	2,312	1,945	1,735	1,896	1,052	993	1,499	1,230	946
Sanitation										
Refuse collected (tons/day)	1,233	1,227	1,278	1,329	1,214	1,295	1,174	1,086	1,005	1,121
Recyclables collected (tons/day)	340	377	399	380	415	464	466	377	488	435
Culture and recreation										
Athletic field permits issued	N/A	739	294	97	168	1,527	892	1,054	1,093	1,465
Community center admissions	N/A	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
Water										
Average daily consumption (thousands of gallons)	136,237	134,384	113,851	119,386	121,456	124,676	128,149	125,972	122,267	115,519
Wastewater										
Average daily sewage treatment (thousands of gallons)	155,500	170,400	160,500	149,700	167,200	155,400	151,000	172,400	154,000	169,000

Source: City of Memphis Operating Budget Book FY 2010 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									
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
<b>Public Safety:</b>										
Police:										
Stations	8	8	8	8	8	9	9	10	10	10
Community policing offices	15	15	15	15	15	15	15	14	14	14
Patrol units	1,377	1,530	2,776	800	800	800	800	800	825	800
Fire:										
Stations	52	52	54	54	59	59	55	56	56	56
Trucks (ladder)	25	26	26	27	27	27	26	27	27	27
<b>Solid Waste Management:</b>										
Collection trucks	296	296	296	296	296	296	296	296	296	253
Solid waste disposed (tons)	409,063	417,024	436,001	446,071	425,170	451,472	420,306	396,606	389,762	406,191
<b>Streets and Highways:</b>										
Streets (miles)	3,200	4,662	4,662	4,662	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	3,590	3,590
Streetlights	69,157	69,715	71,287	71,376	71,376	73,684	77,689	80,570	81,900	82,640
Traffic signals	800	800	800	800	800	830	821	825	825	830
Roadside ditches	574	574	574	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	7	8	8	8	8	8
Community centers	28	28	28	28	28	28	28	24	24	24
Tennis courts	7	7	7	7	7	7	7	7	7	7
Swimming pools	15	15	17	17	17	17	18	18	18	18
<b>Water:</b>										
Water mains (miles)	3,095	4,650	4,650	4,650	6,680	6,680	3,672	3,700	3,710	3,716
Fire hydrants	22,000	22,000	22,000	22,000	22,000	22,000	29,665	29,050	30,221	30,423
Daily storage capacity (millions of gallons)	262.5	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	3,600	3,605	3,605	3,610	3,615	3,620	3,625
Miles of storm drainage	3,929	3,929	3,929	3,929	3,988	3,988	3,988	3,988	3,988	3,988

Source - City of Memphis Operating Budget Book FY 2010 and/or Internal Division Operating Reports.

**GENERAL FUND EXPENDITURES ON STATE STREET AID**  
**For the fiscal year ended June 30, 2010**  
**(Thousands of Dollars)**

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

---

	<u>2010</u>
<b>Revenues</b>	
State taxes (local share)	\$ 16,537
Total revenues	<u>16,537</u>
<b>Expenditures</b>	
Traffic engineering	973
Street signs and markings	2,385
Mass transit	17,930
Traffic signal maintenance	2,435
Street maintenance	3,495
Street lighting	10,994
Grounds maintenance	<u>618</u>
Total expenditures	<u>38,830</u>
Excess of expenditures over revenues	<u>\$ 22,293</u>

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

(This page left blank intentionally.)



**SUPPLEMENTAL SCHEDULE OF EXPENDITURES  
OF FEDERAL AND STATE AWARDS  
For the fiscal year ended June 30, 2010**

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

	Federal CFDA Number	Grant Number	Restated Receivable (Deferral) June 30, 2009	Receipts FY 10	Expenditures FY 10	Receivable (Deferral) June 30, 2010
<b>FEDERAL GOVERNMENT AWARDS</b>						
<b>DEPARTMENT OF AGRICULTURE</b>						
Passed through Tennessee Department of Human Services						
	10.559	DA0300050.DA0400069	\$ 139,441	\$ -	\$ 1,452	\$ 140,893
	10.675	Z0401525300	(20,596)	-	-	(20,596)
			118,845	-	1,452	120,297
<b>TOTAL DEPARTMENT OF AGRICULTURE</b>						
<b>DEPARTMENT OF HOMELAND SECURITY</b>						
Urban Search and Rescue Task Force						
	97.025	EMW2001CA0131,WK03036603	(59,635)	-	11,776	(47,859)
	97.025	W2004CA622271,EMW2005CA0274	(2,508)	-	-	(2,508)
	97.025	EMW2006CA0230	49,013	-	11,164	60,177
	97.025	EMW-2007-CA-0178	118,480	95,562	107,461	130,379
	97.025	2009-SR-24-K021	8,774	124,134	221,210	105,850
	97.025	2010-SR-24-K044	-	-	17,243	17,243
	97.025	Z0301587600, Z04020264	736	382	(354)	-
	97.025	EMW2008CA1511M001	4,709	-	(4,709)	-
	97.025	EMW-00-00-0000	-	13,683	13,683	-
			119,569	233,761	377,474	263,282
<b>Passed through Tennessee Department of Military</b>						
	97.036	Z0821284100	311,842	-	-	311,842
	97.036	34101-0000003054	-	55,541	900,030	844,489
	97.036	Z0603096800	-	-	-	-
			311,842	55,541	900,030	1,156,331
<b>Emergency Management Agency</b>						
	97.042		-	149,000	149,000	-
	97.042		-	330,453	440,604	110,151
			-	479,453	589,604	110,151
<b>Community Emergency Response Team Training</b>						
	97.053	Z0301551500	12,012	-	-	12,012
	97.056	2005-GB-T5-0108	16,224	-	123,405	139,629
	97.071	EMW2004GR0655	228,882	-	40,464	269,346
	97.071		-	-	200,378	200,378
			228,882	-	240,842	469,724
<b>Buffer Zone Protection</b>						
	97.078	Z0503101801	1,989	-	666,016	668,005
			690,518	768,755	2,897,372	2,819,134
<b>TOTAL DEPARTMENT OF HOMELAND SECURITY</b>						
<b>DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>						
Passed through Tennessee Department of Health						
	16.575	GG0511592, GR0617324	58,418	-	-	58,418
			58,418	-	-	58,418
<b>TOTAL DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>						
<b>DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</b>						
Community Development Block Grant *						
	14.218	B01MC470006,B01MC470006	6,383,376	10,978,073	13,858,573	9,263,876
	14.218	B08MN470003	-	3,267,223	6,059,987	2,792,764
			6,383,376	14,245,296	19,918,560	12,056,640

