

# CITY OF MEMPHIS



## *Comprehensive Annual Financial Report Year Ended June 30, 2006*



T E N N E S S E E

COMPREHENSIVE ANNUAL FINANCIAL REPORT,  
FISCAL YEAR ENDED JUNE 30, 2006

# CITY OF MEMPHIS, TENNESSEE

**Dr. Willie W. Herenton**  
Mayor

**Keith L. McGee**  
Chief Administrative Officer

**Robert Lipscomb**  
Chief Financial Officer

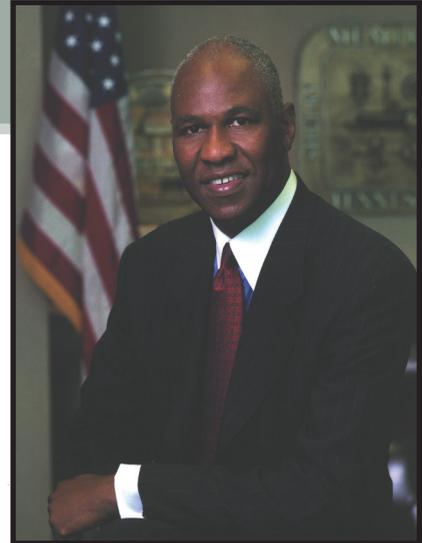
PREPARED BY DIVISION OF FINANCE

**Roland McElrath**  
Director



# CITY OF MEMPHIS

Dr. Willie W. Herenton, Mayor



December 15, 2006

Members of the Memphis City Council and my fellow Memphians:

I am pleased to submit the City of Memphis' Comprehensive Annual Financial Report for the fiscal year ended June 30, 2006. This report documents our improved financial position and operations for the year, as well as the current economic climate of Memphis.

Rich with vision, optimism and skill, City executives made tremendous progress in improving the City's financial outlook in Fiscal Year 2006. While continuing to invest in public safety, economic growth, and public services, we skillfully addressed the City's financial realities that were shaped by recent fiscal challenges. Swift and decisive decisions have laid the groundwork for full restoration of the City's positive financial position and for continued improvement of our responsive and cost-effective services.

In addition to outstanding financial progress, we accomplished much on several fronts this year. Today, tomorrow and for years to come, residents and visitors will enjoy opportunities that arise from the estimated \$3 billion in new residential, business and entertainment developments in downtown Memphis. However, progress is not limited to downtown. Several area businesses, including Smith & Nephew and Northern-Santa Fe, have announced expansion plans that are expected to create nearly 1,000 new jobs in the Memphis area. Additionally, this year the U.S. National Commission on Libraries and Information Sciences (NCLIS) recognized the Memphis Public Library and Information Center as the *Best in the State of Tennessee* for its Health Information Collection. This recognition is a shining example of Memphis' continued progress towards being one of the strongest and most progressive City's in the country.

Our accomplishments in the midst of financially lean operations are clear indicators of our strength and resolve to ensure that Memphis' best days are ahead. Therefore, we present this report as part of our commitment to inform all interested parties of our financial condition.

Respectfully submitted,



Dr. Willie W. Herenton  
Mayor



# City of Memphis

December 28, 2006

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, 2006, 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 Watkins Uiberall, PLLC and Banks, Finley, White and

Company, licensed certified public accountants. The independent auditors have issued an unqualified ("clean") opinion on the City's financial statements for the year ended June 30, 2006. 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 343 square miles and serves a population of 672,277. 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, among other things, for approving the budget, setting the tax rate and establishing other lawful taxes and fees necessary to secure sufficient revenue to fund the budget as approved. All administrative duties concerning day-to-day operations of city government are the duty and responsibility of the mayor.

Each of the various divisions of city government has a director who is appointed by the mayor with the City Council's approval.

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

The City evaluates its financial reporting entity in accordance with Government 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 organizations' government body and the City is either able to impose its will or has the potential of receiving financial benefit or realizing a financial burden from the organization; and (3) organizations that are fiscally dependent on the City. The following organizations are component units of the City and as such are discretely presented (separated from the primary government) in the general purpose financial statements:

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

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

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

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

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

The following related organization 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

- Despite enduring two of the most destructive hurricanes in our country's history, the US's inflation-adjusted Gross Domestic Product (GDP) grew at 3.2 percent in 2005 and is expected to grow at 3.4 percent by the end of 2006.
- The United States did, however, feel the economic impact of the hurricanes in the form of higher gasoline prices. Gasoline prices rose from an average of around \$2.25 per gallon during the summer of 2005 to well over \$3.00 per gallon shortly after hurricane Katrina.
- The national economy appears to have weathered the storms successfully and has recently experienced a sudden fall in gasoline prices, thus easing the strains placed on consumers earlier in the summer and fall of 2005.
- Consumption spending, which typically makes up about two-thirds of total inflation adjusted GDP, increased at an annual rate of 4.1 percent in third quarter of 2005. The consumer spending growth exceeded growth in disposable income, creating a sustained negative personal savings rate.
- Spending on residential housing slowed slightly, but remained relatively strong despite rising interest rates in 2005. However, so far in 2006, the nation's housing market has seriously weakened due to rising interest.
- The United States personal income grew by 7 percent from second quarter 2005 to second quarter 2006. Personal income in Tennessee was up 5.5 percent in 2005, followed by 6.1 percent and 4.6 percent (seasonally adjusted annual rate) growth in the first and second quarters of the year.

### Local Economy

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

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





In the aftermath of the 2001 recession, employment in Memphis has been growing over the past two years. Two sectors have led the way: educational and health services, followed by leisure and hospitality. More recently, the professional and business services sector has created a significant number of jobs as well. However, the largest sector in the Memphis economy—trade, transportation and utilities—has yet to return to its pre-recession employment level. The performance of this sector reflects in part recent national trends in the costs of shipping (due to increased fuel costs), warehousing and demurrage, as well as a nationwide shortage of truck drivers.

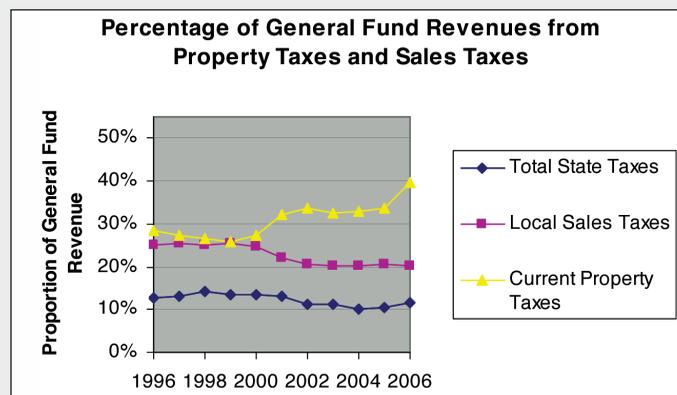
### Unemployment Rates (Seasonally Adjusted), 2005-2006

Region	Sep 2005	Sep 2006
Memphis MSA*	5.5%	5.2%
Tennessee	5.5%	4.6%
United States	5.1%	4.6%

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

The National economic climate has improved over the past few years, resulting in a steady decline in the US unemployment rate. Tennessee's September unemployment rate reflects a .9 percent decrease from September 2005 and reflects a 1.1 percent decrease from the 5.7 percent reported just one month before in August 2006. Memphis' unemployment rate decreased to 5.2 percent in September 2006, down from 5.5 percent a year ago. As the national economy continues to rebound and major local job creation initiatives are implemented, the unemployment situation in Memphis should continue to improve.

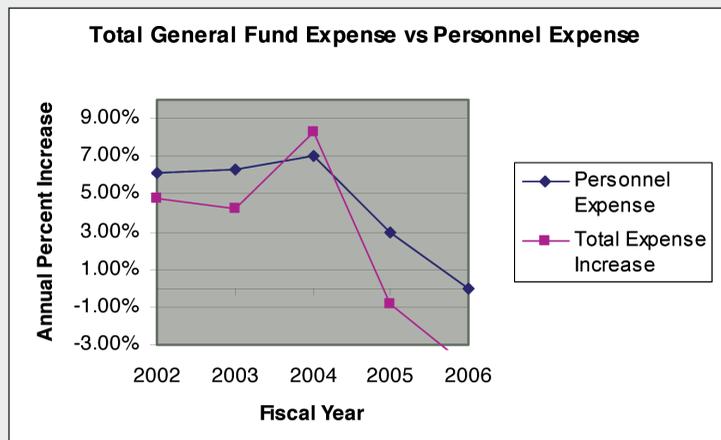
The chart below shows that Memphis' Current Property Taxes and Local Sales Tax maintained rough parity as the two largest single revenue sources through fiscal year 2000. Since then, there has been a growing dependence on the property tax as both Local Sales Taxes and State Shared Taxes have trended 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.



Nationally and locally, fiscal managers are continually faced with managing rising energy prices, healthcare costs and employment costs. Policy makers are concerned with cost-push inflation as employment costs represent about two-thirds of total costs of production/service. During the first two years of the five year period reflected below, the City's personnel costs increased approximately 6 percent annually until a windstorm in fiscal year 2004 resulted in an additional one percent increase in personnel expense growth.



The 2004 windstorm generated an even steeper growth in total General Fund expenses. Total General Fund expenses in fiscal year 2004 grew by more than 8 percent, up from the 4 percent growth the previous year. During Fiscal year 2005, City managers executed spending cuts and a temporary layoff in 2005, 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 FY2006.



The Federal Reserve Bank increased interest rates eight times in 2005 in an attempt to discourage rising inflation by reducing demand. By the summer of 2006, the federal funds rate had increased to 5.25 percent. Although the nation's housing market has been seriously weakened by the higher interest rates, Memphis' housing sales continue to be strong despite rising interest rates. Housing permits issued increased by 36.6 percent from March 2005 to March 2006. Furthermore, local home sales remained strong with a 16.3 percent increase in sales and an increase in average sales price of 4.1 percent.

### Home Sales in Memphis, February 2005 - 2006

	2005	2006	Percent Change
Total Home Sales	1,149	1,336	16.3%
Median Sales Price	\$127,500	\$128,900	1.1%
Average Sales Price	\$157,900	\$164,300	4.1%
Monthly Sales Volume	\$181 million	\$220 million	22.0%
Active Listings	8,389	8,984	7.1%

Source: Memphis Area Association of Realtors Multiple Listing Service.

#### Recent Developments:

- Service Master, a Fortune 500 company, has agreed to relocate its corporate headquarters to Memphis from Chicago. It is anticipated that the move will create over 500 new jobs and the retention of over 1,300 existing jobs. New capital investment (all to be located within the city limits of Memphis) is anticipated to be within a range of \$12 million to \$123 million depending on the company's decision to build a new headquarters.
- International Paper, a Fortune 500 company agreed in August 2005 to move its corporate headquarters to Memphis. This will bring approximately 100 net new positions to the City and the retention of over 3,500 existing jobs.
- Nucor Steel has agreed to expand its operations to Memphis. This will represent a capital commitment of \$225 million and create over 225 net new jobs with wage levels that exceed the area median income by 175 percent.

- The City has been awarded four Hope VI grants (totaling over \$150 million) since 1995 from the Department of Housing and Urban Development (HUD). Over 1,100 units of mixed income housing have been developed to date with an additional 1,200 units planned.
- Economic development in downtown Memphis continues to thrive. Currently, there is over \$3.1 billion of economic development projects underway.
- In the area of healthcare services, the City is poised to become an internationally recognized center for the development and commercialization for biomedical technology fueled by the development of a \$450 million, 1.2 million square feet medical research park, the \$100 million expansion of the University of Tennessee Medical School, the \$1 billion expansion of the St. Jude Children’s Research Hospital as well as the \$250 million expansion of the Lebonheur Children’s Medical Center.

**Long-term Financial Planning.** During fiscal year 2006, the City achieved fiscal stability after two years of less than positive results by executing short-term mission critical actions such as implementing hiring/travel freezes, suspending overtime for non public safety positions, and limiting spending on materials and supplies. To ensure the City’s financial position remains fiscally 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. To this end, an Efficiency Study that includes a comprehensive assessment and review of the City’s financial position, organizational structure, technological systems and processes is underway. The plan will focus on the following areas:

- Revenue Generation
- Operational Efficiency
- Cost Containment
- Managing Key Assets (Capital Improvements)
- Developing Five-Year Strategic Financial and Management Plan
- Improving Bond Rating
- Increasing/Sustaining Reserve Levels
- Developing Growth/Economic Development Plan

Moreover, the primary objectives of financial management plan are to enhance communication at all levels, maintain fiscal soundness, maximize productivity and improve operational efficiencies. In addition, internal and external teams have been formed to identify opportunities in the following areas: human resources/personnel, procurement, information technology, asset management, collections, fleet management, administrative policy, joint/shared services, and others areas that are developed as needed. The City is working with the Memphis Regional Chamber and Memphis Tomorrow to create a “Growth Strategy” that will ideally enhance the city’s overall growth, tax base and wages. The city has engaged consultants to conduct in depth studies of the Memphis Police Department and Memphis Fire Services to ensure both public safety agencies are operating at maximum efficiency regarding staffing, placement of fire stations, etc.

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 is in the intermediate stages of preparing for implementation of Governmental Accounting Standards Board (GASB) Statement No. 45, Accounting and Financial Reporting for Employers for Post-employment Benefits Other than Pensions. 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 will become 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 has received a preliminary actuarial valuation identifying the potential financial impact based on existing plan benefits, and is in the process of establishing an OPEB Trust. The valuation along with plan change alternatives that could possibly reduce the obligation is currently being reviewed. Presently, the City funds the cost of retiree healthcare benefits on a pay-as-you-go basis.

**Major Initiatives** In addition to the annual operating budget, the City also adopts a Capital Improvement Program (CIP) that is a multi-year plan for capital expenditures to replace and expand the City's infrastructure, vehicles and equipment. The program is updated annually to reflect the latest priorities, updated cost estimates and available revenue sources. Various sources of revenue include general obligation bonds, federal grants, state grants, user fees and private funds. Results of the Memphis Poll, an annual survey, are used to identify priorities and concerns of citizens. Projects are reviewed based on need, impact on the area, quality of life in our neighborhoods and the general economic climate of the City. Highlights of the CIP budget plan for 2007-2011 are:

- The Fire Division's budget includes the replacement of pumpers, aerial trucks and ambulances. Also, the division plans to construct an urban search and rescue facility.
- The Police Division's budget includes funds for more than 200 replacement police cars and for development of a Multiple Database Search and Analysis Solution (MDSAS) database.
- The Parks Division's budget includes funds for the Zoo's Northwest Passage, equipment for the Whitehaven and Riverside golf courses, ADA improvements to the Liberty Bowl restrooms and improvements to the Leftwich Tennis Center.
- The Public Services and Neighborhoods Division's budget includes funding for a new animal shelter, a fourth vehicle inspection station and library roof repairs.
- The Memphis Area Transit Authority's capital improvement budget is heavily leveraged by Federal and State funding that will be used to fund a new bus transfer station near the Memphis International Airport. Preventative maintenance is funded entirely by G.O. Bonds.
- Riverfront Development's budget includes funds for Beale Street Landing and Cobblestone improvements.
- The Public Works Division's budget includes funds to pave 100 lane miles of streets each year, and for ADA ramp improvements, fourteen road projects and three bridge projects. The Stormwater Fund CIP budget will allow the City to make major investments in drainage infrastructure throughout the City. The Sewer Fund projects are for the repair and replacement of sewer infrastructure, new sewer connections and improvements to the treatment plants.

- The General Services Division's budget includes major ADA improvements and minor improvements to various City buildings and equipment.
- Housing and Community Development's budget includes funding for several neighborhood redevelopments including the Uptown, Lamar Terrace and Dixie Homes neighborhoods.
- The Engineering Division's budget includes funding for replacement of traffic signals, transportation improvements and a major traffic signal modification at the intersection of New Allen and Ridgemont.
- Information System's budget includes projects to upgrade the City's information technology infrastructure.

### 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.

The following analyses of capital expenditures for capital improvement projects are employed:

### 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. are scheduled to become a part of the City on December 31, 2006.

#### Annexation Plans

The City has proposed to annex two areas within its reserve growth area: Berryhill and Southwind-Windyke, which are scheduled to become a part of the City on December 31, 2006.

#### 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, 2005. This was the 29th consecutive year that the City has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

The City of Memphis FY2005 Citizens' Report earned the Popular Annual Financial Reporting Award. The City also received GFOA's Distinguished Budget Presentation Award for its annual budget document for the fiscal year beginning July 1, 2006, the 8th 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, Watkins Uiberall, PLLC and Banks, Finley, White and Company. We wish to express our appreciation to both, with particular thanks to Patrice Thomas, CPA, Comptroller Vickie Lewis, Deputy Comptroller and the Accounting staff.

Respectfully submitted,

Robert Lipscomb  
Chief Financial Officer

Roland McElrath, CPA  
Director of Finance

**CITY OF MEMPHIS, TENNESSEE  
 COMPREHENSIVE ANNUAL FINANCIAL REPORT  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

**TABLE OF CONTENTS**

	Page
<b>INTRODUCTORY SECTION</b>	
Letter of Transmittal	1
GFOA Certificate of Achievement for Excellence in Financial Reporting	10
City Officials	11
Organizational Chart	12
<b>FINANCIAL SECTION</b>	
	Page
<b>Independent Auditors' Report</b>	14
<b>Management's Discussion and Analysis</b>	16
<b>Basic Financial Statements</b>	
<b>Government-wide Financial Statements</b>	
Statement of Net Assets	26
Statement of Activities	28
<b>Fund Financial Statements</b>	
Balance Sheet - Governmental Funds	29
Reconciliation of the Balance Sheet to the Statement of Net Assets	30
Statement of Revenues, Expenditures, & Changes in Fund Balances - Governmental Funds	31
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	32
Statement of Net Assets - Proprietary Funds	33
Statement of Revenues, Expenses, and Changes in Fund Net Assets - Proprietary Funds	35
Statement of Cash Flows - Proprietary Funds	36
Statement of Fiduciary Net Assets - Fiduciary Funds	37
Statement of Changes in Fiduciary Net Assets - Fiduciary Funds	38
<b>Combining Statements of Major Component Units</b>	
Combining Statement of Net Assets	39
Combining Statement of Activities	41

# TABLE OF CONTENTS

<b>Notes to the Financial Statements</b>		43
<b>Required Supplementary Information</b>		
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual on Basis of Budgeting - General Fund	B-1	82
<b>Combining and Individual Fund Statements and Schedules</b>		
<b>General Fund</b>		
Schedule of Revenues and Other Sources - Budget and Actual on Basis of Budgeting	C-1	84
Schedule of Expenditures and Other Uses - Budget and Actual on Basis of Budgeting	C-2	86
<b>Combining Nonmajor Funds</b>		
Combining Balance Sheet	D-1	90
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance	D-2	91
Combining Schedule of Revenues and Expenditures - Budget and Actual on Basis of Budgeting (with annual budgets)	D-3	92
Combining Schedule of Revenues and Expenditures - Budget and Actual on Basis of Budgeting (with carryover budgets)	D-4	95
<b>Debt Service Fund</b>		
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual on Basis of Budgeting	E-1	96
<b>Combining Enterprise Funds</b>		
Combining Statement of Net Assets	F-1	98
Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets	F-2	99
Combining Statement of Cash Flows - Enterprise Funds	F-3	100
<b>Combining Internal Service Funds</b>		
Combining Statement of Net Assets	G-1	102
Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets	G-2	103
Combining Statement of Cash Flows - Internal Service Funds	G-3	104
<b>Combining Fiduciary Funds</b>		
Combining Statement of Net Assets	H-1	106
Combining Statement of Changes in Fund Net Assets	H-2	107
<b>Supplementary Schedules</b>		
Schedule of Delinquent Property Taxes Receivable - All Funds	I-1	108
Schedule of Revenue Bonds - By Issue	I-2	109

## TABLE OF CONTENTS

Schedule of General Obligation Debt - By Issue	I-3	110
Schedule of General Obligation Debt - By Use	I-4	111
Long-term Debt - Principal and Interest Requirements - Proprietary Funds	I-5	112
Schedule of Interfund Balances	I-6	113
Schedule of Interfund Transfers	I-7	114
Schedule of Deposits and Investments Held Outside of the Cash and Investment Pool - Carrying Amount	I-8	115
Schedule of Additions and Retirements to Utility Plant	I-9	116

## STATISTICAL SECTION

Net Assets by Component	X-1	118
Changes in Net Assets	X-2	119
Fund Balances of Governmental Funds	X-3	120
Changes in Fund Balances of Governmental Funds	X-4	121
General Fund Expenditures and Other Uses by Function	X-5	122
Assessed and Estimated Actual Value of Taxable Property	X-6	123
Property Tax Rates and Levies - All Direct and Overlapping Governments	X-7	124
Principal Taxpayers	X-8	125
Property Tax Levies and Collections	X-9	126
Special Assessment Collections	X-10	127
Ratio of Outstanding Debt by Type	X-11	128
Bonded Debt Outstanding	X-12	129
Direct and Overlapping Governmental Activities Debt	X-13	130
Legal Debt Margin Information	X-14	131
Pledged Revenue Coverage	X-15	132
Demographic and Economic Statistics	X-16	133
Principal Employers	X-17	134
Government Employees by Function	X-18	135
Operating Indicators by Function	X-19	136
Capital Assets by Function	X-20	137
General Fund Expenditures on Municipal State Aid	X-21	138

## SINGLE AUDIT

Supplemental Schedule of Expenditures of Federal and State Awards	Y-1	140
Note to the Schedule of Expenditures of Federal and State Awards		143
Auditors' Report on Compliance and on Internal Control Over Financial Reporting		144
Auditors' Report on Compliance and Internal Control Over Compliance Applicable to Each Major Federal Award Program		146
Schedule of Findings and Questioned Costs		148
Schedule of Prior Year Audit Findings		149

# 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, 2005

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, 2005. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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



President

Executive Director

# CITY OF MEMPHIS, TENNESSEE

## CITY OFFICIALS

Willie W. Herenton, Mayor

### CITY COUNCIL

TaJuan Stout-Mitchell, Chairman (District 3)

Dedrick Brittenum, Jr..... District 4  
Joe W. Brown.....District 8- 1  
Carol Chumney.....District 5  
Edmond Ford.....District 6  
E.C. Jones.....District 1  
Myron Lowery.....District 8-3

Scott McCormick.....District 9-1  
Tom Marshall.....District 9-2  
Rickey W. Peete.....District 8-2  
Jack Sammons.....District 9-3  
Barbara Swearengen-Holt.....District 7  
Brent Taylor.....District 2

### 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

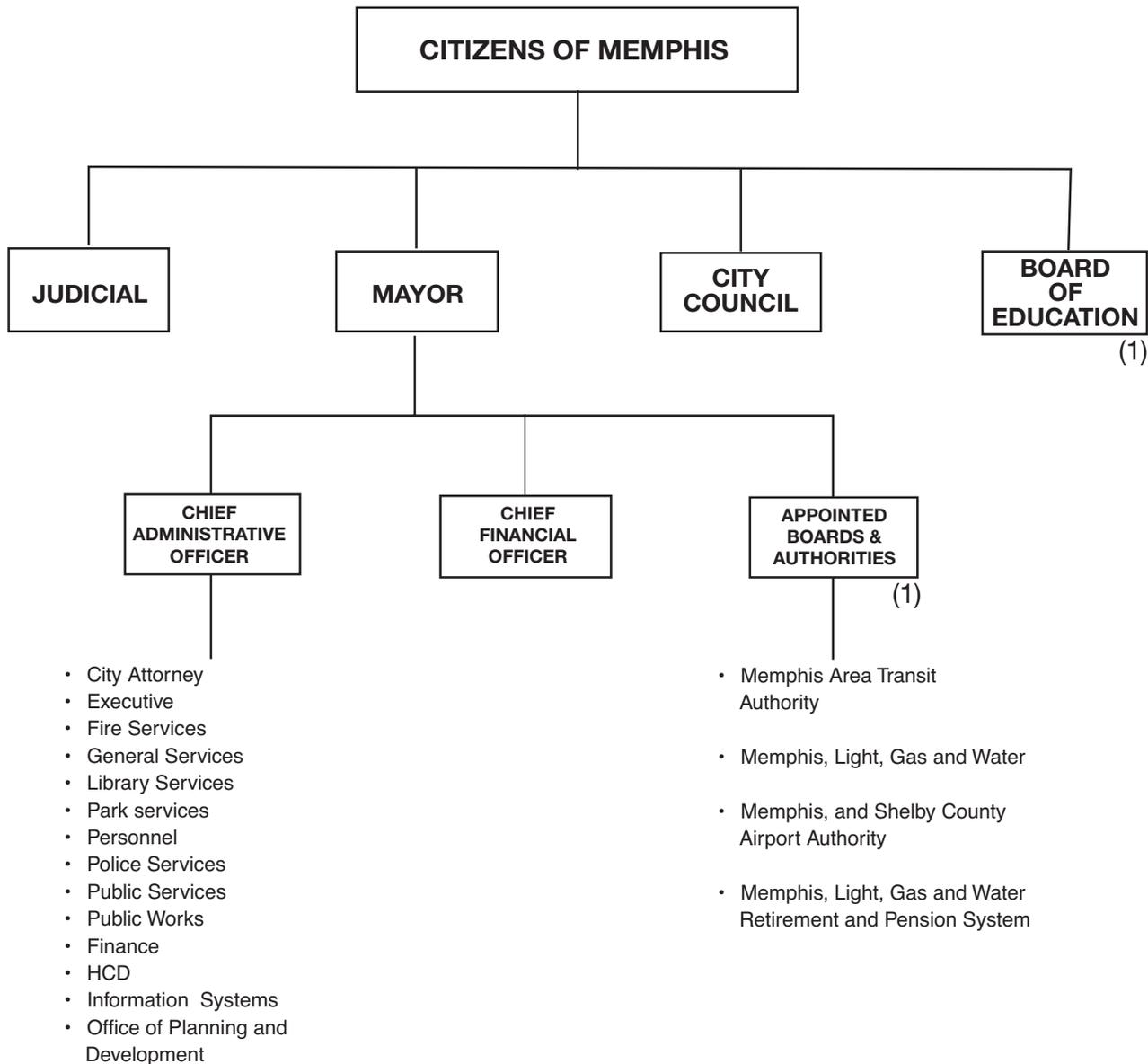
### ADMINISTRATIVE

Keith L. McGee.....Chief Administrative Officer  
Robert Lipscomb.....Chief Financial Officer and Director, Housing and Community Development  
Richard Arwood.....Director, Fire Services  
Estrice Boone.....Director, General Services  
Cynthia Buchanan.....Director, Park S Services  
Jerry Collins.....Director, Public Works  
Rick Copeland.....Director, Office of Planning and Development  
Judith Drescher.....Director, Library Services  
Lorene Essex.....Director, Human Resources  
Wain Gaskins.....City Engineer  
Larry Godwin.....Director, Police Services  
Sara Hall..... City Attorney  
Joseph Lee, III.....President, Memphis Light, Gas and Water Division  
Keenon McCloy.....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.)



Watkins Uiberall, PLLC  
Certified Public Accountants & Financial Advisors  
Independent Member of BKR International



## 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, 2006, 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 Memphis-Shelby County Airport Authority, which represents \$1,162,410,000 and \$145,369,000, respectively, of the assets and revenues of the component units. Those financial statements were audited by other auditors whose reports thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Memphis-Shelby County Airport Authority is based on the report 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 significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of other auditors provides a reasonable basis for our opinions.

In our opinion, based on our audit and the report 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, 2006, and the respective changes in financial position and, where applicable, cash flows thereof 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 6, 2006 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 assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information 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 and the other auditors 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 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 section and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Memphis, Tennessee  
December 6, 2006  
(except for Note V. B., as to  
which the date is December 20, 2006)

Watkins Librall, PLLC  
Banks, Finley, White & Co.

---

## **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, 2006. We encourage readers to consider the information presented here in conjunction with additional information that is furnished in the letter of transmittal and notes to the financial statements. All amounts, unless otherwise indicated, are expressed in thousands of dollars.

### **Financial Highlights**

- The primary government's total net assets increased by \$100,230 and exceeded its liabilities at June 30, 2006 by \$1,949,763 (net assets).
- At June 30, 2006, the City's governmental activities reported ending net assets of \$182,808, an increase of \$7,610 or 4.3% from the prior year
- The City's business-type activities reported ending net assets of \$1,766,955, an increase of \$92,620 or 5.5% from prior year.
- At June 30, 2006, the fund balance for the general fund was \$33,940, an increase of \$32,728 from prior year. Decreased expenditures due to several cost cutting initiatives and increased revenue collections contributed to the positive results. The unreserved portion of the fund balance was \$29,746.
- The City's total debt decreased by \$51,356 or 2% during the current fiscal year.

### **Overview of the Financial Statements**

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

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

The statement of net assets presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The statement of activities presents information showing how the City's net assets changed during the year ended June 30, 2006. 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 and the City golf courses.

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

The government-wide financial statements are presented as Exhibits A-1 and A-2; component unit financial statements are presented as Exhibits A-12 and A-13.

**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 seventeen 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 fifteen 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, Central Business Improvement District Fund, Community Redevelopment Agency 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-6.

**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 and the City golf courses. 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 and the City golf courses, nonmajor funds. 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-7 through A-9.

**Fiduciary Funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for

proprietary funds. The actuarially determined net pension asset (negative NPO) is reported in the government-wide statement of net assets as governmental activities.

The basic fiduciary fund financial statements are presented as Exhibits A-10 and A-11.

**Notes to the Financial Statements.** The notes which follow Exhibits A-1 through A-13, 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 to its employees is included in the notes to the financial statements.

**Required Supplementary Information.** In addition to the basic financial statements and accompanying notes, this report also presents required supplementary information to demonstrate legal budgetary compliance for each major fund for which an annual budget is adopted. Required disclosure concerning the City's progress in funding its obligation to provide pension benefits to its employees is included in the notes to the financial statements. Required supplementary information is presented as Exhibit B-1.

**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), for the General Fund, 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 C through H.

### 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 \$1,949,763 at June 30, 2006.

Condensed Statement of Net Assets						
	Governmental activities		Business-type activities		Total	
	2005	2006	2005	2006	2005	2006
Current and other assets	\$ 805,706	807,982	1,990,548	2,007,566	2,796,254	2,815,548
Capital assets	1,123,238	1,127,384	1,617,132	1,675,132	2,740,370	2,802,516
Total assets	1,928,944	1,935,366	3,607,680	3,682,698	5,536,624	5,618,064
Long-term liabilities outstanding	921,191	978,811	1,528,206	1,455,370	2,449,397	2,434,181
Other liabilities	832,555	773,747	397,707	460,373	1,230,262	1,234,120
Total liabilities	1,753,746	1,752,558	1,925,913	1,915,743	3,679,659	3,668,301
Net assets:						
Invested in capital assets, net of related debt	269,490	239,334	1,434,661	1,486,184	1,704,151	1,725,518
Restricted	81,491	78,238	90,115	89,905	171,606	168,143
Unrestricted	(175,783)	(134,764)	156,991	190,866	(18,792)	56,102
Total net assets	\$ 175,198	182,808	1,681,767	1,766,955	1,856,965	1,949,763

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 (8.6%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (2.9%) is reflective of the City's practice of maintaining adequate reserves for payment of debt service and capital projects, while funding current operations with current revenue sources.

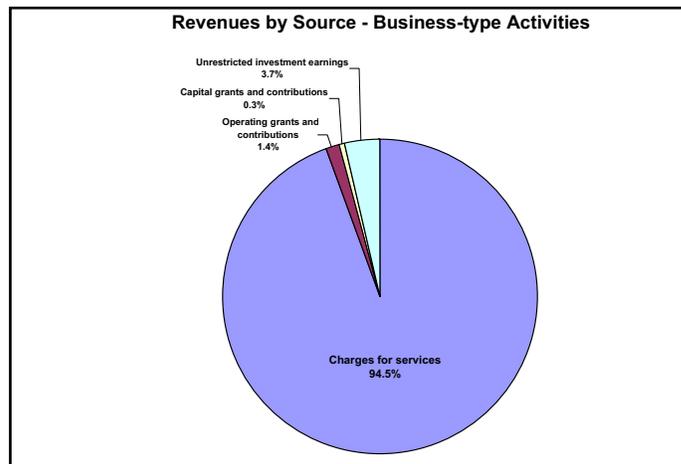
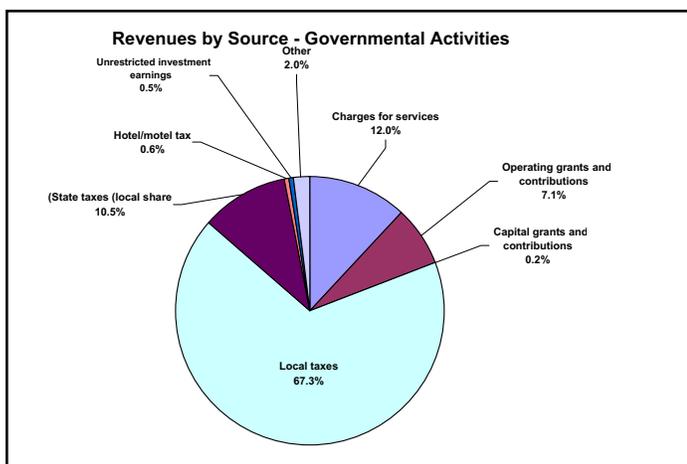
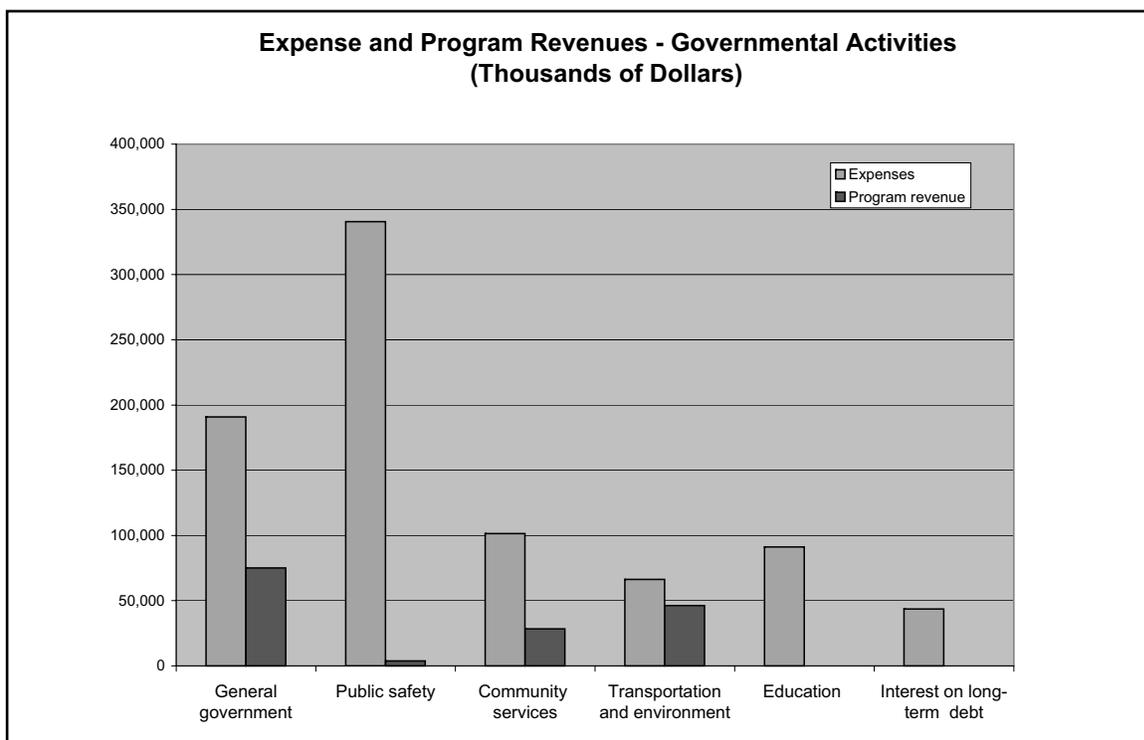
At June 30, 2006, the City reports positive balances in all three categories of net assets for its business-type activities and two categories of net assets for its governmental-type activities.

