



Comprehensive Annual Financial Report

Fiscal year ended June 30, 2009

2009

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COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED JUNE 30, 2009

City of Memphis

Tennessee

Dr. Willie W. Herenton

Mayor

Keith L. McGee

Chief Administrative Officer

PREPARED BY DIVISION OF FINANCE

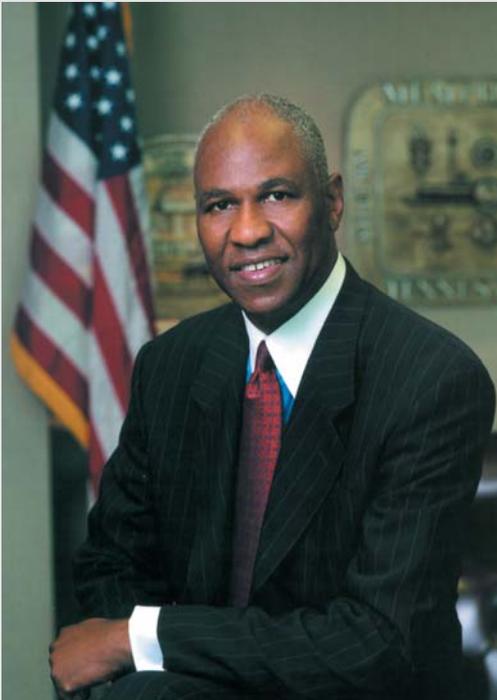
Roland McElrath

Director



July 28, 2009

To Members of the City Council And Fellow Memphians:



I am pleased to submit The City of Memphis' Comprehensive Annual Financial Report for the fiscal year ended June 30, 2009. This report documents our sound financial position and operations for the year, as well as the current economic climate of Memphis.

Progressive leadership, strategic planning and fiscal prudence resulted in the City having an exceptionally strong financial position at the end of fiscal year 2009 despite the recent global economic downturn. Skillfully maneuvering the ever changing financial landscape better equips the City to focus on its foremost priorities - public safety, economic growth and public services.

The City's many accomplishments this year are also evidence of our judicious stewardship of tax dollars. We are extremely pleased with the outstanding progress made toward revitalizing our neighborhoods. Where dilapidated public housing once stood, Legends Park, a new \$83 million Hope VI residential and mixed use development, is well on its way to bringing new life to Downtown Memphis and its surrounding areas. Legends Park and neighborhoods throughout the City will be safer as a result of the Real Time Crime Center that was established this year by the

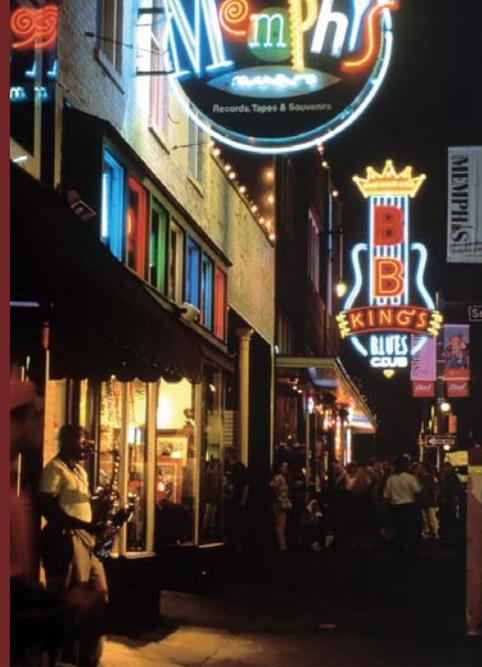
Memphis Police Department to proactively reduce crime by using state-of-the-art technology to track criminal activity. Perhaps one of the most impressive accomplishments achieved during the year involved providing summer employment opportunities to approximately 3,000 teens and young adults. The higher level of summer youth employment was made possible through funds received from the American Recovery and Reinvestment Act of 2009 (Economic Stimulus Funding). We are excited about all of the new possibilities associated with these Economic Stimulus dollars. These funds will help to stabilize our local economy and serve as a catalyst to creating a more vibrant and productive community.

Our accomplishments this year in the midst of financially turbulent times nationwide are clear indicators of this City's strength and resolve. As I prepare to retire, I am confident that the City, through its employees and partnerships, will continue to carry out its mission to provide responsive and cost effective services through the enhancement of employee, neighborhood, youth and business development. As such, we present this report as part of our commitment to inform all interested parties of our financial condition. Respectfully submitted,

A handwritten signature in black ink, appearing to read 'Willie W. Herenton'.

Dr. Willie W. Herenton
Mayor

**INTRODUCTORY
SECTION**



December 31, 2009

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, 2009, 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 controls that it has established for this purpose. Because the cost of internal controls should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

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

The City's financial statements have been audited by Thompson Dunavant PLC and Jones & Tuggle, CPAs, licensed certified public accountants. Thompson Dunavant PLC has issued an unqualified ("clean") opinion on the City's financial statements for the year ended June 30, 2009. The independent auditor's report is located at the front of the financial section of this report.

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



Profile of the Government

The City of Memphis is a home rule city under State law and was, incorporated in 1826. The present Charter was adopted in 1968 and provides for a Mayor-Council form of government. The Charter provides for the election of a mayor and thirteen council members. The City currently occupies a land area of 340.5 square miles and serves a population of 669,651. The City is empowered to levy a property tax on both real and personal property located within its boundaries. It also is empowered by state statute to extend its corporate limits by annexation, which occurs periodically when deemed appropriate by the City Council.

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

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

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

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



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

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

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

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

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

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

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



Economic Condition Assessment

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

The National Economy

- The National Bureau of Economic Research is expected to signal an end to the recession which began in December 2007. The current recession, the longest and deepest economic contraction since the Great Depression, is now being referred to by many as the Great Recession.
- Total job losses to date for the current recession exceed 8.0 million. The U.S. unemployment rate rose to 9.8 percent in September of this year from 6.2 percent in September of last year. The economy continues to shed jobs, but the rate of job loss is improving.
- Every sector of the national economy and many reaches of the global economy have experienced drastic setbacks. In the first quarter of the year, Growth Domestic Product (GDP) fell 6.4 percent on an annualized basis, nonresidential fixed investment fell 39.2 percent, residential fixed investment fell 38.2 percent, exports were down 29.9 percent and imports dropped 36.4 percent. Although GDP continued to contract in second quarter, the economic environment improved markedly and is expected to continue to improve.
- The nation's housing market is showing signs of a turnaround. Low housing prices, along with federal tax credit for first-time home buyers, has helped lift the housing market from the bottom it realized in the first quarter of the year.
- The key federal funds rate, currently in the 0.0 to 0.25 percent range, remains at unprecedented lows. Inadequate demand and excess productive and commercial capacity has resulted in no inflationary impact.

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.

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

According to the Center for Regional Economics-8th District Federal Reserve Bank of St. Louis, between August 2008 and August 2009, employment growth in the Memphis MSA was negative in all goods-producing sectors and in most service-providing sectors. The biggest percentage job losses were in manufacturing (6.1 percent); natural resources, mining, and construction (8.2 percent); and information (6.9 percent). However, expansion remains ongoing in the education and health services, other services and government sectors.

Tennessee's unemployment rate has been consistently above the nation's rate throughout the recession. The Memphis MSA unemployment rate fared slightly better than the state's unemployment rate. Tennessee's September 2009 unemployment rate reflects a 3.3 percent increase from September 2008. Unemployment statistics in the local economy fared slightly better than those of the state. Memphis' unemployment rate increased to 9.9 percent in September 2009, up 2.6 percent from a year ago. Despite the current national recession, the continuation of major local job creation initiatives should improve the Memphis unemployment situation in the future.