(Continued)

**SUPPLEMENTAL SCHEDULE OF EXPENDITURES  
OF FEDERAL AND STATE AWARDS  
For the fiscal year ended June 30, 2010**

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

	Federal CFDA Number	Grant Number	Restated Receivable (Deferral) June 30, 2009	Receipts FY 10	Expenditures FY 10	Receivable (Deferral) June 30, 2010
<b>DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT (continued)</b>						
Lead Based Paint	14.900	TNLHB017200.TNLHD000603	\$ 328,773	\$ 1,404,181	\$ 979,053	\$ (96,355)
Emergency Shelter	14.231	S02.03MC4-70002	119,331	272,885	349,539	195,985
Home Program	14.239	M02.03MC470202	4,408,072	4,060,302	3,322,344	3,670,114
Housing Opportunities for Persons with Aids	14.241	TN37H9-7F040,8F001	222,064	2,080,009	2,519,200	661,255
Shelter Plus Care	14.238	TN37C970105.TN37C101001	749,398	1,090,035	489,071	148,434
Fair Housing	14.408	FH400G01028	(84,731)	-	-	(84,731)
Brownfields Economic Dev Initiative	14.246	B-98-BD-47-0009	489,953	-	-	489,953
ARRA Homeless Prevention/Rapid Re-Housing	14.257	S09MY470002	-	335,300	517,265	181,965
ARRA Community Development Block Grant Recovery	14.253	B-09-MY-47-0006	-	-	1,112,367	1,112,367
<b>TOTAL DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</b>			<b>12,616,236</b>	<b>23,488,008</b>	<b>29,207,399</b>	<b>18,335,627</b>
<b>DEPARTMENT OF JUSTICE</b>						
Training to Stop Abuse	16.528	2006-EW-AX-K010	(13,750)	-	13,750	-
Encourage Arrest Policies	16.590	2004WEAX0031	1,363,575	1,560,540	190,485	(6,480)
Safeway	16.580	2007-DD-BX-0655	564,334	1,034,280	469,946	-
OCS - COOR Le Initiative	16.753	2008-DD-BX-0282	479,972	-	32,431	512,403
Local Law Enforcement	16.592	2003LBBX2211	3,766	-	-	3,766
Local Law Enforcement	16.592	2004LBBX0674	8,903	-	-	8,903
Subtotal (16.592)			<b>12,669</b>	<b>-</b>	<b>-</b>	<b>12,669</b>
Cops Technology Program FY05	16.710	2005CKWX0430	325,424	-	393	325,817
Cops Technology Program FY06	16.710	2006CKWX0684	636,463	-	95,875	732,338
Cops Technology Program FY06	16.710	2006CKWX0280	-	-	360,000	360,000
ARRA Cops Hiring Recovery	16.710	2009RJWX0079	-	-	1,756,043	1,756,043
Cops Interoperable	16.710	2005INWX0019	(49,448)	(49,448)	2,926,578	2,926,578
Subtotal (16.710)			<b>912,439</b>	<b>(49,448)</b>	<b>5,138,889</b>	<b>6,100,776</b>
Project Safe Neighborhood Housing Demo	16.609	2004-GP-CX-0704	25,564	-	40,760	66,324
GREAT FY07	16.737	2007-JV-FX-0255	4,722	-	-	4,722
JAG 07-11	16.738	2007-F2834-TN-DJ	(242,278)	-	(24,226)	(266,504)
JAG 08	16.738	2008-DJ-BX-0465	-	210,321	37,900	(172,421)
JAG FY09 (LOCAL)	16.738	2009-G94-18-TN-DJ	-	734,919	74,354	(660,565)
Subtotal (16.738)			<b>(242,278)</b>	<b>945,240</b>	<b>88,028</b>	<b>(1,099,490)</b>
Safeways: Old Allen	16.751	2009-F2956-TN-SU	-	-	3,058	3,058
ARRA JAG FY09 RECOVERY	16.804	2009-CZ-2010	-	3,061,020	107,578	(2,953,442)
Second Chance Act BJA	16.812	96689071.ATC010132.STC03000171	63,184	-	474	474
Gang Resistance Education	21.053	2006-JV-FX-0031	(11,084)	-	-	(11,084)
GREAT FY06	21.053		52,100	-	-	52,100
Subtotal (21.053)			<b>3,893</b>	<b>-</b>	<b>-</b>	<b>3,893</b>
Police Athletic League	16.540					
<b>Passed through Tennessee Department of Human Services</b>						
Victims of Crime	16.575	Z00004855	92,917	-	5,203	98,120
<b>TOTAL DEPARTMENT OF JUSTICE</b>			<b>3,256,157</b>	<b>6,551,632</b>	<b>6,090,602</b>	<b>2,795,128</b>
<b>DEPARTMENT OF LABOR</b>						
ARRA COBRA Stimulus	17.151		-	2,847	17,609	14,762
Passed through Public Private Ventures			(189,238)	-	-	(189,238)
Ready for Work	16.202					
<b>Passed through Tennessee Department of Labor</b>						
Workforce Investment Act - Adult	17.258	DA0400062	5,314,618	7,883,020	2,862,785	294,383
ARRA Workforce Investment Act - Adult	17.258	DA0400062	-	1,604,458	1,598,458	(6,000)
Subtotal (17.258)			<b>5,314,618</b>	<b>9,487,478</b>	<b>4,461,243</b>	<b>288,383</b>