Condensed Statement of Changes in Net Assets						
	Governmental activities		Business-type activities		Total	
	2005	2006	2005	2006	2005	2006
<b>Revenues:</b>						
<b>Program Revenues:</b>						
Charges for services	\$ 58,307	95,507	1,417,632	1,606,068	1,475,939	1,701,575
Operating grants and contributions	57,424	56,472	22,675	23,205	80,099	79,677
Capital grants and contributions	3,785	1,494	4,544	5,805	8,329	7,299
<b>General revenues:</b>						
Local taxes	480,045	536,715	-	-	480,045	536,715
State taxes (local share)	75,441	83,602	-	-	75,441	83,602
Hotel/motel tax	3,936	4,399	-	-	3,936	4,399
Unrestricted investment earnings	-	3,596	61,792	63,619	61,792	67,215
Other	33,342	15,871	-	-	33,342	15,871
<b>Total revenues</b>	<b>712,280</b>	<b>797,656</b>	<b>1,506,643</b>	<b>1,698,697</b>	<b>2,218,923</b>	<b>2,496,353</b>
<b>Expenses:</b>						
General government	187,105	190,796	-	-	187,105	190,796
Public safety	318,106	340,621	-	-	318,106	340,621
Community services	107,129	101,488	-	-	107,129	101,488
Transportation and environment	59,523	66,262	-	-	59,523	66,262
Education	85,144	91,225	-	-	85,144	91,225
Interest on long-term debt	37,142	43,583	-	-	37,142	43,583
Sewer collection and treatment	-	-	50,512	48,991	50,512	48,991
Memphis Light, Gas and Water	-	-	1,350,967	1,507,661	1,350,967	1,507,661
Storm Water	-	-	-	1,343	-	1,343
Golf	-	-	4,270	4,153	4,270	4,153
<b>Total expenses</b>	<b>794,149</b>	<b>833,975</b>	<b>1,405,749</b>	<b>1,562,148</b>	<b>2,199,898</b>	<b>2,396,123</b>
Increase in net assets before transfers	(81,869)	(36,319)	100,894	136,549	19,025	100,230
Transfers	48,995	43,929	(48,995)	(43,929)	-	-
Increase (decrease) in net assets	(32,874)	7,610	51,899	92,620	19,025	100,230
Net assets - July 1, as restated	208,072	175,198	1,629,868	1,674,335	1,837,940	1,849,533
Net assets - June 30	\$ 175,198	182,808	1,681,767	1,766,955	1,856,965	1,949,763

**Governmental activities.** Governmental activities increased the City's net assets by \$7,610 and Business-Type activities increased net assets by \$92,620, thereby resulting in a 5.5% increase in total primary government's beginning net assets. Key elements of the governmental activities are discussed below:

- Total expenses increased by \$39,826 or 5.0% from last year. Total revenues increased by \$85,376 or 12% over last year. Revenues and Transfers for FY 2005 were restated as a result of a change in reporting as required by GASB to reflect "in lieu of tax payments" received from MLG&W as transfers rather than revenue.
- The most significant increase in expenses from prior year was realized in public safety, whose expense increased by \$22,515 or 7%. Expenses for Education and Interest on long-term debt increased by \$6,081 or 7% and \$6,441 or 17%, respectively.
- An increase of 63.8% or \$37,200 in charges for services, primarily related to increased solid waste management fees,

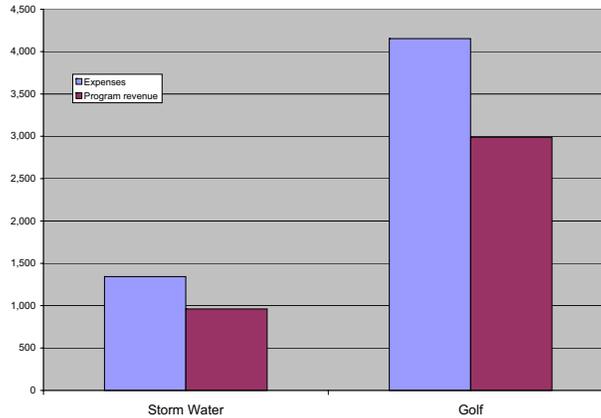
contributed significantly to the overall increase in revenue for fiscal year 2006. Also, local taxes increased by 11.8% as a result of increased property tax collections. Other Revenue decreased by \$17,471 or 52.4%, due to intergovernmental revenues and the change in net pension obligation amounts being reflected in operating grants and contributions and charges for services as required by GASB.



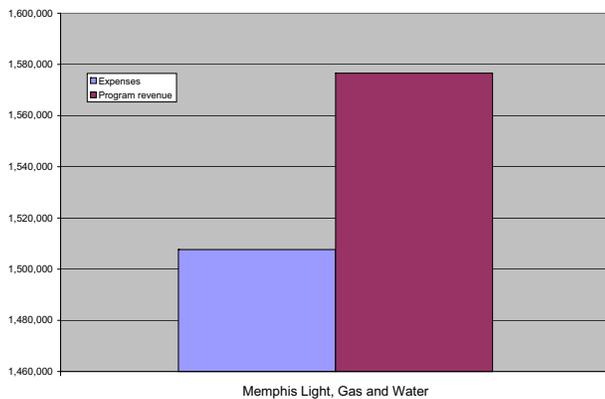
**Business-type activities.** Business-type activities increased the City's net assets by \$92,620, accounting for 5.5% growth in the government's beginning net assets. Key elements of the increase is as follows:

- MLGW's Electric Division accounts for \$66.8 million of the net asset increase. The growth in net assets is a result of continued growth in operating revenue over operating expenses. Over 86% of the Electric Division's net assets are related to utility plant, which include property, plant, and construction.
- Charges for services increased by 13.3% over last year. Most of this increase can be attributable to increased electricity sales to customers and TVA's wholesale power rate increase in October 2005.

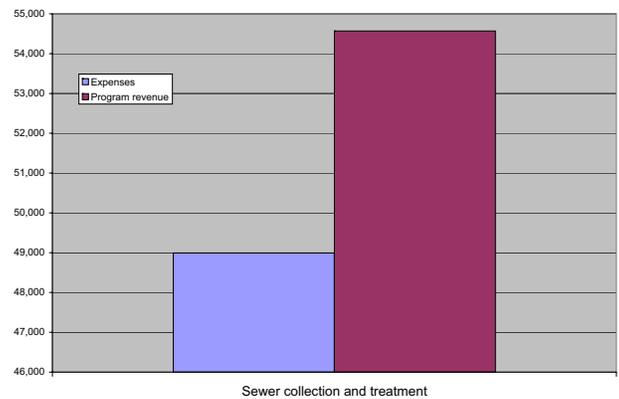
**Expenses and Program Revenues - Business-type Activities**  
**(Thousands of Dollars)**



**Expenses and Program Revenues - Business-type Activities**  
**(Thousands of Dollars)**



**Expenses and Program Revenues - Business-type Activities**  
**(Thousands of Dollars)**



**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, 2006, the City's governmental funds reported combined ending fund balance of \$34,506, an increase of \$29,157 in comparison with the prior year. Approximately 87.8% of this total amount (\$30,312) constitutes unreserved fund balance, which is available for spending at the government's discretion. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed to liquidate contracts and purchase orders of the prior period (\$2,703) or for special services (\$1,491).

---

The general fund is the chief operating fund of the City. At June 30, 2006, unreserved fund balance of the general fund was \$29,746, while total fund balance was \$33,940. 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 5.9% of total general fund expenditures, while total general fund balance represents 6.7% of the fund expenditures.

The fund balance of the City's general fund increased by \$32,728 during the fiscal year ended June 30, 2006. Key factors resulting in this increase are as follows:

- Total General Fund Revenues increased by \$51,680 or 12.08% over prior year. This significant increase is primarily the result of the City realizing increased property tax collections in FY 2006 as a result of a tax rate increase. In addition, the City received increased collections related to the Hall Income Tax from the Tennessee State Department of Revenue.
- Total expenditures grew slightly by \$3,849, less than 1%, over last year. This modest increase was the direct result of significant cost saving measures implemented during FY2006. Expenditures of the general government and community services decreased by \$1,783 and \$6,019, respectively. However, these cost savings were offset by public safety's increase in expenditures over prior year of \$10,597.
- The general fund's operating transfers out decreased by \$11,658 or 52.7% primarily as a result of a decrease in transfers out to the Solid Waste Management Fund. During FY 2006, the fees for solid waste collections were increased, thereby reducing the amount of operating transfers needed from the General Fund.

The fund balance of the City's Debt Service fund increased by \$22,376 during the fiscal year ended June 30, 2006. Key factors resulting in this increase are as follows:

- Total revenues increased by \$14,953 or 18.5% primarily due to an increase in local taxes. However, total expenditures decreased slightly by 2.4%.
- Other financing sources were up by \$11,153 due primarily to increased transfers from other funds to pay their debt service obligations.

Detail for other governmental funds, including special revenue funds and the capital project fund are presented in Exhibits D-1 and D-2. Significant changes from FY 2005 are summarized as follows:

- As the Capital Projects Fund did not meet the minimum criteria as defined by generally accepted accounting principles (GAAP) for mandatory major fund reporting this year, the fund is reported as a non-major fund this year. Fund balance decreased by \$27,880 to a negative balance of \$27,577.
- The New Memphis Arena Fund (FedEx Forum) revenue and expenditures decreased by 49.8% and 30%, respectively. This decrease is the result of the State of Tennessee having made a final payment of \$5,584 of its total \$20,000 commitment in FY2005 and due to \$2,500 in payments from MLG&W Water Division being reported as transfers this year to comply with GASB standards whereas in previous years this amount was recorded as a "receipts in lieu of taxes" revenue line item. The 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 increased by 107.8% as result of the fee increase that became effective during FY 2006. As a result, operating transfers to the Solid Waste fund from the General fund decreased substantially in fiscal year 2006.

**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 \$190,923 comprised primarily of \$192,322 for Memphis Light, Gas and Water, which can be used for on-going operations of the public utility system and \$3,203 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 \$4,602 represents unrestricted net assets of the non-major funds, Golf and Storm Water.

**General Fund Budgetary Highlights**

The original operating budget for FY 2006 did not anticipate any use of unreserved fund balance. After a few years of less than desirable results due to significant revenue shortfalls in state and local sales taxes, the City achieved fiscal stability primarily as a result of increased revenues and expense savings realized from hiring/travel freezes and spending restrictions on materials and supplies. Most divisions ended FY 2006 with expenditures below budget. Differences between the original budget and the final amended budget can be briefly summarized as follows:

- General Fund actual expenditures were under budget by \$14,538. Revenues were over budget by \$10,749.
- The slowdown in hiring, suspension of overtime for non-public safety positions and limited spending on materials and supplies during FY 2006 contributed significantly to the positive budget to actual variance in expenditures. Also, the City imposed a new storm water drainage fee beginning May 1, 2006. For FY 2006, the City realized net savings in the General Fund of approximately \$1.2 million when these operations were moved into an enterprise fund.
- The revenue variance resulted primarily from: (1) Current property tax collections exceeding budget by \$8,666. The major factor being lower than anticipated assessment appeal reductions. (2) Transfers from MLGW exceeded budget by \$5,125 as a result of a new customer service center and two major substations that significantly increased net plant value subject to the City's "in lieu of tax" charge. (3) Higher State revenue collections and an enhancement in the State Department of Revenue's method of distributing these funds to municipalities caused State Taxes to exceed budget by \$3,816. (4) The City received a large payment (\$1,257) for an insurance claim from a prior year for a fire at one of the City's facilities.
- A portion of the positive revenue variance was offset by the negative variance of \$11,049 for franchise fees paid by telecommunications companies that provide telephone/telecommunication services and equipment to subscribers. A legal challenge contributed significantly to this variance.

**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, 2006 amounts to \$2,802,516 (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 2.3% (a .03% increase for governmental activities and a 3.6% increase for business-type activities)

	<b>Condensed Statement Capital Assets</b> <b>(net of depreciation)</b>					
	<b>Governmental</b>		<b>Business-type</b>		<b>Total</b>	
	<b>activities</b>	<b>activities</b>	<b>activities</b>	<b>activities</b>	<b>activities</b>	<b>activities</b>
	2006	2005	2006	2005	2006	2005
Land and buildings	\$ 427,179	430,317	52,767	55,248	479,946	485,565
Improvements other than buildings	583,460	571,567	282,139	248,942	865,599	820,509
Equipment	81,698	79,167	2,136	2,683	83,834	81,850
Construction in progress	35,047	41,916	1,889	2,981	36,936	44,897
Memphis Light, Gas and Water	-	-	1,336,201	1,307,278	1,336,201	1,307,278
<b>Total</b>	<b>\$ 1,127,384</b>	<b>1,122,967</b>	<b>1,675,132</b>	<b>1,617,132</b>	<b>2,802,516</b>	<b>2,740,099</b>

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

- Rehabilitation of the Liberty Bowl Stadium to include ADA requirements, new fixtures and interior renovations.
- Construction of two new police precincts, Southeast and Hickory Hill.
- Improvements to City owned right-of-ways in the Central Business District and downtown areas.

- Installation of wheelchair ramps on corners at intersections throughout the City as required by the American with Disabilities Act.

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

**Long-term debt.** At June 30, 2006, the City had total bonded debt outstanding of \$2,574,936. Of this amount, \$1,031,071 comprises debt backed by the full faith and credit of the government, inclusive of self-supporting debt of the Board of Education and Airport Authority, and \$1,543,865 represents bonds secured solely by specified revenue sources (i.e., revenue bonds).

	Governmental activities		Business-type activities		Total	
	2006	2005	2006	2005	2006	2005
	State Loans	\$ -	-	-	192	-
General obligation bonds	915,315	882,312	-	-	915,315	882,312
Bond anticipation notes	114,000	125,000	-	-	114,000	125,000
Capital outlay notes	-	-	-	-	-	-
Notes payable	786	1,571	-	8,074	786	9,645
Capital lease obligations	970	2,626	-	-	970	2,626
Revenue bonds	-	-	1,543,865	1,606,517	1,543,865	1,606,517
<b>Total</b>	<b>\$ 1,031,071</b>	<b>1,011,509</b>	<b>1,543,865</b>	<b>1,614,783</b>	<b>2,574,936</b>	<b>2,626,292</b>

The City's total debt decreased by \$51,356 (2% percent) during FY 2006. 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 1.9%, while business-type activities' debt decreased by 4.4%.

The City has long held a high grade bond rating on indebtedness from the major credit rating services. As of June 30, 2006, the City held ratings of A1 from Moody's, A 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 \$115,115 in February 2006 to refund previously issued General Improvement Bonds and bond anticipation notes. The City's Commercial Paper Program provides for the sale of bond anticipation notes to provide interim financing of various capital projects and to pay the principal of maturing debt.

In 2005, MLGW's Water Division AAA bond rating was reaffirmed from Standard & Poor's after an annual review of financial management practices. The Water Division holds the highest possible bond ratings—Aaa from Moody's Investors Service as well as the AAA from Standard and Poor's. The Electric Division's AA rating was also reaffirmed. The Gas Division currently has no debt. 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 2007 fiscal year are discussed more fully in the Budget document and include:

- In the aftermath of the 2001 recession, employment in Memphis has been growing over the past two years. Memphis' unemployment rate decreased to 5.2 percent in September 2006, down from 5.5 percent a year ago.
- The FY 2007 revenue collections are expected to continue to improve, yet are still budgeted very conservatively. In addition, expenditures are expected to remain stable as division leaders have been given a mandate to manage their costs within established resources.
- Increasing Public Safety is always a concern. Therefore, the City plans to hire an additional 100 to 125 new police officers over the next four years.
- To ensure the City's financial position remains fiscally sound management has implemented quarterly financial reviews and consultants have been hired to complete an operational and financial efficiency study..

At June 30, 2006, unreserved fund balance in the general fund was \$29,746. The City has approved an operating budget of \$497,074 in total expenditures for FY 2007, with planned contribution of \$8,576 to unreserved fund balance. The City's tax rate for FY 2007 has been set at \$3.4332 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 2007 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, 2006**

**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	\$ 7,294	96,206	103,500	242,983
Investments	8,833	109,839	118,672	40,948
Equity in cash and investment pool	13,099	1,374	14,473	-
Receivables (net of allowance for uncollectibles):				
Property taxes	429,340	-	429,340	-
Sales and income taxes	37,006	-	37,006	-
Special assessments	19	-	19	-
Federal and state grants	30,216	53	30,269	917
Interest and dividends on investments	112	328	440	359
Notes and accounts receivable	250	274,731	274,981	7,683
Housing rehabilitation loans	65,377	-	65,377	-
Other	32,366	-	32,366	4,746
Internal balances	12,342	(12,342)	-	-
Due from component units	800	-	800	-
Due from other agencies and governments	92,238	-	92,238	134,045
Inventories	452	33,669	34,121	9,717
Deferred purchased power and gas costs	-	1,349,163	1,349,163	-
Collateral held in trust for securities on loan	-	22,616	22,616	-
Prepaid expenses	-	-	-	3,086
Restricted assets:				
Cash and cash equivalents	-	-	-	20,182
Investments	-	43,476	43,476	183,937
Receivables				
Accounts	-	-	-	392
Federal and state grants	-	-	-	8,529
Accrued interest	-	-	-	2,175
Special facilities	-	-	-	26,012
Special fund - customer deposits	-	62,628	62,628	-
Non-depreciable capital assets	96,449	13,757	110,206	192,136
Depreciable capital assets (net of accumulated depreciation)	1,030,935	1,661,375	2,692,310	1,671,504
Bond issue costs	-	-	-	7,493
Net pension asset	78,238	-	78,238	-
Other assets	-	25,825	25,825	13
Unrestricted assets:				
Investments	-	-	-	1,724
<b>Total assets</b>	<b>\$ 1,935,366</b>	<b>3,682,698</b>	<b>5,618,064</b>	<b>2,558,581</b>

(Continued)

**STATEMENT OF NET ASSETS**  
**(Thousands of Dollars)**  
**June 30, 2006**

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

	<b>Primary Government</b>			<b>Component Units</b>
	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>	
<b>LIABILITIES</b>				
Accounts payable and accrued liabilities	\$ 43,407	345,288	388,695	117,120
Accrued interest payable	10,431	-	10,431	-
Contract retainage	264	412	676	-
Insurance claims payable	8,163	-	8,163	18,636
Legal claims and judgments	8,710	-	8,710	-
Due to component units	11,380	-	11,380	-
Due to other agencies and governments	84,508	-	84,508	-
Refundable bonds and deposits	956	-	956	-
Unearned revenue	446,707	21	446,728	53,038
Collateral subject to return to borrowers	-	22,616	22,616	-
Noncurrent liabilities:				
Due within one year	159,221	92,036	251,257	41,938
Due in more than one year	978,811	1,455,370	2,434,181	629,441
<b>Total liabilities</b>	<b>1,752,558</b>	<b>1,915,743</b>	<b>3,668,301</b>	<b>860,173</b>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	239,334	1,486,184	1,725,518	1,304,020
Restricted for:				
Debt service and construction	-	89,905	89,905	102,440
Capital acquisition	-	-	-	134,531
Contracted grant programs	-	-	-	3,730
Food service	-	-	-	11,685
Self insurance	-	-	-	500
Pension obligations	78,238	-	78,238	-
Unrestricted	(134,764)	190,866	56,102	141,502
<b>Total net assets</b>	<b>\$ 182,808</b>	<b>1,766,955</b>	<b>1,949,763</b>	<b>1,698,408</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, 2006**

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

	Program Revenues						Net (Expense) Revenue and Changes in Net Assets			
	Primary			Government			Governmental Activities	Business-Type Activities	Total	Component Units
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions				
<b>Functions/Programs</b>										
<b>Primary government:</b>										
Governmental Activities:										
General government	\$ 190,796	45,500	28,047	1,494	(115,755)	-	(115,755)	-	(115,755)	-
Public safety	340,621	3,785	61	-	(336,775)	-	(336,775)	-	(336,775)	-
Community services	101,488	125	28,244	-	(73,119)	-	(73,119)	-	(73,119)	-
Transportation and environment	66,262	46,097	120	-	(20,045)	-	(20,045)	-	(20,045)	-
Education	91,225	-	-	-	(91,225)	-	(91,225)	-	(91,225)	-
Interest on long-term debt	43,583	-	-	-	(43,583)	-	(43,583)	-	(43,583)	-
Total governmental activities	833,975	95,507	56,472	1,494	(680,502)	-	(680,502)	-	(680,502)	-
Business-type activities:										
Sewer collection and treatment	48,991	48,670	93	5,805	-	5,577	5,577	5,577	5,577	-
Memphis Light, Gas and Water	1,507,661	1,553,537	23,023	-	-	68,899	68,899	68,899	68,899	-
Golf	4,153	2,934	55	-	(1,164)	(1,164)	(1,164)	(1,164)	(1,164)	-
Storm water	1,343	927	34	-	(382)	(382)	(382)	(382)	(382)	-
Total business-type activities	1,562,148	1,606,068	23,205	5,805	-	72,930	72,930	72,930	72,930	-
Total primary government	\$ 2,396,123	1,701,575	79,677	7,299	(680,502)	-	(680,502)	-	(680,502)	-
<b>Component units:</b>										
Board of Education	\$ 984,387	37,954	495,200	-	-	-	-	-	-	(451,233)
Memphis Area Transit Authority	56,459	10,746	-	8,422	-	-	-	-	-	(37,291)
Airport Authority	125,906	111,015	-	26,042	-	-	-	-	-	11,151
Total component units	\$ 1,166,752	159,715	495,200	34,464	-	-	-	-	-	(477,373)
General revenues:										
Local taxes					536,715				536,715	
Sales tax					45,931				45,931	
Income tax					9,322				9,322	
Beer tax					339				339	
Alcoholic beverage tax					247				247	
Gasoline inspection tax					1,514				1,514	
State gas motor fuel tax					13,261				13,261	
Three-cent tax					3,836				3,836	
One-cent tax					2,067				2,067	
Tourism development					7,085				7,085	
Hotel/motel tax					4,399				4,399	
City of Memphis subsidy					-				-	520,113
Grants and contributions not restricted to specific programs					-				-	19,180
Investment income					3,596		63,619	63,619	67,215	17,540
Federal grants and entitlements					-		-	-	-	9,090
State grants					-		-	-	-	7,023
Insurance refund					18		-	-	18	-
Other					15,853		-	-	15,853	1,306
Transfers					43,929		(43,929)	(43,929)	-	-
Total general revenues and transfers					688,112		19,690	67,215	707,802	574,252
Change in net assets					7,610		92,620	100,230	100,230	96,879
Net assets - beginning, as restated					175,198		1,674,335	1,849,533	1,849,533	1,601,529
Net assets - ending					\$ 182,808		1,766,955	1,949,763	1,949,763	1,698,408

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

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
(Thousands of Dollars)  
June 30, 2006**

**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	\$ 101	1,730	5,363	7,194
Investments	10	-	8,823	8,833
Equity in cash and investment pool	3,167	-	9,257	12,424
Receivables (net of allowance for uncollectibles):				
Property taxes:				
Current property taxes	215,275	78,281	96,503	390,059
Delinquent property taxes	20,835	8,106	10,340	39,281
Sales and Income taxes	37,006	-	-	37,006
Special assessments	-	19	-	19
Federal and state grants	951	-	29,265	30,216
Interest and dividends on investments	56	4	52	112
Housing rehabilitation loans	-	-	65,377	65,377
Other	29,784	-	2,582	32,366
Due from other funds	19,474	28,744	1,776	49,994
Due from component units	-	800	-	800
Due from other agencies and governments	1,831	44,640	7,927	54,398
<b>Total assets</b>	<b>\$ 328,490</b>	<b>162,324</b>	<b>237,265</b>	<b>728,079</b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities:</b>				
Accounts payable and accrued liabilities	\$ 24,970	1,060	14,235	40,265
Contract retainage	-	-	264	264
Due to other funds	13	-	50,761	50,774
Due to other agencies and governments	1,680	-	82,828	84,508
Refundable bonds and deposits	956	-	-	956
Deferred revenue	260,805	130,846	118,405	510,056
Vacation, sick, and other leave benefits	6,126	-	624	6,750
<b>Total liabilities</b>	<b>294,550</b>	<b>131,906</b>	<b>267,117</b>	<b>693,573</b>
<b>Fund balances:</b>				
Fund balances:				
Reserved for				
Encumbrances	2,703	-	-	2,703
Other	1,491	-	-	1,491
Undesignated				
General fund	29,746	-	-	29,746
Special revenue funds	-	-	(2,275)	(2,275)
Debt service fund	-	30,418	-	30,418
Capital projects fund	-	-	(27,577)	(27,577)
<b>Total fund balances</b>	<b>33,940</b>	<b>30,418</b>	<b>(29,852)</b>	<b>34,506</b>
<b>Total liabilities and fund balances</b>	<b>\$ 328,490</b>	<b>162,324</b>	<b>237,265</b>	<b>728,079</b>

See accompanying notes to financial statements.

**RECONCILIATION OF THE BALANCE SHEET TO  
THE STATEMENT OF NET ASSETS  
(Thousands of Dollars)  
June 30, 2006**

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

---

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

Total governmental fund balances:	\$ 34,506
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	1,127,232
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	86,324
Net pension assets should be reported as an asset in the governmental-wide statement of net assets. This is the cumulative amount by which the City has overfunded its pension obligations.	78,238
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.	(3,521)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	<u>(1,139,971)</u>
Net assets of governmental activities	<u><u>\$ 182,808</u></u>

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

**STATEMENT OF REVENUES EXPENDITURES, AND CHANGES      CITY OF MEMPHIS, TENNESSEE**  
**IN FUND BALANCES / GOVERNMENTAL FUNDS** **Exhibit A-5**  
(Thousands of Dollars)  
For the fiscal year ended June 30, 2006

	General	Debt Service	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>				
Local taxes	\$ 361,395	76,547	95,103	533,045
State taxes (local share)	57,353	-	26,249	83,602
Hotel/motel tax	-	396	4,003	4,399
Licenses and permits	12,478	-	-	12,478
Fines and forfeitures	9,224	-	3,785	13,009
Charges for services	20,719	-	46,222	66,941
Investment income	1,842	1,053	179	3,074
Federal grants and entitlements	2,598	-	32,614	35,212
State grants	1,029	-	3,173	4,202
Intergovernmental revenues	3,049	12,184	715	15,948
Other	9,678	5,782	2,997	18,457
<b>Total revenues</b>	<b>479,365</b>	<b>95,962</b>	<b>215,040</b>	<b>790,367</b>
<b>EXPENDITURES</b>				
Current:				
General government	116,614	-	24,822	141,436
Public safety	317,565	-	2,625	320,190
Community services	51,551	-	28,478	80,029
Transportation and environment	18,197	-	46,992	65,189
Education	-	-	90,946	90,946
Capital outlay	-	-	98,737	98,737
Debt service:				
Redemption of serial bonds and notes	-	46,046	-	46,046
Interest	-	43,338	-	43,338
Bond issuance cost	-	416	839	1,255
Service charges	-	624	-	624
<b>Total expenditures</b>	<b>503,927</b>	<b>90,424</b>	<b>293,439</b>	<b>887,790</b>
Revenues over (under) expenditures	(24,562)	5,538	(78,399)	(97,423)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	67,766	16,429	9,198	93,393
Transfers out	(10,476)	(6)	(26,591)	(37,073)
Issuance of debt	-	38,185	145,930	184,115
Retirement of refunded debt obligation	-	(40,385)	(80,000)	(120,385)
Premium on debt issue	-	2,615	3,915	6,530
<b>Total other financing sources and uses</b>	<b>57,290</b>	<b>16,838</b>	<b>52,452</b>	<b>126,580</b>
Net change in fund balances	32,728	22,376	(25,947)	29,157
Fund balances - beginning of year, as restated	1,212	8,042	(3,905)	5,349
<b>Fund balances - end of year</b>	<b>\$ 33,940</b>	<b>30,418</b>	<b>(29,852)</b>	<b>34,506</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, 2006

**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	\$ 29,157
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	4,265
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	6,047
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	(29,990)
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.	(6,673)
Internal service funds are used by management to charge the costs of printing & mail, information systems, health insurance, unemployment compensation, and fleet management to individual funds. The net expenditure of certain activities of internal service funds is reported with governmental activities.	<u>4,804</u>
Change in net assets of governmental activities	<u><u>\$ 7,610</u></u>

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

**STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
(Thousands of Dollars)  
June 30, 2006**

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

	Business Type Activities - Enterprise Funds						Governmental Activities- Internal Service Funds
	Major Funds				Non - Major Funds	Total	
	Sewer Col- lection and Treatment	MLGW Electric Division	MLGW Gas Division	MLGW Water Division			
<b>ASSETS</b>							
Current assets:							
Cash and cash equivalents	\$ 221	70,092	14,850	11,043	-	96,206	100
Investments	38,135	41,235	23,961	6,508	-	109,839	-
Equity in cash and investment pool	1,374	-	-	-	-	1,374	675
Restricted funds - current	-	25,359	26,552	10,717	-	62,628	-
Receivables:							
Interest on investments	328	-	-	-	-	328	-
Notes and accounts	3,424	116,467	116,688	15,327	928	252,834	250
Federal and state grants	-	-	-	-	53	53	-
Due from other funds	-	-	-	-	-	-	20,240
Prepaid power cost	-	82,961	-	-	-	82,961	-
Deferred purchased power and gas cost	-	-	16,668	-	-	16,668	-
Inventories of materials and supplies	-	16,986	14,961	1,722	-	33,669	452
Collateral held in trust for securities on loan	-	13,982	6,314	2,320	-	22,616	-
Other current assets	-	2,370	7,925	-	-	10,295	-
<b>Total current assets</b>	<b>43,482</b>	<b>369,452</b>	<b>227,919</b>	<b>47,637</b>	<b>981</b>	<b>689,471</b>	<b>21,717</b>
Non-current assets:							
Restricted assets:							
Investments, less current portion	-	20,947	7,137	15,392	-	43,476	-
<b>Total non-current assets:</b>	<b>-</b>	<b>20,947</b>	<b>7,137</b>	<b>15,392</b>	<b>-</b>	<b>43,476</b>	<b>-</b>
Capital assets:							
Land	13,692	-	-	-	65	13,757	-
Buildings	106,090	-	-	-	-	106,090	-
Utility plant	-	1,198,403	535,626	389,584	-	2,123,613	-
Improvements other than buildings	470,625	-	-	-	25,715	496,340	-
Machinery and equipment	23,471	-	-	-	7,738	31,209	3,210
Less accumulated depreciation and amortization	(295,027)	(431,256)	(211,064)	(145,092)	(15,327)	(1,097,766)	(3,058)
<b>Total capital assets</b>	<b>318,851</b>	<b>767,147</b>	<b>324,562</b>	<b>244,492</b>	<b>18,191</b>	<b>1,673,243</b>	<b>152</b>
Construction in progress	1,269	-	-	-	620	1,889	-
<b>Net capital assets</b>	<b>320,120</b>	<b>767,147</b>	<b>324,562</b>	<b>244,492</b>	<b>18,811</b>	<b>1,675,132</b>	<b>152</b>
Noncurrent assets:							
Notes receivable	-	5,630	16,549	646	-	22,825	-
Prepaid power cost - long term	-	1,249,534	-	-	-	1,249,534	-
Unamortized debt expense	-	10,638	-	-	-	10,638	-
Other assets	753	3,211	-	-	-	3,964	-
<b>Total noncurrent assets</b>	<b>753</b>	<b>1,269,013</b>	<b>16,549</b>	<b>646</b>	<b>-</b>	<b>1,286,961</b>	<b>-</b>
<b>Total assets</b>	<b>\$ 364,355</b>	<b>2,426,559</b>	<b>576,167</b>	<b>308,167</b>	<b>19,792</b>	<b>3,695,040</b>	<b>21,869</b>

(Continued)

**STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
(Thousands of Dollars)  
June 30, 2006**

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

	<b>Business Type Activities - Enterprise Funds</b>							
	<b>Major Funds</b>					<b>Non - Major Funds</b>	<b>Total</b>	<b>Governmental Activities- Internal Service Funds</b>
	<b>Sewer Col-lection and Treatment</b>	<b>MLGW Electric Division</b>	<b>MLGW Gas Division</b>	<b>MLGW Water Division</b>				
<b>LIABILITIES</b>								
Current liabilities:								
Accounts payable	\$ 736	88,890	90,200	-	554	180,380	1,892	
Bonds and notes payable	-	70,910	-	-	-	70,910	-	
Accrued liabilities	2,933	34,386	56,095	7,180	125	100,719	-	
Payables due from restricted assets	-	18,797	6,447	3,978	-	29,222	-	
Insurance claims payable	-	-	-	-	-	-	8,163	
Contract retainage	412	-	-	-	-	412	-	
Due to other funds	3,809	-	-	-	4,904	8,713	6,945	
Deferred revenue	21	-	-	-	-	21	6,648	
Current installment of revenue bonds payable	8,465	6,562	-	5,770	-	20,797	-	
Collateral subject to return to borrowers	-	13,982	6,314	2,320	-	22,616	-	
Vacation, sick and other leave benefits	2,674	-	-	-	-	2,674	1,742	
<b>Total current liabilities paid from current assets</b>	<b>19,050</b>	<b>233,527</b>	<b>159,056</b>	<b>19,248</b>	<b>5,583</b>	<b>436,464</b>	<b>25,390</b>	
Long-term (net of current maturities):								
Revenue bonds payable	133,945	1,305,359	-	13,721	-	1,453,025	-	
Customer common deposits	-	16,465	3,332	544	-	20,341	-	
Other	-	6,891	9,924	1,383	-	18,198	-	
<b>Total long-term liabilities</b>	<b>133,945</b>	<b>1,328,715</b>	<b>13,256</b>	<b>15,648</b>	<b>-</b>	<b>1,491,564</b>	<b>-</b>	
<b>Total liabilities</b>	<b>152,995</b>	<b>1,562,242</b>	<b>172,312</b>	<b>34,896</b>	<b>5,583</b>	<b>1,928,028</b>	<b>25,390</b>	
<b>NET ASSETS</b>								
Invested in capital assets, net of related debt	177,756	740,054	324,562	225,001	18,811	1,486,184	152	
Restricted for debt service and construction	30,401	13,454	24,463	21,587	-	89,905	-	
Unrestricted	3,203	110,809	54,830	26,683	(4,602)	190,923	(3,673)	
<b>TOTAL NET ASSETS</b>	<b>\$ 211,360</b>	<b>864,317</b>	<b>403,855</b>	<b>273,271</b>	<b>14,209</b>	<b>1,767,012</b>	<b>(3,521)</b>	
Adjustment to reflect the consolidation of internal service funds related to enterprise funds						(57)		
<b>Net assets of business-type activities</b>						<u>\$ 1,766,955</u>		

See accompanying notes to financial statements.

**STATEMENT OF REVENUES, EXPENSES, CHANGES  
IN FUND NET ASSETS / PROPRIETARY FUNDS  
(Thousands of Dollars)  
For the fiscal year ended June 30, 2006**

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

	<b>Business Type Activities - Enterprise Funds</b>							
	<b>Major Funds</b>					<b>Non - Major Funds</b>	<b>Total</b>	<b>Governmental Activities- Internal Service Funds</b>
	<b>Sewer Collection and Treatment</b>	<b>MLGW Electric Division</b>	<b>MLGW Gas Division</b>	<b>MLGW Water Division</b>				
<b>Operating revenues-charges for services</b>	\$ 48,670	995,891	483,626	74,020	3,861	1,606,068	100,885	
Operating expenses other than depreciation and amortization:								
Personal services	14,219	-	-	-	3,027	17,246	8,133	
Materials, supplies, services, and other	16,564	-	-	-	2,097	18,661	5,936	
Purchased power and gas for resale	-	751,055	381,036	-	-	1,132,091	-	
Production	-	-	-	12,875	-	12,875	-	
Operation	-	96,115	59,465	35,754	-	191,334	-	
Maintenance	-	38,744	9,673	6,529	-	54,946	-	
In lieu of tax	-	514	193	-	-	707	-	
Inventory	-	-	-	-	18	18	12,140	
Claims incurred	-	-	-	-	-	-	70,189	
<b>Total operating expenses other than depreciation and amortization</b>	<b>30,783</b>	<b>886,428</b>	<b>450,367</b>	<b>55,158</b>	<b>5,142</b>	<b>1,427,878</b>	<b>96,398</b>	
<b>Operating income (loss) before depreciation and amortization</b>	<b>17,887</b>	<b>109,463</b>	<b>33,259</b>	<b>18,862</b>	<b>(1,281)</b>	<b>178,190</b>	<b>4,487</b>	
Depreciation and amortization:								
On assets acquired with own funds	12,119	30,971	14,814	9,493	354	67,751	119	
<b>Total depreciation and amortization</b>	<b>12,119</b>	<b>30,971</b>	<b>14,814</b>	<b>9,493</b>	<b>354</b>	<b>67,751</b>	<b>119</b>	
<b>Operating income (loss)</b>	<b>5,768</b>	<b>78,492</b>	<b>18,445</b>	<b>9,369</b>	<b>(1,635)</b>	<b>110,439</b>	<b>4,368</b>	
Non-operating revenues:								
Transmission credits	-	23,023	-	-	-	23,023	-	
Investment income	1,515	57,968	2,877	1,259	-	63,619	526	
State grant	28	-	-	-	29	57	-	
Other	65	-	-	-	60	125	18	
<b>Total non-operating revenues</b>	<b>1,608</b>	<b>80,991</b>	<b>2,877</b>	<b>1,259</b>	<b>89</b>	<b>86,824</b>	<b>544</b>	
Non-operating expenses:								
Interest on state loan	5	-	-	-	-	5	-	
Interest on bonded indebtedness	6,192	53,174	-	1,008	-	60,374	-	
Telecommunications division loss	-	6,248	-	-	-	6,248	-	
<b>Total non-operating expenses</b>	<b>6,197</b>	<b>59,422</b>	<b>-</b>	<b>1,008</b>	<b>-</b>	<b>66,627</b>	<b>-</b>	
<b>Income (loss) before capital contributions and transfers</b>	<b>1,179</b>	<b>100,061</b>	<b>21,322</b>	<b>9,620</b>	<b>(1,546)</b>	<b>130,636</b>	<b>4,912</b>	
Transfers in	-	-	-	-	219	219	-	
Transfers out	(5,137)	(33,253)	(15,357)	(2,500)	(292)	(56,539)	-	
Capital contributions	5,805	-	-	-	12,391	18,196	-	
<b>Change in net assets</b>	<b>1,847</b>	<b>66,808</b>	<b>5,965</b>	<b>7,120</b>	<b>10,772</b>	<b>92,512</b>	<b>4,912</b>	
Total net assets - beginning of year, as restated	209,513	797,509	397,890	266,151	3,437		(8,433)	
<b>Total net assets - end of year</b>	<b>\$ 211,360</b>	<b>864,317</b>	<b>403,855</b>	<b>273,271</b>	<b>14,209</b>		<b>(3,521)</b>	
Adjustment to reflect the consolidation of internal service funds related to enterprise funds						108		
<b>Change in net assets of business-type activities</b>						<b>\$ 92,620</b>		

See accompanying notes to financial statements.