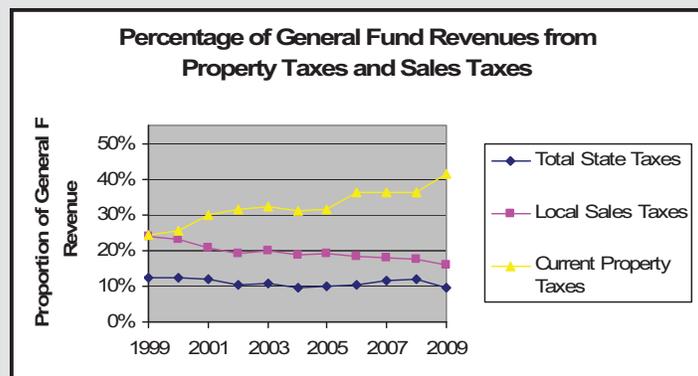
Unemployment Rates (Seasonally Adjusted), 2009-2008

Region	Sep 2009	Sep 2008	Percent Change
Memphis MSA*	9.9%	7.3%	2.6%
Tennessee	10.5%	7.2%	3.3%
United States	9.8%	6.1%	3.7%

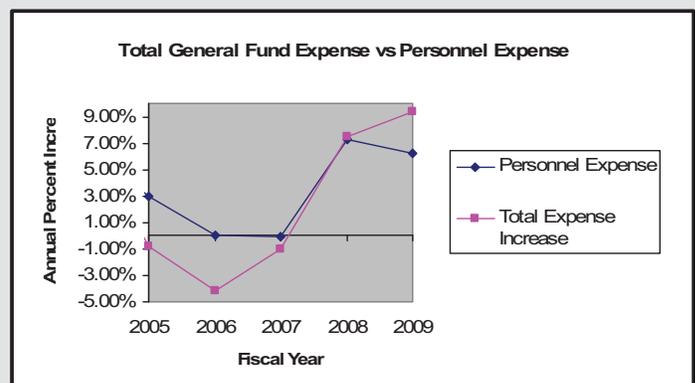
Source: U.S. Bureau of Labor Statistics and Tennessee Department of Labor and Workforce Development.
*Not Seasonally Adjusted

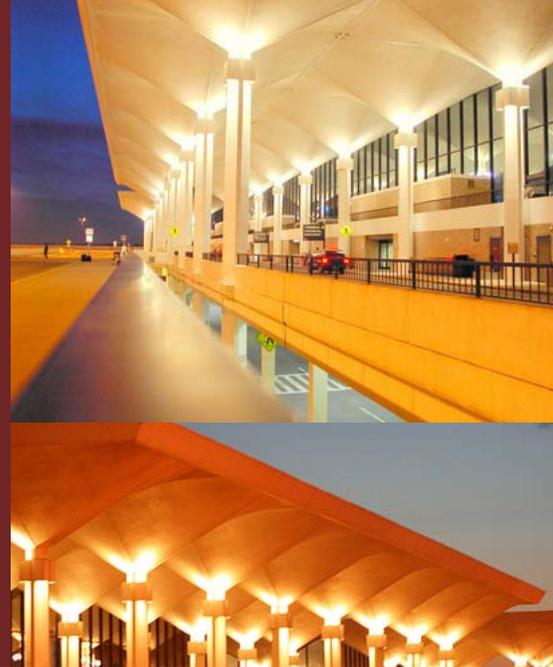


The chart below shows that since fiscal year 2000, there has been a growing dependence on property tax revenues while both Local Sales Taxes and State Shared Taxes have trended downwards as a percentage of total revenues. During fiscal year 2006, the City realized a significant increase in property tax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



Nationally and locally, fiscal managers are continually faced with managing fluctuating energy prices, healthcare costs and employment costs. Policy makers are concerned with cost-push inflation as employment costs represent about two-thirds of total costs of production/service. During fiscal year 2005, City managers executed spending cuts and a temporary layoff, resulting in substantial expense savings. In an attempt to contain personnel costs and other operating expenses, the City implemented additional spending cuts and a hiring freeze during fiscal year 2006. During fiscal year 2007, growth in personnel expense remained flat while total general fund expenses decreased by 1 percent. Total General Fund expenses increased by more than 7 percent in fiscal year 2008 due primarily to an increase in personnel expense. The Fire and Police divisions were the key drivers to overall personnel spending. The Police and Fire divisions' increases resulted from higher overtime expense to support crime initiatives and





to compensate for vacancies. Personnel expenses grew by 6% in fiscal year 2009 as a result of a 5% general increase given to all employees and the filling of vacancies. Total expense increased by 9% as a result of the personnel expense increase, increased subsidies to the Memphis Area Transit Authority (MATA), increased retiree healthcare premium expense and prepayments of debt service for the Fire and Police divisions.

The Memphis real estate market proved not to be immune to the downfall of the global economy and the recession. Sub-prime lending problems that plagued the rest of the nation significantly impacted the Memphis residential market. Total home sales decreased a little over 17.1% year over year in September. However, the median and average sales prices in September increased 12.5% and 6.1%, respectively versus the prior year. The improvement in the median and average sales prices signifies the beginning of market improvement. Many of the foreclosures linked to subprime mortgages have been purchased and taken off the market. An article in the U.S. News and World Report magazine recently ranked Memphis as fourth on a list of hard-hit housing markets that are ready to rebound.

Home Sales in Memphis, September 2008 - 2009			
	2008	2009	Percent Change
Total Home Sales	1,471	1,220	-17.1%
Median Sales Price	\$100,000	\$112,500	12.5%
Average Sales Price	\$129,805	\$137,679	6.1%
Active Listings	11,969	13,227	1.1%

Source: Memphis Area Association of Realtors Multiple Listing Service.

Recent Developments:

- Dr. Willie W. Herenton, the City’s first African-American mayor, retired on July 30th after serving 18 years as the City’s mayor.
- On February 17, 2009, President Obama signed the American Recovery and Reinvestment Act 2009 which provided \$787 billion to stimulate the economy for the next two years. The City has currently utilized stimulus funds to provide jobs to approximately 3,000 youth and have plans to utilize the funds for various capital projects.
- Owens Corning, a Fortune 500 Company, recently announced that the company will invest \$22 million into a facility the company owns in North Memphis. Owens Corning is a leading global producer of residential and commercial building materials, glass-fiber reinforcements and engineered materials for composite systems.
- The University of Memphis approved a 20-year \$750 million master plan, to create a new “front door” to the university’s campus, including replacing existing educational facilities as well as enhancing surrounding neighborhoods. Three private commercial developments are currently under construction: a \$63.5 million,



mixed use residential, retail and services development; a 85-unit mixed use student apartment building and retail center, and a 40-unit luxury condominium.

- The City selected a master developer to redevelop the entire 170-acre Fairgrounds site located in the mid-town area of Memphis. This site is the former home of the Mid-South Fair and the Libertyland Amusement Park. The plan will include the renovation of the City's Liberty Bowl football stadium. The City has received approval from the State legislature to establish a tourist development zone (TDZ) which will allow the City to fund a portion of the improvements from sales tax increment financing.
- Negotiations with Bass Pro Shops concerning development of the unused Pyramid arena have advanced significantly and the execution of a development seems imminent.

Long-term Financial Planning

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

The City successfully executed a shared services arrangement or a joint purchasing agreement with the local public utility and the local public transit provider as a result of our planning initiative. In addition, several functional consolidation opportunities with Shelby County Government are being explored. One of the most promising opportunities include the potential merger of the engineering departments and the two fire departments. Also, the City is working with the Memphis Regional Chamber and Memphis Tomorrow to create an economic development "Growth Strategy" that will ideally enhance the city's overall growth, tax base and wages.

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

Relevant Financial Policies

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



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

The City established an OPEB Trust in fiscal year 2008. The current valuation reflects \$934 million as the Unfunded Actuarial Accrued Liability (UAAL). The city is continually reviewing funding strategies and health benefit plan change alternatives in an effort to reduce the obligation.