**SUPPLEMENTAL SCHEDULE OF EXPENDITURES  
OF FEDERAL AND STATE AWARDS  
For the fiscal year ended June 30, 2010**

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

		Federal CFDA Number	Grant Number	Restated Receivable (Deferral) June 30, 2009	Receipts FY 10	Expenditures FY 10	Receivable (Deferral) June 30, 2010
<b>DEPARTMENT OF LABOR (continued)</b>							
<b>Passed through Tennessee Department of Labor (continued)</b>							
	ARRA Workforce Investment Act - Youth	17.259	DA0400062	\$ 5,331,999	\$ 5,209,791	\$ 3,466,200	\$ 3,588,408
	ARRA Workforce Investment Act - Youth	17.259	DA0400062	-	3,561,163	2,219,364	(1,341,799)
	Subtotal (17.259)			5,331,999	8,770,954	5,685,564	2,246,609
	Workforce Investment Act - Dislocated	17.260	DA0400062	2,417,474	3,280,280	3,368,762	2,525,956
	ARRA Workforce Investment Act - Dislocated	17.260	DA0400062	-	689,061	1,612,685	923,624
	Workforce Investment Act - Title 1 National Emergency	17.260	DA0400062	48,535	-	-	48,535
	Subtotal (17.260)			2,466,009	3,969,341	5,001,447	3,498,115
	Workforce Investment Act - Title 1 Hurricane Katrina	17.261	DA040062	(7,160)	-	-	(7,160)
	Second Chance Connection	17.261	EA-18574-09-60-A-47	484	26,476	84,275	58,283
	Youth Services	17.261	EA-20266-10-60-A-47	-	-	58,637	58,637
	Subtotal (17.261)			(6,676)	26,476	142,912	109,760
	Workforce Investment Act - Title 1 Incumbent Workers	17.269	DA040062	22,246	-	-	22,246
	Workforce Investment Act - TDOL	17.207	DA040062	-	-	17,950	17,950
	Workforce Investment Act - NCNTV	17.267	DA040062	-	11,067	720	(10,347)
	Workforce Investment Act - Disability	17.266	DA040062	-	32,490	31,439	(1,051)
	<b>TOTAL DEPARTMENT OF LABOR</b>			<b>12,938,958</b>	<b>22,297,806</b>	<b>15,341,274</b>	<b>5,982,426</b>
<b>DEPARTMENT OF TRANSPORTATION</b>							
<b>Passed through Tennessee Department of Transportation</b>							
	Congestion Mitigation Air Quality	20.205	STP-M-9409,CM-STP-9409,GG980770	(491,261)	-	557,525	66,264
	Memphis Early Deployment Grant	20.205	CM-ITS-9547(601)	66,416	-	-	66,416
	Restoration	20.205	CM-STP-9409(44)	194,718	161,600	28,688	61,806
	Transportation Improvement 25	20.205	CM-STP-9409(59)	45,107	73,115	108,293	80,285
	Enhanced Traffic Signal Maintenance Response	20.205	CM-STP-9409(48)	32,663	-	-	32,663
	Traffic Signal System	20.205	CM-STP-9409(42),(47)	107,660	7,066	245,089	345,683
	Beale Street Landings	20.205	PIN-102617-00	1,999,201	2,841,448	3,031,834	2,189,586
	Enhanced Traffic Signal Implementation	20.205	CM-STP-9409(41),(48),(141),(142),(145),(47)(50)	(97,451)	12,334	6,985	(102,800)
	ARRA Repaving	20.205	STP-M-9409(149)	-	827	5,073	4,246
	Subtotal (20.205)			1,857,053	3,096,390	3,983,486	2,744,149
	Mississippi River Cycling Corridor	20.219	EN-STP-7900(16)	(2,728)	-	-	(2,728)
	Forest Hill	20.219	STP-M-9409(90)	2,238	14,174	42,528	30,592
	Holmes/Milbran	20.219	STP-M-9409(97)	(729)	20,204	153,908	132,975
	Holmes Road East	20.219	PIN-108701-00	(1,019)	4,109	23,520	18,392
	Poplar/Sweetbriar Interchange	20.219	PIN-110296-00	841	1,424	1,367	804
	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)			59,267	39,911	221,343	240,699
	<b>TOTAL DEPARTMENT OF TRANSPORTATION</b>			<b>1,916,320</b>	<b>3,136,301</b>	<b>4,204,829</b>	<b>2,984,847</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	-	60,498	60,498	-
	<b>TOTAL DEPARTMENT OF ENERGY</b>			<b>-</b>	<b>60,498</b>	<b>60,498</b>	<b>-</b>
<b>INSTITUTE OF MUSEUM AND LIBRARY SERVICES</b>							
	Library State Grant	46.310	GG1030125	-	5,000	5,000	-
	<b>TOTAL INSTITUTE OF MUSEUM AND LIBRARY SERVICES</b>			<b>-</b>	<b>5,000</b>	<b>5,000</b>	<b>-</b>
	<b>TOTAL FEDERAL GRANTS</b>			<b>31,551,512</b>	<b>56,308,001</b>	<b>57,808,426</b>	<b>33,051,937</b>