**STATEMENT OF CASH FLOW  
PROPRIETARY FUNDS  
(Thousands of Dollars)  
For the fiscal year ended June 30, 2006**

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

	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	\$ 48,545	1,001,904	448,740	77,302	2,934	1,579,425	21,115
Receipts from other division funds	-	-	4,119	749	-	4,868	676
Employee contributions	-	-	-	-	-	-	24,902
Employer contributions	-	-	-	-	-	-	57,135
Payments to suppliers	(16,303)	(656,557)	(419,196)	(31,430)	(1,799)	(1,125,285)	(6,474)
Payments to employees	(15,074)	(78,216)	(34,295)	(25,756)	(2,918)	(156,259)	(8,102)
Payments to other division funds	-	(4,868)	-	-	-	(4,868)	(14,673)
Payments for taxes	-	(461)	(193)	-	-	(654)	-
Payments for inventory	-	-	-	-	(18)	(18)	(12,185)
Payments for claims incurred	-	-	-	-	-	-	(69,749)
Other receipts	-	717	45,853	38	-	46,608	-
Net cash provided (used) by operating activities	17,168	262,519	45,028	20,903	(1,801)	343,817	(7,355)
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>							
Transfers to City	-	(33,253)	(15,357)	(2,500)	-	(51,110)	-
Debt issuance expense	-	12	-	-	-	12	-
Principal payments on long-term debt	-	(67,975)	-	-	-	(67,975)	-
Interest expense on bonds	-	(62,910)	-	-	-	(62,910)	-
Advances from other funds	-	-	-	-	2,436	2,436	-
Transfers from other funds	-	-	-	-	219	219	-
Transfers to other funds	(5,137)	-	-	-	(292)	(5,429)	-
Net cash (used) by noncapital and related financing	(5,137)	(164,126)	(15,357)	(2,500)	2,363	(184,757)	-
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>							
Proceeds from sale of revenue bonds	32,530	-	-	-	-	32,530	-
Bond issue costs	(495)	-	-	-	-	(495)	-
Acquisition and construction of capital assets	(28,394)	(79,598)	(22,054)	(17,811)	(619)	(148,476)	-
Contributions in aid of construction	-	18,458	2,518	6,106	-	27,082	-
Receipts from federal grants	-	-	-	2,000	-	2,000	-
Principal payments on capital debt	(7,572)	(6,064)	-	(7,440)	-	(21,076)	-
Interest payments on capital debt	(5,318)	(1,780)	-	(1,141)	-	(8,239)	-
Capital contributions	5,805	-	-	-	-	5,805	-
Capital grants received	28	-	-	-	-	28	-
Net cash (used) in capital and related financing activities	(3,416)	(68,984)	(19,536)	(18,286)	(619)	(110,841)	-
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>							
Sales and maturities of investments	21,849	27,812	3,113	6,247	-	59,021	-
Purchase of investments	(32,035)	(29,848)	(15,630)	(6,145)	-	(83,658)	-
Payments received on notes receivable	-	1,708	1,713	513	-	3,934	-
Investment income earned on investments	1,380	5,202	2,359	1,071	57	10,069	546
Investment in Memphis Network	-	67	-	-	-	67	-
Net cash provided (used) by investing activities	(8,806)	4,941	(8,445)	1,686	57	(10,567)	546
Net increase (decrease) in cash and cash equivalents	(191)	34,350	1,690	1,803	-	37,652	(6,809)
Cash and cash equivalents, beginning of year	1,786	75,498	39,978	32,217	-	149,479	7,584
Cash and cash equivalents, end of year	\$ 1,595	109,848	41,668	34,020	-	187,131	775
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities</b>							
Operating income (loss)	5,768	78,492	18,445	9,369	(1,635)	110,439	4,368
Adjustments to reconcile operating income to net cash provided by operating activities:							
Depreciation expense	12,119	33,241	17,717	10,065	354	73,496	119
Transmission credits	-	23,023	-	-	-	23,023	-
Prepay power credits	-	50,840	-	-	-	50,840	-
Other income	-	1,363	518	188	-	2,069	-
(Increase) decrease in assets:							
Accounts receivable	(125)	(14,205)	(37,143)	1,519	(950)	(50,904)	2,266
Prepaid power cost	-	80,404	-	-	-	80,404	-
Deferred purchased power and gas cost	-	-	(6,682)	-	-	(6,682)	-
Inventories	-	(793)	(5,244)	(13)	-	(6,050)	-
Other assets	-	2,766	2,192	-	-	4,958	(45)
(Increase) decrease in liabilities:							
Accounts payable	261	14,328	23,905	-	-	38,494	-
Other accounts payable and accrued expenses	(661)	(5,513)	33,127	(174)	430	27,209	(14,063)
Customer deposits	-	393	(99)	155	-	449	-
Insurance reserves	-	(697)	(9)	171	-	(535)	-
Medical benefit accrual	-	(830)	(264)	(233)	-	(1,327)	-
Accrued vacation/sick leave	(194)	-	-	-	-	(194)	-
Other	-	(293)	(1,435)	(144)	-	(1,872)	-
Total adjustments	11,400	184,027	26,583	11,534	(166)	233,378	(11,723)
Net cash provided (used) by operating activities	\$ 17,168	262,519	45,028	20,903	(1,801)	343,817	(7,335)
<b>Reconciliation of cash and cash equivalents per statements of cash flows to the balance sheets:</b>							
Restricted funds	\$ -	46,306	33,689	26,109	-	106,104	-
Less investments included in unrestricted funds	-	(6,550)	(6,871)	(3,132)	-	(16,553)	-
Cash and cash equivalents included in restricted funds	-	39,756	26,818	22,977	-	89,551	-
Current assets - cash and cash equivalents	221	70,092	14,850	11,043	-	96,206	100
Current assets - equity in cash and investment pool	1,374	-	-	-	-	1,374	675
Total cash and cash equivalents	\$ 1,595	109,848	41,668	34,020	-	187,131	775

During the year, the sewer fund received \$4,707 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, 2006**

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

	<b>Pension Trust Funds</b>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 103,684
Investments, at fair value:	
U.S. government securities - long-term	411,357
Common stock - domestic	1,329,671
Common stock - foreign	462,551
Mutual funds and money market	284,988
Corporate bonds - domestic	316,936
Corporate bonds - foreign	3,008
Bond mutual fund	22,886
Collateralized mortgage obligations	21,953
Mortgage-backed pooled securities	132,922
Investment in real estate	233,039
Investment in high yield bond fund	10,646
Investment in international equity fund	9,882
Investment in multi-class investment fund	7,501
Investment in limited partnership	<u>13,808</u>
Total investments	<u>3,261,148</u>
Interest and dividends on investments	12,703
Due from other funds	13
Employer and employee contributions receivable	855
Other	<u>200,740</u>
<b>Total assets</b>	<u>3,579,143</u>
<b>LIABILITIES</b>	
Notes & accounts payable	235,692
Due to other funds	<u>3,815</u>
<b>Total liabilities</b>	<u>239,507</u>
<b>NET ASSETS</b>	
Held in trust for pension benefits and pool participants	<u>\$ 3,339,636</u>

See accompanying notes to financial statements.

**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
 FIDUCIARY FUNDS (Thousands of Dollars)  
 June 30, 2006**

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

	<b>Pension Trust Funds</b>
	<u>                    </u>
<b>ADDITIONS</b>	
Contributions:	
Employer	\$ 33,502
Plan member	31,569
Total contributions	<u>65,071</u>
Investment income:	
Interest and dividend income	97,615
Securities lending income	506
Other investment income	129
Gain from real estate investments	11,437
Net appreciation in the fair value of investments	<u>175,503</u>
Total investment income	<u>285,190</u>
<b>Total Net Additions</b>	<u>350,261</u>
<b>DEDUCTIONS</b>	
Benefits	179,238
Administrative expenses	15,114
Refunds of contributions	<u>12,279</u>
<b>Total Deductions</b>	<u>206,631</u>
<b>Net increase</b>	143,630
Net assets - beginning of year	<u>3,196,006</u>
<b>Net assets - end of year</b>	<u><u>\$ 3,339,636</u></u>

See accompanying notes to financial statements.

**COMBINING STATEMENT OF NET ASSETS  
COMPONENT UNITS  
(Thousands of Dollars)  
June 30, 2006**

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

	<b>Board of Education</b>	<b>Memphis Area Transit Authority</b>	<b>Airport Authority</b>	<b>Total</b>
<b>ASSETS</b>				
Current assets:				
Cash and cash equivalents	\$ 238,988	2,087	1,908	242,983
Investments	25,901	-	15,047	40,948
Receivables:				
Federal and state grants	-	907	10	917
Accrued interest	-	-	359	359
Accounts	-	-	7,683	7,683
Other	4,433	313	-	4,746
Due from other agencies and governments	134,045	-	-	134,045
Inventories of materials and supplies	6,524	1,633	1,560	9,717
Prepaid expenses	-	163	2,923	3,086
<b>Total current assets</b>	<b>409,891</b>	<b>5,103</b>	<b>29,490</b>	<b>444,484</b>
Restricted assets:				
Cash and cash equivalents	-	-	20,182	20,182
Investments	-	366	183,571	183,937
Receivables:				
Account receivable	-	-	392	392
Federal and state grants	-	-	8,529	8,529
Accrued interest	-	-	2,175	2,175
Special facilities	-	-	26,012	26,012
<b>Total restricted assets</b>	<b>-</b>	<b>366</b>	<b>240,861</b>	<b>241,227</b>
Non-current assets:				
Unrestricted assets:				
Investments	-	-	1,724	1,724
<b>Total non-current unrestricted assets</b>	<b>-</b>	<b>-</b>	<b>1,724</b>	<b>1,724</b>
Capital Assets:				
Land	27,154	2,731	162,251	192,136
Buildings	1,043,432	139,152	335,649	1,518,233
Utility plant	-	-	752,228	752,228
Machinery, buses and equipment	219,714	86,005	71,617	377,336
Less accumulated depreciation and amortization	(507,490)	(96,715)	(475,781)	(1,079,986)
<b>Total capital assets, net</b>	<b>782,810</b>	<b>131,173</b>	<b>845,964</b>	<b>1,759,947</b>
Construction in progress	55,647	11,168	36,878	103,693
<b>Net capital assets</b>	<b>838,457</b>	<b>142,341</b>	<b>882,842</b>	<b>1,863,640</b>
Bond issue costs	-	-	7,493	7,493
Other assets	-	13	-	13
<b>Total assets</b>	<b>\$ 1,248,348</b>	<b>147,823</b>	<b>1,162,410</b>	<b>2,558,581</b>

(Continued)

**COMBINING STATEMENT OF NET ASSETS  
COMPONENTS UNITS  
(Thousands of Dollars)  
June 30, 2006**

**CITY OF MEMPHIS, TENNESSEE  
Exhibit A-12  
(Continued)**

	<b>Board of Education</b>	<b>Memphis Area Transit Authority</b>	<b>Airport Authority</b>	<b>Total</b>
<b>LIABILITIES</b>				
Current:				
Notes and accounts payable	\$ 75,503	1,396	19,478	96,377
Funds held for others	-	-	7,350	7,350
Accrued liabilities	-	2,495	10,898	13,393
Insurance claims payable	17,582	1,054	-	18,636
Deferred revenue	53,019	19	-	53,038
Current installment of general obligation bonds payable	-	-	4,533	4,533
Current installment of revenue bonds payable	10,526	-	25,400	35,926
Vacation, sick and other leave benefits	-	319	1,160	1,479
<b>Total current liabilities</b>	<b>156,630</b>	<b>5,283</b>	<b>68,819</b>	<b>230,732</b>
Long-term (net of current maturities):				
General obligation bonds payable	-	-	11,467	11,467
Revenue bonds payable	27,144	-	571,765	598,909
Deferred lease revenue	-	-	16,974	16,974
Other long term obligations	-	800	1,291	2,091
<b>Total long-term liabilities</b>	<b>27,144</b>	<b>800</b>	<b>601,497</b>	<b>629,441</b>
<b>Total liabilities</b>	<b>183,774</b>	<b>6,083</b>	<b>670,316</b>	<b>860,173</b>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	809,783	142,341	351,896	1,304,020
Restricted for:				
Debt service	-	-	102,440	102,440
Capital acquisition	121,717	-	12,814	134,531
Contracted grant programs	3,730	-	-	3,730
Food service	11,685	-	-	11,685
Self insurance	-	500	-	500
Unrestricted	117,659	(1,101)	24,944	141,502
<b>TOTAL NET ASSETS</b>	<b>\$ 1,064,574</b>	<b>141,740</b>	<b>492,094</b>	<b>1,698,408</b>

See accompanying notes to financial statements.

**COMBINING STATEMENT OF ACTIVITIES  
 COMPONENT UNITS (Thousands of Dollars)  
 For the fiscal year ended June 30, 2006**

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

Functions/Programs Component units:	Program Revenues			Capital			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Grants and Contributions	Board of Education	Memphis Area Transit Authority	Airport Authority	Total	
Board of education	\$ 984,387	37,954	495,200	-	(451,233)	-	-	(451,233)	
Memphis area transit authority	56,459	10,746	-	8,422	(37,291)	-	-	(37,291)	
Airport authority	125,906	111,015	-	26,042	-	-	11,151	11,151	
Total component units	\$ 1,166,752	159,715	495,200	34,464	(451,233)	(37,291)	11,151	(477,373)	
General revenues:									
Grants and contributions not restricted to specific programs									
City of Memphis subsidy					520,113	-	-	520,113	
Investment income					-	19,180	-	19,180	
Federal grants and entitlements					9,310	81	8,149	17,540	
State grants					-	9,090	-	9,090	
Other					-	7,023	-	7,023	
Total general revenues and special items					-	1,143	163	1,306	
Changes in net assets					529,423	36,517	8,312	574,252	
Net assets - beginning, as restated					78,190	(774)	19,463	96,879	
Net assets - ending					986,384	142,514	472,631	1,601,529	
					\$ 1,064,574	141,740	492,094	1,698,408	

See accompanying notes to financial statements.

---

<b>Note</b>	<b>Page</b>
I. Summary of Significant Accounting Policies .....	
A. Reporting entity	43
B. Government-wide and fund financial statements	45
C. Measurement focus, basis of accounting, and financial statement presentation	45
D. Assets, liabilities, and net assets or equity	47
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	49
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	50
III. Stewardship, Compliance, and Accountability .....	
A. Budgetary information	51
B. Excess of expenditures over appropriations	51
C. Deficit fund equity	51
IV. Detailed Notes on all Funds .....	
A. Deposits and investments	52
B. Receivables	58
C. Property taxes	58
D. Capital assets	59
E. Interfund receivable, payables, and transfers	63
F. Leases	64
G. Long-term debt	65
H. Restricted assets	68
V. Other Information .....	
A. Risk management	68
B. Subsequent events	69
C. Contingent liabilities	69
D. Joint ventures	69
E. Other postemployment benefits	72
F. Pension and retirement plans	72
G. Component units	80

## **I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

### **A. Reporting entity**

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

### **Fiscal Year End**

Memphis Light Gas and Water (MLGW), a division of the primary government, has a fiscal year end of December 31. Thus, the amounts and disclosures for the MLGW Enterprise Fund, the MLGW Retiree Medical and Life Insurance Benefits Trust Fund and the MLGW Retirement System Trust Fund are as of December 31, 2005. The disclosures for other divisions, component units, and joint ventures are as of their June 30, fiscal year end.

### **Blended Component Units**

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

### **Discretely Presented Component Units**

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

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

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

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

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

**NOTES TO FINANCIAL STATEMENTS**  
**(Thousands of Dollars)**  
**For the fiscal year ended June 30, 2006**

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

BOE  
2597 Avery Avenue  
Memphis, TN 38112  
(901) 325-5461

MATA  
1370 Levee Road  
Memphis, TN 38108  
(901) 722-7162

MSCAA  
2491 Winchester Rd., Ste. 113  
Memphis, TN 38116  
(901) 922-8000

**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**

The City is a participant in several joint ventures in which it retains an ongoing financial interest or an ongoing financial responsibility. The City participates in the following joint ventures (see Note V (D)):

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

**Jointly Governed Organizations**

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

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

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

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

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

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

---

County. Board members (nine) are appointed by the City and County Mayors, with approval by the City Council and County Commission, for six year terms.

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

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

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

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

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

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

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

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

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

The City reports the following major governmental funds:

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

**Debt Service Fund** – The Debt Service Fund accounts for the resources accumulated and payments made for

---

principal and interest on long-term general obligation debt of governmental funds.

The City reports the following major proprietary funds:

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

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

Additionally, the City reports the following fund types:

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

**Printing and Mail Internal Service Fund**

**Health Insurance Internal Service Fund**

**Unemployment Compensation Internal Service Fund**

**Fleet Management Internal Service Fund**

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

**City Retirement System**

**Library Retirement System**

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

**Memphis Light Gas and Water Retiree Medical and Life Insurance Benefits**

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

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

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

---

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

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

**D. Assets, liabilities, and net assets or equity**

**Cash and cash equivalents and investments**

The City considers all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents. Investments are stated at their related fair value (see Note IV (A)).

**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, 2006, related to tax levies for fiscal year 2006 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, 2006, are recorded as deferred revenue at June 30, 2006.

**Interfunds receivable and payable**

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

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

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

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

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

**Inventories and prepaid expenses**

Inventories in the Proprietary Funds are stated at cost determined principally by the first-in/ first-out (FIFO) method. General Fund inventories are recorded as expenditures when purchased and there were no significant inventories on hand at June 30, 2006. All other inventories are recorded as expenditures when consumed rather than when purchased (Consumption Method).

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in

---

both government-wide and fund financial statements.

**Capital assets**

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

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. The total interest expense incurred by the Sewer Fund during the current fiscal year was \$6,197. Of this amount, none was included as part of the cost of capital assets constructed with bond proceeds.

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

Buildings	25-50	years
Improvements	10-60	years
Infrastructure	50	years
Machinery, Buses 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 Proprietary Funds and the amount that is expected to be liquidated with expendable available financial resources from Governmental Funds is included in the fund financial statements. Additionally, the long-term portion of the liability for these benefits to be paid by Governmental Funds is reported in the government-wide financial statements.

**Deferred Compensation Plan**

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

The City and MLGW's amended plans meet the requirements of Internal Revenue Code Section 457. The amended plans provide that assets or income of the plans shall be used for the exclusive purpose of providing benefits for participants and their beneficiaries or defraying reasonable expenses of the administration of the plan. Since the assets of the amended

plans are held in custodial and annuity accounts for the exclusive benefit of plan participants, the related assets of the plan are not reflected on the balance sheet.

**Long-term obligations**

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

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

**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 on the following proprietary fund has been adjusted as stated below:

	<u>Proprietary Fund</u>
	MLGW Gas Division
Fund Balance/Fund Equity at June 30, 2005	\$ 405,092
Adjustment of prior year payable, accrual, deferral	<u>(7,202)</u>
Restated Fund Balance/Fund Equity at June 30, 2005	<u>\$ 397,890</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 \$1,138,661 difference are as follows:

Bonds payable	\$ 915,315
Bond anticipation notes payable	114,000
Notes payable	786
Capital lease obligation payable	970
Unamortized loan costs	25,701

**NOTES TO FINANCIAL STATEMENTS**  
**(Thousands of Dollars)**  
**For the fiscal year ended June 30, 2006**

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

Compensated absences	72,768
Accrued interest payable	<u>10,431</u>

Net adjustment to reduce-fund balance-total governmental funds to arrive at net assets-governmental activities	<u>\$ 1,139,971</u>
--	---------------------

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

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances – total governmental funds and changes in net assets of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains that “Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.” The details of the \$4,265 difference are as follows:

Capital outlay	\$ 98,737
Depreciation expense	<u>(94,472)</u>

Net adjustment to increase net changes in fund balances-total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ 4,265</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 \$29,990 difference are as follows:

Debt issued or incurred:	
Issuance of general obligation bonds	\$ 184,115
Bond issue costs	5,776
Premium on bond issue	6,530
Principal repayments:	
General obligation debt	(46,046)
Payment to escrow agent for refunding	<u>(120,385)</u>

Net adjustment to decrease net changes in fund balances-total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ (29,990)</u>
--	--------------------

Another element of that reconciliation states that “Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.” The details of this \$3,420 difference are as follows:

Claims and judgments	<u>\$ 3,420</u>
Net adjustment to increase net changes in fund balances-total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ 3,420</u>

---

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

#### **A. Budgetary information**

The City Council annually approves the budget ordinance for the General, Special Revenue (except Community Service Fund, Central Business Improvement District Fund, Community Redevelopment Agency Fund, and Education Fund) and Debt Service Funds of the City.

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

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

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

#### **B. Excess of expenditures over appropriations**

In demonstrating compliance with the City's legally prescribed budgetary requirements, expenditures at June 30, 2006, 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 2006.

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

The New Memphis Arena Special Revenue Fund has a deficit fund balance of \$9,023 as of June 30, 2006. 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 Debt Service Fund and 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 10 years by using proceeds from the hotel/motel funding source. This fund also reports the pass-through of certain revenues related to Sports Authority bonds issued for the construction of the Arena.

---

Premiums for the Unemployment Compensation Fund, which reflects a deficit fund balance of \$1,905 as of June 30, 2006, were increased July 1, 2005. The increased premium reduced fiscal year 2006's operating loss down to \$231 from \$894 in fiscal year 2005. Another premium increase is scheduled for fiscal year 2008 which is expected to eliminate the fund deficit over a 5 year period. The Printing and Supply and Fleet Management internal service funds' annual operating losses also decreased substantially this fiscal year. Management is continuing a review of these funds' operations and charges to ensure that the funds' cost and charge structure are in alignment and to develop a strategy for eliminating the current fund deficits over time.

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

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

Statutes authorize the City to invest in bonds, notes or treasury bills of the United States or any of its agencies, certificates of deposit, repurchase agreements utilizing obligations of the United States or its agencies as the underlying securities, state pooled investment fund, money market mutual funds and mortgage-backed securities. 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 equal to the amount of funds invested in the repurchase agreements. Tennessee Code Annotated Sections 9-4-105 and 9-4-404 state that collateralization coverage for cash deposits may be computed based on average daily balances of the preceding month.

City ordinances, as interpreted by opinions of the City Attorney, authorize the City to enter into stock and bonds borrowed/cash or bond pledged securities lending agreements, that is a transfer of securities with a simultaneous receipt of securities. The securities received in the transfer are the type which the City is legally authorized to hold. The market value of the securities received in the agreement is 102 percent of the value of the securities transferred in the case of the securities of United States issuers and 105 percent in the case of securities of non-United States issuers. The securities transferred are a part of the total investments reported below. The securities being held are not reported as a part of the total investments. The City retains the interest income on the securities being transferred and received \$573 during the year ended June 30, 2006. On June 30, 2006, the market value of the securities transferred was \$23,744 and the market value of the securities the City was holding was \$24,833. 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**

In accordance with its investment policy, the city manages its exposure to fair value losses arising from increasing interest

**NOTES TO FINANCIAL STATEMENTS**  
**(Thousands of Dollars)**  
**For the fiscal year ended June 30, 2006**

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

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**

It is the City's policy to limit its investments to prime commercial paper which shall be rated at least A1 or equivalent by at least two (2) nationally recognized rating services. Proceeds of bonds, notes and other obligations issued by the city, reserves held in connection therewith and the investment income there from, may be invested in obligations which (a) are rated in either of the two highest rated categories by a nationally recognized rating agency; (b) are explicitly guaranteed general obligations of a state of the United States, or a political subdivision or instrumentally thereof, having general taxing powers; and (c) have a final maturity on the date of investment not to exceed twenty-four (24) months or which may be tendered by the holder to the issuer thereof, or an agent of the issuer, at not less than twenty-four (24) month intervals unless approved by the State Director of Local Finance. As of June 30, 2006, the government's investments in general obligation bonds were rated A1 by Moody's Investor Service, A by S & P, and A+ by Fitch Ratings.

**Concentration of Credit Risk**

The City's investment policy requires portfolio diversification by security type and institution. The maximum percentage of the portfolio permitted in each eligible security is as follows:

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

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

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

**Custodial Credit Risk**

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, 2006, were as follows:

<b>Description</b>	<b>Carrying Amount</b>	<b>Bank Balance</b>
Cash deposits	\$ (11,049)	8,540

**NOTES TO FINANCIAL STATEMENTS**  
**(Thousands of Dollars)**  
**For the fiscal year ended June 30, 2006**

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

The investments held by the pool consist of the following at June 30, 2006:

<u>Description</u>	<u>Maturity Dates</u>	<u>Interest Rates</u>	<u>Fair Value</u>	<u>Duration</u>
U.S. Government agencies	July 2006	4.93–5.00	\$ 21,738	.030
Commercial paper	July 2006	5.20	1,495	.035
Certificate of Deposit			<u>4,000</u>	
Total			27,233	
Investments not subject to				
Categorization - Money market funds			<u>13</u>	
Total investments			<u>\$ 27,246</u>	

The Pool does not issue separate financial statements. Condensed financial information as of June 30, 2006 is as follows (dollar amounts and share amounts are the same):

**Condensed Statement of Net Assets**

Investments	\$ 27,246
Bank overdraft	<u>(11,049)</u>
Net assets	<u>\$ 16,197</u>

Net assets held in trust for pool participants:

Internal participants	<u>16,197</u>
Total net assets held in trust for pool participants	<u>\$ 16,197</u>

**Condensed Statement of Changes in Net Assets**

Additions:	
Investment income	\$ 5,034
Purchase of units	<u>23,700,437</u>
Total Additions	23,705,471
Deduction:	
Redemption of units	<u>23,707,116</u>
Net decrease	(1,645)
Net assets held in trust for pool participants:	
Beginning of Year	<u>17,842</u>
End of Year	<u>\$ 16,197</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 Local Government Investment Pool ("LGIP"). The LGIP is an interest bearing account insured and regulated by the State. The fair value of the position in the LGIP is the same as the value of the pool shares. 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

**NOTES TO FINANCIAL STATEMENTS**  
**(Thousands of Dollars)**  
**For the fiscal year ended June 30, 2006**

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

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, 2006, the City's investments in general obligation bonds were rated A1 by Moody's Investor Service, A 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, 2006, were as follows:

<u>Description</u>	<u>Carrying Amount</u>	<u>Bank Balance</u>
Cash deposits	\$ (2,126)	<u>(6,626)</u>
Cash on hand	<u>105</u>	
Total deposits and cash on hand	<u>\$ (2,021)</u>	

The investments held by the primary government outside the Pool consist of the following at June 30, 2006:

<u>Description</u>	<u>Fair Value</u>
Short-term investments	140
U.S. Government securities	169,259
Common stock - domestic	114,106
Corporate bonds - domestic	9,949
Mortgage-backed securities	<u>12,531</u>
Total	<u>\$ 305,985</u>

Investments not subject to categorization:

Strategic property fund	3,073
State of Tennessee LGIP	8,895
Purchased interest	3
Future contracts	<u>10,617</u>
Total	<u>22,588</u>
Total investments	<u>\$ 328,573</u>

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

Pool deposits	\$ (11,049)
Pool investments	27,246
Other deposits and cash on hand	(2,021)
Other investments	<u>328,573</u>
Total	<u>\$342,749</u>

**NOTES TO FINANCIAL STATEMENTS**  
**(Thousands of Dollars)**  
**For the fiscal year ended June 30, 2006**

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

Cash and cash equivalents	103,500
Investments	118,672
Equity in cash and investment pool	14,473
Restricted special fund-customer deposits	62,628
Restricted investments	<u>43,476</u>
Total	<u>\$ 342,749</u>

Deposits and investments relating to discretely presented component units are as show 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, 2006, were as follows:

<u>Description</u>	<u>Carrying Amount</u>	<u>Bank Balance</u>
Cash deposits	\$ 4,678	<u>17,207</u>
State of Tennessee local government investment pool	<u>234,310</u>	
Total deposits	<u>\$ 238,988</u>	

**BOE Investments** - Investments by type at June 30, 2006, were as follows:

<u>Description</u>	<u>Fair Value</u>
Short-term investments	25,901

**MATA Deposits** - Deposits by type at June 30, 2006 were as follows:

<u>Description</u>	<u>Carrying Amount</u>	<u>Bank Balance</u>
Cash deposits	\$ 2,086	<u>2,086</u>
Cash on hand	<u>1</u>	
Total deposits and cash on hand	<u>\$ 2,087</u>	

**MATA Investments** - Investments by type at June 30, 2006, were as follows:

<u>Description</u>	<u>Fair Value</u>
U.S. Treasury notes	<u>\$ 366</u>
Total Investments	<u>\$ 366</u>

**NOTES TO FINANCIAL STATEMENTS**  
**(Thousands of Dollars)**  
**For the fiscal year ended June 30, 2006**

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

**MSCAA Deposits** - Deposits by type at June 30, 2006, were as follows:

<b>Description</b>	<b>Carrying Amount</b>
Cash deposits	\$ 22,074
Cash on hand	<u>16</u>
Total deposits and cash on hand	<u>\$ 22,090</u>

**MSCAA Investments** - Investments by type at June 30, 2006, were as follows:

<b>Description</b>	<b>Fair Value</b>
U.S. Government agencies	\$ 175,380
Investments not subject to categorization:	
Mutual Funds	449
Forward Purchase Agreements	<u>24,513</u>
Total Investments	<u>\$ 200,342</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	\$ 263,165
Total component unit investments	<u>226,609</u>
Total	<u>\$ 489,774</u>
Cash and cash equivalents	\$ 242,983
Investments	42,672
Restricted cash and cash equivalents	20,182
Restricted Investments	<u>183,937</u>
Total	<u>\$ 489,774</u>

**NOTES TO FINANCIAL STATEMENTS**  
**(Thousands of Dollars)**  
**For the fiscal year ended June 30, 2006**

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

**B. Receivables**

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

	General	Debt Service	Sewer Collection and Treatment	Memphis Light, Gas and Water	Nonmajor and Other Funds	Total
<b>Receivables:</b>						
Property taxes	\$ 244,690	89,683	-	-	111,022	445,395
Sales and income taxes	37,006	-	-	-	-	37,006
Special assessments	-	19	-	-	-	19
Federal and state grants	951	-	-	-	29,318	30,269
Interest and dividends on investments	56	4	328	-	52	440
Notes and accounts receivable	-	-	3,922	259,911	250	264,083
Housing and rehabilitation loans	-	-	-	-	81,721	81,721
Other	116,887	-	-	-	2,863	119,750
Gross receivables	399,590	89,706	4,250	259,911	225,226	978,683
Less allowance for uncollectibles	(95,683)	(3,296)	(498)	(11,429)	(20,804)	(131,710)
<b>Net total receivables</b>	<b>\$ 303,907</b>	<b>86,410</b>	<b>3,752</b>	<b>248,482</b>	<b>204,422</b>	<b>846,973</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, 2006, 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 2006 levy was based was approximately \$11.2 billion. The market value was approximately \$35.7 billion making the overall assessed value 31.26 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, 2006, were 93.68 percent of the tax levy. At June 30, 2006 the allowance for uncollectibles by fund was as follows:

General Fund	\$ 8,580
Education Special Revenue Fund	4,073
Debt Service Fund	3,297
Capital Projects Fund	13
Total	<u>\$ 15,963</u>

**NOTES TO FINANCIAL STATEMENTS**  
**(Thousands of Dollars)**  
**For the fiscal year ended June 30, 2006**

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

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, 2006, as follows:

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

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

**D. Capital assets**

Capital asset activity for the year ended June 30, 2006 was as follows:

**Primary Government**

	<b>Beginning Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance</b>
<b>Governmental Activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 58,747	3,390	(735)	61,402
Construction in progress	41,916	98,737	(105,606)	35,047
Total capital assets, not being depreciated	<u>100,663</u>	<u>102,127</u>	<u>(106,341)</u>	<u>96,449</u>
Capital assets, being depreciated:				
Buildings	522,946	7,484	(983)	529,447
Improvements other than buildings	697,754	30,101	(7,633)	720,222
Machinery and equipment	291,856	23,277	(473)	314,660
Total capital assets being depreciated	<u>1,512,556</u>	<u>60,862</u>	<u>(9,089)</u>	<u>1,564,329</u>
Less accumulated depreciation for:				
Buildings	(151,376)	(12,659)	365	(163,670)
Improvements other than buildings	(126,187)	(11,750)	1,175	(136,762)
Machinery and equipment	(212,418)	(20,789)	245	(232,962)
Total accumulated depreciation	<u>(489,981)</u>	<u>(45,198)</u>	<u>1,785</u>	<u>(533,394)</u>
Total capital assets, being depreciated, net	<u>1,022,575</u>	<u>15,664</u>	<u>(7,304)</u>	<u>1,030,935</u>
Governmental activities capital assets, net	<u>\$ 1,123,238</u>	<u>117,791</u>	<u>(113,645)</u>	<u>1,127,384</u>

**NOTES TO FINANCIAL STATEMENTS**  
**(Thousands of Dollars)**  
**For the fiscal year ended June 30, 2006**

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

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Business-type activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 13,648	109	-	13,757
Construction in progress	2,981	22,127	(23,219)	1,889
Memphis Light, Gas and Water assets	137,589	93,630	(94,074)	137,145
Total capital assets, not being depreciated	154,218	115,866	(117,293)	152,791
Capital assets, being depreciated:				
Buildings and system	106,090	-	-	106,090
Improvements other than buildings	448,686	47,654	-	496,340
Machinery and equipment	24,790	7,163	(744)	31,209
Memphis Light, Gas and Water assets	1,917,835	88,946	(20,313)	1,986,468
Total capital assets, being depreciated	2,497,401	143,763	(21,057)	2,620,107
Less accumulated depreciation for:				
Buildings and system	(64,487)	(2,593)	-	(67,080)
Improvements other than buildings	(199,744)	(14,457)	-	(214,201)
Machinery and equipment	(22,110)	(7,708)	744	(29,074)
Memphis Light, Gas and Water depreciation	(748,146)	(61,986)	22,720	(787,412)
Total accumulated depreciation	(1,034,487)	(86,744)	23,464	(1,097,767)
Total capital assets, being depreciated, net	1,462,914	57,019	2,407	1,522,340
Business-type activities capital assets, net	\$ 1,617,132	172,885	(114,886)	1,675,131

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

Governmental activities:	
Executive	\$ 244
Finance	4,759
General services	815
Information services	4,706
Fire services	4,354
Police services	12,556
Park services	6,947
Public services	6,592
Housing and community development	301
Public works	14,876
Engineering	1,214
Capital assets held by government's internal service funds are charged to the various functions based on their usage of the assets	119
Total depreciation expense - governmental activities	<u>\$ 57,483</u>
Business-type activities:	
Sewer	\$ 12,119
Golf	264
Stormwater	90
Memphis Light, Gas and Water	39,266
Total depreciation expense - business-type activities	<u>\$ 51,739</u>

The City transferred \$12,285 of accumulated depreciation from governmental activities to business-type activities during 2006.

**NOTES TO FINANCIAL STATEMENTS**  
**(Thousands of Dollars)**  
**For the fiscal year ended June 30, 2006**

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

**Construction commitments**

The government has active construction projects as of June 30, 2006. At year end the government's commitments with contractors are as follows:

<u>Function/Activity</u>	<u>Commitment</u>
Executive	\$ 2,657
Fire services	849
Police services	8,815
Park services	3,213
Public works	10,428
Public services	3,973
General services	2,098
Housing and community development	12,481
Engineering	2,449
Information systems	2,762
Library services	432
Sewer	5,171
	<u>\$ 55,328</u>

**Discretely presented component units**

Activity for the Board of Education for the year ended June 30, 2006, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets, not being depreciated:				
Land	\$ 27,154	-	-	27,154
Construction in progress	19,804	54,798	(18,954)	55,648
Total capital assets, not being depreciated	<u>46,958</u>	<u>54,798</u>	<u>(18,954)</u>	<u>82,802</u>
Capital assets, being depreciated:				
Buildings and improvements	1,031,037	17,668	(5,273)	1,043,432
Equipment and furniture	214,926	4,788	-	219,714
Total capital assets being depreciated	<u>1,245,963</u>	<u>22,456</u>	<u>(5,273)</u>	<u>1,263,146</u>
Less accumulated depreciation for:				
Buildings and improvements	(317,264)	(26,126)	3,321	(340,069)
Machinery, buses and equipment	(156,402)	(11,019)	-	(167,421)
Total accumulated depreciation	<u>(473,666)</u>	<u>(37,145)</u>	<u>3,321</u>	<u>(507,490)</u>
Total capital assets, being depreciated, net	<u>772,297</u>	<u>(14,689)</u>	<u>(1,952)</u>	<u>755,656</u>
Capital assets, net	<u>\$ 819,255</u>	<u>40,109</u>	<u>(20,906)</u>	<u>838,458</u>

**NOTES TO FINANCIAL STATEMENTS**  
**(Thousands of Dollars)**  
**For the fiscal year ended June 30, 2006**

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

Activity for the Memphis Area Transit Authority for the year ended June 30, 2006, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 2,731	-	-	2,731
Construction in progress	7,792	4,120	(744)	11,168
Total capital assets, not being depreciated	<u>10,523</u>	<u>4,120</u>	<u>(744)</u>	<u>13,899</u>
Capital assets, being depreciated:				
Buildings and improvements	138,393	759	-	139,152
Buses and other revenue vehicles	74,237	3,241	(7,556)	69,922
Machinery and equipment	15,637	446	-	16,083
Total capital assets being depreciated	<u>228,267</u>	<u>4,446</u>	<u>(7,556)</u>	<u>225,157</u>
Less accumulated depreciation for:				
Buildings	(38,533)	(4,816)	-	(43,349)
Buses and other revenue vehicles	(41,675)	(5,033)	7,556	(39,152)
Machinery and equipment	(13,553)	(661)	-	(14,214)
Total accumulated depreciation	<u>(93,761)</u>	<u>(10,510)</u>	<u>7,556</u>	<u>(96,715)</u>
Total capital assets, being depreciated, net	<u>134,506</u>	<u>(6,064)</u>	<u>-</u>	<u>128,442</u>
Capital assets, net	<u>\$ 145,029</u>	<u>(1,944)</u>	<u>744</u>	<u>142,341</u>

Activity for the Memphis-Shelby County Airport Authority for the year ended June 30, 2006, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 160,855	1,396	-	162,251
Construction in progress	59,295	48,317	(70,734)	36,878
Total capital assets, not being depreciated	<u>220,150</u>	<u>49,713</u>	<u>(70,734)</u>	<u>199,129</u>
Capital assets, being depreciated:				
Buildings	331,662	3,987	-	335,649
Utility Plant	667,382	84,846	-	752,228
Machinery, buses and equipment	70,181	3,870	(2,434)	71,617
Total capital assets being depreciated	<u>1,069,225</u>	<u>92,703</u>	<u>(2,434)</u>	<u>1,159,494</u>
Less accumulated depreciation for:				
Buildings	(152,895)	(13,233)	-	(166,128)
Utility Plant	(235,215)	(25,758)	-	(260,973)
Machinery, buses and equipment	(44,984)	(4,398)	702	(48,680)
Total accumulated depreciation	<u>(433,094)</u>	<u>(43,389)</u>	<u>702</u>	<u>(475,781)</u>
Total capital assets, being depreciated, net	<u>636,131</u>	<u>49,314</u>	<u>(1,732)</u>	<u>683,713</u>
Capital assets, net	<u>\$ 856,281</u>	<u>99,027</u>	<u>(72,466)</u>	<u>882,842</u>

**NOTES TO FINANCIAL STATEMENTS**  
**(Thousands of Dollars)**  
**For the fiscal year ended June 30, 2006**

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

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

The composition of interfund transfers for the year ended June 30, 2006, is as follows:

	Transfers in:										Totals
	General Fund	Debt Service	Capital Projects	Miscellaneous Grants	Solid Waste Management	Hotel/Motel Tax	New Memphis Arena	Community Redevelopment	Total Nonmajor Special Revenue	Golf	
Transfers out:											
General fund	\$ -	5,581	-	25	3,439	-	-	1,212	4,676	219	10,476
Debt service	-	-	6	-	-	-	-	-	-	-	6
Nonmajor special revenue:											
Municipal state aid	14,019	5,145	-	-	-	-	-	-	-	-	19,164
Workforce investment act	-	-	-	32	-	-	-	-	32	-	32
Miscellaneous grants	-	-	-	-	-	-	-	202	202	-	202
Solid waste	-	2,781	-	-	-	-	-	-	-	-	2,781
Hotel/Motel tax	-	1,016	-	-	-	-	-	-	891	-	1,907
New Memphis arena	-	-	-	-	-	891	891	-	891	-	891
Community redevelopment	-	-	-	-	-	-	-	-	-	-	1,614
Total nonmajor special revenue	14,019	10,556	-	32	-	891	891	202	2,016	-	26,591
Enterprise fund:											
Sewer	5,137	-	-	-	-	-	-	-	-	-	5,137
Memphis light, gas and water	48,610	-	-	-	-	-	2,500	-	2,500	-	51,110
Golf	-	292	-	-	-	-	-	-	-	-	292
	\$ 67,766	16,429	6	57	3,439	891	3,391	1,414	9,192	219	93,612

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.