Major Initiatives

In addition to the annual operating budget, the City also adopts a Capital Improvement Program (CIP) that is a multi-year plan for capital expenditures to replace and expand the City's infrastructure, vehicles and equipment. The program is updated annually to reflect the latest priorities, updated cost estimates and available revenue sources. Various sources of revenue include general obligation bonds, federal grants, state grants, user fees and private funds. Projects are reviewed based on need, impact on the area, quality of life in our neighborhoods and the general economic climate of the City. Highlights of the CIP budget plan for 2010-2014 are:

- The Fire Division's budget includes funds for the replacement of pumpers, aerial trucks and ambulances.
- The Police Division's budget includes funds for more than 150 replacement police cars, helicopter replacements and precinct renovations.
- The Parks Division's budget includes funds for improvements to aquatic facilities, renovations to the Liberty Bowl Stadium, land acquisitions for future parks, improvements to the Wolf River greenway and improvements at the Memphis Botanic Garden.
- The Public Services and Neighborhoods Division's budget includes funding for a new animal shelter and a fourth vehicle inspection station.
- The Memphis Area Transit Authority's capital improvement budget, heavily leveraged by Federal and State funding, will be used to fund a new bus transfer station near the Memphis International Airport. Preventative maintenance is funded partially by G.O. Bonds.
- Riverfront Development's budget includes funds for Beale Street Landing and Cobblestone improvements.
- The Public Works Division's budget includes funds to pave over 400 lane miles of streets each year, ADA ramp improvements, several road projects and four bridge projects. The Stormwater Fund CIP budget will allow the City to make major investments in drainage infrastructure throughout the City. The Sewer



Fund projects are for the repair and replacement of sewer infrastructure, new sanitary sewers and improvements to the treatment plants.

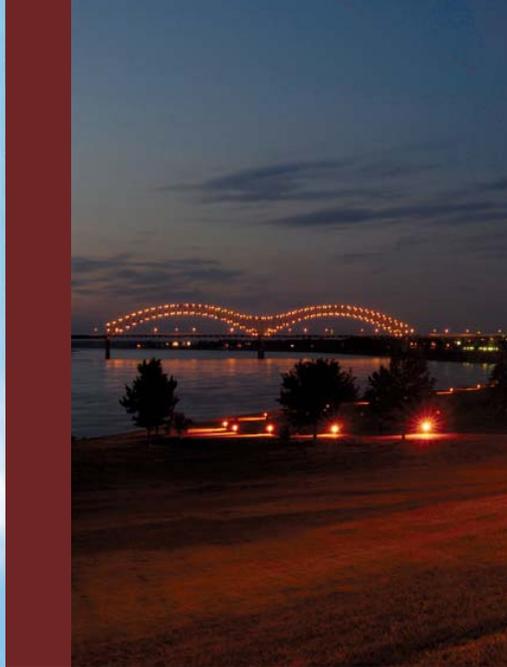
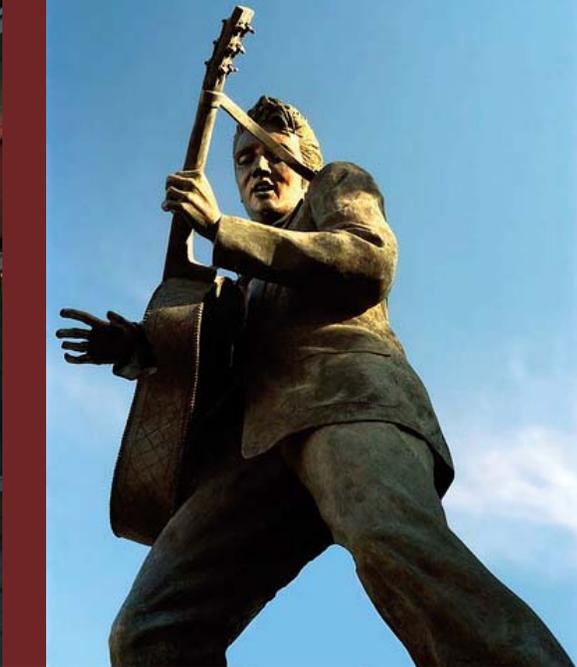
- The General Services Division's budget includes major ADA improvements and minor improvements to various City buildings and equipment. In addition, the budget reflects a new strategy to concentrate City-wide vehicle purchasing to achieve economies of scale.
- Housing and Community Development's budget includes funding for the Dixie Homes neighborhood redevelopment project and funding for purchase of the Pyramid.
- The Engineering Division's budget includes funding for replacement of traffic signals and intelligent transportation improvements.
- Information System's budget includes projects to upgrade the City's information technology infrastructure.

Capital Planning Process

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

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

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



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

Capital Expenditure Analysis

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

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

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

Annexation Plans

Currently, there are no pending annexation ordinances under consideration by the City Council.

Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Memphis for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2008. This was the 32nd consecutive year that the City has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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



The City also received GFOA's Distinguished Budget Presentation Award for its annual budget document for the fiscal year beginning July 1, 2009, the 11th consecutive year for this award.

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

Respectfully submitted,

Roland McElrath, CPA
Director of Finance

Patrice Thomas, CPA
Comptroller

Certificate of Achievement for Excellence in Financial Reporting

Presented to
**City of Memphis
Tennessee**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2008

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

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

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



President

Executive Director

**CITY OF MEMPHIS, TENNESSEE
CITY OFFICIALS**

Willie W. Herenton, Mayor

CITY COUNCIL

Scott McCormick, Chairman (District 9-2)

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

COURTS

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

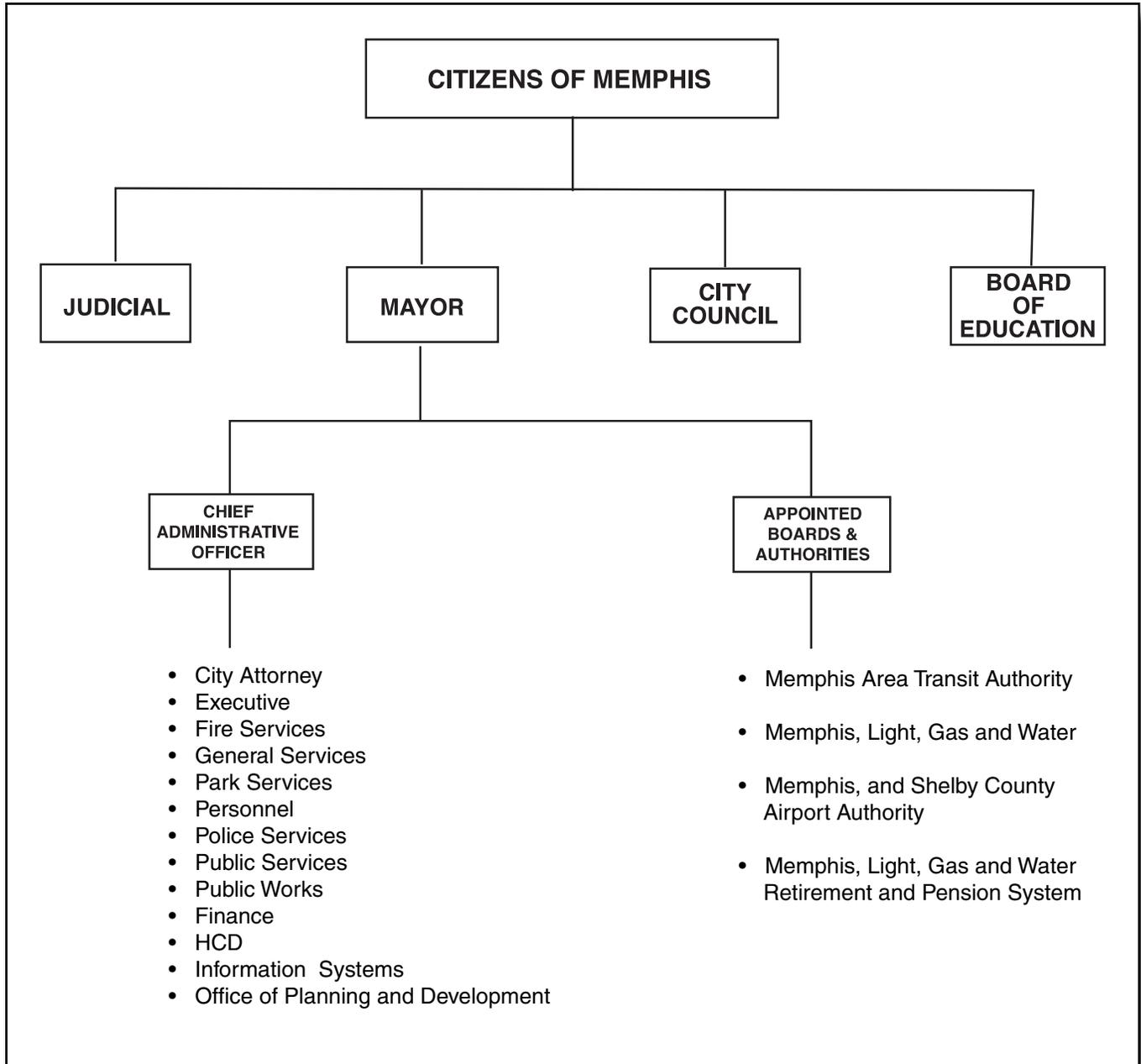
ADMINISTRATIVE

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

City of Memphis, Tennessee

ORGANIZATION CHART

Primary Government and Discretely Presented Component Units



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

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Independent Auditors' Report