**SUPPLEMENTAL SCHEDULE OF EXPENDITURES  
OF FEDERAL AND STATE AWARDS  
For the fiscal year ended June 30, 2010**

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

		Federal CFDA Number	Grant Number	Restated Receivable (Deferral) June 30, 2009	Receipts FY '10	Expenditures FY '10	Receivable (Deferral) June 30, 2010
<b>STATE GOVERNMENT GRANTS</b>							
Memphis Fire Division In-service Training Supplement			NONE	\$	\$	\$	63,306
Memphis Fire Division In-service Training Supplement 05			NONE				(9,450)
Memphis Fire Division In-service Training Supplement 06			NONE				(1,409)
Memphis Fire Division In-service Training Supplement			NONE				(2,570)
Memphis Fire Division In-service Training Supplement			NONE				(1,014,000)
Memphis Police Division In-service Training Supplement			NONE		1,021,800	7,800	(35,306)
Memphis Police Division In-service Training FY10			NONE		1,215,600	1,200	(1,214,400)
Local Emergency Planning Committee			GG0209756				211,373
Stop Violence Against Women			Z00001451				23,797
State Highway Maintenance Grant			CMAA97 CMA1030 CMA1222		1,110,748	958,297	
State Highway Maintenance Grant			CMA1170		1,299,605	1,133,473	
State Highway Maintenance Grant			CMA1303		934,268	958,482	
State Highway Maintenance Grant			CMA1282				179,524
Landmarks Commission Training - Historic Zoning			GG0511346				24,214
Landmarks Commission Training - Historic Zoning			GG-09-26765-00		6,000	9,388	(3,600)
Landmarks Commission Training - Historic Zoning			GG0712649				3,388
Enterprise Zone			GG000860300				1,728
Help Care			Z03010557,Z04015720,Z05020309				27,474
TIIP Project - Cleveland Track Material			Z0200852000				(58,707)
Planning Grant			FHWA-PL-112		66,427	67,498	(569)
Memphis Survey Grant			GG0209746				151,703
Memphis Survey Grant FY06			GG0612176				53,267
Plough Boulevard			STP-EN-9409(61)				(27,716)
Motor Vehicle Inspection Station			STP-EN-7900(21)				(182,286)
Raleigh Lagrange-Sycamore			CM-STP-9409(64)			103,678	(92,228)
Cobblestone Walkway			BR-STP-2878(2)				90,350
Martys Park Riverwalk Improvement			SBC529000296				(345,881)
Parkway Streetscape Improv			STP-EN-9409(63)				(710,637)
Bicycling Network Phase I							(97,745)
Juvenile Accountability Block							(640)
Governor Highway Safety			STP-EN-9409(73)				33,485
Governor Highway Network FY06			GG041063700				928
Governor Highway Network			Z03011860				935
Governor Highway Network			Z0602734800				1,523
Governor Highway Network			Z0802398600				1,067
Governor Highway Network			Z0802403700				3,915
Governor Highway Network			Z0802367600				(731)
Governor Highway Network FY10			Z0802369200				(1,264)
Deploy Traffic Signal Systems FY07			PT-10-31	489		5,695	5,206
Backyard Wildlife			010764.00			1,675	3,311
Highway Safety			Z02005120				363
Highway Safety			Z05024096				44
Storm Water Program			Z04016777				(245)
Victims of Crime FY06-FY09			GG0511351				13,350
STOP FY06-FY09			Z07033198	16,889	13,596		119,156
Household Hazardous Waste			Z07033057	1,928			(20,067)
Internet Crimes Against Children			GG0712743	57,809	65,752		19,784
GHSO FY07 Network Coord			STP-EN-7900(24)	171,773	273,173		103,105
GHSO FY07 Alcohol Saturation			GG082393100				(1,466)
GHSO FY09 Alcohol Saturation			Z07035691				305
GHSO Alcohol Saturation FY10			Z0703609600				34,931
			Z09214632				268,388
			154AL-10-29	194,555	458,529		263,974