The composition of interfund balances as of June 30, 2006 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>	Municipal state aid	\$ 2,762
	Community development	16
	Solid waste	1,038
	Sewer	3,809
	Golf	3,356
	Storm water	1,548
	Printing & mail	301
	Unemployment compensation	1,832
	Fleet Management	4,812
		<u>19,474</u>
<b>Debt service</b>	Municipal state aid	526
	Capital projects	28,218
		<u>28,744</u>
<b>Special Revenue:</b>		
	Drug enforcement	
	WIA	427
	Miscellaneous grants	4
Midtown corridor		
	Miscellaneous grants	<u>1,345</u>
		<u>1,776</u>

**NOTES TO FINANCIAL STATEMENTS**  
**(Thousands of Dollars)**  
**For the fiscal year ended June 30, 2006**

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

**PROPRIETARY FUND TYPES**

<b>Internal Service:</b>		
Printing and mail	Community development	1
Health insurance	Community development	9,079
	New Memphis arena	7,343
	Retirement	3,815
Fleet management	Community development	<u>2</u>
		<u>20,240</u>

**FIDUCIARY FUND TYPES**

<b>Pension Trust:</b>		
Retirement	General	13
Total		<u>\$ 70,247</u>

Due to/from primary government and component units:

<u>Receivable Entity</u>	<u>Payable Entity</u>	<b>Amount</b>
Primary government - debt service	Component unit - MATA	<u>\$ 800</u>
Total		<u>\$ 800</u>

These balances resulted from (1) 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.

**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 lessee for financing the acquisition of vehicles for the Division of Police. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of their future minimum lease payments as of the inception date.

The assets acquired through capital leases are as follows:

Assets:	
Machinery and equipment	\$ 5,287
Accumulated depreciation	<u>(4,303)</u>
Total	<u>\$ 984</u>

**NOTES TO FINANCIAL STATEMENTS**  
**(Thousands of Dollars)**  
**For the fiscal year ended June 30, 2006**

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

The remaining debt service requirements for the capital lease obligations for the City at June 30, 2006, are as follows:

<b>Fiscal Year</b>	<b>Total Payments</b>
2007	\$ 1,009
Less portion representing interest	<u>(39)</u>
Present value of net minimum future payments	<u>\$ 970</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 February, 2006, the City issued \$115,115 of General Improvement Refunding Bonds, Series 2006A \$76,930 and 2006B \$38,185 to refund \$3,895 in General Improvement Bonds, Series 1998, \$2,960 in General Improvement Bonds, Series 1999A, \$16,570 in General Improvement bonds, Series 2000, \$11,995 in General Improvement Bonds, Series 2002, \$3,755 in General Improvement bonds, Series 2003. The net proceeds of \$121,253 (after the net issue premium of \$6,531, payment of \$393 in underwriter's fees, and \$537,600 in insurance) 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 to be 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.

The city refunded bonds to realize a cash flow savings in fiscal year 2006, 2007, and 2008, which allowed restructuring of debt. The net present value was \$560. In addition, \$80 million of Commercial Paper was retired.

**Commercial Paper Program**

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

**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, 2006, a total of approximately \$251,280 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.

**NOTES TO FINANCIAL STATEMENTS**  
**(Thousands of Dollars)**  
**For the fiscal year ended June 30, 2006**

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

Long-term liability activity for the year ended June 30, 2006, was as follows:

The following is a summary of long-term debt by fund at June 30, 2006:

	<b>General Obligation Bonds</b>	<b>Bond Anticipation Notes</b>	<b>Notes Payable</b>	<b>Capital Lease Obligations</b>	<b>Revenue Bonds</b>	<b>Total</b>
Governmental Funds	\$ 915,315	114,000	786	970	-	1,031,071
Enterprise Funds	-	-	-	-	1,543,865	1,543,865
<b>Total long-term debt</b>	<b>\$ 915,315</b>	<b>114,000</b>	<b>786</b>	<b>970</b>	<b>1,543,865</b>	<b>2,574,936</b>

Long-term liability activity for the year ended June 30, 2006, was as follows:

	<b>Balance June 30, 2005</b>	<b>Additions</b>	<b>Reductions</b>	<b>Balance June 30, 2006</b>	<b>Due Within One Year</b>
<b>Governmental activities:</b>					
General obligation bonds payable	\$ 876,741	115,115	(82,779)	909,077	35,595
Premium on general obligation bonds	23,993	6,530	(4,822)	25,701	-
Bond anticipation notes payable	125,000	69,000	(80,000)	114,000	114,000
Notes payable	1,571	-	(785)	786	786
Capital lease agreements	2,626	-	(1,656)	970	970
Accreted value on bonds	5,571	667	-	6,238	-
Vacation, sick and other leave benefits	73,244	8,021	(5)	81,260	7,870
	<b>\$ 1,108,746</b>	<b>199,333</b>	<b>(170,047)</b>	<b>1,138,032</b>	<b>159,221</b>
<b>Business-type activities:</b>					
Revenue bonds	\$ 117,790	32,000	(7,380)	142,410	8,465
State loans	192	-	(192)	-	-
MLGW revenue bonds	1,383,290	-	(80,355)	1,302,935	82,030
Premium on MLGW revenue bonds	107,305	-	(13,867)	93,438	-
Less deferred amounts:					
For issuance discounts and on refunding	(1,868)	-	867	(1,001)	-
MLGW notes payable	8,074	-	(1,124)	6,950	1,213
Vacation, sick and other leave benefits	2,869	2,674	(2,869)	2,674	328
	<b>\$ 1,617,652</b>	<b>34,674</b>	<b>(104,920)</b>	<b>1,547,406</b>	<b>92,036</b>

The accreted value of bonds represents accrued interest on the \$6,401 principal portion of compound interest bonds of the 1993A Refunding Bonds. The cumulative accreted value of the 1993A Refunding Bonds is \$6,238 at June 30, 2006. The compounded accreted values (principal plus accreted interest) of this portion of the 1993A Refunding Bonds at maturity are as follows:

<b>Maturity Date</b>	<b>Principal Amount</b>	<b>Accreted Values</b>
August 1, 2008	\$ 2,112	4,605
August 1, 2009	1,523	3,555
August 1, 2010	1,427	3,545
August 1, 2011	1,339	3,545
<b>Total</b>	<b>\$ 6,401</b>	<b>15,250</b>

**NOTES TO FINANCIAL STATEMENTS**  
**(Thousands of Dollars)**  
**For the fiscal year ended June 30, 2006**

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

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, 2006 follows:

Description	Interest Rates(%)	Original Issue	Balance Outstanding at Year End
General Obligation Debt:			
General City Government Serial Bonds (1)	2.125-6.125	\$ 1,548,871	\$ 914,055
General City Government Term Bonds	variable	27,405	1,260
Bond Anticipation Notes	variable	150,000	114,000
State Loans - City Sewer System	5.00-6.00	26,103	-
Notes Payable		5,500	786
Capital Lease Obligations	3.75-4.29	7,920	970
<b>Total General Obligation Debt</b>		<b>\$ 1,765,799</b>	<b>1,031,071</b>
Revenue Bonds:			
Sanitary Sewerage System	2.28-5.75	\$ 170,600	142,410
Electric Division, MLG&W(2)	2.00-7.58	1,445,605	1,290,175
Water Division, MLG&W(2)	3.35-6.00	53,610	19,710
Premium on revenue bonds			93,438
Unamortized deferred amount on bond refundings			(1,868)
<b>Total Revenue Bonds</b>		<b>\$ 1,669,815</b>	<b>1,543,865</b>
<b>Total</b>			<b>\$ 2,574,936</b>

- (1) Includes accreted value of \$5,571 as of June 30, 2006.  
(2) All MLG&W bonds reflect amounts outstanding at December 31, 2005.

Debt service requirements to maturity for general obligation and revenue bond long-term indebtedness at June 30, 2006 are as follows:

Fiscal Year	Total Long-term Indebtedness												
	General Obligation						Revenue						Total Requirements
	City		Capital Outlay Notes		Capital Lease		Sewer System		MLG&W(2)		Total Requirements		
	Principal	Interest(1)	Principal	Interest	Principal	Interest	Principal	Interest(1)	Principal	Interest	Principal	Interest	Total
2006	-	-	-	-	-	-	-	-	83,243	62,007	84,999	62,007	147,006
2007	149,595	43,365	786	-	970	39	8,465	6,455	84,318	58,032	242,378	107,891	350,269
2008	42,560	41,733	-	-	-	-	8,240	6,079	88,360	53,977	139,160	101,789	240,949
2009	59,791	42,191	-	-	-	-	7,805	5,738	92,601	49,637	160,197	97,566	257,763
2010	62,007	38,945	-	-	-	-	8,115	5,426	95,313	45,128	165,435	89,499	254,934
2011	62,595	36,182	-	-	-	-	8,365	5,095	91,960	40,434	162,920	81,711	244,631
2012	61,317	33,318	-	-	-	-	7,780	4,744	96,815	35,917	165,912	73,979	239,891
2013	62,190	27,971	-	-	-	-	8,280	4,387	99,700	31,137	170,170	63,495	233,665
2014	59,990	24,865	-	-	-	-	8,520	4,000	104,675	26,277	173,185	55,142	228,327
2015	64,345	21,856	-	-	-	-	8,740	3,607	109,905	21,044	182,990	46,507	229,497
2016	58,390	18,702	-	-	-	-	8,485	3,200	115,270	15,570	182,145	37,472	219,617
2017	56,070	15,823	-	-	-	-	9,185	2,815	121,075	9,602	186,330	28,240	214,570
2018	53,865	13,025	-	-	-	-	8,775	2,376	126,650	4,477	189,290	19,878	209,168
2019	51,030	10,321	-	-	-	-	6,445	1,932	-	-	57,475	12,253	69,728
2020	47,305	7,949	-	-	-	-	7,380	1,583	-	-	54,685	9,532	64,217
2021	43,525	5,674	-	-	-	-	6,075	1,202	-	-	49,600	6,876	56,476
2022	34,935	3,808	-	-	-	-	6,380	896	-	-	41,315	4,704	46,019
2023	28,905	2,070	-	-	-	-	4,125	639	-	-	33,030	2,709	35,739
2024	16,545	980	-	-	-	-	4,325	433	-	-	20,870	1,413	22,283
2025	7,020	474	-	-	-	-	4,540	218	-	-	11,560	692	12,252
2026	7,335	160	-	-	-	-	2,385	54	-	-	9,720	214	9,934
<b>TOTAL</b>	<b>\$ 1,029,315</b>	<b>389,412</b>	<b>786</b>	<b>-</b>	<b>970</b>	<b>39</b>	<b>142,410</b>	<b>60,879</b>	<b>1,309,885</b>	<b>453,239</b>	<b>2,483,366</b>	<b>903,569</b>	<b>3,386,935</b>

(1) Interest on variable general obligation bonds is estimated.  
(2) At 12-31-05

**NOTES TO FINANCIAL STATEMENTS**  
**(Thousands of Dollars)**  
**For the fiscal year ended June 30, 2006**

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

**H. Restricted assets**

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

Investments – Memphis Light, Gas and Water	\$ 88,408
Customer deposits – Memphis Light, Gas and Water	<u>17,696</u>
Total	<u>\$ 106,104</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 of \$6,290 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, 2005 and 2006 are as follows:

	<u>On the Job Injury</u>			
	<b>Health and Medical</b>	<b>Sewer</b>	<b>Vehicle Maintenance Fund</b>	<b>Governmental Funds</b>
Balance - June 30, 2004	\$ 10,363	23	-	5,031
Current year provision	66,510	-	72	5,125
Payments	<u>(69,150)</u>	<u>-</u>	<u>(72)</u>	<u>(4,678)</u>
Balance - June 30, 2005	7,723	23	-	5,478
Current year provision	69,625	-	65	6,317
Payments	<u>(69,185)</u>	<u>-</u>	<u>(65)</u>	<u>(5,505)</u>
Balance - June 30, 2006	<u>\$ 8,163</u>	<u>23</u>	<u>-</u>	<u>6,290</u>

The City received insurance recoveries during the year for fire loss at the Shelby County Building in the amount of \$1,257 and for vandalism at the Farrisview facility to vehicles and equipment in the amount of \$717.

---

**B. Subsequent events**

The City of Memphis issued on September 6, 2006, \$20,220,000 Sanitary Sewerage System Revenue Refunding Bonds, Series 2006 to refund certain outstanding Sanitary Sewerage System Revenue Bonds of the City for Fiscal Year 2007. This transaction was negotiated with Duncan-Williams, Inc. as Senior Manager. The net present value savings over 14-years is \$1,334,731.54.

On December 20, 2006, \$89,385,000 of General Improvement Refunding Bonds were issued for the purpose of refunding certain outstanding Bonds of the City for Fiscal Year 2007. This transaction was negotiated with Morgan Keegan & Co., Inc. as Senior Managers. The net present value savings over 17-years is \$4,802,515.55.

**C. Contingent liabilities**

The City is a defendant in a number of various lawsuits filed in the ordinary course of its operations. The City believes that \$8,710 is a reasonable measure of the ultimate settlement of these matters and has been reflected on the City's Statement of Net Assets.

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

The City has commitments at June 30, 2006, for outstanding purchase orders and outstanding contracts reported as reserves for encumbrances in the General Fund of \$2,703. The City had additional commitments totaling \$55,328 for certain infrastructure and sewer construction projects.

**D. Joint ventures**

**Mid-South Coliseum**

The Mid-South Coliseum (the Coliseum) is a joint operation between the City and the County. It is managed by a board consisting of two members appointed by the City, two appointed by the County, and one appointed jointly by the City and the County. The participants must approve expenditures for salaries over \$3 and other expenditures over \$2. The City and the County share in profits or fund any deficits from operations in a ratio of 60% and 40%, respectively. As of and for its year ended June 30, 2006, the Coliseum reported the following derived from its audited financial statements:

Assets	\$ 1,496
Liabilities	1,390
Equity	106
Operating revenues	2,097
Operating expenses	2,546
Net loss	449

Financial statements for the Coliseum may be obtained from Mid-South Coliseum, The Fairgrounds, 996 Early Maxwell Blvd., Memphis, TN 38104.

**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

**NOTES TO FINANCIAL STATEMENTS**  
**(Thousands of Dollars)**  
**For the fiscal year ended June 30, 2006**

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

---

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, 2006, the Convention Center reported the following derived from its audited financial statements:

Assets	\$ 13,649
Liabilities	1,586
Equity	12,063
Operating revenues	3,376
Operating expenses	6,521
Other income	2,999
Net loss	146

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, 2006, the

Port Commission reported the following derived from its audited financial statements:

Assets	\$ 28,365
Liabilities	7,866
Equity	20,499
Operating revenues	1,811
Operating expenses	2,584
Net loss	773

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

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

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

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

**NOTES TO FINANCIAL STATEMENTS**  
**(Thousands of Dollars)**  
**For the fiscal year ended June 30, 2006**

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

**Operating Revenues**

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

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

As of and for its year ended June 30, 2006, the Pyramid Arena Operations reported the following derived from its audited financial statements:

Assets	\$ 695
Liabilities	168
Fund equity	527
Operating revenues	228
Operating expenses	1,436
Other income	988
Net loss	220

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

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

In August 2001, the City and the County entered into a joint operation creating a nonprofit corporation, The New Memphis Arena Public Building Authority of Memphis and Shelby County, Tennessee (The New Arena PBA). The New Arena PBA is a non-profit corporation established under the Statutes of the State of Tennessee and is governed by a Board of Directors whose members are jointly appointed by the Majors and Memphis and Shelby County and approved by the Memphis City Council and the Shelby County Commission. The New Arena PBA is responsible for the construction of a multipurpose sports and entertainment facility (FedEx Forum). The total construction cost of \$250,000 is to be 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. As of and for its year ended December 31, 2005, the New Memphis Arena PBA reported the following derived from its audited financial statements:

Assets	\$ 225,375
Liabilities	1,887
Fund equity	223,488
Operating revenues	49
Operating expenses	8,295
Other income	876
Net loss	7,370

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

**E. Other postemployment benefits**

In addition to providing pension benefits, the City (excluding MLGW) provides certain health and medical benefits and life insurance for retired employees in accordance with the City ordinance, which authorized payment of the benefits. Substantially all of the City's employees may become eligible for the benefits if they reach normal retirement age while working for the City. Of premiums paid for retiree health and medical benefits and life insurance, 70 % is paid by the General Fund (with the remaining 30% paid by the retirees) and is recognized as an expenditure, which totaled \$19,500 for 2006. At June 30, 2006, the number of retirees eligible for health and medical benefits is 3,932.

MLGW has post-retirement major medical and life insurance benefits available to all employee groups as a continuation of those benefits that were available prior to retirement. Currently, 2,443 retirees and beneficiaries are eligible for post-retirement benefits. MLG&W has established a grantor trust to accumulate funds to be used to pay future post-retirement medical benefits. Post-retirement benefit costs, paid 100% by MLGW and the grantor trust, totaled \$19,119 for the year ended December 31, 2005.

**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, 2006, the City Retirement System reported the following net assets:

**Assets:**

Cash and cash equivalents	\$ 106
Investments, at fair value:	
U.S. government securities – long-term	259,408
Common stock – domestic	852,408
Common stock – foreign	354,843
Mutual funds and money market	256,196
Corporate bonds – domestic	282,607
Investment in real estate	97,048
Interest and dividends on investments	8,174
Due from other funds	13
Other	<u>3,849</u>
<b>Total assets</b>	<u><u>2,114,670</u></u>

**Liabilities:**

Notes and accounts payable	23,717
Due to other funds	<u>3,815</u>
<b>Total liabilities</b>	<u><u>27,532</u></u>

**Net assets:**

Held in trust for pension benefits and pool participants	\$ <u><u>2,087,138</u></u>
--	----------------------------

**NOTES TO FINANCIAL STATEMENTS**  
**(Thousands of Dollars)**  
**For the fiscal year ended June 30, 2006**

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

As of and for its year ended June 30, 2006, The City Retirement System reported the following changes in net assets:

**Additions:**

Employer contributions	\$ 13,984
Plan member contributions	19,679
Interest and dividend income	66,779
Other investment income	91
Gain from real estate investment	11,437
Net appreciation in the fair value of investments	<u>132,859</u>
<b>Total additions</b>	<u>244,829</u>

**Deductions:**

Benefits	108,392
Administrative expenses	8,226
Refunds of contributions	<u>10,057</u>
<b>Total deductions</b>	<u>126,675</u>

Net increase	118,154
Net assets – beginning of year	<u>1,968,984</u>

**Net assets – end of year** \$ 2,087,138

**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, 2006, the Retirement System membership consisted of:

Retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them	3,932
Active employees:	
Fully vested	2,992
Nonvested	<u>2,863</u>
<b>Total</b>	<u>9,787</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

**NOTES TO FINANCIAL STATEMENTS**  
**(Thousands of Dollars)**  
**For the fiscal year ended June 30, 2006**

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

or, if earlier, after age 55 and completion of 10 years of service. Elected and Appointed participants 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. At June 30, 2006, the City of Memphis Retirement System held one investment in Tattersall Advisory Group with a value of \$346,341, which represents more than 17 percent of plan net assets. No other investments in any one organization represent more than 17 percent of plan net assets.

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

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

**Schedule of Funding Progress** - The frozen entry age actuarial cost method, used in determining funding requirements, only identifies the initial unfunded actuarial accrued liability, which is incurred at the inception of the plan and amortized. All other sources of unfunded liabilities (such as plan amendments and experience gains and losses) become part of normal cost. The schedule of funding progress for the six years ended June 30, 2006 is as follows:

Actuarial Valuation Date	Actuarial Value of Assets	Unamortized Portion of initial Unfunded Actuarial Accrued Liability (UAAAL)	Unfunded Frozen Actuarial Accrued Liability (UFAAL)	Covered Payroll	IUAAL as a Percentage of Covered Payroll	UFAAL as a Percentage of Covered Payroll
7/1/2001	1,824,173	0	0	208,141	N/A	N/A
7/1/2002	1,886,836	0	0	217,737	N/A	N/A
7/1/2003	1,861,728	0	0	226,580	N/A	N/A
7/1/2004	1,926,926	0	0	241,321	N/A	N/A
7/1/2005	1,992,833	0	0	254,529	N/A	N/A
7/1/2006	2,056,080	0	0	265,605	N/A	N/A

**NOTES TO FINANCIAL STATEMENTS**  
**(Thousands of Dollars)**  
**For the fiscal year ended June 30, 2006**

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

**Schedule of Employer Contributions** - The schedule of employer contributions for the six years ended June 30, 2006 is as follows:

<b>Year Ended June 30</b>	<b>Annual Required Contribution</b>	<b>Percentage Contributed</b>
2001	10,227	108.6
2002	0	(See Below) <sup>1</sup>
2003	0	(See Below) <sup>2</sup>
2004	709	1,909.0
2005	2,695	513.7
2006	11,893	117.6

Even though the Annual Required Contribution was zero for this plan year (1)\$11,819,000 was contributed to trust (2)\$12,483,000 was contributed to trust.

**Annual Pension Cost and Net Pension Asset** – The City Retirement System’s annual pension cost and net pension asset for the year ended June 30, 2006 were as follows:

Annual required contribution	\$ 11,893
Interest on net pension asset	(6,018)
Adjustment to annual required contribution	<u>11,690</u>
Annual pension cost	17,565
Contribution made	<u>13,984</u>
Increase in net pension obligation	(3,581)
Net pension asset at beginning of year	<u>80,240</u>
Net pension asset at end of year	<u>\$ 76,659</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>
2004	5,334	254.0	73,634
2005	7,238	191.3	80,240
2006	17,565	79.6	76,659

**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.

**NOTES TO FINANCIAL STATEMENTS**  
**(Thousands of Dollars)**  
**For the fiscal year ended June 30, 2006**

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

As of and for its year ended June 30, 2006, the Library Retirement System reported the following net assets:

**Assets:**

Cash and cash equivalents	\$ 1,109
Investments, at fair value:	
Common stock – domestic	32,565
Mutual funds and money market	28,792
Interest and dividends on investments	<u>41</u>
<b>Total assets</b>	<u>62,507</u>

**Net assets:**

Held in trust for pension benefits and pool participants	\$ <u>62,507</u>
--	------------------

As of and for its year ended June 30, 2006, The Library Retirement System reported the following changes in net assets:

**Additions:**

Employer contributions	\$ 314
Plan member contributions	314
Interest and dividend income	1,454
Other investment income	(1)
Net appreciation in the fair value of investments	<u>4,780</u>
<b>Total additions</b>	<u>6,861</u>

**Deductions:**

Benefits	2,079
Administrative expenses	462
Refunds of contributions	<u>96</u>
<b>Total deductions</b>	<u>2,637</u>

Net increase	4,224
Net assets – beginning of year	<u>58,283</u>
Net assets – end of year	<u>\$ 62,507</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 (the Library Plans) which are 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).

**NOTES TO FINANCIAL STATEMENTS**  
**(Thousands of Dollars)**  
**For the fiscal year ended June 30, 2006**

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

At January 1, 2006 the Library Retirement System membership consisted of:

Retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them	108
Active employees:	
Vested	125
Nonvested	<u>195</u>
Total	<u><u>428</u></u>

The Library Plans provide retirement benefits as well as death and disability benefits. Retirement benefits, under Plan I, vest partially up to 15 years of service at which point employees are fully vested. Under Plan II, retirement benefits vest after 15 years of service, with partial vesting only occurring 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, retirees receive monthly benefits for life with benefits continuing to the surviving spouse until death or remarriage.

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 actuarially determined periodic contributions at rates of 3 percent per annum for employees. The Library is required to contribute the remaining amounts necessary to fund the Library Plans, using the actuarial basis specified by statute.

**NOTES TO FINANCIAL STATEMENTS**  
**(Thousands of Dollars)**  
**For the fiscal year ended June 30, 2006**

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

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

**Schedule of Funding Progress** - The frozen entry age actuarial cost method, used in determining funding requirements, only identifies the initial unfunded accrued liability, which is incurred at the inception of the plan and amortized. All other sources of unfunded liabilities (such as plan amendments and experience gains and losses) become part of normal cost. The schedule of funding progress for the six years ended January 1, 2006 is as follows:

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
1/1/00	52,099	30,417	0	171.0	8,086	N/A
1/1/02	50,769	41,939	0	121.0	9,420	N/A
1/1/03	44,609	49,000	4,391	91.0	10,639	41.0
1/1/04	53,766	50,030	0	107.0	11,213	N/A
1/1/05	59,129	52,814	0	112.0	11,074	N/A
1/1/06	61,017	54,855	0	111.0	10,190	N/A

**Schedule of Employer Contributions** - The schedule of employer contributions for the six years ended June 30, 2006 is as follows:

Year Ended June 30	Annual Required Contribution	Percentage Contributed
2001	0	N/A
2002	0	N/A
2003	0	N/A
2004	1,494	23.0
2005	341	98.0
2006	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, 2006 were as follows:

Interest on net pension asset	\$ (94)
Adjustment to annual required contribution	<u>96</u>
Annual pension cost	2
Contribution made	<u>(330)</u>
Decrease in net pension obligation	328
Net pension asset at beginning of year	<u>1,251</u>
Net pension asset at end of year	<u>\$ 1,579</u>

**NOTES TO FINANCIAL STATEMENTS**  
**(Thousands of Dollars)**  
**For the fiscal year ended June 30, 2006**

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

Three-year trend information is as follows:

<b>Year Ended June 30</b>	<b>Annual Pension Cost (APC)</b>	<b>Percentage of APC Contributed</b>	<b>Net Pension Asset</b>
2004	1,498	23.0	1,259
2005	343	98.0	1,251
2006	2	16,146.0	1,579

**MLGW Retirement System**

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

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

At December 31, 2005, the MLGW Retirement System membership consisted of:

Retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them	2,461
Active employees	<u>2,672</u>
Total	<u><u>5,133</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% per annum based on the consumer prices index.

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

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

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

**NOTES TO FINANCIAL STATEMENTS**  
**(Thousands of Dollars)**  
**For the fiscal year ended June 30, 2006**

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

**Actuarial Methods and Assumptions** - The actuarial valuation method used is the five-year weighted index method. The aggregate actuarial cost method is used in determining the funding requirements. Significant actuarial assumptions include (a) a rate of return on the investment of present and future assets of 8 percent a year compounded annually, (b) projected salary increases of 4.50 to 8.16 percent a year compounded annual, and (c) pensioner cost of living adjustments of 1.05 to 2.63 percent compounded annually.

**Schedule of Funding Progress** - The aggregate cost method does not identify or separately amortize unfunded actuarial liabilities. These liabilities are amortized through the normal cost. Under the aggregate cost method, the actuarial accrued liability equals the actuarial value of assets. At December 31, 2005, the actuarial value of assets was \$1,126,577.

**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>
2000	2,856	376.8
2001	4,330	221.5
2002	9,972	98.8
2003	15,890	67.3
2004	18,241	88.4
2005	18,683	67.3

**G. Component units**

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

	<b>GOVERNMENTAL TYPE</b>		<b>PROPRIETARY TYPE</b>			<b>COMPONENT UNITS TOTAL</b>
	<b>BOE</b>	<b>MATA</b>	<b>MSCAA</b>	<b>TOTAL</b>		
Current Assets	\$ 409,891	5,103	29,490	34,593	444,484	
Property, plant and equipment (net of accumulated depreciation)	838,457	142,341	882,842	1,025,183	1,863,640	
Other assets	-	379	250,078	250,457	250,457	
Total assets	<u>\$ 1,248,348</u>	<u>147,823</u>	<u>1,162,410</u>	<u>1,310,233</u>	<u>2,558,581</u>	
Current liabilities	\$ 156,630	5,283	68,819	74,102	230,732	
Long-term liabilities	27,144	800	601,497	602,297	629,441	
Net assets	1,064,574	141,740	492,094	633,834	1,698,408	
Total liabilities and net assets	<u>\$ 1,248,348</u>	<u>147,823</u>	<u>1,162,410</u>	<u>1,310,233</u>	<u>2,558,581</u>	
Operating revenues	\$ 533,154	10,746	111,015	121,761		
Operating expenses	476,897	45,949	81,642	127,591		
Operating income (loss) before depreciation and amortization	<u>\$ 56,257</u>	<u>(35,203)</u>	<u>29,373</u>	<u>(5,830)</u>		
Depreciation and amortization	\$ 507,490	10,510	44,264	54,774		
Grants and contributions not restricted	520,113	-	-	-		
City of Memphis subsidy	-	19,180	-	19,180		
Federal and State grant revenues	-	16,113	-	16,113		
Other revenue (expense)	9,310	9,646	34,354	44,000		
Change in net assets	78,190	(774)	19,463	18,689		
Net assets - beginning of year	986,384	142,514	472,631	615,145		
Net assets - end of year	<u>\$ 1,064,574</u>	<u>141,740</u>	<u>492,094</u>	<u>633,834</u>		

(This page left blank intentionally.)

**SCHEDULE OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL ON BASIS  
OF BUDGETING GENERAL FUND (Thousands of Dollars)  
For the fiscal year ended June 30, 2006**

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

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Local taxes	\$ 356,446	356,446	361,395	4,949
State taxes (local share)	53,537	53,537	57,353	3,816
Licenses and permits	12,326	12,326	12,478	152
Fines and forfeitures	11,932	11,932	9,224	(2,708)
Charges for services	20,628	20,628	20,719	91
Investment income	175	175	1,842	1,667
Federal grants	318	1,218	2,598	1,380
State grants	991	891	1,029	138
Intergovernmental revenues	3,240	3,240	3,049	(191)
Other	8,223	8,223	9,678	1,455
<b>Total revenues</b>	<b>467,816</b>	<b>468,616</b>	<b>479,365</b>	<b>10,749</b>
<b>EXPENDITURES</b>				
General government	121,708	121,848	116,234	5,614
Public safety	314,146	320,255	316,853	3,402
Community services	60,226	56,073	51,597	4,476
Transportation and environment	23,440	19,080	18,034	1,046
<b>Total expenditures</b>	<b>519,520</b>	<b>517,256</b>	<b>502,718</b>	<b>14,538</b>
Revenues over (under) expenditures	(51,704)	(48,640)	(23,353)	25,287
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	68,210	68,990	67,766	(1,224)
Transfers out	(10,213)	(12,157)	(10,476)	1,681
<b>Total other financing sources (uses)</b>	<b>57,997</b>	<b>56,833</b>	<b>57,290</b>	<b>457</b>
Revenues over (under) expenditures and other sources (uses)	\$ 6,293	8,193	33,937	25,744
Adjustment for encumbrances - prior year			(3,912)	
Adjustment for encumbrances - current year			2,703	
Revenues and other source over expenditures and other uses (GAAP basis)			32,728	
Fund balance - beginning of year			1,212	
<b>Fund balance - end of year</b>			<b>\$ 33,940</b>	

For budgetary presentation, expenditures are increased by current year encumbrances and decreased by prior year encumbrances.

(This page left blank intentionally.)