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Memphis, Tennessee (the "City") as of and for the year ended June 30, 2009, and the budgetary comparison for the general fund for the year ended June 30, 2009, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Board of Education of the Memphis City Schools, the Memphis-Shelby County Airport Authority and the Memphis Zoological Society, which represent 95%, 93% and 96%, respectively, of the assets, net assets, and revenues of the aggregate discretely presented component units. We did not audit the financial statements of the Electric, Gas, and Water Divisions of Memphis Light, Gas, and Water Division ("MLGW"), a major proprietary fund. MLGW Electric, Gas, and Water Divisions represent 89%, 88% and 96%, respectively, of the assets, net assets, and revenues of the business-type activities of the primary government. We did not audit the financial statements of Memphis Light, Gas, and Water Division Retirement and Pension System and Memphis Light, Gas, and Water Division Other Post Employment Benefits Trust Fund, which represent 39%, 37% and 39%, respectively, of the assets, net assets, and total deductions of the fiduciary funds. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the aforementioned entities, is based on the reports of the other auditors.

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

In our opinion, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2009, and the respective changes in financial position and cash flows where applicable, thereof and the respective budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 23, 2009 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

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

As discussed in note V.C. to the financial statements, the City is party to a lawsuit with The Board of Education of the Memphis City Schools (BOE). The Chancery Court of Shelby County, Tennessee (the "Court") has ruled the City is to provide additional funding in the amount of \$57,460,947 to the BOE to meet its obligations as required by Tennessee's education statutes. The ruling has been appealed by the City and the Court has stayed judgment pending the appeal. The appeals process suspends the finality of the judgment and the judgment of the Court is subject to reversal or modification by the appellate court. The ultimate outcome of the legal matter cannot be presently determined. However, management and legal counsel for the City are of the opinion that the original judgment was flawed and without merit and that final settlement of the matter will not have a material adverse effect on the City's financial position. Nevertheless, due to uncertainties, it is at least reasonably possible that final settlement may have a material adverse effect on the City's financial position.

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

Memphis, Tennessee
December 23, 2009

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, 2009. 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 \$9,239 and exceeded its liabilities at June 30, 2009 by \$2,026,456 (net assets).
- At June 30, 2009, the City's governmental activities reported ending net assets of \$93,250, a decrease of \$50,751 or 35.2% from the prior year
- The City's business-type activities reported ending net assets of \$1,933,206, an increase of \$59,990 or 3.2% from prior year. A prior year adjustment was made to the MLGW division's beginning net assets balance as a result of implementing GASB Statement No. 49, Pollution Remediation Obligations.
- At June 30, 2009, the fund balance for the general fund was \$106,603, an increase of \$8,045 from prior year's restated balance. The unreserved portion of the fund balance was \$96,912.
- The City's total debt increased by \$75,203 or 2.1% 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, 2009. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flow in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government’s financial position. The City’s assets exceeded liabilities by \$2,026,456 at June 30, 2009.

Condensed Statement of Net Assets

	Governmental activities		Business-type activities		Total	
	2008	2009	2008	2009	2008	2009
Current and other assets	\$ 895,621	948,401	1,897,161	1,853,297	2,792,782	2,801,698
Capital assets	1,123,525	1,134,285	1,760,971	1,789,526	2,884,496	2,923,811
Total assets	2,019,146	2,082,686	3,658,132	3,642,823	5,677,278	5,725,509
Long-term liabilities outstanding	1,092,492	1,128,834	1,262,398	1,151,213	2,354,890	2,280,047
Other liabilities	782,690	860,602	486,270	558,404	1,268,960	1,419,006
Total liabilities	1,875,182	1,989,436	1,748,668	1,709,617	3,623,850	3,699,053
Net assets:						
Invested in capital assets, net of related debt	98,113	103,451	1,587,881	1,633,163	1,685,994	1,736,614
Restricted	-	-	88,703	91,215	88,703	91,215
Unrestricted	45,851	(10,201)	232,880	208,828	278,731	198,627
Total net assets	\$ 143,964	93,250	1,909,464	1,933,206	2,053,428	2,026,456

By far the largest portion of the City’s net assets (85.7%) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City’s investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided for by other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net assets (4.5%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (9.8%) is reflective of the City's practice of maintaining adequate reserves for payment of debt service and capital projects, while funding current operations with current revenue sources.

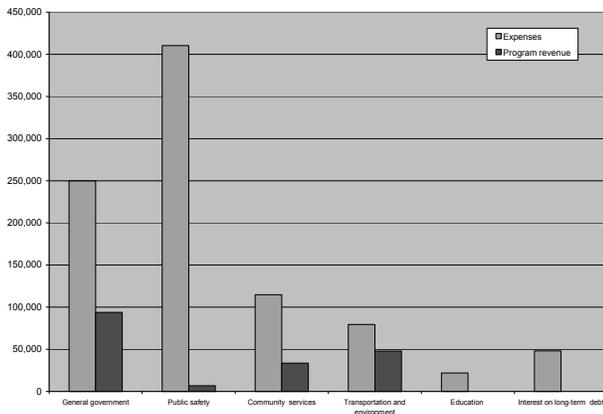
Condensed Statement of Changes in Net Assets

	Governmental activities		Business-type activities		Total	
	2008	2009	2008	2009	2008	2009
Revenues:						
Program Revenues:						
Charges for services	\$ 124,538	124,828	1,718,871	1,891,562	1,843,409	2,016,390
Operating grants and Contributions	49,822	56,402	25,185	26,705	75,007	83,107
Capital grants and Contributions	3,217	3,217	1,766	524	4,983	3,741
General revenues:						
Local taxes	549,149	531,339	-	-	549,149	531,339
State taxes (local share)	96,193	88,203	-	-	96,193	88,203
Hotel/motel tax	4,740	4,244	-	-	4,740	4,244
Unrestricted investment earnings	7,367	5,614	74,064	62,356	81,431	67,970
Other	22,455	12,478	-	-	22,455	12,478
Total revenues	857,481	826,325	1,819,886	1,981,147	2,677,367	2,807,472
Expenses:						
General government	271,906	249,707	-	-	271,906	249,707
Public safety	394,476	410,303	-	-	394,476	410,303
Community services	96,130	114,776	-	-	96,130	114,776
Transportation and environment	81,492	79,396	-	-	81,492	79,396
Education	91,392	21,846	-	-	91,392	21,846
Interest on long-term debt	50,250	48,046	-	-	50,250	48,046
Sewer collection and treatment	-	-	51,507	57,802	51,507	57,802
Memphis Light, Gas and Water	-	-	1,629,803	1,790,499	1,629,803	1,790,499
Storm Water	-	-	13,480	13,419	13,480	13,419
Total expenses	985,646	924,074	1,694,790	1,861,720	2,680,436	2,785,794
Increase (decrease) in net assets before transfers	(128,165)	(97,749)	125,096	119,427	(3,069)	21,678
Transfers	59,113	46,998	(61,759)	(59,437)	(2,646)	(12,439)
Increase (decrease) in net assets	(69,052)	(50,751)	63,337	59,990	(5,715)	9,239
Net assets - July 1, as restated	213,016	144,001	1,846,127	1,873,216	2,059,143	2,017,217
Net assets - June 30	\$ 143,964	93,250	1,909,464	1,933,206	2,053,428	2,026,456