(Continued)

**SUPPLEMENTAL SCHEDULE OF EXPENDITURES  
OF FEDERAL AND STATE AWARDS  
For the fiscal year ended June 30, 2010**

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

		Federal CFDA Number	Grant Number	Restated Receivable (Deferral) June 30, 2009	Receipts FY 10	Expenditures FY 10	Receivable (Deferral) June 30, 2010
<b>STATE GOVERNMENT GRANTS (continued)</b>							
GHSO FY09 Multiple Violation			Z09214367	\$ 83,931	\$ 97,701	\$ 15,879	\$ 2,109
GHSO FY09 Network Law			Z09214366	8,899	4,918	1,009	4,990
GHSO FY09 CARD			Z09214633	19,378	29,243	29,300	19,435
GHSO FY10 CARD			K8-10-80	-	3,890	22,972	19,082
SYEP & EMT Training			NONE	2,623	-	-	2,623
Library State Grant	46.310-State		GG1030125	-	91,000	91,000	-
Workforce Development MOU	Dept of Labor		GG0712740	(4,050)	-	-	(4,050)
Workforce Development MOU	Dept of Labor		GR0822660	1,170	-	-	1,170
Rape Prevention and Education Proj			RFS 343.52-893-09	(1,471)	-	-	(1,471)
Severe Storms, Tornadoes, Straight-Line Winds	Dept of Homeland Security		Z0821284100	51,974	-	-	51,974
Severe Storms, Tornadoes, Straight-Line Winds	97.036-State		34101-0000003054	-	-	150,005	150,005
Emergency Services Grant			TennCare Appropriated 080309	-	325,393	325,393	-
Riviana Foods Fast Track			GG-09-27651	-	1,427,399	-	(1,427,399)
Nucor Steel Memphis Fast Track			GG-08-24188-00	-	559,562	-	(559,562)
Beiz Blvd & CN Railroad				-	18,760	18,760	-
Illinois Central Fast Track Infrastructure	Dept of Transportation		GG-07-21564-00	(340,739)	-	-	(340,739)
Parks Community Enhancement			NONE	178,725	-	-	178,725
Walnut Grove Bend			60126	1,038	38,644	65,043	27,437
Project Safe Neighborhoods			2008-GP-CX-0056	-	-	283	283
St. Jude FIDP 2005			GG-05-12179-00	-	315,734	315,734	-
<b>TOTAL STATE GRANTS</b>				<b>(265,748)</b>	<b>9,010,137</b>	<b>5,293,940</b>	<b>(3,981,946)</b>
<b>TOTAL GRANTS</b>				<b>\$ 31,285,764</b>	<b>\$ 65,318,138</b>	<b>\$ 63,102,365</b>	<b>\$ 29,069,992</b>

\* Community Development Block Grant Receipts Include \$1,916,458 in Program Income  
See accompanying notes to the schedule.

**City of Memphis  
Notes to the Schedule of Expenditures of Federal and State Awards  
For the Year Ended June 30, 2010**

**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 the Beale Street Landing grant award from the Department of Transportation were not reported on the prior year Schedule of Expenditures of Federal and State Awards ("SEFA") for fiscal years 2006 through 2009. It was also determined that expenditures for the Safeway grant from the Department of Justice was omitted from the prior year SEFA. Additionally, program income derived from the administration of the Department of Housing and Urban Development grants was not reported on the SEFA to reduce the prior year receivable balance. The City of Memphis has assessed the impact of these items and determined that the June 30, 2009 receivable balances should be restated. The Beale Street Landing grant receivable was increased by \$1,874,255. The Safeway grant receivable was increased by \$564,334. The Department of Housing and Urban Development grants receivable was decreased by \$2,266,336. Total grants receivable as of June 30, 2009 were restated from \$31,113,511 to \$31,285,764.

**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, 2010, and the budgetary comparison for the general fund for the year ended June 30, 2010, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 23, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Other auditors audited the financial statements of the Board of Education of the Memphis City Schools, and the Memphis-Shelby County Airport Authority, 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 and the Electric, Gas, and Water Divisions of Memphis, Light, Gas and Water Division 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 certain deficiencies in internal control over financial reporting that we consider to be material weaknesses 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 deficiencies described in the accompanying schedule of findings and questioned costs and shown as items 2010-1 and 2010-2 to be material weaknesses 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 2010-3 through 2010-8 to be significant deficiencies.

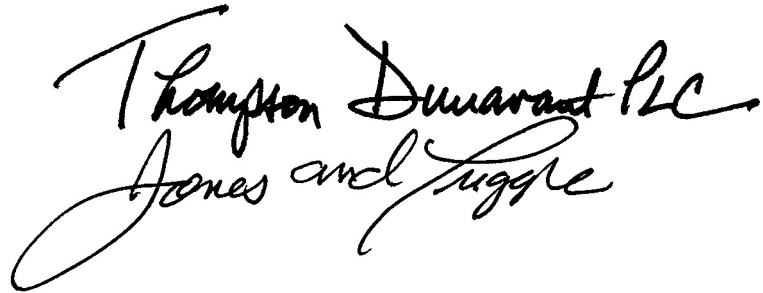
#### Compliance and Other Matters

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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2010-9 and 2010-10.