**GENERAL FUND  
SCHEDULE OF REVENUES AND OTHER SOURCES-  
BUDGET AND ACTUAL ON BASIS OF BUDGETING  
(Thousands of Dollars)  
For the fiscal year ended June 30, 2006**

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

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget- Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
<b>Local taxes:</b>				
Property taxes	\$ 196,534	196,534	205,200	8,666
Interest, penalties and commission - property taxes	6,626	6,626	8,428	1,802
Receipts in lieu of taxes contractual	8,734	8,734	10,005	1,271
Sales tax general	98,864	98,864	99,875	1,011
Sales tax beer	14,770	14,770	14,954	184
Alcoholic beverage tax	3,488	3,488	3,697	209
Liquor by the drink tax	2,110	2,110	2,359	249
Gross receipts tax	8,344	8,344	8,352	8
Excise tax	762	762	881	119
Franchise tax	15,699	15,699	4,650	(11,049)
Other local taxes	515	515	2,994	2,479
Total local taxes	<u>356,446</u>	<u>356,446</u>	<u>361,395</u>	<u>4,949</u>
<b>State taxes (local share):</b>				
Sales tax	45,065	45,065	45,931	866
Income taxes	6,062	6,062	9,322	3,260
Beer taxes	396	396	339	(57)
Alcoholic beverage tax	215	215	247	32
Gasoline inspection fees	1,799	1,799	1,514	(285)
Total state taxes (local share)	<u>53,537</u>	<u>53,537</u>	<u>57,353</u>	<u>3,816</u>
<b>Licenses and permits:</b>				
Auto licenses	10,744	10,744	10,781	37
Dog licenses	444	444	421	(23)
Liquor by the drink licenses	237	237	287	50
Other	901	901	989	88
Total licenses and permits	<u>12,326</u>	<u>12,326</u>	<u>12,478</u>	<u>152</u>
<b>Fines and forfeitures:</b>				
City courts	10,647	10,647	8,123	(2,524)
Library	1,285	1,285	1,101	(184)
Total fines and forfeitures	<u>\$ 11,932</u>	<u>11,932</u>	<u>9,224</u>	<u>(2,708)</u>

(Continued)

**GENERAL FUND  
SCHEDULE OF REVENUES AND OTHER SOURCES-  
BUDGET AND ACTUAL ON BASIS OF BUDGETING  
(Thousands of Dollars)  
For the fiscal year ended June 30, 2006**

**CITY OF MEMPHIS, TENNESSEE  
Exhibit C-1  
(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	\$ 933	933	795	(138)
Park commission revenues	2,065	2,065	1,721	(344)
Parking meter revenues	480	480	579	99
Ambulance service fees	12,500	12,500	13,421	921
Rents	1,408	1,408	1,591	183
Other	3,242	3,242	2,612	(630)
<b>Total charges for services</b>	<b>20,628</b>	<b>20,628</b>	<b>20,719</b>	<b>91</b>
<b>Investment income:</b>				
Interest on investments	121	121	1,741	1,620
Other	54	54	101	47
<b>Total investment income</b>	<b>175</b>	<b>175</b>	<b>1,842</b>	<b>1,667</b>
<b>Federal grants</b>	<b>318</b>	<b>1,218</b>	<b>2,598</b>	<b>2,598</b>
<b>State grants</b>	<b>991</b>	<b>891</b>	<b>1,029</b>	<b>138</b>
<b>Intergovernmental revenues</b>	<b>3,240</b>	<b>3,240</b>	<b>3,049</b>	<b>(191)</b>
<b>Other:</b>				
Auctions and sale of assets	2,662	2,662	2,195	(467)
Property damage reimbursement	200	200	249	49
Property insurance recoveries	-	-	2,723	2,723
Local shared revenue	1,968	1,968	2,086	118
Miscellaneous	3,393	3,393	2,425	(968)
<b>Total other</b>	<b>8,223</b>	<b>8,223</b>	<b>9,678</b>	<b>1,455</b>
<b>Total revenues</b>	<b>\$ 467,498</b>	<b>468,616</b>	<b>479,365</b>	<b>10,749</b>
<b>Other source:</b>				
<b>Transfers in:</b>				
Municipal state aid fund	\$ 20,003	20,003	14,019	(5,984)
Sewer collection and treatment fund	5,500	5,500	5,137	(363)
MLG&W fund	42,705	43,485	48,610	5,125
Community services fund	2	2	-	(2)
<b>Total other source</b>	<b>\$ 68,210</b>	<b>68,990</b>	<b>67,766</b>	<b>(1,224)</b>

**GENERAL FUND  
SCHEDULE OF EXPENDITURES AND OTHER USES-  
BUDGET AND ACTUAL ON BASIS OF BUDGETING  
(Thousands of Dollars)  
For the fiscal year ended June 30, 2006**

	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>	<b>Variance with Final Budget- Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>EXPENDITURES</b>				
<b>General government:</b>				
Legislative:				
Personal services	\$ 1,310	1,310	1,264	46
Materials and supplies	363	363	93	270
<b>Total legislative</b>	<b>1,673</b>	<b>1,673</b>	<b>1,357</b>	<b>316</b>
Judicial:				
Personal services	462	476	475	1
Materials and supplies	70	56	50	6
Capital outlay	4	3	-	3
<b>Total judicial</b>	<b>536</b>	<b>535</b>	<b>525</b>	<b>10</b>
Court clerk:				
Personal services	2,800	2,801	2,590	211
Materials and supplies	327	327	288	39
Capital outlay	10	10	-	10
<b>Total court clerk</b>	<b>3,137</b>	<b>3,138</b>	<b>2,878</b>	<b>260</b>
Executive:				
Personal services	2,222	2,222	1,973	249
Materials and supplies	798	798	607	191
Capital outlay	17	17	-	17
Expense reimbursement	(55)	(55)	(55)	-
<b>Total executive</b>	<b>2,982</b>	<b>2,982</b>	<b>2,525</b>	<b>457</b>
Finance and administration:				
Personal services	4,536	4,536	4,280	256
Materials and supplies	1,487	1,487	932	555
Expense reimbursement	(470)	(470)	(679)	209
<b>Total finance and administration</b>	<b>\$ 5,553</b>	<b>5,553</b>	<b>4,533</b>	<b>1,020</b>

(Continued)

**GENERAL FUND  
SCHEDULE OF EXPENDITURES AND OTHER USES-  
BUDGET AND ACTUAL ON BASIS OF BUDGETING  
(Thousands of Dollars)  
For the fiscal year ended June 30, 2006**

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

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget- Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
City attorney:				
Personal services	\$ 3,622	3,202	3,183	19
Materials and supplies	8,371	14,369	13,896	473
Expense reimbursement	(5,604)	(7,218)	(7,218)	-
<b>Total city attorney</b>	<b>6,389</b>	<b>10,353</b>	<b>9,861</b>	<b>492</b>
City engineer:				
Personal services	9,223	8,883	8,555	328
Materials and supplies	2,220	1,801	1,616	185
Capital outlay	97	-	-	-
Expense reimbursement	(2,175)	(1,371)	(1,369)	(2)
<b>Total city engineer</b>	<b>9,365</b>	<b>9,313</b>	<b>8,802</b>	<b>511</b>
Information systems:				
Personal services	631	631	569	62
Materials and supplies	15,428	14,332	13,591	741
Capital outlay	500	-	-	-
Expense reimbursement	(1,580)	(1,580)	(1,220)	(360)
<b>Total information systems</b>	<b>14,979</b>	<b>13,383</b>	<b>12,940</b>	<b>443</b>
Human resources:				
Personal services	2,664	2,661	2,328	333
Materials and supplies	1,361	1,364	672	692
Capital outlay	-	-	20	(20)
Expense reimbursement	(285)	(285)	(313)	28
<b>Total human resources</b>	<b>3,740</b>	<b>3,740</b>	<b>2,707</b>	<b>1,033</b>
General services:				
Personal services	9,614	8,441	8,159	282
Materials and supplies	4,437	4,308	3,685	623
Expense reimbursement	(465)	(465)	(580)	115
<b>Total general services</b>	<b>13,586</b>	<b>12,284</b>	<b>11,264</b>	<b>1,020</b>
Special appropriations:				
Personal services	2,165	165	122	43
Materials and supplies	29	29	21	8
Grants and subsidies	57,574	58,700	58,699	1
<b>Total special appropriations</b>	<b>59,768</b>	<b>58,894</b>	<b>58,842</b>	<b>52</b>
<b>Total general government</b>	<b>\$ 121,708</b>	<b>121,848</b>	<b>116,234</b>	<b>5,614</b>

(Continued)

**GENERAL FUND  
SCHEDULE OF EXPENDITURES AND OTHER USES-  
BUDGET AND ACTUAL ON BASIS OF BUDGETING  
(Thousands of Dollars)  
For the fiscal year ended June 30, 2006**

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

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget- Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Public safety:</b>				
Police:				
Personal services	\$ 169,215	167,065	166,933	132
Materials and supplies	19,010	21,908	21,543	365
Capital outlay	494	449	93	356
Expense reimbursement	(4,397)	(5,145)	(6,788)	1,643
Total police	<u>184,322</u>	<u>184,277</u>	<u>181,781</u>	<u>2,496</u>
Fire:				
Personal services	119,642	125,383	125,370	13
Materials and supplies	10,296	11,041	10,085	956
Capital outlay	341	9	7	2
Expense reimbursement	(455)	(455)	(390)	(65)
Total fire	<u>129,824</u>	<u>135,978</u>	<u>135,072</u>	<u>906</u>
Total public safety	<u>314,146</u>	<u>320,255</u>	<u>316,853</u>	<u>3,402</u>
<b>Community services:</b>				
Library:				
Personal services	13,898	13,898	13,147	751
Materials and supplies	4,944	4,944	5,422	(478)
Capital outlay	21	20	5	15
Total library	<u>18,863</u>	<u>18,862</u>	<u>18,574</u>	<u>288</u>
Parks and recreation:				
Personal services	15,267	13,369	12,306	1,063
Materials and supplies	9,668	9,668	9,285	383
Capital outlay	128	128	82	46
Expense reimbursement	(530)	(530)	(439)	(91)
Total parks and recreation	<u>\$ 24,533</u>	<u>22,635</u>	<u>21,234</u>	<u>1,401</u>

(Continued)

**GENERAL FUND  
SCHEDULE OF EXPENDITURES AND OTHER USES-  
BUDGET AND ACTUAL ON BASIS OF BUDGETING  
(Thousands of Dollars)  
For the fiscal year ended June 30, 2006**

**CITY OF MEMPHIS, TENNESSEE  
Exhibit C-2  
(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 Service:</b>				
Personal services	\$ 6,529	5,304	4,542	762
Materials and supplies	1,245	1,245	1,001	244
Capital outlay	46	38	1	37
Grants and subsidies	2,025	2,034	1,548	486
Expense reimbursement	(30)	(30)	(34)	4
<b>Total public service</b>	<b>9,815</b>	<b>8,591</b>	<b>7,058</b>	<b>1,533</b>
<b>Community development:</b>				
Personal services	2,596	2,592	1,904	688
Materials and supplies	1,093	1,099	621	478
Capital outlay	1,302	4	-	4
Grants and subsidies	2,024	2,290	2,206	84
<b>Total community development</b>	<b>7,015</b>	<b>5,985</b>	<b>4,731</b>	<b>1,254</b>
<b>Total community services</b>	<b>60,226</b>	<b>56,073</b>	<b>51,597</b>	<b>4,476</b>
<b>Transportation and environment:</b>				
<b>Public works:</b>				
Personal services	12,524	10,225	10,045	180
Materials and supplies	15,220	12,970	12,429	541
Capital outlay	14	-	-	-
Expense reimbursement	(4,318)	(4,115)	(4,440)	325
<b>Total public works</b>	<b>23,440</b>	<b>19,080</b>	<b>18,034</b>	<b>1,046</b>
<b>Total transportation and environment</b>	<b>23,440</b>	<b>19,080</b>	<b>18,034</b>	<b>1,046</b>
<b>Total expenditures</b>	<b>\$ 519,520</b>	<b>517,256</b>	<b>502,718</b>	<b>14,538</b>
<b>Other use - transfers out:</b>				
Solid waste management fund	\$ 4,982	4,982	3,439	1,543
Debt service fund	4,874	5,583	5,581	2
Golf fund	219	219	219	-
Miscellaneous grants fund	138	161	25	136
Community redevelopment fund	-	1,212	1,212	-
<b>Total transfers out</b>	<b>10,213</b>	<b>12,157</b>	<b>10,476</b>	<b>1,681</b>
<b>Total other use</b>	<b>\$ 10,213</b>	<b>12,157</b>	<b>10,476</b>	<b>1,681</b>

**NONMAJOR FUNDS  
COMBINING BALANCE SHEET  
(Thousands of Dollars)  
June 30, 2006**

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

	Special Revenue											Total			
	Community Development	Drug Enforcement	Municipal State Aid	Workforce Investment Act	Miscellaneous Grants	Midtown Corridor	Solid Waste Management	Hotel/Motel Tax	New Memphis Arena	MLK Park	Community Services		Central Business Improvement District	Community Redevelopment	Education
<b>ASSETS</b>															
Cash and cash equivalents	5,168	100	-	-	1	-	-	-	-	-	-	-	-	-	94
Investments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	8,823
Equity in cash and investment pool	-	3,391	-	-	33	252	-	2,614	-	528	327	157	317	1,638	-
Receivables (net of allowance for uncollectibles)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Property taxes:															
Current property taxes	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Prior property taxes	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Federal grants and entitlements	21,106	-	-	884	3,912	-	-	-	-	-	-	2,861	-	93,281	361
State grants and entitlements	-	-	3,288	-	-	-	-	-	-	-	-	216	-	10,094	30
Interest on investment	33	12	-	-	4	-	-	-	-	2	1	-	-	-	3,363
Housing rehabilitation loans	65,327	-	-	-	-	-	-	-	-	-	-	-	-	-	32
Other	127	12	-	-	2,272	65	1	-	-	-	-	-	-	-	65,377
Due from other funds	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2,592
Due from other agencies and governments	-	431	-	-	1,345	-	-	372	-	-	-	-	-	-	105
	-	-	-	-	-	3,944	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	3,944	-	372	-	-	-	-	-	-	-
	-	-	-	-	-	4,009	-	2,987	-	530	328	3,234	3,928	105,013	9,413
<b>Total assets</b>	91,886	3,946	3,288	884	6,218	1,601	4,009	2,987	-	530	328	3,234	3,928	105,013	9,413
<b>LIABILITIES AND FUND BALANCES</b>															
<b>Liabilities:</b>															
Accounts payable	859	38	-	466	322	-	1,481	-	1,680	2	-	55	1	1,238	4,215
Accrued liabilities	255	-	-	-	43	-	588	2,987	-	-	-	-	4	-	3,878
Contract retainage	-	-	-	-	-	-	-	-	-	-	-	-	-	-	264
Due to other funds	9,098	-	3,288	427	1,349	-	1,038	-	7,343	-	-	-	-	-	28,218
Due to other agencies and governments	81,583	-	-	-	-	-	-	-	-	-	-	102	-	1,116	82,828
Deferred revenue	83	416	-	-	4,229	-	1	-	-	63	-	3,077	3,611	102,659	4,266
Vacation, sick and other leave benefits	-	-	-	-	-	-	624	-	-	-	-	-	-	-	27
	-	-	-	-	-	-	624	-	-	-	-	-	-	-	118,405
	-	-	-	-	-	-	624	-	-	-	-	-	-	-	624
<b>Total liabilities</b>	91,878	454	3,288	883	5,943	-	3,733	2,987	9,023	65	-	3,234	3,616	105,013	36,990
<b>Fund balances:</b>															
Undesignated	8	3,492	-	(9)	275	1,601	276	-	(9,023)	465	328	-	312	-	(27,577)
Total fund balances	8	3,492	-	(9)	275	1,601	276	-	(9,023)	465	328	-	312	-	(27,577)
	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(29,652)
<b>Total liabilities and fund balances</b>	91,886	3,946	3,288	884	6,218	1,601	4,009	2,987	-	530	328	3,234	3,928	105,013	9,413

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

**NONMAJOR FUNDS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
**(Thousands of Dollars)**  
**For the fiscal year ended June 30, 2006**

	Special Revenue											Total			
	Community Development	Drug Enforcement	Municipal State Aid	Workforce Investment Act	Miscellaneous Grants	Midtown Corridor	Solid Waste Management	Hotel/Motel Tax	New Memphis Arena	MLK Park	Community Services		Central Business Improvement District	Community Redevelopment	Education
<b>REVENUES</b>															
Local taxes:															
Property taxes	-	-	-	-	-	-	-	-	-	-	-	-	-	90,946	351
Special assessments - current	-	-	-	-	-	-	-	-	-	-	-	2,693	-	-	-
Special assessments - prior	-	-	-	-	-	-	-	-	-	-	-	70	-	-	-
Sales tax general	-	-	-	-	-	-	-	-	891	-	-	-	-	-	-
Other local taxes	-	-	-	-	-	-	6	-	-	-	-	146	-	-	-
Total local taxes	-	-	-	-	-	-	6	-	891	-	-	2,909	-	90,946	351
State taxes (local share)	-	-	19,164	-	-	-	-	-	7,085	-	-	-	-	-	-
Hotel/motel tax	-	-	-	-	-	-	-	4,003	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	46,097	-	-	125	-	-	-	-	-
Investment income	-	107	-	-	4	45	-	-	-	14	9	-	-	-	-
Federal grants and entitlements	21,671	-	-	6,189	3,982	-	-	-	-	-	-	-	-	-	-
State grants	3	-	-	381	2,662	-	120	-	-	-	-	-	-	-	-
Intergovernmental revenue	-	3,785	-	-	-	-	-	-	-	-	-	-	-	-	-
Fines and forfeitures	-	61	-	139	2,400	-	387	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	10	-	-	-	-
Total revenues	21,674	3,953	19,164	6,709	9,048	45	46,610	4,003	7,976	139	19	2,909	-	90,946	1,845
<b>EXPENDITURES</b>															
General government	-	-	-	-	8,569	-	-	-	-	-	-	-	-	-	-
Public safety	-	2,267	-	-	358	-	-	2,987	10,104	-	-	2,909	253	-	-
Community service	21,675	-	-	6,694	-	-	-	-	-	108	1	-	-	-	-
Transportation and environment	-	-	-	-	-	-	46,992	-	-	-	-	-	-	-	-
Education	-	-	-	-	-	-	-	-	-	-	-	-	-	90,946	-
Capital outlay	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Bond issuance cost	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total expenditures	21,675	2,267	-	6,694	8,927	-	46,992	2,987	10,104	108	1	2,909	253	90,946	839
Revenues over (under) expenditures	(1)	1,686	19,164	15	121	45	(382)	1,016	(2,128)	31	18	-	(253)	-	(97,731)
<b>OTHER FINANCING SOURCES (USES)</b>															
Transfers in	-	-	-	-	57	-	3,439	891	3,391	-	-	-	1,414	-	6
Transfers out	-	-	(19,164)	(32)	(202)	-	(2,781)	(1,907)	(891)	-	-	-	(1,614)	-	-
Proceeds from issuance of debt	-	-	-	-	-	-	-	-	-	-	-	-	-	-	145,930
Retirement of refunded debt obligation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(80,000)
Premium on debt issuance	-	-	-	-	-	-	-	-	-	-	-	-	-	-	3,915
Total other financing sources and uses	-	-	(19,164)	(32)	(145)	-	658	(1,016)	2,500	-	-	(200)	-	-	69,851
Net change in fund balances	(1)	1,686	-	(17)	(24)	45	276	-	372	31	18	-	(453)	-	(27,880)
Fund balances - beginning of year	9	1,806	-	8	299	1,556	-	-	(9,395)	434	310	-	765	-	303
<b>Fund balances - end of year</b>	<b>8</b>	<b>3,492</b>	<b>-</b>	<b>(9)</b>	<b>275</b>	<b>1,601</b>	<b>276</b>	<b>-</b>	<b>(9,023)</b>	<b>465</b>	<b>328</b>	<b>-</b>	<b>312</b>	<b>-</b>	<b>(29,852)</b>

**NONMAJOR 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, 2006**

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

	<u>Budget Amounts</u>			Variance with Final Budget- Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>COMMUNITY DEVELOPMENT</b>				
<b>Revenues:</b>				
Federal grants	\$ 56,726	56,726	21,671	(35,055)
State grants	73	73	3	(70)
Total revenues	56,799	56,799	21,674	(35,125)
<b>Expenditures:</b>				
Community service	56,799	56,799	21,675	35,124
Total expenditures	56,799	56,799	21,675	35,124
Revenues (under) expenditures	\$ -	-	(1)	(1)
<b>DRUG ENFORCEMENT FUND</b>				
<b>Revenues:</b>				
Investment income	\$ -	-	107	107
Fines and forfeitures	2,065	2,065	3,785	1,720
Other	210	210	61	(149)
Total revenues	2,275	2,275	3,953	1,678
<b>Expenditures:</b>				
Public safety	2,275	2,275	2,267	8
Total expenditures	2,275	2,275	2,267	8
Revenues over expenditures	\$ -	-	1,686	1,686
<b>MUNICIPAL STATE AID FUND</b>				
<b>Revenues:</b>				
State gasoline tax (local share)	\$ 24,565	24,565	19,164	(5,401)
Total revenue	24,565	24,565	19,164	(5,401)
<b>Other financing (uses)</b>				
Transfers out	(24,565)	(24,565)	(19,164)	5,401
Total other financing (uses)	(24,565)	(24,565)	(19,164)	5,401
Revenues over (under) other financing (uses)	\$ -	-	-	-
<b>WORKFORCE INVESTMENT ACT</b>				
<b>Revenues:</b>				
Federal grants	\$ 12,491	12,491	6,189	(6,302)
State grants	1,328	1,328	381	(947)
Other	247	247	139	(108)
Total revenues	14,066	14,066	6,709	(7,357)
<b>Expenditures:</b>				
Community service	14,066	14,066	6,694	7,372
Total expenditures	14,066	14,066	6,694	7,372
<b>Other financing (uses)</b>				
Transfers out	-	-	(32)	(32)
Total other financing (uses)	-	-	(32)	(32)
Revenues (under) expenditures and other financing (uses)	\$ -	-	(17)	(17)

(Continued)

**NONMAJOR 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, 2006**

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

	<u>Budget Amounts</u>			Variance with Final Budget- Positive(Negative)
	Original	Final	Actual	
<b>MISCELLANEOUS GRANTS</b>				
<b>Revenues:</b>				
Investment income	\$ -	-	4	4
Federal grants	12,181	12,181	3,982	(8,199)
State grants	3,127	3,127	2,662	(465)
Other	5,919	5,919	2,400	(3,519)
<b>Total revenues</b>	<b>21,227</b>	<b>21,227</b>	<b>9,048</b>	<b>(12,179)</b>
<b>Expenditures:</b>				
General government	13,206	13,209	8,569	4,640
Public safety	8,107	8,107	358	7,749
<b>Total expenditures</b>	<b>21,313</b>	<b>21,316</b>	<b>8,927</b>	<b>12,389</b>
<b>Other financing sources (uses)</b>				
Transfers in	74	74	57	(17)
Transfers out	-	-	(202)	(202)
<b>Total other financing sources (uses)</b>	<b>74</b>	<b>74</b>	<b>(145)</b>	<b>(219)</b>
Revenues (under) expenditures and other financing sources and (uses)	\$ (12)	(15)	(24)	(9)
<b>SOLID WASTE MANAGEMENT FUND</b>				
<b>Revenues:</b>				
Other local taxes	\$ -	-	6	6
Fines and forfeitures	45	45	-	(45)
Charges for services	24,778	43,428	46,097	2,669
State grants	120	120	120	-
Other	350	350	387	37
<b>Total revenues</b>	<b>25,293</b>	<b>43,943</b>	<b>46,610</b>	<b>2,667</b>
<b>Expenditures:</b>				
Transportation and environment	47,912	47,912	46,992	920
<b>Total expenditures</b>	<b>47,912</b>	<b>47,912</b>	<b>46,992</b>	<b>920</b>
<b>Other financing sources (uses)</b>				
Transfers in	23,632	4,982	3,439	(1,543)
Transfers out	(1,391)	(1,391)	(2,781)	(1,390)
<b>Total other financing sources and (uses)</b>	<b>22,241</b>	<b>3,591</b>	<b>658</b>	<b>(2,933)</b>
Revenues over (under) expenditures and other financing sources and (uses)	\$ (378)	(378)	276	654
<b>HOTEL/MOTEL TAX</b>				
<b>Revenues:</b>				
Hotel /motel tax	\$ 3,181	3,181	4,003	822
<b>Total revenues</b>	<b>3,181</b>	<b>3,181</b>	<b>4,003</b>	<b>822</b>
<b>Expenditures:</b>				
General government	2,165	2,165	2,987	(822)
<b>Total expenditures</b>	<b>2,165</b>	<b>2,165</b>	<b>2,987</b>	<b>(822)</b>
<b>Other financing sources (uses)</b>				
Transfers in	692	692	891	199
Transfers out	(1,708)	(1,708)	(1,907)	(199)
<b>Total other financing sources and (uses)</b>	<b>(1,016)</b>	<b>(1,016)</b>	<b>(1,016)</b>	<b>-</b>
Revenues over (under) expenditures and other financing sources and (uses)	\$ -	-	-	-

(Continued)

**NONMAJOR 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, 2006**

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

	Budget Amounts		Actual	Variance with Final Budget- Positive(Negative)
	Original	Final		
<b>NEW MEMPHIS ARENA</b>				
<b>Revenues:</b>				
Sales tax general	\$ 692	692	891	199
State taxes (local share)	4,899	4,899	7,085	2,186
<b>Total revenues</b>	<b>5,591</b>	<b>5,591</b>	<b>7,976</b>	<b>2,385</b>
<b>Expenditures:</b>				
General government	7,399	7,399	10,104	(2,705)
<b>Total expenditures</b>	<b>7,399</b>	<b>7,399</b>	<b>10,104</b>	<b>(2,705)</b>
<b>Other financing sources (uses)</b>				
Transfers in	3,192	3,192	3,391	199
Transfers out	(692)	(692)	(891)	(199)
<b>Total other financing sources and (uses)</b>	<b>2,500</b>	<b>2,500</b>	<b>2,500</b>	<b>-</b>
Revenues over expenditures and other financing sources and (uses)	\$ 692	692	372	(320)
<b>MLK PARK</b>				
<b>Revenues:</b>				
Charges for services	\$ -	-	125	125
Investment income	-	-	14	14
<b>Total revenues</b>	<b>-</b>	<b>-</b>	<b>139</b>	<b>139</b>
<b>Expenditures:</b>				
Community service	-	-	108	(108)
<b>Total expenditures</b>	<b>-</b>	<b>-</b>	<b>108</b>	<b>(108)</b>
Revenues over expenditures	\$ -	-	31	31
<b>TOTAL NONMAJOR SPECIAL REVENUE FUNDS</b>				
<b>Revenues:</b>				
Sales tax general	\$ 692	692	891	199
State taxes (local share)	29,464	29,464	26,249	(3,215)
Charges for services	24,778	43,428	46,222	2,794
Investment income	-	-	125	125
Federal grants and entitlements	81,398	81,398	31,842	(49,556)
State grants	4,648	4,648	3,166	(1,482)
Fines and forfeitures	2,357	2,357	3,785	1,428
Hotel/motel tax	3,181	3,181	4,003	822
Other	6,479	6,479	2,993	(3,486)
<b>Total revenues</b>	<b>152,997</b>	<b>171,647</b>	<b>119,276</b>	<b>(52,371)</b>
<b>Expenditures:</b>				
General government	22,770	22,773	21,660	1,113
Public safety	10,382	10,382	2,625	7,757
Community services	70,865	70,865	28,477	42,388
Transportation and environment	47,912	47,912	46,992	920
<b>Total expenditures</b>	<b>151,929</b>	<b>151,932</b>	<b>99,754</b>	<b>52,178</b>
<b>Other financing sources (uses)</b>				
Transfers in	27,590	8,940	7,778	(1,162)
Transfers out	(28,356)	(28,356)	(24,977)	3,379
<b>Total other financing sources and (uses)</b>	<b>(766)</b>	<b>(19,416)</b>	<b>(17,199)</b>	<b>2,217</b>
Revenues over (under) expenditures and other financing sources and (uses)	\$ 302	299	2,323	2,024

**ALL SPECIAL REVENUE FUNDS (WITH CARRYOVER BUDGETS) SCHEDULE OF REVENUES AND EXPENDITURES BUDGET AND ACTUAL**  
**(Thousands of Dollars)**  
**For the fiscal year ended June 30, 2006**

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

	<b>Budget</b>	<b>Recognized thru June 30, 2005</b>	<b>Recognized Current Year</b>	<b>Recognized thru June 30, 2006</b>	<b>Variance</b>
<b>MIDTOWN CORRIDOR FUND</b>					
<b>Revenues:</b>					
Investment income	\$ -	204	45	249	249
Other	-	19	-	19	19
Sale of land	2,932	4,077	-	4,077	1,145
Total revenues	2,932	4,300	45	4,345	1,413
<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)
Total expenditures	2,667	2,744	-	2,744	(77)
Revenues over expenditures	\$ 265	1,556	45	1,601	1,336

**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, 2006**

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

	<b>Original and Final Budget</b>	<b>Actual</b>	<b>Variance with Final Budget- Positive (Negative)</b>
<b>REVENUES</b>			
Property taxes	\$ 69,799	76,547	6,748
Hotel/motel tax	396	396	-
Investment Income	500	1,053	553
Intergovernmental revenue-			
Memphis-Shelby County Airport Authority	3,870	3,791	(79)
Memphis-Shelby County Port Commission	345	345	-
Memphis Area Transit Authority	-	1,710	1,710
Board of Education	6,338	6,338	-
Total intergovernmental revenue	<u>10,553</u>	<u>12,184</u>	<u>1,631</u>
Other	<u>3,142</u>	<u>5,782</u>	<u>2,640</u>
Total revenues	<u>84,390</u>	<u>95,962</u>	<u>11,572</u>
<b>EXPENDITURES</b>			
Redemption of serial bonds and notes	54,235	45,260	8,975
Interest	41,854	43,338	(1,484)
Other	1,190	1,826	(636)
<b>Total expenditures</b>	<u>97,279</u>	<u>90,424</u>	<u>6,855</u>
<b>Revenues (under) expenditures</b>	<u>(12,889)</u>	<u>5,538</u>	<u>18,427</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	12,889	16,429	3,540
Transfers out	-	(6)	(6)
Proceeds of refunding bonds, net	40,000	40,800	800
Retirement of refunded debt obligation	(40,000)	(40,385)	(385)
<b>Total other financing sources and uses</b>	<u>12,889</u>	<u>16,838</u>	<u>3,949</u>
Net change in fund balances	<u>\$ -</u>	<u>22,376</u>	<u>22,376</u>
Fund balance-beginning of year		<u>8,042</u>	
<b>Fund balance-end of year</b>		<u>\$ <u>30,418</u></u>	

(This page left blank intentionally.)

**ENTERPRISE FUNDS  
COMBINING STATEMENT OF NET ASSETS  
(Thousands of Dollars)  
June 30, 2006**

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

	<b>Golf</b>	<b>Storm Water</b>	<b>Total</b>
<b>ASSETS</b>			
Current assets:			
Receivables:			
Accounts recievable	\$ 3	925	928
Federal and state grants	-	53	53
Total current assets	3	978	981
Capital assets:			
Land	65	-	65
Improvements other than buildings	7,405	18,310	25,715
Machinery and equipment	1,373	6,365	7,738
Less accumulated depreciation and amortization	(2,953)	(12,374)	(15,327)
Total capital assets	5,890	12,301	18,191
Construction in progress	-	620	620
Net capital assets	5,890	12,921	18,811
<b>Total assets</b>	<b>5,893</b>	<b>13,899</b>	<b>19,792</b>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	337	217	554
Accrued liabilities	-	125	125
Due to other funds	3,356	1,548	4,904
Total current liabilities paid from current assets	3,693	1,890	5,583
<b>Total liabilities</b>	<b>3,693</b>	<b>1,890</b>	<b>5,583</b>
<b>NET ASSETS</b>			
Invested in capital assets	5,890	12,921	18,811
Unrestricted	3,690	912	(4,602)
<b>TOTAL NET ASSETS</b>	<b>\$ 2,200</b>	<b>12,009</b>	<b>14,209</b>

**ENTERPRISE FUNDS  
 COMBINING STATEMENT OF REVENUES, EXPENSES,  
 AND CHANGES IN FUND NET ASSETS (Thousands of Dollars)  
 For the fiscal year ended June 30, 2006**

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

	<b>Golf</b>	<b>Storm Water</b>	<b>Total</b>
<b>Operating revenues-charges for services</b>	\$ 2,934	927	3,861
Operating expenses other than depreciation and amortization:			
Personal services	2,115	912	3,027
Materials, supplies, services, and other	1,756	341	2,097
Inventory	18	-	18
<b>Total operating expenses other than depreciation and amortization</b>	<b>3,889</b>	<b>1,253</b>	<b>5,142</b>
Operating (loss) before depreciation and amortization	(955)	(326)	(1,281)
Depreciation and amortization: On assets acquired with own funds	264	90	354
<b>Total depreciation and amortization</b>	<b>264</b>	<b>90</b>	<b>354</b>
<b>Operating (loss)</b>	<b>(1,219)</b>	<b>(416)</b>	<b>(1,635)</b>
Non-operating revenues:			
State Grant	-	29	29
Other	55	5	60
<b>Total non-operating revenues</b>	<b>55</b>	<b>34</b>	<b>89</b>
<b>Loss before capital contributions and transfers</b>	<b>(1,164)</b>	<b>(382)</b>	<b>(1,546)</b>
Transfers in	219	-	219
Transfers out	(292)	-	(292)
Capital Contribution	-	12,391	12,391
Change in net assets	(1,237)	12,009	10,772
Total net assets - beginning of year	3,437	-	3,437
<b>Total net assets - end of year</b>	<b>\$ 2,200</b>	<b>12,009</b>	<b>14,209</b>

**ENTERPRISE FUNDS**  
**COMBINING STATEMENT OF CASH FLOWS**  
(Thousands of Dollars)  
For the fiscal year ended June 30, 2006

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

	<b>Golf</b>	<b>Storm Water</b>	<b>Total</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Receipts from customers and users	\$ 2,933	1	2,934
Payments to suppliers	(1,668)	(131)	(1,799)
Payments to employees	(2,115)	(803)	(2,918)
Payments for inventory	(18)	-	(18)
Net cash provided by (used for) operating activities	(868)	(933)	(1,801)
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>			
Advances from other funds	888	1,548	2,436
Transfers from other funds	219	-	219
Transfers to other fund	(292)	-	(292)
Net cash (used) by noncapital and related financing	815	1,548	2,363
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>			
Acquisition and construction of capital assets	-	(619)	(619)
Net cash (used) in capital and related financing activities	-	(619)	(619)
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Investment income earned on investments	53	4	57
Net cash provided by investing activities	53	4	57
Net increase (decrease) in cash and cash equivalents	-	-	-
Cash and cash equivalents, beginning of year	-	-	-
Cash and cash equivalents, end of year	\$ -	-	-
<b>Reconciliation of operating (loss) to net cash provided (used) by operating activities</b>			
Operating (loss)	(1,219)	(416)	(1,635)
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation expense	264	90	354
Decrease in assets:			
Account receivable	(1)	(949)	(950)
Decrease in liabilities:			
Other accounts payable and accrued expenses	88	342	430
Total adjustments	351	(517)	(166)
Net cash provided by (used by) operating activities	\$ (868)	(933)	(1,801)

(This page left blank intentionally.)

**INTERNAL SERVICE FUNDS  
COMBINING STATEMENT OF NET ASSETS  
(Thousands of Dollars)  
June 30, 2006**

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

	<b>Printing and Mail</b>	<b>Health Insurance</b>	<b>Unemployment Compensation</b>	<b>Fleet Management</b>	<b>Total</b>
<b>ASSETS</b>					
Current assets:					
Cash and cash equivalents	\$ -	100	-	-	100
Equity in cash and investment pool	-	675	-	-	675
Receivables	6	244	-	-	250
Due from other funds	1	20,237	-	2	20,240
Inventory	35	-	-	417	452
<b>Total current assets</b>	<b>42</b>	<b>21,256</b>	<b>-</b>	<b>419</b>	<b>21,717</b>
Furniture and equipment	301	-	-	2,909	3,210
Less accumulated depreciation	(298)	-	-	(2,760)	(3,058)
<b>Net capital assets</b>	<b>3</b>	<b>-</b>	<b>-</b>	<b>149</b>	<b>152</b>
<b>Total assets</b>	<b>45</b>	<b>21,256</b>	<b>-</b>	<b>568</b>	<b>21,869</b>
<b>LIABILITIES</b>					
Current:					
Accounts payable and accrued expenses	26	966	73	827	1,892
Insurance claims payable	-	8,163	-	-	8,163
Due to other funds	301	-	1,832	4,812	6,945
Deferred revenues	-	6,648	-	-	6,648
Vacation, sick and other leave benefits	61	43	-	1,638	1,742
<b>Total current liabilities</b>	<b>388</b>	<b>15,820</b>	<b>1,905</b>	<b>7,277</b>	<b>25,390</b>
<b>NET ASSETS</b>					
Invested in capital assets	3	-	-	149	152
Unrestricted	(346)	5,436	(1,905)	(6,858)	(3,673)
<b>Total net assets</b>	<b>\$ (343)</b>	<b>5,436</b>	<b>(1,905)</b>	<b>(6,709)</b>	<b>(3,521)</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, 2006**

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

	Printing and Mail	Health Insurance	Unemployment Compensation	Fleet Management	Total
Operating revenues:					
Charges for services	\$ 1,122	-	-	19,999	21,121
Employee contributions	-	22,629	-	-	22,629
Employer contributions	-	56,694	441	-	57,135
<b>Total operating revenues</b>	<b>1,122</b>	<b>79,323</b>	<b>441</b>	<b>19,999</b>	<b>100,885</b>
Operating expenses other than depreciation:					
Personal services	299	411	-	7,423	8,133
Materials and supplies	376	4,664	-	896	5,936
Inventory	420	-	-	11,720	12,140
Claims incurred	-	69,517	672	-	70,189
<b>Total operating expenses other than depreciation</b>	<b>1,095</b>	<b>74,592</b>	<b>672</b>	<b>20,039</b>	<b>96,398</b>
Operating income (loss) before depreciation	27	4,731	(231)	(40)	4,487
Depreciation:					
On assets acquired with own funds	7	-	-	112	119
<b>Total depreciation</b>	<b>7</b>	<b>-</b>	<b>-</b>	<b>112</b>	<b>119</b>
<b>Operating income (loss)</b>	<b>20</b>	<b>4,731</b>	<b>(231)</b>	<b>(152)</b>	<b>4,368</b>
Investment income	-	526	-	-	526
Insurance refund	-	-	-	18	18
<b>Income (loss)</b>	<b>20</b>	<b>5,257</b>	<b>(231)</b>	<b>(134)</b>	<b>4,912</b>
Change in net assets	20	5,257	(231)	(134)	4,912
Total net assets - beginning of year	(363)	179	(1,674)	(6,575)	(8,433)
<b>Total net assets - end of year</b>	<b>\$ (343)</b>	<b>5,436</b>	<b>(1,905)</b>	<b>(6,709)</b>	<b>(3,521)</b>

**INTERNAL SERVICE FUNDS  
COMBINING STATEMENT OF CASH FLOWS  
(Thousands of Dollars)  
For the fiscal year ended June 30, 2006**

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

	Printing and Mail	Health Insurance	Unemployment Compensation	Fleet Management	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>					
Receipts from customers and users	\$ 1,116	-	-	19,999	21,115
Receipts from other division funds	61	-	615	-	676
Employee contributions	-	24,902	-	-	24,902
Employer contributions	-	56,694	441	-	57,135
Payments to suppliers	(447)	(4,912)	(384)	(731)	(6,474)
Payments to employees	(297)	(416)	-	(7,389)	(8,102)
Payments to other division funds	-	(14,527)	-	(146)	(14,673)
Payments for inventory	(433)	-	-	(11,752)	(12,185)
Payments for claims incurred	-	(69,077)	(672)	-	(69,749)
Net cash provided by operating activities	-	(7,336)	-	(19)	(7,355)
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>					
Acquisition and construction of capital assets	-	-	-	-	-
Net cash in capital and related financing activities	-	-	-	-	-
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>					
Investing income earned on investments	-	528	-	18	546
Net cash provided by investing activities	-	528	-	18	546
Net (decrease) in cash and cash equivalents	-	(6,808)	-	(1)	(6,809)
Cash and cash equivalents, beginning of year	-	7,583	-	1	7,584
Cash and cash equivalents, end of year	\$ -	775	-	-	775
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities</b>					
Operating income (loss)	20	4,731	(231)	(152)	4,368
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:					
Depreciation expense	7	-	-	112	119
(Increase) decrease in assets:					
Other assets	(13)	-	-	(32)	(45)
Accounts receivable	(6)	2,272	-	-	2,266
(Increase) decrease in liabilities:					
Other accounts payable and accrued expenses	(8)	(14,339)	231	53	(14,063)
Total adjustments	(20)	(12,067)	231	133	(11,723)
Net cash provided by operating activities	\$ -	(7,336)	-	(19)	(7,355)

(This page left blank intentionally.)