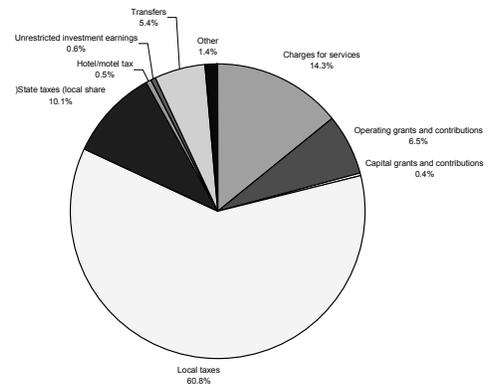
Governmental activities. Governmental activities decreased the City’s net assets by \$50,751 and Business-Type activities increased net assets by \$59,990, thereby resulting in an increase of \$9,239 or .5% in total primary government’s beginning net assets. Key elements of the governmental activities are discussed below:

- Total expenses decreased by \$61,572 or 6.2% from last year. Total revenues decreased by \$31,156 or 3.6% over last year.
- The most significant decrease in expenses from prior year was realized in education, whose expenses decreased by \$69,546 or 76.1%. This large decrease was the result of a decision by City Council to reduce funding to Memphis City Schools in Fiscal Year 2009.
- The general government also realized a significant decrease in expense of \$22,199 or 8.2%. This decrease was primarily the result of healthcare claims and administrative expense for current retirees being recorded in the Other Post Employment Benefits (OPEB) fund in the current fiscal year versus the Health Insurance Internal Service Fund in previous years. The Health Insurance Fund is consolidated into governmental activities of the government-wide financials. The OPEB fund is a fiduciary fund and is not consolidated into the government-wide financials.
- During fiscal year 2009, revenues decreased by \$31,156 or 3.6%, primarily related to a decrease of \$17,810 or 3.2 % in local taxes, \$7,990 or 8.3% in state taxes and \$9,977 in other revenues. Local taxes decreased due to a reduction in the property tax rate. State taxes decreased as a result of decreased income and sales tax collections resulting from the current recession.

Expense and Program Revenues - Governmental Activities
 (Thousands of Dollars)



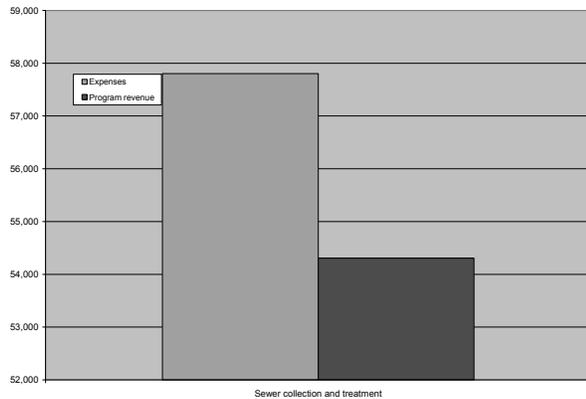
Revenues by Source - Governmental Activities



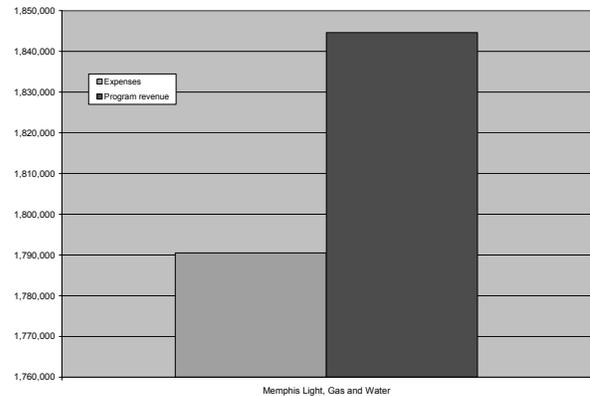
Business-type activities. Business-type activities increased the City’s net assets by \$59,990, accounting for 3.2% growth in the government’s beginning net assets. Key elements of the increase are as follows:

- MLGW’s Electric Division, Gas Division and Water Division account for \$32 million, \$30 million and \$3.5 million of the net asset increase, respectively. The electric division’s net change in net assets was down significantly year over year as a result of a one-year temporary rate reduction. The Water division change in net assets was down year over year as a result of continued growth of expenses relative to revenue. However, the Gas division’s change in net assets increased year over year as a result of both sales volume and increased gas rates.
- The Stormwater fund also contributed \$2.5 million towards the business-type total net asset increase. These increases were offset by a net asset decrease of \$8.9 million in the Sewer collection and Treatment fund.

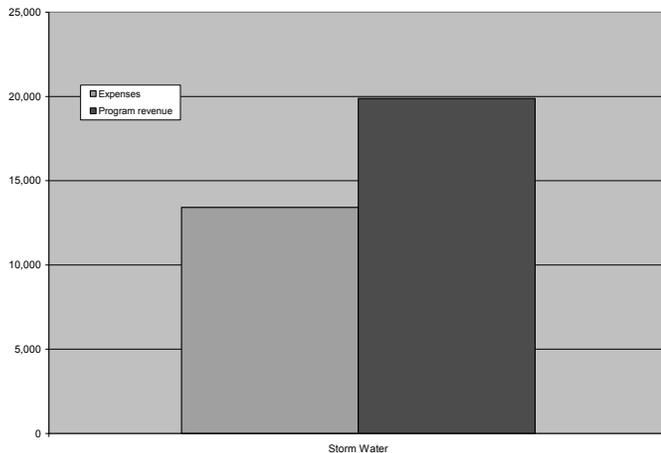
Expenses and Program Revenues - Business-type Activities
 (Thousands of Dollars)



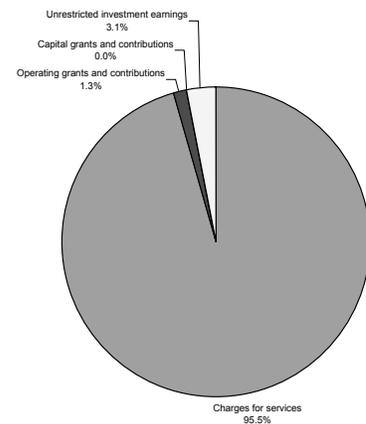
Expenses and Program Revenues - Business-type Activities
 (Thousands of Dollars)



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



Revenues by Source - Business-type Activities



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, 2009, the City’s governmental funds reported combined ending fund balance of \$225,218, an increase of \$48,929 in comparison with the prior year. Approximately 95.7% or \$215,527 of the fund balance constitutes unreserved fund balance, which is available for spending at the government’s discretion. However, a portion (\$16,000) of the unreserved balance is designated for future contingencies. The remainder of fund balance (\$8,023) is reserved to indicate that it is not available for new spending because it has already been committed to liquidate contracts and purchase orders of the prior period or for special services in the amount of \$1,668.

The general fund is the chief operating fund of the City. At June 30, 2009, unreserved fund balance of the general fund was \$96,912, while total fund balance was \$106,603. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 16.4% of total general fund expenditures, while total general fund balance represents 18.1% of the fund expenditures.

The fund balance of the City's general fund increased by \$8,045 during the fiscal year ended June 30, 2009. Key factors resulting in this increase are as follows:

- Total General Fund Revenues increased by \$33,028 or 6.5% over prior year. This increase is primarily the result of an increase in the property tax rate allocation to the general fund.
- Total expenditures increased by \$46,624 or 8.6% over prior year. Expenses of the general government and transportation and environment programs increased by \$20,772 or 15.6% and \$1,784 or 26.7%, respectively. Public Safety also increased by \$20,327 or 5.9%.
- These increases were the direct result of increases in personnel expense due to a 5% general increase given to all employees and the filling of vacancies, increased subsidies to the Memphis Area Transit Authority (MATA), increased retiree healthcare premium expense and prepayments of debt service for the Fire and Police divisions.
- The general fund's operating transfers out increased by \$4,935 or 143.1% primarily as a result of a increase in transfers out to the Debt Service Fund due to debt service prepayments for the Fire and Police divisions made in fiscal year 2009.