We noted certain other matters that we reported to management of the City in a separate letter dated December 23, 2010.

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.

A handwritten signature in black ink that reads "Thompson Duvarant PC Jones and Suggs". The signature is written in a cursive style with large, flowing letters.

Memphis, Tennessee  
December 23, 2010



**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, 2010. 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 and the Memphis-Shelby County Airport Authority which expended federal awards which are not included in the accompanying schedule of expenditures of federal awards during the year ended June 30, 2010. 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 and the Electric, Gas, and Water Divisions of Memphis, Light, Gas and Water Division. We performed audits in accordance with OMB Circular A-133 for these entities. The schedule of expenditures of federal awards for the year ended June 30, 2010 does not include these operations as we reported on them separately.

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

As described in items 2010-9 and 2010-10 in the accompanying schedule of findings and questioned costs, the City did not comply with the requirements regarding reporting and documentation of expenditures that are applicable to its Workforce Investment Act programs. Compliance with such requirements is necessary, in our opinion, for the City to comply with the requirements referred to above that are applicable to this major federal program for the year ended June 30, 2010.

In our opinion, except for the noncompliance described in the preceding paragraph, 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, 2010.

#### 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 certain 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 did not consider any of the deficiencies described in the accompanying schedule of findings and questioned costs related to internal control over compliance to be material weaknesses.

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 deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2010-6, 2010-7 and 2010-8 to be significant deficiencies.

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.

Thompson Duvarand LLC  
Jones and Fuggle

Memphis, Tennessee  
December 23, 2010

## CITY OF MEMPHIS

### Schedule of Findings and Questioned Costs For the Year Ended June 30, 2010

---

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

1. The auditors' report expresses an unqualified opinion on the financial statements of City of Memphis.
2. Eight significant deficiencies relating to the audit of the financial statements are reported in the Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements in accordance with *Government Auditing Standards*. We consider deficiencies 2010-1 and 2010-2 to be material weaknesses.
3. Two instances of noncompliance material to the financial statements of City of Memphis are reported in accordance with *Government Auditing Standards*.
4. Two significant deficiencies relating to the audit of the major federal award programs are reported in the Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133.
5. The auditor's report on compliance for the major federal award programs for City of Memphis expresses an unqualified opinion on all major federal programs except for the Workforce Investment Act programs which was qualified.
6. There were five 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:
  - 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 Highway Planning and Construction
    - 20.219 Recreational Trails Program
  - Other programs:
    - 14.218 Community Development Block Grant Program
    - 14.257 ARRA - Homeless Prevention and Rapid Re-Housing Program
    - 16.710 ARRA - Public Safety Partnership and Community Policing Grants
    - 97.078 Buffer Zone Protection Program
8. The threshold for distinguishing Type A and B programs was \$1,753,322.
9. City of Memphis, Tennessee was not determined to be a low risk auditee.

## CITY OF MEMPHIS

### Schedule of Findings and Questioned Costs (Continued) For the Year Ended June 30, 2010

---

---

#### B. Findings - Financial Statement Audit

##### Material Weaknesses

###### 2010-1 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 deficiencies remain a material weakness.

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 more than a remote likelihood that a material misstatement of the City's financial statements will not be prevented or detected.

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 working with the City's Information System division to identify ways to leverage technology. In the interim, the Comptroller's office will use all available resources to ensure all reconciliations remain current. The Deputy Comptroller reviews and signs each bank reconciliation upon completion, and promptly investigates and resolves all unusual reconciling items.

###### 2010-2 General Services Division Internal Control Structure

Condition: The internal control structure within the Fleet Services bureau of the General Services Division is not adequate. Our review of Fleet Services in May 2010 indicated material weaknesses in internal controls related to insufficient monitoring, insufficient documentation, improper segregation of duties, and lack of "localized" policies and procedures. Please refer to our report dated May 27, 2010 for details of Fleet Services internal control deficiencies.

Criteria: A strong internal control structure including robust oversight and monitoring, proper documentation of transactions, and adequate segregation of duties is essential to ensure that management's directives are being adhered to, assets are being safeguarded, and accounting information is accurate and reliable.

## CITY OF MEMPHIS

### Schedule of Findings and Questioned Costs (Continued) For the Year Ended June 30, 2010

---

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

##### Material Weaknesses (continued)

###### 2010-2 General Services Division Internal Control Structure (continued)

Effect: Because of the internal control deficiencies, there is more than a remote likelihood that a material misstatement of the City's financial statements will not be prevented or detected.

Recommendation: Management should make significant changes to the internal control structure of Fleet Management. The exhibit presented in our report dated May 27, 2010 contains specific recommendations pertaining to numerous specific internal control deficiencies.

Response: Priority for correcting this weakness is immediate. Management is in the process of completing a comprehensive restructuring of the Fleet Services bureau to improve internal controls. Management has also made personnel changes within the bureau in an effort to improve operational efficiency and effectiveness.