**STATEMENT OF FIDUCIARY NET ASSETS**  
**FIDUCIARY FUNDS (Thousands of Dollars)**  
**June 30, 2006**

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

	Pension Trust				Total Pension Trust Funds
	City Retirement System	Library Retirement System	Memphis Light, Gas and Water Retirement System	Memphis Light, Gas, and Water Retiree Medical and Life Insurance Benefits	
<b>ASSETS</b>					
Cash and cash equivalents	\$ 106	1,109	100,761	1,708	103,684
Investments, at fair value:					
U.S. government securities - long-term	259,408	-	151,949	-	411,357
Common stock - domestic	852,426	32,565	421,751	22,929	1,329,671
Common stock - foreign	354,843	-	104,923	2,785	462,551
Mutual funds and money market	256,196	28,792	-	-	284,988
Corporate bonds - domestic	282,607	-	30,765	3,564	316,936
Corporate bonds - foreign	-	-	-	3,008	3,008
Bond mutual fund	-	-	22,886	-	22,886
Collateralized mortgage obligations	-	-	21,953	-	21,953
Mortgage-backed pooled securities	-	-	132,922	-	132,922
Investment in real estate	97,048	-	135,991	-	233,039
Investment in high yield bond fund	-	-	10,646	-	10,646
Investment in international equity fund	-	-	-	9,882	9,882
Investment in multi-class investment fund	-	-	-	7,501	7,501
Investment in limited partnership	-	-	11,032	2,776	13,808
<b>Total investments</b>	<b>2,102,528</b>	<b>61,357</b>	<b>1,044,818</b>	<b>52,445</b>	<b>3,261,148</b>
Interest and dividends on investments	8,174	41	4,425	63	12,703
Due from other funds	13	-	-	-	13
Employer and employee contributions receivable	-	-	855	-	855
Other	3,849	-	190,780	6,111	200,740
<b>Total assets</b>	<b>2,114,670</b>	<b>62,507</b>	<b>1,341,639</b>	<b>60,327</b>	<b>3,579,143</b>
<b>LIABILITIES</b>					
Notes & accounts payable	23,717	-	205,864	6,111	235,692
Due to other funds	3,815	-	-	-	3,815
<b>Total liabilities</b>	<b>27,532</b>	<b>-</b>	<b>205,864</b>	<b>6,111</b>	<b>239,507</b>
<b>NET ASSETS</b>					
Held in trust for pension benefits and pool participants	\$ 2,087,138	62,507	1,135,775	54,216	3,339,636

**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS**  
**FIDUCIARY FUNDS (Thousands of Dollars)**  
**For the fiscal year ended June 30, 2006**

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

**Pension Trust**

	<b>City Retirement System</b>	<b>Library Retirement System</b>	<b>Memphis Light, Gas and Water Retirement System</b>	<b>Memphis Light, Gas, and Water Retiree Medical and Life Insurance Benefits</b>	<b>Total Pension Trust Funds</b>
<b>ADDITIONS</b>					
Contributions:					
Employer	\$ 13,984	314	19,204	-	33,502
Plan member	19,679	314	11,576	-	31,569
Total contributions	33,663	628	30,780	-	65,071
Investment income:					
Interest and dividend income	66,779	1,454	28,248	1,134	97,615
Securities lending income	-	-	496	10	506
Other investment income	91	(1)	39	-	129
Gain from real estate investments	11,437	-	-	-	11,437
Net appreciation in the fair value of investments	132,859	4,780	36,577	1,287	175,503
Total investment income	211,166	6,233	65,360	2,431	285,190
<b>Total Net Additions</b>	<b>244,829</b>	<b>6,861</b>	<b>96,140</b>	<b>2,431</b>	<b>350,261</b>
<b>DEDUCTIONS</b>					
Benefits	108,392	2,079	68,767	-	179,238
Administrative expenses	8,226	462	6,075	351	15,114
Refunds of contributions	10,057	96	2,126	-	12,279
<b>Total Deductions</b>	<b>126,675</b>	<b>2,637</b>	<b>76,968</b>	<b>351</b>	<b>206,631</b>
<b>Net increase</b>	<b>118,154</b>	<b>4,224</b>	<b>19,172</b>	<b>2,080</b>	<b>143,630</b>
Net assets - beginning of year	1,968,984	58,283	1,116,603	52,136	3,196,006
<b>Net assets - end of year</b>	<b>\$ 2,087,138</b>	<b>62,507</b>	<b>1,135,775</b>	<b>54,216</b>	<b>3,339,636</b>

**ALL FUNDS  
 COMBINED SCHEDULE OF DELINQUENT  
 PROPERTY TAXES RECEIVABLE (Thousands of Dollars)  
 June 30, 2006**

**CITY OF MEMPHIS, TENNESSEE  
 EXHIBIT I-1**

<u>Tax Year</u>	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Education</u>	<u>Total (1)</u>
1996	\$ 318	102	-	185	605
1997	381	122	-	221	724
1998	540	216	-	331	1,087
1999	835	333	-	513	1,681
2000	1,401	579	-	716	2,696
2001	1,964	813	-	1,004	3,781
2002	2,711	1,123	5	1,388	5,227
2003	2,977	1,233	6	1,524	5,740
2004	4,577	1,896	9	2,344	8,826
2005	12,076	4,391	20	5,233	21,720
Total delinquent property taxes receivable	27,780	10,808	40	13,459	52,087
Allowance for uncollectibles	6,945	2,702	10	3,365	13,022
Net delinquent property taxes receivable	<u>\$ 20,835</u>	<u>8,106</u>	<u>30</u>	<u>10,094</u>	<u>39,065</u>

(1) As of June 30, 2006, \$16,275 of delinquent taxes were in Chancery Court for collection.

**SCHEDULE OF  
REVENUE BONDS - BY ISSUE (Thousands of Dollars)  
June 30, 2006**

**CITY OF MEMPHIS, TENNESSEE  
EXHIBIT I-2**

<b>Description, Issue and Final Maturity Dates</b>	<b>Interest Rates (%)</b>	<b>Original Issue</b>	<b>Redemptions</b>	<b>Balance Outstanding At Year End</b>
<b>SEWER COLLECTION AND TREATMENT FUND</b>				
Sanitary Sewerage System Revenue Bonds				
February 1998 to 2018	4.50-4.80	\$ 20,000	11,120	8,880
June 2000 to 2020	4.65-5.75	20,000	3,985	16,015
October 2001 to 2015	4.00-5.25	20,795	3,895	16,900
March 2002 to 2022	2.28-5.06	25,000	2,570	22,430
August 2002 to 2017	3.00-4.30	22,805	5,620	17,185
June 2004 to 2025	3.00-5.25	30,000	1,000	29,000
December 2005 to 2026	3.50-5.50	32,000	-	32,000
<b>Total sewer collection and treatment fund</b>		<b>170,600</b>	<b>28,190</b>	<b>142,410</b>
<b>MEMPHIS LIGHT, GAS AND WATER DIVISION (1)</b>				
<b>Electric Division</b>				
Electric System Revenue Refunding Bonds:				
January 2003 to 2010	3.00-5.00	41,625	14,395	27,230
November 2004 to 2018	2.00-5.00	1,292,170	136,175	1,155,995
December 2017 to 2018	Variable	100,000	-	100,000
Notes Payable:				
First Tennessee Bank	7.58	11,810	4,860	6,950
<b>Total electric division</b>		<b>1,445,605</b>	<b>155,430</b>	<b>1,290,175</b>
<b>Water Division</b>				
Southeast Memphis Suburban Utility District Waterworks Revenue Bonds				
January 1993 to 2006	3.35-6.00	24,140	21,220	2,920
December 2000 to 2012	3.30-5.25	12,575	2,665	9,910
August 2002 to 2009	4.00-5.00	16,895	10,015	6,880
<b>Total water division</b>		<b>53,610</b>	<b>33,900</b>	<b>19,710</b>
<b>Total MLG&amp;W</b>		<b>1,499,215</b>	<b>189,330</b>	<b>1,309,885</b>
<b>Total revenue bonds</b>		<b>\$ 1,669,815</b>	<b>217,520</b>	<b>1,452,295</b>

(1) All MLG&W bonds reflect amounts outstanding at December 31, 2005

**SCHEDULE OF GENERAL  
OBLIGATION DEBT - BY ISSUE (Thousands of Dollars)  
June 30, 2006**

**CITY OF MEMPHIS, TENNESSEE  
EXHIBIT I-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:				
May 1992 to 2007	4.00-6.125	\$ 43,825	41,525	2,300
Dec. 1993 to 2012	3.25-5.00	48,996	36,356	12,640
Aug. 1995 to 2008	Variable	26,200	21,600	4,600
Aug. 1995 to 2008	Variable	13,500	10,000	3,500
Aug. 1996 to 2014	5.00-5.25	50,130	20,440	29,690
May 1997 to 2008	4.55-5.60	7,490	3,115	4,375
April 1998 to 2012	5.50-5.70	19,290	8,700	10,590
July 1998 to 2017	4.25-5.00	76,045	71,980	4,065
Sept. 1998 to 2016	4.50-5.00	81,045	44,120	36,925
Jan. 1999 to 2013	4.00-5.25	42,290	4,840	37,450
May 1999 to 2010	5.00	59,305	49,635	9,670
April 2001 to 2009	5.00-5.25	140,000	133,895	6,105
Nov. 2001 to 2017	2.125-5.00	92,985	9,780	83,205
Jun. 2002 to 2023	4.00-5.25	170,000	112,065	57,935
Aug. 2002 to 2008	3.00-3.25	24,040	15,990	8,050
May 2003 to 2022	3.00-5.00	96,940	44,845	52,095
Feb. 2004 to 2018	2.00-5.00	34,160	1,800	32,360
Nov. 2004 to 2024	2.00	125,000	4,130	120,870
Mar. 2005 to 2020	5.00-5.25	166,880	-	166,880
Jun. 2005 to 2019	4.00-5.25	115,635	-	115,635
Feb. 2006 to 2026	4.25-5.00	115,115	-	115,115
Total general government serial bonds		1,548,871	634,816	914,055
<b>Government Term Bonds</b>				
<b>General City Government Term Bonds</b>				
General improvement:				
May 1997 to 2011	5.65	3,565	2,305	1,260
July 1998 to 2005	5.10	13,145	13,145	-
May 1999 to 2012	5.00	10,695	10,695	-
Total government term bonds		27,405	26,145	1,260
Total general obligation bonds		1,576,276	660,961	915,315
<b>BOND ANTICIPATION NOTES</b>		Variable	150,000	36,000
<b>STATE LOANS - CITY SEWER SYSTEM</b>			26,103	-
<b>NOTES PAYABLE - UNION PLANTERS BANK</b>			5,500	4,714
<b>CAPITAL LEASE OBLIGATIONS:</b>				
Feb. 2001 to 2006	4.29	1,880	1,880	-
Jul. 2001 to 2007	4.11	4,350	3,417	933
Aug. 2001 to 2003	3.98	1,020	983	37
Sept. 2001 to 2006	3.75	670	670	-
Total capital lease obligations		7,920	6,950	970
<b>TOTAL GENERAL OBLIGATION DEBT</b>		\$ 1,765,799	734,728	1,031,071

**SCHEDULE OF GENERAL  
OBLIGATION DEBT - BY ISSUE (Thousands of Dollars)  
June 30, 2006**

**CITY OF MEMPHIS, TENNESSEE  
EXHIBIT I-4**

---

<b>Use</b>	<b>Balance Outstanding At Year End</b>
<hr/>	
<b>GENERAL OBLIGATION BONDS</b>	
General Improvement	\$ 879,264
Schools	14,512
Airport	14,090
Convention Center	1,963
Port Commission	5,486
	<hr/>
Total general obligation bonds	915,315
<b>BOND ANTICIPATION NOTES</b>	114,000
<b>NOTES PAYABLE</b>	786
<b>CAPITAL LEASE OBLIGATIONS</b>	970
	<hr/>
<b>TOTAL GENERAL OBLIGATION DEBT</b>	<b>\$ 1,031,071</b>
	<hr/> <hr/>

**LONG TERM DEBT PRINCIPAL AND INTEREST REQUIREMENTS  
 PROPRIETARY FUNDS  
 (Thousands of Dollars)**

**CITY OF MEMPHIS, TENNESSEE  
 EXHIBIT I-5**

Fiscal Year	Revenue				Total Requirements	
	Sewer Collection & Treatment		Memphis Light, Gas & Water (1)			
	Principal	Interest	Principal	Interest	Principal	Interest
2006	\$ -	-	83,243	62,007	83,243	62,007
2007	8,465	6,455	84,318	58,032	92,783	64,487
2008	8,240	6,079	88,360	53,977	96,600	60,056
2009	7,805	5,738	92,601	49,637	100,406	55,375
2010	8,115	5,426	95,313	45,128	103,428	50,554
2011	8,365	5,095	91,960	40,434	100,325	45,529
201	7,780	4,744	96,815	35,917	104,595	40,661
2013	8,280	4,387	99,700	31,137	107,980	35,524
2014	8,520	4,000	104,675	26,277	113,195	30,277
2015	8,740	3,607	109,905	21,044	118,645	24,651
2016	8,485	3,200	115,270	15,570	123,755	18,770
2017	9,185	2,815	121,075	9,602	130,260	12,417
2018	8,775	2,376	126,650	4,477	135,425	6,853
2019	6,445	1,932	-	-	6,445	1,932
2020	7,380	1,583	-	-	7,380	1,583
2021	6,075	1,202	-	-	6,075	1,202
2022	6,380	896	-	-	6,380	896
2023	4,125	639	-	-	4,125	639
2024	4,325	433	-	-	4,325	433
2025	4,540	218	-	-	4,540	218
2026	2,385	54	-	-	2,385	54
<b>Total</b>	<b>\$ 142,410</b>	<b>60,879</b>	<b>1,309,885</b>	<b>453,239</b>	<b>1,452,295</b>	<b>514,118</b>

(1) At 12-31-05



**SCHEDULE OF INTERFUND TRANSFERS**  
 (Thousands of Dollars)  
 June 30, 2006

**CITY OF MEMPHIS, TENNESSEE**  
**EXHIBIT I-7**

	Primary Government											Total Transfers Out
	Governmental Fund Types										Business Type Activities	
	General Fund	Debt Service	Capital Projects	Miscellaneous Grants	Solid Waste Management	Hotel/Motel Tax	New Memphis Arena	Community Redevelopment	Golf	Enterprise		
<b>GOVERNMENTAL FUND TYPES</b>												
<b>General Fund</b>	\$ -	5,581	-	25	3,439	-	-	1,212	219			10,476
<b>Special Revenue:</b>												
Municipal state aid	14,019	5,145	-	-	-	-	-	-	-	-	-	19,164
Workforce investment act	-	-	-	32	-	-	-	-	-	-	-	32
Miscellaneous grants	-	-	-	-	-	-	-	202	-	-	-	202
Solid waste	-	2,781	-	-	-	-	-	-	-	-	-	2,781
Hotel/Motel tax	-	1,016	-	-	-	-	891	-	-	-	-	1,907
New Memphis arena	-	-	-	-	-	891	-	-	-	-	-	891
Community redevelopment	-	1,614	-	-	-	-	-	-	-	-	-	1,614
<b>Debt Service</b>	-	-	6	-	-	-	-	-	-	-	-	6
<b>PROPRIETARY FUND TYPES</b>												
<b>Enterprise:</b>												
Sewer collection and treatment	5,137	-	-	-	-	-	-	-	-	-	-	5,137
Memphis light, gas and water	48,610	-	-	-	-	-	2,500	-	-	-	-	51,110
Golf	-	292	-	-	-	-	-	-	-	-	-	292
<b>Total transfers in</b>	\$ 67,766	16,429	6	57	3,439	891	3,391	1,414	219			93,612

**COMBINED SCHEDULE OF DEPOSITS AND INVESTMENTS  
HELD OUTSIDE OF THE CASH AND INVESTMENTS POOL - CARRYING AMOUNT  
(Thousands of Dollars)  
June 30, 2006**

**CITY OF MEMPHIS, TENNESSEE  
EXHIBIT I-8**

	Governmental Fund Types					Proprietary Funds					Fiduciary Fund Types						
	General	Special Revenue	Capital Projects	Internal Services	Sewer	MLGW	Total	MLGW Retiree Medical and Life Insurance Benefits			Trust and Agency		Total				
								City Retirement System	Library Retirement System	MLGW Retirement System	City Retirement System	Library Retirement System		MLGW Retirement System			
<b>Investments:</b>																	
Short-term investments	139	-	-	-	-	-	139	-	-	-	-	-	-	-	-	-	-
U. S. Government securities - long-term	10	-	-	-	38,060	131,190	169,260	-	-	-	259,408	-	-	-	151,949	-	411,357
Common stock - domestic	-	-	-	-	-	114,102	114,102	22,929	852,426	32,565	421,751	-	-	-	1,329,671	-	-
Common stock - foreign	-	-	-	-	-	-	-	2,785	354,843	-	104,923	-	-	-	462,551	-	-
Corporate bonds - domestic	-	-	-	-	-	9,949	9,949	3,564	282,607	-	30,765	-	-	-	316,936	-	-
Corporate bonds - foreign	-	-	-	-	-	-	-	3,008	-	-	-	-	-	-	3,008	-	-
Bond index fund	-	-	-	-	-	-	-	-	-	-	22,886	-	-	-	22,886	-	-
Mortgage-backed securities	-	-	-	-	-	12,531	12,531	-	-	-	132,922	-	-	-	132,922	-	132,922
<b>Total</b>	149	-	-	-	38,060	267,772	305,981	32,286	1,749,284	32,565	865,196	-	-	-	2,679,331	-	-
Collateralized mortgage obligations	-	-	-	-	-	-	-	-	-	-	21,953	-	-	-	21,953	-	-
Strategic property fund	-	-	-	-	-	3,073	3,073	-	-	-	-	-	-	-	-	-	-
Investment in high yield bond fund	-	-	-	-	-	-	-	-	-	-	10,646	-	-	-	10,646	-	-
Investment in international equity fund	-	-	-	-	-	-	-	9,882	-	-	-	-	-	-	9,882	-	-
Investment in limited partnership	-	-	-	-	-	-	-	2,776	-	-	11,032	-	-	-	13,808	-	-
Investment in multi-class investment fund	-	-	-	-	-	-	-	7,501	-	-	-	-	-	-	7,501	-	-
Investment in real estate	-	-	-	-	-	-	-	-	97,048	-	135,991	-	-	-	233,039	-	-
Insurance contract	-	-	-	-	-	10,617	10,617	-	-	-	-	-	-	-	-	-	-
Mutual funds and money market	-	-	-	-	-	-	-	-	256,196	-	28,792	-	-	-	284,988	-	-
Purchased Interest	-	-	-	-	3	-	3	-	-	-	-	-	-	-	-	-	-
State of Tennessee local government investment pool	-	-	8,823	-	-	72	8,895	-	-	-	-	-	-	-	-	-	-
<b>Total investments</b>	149	-	8,823	-	38,135	281,462	328,569	52,445	2,102,528	61,357	1,044,818	-	-	-	3,261,148	-	-
<b>Deposits:</b>																	
Cash deposits	(38)	5,270	94	101	221	(7,669)	(2,021)	1,708	106	1,109	100,761	-	-	-	103,684	-	-
<b>Total deposits</b>	(38)	5,270	94	101	221	(7,669)	(2,021)	1,708	106	1,109	100,761	-	-	-	103,684	-	-
<b>Total investments and deposits</b>	111	5,270	8,917	101	38,356	273,793	326,548	54,153	2,102,634	62,466	1,145,579	-	-	-	3,364,832	-	-

**SCHEDULE OF ADDITIONS AND RETIREMENTS  
TO UTILITY PLANT  
(Thousands of Dollars)  
For the fiscal year ended June 30, 2006**

**CITY OF MEMPHIS, TENNESSEE  
EXHIBIT I-9**

**MEMPHIS LIGHT, GAS AND WATER DIVISION (1)**

	<b>Balance January 1, 2005</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance December 31, 2005</b>
Electric Division	\$ 1,076,160	63,934	(16,030)	1,124,064
Gas Division	502,870	14,640	(3,860)	513,650
Water Division	358,807	13,065	(423)	371,449
Total	<u>\$ 1,937,837</u>	<u>91,639</u>	<u>(20,313)</u>	<u>2,009,163</u>

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

**SEWER COLLECTION AND TREATMENT FUND (2)**

	<b>Balance July 1, 2005</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance June 30, 2006</b>
Land and buildings	\$ 119,706	76	-	119,782
Improvements other than buildings	442,774	27,851	-	470,625
Equipment and furniture	23,417	798	(744)	23,471
Construction work in progress	1,456	23,032	(23,219)	1,269
	<u>\$ 587,353</u>	<u>51,757</u>	<u>(23,963)</u>	<u>615,147</u>

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

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

(This page left blank intentionally.)

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

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

	Fiscal Year				
	2002	2003	2004	2005	2006
<b>Governmental activities:</b>					
Invested in capital assets, net of related debt	\$ 57,299	24,716	272,199	269,490	239,334
Restricted for pension obligations					
Debt service and construction	28,648	30,874	42,297	-	-
Contracted grant programs	3,744	5,068	3,718	-	-
Pension obligations	-	67,847	74,893	81,491	78,238
Unrestricted	(21,192)	(54,319)	(174,983)	(175,783)	(134,764)
Total governmental activities net assets	68,499	74,186	218,124	175,198	182,808
<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
Restricted for debt service and construction	143,894	161,117	89,222	90,115	89,905
Unrestricted	144,152	114,184	151,995	156,991	209,677
Total business-type activities net assets	1,556,062	1,585,579	1,629,868	1,681,767	1,766,955
<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
Restricted for:					
Debt service and construction	172,542	191,991	131,519	90,115	89,905
Contracted grant programs	3,744	5,068	3,718	-	-
Pension obligations	-	67,847	74,893	81,491	78,238
Unrestricted	122,960	59,865	(22,988)	(18,792)	56,102
Total primary government net assets	\$ 1,624,561	1,659,765	1,847,992	1,856,965	1,949,763

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

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

	Fiscal Year				
	2002	2003	2004	2005	2006
<b>Program Revenues</b>					
Governmental activities:					
Charges for services:					
General government	\$ 50,223	43,604	45,016	33,781	45,500
Public Safety	5,294	2,673	1,725	2,459	3,785
Community services	642	125	125	125	125
Transportation and environment	25,836	22,325	22,011	21,942	46,097
Operating grants and contributions	54,046	60,476	89,832	57,424	56,472
Capital grants and contributions	26,858	5,195	1,598	3,785	1,494
Total governmental activities program revenues	<u>162,899</u>	<u>134,398</u>	<u>160,307</u>	<u>119,516</u>	<u>153,473</u>
Business-type activities:					
Charges for services:					
Sewer collection and treatment	35,963	34,773	35,722	46,909	48,670
Memphis Light, Gas and Water	1,230,483	1,158,345	1,257,141	1,367,644	1,553,537
Golf	-	3,395	3,204	3,079	2,934
Storm water	-	-	-	-	927
Operating grants and contributions	28,385	21,675	22,268	22,675	23,205
Capital grants and contributions	3,256	4,032	7,344	4,544	5,805
Total business-type activities program revenues	<u>1,298,087</u>	<u>1,222,220</u>	<u>1,325,679</u>	<u>1,444,851</u>	<u>1,635,078</u>
Total primary government program revenues	<u>1,460,986</u>	<u>1,356,618</u>	<u>1,485,986</u>	<u>1,564,367</u>	<u>1,788,551</u>
<b>Expenses</b>					
Governmental Activities:					
General government	133,168	170,815	159,005	187,105	190,796
Public safety	279,997	308,308	310,624	318,106	340,621
Community services	150,659	102,013	154,950	107,129	101,488
Transportation and environment	92,735	75,753	71,821	59,523	66,262
Education	109,113	89,192	84,465	85,144	91,225
Interest on long term debt	33,152	38,604	42,443	37,142	43,583
Total governmental activities expenses	<u>798,824</u>	<u>784,685</u>	<u>823,308</u>	<u>794,149</u>	<u>833,975</u>
Business-type activities:					
Sewer collection and treatment	45,997	50,391	45,201	50,512	48,991
Memphis Light, Gas and Water	1,229,233	1,155,423	1,265,411	1,398,375	1,507,661
Golf	-	4,683	4,589	4,270	4,153
Storm water	-	-	-	-	1,343
Total business-type activities expenses	<u>1,275,230</u>	<u>1,210,497</u>	<u>1,315,201</u>	<u>1,453,157</u>	<u>1,562,148</u>
Total primary government expenses	<u>2,074,054</u>	<u>1,995,182</u>	<u>2,138,509</u>	<u>2,247,306</u>	<u>2,396,123</u>
<b>Net (expense)/revenue</b>					
Governmental activities	(635,925)	(650,287)	(663,001)	(674,633)	(680,502)
Business-type activities	22,857	11,723	10,478	(8,306)	72,930
Total primary government net expense	<u>(613,068)</u>	<u>(638,564)</u>	<u>(652,523)</u>	<u>(682,939)</u>	<u>(607,572)</u>
<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
State taxes (local share)	71,210	71,561	68,806	75,441	83,602
Hotel/motel tax	3,514	3,599	3,706	3,936	4,399
Unrestricted investment earnings	6,155	2,230	1,236	-	3,596
Federal grants and entitlements	-	-	-	909	-
Intergovernmental revenues	10,334	12,942	8,746	10,227	-
Decreases in net pension obligation	-	8,774	25,584	6,598	-
Other	20,816	10,673	-	15,608	15,871
Transfers	1,300	1,300	1,588	1,587	43,929
Total governmental activities	<u>616,425</u>	<u>599,884</u>	<u>636,099</u>	<u>641,759</u>	<u>688,112</u>
Business-type activities:					
Investment earnings	17,734	16,112	17,840	61,792	63,619
Gain on sale of capital assets	7	-	-	-	-
Transfers	(1,300)	(1,300)	(1,588)	(1,587)	(43,929)
Total business-type activities	<u>16,441</u>	<u>14,812</u>	<u>16,252</u>	<u>60,205</u>	<u>19,690</u>
Total primary government	<u>632,866</u>	<u>614,696</u>	<u>652,351</u>	<u>701,964</u>	<u>707,802</u>
<b>Change in Net Assets</b>					
Government activities	(19,500)	(50,403)	(26,902)	(32,874)	7,610
Business-type activities	39,298	26,535	26,730	51,899	92,620
Total primary government	<u>\$ 19,798</u>	<u>(23,868)</u>	<u>(172)</u>	<u>19,025</u>	<u>100,230</u>

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									
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
<b>General fund</b>										
Reserved	24,370	35,081	25,376	8,362	8,055	11,949	8,595	6,804	5,312	4,194
Unreserved	72,367	46,857	38,335	45,361	53,457	57,680	53,189	19,598	(4,100)	29,746
Total general fund	96,737	81,938	63,711	53,723	61,512	69,629	61,784	26,402	1,212	33,940
<b>All other governmental funds</b>										
Reserved	398	14,946	58,597	71,464	8,119	1,145	-	477	-	-
Unreserved, reported in:										
Debt service fund	3,462	3,336	10,836	9,570	10,866	18,793	13,277	13,918	8,042	30,418
Capital projects fund	-	-	-	-	-	1,193	8,660	19,407	303	(27,577)
Special revenue funds	195	4,671	3,408	3,301	4,923	(6,927)	(6,542)	(5,235)	(4,208)	(2,275)
Total all other governmental funds	4,055	22,953	72,841	84,335	23,908	14,204	15,395	28,567	4,137	566
<b>Total governmental funds</b>	\$ 100,792	\$ 104,891	\$ 136,552	\$ 138,058	\$ 85,420	\$ 83,833	\$ 77,179	\$ 54,969	\$ 5,349	\$ 34,506

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

**CITY OF MEMPHIS, TENNESSEE**  
**EXHIBIT X-4**

	Fiscal Year									
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
<b>Revenues</b>										
Local taxes	\$ 281,615	285,080	307,947	338,702	388,143	496,695	493,984	516,952	522,876	533,045
State taxes (local share)	61,295	66,568	66,901	72,128	73,298	71,210	71,561	68,806	75,441	83,602
Hotel/motel tax	-	-	-	-	2,034	3,514	3,599	3,706	3,936	4,399
Licenses and permits	10,317	10,666	10,834	11,829	11,852	11,731	11,921	12,257	12,059	12,478
Fines and forfeitures	9,574	12,514	14,154	14,140	13,389	13,560	13,118	12,574	13,639	13,009
Charges for services	31,179	31,706	32,783	34,841	38,032	40,464	40,105	41,269	41,139	66,941
Investment income	10,861	10,939	10,062	10,410	11,199	6,165	2,180	1,221	855	3,076
Federal grants and entitlements	32,961	40,319	40,323	43,506	30,785	46,640	41,042	46,757	41,559	35,212
State grants	8,274	7,579	8,353	8,124	5,951	8,226	9,723	29,202	10,506	4,202
Intergovernmental revenues	20,618	9,349	21,779	28,508	35,162	32,613	15,723	14,145	16,370	15,948
Other	16,601	25,123	25,637	20,079	20,602	21,073	22,987	28,321	18,562	18,457
<b>Total revenues</b>	<b>483,295</b>	<b>499,843</b>	<b>538,773</b>	<b>582,267</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>Expenditures</b>										
General government	96,218	104,442	103,627	102,943	108,317	128,826	149,055	158,736	148,520	141,436
Public Safety	186,779	208,579	229,696	238,724	251,911	265,815	286,251	297,205	309,341	320,190
Instruction and administration	819	-	-	-	-	-	-	-	-	80,029
Community Services	56,585	67,577	68,812	80,562	70,639	105,395	77,709	104,584	91,668	65,189
Transportation and environment	62,381	60,136	63,626	65,091	58,628	63,690	61,886	71,126	60,190	-
Food service	1,412	-	-	-	-	-	-	-	-	-
Education	-	-	-	-	-	80,487	79,590	83,974	85,446	90,946
Capital outlay	87,594	66,480	131,684	151,880	187,595	140,011	98,019	91,161	146,723	98,737
Debt service:										
Redemption of serial bonds and notes	42,215	41,833	41,691	45,634	47,528	45,292	43,341	50,792	52,385	46,046
Interest	21,735	23,481	28,296	30,416	39,179	33,847	37,258	40,310	37,065	43,338
Bond issuance cost	292	224	526	88	130	182	-	207	3,495	416
Service charges	334	240	475	289	690	675	303	1,221	405	624
<b>Total expenditures</b>	<b>556,364</b>	<b>572,992</b>	<b>668,433</b>	<b>715,627</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>
Excess of revenues over (under) expenditures	(73,069)	(73,149)	(129,660)	(133,360)	(134,170)	(112,329)	(107,469)	(124,106)	(178,296)	(96,582)
<b>Other financing sources (uses)</b>										
Transfers in	59,552	62,030	70,476	66,021	52,848	176,386	54,571	62,037	54,981	93,393
Transfers out	(56,626)	(59,388)	(68,808)	(73,219)	(65,196)	(179,211)	(53,271)	(60,449)	(53,394)	(37,073)
Proceeds from issuance of debt	121,771	89,601	279,142	138,956	92,000	337,377	125,176	134,160	507,515	188,030
Retirement of refunded debt obligation	(61,554)	(19,473)	(124,646)	-	-	(228,570)	(24,257)	(36,343)	(410,290)	(120,385)
Bond issuance cost	-	-	-	-	-	-	-	-	-	(839)
Premium on debt issue	-	-	-	-	1,880	6,040	4,310	2,491	39,916	2,615
Other financing source-capital lease/capital outlay	15,149	4,478	4,759	3,108	-	-	(1,093)	-	-	-
Other	-	-	-	-	-	-	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>78,292</b>	<b>77,248</b>	<b>160,923</b>	<b>134,866</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>Net change in fund balances</b>	<b>\$ 5,223</b>	<b>4,099</b>	<b>31,263</b>	<b>1,506</b>	<b>(52,638)</b>	<b>(307)</b>	<b>(2,033)</b>	<b>(22,210)</b>	<b>(99,568)</b>	<b>29,159</b>
Debt service as a percentage of noncapital expenditures	13.8%	13.0%	13.2%	13.6%	15.2%	11.0%	11.0%	11.4%	11.8%	11.5%