The fund balance of the City's Debt Service fund decreased by \$12,228 to \$46,488 during the fiscal year ended June 30, 2009. Key factors resulting in this decrease are as follows:

- Total revenues remained relatively constant with a small decrease of \$1,077 or 1.2%. However, total expenditures increased by \$19,012 or 20.5% due to increased principal and interest payments.
- Transfers In were up due primarily to increased transfers from other funds to pay their debt service obligations, including debt service prepayments made by Fire and Police.
- Transfers outs were up from \$16 to \$6,000 due to a planned transfer out to the General Fund in fiscal year 2009.

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

- The Capital Projects Fund's fund balance increased significantly from last year from \$12,673 to \$67,239. The change resulted primarily from the increased proceeds from issuance of debt.
- The New Memphis Arena Fund (FedEx Forum) activity remained relatively constant year over year. As a result, the fund deficit decreased from \$7,718 to \$6,843. The MLGW Water Division, through an agreement with the City, transfers a payment in the amount of \$2,500 per year. The agreement is effective through the year 2028. This fund also reports the collection and disbursement of certain revenues related to the bonds issued by the Sports Authority for construction of the arena.
- Solid Waste Management Fund expenditures exceeded revenues by \$3,262, thereby, reducing fund balance to a negative \$2,298 from a positive \$964.

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 \$205,000 comprised primarily of \$237,074 for Memphis Light, Gas and Water, which can be used for on-going operations of the public utility system and \$11,324 negative unrestricted net asset for the Sewer Collection and Treatment Fund. Both the Sewer Fund and MLGW are assessed an in-lieu-of tax payment with all proceeds allocated to the General Fund, except for the Water Division payment, which is part of the financing

arrangement for the New Memphis Arena. The remaining negative \$20,750 represents unrestricted net assets of the non-major fund, Storm Water.

General Fund Budgetary Highlights

The original operating budget for FY 2009 did not anticipate any use of unreserved fund balance. After a few years of less than desirable results due to significant revenue shortfalls in state and local sales taxes, the City achieved fiscal stability primarily as a result of increased revenues and expense savings realized from cost control initiatives and spending restrictions on materials and supplies. Most divisions ended FY 2009 with expenditures below budget. Differences between the original budget and the final amended budget can be briefly summarized as follows:

- General Fund actual revenues were under budget by \$59,732. During fiscal year 2009, the budget was amended to increase revenues by \$57,000 in anticipation of an agreement between the Board of Education and the City of Memphis. However, the agreement never materialized.
- Total expenditures were under budget by \$26,288. Divisions with significant positive expenditure variances were led by the Police and Fire divisions resulting from personnel expense savings related to lower staffing levels. The Parks and Public Services divisions also had positive expense variances.

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, 2009 amounts to \$2,923,811 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, equipment, roads, highways, and other infrastructure. The total increase in the City’s investment in capital assets for the current fiscal year was 1.4% (a 1.0% increase for governmental activities and a 1.6% increase for business-type activities).

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

	Governmental activities		Business-type activities		Total	
	2008	2009	2008	2009	2008	2009
Land and buildings	\$ 403,335	390,501	47,536	44,988	450,871	435,489
Improvements other than Buildings	581,504	561,593	287,119	281,770	868,623	843,363
Equipment	48,752	31,497	3,625	3,680	52,377	35,177
Construction in progress	89,934	150,694	22,406	32,169	112,340	182,863
Memphis Light, Gas and Water	-	-	1,400,285	1,426,919	1,400,285	1,426,919
Total	\$ 1,123,525	1,134,285	1,760,971	1,789,526	2,884,496	2,923,811

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

- Completed major ADA renovations, restroom and other improvements to the Liberty Bowl Stadium.
- Completed major preventive maintenance of MATA’s capital assets such as buses, rail fleet vehicles, facilities and infrastructure.

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

Long-term debt. At June 30, 2009, the City had total bonded debt outstanding of \$2,516,138. Of this amount, \$1,232,198 comprises debt backed by the full faith and credit of the government, inclusive of self-supporting debt of the Board of Education and Airport Authority. The remaining balance of \$1,283,940 consisted of \$1,248,940 bonds secured solely by specified revenue sources (i.e., revenue bonds) and \$35,000 of bond anticipation notes.

Condensed Statement of Outstanding Debt
 General Obligation and Revenue Bonds

	Governmental activities		Business-type activities		Total	
	2008	2009	2008	2009	2008	2009
General obligation bonds	1,058,181	1,077,670	-	-	1,058,181	1,077,670
Bond anticipation notes	90,000	148,470	40,000	35,000	130,000	183,470
Capital lease obligations	7,510	6,058	-	-	7,510	6,058
Revenue bonds	-	-	1,355,864	1,248,940	1,355,864	1,248,940
Total	\$ 1,155,691	1,232,198	1,395,864	1,283,940	2,551,555	2,516,138

The City’s total debt decreased by \$35,417 (1.4% percent) during FY 2009. 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 6.6%, while business-type activities’ debt decreased by 8.0%.

The City has long held a high grade bond rating on indebtedness from the major credit rating services. As of June 30, 2009, the City held ratings of A1 from Moody’s, AA from Standard and Poor’s and A+ Fitch, Inc. Among the factors most commonly cited by these firms in support of the credit rating assigned to the City’s general obligation bonds include a stable and expanding economic climate, broad revenue base, and well-managed finances. In addition, the City has maintained good relations with the rating services and the major investment institutions through comprehensive disclosure of financial data and direct meetings with rating agency officials. The City continues to follow prudent fiscal policies and practices while expanding its financial base.

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

The City issued General Improvement Bonds of \$76,025 in June, 2009. Upon expiration of a commercial paper agreement with the State of Tennessee in April 2009, the City secured a \$150,000 term loan until the City completed a direct issuance of bond anticipation notes. The City issued \$148,470 in bond anticipation notes in May 2009. The bond anticipation notes provide interim financing for various capital projects.

On June 13, 2008, the MLGW Electric Division Series 2002 and 2003A Revenue bonds received credit upgrades from Standard & Poor’s (“S&P”). S&P raised its rating on the 2002 Revenue bonds to AA+ from AA, and raised its rating on the 2003A Revenue bonds to AA+ from AA-. S&P also assigned AA+ rating to the Series 2008 bonds. Fitch assigned an AA rating to the Series 2008 Revenue bonds, and Moody’s assigned Aa2 to the Series 2008 bonds. The Water Division continues to hold the highest possible bond ratings—Aaa from Moody’s Investors Service and AAA from Standard & Poor’s. The Gas Division currently has no debt that is credit rated. More information is available in MLGW’s separately issued financial statements. Separate financial statements for MLGW are issued as of and for its year-end December 31, and can be obtained by writing to MLGW Financial Statements, P.O. Box 430, Memphis, Tennessee 38101-0430.

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

Economic Factors and Next Year's Budgets and Rates

Factors considered in preparing the City's budget for the 2010 fiscal year are discussed more fully in the Budget document and include:

- The US economy is currently in a recession. Rising unemployment, a housing market crisis, record fuel costs and turmoil in the financial and credit markets have contributed to the lowest consumer confidence index numbers since 1982.
- The aforementioned economic realities impact our State and Local economic conditions. Consequently, these circumstances translate into reduced revenues for our city and others across the US.
- The Adopted budget includes a plan to hire 300 additional police officers over the next three fiscal years and various other public safety initiatives.
- Budgeted revenues decreased by .69% from \$581 million to \$577 million. The planned contribution to the fund balance is \$15.8 million.

At June 30, 2009, unreserved fund balance in the general fund was \$96,912. The City has approved an operating budget of \$577,300 in total expenditures (net of program revenue) for FY 2010, with planned contribution of \$15,880 to unreserved fund balance. The City's tax rate for FY 2010 has been set at \$3.1957 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 2010 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.