##### Significant Deficiencies

###### 2010-3 Capitalization of Construction in Progress

Condition: Several projects remained in the construction in progress accounts after the projects had been completed. It was noted that several of these projects did not have any additions for several years but still remained in the construction in progress accounts.

Criteria: Capitalization of construction in progress projects is essential to accurately reporting fixed assets and depreciation expense.

Effect: If completed projects remain in construction in progress, depreciation will not be properly stated and the total fixed assets per the financial statements will be overstated.

Recommendation: We recommend that management implement procedures to ensure that construction projects are regularly evaluated for completion and that construction in progress assets are transferred to fixed assets in a timely manner upon completion of the project.

Response: Priority for correcting this deficiency is immediate. The CIP accountant will review and document the controls over construction in progress accounts with each division finance coordinator on a quarterly basis. Specific emphasis will be placed on ensuring adequate controls are in place to routinely close CIP projects upon completion in a timely basis.

## CITY OF MEMPHIS

### Schedule of Findings and Questioned Costs (Continued) For the Year Ended June 30, 2010

---

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

##### Significant Deficiencies (continued)

###### 2010-4 Improper Expensing of Project Costs in Enterprise Funds

Condition: We noted that a significant amount of project costs in the Storm Water and Sewer Collection and Treatment funds were improperly expensed rather than capitalized as construction in progress. The improper accounting of these amounts as expense resulted in significant adjusting journal entries in each of the funds.

Criteria: Controls over project costs should ensure that amounts are properly capitalized in construction in progress for enterprise funds.

Effect: Project costs that are improperly expensed result in an understatement of fixed assets and net assets.

Recommendation: We recommend that management implement procedures to ensure that project expenses are properly capitalized as construction in progress.

Response: Priority for correcting this deficiency is immediate. The Enterprise accountant will review and document the controls over project accounting with each division finance coordinator on a quarterly basis. Specific emphasis will be placed on ensuring adequate controls are in place to routinely identify and segregate projects costs from costs that should be capitalized as construction in progress.

###### 2010-5 Unrecorded Liabilities

Condition: We noted numerous vendor invoices paid within the first 60 days after fiscal year end that were not properly accrued as of June 30, 2010.

Criteria: Expenditures are generally recorded when a liability is incurred. For vendor invoices paid after fiscal year end, divisions are charged with documenting on all invoices whether they relate to the current or subsequent fiscal year so that they may be properly included or excluded from liabilities at fiscal year end.

Effect: If invoices are not properly evaluated to determine the fiscal year to which they pertain, there is more than a remote likelihood that liabilities could be materially understated.

Recommendation: We recommend that management implement review procedures to ensure that those charged with evaluating invoices for proper inclusion in fiscal year end are properly performing and documenting this procedure.

## CITY OF MEMPHIS

### Schedule of Findings and Questioned Costs (Continued) For the Year Ended June 30, 2010

---

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

##### Significant Deficiencies (continued)

###### 2010-5 Unrecorded Liabilities (continued)

Response: Priority for correcting this deficiency is immediate. The corrective action plan includes developing a report that will allow the Accounts Payable function to review invoices more critically for proper fiscal year. The Deputy Comptroller of Accounts Payable will document the use of the report as a new procedure, and as required part of the annual year-end process.

###### 2010-6 Preparation of Schedule of Expenditures of Federal and State Awards (SEFA)

Condition: In connection with our single audit procedures, we noted that the City updates the SEFA schedule once at fiscal year end. We also noted that expenditures relating to the Beale Street Landing grant award had not been reported on the SEFA schedule for fiscal years 2006 through 2008. Additionally, it was noted that the Safeway grant had been completely omitted for the SEFA. Upon further investigation, it was determined the June 30, 2009 SEFA balance had to be restated by amounts totaling \$1,874,255 and \$564,334 for the Beale Street Landing and Safeway awards, respectively. Due to incomplete and inaccurate information, this SEFA schedule preparation was delayed with many revisions occurring late into our audit process. Additionally, we noted that a certain ARRA award was not properly segregated from non-ARRA awards and identified on the SEFA.

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

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 to work 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.



## CITY OF MEMPHIS

### Schedule of Findings and Questioned Costs (Continued) For the Year Ended June 30, 2010

---

---

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

##### Significant Deficiencies (continued) 2010-7 Payroll Expenses-WIA Grant

Condition: In our audit for the year ended June 30, 2009, we tested the compliance requirements for the Workforce Investment Act grant award. In connection with that testing, we noted participants in the Summer Youth Program were not initially paid based on the actual number of hours worked. In an effort to expedite the program, the City did not properly follow policy and issue pay checks based on supervisor approved actual timesheets. Payroll for some of these program participants were made based on allowable estimates in lieu of actual supported hours. We also noted that timesheets could not be located for several participants.

This condition continued for July and August of 2009 and therefore remains a finding for the year ended June 30, 2010. This condition was corrected for the 2010 Summer Youth Program.

Criteria: City policy requires payment of actual hours worked based on approved timesheets. Completed timesheets are required to be approved by a supervisor before they are forwarded to the Division Payroll Department for submission in Oracle. Timesheets are to be retained for two years.

Effect: If payment to employees is not based on actual hours worked as supported by an approved timesheet, there is more than a remote likelihood that a misstatement of the City's financial statements that is more than inconsequential will not be prevented or detected.