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

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

	For the Fiscal Years Ended June 30																																																																																																																																																																																																																																																																																																																																								
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006																																																																																																																																																																																																																																																																																																																															
General Government											Legislative	855	1,173	1,160	1,146	1,311	1,372	1,419	1,487	1,411	1,368	Judicial	399	412	413	451	448	501	503	511	513	525	Court clerk	2,684	2,513	2,615	2,773	2,170	2,942	2,513	2,686	2,901	2,886	Executive	35,261	2,032	1,923	1,752	1,769	1,818	1,868	2,120	2,442	2,475	Finance and administration	5,337	5,830	5,467	5,471	6,387	5,498	5,249	6,035	4,952	4,560	City attorney	2,661	3,624	4,088	4,353	4,503	5,492	5,646	7,164	11,180	2,786	City engineer	-	-	-	-	8,276	8,207	8,226	9,924	8,279	9,783	Information systems	-	-	-	-	-	-	10,026	15,747	11,897	8,785	Human resources	3,098	2,841	3,422	3,089	3,238	3,460	3,353	3,448	2,920	13,315	General services	10,696	11,341	12,054	12,125	12,454	12,796	13,871	14,203	12,302	11,288	Special appropriations	-	39,159	37,393	40,211	39,959	52,895	54,517	58,618	59,600	58,842	<b>Total general government</b>	<b>60,991</b>	<b>68,925</b>	<b>68,535</b>	<b>71,371</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>	Public Safety											Police	105,330	116,752	128,968	136,825	146,253	152,986	162,299	173,972	178,632	181,979	Fire	81,449	83,686	92,346	94,866	99,360	107,450	117,259	119,639	128,336	135,586	<b>Total public safety</b>	<b>186,779</b>	<b>200,438</b>	<b>221,314</b>	<b>231,691</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>	Community Services											Library	14,887	15,373	16,271	16,694	18,630	21,657	21,096	21,126	19,854	18,574	Parks and recreation	26,277	28,241	28,240	30,077	30,395	28,404	24,455	26,033	22,068	21,268	Wonders	-	600	-	-	-	-	-	-	-	-	Public Service	3,783	6,711	7,917	8,494	10,435	11,753	11,985	12,382	8,712	7,070	Community development	4,335	6,472	6,716	6,317	3,354	4,910	4,805	4,718	6,936	4,640	<b>Total community services</b>	<b>49,282</b>	<b>57,397</b>	<b>59,144</b>	<b>61,582</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>	Transportation and Environment											Public works	23,763	23,930	26,444	25,873	18,090	18,318	18,857	19,614	17,143	18,197	<b>Total transportation and environment</b>	<b>23,763</b>	<b>23,930</b>	<b>26,444</b>	<b>25,873</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>	Transfers out - primary	24,717	24,544	28,659	30,056	27,366	28,181	23,052	34,814	22,134	10,476	Transfers out - component unit (1)	11,300	12,150	12,150	13,000	14,000	-	-	-	-	-	<b>Total</b>	<b>356,832</b>	<b>387,384</b>	<b>416,246</b>	<b>433,573</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>
Legislative	855	1,173	1,160	1,146	1,311	1,372	1,419	1,487	1,411	1,368	Judicial	399	412	413	451	448	501	503	511	513	525	Court clerk	2,684	2,513	2,615	2,773	2,170	2,942	2,513	2,686	2,901	2,886	Executive	35,261	2,032	1,923	1,752	1,769	1,818	1,868	2,120	2,442	2,475	Finance and administration	5,337	5,830	5,467	5,471	6,387	5,498	5,249	6,035	4,952	4,560	City attorney	2,661	3,624	4,088	4,353	4,503	5,492	5,646	7,164	11,180	2,786	City engineer	-	-	-	-	8,276	8,207	8,226	9,924	8,279	9,783	Information systems	-	-	-	-	-	-	10,026	15,747	11,897	8,785	Human resources	3,098	2,841	3,422	3,089	3,238	3,460	3,353	3,448	2,920	13,315	General services	10,696	11,341	12,054	12,125	12,454	12,796	13,871	14,203	12,302	11,288	Special appropriations	-	39,159	37,393	40,211	39,959	52,895	54,517	58,618	59,600	58,842	<b>Total general government</b>	<b>60,991</b>	<b>68,925</b>	<b>68,535</b>	<b>71,371</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>	Public Safety											Police	105,330	116,752	128,968	136,825	146,253	152,986	162,299	173,972	178,632	181,979	Fire	81,449	83,686	92,346	94,866	99,360	107,450	117,259	119,639	128,336	135,586	<b>Total public safety</b>	<b>186,779</b>	<b>200,438</b>	<b>221,314</b>	<b>231,691</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>	Community Services											Library	14,887	15,373	16,271	16,694	18,630	21,657	21,096	21,126	19,854	18,574	Parks and recreation	26,277	28,241	28,240	30,077	30,395	28,404	24,455	26,033	22,068	21,268	Wonders	-	600	-	-	-	-	-	-	-	-	Public Service	3,783	6,711	7,917	8,494	10,435	11,753	11,985	12,382	8,712	7,070	Community development	4,335	6,472	6,716	6,317	3,354	4,910	4,805	4,718	6,936	4,640	<b>Total community services</b>	<b>49,282</b>	<b>57,397</b>	<b>59,144</b>	<b>61,582</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>	Transportation and Environment											Public works	23,763	23,930	26,444	25,873	18,090	18,318	18,857	19,614	17,143	18,197	<b>Total transportation and environment</b>	<b>23,763</b>	<b>23,930</b>	<b>26,444</b>	<b>25,873</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>	Transfers out - primary	24,717	24,544	28,659	30,056	27,366	28,181	23,052	34,814	22,134	10,476	Transfers out - component unit (1)	11,300	12,150	12,150	13,000	14,000	-	-	-	-	-	<b>Total</b>	<b>356,832</b>	<b>387,384</b>	<b>416,246</b>	<b>433,573</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>											
Judicial	399	412	413	451	448	501	503	511	513	525	Court clerk	2,684	2,513	2,615	2,773	2,170	2,942	2,513	2,686	2,901	2,886	Executive	35,261	2,032	1,923	1,752	1,769	1,818	1,868	2,120	2,442	2,475	Finance and administration	5,337	5,830	5,467	5,471	6,387	5,498	5,249	6,035	4,952	4,560	City attorney	2,661	3,624	4,088	4,353	4,503	5,492	5,646	7,164	11,180	2,786	City engineer	-	-	-	-	8,276	8,207	8,226	9,924	8,279	9,783	Information systems	-	-	-	-	-	-	10,026	15,747	11,897	8,785	Human resources	3,098	2,841	3,422	3,089	3,238	3,460	3,353	3,448	2,920	13,315	General services	10,696	11,341	12,054	12,125	12,454	12,796	13,871	14,203	12,302	11,288	Special appropriations	-	39,159	37,393	40,211	39,959	52,895	54,517	58,618	59,600	58,842	<b>Total general government</b>	<b>60,991</b>	<b>68,925</b>	<b>68,535</b>	<b>71,371</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>	Public Safety											Police	105,330	116,752	128,968	136,825	146,253	152,986	162,299	173,972	178,632	181,979	Fire	81,449	83,686	92,346	94,866	99,360	107,450	117,259	119,639	128,336	135,586	<b>Total public safety</b>	<b>186,779</b>	<b>200,438</b>	<b>221,314</b>	<b>231,691</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>	Community Services											Library	14,887	15,373	16,271	16,694	18,630	21,657	21,096	21,126	19,854	18,574	Parks and recreation	26,277	28,241	28,240	30,077	30,395	28,404	24,455	26,033	22,068	21,268	Wonders	-	600	-	-	-	-	-	-	-	-	Public Service	3,783	6,711	7,917	8,494	10,435	11,753	11,985	12,382	8,712	7,070	Community development	4,335	6,472	6,716	6,317	3,354	4,910	4,805	4,718	6,936	4,640	<b>Total community services</b>	<b>49,282</b>	<b>57,397</b>	<b>59,144</b>	<b>61,582</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>	Transportation and Environment											Public works	23,763	23,930	26,444	25,873	18,090	18,318	18,857	19,614	17,143	18,197	<b>Total transportation and environment</b>	<b>23,763</b>	<b>23,930</b>	<b>26,444</b>	<b>25,873</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>	Transfers out - primary	24,717	24,544	28,659	30,056	27,366	28,181	23,052	34,814	22,134	10,476	Transfers out - component unit (1)	11,300	12,150	12,150	13,000	14,000	-	-	-	-	-	<b>Total</b>	<b>356,832</b>	<b>387,384</b>	<b>416,246</b>	<b>433,573</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>																						
Court clerk	2,684	2,513	2,615	2,773	2,170	2,942	2,513	2,686	2,901	2,886	Executive	35,261	2,032	1,923	1,752	1,769	1,818	1,868	2,120	2,442	2,475	Finance and administration	5,337	5,830	5,467	5,471	6,387	5,498	5,249	6,035	4,952	4,560	City attorney	2,661	3,624	4,088	4,353	4,503	5,492	5,646	7,164	11,180	2,786	City engineer	-	-	-	-	8,276	8,207	8,226	9,924	8,279	9,783	Information systems	-	-	-	-	-	-	10,026	15,747	11,897	8,785	Human resources	3,098	2,841	3,422	3,089	3,238	3,460	3,353	3,448	2,920	13,315	General services	10,696	11,341	12,054	12,125	12,454	12,796	13,871	14,203	12,302	11,288	Special appropriations	-	39,159	37,393	40,211	39,959	52,895	54,517	58,618	59,600	58,842	<b>Total general government</b>	<b>60,991</b>	<b>68,925</b>	<b>68,535</b>	<b>71,371</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>	Public Safety											Police	105,330	116,752	128,968	136,825	146,253	152,986	162,299	173,972	178,632	181,979	Fire	81,449	83,686	92,346	94,866	99,360	107,450	117,259	119,639	128,336	135,586	<b>Total public safety</b>	<b>186,779</b>	<b>200,438</b>	<b>221,314</b>	<b>231,691</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>	Community Services											Library	14,887	15,373	16,271	16,694	18,630	21,657	21,096	21,126	19,854	18,574	Parks and recreation	26,277	28,241	28,240	30,077	30,395	28,404	24,455	26,033	22,068	21,268	Wonders	-	600	-	-	-	-	-	-	-	-	Public Service	3,783	6,711	7,917	8,494	10,435	11,753	11,985	12,382	8,712	7,070	Community development	4,335	6,472	6,716	6,317	3,354	4,910	4,805	4,718	6,936	4,640	<b>Total community services</b>	<b>49,282</b>	<b>57,397</b>	<b>59,144</b>	<b>61,582</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>	Transportation and Environment											Public works	23,763	23,930	26,444	25,873	18,090	18,318	18,857	19,614	17,143	18,197	<b>Total transportation and environment</b>	<b>23,763</b>	<b>23,930</b>	<b>26,444</b>	<b>25,873</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>	Transfers out - primary	24,717	24,544	28,659	30,056	27,366	28,181	23,052	34,814	22,134	10,476	Transfers out - component unit (1)	11,300	12,150	12,150	13,000	14,000	-	-	-	-	-	<b>Total</b>	<b>356,832</b>	<b>387,384</b>	<b>416,246</b>	<b>433,573</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>																																	
Executive	35,261	2,032	1,923	1,752	1,769	1,818	1,868	2,120	2,442	2,475	Finance and administration	5,337	5,830	5,467	5,471	6,387	5,498	5,249	6,035	4,952	4,560	City attorney	2,661	3,624	4,088	4,353	4,503	5,492	5,646	7,164	11,180	2,786	City engineer	-	-	-	-	8,276	8,207	8,226	9,924	8,279	9,783	Information systems	-	-	-	-	-	-	10,026	15,747	11,897	8,785	Human resources	3,098	2,841	3,422	3,089	3,238	3,460	3,353	3,448	2,920	13,315	General services	10,696	11,341	12,054	12,125	12,454	12,796	13,871	14,203	12,302	11,288	Special appropriations	-	39,159	37,393	40,211	39,959	52,895	54,517	58,618	59,600	58,842	<b>Total general government</b>	<b>60,991</b>	<b>68,925</b>	<b>68,535</b>	<b>71,371</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>	Public Safety											Police	105,330	116,752	128,968	136,825	146,253	152,986	162,299	173,972	178,632	181,979	Fire	81,449	83,686	92,346	94,866	99,360	107,450	117,259	119,639	128,336	135,586	<b>Total public safety</b>	<b>186,779</b>	<b>200,438</b>	<b>221,314</b>	<b>231,691</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>	Community Services											Library	14,887	15,373	16,271	16,694	18,630	21,657	21,096	21,126	19,854	18,574	Parks and recreation	26,277	28,241	28,240	30,077	30,395	28,404	24,455	26,033	22,068	21,268	Wonders	-	600	-	-	-	-	-	-	-	-	Public Service	3,783	6,711	7,917	8,494	10,435	11,753	11,985	12,382	8,712	7,070	Community development	4,335	6,472	6,716	6,317	3,354	4,910	4,805	4,718	6,936	4,640	<b>Total community services</b>	<b>49,282</b>	<b>57,397</b>	<b>59,144</b>	<b>61,582</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>	Transportation and Environment											Public works	23,763	23,930	26,444	25,873	18,090	18,318	18,857	19,614	17,143	18,197	<b>Total transportation and environment</b>	<b>23,763</b>	<b>23,930</b>	<b>26,444</b>	<b>25,873</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>	Transfers out - primary	24,717	24,544	28,659	30,056	27,366	28,181	23,052	34,814	22,134	10,476	Transfers out - component unit (1)	11,300	12,150	12,150	13,000	14,000	-	-	-	-	-	<b>Total</b>	<b>356,832</b>	<b>387,384</b>	<b>416,246</b>	<b>433,573</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>																																												
Finance and administration	5,337	5,830	5,467	5,471	6,387	5,498	5,249	6,035	4,952	4,560	City attorney	2,661	3,624	4,088	4,353	4,503	5,492	5,646	7,164	11,180	2,786	City engineer	-	-	-	-	8,276	8,207	8,226	9,924	8,279	9,783	Information systems	-	-	-	-	-	-	10,026	15,747	11,897	8,785	Human resources	3,098	2,841	3,422	3,089	3,238	3,460	3,353	3,448	2,920	13,315	General services	10,696	11,341	12,054	12,125	12,454	12,796	13,871	14,203	12,302	11,288	Special appropriations	-	39,159	37,393	40,211	39,959	52,895	54,517	58,618	59,600	58,842	<b>Total general government</b>	<b>60,991</b>	<b>68,925</b>	<b>68,535</b>	<b>71,371</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>	Public Safety											Police	105,330	116,752	128,968	136,825	146,253	152,986	162,299	173,972	178,632	181,979	Fire	81,449	83,686	92,346	94,866	99,360	107,450	117,259	119,639	128,336	135,586	<b>Total public safety</b>	<b>186,779</b>	<b>200,438</b>	<b>221,314</b>	<b>231,691</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>	Community Services											Library	14,887	15,373	16,271	16,694	18,630	21,657	21,096	21,126	19,854	18,574	Parks and recreation	26,277	28,241	28,240	30,077	30,395	28,404	24,455	26,033	22,068	21,268	Wonders	-	600	-	-	-	-	-	-	-	-	Public Service	3,783	6,711	7,917	8,494	10,435	11,753	11,985	12,382	8,712	7,070	Community development	4,335	6,472	6,716	6,317	3,354	4,910	4,805	4,718	6,936	4,640	<b>Total community services</b>	<b>49,282</b>	<b>57,397</b>	<b>59,144</b>	<b>61,582</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>	Transportation and Environment											Public works	23,763	23,930	26,444	25,873	18,090	18,318	18,857	19,614	17,143	18,197	<b>Total transportation and environment</b>	<b>23,763</b>	<b>23,930</b>	<b>26,444</b>	<b>25,873</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>	Transfers out - primary	24,717	24,544	28,659	30,056	27,366	28,181	23,052	34,814	22,134	10,476	Transfers out - component unit (1)	11,300	12,150	12,150	13,000	14,000	-	-	-	-	-	<b>Total</b>	<b>356,832</b>	<b>387,384</b>	<b>416,246</b>	<b>433,573</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>																																																							
City attorney	2,661	3,624	4,088	4,353	4,503	5,492	5,646	7,164	11,180	2,786	City engineer	-	-	-	-	8,276	8,207	8,226	9,924	8,279	9,783	Information systems	-	-	-	-	-	-	10,026	15,747	11,897	8,785	Human resources	3,098	2,841	3,422	3,089	3,238	3,460	3,353	3,448	2,920	13,315	General services	10,696	11,341	12,054	12,125	12,454	12,796	13,871	14,203	12,302	11,288	Special appropriations	-	39,159	37,393	40,211	39,959	52,895	54,517	58,618	59,600	58,842	<b>Total general government</b>	<b>60,991</b>	<b>68,925</b>	<b>68,535</b>	<b>71,371</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>	Public Safety											Police	105,330	116,752	128,968	136,825	146,253	152,986	162,299	173,972	178,632	181,979	Fire	81,449	83,686	92,346	94,866	99,360	107,450	117,259	119,639	128,336	135,586	<b>Total public safety</b>	<b>186,779</b>	<b>200,438</b>	<b>221,314</b>	<b>231,691</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>	Community Services											Library	14,887	15,373	16,271	16,694	18,630	21,657	21,096	21,126	19,854	18,574	Parks and recreation	26,277	28,241	28,240	30,077	30,395	28,404	24,455	26,033	22,068	21,268	Wonders	-	600	-	-	-	-	-	-	-	-	Public Service	3,783	6,711	7,917	8,494	10,435	11,753	11,985	12,382	8,712	7,070	Community development	4,335	6,472	6,716	6,317	3,354	4,910	4,805	4,718	6,936	4,640	<b>Total community services</b>	<b>49,282</b>	<b>57,397</b>	<b>59,144</b>	<b>61,582</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>	Transportation and Environment											Public works	23,763	23,930	26,444	25,873	18,090	18,318	18,857	19,614	17,143	18,197	<b>Total transportation and environment</b>	<b>23,763</b>	<b>23,930</b>	<b>26,444</b>	<b>25,873</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>	Transfers out - primary	24,717	24,544	28,659	30,056	27,366	28,181	23,052	34,814	22,134	10,476	Transfers out - component unit (1)	11,300	12,150	12,150	13,000	14,000	-	-	-	-	-	<b>Total</b>	<b>356,832</b>	<b>387,384</b>	<b>416,246</b>	<b>433,573</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>																																																																		
City engineer	-	-	-	-	8,276	8,207	8,226	9,924	8,279	9,783	Information systems	-	-	-	-	-	-	10,026	15,747	11,897	8,785	Human resources	3,098	2,841	3,422	3,089	3,238	3,460	3,353	3,448	2,920	13,315	General services	10,696	11,341	12,054	12,125	12,454	12,796	13,871	14,203	12,302	11,288	Special appropriations	-	39,159	37,393	40,211	39,959	52,895	54,517	58,618	59,600	58,842	<b>Total general government</b>	<b>60,991</b>	<b>68,925</b>	<b>68,535</b>	<b>71,371</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>	Public Safety											Police	105,330	116,752	128,968	136,825	146,253	152,986	162,299	173,972	178,632	181,979	Fire	81,449	83,686	92,346	94,866	99,360	107,450	117,259	119,639	128,336	135,586	<b>Total public safety</b>	<b>186,779</b>	<b>200,438</b>	<b>221,314</b>	<b>231,691</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>	Community Services											Library	14,887	15,373	16,271	16,694	18,630	21,657	21,096	21,126	19,854	18,574	Parks and recreation	26,277	28,241	28,240	30,077	30,395	28,404	24,455	26,033	22,068	21,268	Wonders	-	600	-	-	-	-	-	-	-	-	Public Service	3,783	6,711	7,917	8,494	10,435	11,753	11,985	12,382	8,712	7,070	Community development	4,335	6,472	6,716	6,317	3,354	4,910	4,805	4,718	6,936	4,640	<b>Total community services</b>	<b>49,282</b>	<b>57,397</b>	<b>59,144</b>	<b>61,582</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>	Transportation and Environment											Public works	23,763	23,930	26,444	25,873	18,090	18,318	18,857	19,614	17,143	18,197	<b>Total transportation and environment</b>	<b>23,763</b>	<b>23,930</b>	<b>26,444</b>	<b>25,873</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>	Transfers out - primary	24,717	24,544	28,659	30,056	27,366	28,181	23,052	34,814	22,134	10,476	Transfers out - component unit (1)	11,300	12,150	12,150	13,000	14,000	-	-	-	-	-	<b>Total</b>	<b>356,832</b>	<b>387,384</b>	<b>416,246</b>	<b>433,573</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>																																																																													
Information systems	-	-	-	-	-	-	10,026	15,747	11,897	8,785	Human resources	3,098	2,841	3,422	3,089	3,238	3,460	3,353	3,448	2,920	13,315	General services	10,696	11,341	12,054	12,125	12,454	12,796	13,871	14,203	12,302	11,288	Special appropriations	-	39,159	37,393	40,211	39,959	52,895	54,517	58,618	59,600	58,842	<b>Total general government</b>	<b>60,991</b>	<b>68,925</b>	<b>68,535</b>	<b>71,371</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>	Public Safety											Police	105,330	116,752	128,968	136,825	146,253	152,986	162,299	173,972	178,632	181,979	Fire	81,449	83,686	92,346	94,866	99,360	107,450	117,259	119,639	128,336	135,586	<b>Total public safety</b>	<b>186,779</b>	<b>200,438</b>	<b>221,314</b>	<b>231,691</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>	Community Services											Library	14,887	15,373	16,271	16,694	18,630	21,657	21,096	21,126	19,854	18,574	Parks and recreation	26,277	28,241	28,240	30,077	30,395	28,404	24,455	26,033	22,068	21,268	Wonders	-	600	-	-	-	-	-	-	-	-	Public Service	3,783	6,711	7,917	8,494	10,435	11,753	11,985	12,382	8,712	7,070	Community development	4,335	6,472	6,716	6,317	3,354	4,910	4,805	4,718	6,936	4,640	<b>Total community services</b>	<b>49,282</b>	<b>57,397</b>	<b>59,144</b>	<b>61,582</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>	Transportation and Environment											Public works	23,763	23,930	26,444	25,873	18,090	18,318	18,857	19,614	17,143	18,197	<b>Total transportation and environment</b>	<b>23,763</b>	<b>23,930</b>	<b>26,444</b>	<b>25,873</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>	Transfers out - primary	24,717	24,544	28,659	30,056	27,366	28,181	23,052	34,814	22,134	10,476	Transfers out - component unit (1)	11,300	12,150	12,150	13,000	14,000	-	-	-	-	-	<b>Total</b>	<b>356,832</b>	<b>387,384</b>	<b>416,246</b>	<b>433,573</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>																																																																																								
Human resources	3,098	2,841	3,422	3,089	3,238	3,460	3,353	3,448	2,920	13,315	General services	10,696	11,341	12,054	12,125	12,454	12,796	13,871	14,203	12,302	11,288	Special appropriations	-	39,159	37,393	40,211	39,959	52,895	54,517	58,618	59,600	58,842	<b>Total general government</b>	<b>60,991</b>	<b>68,925</b>	<b>68,535</b>	<b>71,371</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>	Public Safety											Police	105,330	116,752	128,968	136,825	146,253	152,986	162,299	173,972	178,632	181,979	Fire	81,449	83,686	92,346	94,866	99,360	107,450	117,259	119,639	128,336	135,586	<b>Total public safety</b>	<b>186,779</b>	<b>200,438</b>	<b>221,314</b>	<b>231,691</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>	Community Services											Library	14,887	15,373	16,271	16,694	18,630	21,657	21,096	21,126	19,854	18,574	Parks and recreation	26,277	28,241	28,240	30,077	30,395	28,404	24,455	26,033	22,068	21,268	Wonders	-	600	-	-	-	-	-	-	-	-	Public Service	3,783	6,711	7,917	8,494	10,435	11,753	11,985	12,382	8,712	7,070	Community development	4,335	6,472	6,716	6,317	3,354	4,910	4,805	4,718	6,936	4,640	<b>Total community services</b>	<b>49,282</b>	<b>57,397</b>	<b>59,144</b>	<b>61,582</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>	Transportation and Environment											Public works	23,763	23,930	26,444	25,873	18,090	18,318	18,857	19,614	17,143	18,197	<b>Total transportation and environment</b>	<b>23,763</b>	<b>23,930</b>	<b>26,444</b>	<b>25,873</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>	Transfers out - primary	24,717	24,544	28,659	30,056	27,366	28,181	23,052	34,814	22,134	10,476	Transfers out - component unit (1)	11,300	12,150	12,150	13,000	14,000	-	-	-	-	-	<b>Total</b>	<b>356,832</b>	<b>387,384</b>	<b>416,246</b>	<b>433,573</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>																																																																																																			
General services	10,696	11,341	12,054	12,125	12,454	12,796	13,871	14,203	12,302	11,288	Special appropriations	-	39,159	37,393	40,211	39,959	52,895	54,517	58,618	59,600	58,842	<b>Total general government</b>	<b>60,991</b>	<b>68,925</b>	<b>68,535</b>	<b>71,371</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>	Public Safety											Police	105,330	116,752	128,968	136,825	146,253	152,986	162,299	173,972	178,632	181,979	Fire	81,449	83,686	92,346	94,866	99,360	107,450	117,259	119,639	128,336	135,586	<b>Total public safety</b>	<b>186,779</b>	<b>200,438</b>	<b>221,314</b>	<b>231,691</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>	Community Services											Library	14,887	15,373	16,271	16,694	18,630	21,657	21,096	21,126	19,854	18,574	Parks and recreation	26,277	28,241	28,240	30,077	30,395	28,404	24,455	26,033	22,068	21,268	Wonders	-	600	-	-	-	-	-	-	-	-	Public Service	3,783	6,711	7,917	8,494	10,435	11,753	11,985	12,382	8,712	7,070	Community development	4,335	6,472	6,716	6,317	3,354	4,910	4,805	4,718	6,936	4,640	<b>Total community services</b>	<b>49,282</b>	<b>57,397</b>	<b>59,144</b>	<b>61,582</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>	Transportation and Environment											Public works	23,763	23,930	26,444	25,873	18,090	18,318	18,857	19,614	17,143	18,197	<b>Total transportation and environment</b>	<b>23,763</b>	<b>23,930</b>	<b>26,444</b>	<b>25,873</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>	Transfers out - primary	24,717	24,544	28,659	30,056	27,366	28,181	23,052	34,814	22,134	10,476	Transfers out - component unit (1)	11,300	12,150	12,150	13,000	14,000	-	-	-	-	-	<b>Total</b>	<b>356,832</b>	<b>387,384</b>	<b>416,246</b>	<b>433,573</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>																																																																																																														
Special appropriations	-	39,159	37,393	40,211	39,959	52,895	54,517	58,618	59,600	58,842	<b>Total general government</b>	<b>60,991</b>	<b>68,925</b>	<b>68,535</b>	<b>71,371</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>	Public Safety											Police	105,330	116,752	128,968	136,825	146,253	152,986	162,299	173,972	178,632	181,979	Fire	81,449	83,686	92,346	94,866	99,360	107,450	117,259	119,639	128,336	135,586	<b>Total public safety</b>	<b>186,779</b>	<b>200,438</b>	<b>221,314</b>	<b>231,691</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>	Community Services											Library	14,887	15,373	16,271	16,694	18,630	21,657	21,096	21,126	19,854	18,574	Parks and recreation	26,277	28,241	28,240	30,077	30,395	28,404	24,455	26,033	22,068	21,268	Wonders	-	600	-	-	-	-	-	-	-	-	Public Service	3,783	6,711	7,917	8,494	10,435	11,753	11,985	12,382	8,712	7,070	Community development	4,335	6,472	6,716	6,317	3,354	4,910	4,805	4,718	6,936	4,640	<b>Total community services</b>	<b>49,282</b>	<b>57,397</b>	<b>59,144</b>	<b>61,582</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>	Transportation and Environment											Public works	23,763	23,930	26,444	25,873	18,090	18,318	18,857	19,614	17,143	18,197	<b>Total transportation and environment</b>	<b>23,763</b>	<b>23,930</b>	<b>26,444</b>	<b>25,873</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>	Transfers out - primary	24,717	24,544	28,659	30,056	27,366	28,181	23,052	34,814	22,134	10,476	Transfers out - component unit (1)	11,300	12,150	12,150	13,000	14,000	-	-	-	-	-	<b>Total</b>	<b>356,832</b>	<b>387,384</b>	<b>416,246</b>	<b>433,573</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>Total general government</b>	<b>60,991</b>	<b>68,925</b>	<b>68,535</b>	<b>71,371</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>	Public Safety											Police	105,330	116,752	128,968	136,825	146,253	152,986	162,299	173,972	178,632	181,979	Fire	81,449	83,686	92,346	94,866	99,360	107,450	117,259	119,639	128,336	135,586	<b>Total public safety</b>	<b>186,779</b>	<b>200,438</b>	<b>221,314</b>	<b>231,691</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>	Community Services											Library	14,887	15,373	16,271	16,694	18,630	21,657	21,096	21,126	19,854	18,574	Parks and recreation	26,277	28,241	28,240	30,077	30,395	28,404	24,455	26,033	22,068	21,268	Wonders	-	600	-	-	-	-	-	-	-	-	Public Service	3,783	6,711	7,917	8,494	10,435	11,753	11,985	12,382	8,712	7,070	Community development	4,335	6,472	6,716	6,317	3,354	4,910	4,805	4,718	6,936	4,640	<b>Total community services</b>	<b>49,282</b>	<b>57,397</b>	<b>59,144</b>	<b>61,582</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>	Transportation and Environment											Public works	23,763	23,930	26,444	25,873	18,090	18,318	18,857	19,614	17,143	18,197	<b>Total transportation and environment</b>	<b>23,763</b>	<b>23,930</b>	<b>26,444</b>	<b>25,873</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>	Transfers out - primary	24,717	24,544	28,659	30,056	27,366	28,181	23,052	34,814	22,134	10,476	Transfers out - component unit (1)	11,300	12,150	12,150	13,000	14,000	-	-	-	-	-	<b>Total</b>	<b>356,832</b>	<b>387,384</b>	<b>416,246</b>	<b>433,573</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>																																																																																																																																				
Public Safety											Police	105,330	116,752	128,968	136,825	146,253	152,986	162,299	173,972	178,632	181,979	Fire	81,449	83,686	92,346	94,866	99,360	107,450	117,259	119,639	128,336	135,586	<b>Total public safety</b>	<b>186,779</b>	<b>200,438</b>	<b>221,314</b>	<b>231,691</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>	Community Services											Library	14,887	15,373	16,271	16,694	18,630	21,657	21,096	21,126	19,854	18,574	Parks and recreation	26,277	28,241	28,240	30,077	30,395	28,404	24,455	26,033	22,068	21,268	Wonders	-	600	-	-	-	-	-	-	-	-	Public Service	3,783	6,711	7,917	8,494	10,435	11,753	11,985	12,382	8,712	7,070	Community development	4,335	6,472	6,716	6,317	3,354	4,910	4,805	4,718	6,936	4,640	<b>Total community services</b>	<b>49,282</b>	<b>57,397</b>	<b>59,144</b>	<b>61,582</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>	Transportation and Environment											Public works	23,763	23,930	26,444	25,873	18,090	18,318	18,857	19,614	17,143	18,197	<b>Total transportation and environment</b>	<b>23,763</b>	<b>23,930</b>	<b>26,444</b>	<b>25,873</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>	Transfers out - primary	24,717	24,544	28,659	30,056	27,366	28,181	23,052	34,814	22,134	10,476	Transfers out - component unit (1)	11,300	12,150	12,150	13,000	14,000	-	-	-	-	-	<b>Total</b>	<b>356,832</b>	<b>387,384</b>	<b>416,246</b>	<b>433,573</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>																																																																																																																																															
Police	105,330	116,752	128,968	136,825	146,253	152,986	162,299	173,972	178,632	181,979	Fire	81,449	83,686	92,346	94,866	99,360	107,450	117,259	119,639	128,336	135,586	<b>Total public safety</b>	<b>186,779</b>	<b>200,438</b>	<b>221,314</b>	<b>231,691</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>	Community Services											Library	14,887	15,373	16,271	16,694	18,630	21,657	21,096	21,126	19,854	18,574	Parks and recreation	26,277	28,241	28,240	30,077	30,395	28,404	24,455	26,033	22,068	21,268	Wonders	-	600	-	-	-	-	-	-	-	-	Public Service	3,783	6,711	7,917	8,494	10,435	11,753	11,985	12,382	8,712	7,070	Community development	4,335	6,472	6,716	6,317	3,354	4,910	4,805	4,718	6,936	4,640	<b>Total community services</b>	<b>49,282</b>	<b>57,397</b>	<b>59,144</b>	<b>61,582</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>	Transportation and Environment											Public works	23,763	23,930	26,444	25,873	18,090	18,318	18,857	19,614	17,143	18,197	<b>Total transportation and environment</b>	<b>23,763</b>	<b>23,930</b>	<b>26,444</b>	<b>25,873</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>	Transfers out - primary	24,717	24,544	28,659	30,056	27,366	28,181	23,052	34,814	22,134	10,476	Transfers out - component unit (1)	11,300	12,150	12,150	13,000	14,000	-	-	-	-	-	<b>Total</b>	<b>356,832</b>	<b>387,384</b>	<b>416,246</b>	<b>433,573</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>																																																																																																																																																										
Fire	81,449	83,686	92,346	94,866	99,360	107,450	117,259	119,639	128,336	135,586	<b>Total public safety</b>	<b>186,779</b>	<b>200,438</b>	<b>221,314</b>	<b>231,691</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>	Community Services											Library	14,887	15,373	16,271	16,694	18,630	21,657	21,096	21,126	19,854	18,574	Parks and recreation	26,277	28,241	28,240	30,077	30,395	28,404	24,455	26,033	22,068	21,268	Wonders	-	600	-	-	-	-	-	-	-	-	Public Service	3,783	6,711	7,917	8,494	10,435	11,753	11,985	12,382	8,712	7,070	Community development	4,335	6,472	6,716	6,317	3,354	4,910	4,805	4,718	6,936	4,640	<b>Total community services</b>	<b>49,282</b>	<b>57,397</b>	<b>59,144</b>	<b>61,582</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>	Transportation and Environment											Public works	23,763	23,930	26,444	25,873	18,090	18,318	18,857	19,614	17,143	18,197	<b>Total transportation and environment</b>	<b>23,763</b>	<b>23,930</b>	<b>26,444</b>	<b>25,873</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>	Transfers out - primary	24,717	24,544	28,659	30,056	27,366	28,181	23,052	34,814	22,134	10,476	Transfers out - component unit (1)	11,300	12,150	12,150	13,000	14,000	-	-	-	-	-	<b>Total</b>	<b>356,832</b>	<b>387,384</b>	<b>416,246</b>	<b>433,573</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>Total public safety</b>	<b>186,779</b>	<b>200,438</b>	<b>221,314</b>	<b>231,691</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>	Community Services											Library	14,887	15,373	16,271	16,694	18,630	21,657	21,096	21,126	19,854	18,574	Parks and recreation	26,277	28,241	28,240	30,077	30,395	28,404	24,455	26,033	22,068	21,268	Wonders	-	600	-	-	-	-	-	-	-	-	Public Service	3,783	6,711	7,917	8,494	10,435	11,753	11,985	12,382	8,712	7,070	Community development	4,335	6,472	6,716	6,317	3,354	4,910	4,805	4,718	6,936	4,640	<b>Total community services</b>	<b>49,282</b>	<b>57,397</b>	<b>59,144</b>	<b>61,582</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>	Transportation and Environment											Public works	23,763	23,930	26,444	25,873	18,090	18,318	18,857	19,614	17,143	18,197	<b>Total transportation and environment</b>	<b>23,763</b>	<b>23,930</b>	<b>26,444</b>	<b>25,873</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>	Transfers out - primary	24,717	24,544	28,659	30,056	27,366	28,181	23,052	34,814	22,134	10,476	Transfers out - component unit (1)	11,300	12,150	12,150	13,000	14,000	-	-	-	-	-	<b>Total</b>	<b>356,832</b>	<b>387,384</b>	<b>416,246</b>	<b>433,573</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>																																																																																																																																																																																
Community Services											Library	14,887	15,373	16,271	16,694	18,630	21,657	21,096	21,126	19,854	18,574	Parks and recreation	26,277	28,241	28,240	30,077	30,395	28,404	24,455	26,033	22,068	21,268	Wonders	-	600	-	-	-	-	-	-	-	-	Public Service	3,783	6,711	7,917	8,494	10,435	11,753	11,985	12,382	8,712	7,070	Community development	4,335	6,472	6,716	6,317	3,354	4,910	4,805	4,718	6,936	4,640	<b>Total community services</b>	<b>49,282</b>	<b>57,397</b>	<b>59,144</b>	<b>61,582</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>	Transportation and Environment											Public works	23,763	23,930	26,444	25,873	18,090	18,318	18,857	19,614	17,143	18,197	<b>Total transportation and environment</b>	<b>23,763</b>	<b>23,930</b>	<b>26,444</b>	<b>25,873</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>	Transfers out - primary	24,717	24,544	28,659	30,056	27,366	28,181	23,052	34,814	22,134	10,476	Transfers out - component unit (1)	11,300	12,150	12,150	13,000	14,000	-	-	-	-	-	<b>Total</b>	<b>356,832</b>	<b>387,384</b>	<b>416,246</b>	<b>433,573</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>																																																																																																																																																																																											
Library	14,887	15,373	16,271	16,694	18,630	21,657	21,096	21,126	19,854	18,574	Parks and recreation	26,277	28,241	28,240	30,077	30,395	28,404	24,455	26,033	22,068	21,268	Wonders	-	600	-	-	-	-	-	-	-	-	Public Service	3,783	6,711	7,917	8,494	10,435	11,753	11,985	12,382	8,712	7,070	Community development	4,335	6,472	6,716	6,317	3,354	4,910	4,805	4,718	6,936	4,640	<b>Total community services</b>	<b>49,282</b>	<b>57,397</b>	<b>59,144</b>	<b>61,582</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>	Transportation and Environment											Public works	23,763	23,930	26,444	25,873	18,090	18,318	18,857	19,614	17,143	18,197	<b>Total transportation and environment</b>	<b>23,763</b>	<b>23,930</b>	<b>26,444</b>	<b>25,873</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>	Transfers out - primary	24,717	24,544	28,659	30,056	27,366	28,181	23,052	34,814	22,134	10,476	Transfers out - component unit (1)	11,300	12,150	12,150	13,000	14,000	-	-	-	-	-	<b>Total</b>	<b>356,832</b>	<b>387,384</b>	<b>416,246</b>	<b>433,573</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>																																																																																																																																																																																																						
Parks and recreation	26,277	28,241	28,240	30,077	30,395	28,404	24,455	26,033	22,068	21,268	Wonders	-	600	-	-	-	-	-	-	-	-	Public Service	3,783	6,711	7,917	8,494	10,435	11,753	11,985	12,382	8,712	7,070	Community development	4,335	6,472	6,716	6,317	3,354	4,910	4,805	4,718	6,936	4,640	<b>Total community services</b>	<b>49,282</b>	<b>57,397</b>	<b>59,144</b>	<b>61,582</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>	Transportation and Environment											Public works	23,763	23,930	26,444	25,873	18,090	18,318	18,857	19,614	17,143	18,197	<b>Total transportation and environment</b>	<b>23,763</b>	<b>23,930</b>	<b>26,444</b>	<b>25,873</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>	Transfers out - primary	24,717	24,544	28,659	30,056	27,366	28,181	23,052	34,814	22,134	10,476	Transfers out - component unit (1)	11,300	12,150	12,150	13,000	14,000	-	-	-	-	-	<b>Total</b>	<b>356,832</b>	<b>387,384</b>	<b>416,246</b>	<b>433,573</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>																																																																																																																																																																																																																	
Wonders	-	600	-	-	-	-	-	-	-	-	Public Service	3,783	6,711	7,917	8,494	10,435	11,753	11,985	12,382	8,712	7,070	Community development	4,335	6,472	6,716	6,317	3,354	4,910	4,805	4,718	6,936	4,640	<b>Total community services</b>	<b>49,282</b>	<b>57,397</b>	<b>59,144</b>	<b>61,582</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>	Transportation and Environment											Public works	23,763	23,930	26,444	25,873	18,090	18,318	18,857	19,614	17,143	18,197	<b>Total transportation and environment</b>	<b>23,763</b>	<b>23,930</b>	<b>26,444</b>	<b>25,873</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>	Transfers out - primary	24,717	24,544	28,659	30,056	27,366	28,181	23,052	34,814	22,134	10,476	Transfers out - component unit (1)	11,300	12,150	12,150	13,000	14,000	-	-	-	-	-	<b>Total</b>	<b>356,832</b>	<b>387,384</b>	<b>416,246</b>	<b>433,573</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>																																																																																																																																																																																																																												
Public Service	3,783	6,711	7,917	8,494	10,435	11,753	11,985	12,382	8,712	7,070	Community development	4,335	6,472	6,716	6,317	3,354	4,910	4,805	4,718	6,936	4,640	<b>Total community services</b>	<b>49,282</b>	<b>57,397</b>	<b>59,144</b>	<b>61,582</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>	Transportation and Environment											Public works	23,763	23,930	26,444	25,873	18,090	18,318	18,857	19,614	17,143	18,197	<b>Total transportation and environment</b>	<b>23,763</b>	<b>23,930</b>	<b>26,444</b>	<b>25,873</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>	Transfers out - primary	24,717	24,544	28,659	30,056	27,366	28,181	23,052	34,814	22,134	10,476	Transfers out - component unit (1)	11,300	12,150	12,150	13,000	14,000	-	-	-	-	-	<b>Total</b>	<b>356,832</b>	<b>387,384</b>	<b>416,246</b>	<b>433,573</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>																																																																																																																																																																																																																																							
Community development	4,335	6,472	6,716	6,317	3,354	4,910	4,805	4,718	6,936	4,640	<b>Total community services</b>	<b>49,282</b>	<b>57,397</b>	<b>59,144</b>	<b>61,582</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>	Transportation and Environment											Public works	23,763	23,930	26,444	25,873	18,090	18,318	18,857	19,614	17,143	18,197	<b>Total transportation and environment</b>	<b>23,763</b>	<b>23,930</b>	<b>26,444</b>	<b>25,873</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>	Transfers out - primary	24,717	24,544	28,659	30,056	27,366	28,181	23,052	34,814	22,134	10,476	Transfers out - component unit (1)	11,300	12,150	12,150	13,000	14,000	-	-	-	-	-	<b>Total</b>	<b>356,832</b>	<b>387,384</b>	<b>416,246</b>	<b>433,573</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>Total community services</b>	<b>49,282</b>	<b>57,397</b>	<b>59,144</b>	<b>61,582</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>	Transportation and Environment											Public works	23,763	23,930	26,444	25,873	18,090	18,318	18,857	19,614	17,143	18,197	<b>Total transportation and environment</b>	<b>23,763</b>	<b>23,930</b>	<b>26,444</b>	<b>25,873</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>	Transfers out - primary	24,717	24,544	28,659	30,056	27,366	28,181	23,052	34,814	22,134	10,476	Transfers out - component unit (1)	11,300	12,150	12,150	13,000	14,000	-	-	-	-	-	<b>Total</b>	<b>356,832</b>	<b>387,384</b>	<b>416,246</b>	<b>433,573</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>																																																																																																																																																																																																																																																													
Transportation and Environment											Public works	23,763	23,930	26,444	25,873	18,090	18,318	18,857	19,614	17,143	18,197	<b>Total transportation and environment</b>	<b>23,763</b>	<b>23,930</b>	<b>26,444</b>	<b>25,873</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>	Transfers out - primary	24,717	24,544	28,659	30,056	27,366	28,181	23,052	34,814	22,134	10,476	Transfers out - component unit (1)	11,300	12,150	12,150	13,000	14,000	-	-	-	-	-	<b>Total</b>	<b>356,832</b>	<b>387,384</b>	<b>416,246</b>	<b>433,573</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>																																																																																																																																																																																																																																																																								
Public works	23,763	23,930	26,444	25,873	18,090	18,318	18,857	19,614	17,143	18,197	<b>Total transportation and environment</b>	<b>23,763</b>	<b>23,930</b>	<b>26,444</b>	<b>25,873</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>	Transfers out - primary	24,717	24,544	28,659	30,056	27,366	28,181	23,052	34,814	22,134	10,476	Transfers out - component unit (1)	11,300	12,150	12,150	13,000	14,000	-	-	-	-	-	<b>Total</b>	<b>356,832</b>	<b>387,384</b>	<b>416,246</b>	<b>433,573</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>Total transportation and environment</b>	<b>23,763</b>	<b>23,930</b>	<b>26,444</b>	<b>25,873</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>	Transfers out - primary	24,717	24,544	28,659	30,056	27,366	28,181	23,052	34,814	22,134	10,476	Transfers out - component unit (1)	11,300	12,150	12,150	13,000	14,000	-	-	-	-	-	<b>Total</b>	<b>356,832</b>	<b>387,384</b>	<b>416,246</b>	<b>433,573</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>																																																																																																																																																																																																																																																																																														
Transfers out - primary	24,717	24,544	28,659	30,056	27,366	28,181	23,052	34,814	22,134	10,476	Transfers out - component unit (1)	11,300	12,150	12,150	13,000	14,000	-	-	-	-	-	<b>Total</b>	<b>356,832</b>	<b>387,384</b>	<b>416,246</b>	<b>433,573</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>																																																																																																																																																																																																																																																																																																									
Transfers out - component unit (1)	11,300	12,150	12,150	13,000	14,000	-	-	-	-	-	<b>Total</b>	<b>356,832</b>	<b>387,384</b>	<b>416,246</b>	<b>433,573</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>Total</b>	<b>356,832</b>	<b>387,384</b>	<b>416,246</b>	<b>433,573</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>																																																																																																																																																																																																																																																																																																																															