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CITY OF MEMPHIS

T E N N E S S E E

BASIC FINANCIAL STATEMENTS

STATEMENT OF NET ASSETS
(Thousands of Dollars)
June 30, 2009

CITY OF MEMPHIS, TENNESSEE
Exhibit A-1

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Cash and cash equivalents	\$ 7,934	156,312	164,246	301,145
Investments	70,595	93,537	164,132	56,873
Equity in cash and investment pool	112,779	2,947	115,726	-
Restricted funds	-	69,901	69,901	-
Receivables (net of allowance for uncollectibles):				
Property taxes	442,960	-	442,960	-
Sales and income taxes	40,491	-	40,491	-
Federal and state grants	49,508	20	49,528	1,514
Interest and dividends on investments	804	39	843	60
Notes and accounts receivable	28	281,934	281,962	7,571
Housing rehabilitation loans	66,787	-	66,787	-
Other	24,996	-	24,996	8,476
Due from other funds	10,476	-	10,476	-
Due from other agencies and governments	78,088	-	78,088	168,955
Inventories	395	57,639	58,034	13,945
Deferred purchased power and gas costs	-	1,074,978	1,074,978	-
Collateral held in trust for securities on loan	-	28,463	28,463	-
Prepaid expenses	-	-	-	2,441
Restricted assets:				
Cash and cash equivalents	-	-	-	9,035
Investments	-	48,416	48,416	186,512
Receivables				
Federal and state grants	-	-	-	17,603
Accrued interest	-	-	-	1,645
Special facilities	-	-	-	34,762
Non-depreciable capital assets	212,928	13,726	226,654	199,131
Depreciable capital assets (net of accumulated depreciation)	921,357	1,775,800	2,697,157	1,797,204
Bond issue costs	-	-	-	6,115
Net pension asset	42,560	-	42,560	-
Other assets	-	39,111	39,111	558
Total assets	\$ 2,082,686	3,642,823	5,725,509	2,813,545

(Continued)

STATEMENT OF NET ASSETS
(Thousands of Dollars)
June 30, 2009

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

	<u>Primary Government</u>			Component Units
	Governmental Activities	Business-type Activities	Total	
LIABILITIES				
Accounts payable and accrued liabilities	\$ 50,615	310,847	361,462	123,577
Accrued interest payable	13,025	-	13,025	-
Contract retainage	74	884	958	-
Insurance claims payable	7,194	-	7,194	23,314
Due to other funds	13	10,113	10,126	
Due to component units	7,714	-	7,714	
Due to other agencies and governments	3,416	-	3,416	4,103
Refundable bonds and deposits	890	-	890	-
Unearned revenue	521,041	143	521,184	30,370
Collateral subject to return to borrowers	-	28,938	28,938	-
Customer common deposits	-	23,434	23,434	
Other post employment benefits	45,620	2,469	48,089	-
Other liabilities	-	44,751	44,751	
Noncurrent liabilities:	-			
Due within one year	211,000	136,825	347,825	28,600
Due in more than one year	1,128,834	1,151,213	2,280,047	781,634
Total liabilities	1,989,436	1,709,617	3,699,053	991,598
NET ASSETS				
Invested in capital assets, net of related debt	103,451	1,633,163	1,736,614	1,505,030
Restricted for:				
Debt service and construction	-	91,215	91,215	-
Capital acquisition	-	-	-	250,543
Contracted grant programs	-	-	-	15,337
Food service	-	-	-	14,061
Self insurance	-	-	-	500
Other	-	-	-	4,257
Unrestricted:				
Net Pension Asset	42,560	-	42,560	-
Other	(52,761)	208,828	156,067	32,141
Total net assets	\$ 93,250	1,933,206	2,026,456	1,821,947

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, 2009

CITY OF MEMPHIS, TENNESSEE
Exhibit A-2

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets			Component Units
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business-Type Activities	Total	
Functions/Programs								
Primary government:								
Governmental Activities:								
General government	\$ 249,707	67,880	22,581	3,217	(156,029)	-	(156,029)	-
Public safety	410,303	6,420	237	-	(403,646)	-	(403,646)	-
Community services	114,776	137	33,479	-	(81,160)	-	(81,160)	-
Transportation and environment	79,396	50,391	105	-	(28,900)	-	(28,900)	-
Education	21,846	-	-	-	(21,846)	-	(21,846)	-
Interest on long-term debt	48,046	-	-	-	(48,046)	-	(48,046)	-
Total governmental activities	924,074	124,828	56,402	3,217	(739,627)	-	(739,627)	-
Business-type activities:								
Sewer collection and treatment	57,802	53,778	5	524	-	(3,495)	(3,495)	-
Memphis Light, Gas and Water	1,790,499	1,818,104	26,493	-	-	54,098	54,098	-
Storm water	13,419	19,680	207	-	-	6,468	6,468	-
Total business-type activities	1,861,720	1,891,562	26,705	524	-	57,071	57,071	-
Total primary government	\$ 2,785,794	2,016,390	83,107	3,741	(739,627)	57,071	(682,556)	-
Component units:								
Board of Education	\$ 1,196,893	11,752	626,949	43,961	-	-	-	(514,231)
Memphis Area Transit Authority	66,379	10,517	-	1,387	-	-	-	(54,475)
Memphis Zoological Society	22,392	13,444	-	-	-	-	-	(8,948)
Airport Authority	134,403	107,952	-	44,444	-	-	-	17,993
Total component units	\$ 1,420,067	143,665	626,949	89,792	-	-	-	(559,661)

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

STATEMENT OF ACTIVITIES
(Thousands of Dollars)
For the fiscal year ended June 30, 2009

Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			Component Units
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
				Governmental Activities	Business-Type Activities	Total	
General revenues:							
Local taxes:							
Property taxes - levied for education				23,919	-	23,919	-
Property taxes - levied for debt service				80,939	-	80,939	-
Property taxes - levied for capital projects				363	-	363	-
Property taxes - levied for general government				259,562	-	259,562	-
Interest, penalties and commission - property taxes				6,996	-	6,996	-
Sales tax, general				97,065	-	97,065	-
Sales tax, beer				15,157	-	15,157	-
Gross receipts tax				9,346	-	9,346	-
Franchise tax				5,373	-	5,373	-
Other local taxes				32,619	-	32,619	-
State taxes:							
Sales tax				45,215	-	45,215	-
Income tax				11,710	-	11,710	-
Beer tax				359	-	359	-
Alcoholic beverage tax				271	-	271	-
Gasoline inspection tax				1,481	-	1,481	-
State gas motor fuel tax				12,437	-	12,437	-
Three-cent tax				3,726	-	3,726	-
One-cent tax				2,007	-	2,007	-
Tourism development				10,997	-	10,997	-
Hotel/motel tax				4,244	-	4,244	-
Grants and contributions not restricted to specific programs				-	-	-	431,960
City of Memphis subsidy				-	-	-	23,194
Investment income				5,614	62,356	67,970	12,392
Intergovernmental Revenues				4,163	-	4,163	-
Federal grants and entitlements				-	-	-	11,733
State grants				-	-	-	8,060
Other				8,315	-	8,315	13,272
Transfers				46,998	(59,437)	(12,439)	-
Total general revenues and transfers				688,876	2,919	691,795	500,611
Change in net assets				(50,751)	59,990	9,239	(59,050)
Net assets - beginning, as restated				144,001	1,873,216	2,017,217	1,880,997
Net assets - ending				\$ 93,250	\$ 1,933,206	\$ 2,026,456	\$ 1,821,947

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

**BALANCE SHEET
GOVERNMENTAL FUNDS
(Thousands of Dollars)
June 30, 2009**

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

	General	Debt Service	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 41	-	7,892	7,933
Investments	10	-	70,585	70,595
Equity in cash and investment pool	54,683	23,020	23,535	101,238
Receivables (net of allowance for uncollectibles):				
Property taxes:				
Current property taxes	285,517	88,967	26,568	401,052
Delinquent property taxes	25,352	8,833	7,723	41,908
Sales and income taxes	40,491	-	-	40,491
Federal and state grants	1,272	-	48,236	49,508
Interest and dividends on investments	116	68	620	804
Housing rehabilitation loans	-	-	66,787	66,787
Other	19,886	-	5,110	24,996
Due from other funds	38,274	23,164	6,862	68,300
Due from other agencies and governments	2,730	26,571	8,008	37,309
Total assets	\$ 468,372	170,623	271,926	910,921
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable and accrued liabilities	\$ 31,945	112	14,621	46,678
Contract retainage	-	-	74	74
Due to other funds	13	-	54,384	54,397
Due to other agencies and governments	2,383	-	1,033	3,416
Refundable bonds and deposits	890	-	-	890
Deferred revenue	326,538	124,023	129,687	580,248
Total liabilities	361,769	124,135	199,799	685,703
Fund balances:				
Reserved for:				
Encumbrances	8,023	-	-	8,023
Parks special services	1,668	-	-	1,668
Unreserved, designated for:				
Contingencies	16,000	-	-	16,000
Unreserved, undesignated reported in:				
General fund	80,912	-	-	80,912
Special revenue funds	-	-	4,888	4,888
Debt service fund	-	46,488	-	46,488
Capital projects fund	-	-	67,239	67,239
Total fund balances	106,603	46,488	72,127	225,218
Total liabilities and fund balances	\$ 468,372	170,623	271,926	910,921

See accompanying notes to financial statements.