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

Response: Due to this finding being a crossover issue from prior year's audit, management will continue to ensure that improvements are made in this area by continuing to periodically emphasize the importance of proper approval of timesheets. Also, the Deputy Comptroller of Payroll will resolve each instance of non-compliance with the appropriate personnel immediately and identify the reason for the exception. The Comptroller as needed will introduce new control procedures to address recurring instances of non-compliance.

**CITY OF MEMPHIS**

Schedule of Findings and Questioned Costs (Continued)  
For the Year Ended June 30, 2010

---

---

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

Significant Deficiencies (continued)

2010-8 Accounts Receivable – Community Development Fund

Condition: 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.

Criteria: A complete and accurate general ledger is critical in accounting for federal and state grants.

Effect: If receipts are not applied correctly to the related expenditures, there is likelihood that the accounts receivable balances for numerous grant awards will be overstated.

Recommendation: We recommend that management thoroughly review the detail of each award and appropriately apply receipts to the related expenditures. Management should establish controls to properly reconcile the grant activity and ensure that this agrees to the books of account. Additional review procedures should be implemented to help ensure the completeness and accuracy of the accounts receivable balances.

Response: Priority for correcting this deficiency is immediate. The grant's accountant will review and document the controls over receipts and related expenditures with each program fiscal director on a quarterly basis. Specific emphasis will be placed on ensuring adequate controls are in place to match receipts to related expenditure, and to ensure the completeness and accuracy of accounts receivable balances.

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

Significant Deficiencies

2010-9 *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: 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.

## CITY OF MEMPHIS

### Schedule of Findings and Questioned Costs (Continued) For the Year Ended June 30, 2010

---

#### C. Findings and Questioned Costs - Major Federal Award Programs Audit (continued)

##### Significant Deficiencies (continued)

2010-9 *CFDA 17.258-17.260 Workforce Investment Act Cluster (continued)*  
*Department of Labor*  
*Grant Awards: All open grants during fiscal year ended June 30, 2010*

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

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

Recommendation: We recommend that management strongly enforce the compliance requirements outlined in the grant agreements. Furthermore, we suggest that a monthly reconciliation be performed for each grant award to ensure the required reports reflect allowable and accurate costs and 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.

2010-10 *CFDA 17.258-17.260 Workforce Investment Act Cluster*  
*Department of Labor*  
*Grant Award: LW13ST91DSLWK09*

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.

Questioned Costs: The documentation for three expenditures was not available, resulting in \$3,248.37 in questioned costs.

Criteria: Supporting documentation is necessary to ensure that disbursements are made only for valid and allowable expenditures under the grant agreement.

Effect: For transactions related to federal grants, without the appropriate supporting documentation, charges may be disallowed. This leaves the City of Memphis without documentary evidence to support each expenditure item, and could lead to other problems, including the deobligation of grant funds.

**CITY OF MEMPHIS**

Schedule of Findings and Questioned Costs (Continued)  
For the Year Ended June 30, 2010

---

**C. Findings and Questioned Costs - Major Federal Award Programs Audit (continued)**

Significant Deficiencies (continued)

2010-10 *CFDA 17.258-17.260 Workforce Investment Act Cluster (continued)*

*Department of Labor*

*Grant Award: LW13ST91DSLWK09*

Recommendation: To provide adequate expenditure documentation, not only for audit purposes but also and particularly for grant purposes, supporting documentation should be retained for each expenditure. We strongly recommend that management establish controls and implement policies to ensure that support is obtained and maintained for all expenditures immediately.

Response: Priority for correcting this deficiency is immediate. The corrective action plan includes ensuring that each expenditure is reviewed and approved by the grants managing director, and is supported by sufficient and proper original documentation.

## CITY OF MEMPHIS

### Summary Schedule of Prior Year Audit Findings June 30, 2010

---

- 2009-6 *CFDA 97.025 National Urban Search and Rescue Response System  
Department of Homeland Security  
Grant Awards: EMW-2007-CA-0178, EMW-2006-CA-0178*

Condition: This finding was a significant deficiency stating that close out reports were not completed for the fiscal years 2006 and 2007 Cooperative Agreements within the required 90 days after the close of the grant period.

Current Status: Implemented. Memphis Fire Administration developed a process whereby grant information was forwarded timely to management and close out reports were completed timely.

- 2009-7 *CFDA 17.258-17.260 Workforce Investment Act Cluster  
Department of Labor  
Grant Awards: All open grants during fiscal year ended June 30, 2009*

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: Not implemented. See current year comment 2010-9.

- 2009-8 *CFDA 17.258 Workforce Investment Act – Adult Program  
Department of Labor  
Grant Awards: 08-13-FY8-213-ADULT  
08-13-FY6-213-ADULT  
07-13-PY6-213-ADULT  
07-13-FY7-213-ADULT*

Condition: This finding was a significant deficiency stating that the City was reimbursed by the granting agency for unallowable costs related to ineligible participants for on-the-job training costs.

Questioned Costs: It was noted that 227 participants were deemed ineligible as they did not meet the low-income requirement which resulted in \$1,391,676.48 in questioned costs.

Current Status: Implemented. Each participant is now thoroughly screened for all eligibility requirements before being allowed to participate in the program.

(This page left blank intentionally.)