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

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

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

Fiscal Year	Real Property			Personal Property			Utilities and Carriers (55%) (Real and Personal) (1)			Total Assessed to Total Market Value	Total Direct Tax Rate		
	Farm and Residential(25%)			Commercial and Industrial(40%)(3)			Commercial and Industrial(30%)(2)					Total Assessed Value	Estimated Actual Value
	Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value	Assessed Value				
1997	\$2,514,092,731	\$10,032,031,700	\$2,094,022,280	\$5,238,722,825	\$700,983,790	\$2,334,236,700	\$606,820,503	\$1,103,310,006	\$5,915,919,304	\$18,708,301,231	31.62%	3.1800	
1998	3,036,659,925	12,146,639,700	3,215,160,945	8,177,151,700	824,475,510	2,743,529,800	595,282,106	1,082,331,103	7,671,578,486	24,149,652,303	31.77%	3.1800	
1999	3,263,856,200	13,055,424,800	3,594,147,490	9,130,614,500	1,022,711,990	3,403,992,800	719,101,721	1,307,457,674	8,599,817,401	26,897,489,774	31.97%	2.7700	
2000	3,289,560,950	13,158,243,800	3,391,717,000	8,632,347,900	1,024,187,360	3,408,300,100	750,642,363	1,366,169,101	8,456,107,673	26,565,060,901	31.83%	2.7700	
2001	3,840,642,800	15,362,571,200	4,076,629,418	10,359,736,580	1,003,553,475	3,340,403,600	776,925,512	1,412,591,840	9,697,751,205	30,475,303,220	31.82%	3.3700	
2002	3,825,350,400	15,301,401,600	3,980,384,369	10,112,159,800	1,054,764,970	3,511,817,900	904,397,490	1,644,359,073	9,764,897,229	30,569,738,373	31.94%	3.2304	
2003	4,196,715,250	16,786,861,000	4,105,623,644	10,437,117,200	1,051,851,210	3,501,707,400	846,729,349	1,539,507,907	10,200,919,453	32,265,193,507	31.62%	3.2304	
2004	4,239,551,575	16,958,206,300	3,971,880,085	10,096,505,900	997,752,815	3,321,838,600	783,769,116	1,425,034,756	9,992,953,591	31,801,585,556	31.42%	3.2304	
2005	4,869,679,825	19,478,719,300	4,371,575,300	11,119,490,800	1,030,040,160	3,429,662,300	837,348,675	1,522,452,136	11,108,643,960	35,550,324,536	31.25%	3.2304	
2006	4,911,984,475	19,647,937,900	4,279,098,355	10,884,205,500	1,043,440,480	3,475,008,700	921,568,343	1,675,578,805	11,156,091,653	35,682,730,905	31.26%	3.4332	

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

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

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

**PROPERTY TAX RATES AND LEVIES-  
ALL DIRECT AND OVERLAPPING GOVERNMENTS  
Last ten fiscal years**

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

Fiscal Year	Tax Rates per \$100 Assessed Value			Tax Levies		
	City	County	Total	City	County	Total
1997	\$ 3.18	\$ 3.16	\$ 6.34	184,507,500	272,826,625	457,334,125
1998	3.18	3.16	6.34	186,904,096	287,884,320	474,788,416
1999	2.77	2.82	5.59	210,700,956	329,543,247	540,244,203
2000	2.77	3.54	6.31	234,064,460	412,703,834	646,768,294
2001	3.37	3.54	6.91	284,214,898	427,388,176	711,603,074
2002	3.23	3.79	7.02	314,190,509	523,851,896	838,042,405
2003	3.23	3.79	7.02	309,292,650	526,168,220	835,460,870
2004	3.23	4.04	7.27	325,695,529	570,445,227	896,140,756
2005	3.23	4.04	7.27	324,849,022	577,008,988	901,858,010
2006	3.43	4.04	7.47	380,947,344	645,263,773	1,026,211,117

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.

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

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

	2006			1997		
	Name of Taxpayer	Taxable Assessed Value	Percentage of Total Taxable Assessed Value	Name of Taxpayer	Taxable Assessed Value	Percentage of Total Taxable Assessed Value
		\$			\$	
Federal Express		423,465,818	3.79	Federal Express	255,183,000	4.31
Bell South Telecommunications		128,450,761	1.15	Bell South Telecommunications	169,464,249	2.86
Wolfchase Galleria, LTD		53,210,400	0.48	Belz Enterprises	96,929,835	1.64
Pinnacle Airlines, Inc.		48,632,318	0.44	Trammell-Crow-Farnsworth & Affiliates	91,246,460	1.54
AMISUB (St. Francis Hospital) Inc.		38,720,000	0.35	Boyle Investment Co. & Affiliates	45,500,140	0.77
Northwest Airlines, Inc.		30,594,425	0.27	Mapco	44,960,110	0.76
Mid-America Apartments		26,563,760	0.24	Avron B. Fogelman & Affiliates	32,795,310	0.55
Cingular Wireless		22,345,151	0.20	Mall of Memphis	25,955,070	0.44
Shopping Center Associates		21,564,320	0.19	Cargill, Inc.	24,836,490	0.42
Smith & Nephew Inc.		21,209,980	0.19	Northwest Airlines	22,650,580	0.38
Total Assessed Valuation of Top 10 Taxpayers		814,756,93	7.30		809,521,24	13.67
Balance of Assessed Valuation		10,341,334,720	92.70		5,106,398,060	86.33
		\$ 11,156,091,653	100.00		\$ 5,915,919,304	100.00

**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 as Percent of Current Levy	Prior Years Outstanding Delinquent Taxes	Outstanding Delinquent Taxes as Percent of Current Levy
1997 (1) \$	184,507,500 \$	175,285,219	95.00	\$ (730,568) \$	174,554,651	94.61	\$ 20,163,880	10.93
1998	186,904,096	175,352,843	93.82	6,398,141	181,750,984	97.24	20,025,223	10.71
1999	210,700,956	193,904,816	92.03	8,235,688	202,140,504	95.94	19,460,186	9.24
2000	234,064,460	213,875,079	91.37	4,468,222	218,343,301	93.28	21,029,909	8.98
2001	284,214,898	260,938,982	91.81	10,690,611	271,629,593	95.57	22,693,903	7.98
2002	314,190,509	293,021,608	93.26	11,780,320	304,801,928	97.01	26,273,142	8.36
2003	309,292,650	286,509,335	92.63	14,156,364	300,665,699	97.21	26,939,877	8.71
2004	325,695,529	296,247,065	90.96	16,494,982	312,742,047	96.02	29,109,210	8.94
2005	324,340,510	300,716,889	92.72	15,066,930	315,783,819	97.36	30,283,302	9.34
2006	380,947,344	356,886,796	93.68	15,835,849	372,722,645	97.84	30,367,032	7.97

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.

(1) Refunds of delinquent taxes were greater than collections due to appeals of assessments after the 1992 reappraisal.

**SPECIAL ASSESSMENT COLLECTIONS**  
**Last ten fiscal years**

**CITY OF MEMPHIS, TENNESSEE**  
**EXHIBIT X-10**

**Collections**

<b>Fiscal Year</b>	<b>Construction</b>	<b>Interest</b>	<b>Promotional Costs</b>	<b>Total</b>
1997	\$ 113,686	\$ 63,217	\$ 353,524	\$ 530,427
1998	136,195	74,141	351,590	561,926
1999	13,971	7,808	413,295	435,074
2000	22,780	12,724	28,522	64,026
2001	1,045	583	6,345	7,973
2002	92	52	242	386
2003	78	4	2,438	2,520
2004	389	217	47	653
2005	344	192	3,072	3,608
2006	7,218	4,032	11,100	22,350

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

**RATIOS OF OUTSTANDING DEBT BY TYPE**  
**Last Ten Fiscal Years**  
**(Thousands of Dollars)**

**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	Water Revenue Bonds	Total Primary Government			
1997	448,018	-	10,388	19,985	-	4,854	67,470	198,145	69,925	818,785	2.81%	1,334	
1998	486,465	-	9,102	17,700	-	3,581	83,120	179,095	64,685	843,748	2.66%	1,413	
1999	620,917	-	7,745	12,600	-	3,172	78,025	158,970	59,675	941,104	2.84%	1,461	
2000	722,162	-	6,322	6,970	-	1,285	92,720	137,775	53,810	1,021,044	2.96%	1,571	
2001	676,236	92,000	4,835	3,255	4,714	1,880	87,115	127,240	47,695	1,044,970	2.88%	1,546	
2002	805,434	45,000	3,436	1,100	3,929	7,249	106,355	102,689	40,960	1,116,152	2.98%	1,656	
2003	863,161	25,000	2,302	-	3,143	10,053	101,435	101,513	40,960	1,147,567	2.97%	1,705	
2004	814,360	125,000	1,108	-	2,357	4,215	124,835	1,453,252	34,230	2,559,357	6.26%	3,809	
2005	882,312	125,000	189	-	1,571	2,626	117,790	1,364,214	27,150	2,520,852	5.90%	3,751	
2006	915,315	114,000	-	-	786	970	142,410	1,290,175	19,710	2,483,366	5.81%	3,695	

**RATIO 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

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Estimated population	614,289	596,725	643,715	650,100	676,087	674,478	673,120	671,929	672,277	672,277
Appraised property valuation (3)	\$ 18,708,301	24,149,652	26,897,490	26,565,060	30,475,303	30,569,738	32,265,194	31,801,586	35,550,325	35,682,731
Assessed valuation (3)	\$ 5,915,919	7,671,578	8,599,817	8,456,108	9,697,751	9,764,897	10,200,919	9,992,954	11,108,644	11,156,092
Total general obligation debt (1) (3)	\$ 483,245	516,848	644,434	736,739	782,920	866,148	903,659	947,040	1,011,698	1,031,071
Self-supporting debt (2) (3)	\$ 63,029	58,429	51,241	47,362	43,008	38,599	34,259	29,656	25,386	21,539
Net Debt (3)	\$ 420,216	458,419	593,193	689,377	739,912	827,549	869,400	917,384	986,312	1,009,532
Bonded debt per capita - total debt	\$ 787	866	1,001	1,133	1,158	1,284	1,342	1,409	1,505	1,534
Bonded debt per capita - net debt	\$ 684	768	922	1,060	1,094	1,227	1,292	1,365	1,467	1,502
Bonded debt to appraised valuation -total debt	2.58%	2.14%	2.40%	2.77%	2.57%	2.83%	2.80%	2.98%	2.85%	2.89%
Bonded debt to appraised valuation -net debt	2.25%	1.90%	2.21%	2.60%	2.43%	2.71%	2.69%	2.88%	2.77%	2.83%
Bonded debt to assessed valuation -total debt	8.17%	6.74%	7.49%	8.71%	8.07%	8.87%	8.86%	9.48%	9.11%	9.24%
Bonded debt to assessed valuation -net debt	7.10%	5.98%	6.90%	8.15%	7.63%	8.47%	8.52%	9.18%	8.88%	9.05%

(1) Debt includes City general obligation bonds and capital lease obligations (2001-2007).

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

(3) In thousands of dollars.

**DIRECT AND OVERLAPPING GOVERNMENTAL  
ACTIVITIES DEBT AS OF  
JUNE 30, 2006  
(Thousands of Dollars)**

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

Name of Governmental Unit	Debt Outstanding	Estimated Percentage Applicable(1)	Estimated Share of Overlapping Debt
Memphis Board of Education (Primary Government Obligation)	\$ 14,512	100%	14,512
Memphis-Shelby County Airport Authority (Primary Government Obligation)	14,090	100%	14,090
City of Memphis (5)	<u>886,713</u>	100%	<u>886,713</u>
	915,315		915,315
Bond Anticipation Notes	114,000	100%	114,000
Notes payable	786	100%	786
Capital lease obligations	<u>970</u>	100%	<u>970</u>
Total (3)	1,031,071		1,031,071
Shelby County debt	<u>1,716,764</u>	68.9%	<u>1,182,850</u>
Total overlapping debt (4)	<u>\$ 2,747,835</u>		<u>2,213,921</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 \$30,418 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**  
**Last Ten Fiscal Years**  
**(Thousands of Dollars)**

**CITY OF MEMPHIS, TENNESSEE**  
**EXHIBIT X-14**

	Fiscal Year									
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Debt capacity limit	\$ 709,910	920,589	1,031,978	1,014,733	1,163,730	1,171,788	1,224,110	1,199,154	1,333,037	1,338,731
Total net debt applicable to limit	420,216	458,419	593,193	689,377	739,912	827,549	869,400	917,384	986,312	1,009,532
Legal debt capacity margin balance	\$ 289,694	462,170	438,785	325,356	423,818	344,239	354,710	281,770	346,725	329,199
Total net debt applicable to the limit as a percentage of debt limit	59.19%	49.80%	57.48%	67.94%	63.58%	70.62%	71.02%	76.50%	73.99%	75.41%

**Legal Debt Margin Calculation for Fiscal Year 2006**

Total assessed value	\$ 11,156,092
Debt capacity limit (12% of total assessed value)	1,338,731
Debt applicable to limit:	
Total bonded debt	\$ 1,031,071
Less self-supporting debt	(21,539)
Total net debt applicable to limit	1,009,532
Legal debt capacity margin balance	\$ 329,199

**PLEGGED REVENUE COVERAGE - MLG&W AND  
SEWER COLLECTION AND TREATMENT FUND**  
Last ten fiscal years  
(Thousands of Dollars)

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

<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>					
1996	\$ 743,050	\$ 672,822	\$ 70,228	\$ 29,314	\$ 2.40
1997	747,169	668,293	78,876	29,586	2.67
1998	849,121	764,393	84,728	29,642	2.86
1999	848,890	762,824	86,066	29,642	2.90
2000	880,013	795,727	84,286	17,907	4.71
2001	850,979	787,456	63,523	31,551	2.01
2002	865,160	811,969	53,191	72,244	0.74
2003	871,138	822,527	48,611	60,028	0.81
2004	952,976	869,830	83,146	22,961	3.62
2005	1,076,882	886,428	190,454	138,685	1.37
<b>GAS DIVISION (1)</b>					
1996	\$ 251,033	\$ 196,701	\$ 54,332	\$ -	\$ N/A
1997	232,659	190,223	42,436	-	N/A
1998	203,349	166,739	36,610	-	N/A
1999	203,562	169,369	34,193	-	N/A
2000	263,824	236,133	27,691	-	N/A
2001	350,999	345,263	5,736	619	9.27
2002	261,799	243,950	17,849	-	N/A
2003	356,076	334,113	21,963	-	N/A
2004	368,318	361,357	6,961	-	N/A
2005	486,503	450,367	36,136	-	N/A
<b>WATER DIVISION (1)</b>					
1996	\$ 59,224	\$ 32,211	\$ 27,013	\$ 8,981	\$ 3.01
1997	58,397	33,989	24,408	8,991	2.71
1998	62,811	36,704	26,107	21,244	1.23
1999	63,949	36,155	27,794	8,933	3.11
2000	67,511	38,244	29,267	8,826	3.32
2001	61,117	41,738	19,379	9,117	2.13
2002	56,447	43,568	12,879	6,641	1.94
2003	56,432	47,720	8,712	8,427	1.03
2004	69,605	54,789	14,816	8,596	1.72
2005	75,279	55,158	20,121	6,565	3.06
<b>SEWER COLLECTION AND TREATMENT FUND (2)</b>					
1997	\$ 41,647	\$ 26,990	\$ 14,657	\$ 7,666	\$ 1.91
1998	39,755	27,477	12,278	7,620	1.61
1999	40,713	28,702	12,011	9,194	1.31
2000	40,017	29,215	10,802	9,156	1.18
2001	45,845	29,568	16,277	11,364	1.43
2002	40,354	30,779	9,575	10,002	0.96
2003	39,749	33,690	6,059	11,174	0.54
2004	35,935	31,038	4,897	12,354	0.40
2005	47,652	33,495	14,157	12,693	1.12
2006	50,278	30,782	19,496	14,920	1.31

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

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

**DEMOGRAPHIC AND ECONOMICS STATISTICS**  
**Last Ten Fiscal Years**

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

<b>Fiscal 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>
1996	614,289	27,736,796	24,045	Not available	107,581	4.4
1997	614,289	29,125,934	25,013	Not available	110,000	4.6
1998	596,725	31,775,068	26,953	Not available	109,600	3.8
1999	643,715	33,139,503	27,737	Not available	117,900	3.6
2000	650,100	34,458,835	28,518	31.6	118,365	3.8
2001	676,087	36,241,448	29,839	Not available	118,995	4.1
2002	674,478	37,395,712	30,557	Not available	118,122	5.2
2003	673,120	38,592,109	31,677	33.4	118,000	6.2
2004	671,929	40,876,802	32,741	Not available	118,000	5.6
2005	672,277	42,720,000	33,880	33.4	119,021	5.7

**PRINCIPAL EMPLOYERS**  
**Current Year and Nine Years Ago**

**CITY OF MEMPHIS, TENNESSEE**  
**EXHIBIT X-17**

**2006**

**1997**

<b>Name of Employer</b>	<b>2006</b>		<b>1997</b>	
	<b>Employees</b>	<b>Percentage of Total City Employment</b>	<b>Employees</b>	<b>Percentage of Total City Employment</b>
Federal Express Corporation	30,000	6.05%	28,000	5.88%
Memphis City Schools	16,000	3.23%	17,900	3.76%
United States Government	14,800	2.98%	14,000	2.94%
Methodist Healthcare	10,000	2.02%	6,572	1.38%
Baptist Memorial Healthcare Corp.	8,000	1.61%	6,565	1.38%
Shelby County Government	7,183	1.45%	5,162	1.08%
Memphis City Government	6,680	1.35%	4,335	0.91%
Wal-Mart Stores, Inc.	6,500	1.31%	4,222	0.89%
Naval Support Activity Mid-South	6,500	1.31%	3,890	0.82%
Tennessee State Government	5,247	1.06%		
<b>Total</b>	<b>110,910</b>	<b>22.37%</b>	<b>90,646</b>	<b>19.04%</b>

**FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION**  
**Last Ten Fiscal Years**

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

Function and Activity	Fiscal Year									
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
<b>General government:</b>										
<b>Public safety</b>										
Police	761	740	754	792	831	851	857	857	874	859
Officers	1,696	1,782	1,967	2,132	2,402	2,152	2,015	1,996	2,147	2,024
Civilians	388	448	521	595	604	644	690	670	598	578
Fire										
Firefighters and officers	1,230	1,374	1,433	1,519	1,562	1,556	1,603	1,629	1,639	1,668
Civilians	292	150	134	139	132	140	76	144	157	140
<b>Highways and streets</b>										
Engineering	102	100	110	108	172	170	181	189	191	186
Maintenance	331	335	326	355	290	282	272	274	275	277
<b>Sanitation</b>	725	688	690	693	693	677	658	652	653	654
<b>Culture and recreation</b>	479	471	339	345	428	418	397	417	422	326
<b>Sewer</b>	307	298	296	287	273	288	287	289	290	293

**OPERATING INDICATORS BY FUNCTION**  
**Last Ten Fiscal Years**

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

Function	Fiscal Year									
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Police										
Physical arrests	79,410	85,099	84,555	87,277	79,663	82,786	78,368	88,076	79,586	51,871
Parking violations	101,190	119,070	139,398	236,848	146,425	134,610	128,225	122,004	136,057	119,017
Traffic violations	119,818	157,016	202,106	250,646	261,081	225,478	257,849	229,222	245,512	233,961
Fire										
Number of calls answered	48,530	54,462	54,252	61,695	64,392	64,344	65,571	64,691	62,153	66,357
Inspections	N/A	N/A	N/A	N/A	78,829	56,201	165,303	N/A	N/A	N/A
Highways and streets										
Street resurfacing (miles)	N/A	N/A	N/A	N/A	N/A	317.35	236.32	216.13	300.12	193.93
Potholes repaired	N/A	N/A	N/A	N/A	N/A	2,312	1,945	1,735	1,896	1,052
Sanitation										
Refuse collected (tons/day)	1,228	1,208	1,213	1,216	1,233	1,227	1,278	1,329	1,214	1,270
Recyclables collected (tons/day)	230	250	285	331	340	377	399	380	415	347
Culture and recreation										
Athletic field permits issued	N/A	N/A	N/A	N/A	N/A	739	294	97	168	1,527
Community center admissions	N/A	N/A	N/A	N/A	N/A	1,171,124	1,264,776	1,401,897	793,029	392,125
Water										
Average daily consumption (thousands of gallons)	120,809	124,430	128,836	132,937	136,237	134,384	113,851	119,386	121,456	124,676
Wastewater										
Average daily sewage treatment (thousands of gallons)	188,300	177,200	168,100	154,400	155,500	170,400	160,500	149,700	167,200	155,400

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

**CAPITAL ASSET STATISTICS BY FUNCTION**  
**Last Ten Fiscal Years**

**CITY OF MEMPHIS, TENNESSEE**  
**EXHIBIT X-20**

Function and Activity	Fiscal Year									
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
<b>Public safety:</b>										
Police:										
Stations	7	7	7	8	8	8	8	8	8	9
Community policing offices	15	15	15	15	15	15	15	15	15	15
Patrol units	722	728	1,167	1,272	1,377	1,530	2,776	800	800	800
Fire:										
Number of Stations	48	50	52	52	52	52	54	54	59	59
Number of Truck (Ladder)	25	25	25	25	25	26	26	27	27	27
<b>Solid Waste Managements:</b>										
Collection trucks	296	296	296	296	296	296	296	296	296	296
Solid waste disposed (Tons)	380,548	379,197	391,097	403,618	409,063	417,024	436,001	446,071	425,170	451,472
<b>Streets and Highways:</b>										
Streets (miles)	3,145	3,160	3,183	3,200	3,200	4,662	4,662	4,662	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	62,300	65,071	66,147	69,157	69,157	69,715	71,287	71,376	71,376	73,684
Traffic signals	800	800	800	800	800	800	800	800	800	830
Roadside ditches	574	574	574	574	574	574	574	580	580	580
<b>Community services:</b>										
Parks acreage	6,000	5,425	5,425	5,387	5,387	5,387	5,387	5,387	5,387	5,387
Parks	180	214	214	187	187	187	187	187	187	187
Golf courses	7	7	7	7	7	7	7	7	7	8
Community centers	26	26	26	26	28	28	28	28	28	28
Tennis courts	6	6	6	7	7	7	7	7	7	7
Swimming pools	17	17	17	15	15	15	17	17	17	17
<b>Water:</b>										
Water mains (miles)	3,050	3,050	3,050	3,095	3,095	4,650	4,650	4,650	6,680	6,680
Fire hydrants	22,000	22,000	22,000	22,000	22,000	22,000	22,000	22,000	22,000	22,000
Daily storage capacity (millions of gallons)	262.5	262.5	262.5	262.5	262.5	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	3,600	3,600	3,600	3,600	3,605	3,605
Number of Storm drainage	3,901	3,913	3,924	3,929	3,929	3,929	3,929	3,929	3,988	3,988

**GENERAL FUND EXPENDITURES ON MUNICIPAL STATE AID**  
**(Thousands of Dollars)**  
**For the fiscal year ended June 30, 2006**

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

---

	<u>2006</u>
<b>Revenues</b>	
State taxes (local share)	\$ 14,019
Total revenues	<u>14,019</u>
<b>Expenditures</b>	
Traffic engineering	768
Street signs and markings	2,244
Mass transit	3,115
Traffic signal maintenance	2,216
Street sweeping	1,020
Street maintenance	4,542
Drain maintenance	2,723
Street lighting	<u>8,436</u>
Total expenditures	<u>25,064</u>
Excess of expenditures over revenues	<u>\$ 11,045</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, 2006**

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

Federal CFDA Number	Grant Number	Receivable (Deferral)		Expenditures		Receivable (Deferral)	
		June 30, 2005	FY' 06	FY' 06	June 30, 2006		
<b>FEDERAL GOVERNMENT AWARDS</b>							
<b>DEPARTMENT OF AGRICULTURE</b>							
<b>Passed through Tennessee Department of Human Services</b>							
10.559	DA0300050.DA0400069	108,973	-	26,033	135,006		
10.675	Z0401525300	(20,596)	-	-	(20,596)		
		<b>88,377</b>	<b>-</b>	<b>26,033</b>	<b>114,410</b>		
<b>TOTAL DEPARTMENT OF AGRICULTURE</b>							
<b>DEPARTMENT OF HOMELAND SECURITY</b>							
<b>Urban Search and Rescue Task Force</b>							
97.025	EMW2001CA0131.WK03036603	266,332	333,976	2,004	(65,640)		
97.025	W2004CA622271.EMW2005CA0274	251,849	1,223,722	1,051,549	79,676		
97.025	EMW2001CA0131.WK03036603	-	90,000	90,000	-		
97.025	Z0301587600, Z04020264	715,857	1,803,778	1,370,333	282,412		
	Subtotal (97.025)	1,234,038	3,451,476	2,513,886	296,448		
97.044	EMW2003FP02907	42,762	42,762	-	-		
<b>Passed through Tennessee Department of Military</b>							
97.036	Z0401969803	812,781	687,617	-	125,164		
97.036	Z0603096800	-	-	168,336	168,336		
97.042	Z05025418	27,648	58,619	148,971	118,000		
97.053	Z0301551500	12,012	-	-	12,012		
97.071	EMW2004GR0655	-	250,000	264,799	14,799		
	Subtotal (97.036-97.071)	2,129,241	4,490,474	3,095,992	734,759		
<b>DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>							
<b>Passed through Tennessee Department of Health</b>							
16.575	GG0309633.GG0410336	80,970	-	59,000	139,970		
		<b>80,970</b>	<b>-</b>	<b>59,000</b>	<b>139,970</b>		
<b>TOTAL DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>							
<b>DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</b>							
<b>Community Development Block Grant</b>							
14.218	B01MC470006	4,707,955	14,037,331	13,715,068	4,385,692		
14.900	TNLHB017200.TNLHD000603	(94,872)	334,680	665,838	236,286		
14.231	S02.03MC4-70002	100,408	373,452	457,839	184,795		
14.239	M02.03MC470202	1,715,540	3,901,929	4,204,994	2,018,605		
14.241	TN37H9-7F040,8F001	(349,032)	1,130,317	1,358,945	(120,404)		
14.238	TN37C970105.TN37C101001	78,180	412,992	225,464	(109,348)		
14.408	FH400G01028	(12,054)	10,000	15,407	(6,647)		
14.246	B-98-BD-47-0009	129,638	-	110,591	240,229		
	Subtotal (14.218-14.408)	6,275,763	20,200,701	20,754,146	6,829,208		
<b>TOTAL DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</b>							

**SUPPLEMENTAL SCHEDULE OF EXPENDITURES  
OF FEDERAL AND STATE AWARDS  
For the fiscal year ended June 30, 2006**

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

<b>DEPARTMENT OF JUSTICE</b>						
Encourage Arrest Policies	16.590	2004WEAX0031	5,371	-	490,186	495,557
Local Law Enforcement	16.592	2002LBBX2233	(375)	-	375	-
Local Law Enforcement	16.592	2003LBBX2211	(178,776)	-	182,542	3,766
Local Law Enforcement	16.592	2004LBBX0674	(261,592)	-	245,289	(16,303)
Subtotal (16.592)			(440,743)	-	428,206	(12,537)
Cops Technology	16.710	2003CKWX0182	993,500	993,500	-	-
Cops Technology Program FY05	16.710	2005CKWX0430	-	-	243,550	243,550
Subtotal (16.710)			993,500	993,500	243,550	243,550
Project Safe Neighborhood Housing Demo	16.609	2004-GP-CX-0704	106,280	-	143,109	249,389
Project Safe Neighborhood Unit	16.609	2003-GP-CX-0515	8,186	5,542	40,884	43,528
Subtotal (16.609)			114,466	5,542	183,993	292,917
Gang Resistance Education	21.053	96689071,ATC010132,STC03000171	127,858	-	123,029	250,887
Police Athletic League	16.540		-	13,333	17,226	3,893
Victims of Crime	16.575	Z00004855	95,267	55,002	200,421	240,686
<b>TOTAL DEPARTMENT OF JUSTICE</b>			895,719	1,067,377	1,686,611	1,514,953
<b>DEPARTMENT OF LABOR</b>						
Passed through Public Private Ventures	16.202		(39,685)	289,953	172,527	(157,111)
Ready for Work						
Passed through Tennessee Department of Labor	17.258	DA0400062	(101,039)	1,906,602	2,085,161	77,520
Workforce Investment Act - Adult	17.259	DA0400062	743,070	2,659,126	2,543,646	627,590
Workforce Investment Act - Youth	17.260	DA0400062	14,642	1,517,602	1,628,446	125,486
Workforce Investment Act - Dislocated	17.260	DA0400062	-	4,141	5,641	1,500
Workforce Investment Act - Title 1 National Emergency	17.261	DA0400062	-	56,267	53,197	(3,070)
Workforce Investment Act - Title 1 Hurricane Katrina	17.269	DA0400062	-	-	2,207	2,207
Workforce Investment Act - Title 1 Incumbent Workers			616,988	6,433,691	6,490,825	674,122
<b>TOTAL DEPARTMENT OF LABOR</b>			45,310	50,500	50,500	-
<b>DEPARTMENT OF STATE</b>						
Inter-library Loan Grant		Z0000097300	-	50,500	50,500	-
<b>TOTAL DEPARTMENT OF STATE</b>			-	50,500	50,500	-
<b>DEPARTMENT OF TRANSPORTATION</b>						
Passed through Tennessee Department of Transportation	20.205	STP-M-9409,CM-STP-9409,GG980770	61,850	427,984	465,613	99,479
Congestion Mitigation Air Quality	20.205	CM-ITS-9547(601)	65,795	-	621	66,416
Memphis Early Deployment Grant	20.205	CM-STP-9409(49)	32,663	-	-	32,663
Enhanced Traffic Signal Maintenance Response	20.205	CM-STP-9409(42),(47)	343,519	-	9,069	352,588
Traffic Signal System	20.205	CM-STP-9409(41),(48)	(29,791)	-	-	(29,791)
Enhanced Traffic Signal Implementation			474,036	427,984	475,303	521,355
Subtotal (20.205)			(2,728)	-	-	(2,728)
Mississippi River Cycling Corridor	20.219	EN-STP-7900(16)	19,920	-	-	19,920
Riverbluff Walkway	20.219	EN-STP-7900(13)	40,744	-	-	40,744
Cobblestone Walkway	20.219	STP-EN-9409(62)	57,936	-	-	57,936
Subtotal (20.219)			531,972	427,984	475,303	579,291
<b>TOTAL DEPARTMENT OF TRANSPORTATION</b>			10,619,030	32,670,727	32,638,410	10,586,713
<b>TOTAL FEDERAL GRANTS</b>						



**City of Memphis  
Note to the Schedule of Expenditures of Federal and State Awards  
For the Year Ended June 30, 2006**

**Basis of Presentation**

The accompanying schedule of expenditures of federal and state awards includes the federal and state 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, 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.



Watkins Uiberall, PLLC  
Certified Public Accountants & Financial Advisors  
Independent Member of BKR International



**INDEPENDENT AUDITORS' 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 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, 2006, which collectively comprise the City's basic financial statements and have issued our report thereon dated December 6, 2006. We did not audit the Memphis-Shelby County Airport Authority, which is a component unit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The

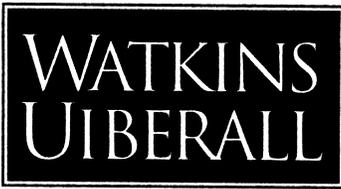
results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the City in a separate letter dated December 6, 2006.

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

Watkins Liberiall, PLLC  
Banks, Finley, White & Co.

Memphis, Tennessee  
December 6, 2006



Watkins Uiberall, PLLC  
Certified Public Accountants & Financial Advisors  
Independent Member of BKR International



**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE  
TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER  
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

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

Compliance

We have audited the compliance of the City of Memphis, Tennessee (the "City") with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2006. We did not audit the Memphis-Shelby County Airport Authority, which is a component unit. The City's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

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

In our opinion, the City complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2006

Internal Control Over Compliance

The management of the City is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal

programs. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operations that we consider to be material weaknesses.

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

Memphis, Tennessee  
December 6, 2006

*Watkins Universal, PLLC*  
*Banks, Finley, White & Co.*

**CITY OF MEMPHIS, TENNESSEE**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

For the Year Ended June 30, 2006

---

**A. SUMMARY OF AUDIT RESULTS**

1. The auditors' report expresses an unqualified opinion on the financial statements of City of Memphis, Tennessee.
2. No reportable conditions or material weaknesses were reported during the audit of the financial statements.
3. No instances of noncompliance material to the financial statements of City of Memphis, Tennessee were disclosed during the audit.
4. No reportable conditions or material weaknesses were reported during the audit of the major federal award programs.
5. The auditors' report on compliance for the major federal award programs for City of Memphis, Tennessee expresses an unqualified opinion on all major federal programs.
6. The audit did not disclose any 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:
  - 14.241 Housing Opportunities for Persons with AIDS
  - 14.218 Community Development Block Grant
8. The threshold for distinguishing Types A and B programs was \$979,152.
9. City of Memphis, Tennessee was determined to be a low risk auditee.

**B. FINDINGS – FINANCIAL STATEMENT AUDIT**

None reported

**C. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT**

None reported

**CITY OF MEMPHIS, TENNESSEE**

**SCHEDULE OF PRIOR YEAR AUDIT FINDINGS**

For the Year Ended June 30, 2006

---

No prior year audit findings were reported.

# INTRODUCTORY SECTION

## **FINANCIAL SECTION**

**CITY OF MEMPHIS**

T E N N E S S E E

**BASIC FINANCIAL STATEMENTS**

# CITY OF MEMPHIS

T E N N E S S E E

## REQUIRED SUPPLEMENTARY INFORMATION

Required Supplementary Information includes budgetary comparisons for the General Fund and major individual Special Revenue Funds.

# CITY OF MEMPHIS

T E N N E S S E E

## COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES

Financial presentations in this section include those intended to show one or more of the following:

1. Combining statements to support each column in the basic financial statements that aggregates data from more than one fund.
2. Budgetary comparisons not required in connection with the basic financial statements.
3. Detailed budgetary comparisons for the general fund.
4. Greater detail.

# COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES

---

## CITY OF MEMPHIS

T E N N E S S E E

### GENERAL FUND

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

# COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES

---

## CITY OF MEMPHIS

T E N N E S S E E

### COMBINING NONMAJOR FUNDS

#### SPECIAL REVENUE

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

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

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

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

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

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

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

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

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

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

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

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

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

#### CAPITAL PROJECTS

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

**COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES**

---

**CITY OF MEMPHIS**

T E N N E S S E E

**DEBT SERVICE FUND**

The Debt Service Fund accounts for the accumulation of resources for, and the payment of general long-term debt principal, interest, and related costs.

# CITY OF MEMPHIS

T E N N E S S E E

## ENTERPRISE FUNDS

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

**Golf** – The Golf Fund accounts for the operations of the municipal golf courses operated by the City.

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

# CITY OF MEMPHIS

T E N N E S S E E

## INTERNAL SERVICE FUNDS

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

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

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

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

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

# CITY OF MEMPHIS

T E N N E S S E E

## FIDUCIARY FUNDS

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

**Retirement Systems** – Included here are the retirement systems for the City of Memphis, the Library and Memphis Light, Gas and Water.

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

**COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES**

---

**CITY OF MEMPHIS**

T E N N E S S E E

**SUPPLEMENTARY SCHEDULES**