**RECONCILIATION OF THE BALANCE SHEET TO
THE STATEMENT OF NET ASSETS
(Thousands of Dollars)
June 30, 2009**

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

Total governmental fund balances:	\$ 225,218
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	1,133,606
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	97,540
Net pension assets should be reported as an asset in the government-wide statement of net assets. This is the cumulative amount by which the City has overfunded its pension obligations.	42,560
Other post employment benefits (OPEB) liabilities should be reported as a liability in the government-wide statement of net assets. This is the cumulative amount by which the City has underfunded its OPEB obligations.	(44,482)
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.	(11,013)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	<u>(1,350,179)</u>
Net assets of governmental activities	<u>\$ 93,250</u>

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

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

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

(Thousands of Dollars)

For the fiscal year ended June 30, 2009

	General	Debt Service	Other Governmental Funds	Total Governmental Funds
REVENUES				
Local taxes	\$ 415,924	80,939	28,605	525,468
State taxes (local share)	59,036	-	29,167	88,203
Hotel/motel tax	-	398	3,846	4,244
Licenses and permits	11,427	-	-	11,427
Fines and forfeitures	10,237	-	6,420	16,657
Charges for services	27,280	-	51,059	78,339
Investment income	3,395	1,564	224	5,183
Federal grants and entitlements	2,818	-	37,357	40,175
State grants	1,938	-	10,518	12,456
Intergovernmental revenues	3,578	2,477	-	6,055
Other	8,188	1,123	4,119	13,430
Total revenues	543,821	86,501	171,315	801,637
EXPENDITURES				
Current:				
General government	153,646	-	32,095	185,741
Public safety	363,098	-	4,268	367,366
Community services	63,812	-	33,888	97,700
Transportation and environment	8,460	-	68,265	76,725
Education	-	-	23,919	23,919
Capital outlay	-	-	91,800	91,800
Debt service:				
Redemption of serial bonds and notes	-	58,565	-	58,565
Interest	-	52,451	-	52,451
Bond issuance cost	-	15	1,384	1,399
Service charges	-	523	-	523
Total expenditures	589,016	111,554	255,619	956,189
Revenues under expenditures	(45,195)	(25,053)	(84,304)	(154,552)
OTHER FINANCING SOURCES (USES)				
Transfers in	61,623	18,825	6,778	87,226
Transfers out	(8,383)	(6,000)	(10,760)	(25,143)
Issuance of debt	-	-	284,495	284,495
Retirement of refunded debt obligation	-	-	(150,000)	(150,000)
Premium on debt issue	-	-	6,903	6,903
Total other financing sources (uses)	53,240	12,825	137,416	203,481
Net change in fund balances	8,045	(12,228)	53,112	48,929
Fund balances - beginning of year, as restated	98,558	58,716	19,015	176,289
Fund balances - end of year	\$ 106,603	46,488	72,127	225,218

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, 2009**

**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	\$ 48,929
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.	10,464
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	7,537
The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	(75,268)
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.	(39,828)
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>(2,585)</u>
Change in net assets of governmental activities	<u>\$ (50,751)</u>

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

**GENERAL FUND
STATEMENT OF REVENUES AND OTHER SOURCES -
BUDGET AND ACTUAL ON BASIS OF BUDGETING
(Thousands of Dollars)
For the fiscal year ended June 30, 2009**

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

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget- Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Local taxes:				
Property taxes	\$ 256,442	256,442	259,562	3,120
Interest, penalties and commission - property taxes	7,500	7,500	6,996	(504)
Receipts in lieu of taxes contractual	9,083	9,083	11,894	2,811
Sales tax general	97,664	97,664	97,065	(599)
Sales tax beer	15,474	15,474	15,157	(317)
Alcoholic beverage tax	3,990	3,990	4,124	134
Liquor by the drink tax	2,554	2,554	2,327	(227)
Gross receipts tax	8,942	8,942	9,346	404
Excise tax	793	793	1,036	243
Franchise tax	5,098	5,098	5,373	275
Other local taxes	2,403	2,403	3,044	641
Total local taxes	409,943	409,943	415,924	5,981
State taxes (local share):				
Sales tax	51,332	51,332	45,215	(6,117)
Income taxes	13,000	13,000	11,710	(1,290)
Beer taxes	371	371	359	(12)
Alcoholic beverage tax	247	247	271	24
Gasoline inspection fees	1,546	1,546	1,481	(65)
Total state taxes (local share)	66,496	66,496	59,036	(7,460)
Licenses and permits:				
Auto licenses	10,593	10,593	10,271	(322)
Dog licenses	434	434	425	(9)
Liquor by the drink licenses	270	270	270	-
Other	475	475	461	(14)
Total licenses and permits	11,772	11,772	11,427	(345)
Fines and forfeitures:				
City courts	8,981	8,981	9,496	515
Library	1,015	1,015	741	(274)
Total fines and forfeitures	\$ 9,996	9,996	10,237	241

(Continued)

GENERAL FUND
STATEMENT OF REVENUES AND OTHER SOURCES -
BUDGET AND ACTUAL ON BASIS OF BUDGETING
(Thousands of Dollars)
For the fiscal year ended June 30, 2009

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

	<u>Budgeted Amounts</u>		<u>Actual</u> <u>Amounts</u>	<u>Variance with</u> <u>Final Budget-</u> <u>Positive</u> <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>		
Charges for services:				
Building and other inspection fees	\$ 835	835	521	(314)
Park commission revenues	4,965	4,965	3,581	(1,384)
Parking meter revenues	580	580	429	(151)
Ambulance service fees	15,842	15,842	16,025	183
Rents	750	750	696	(54)
Tax sale attorney fees	595	595	804	209
Wrecker and storage fees	1,029	1,029	2,036	1,007
Police special events	2,391	2,391	2,160	(231)
911 emergency services	293	293	293	-
Other	543	543	735	192
Total charges for services	27,823	27,823	27,280	(543)
Investment income:				
Interest on investments	4,303	4,303	3,250	(1,053)
Other	73	73	145	72
Total investment income	4,376	4,376	3,395	(981)
Federal grants	334	334	2,818	2,484
State grants	1,371	1,416	1,938	522
Intergovernmental revenues	3,578	3,578	3,578	-
Other:				
Auctions and sale of assets	2,310	2,310	1,956	(354)
Property damage reimbursement	271	271	253	(18)
Property insurance recoveries	-	-	1,038	1,038
Local shared revenue	5,056	5,056	1,729	(3,327)
Memphis Board of Education settlement	-	57,500	-	(57,500)
Miscellaneous	2,599	2,682	3,212	530
Total other	10,236	67,819	8,188	(59,631)
Total revenues	\$ 545,925	603,553	543,821	(59,732)
Other source:				
Transfers in:				
Debt service fund	\$ -	10,000	6,000	(4,000)
Sewer collection and treatment fund	5,175	5,175	5,887	712
MLG&W fund	53,700	53,700	49,736	(3,964)
Community services fund	2	2	-	(2)
Total other source	\$ 58,877	68,877	61,623	(7,254)

See accompanying notes to financial statements.

**GENERAL FUND
STATEMENT OF EXPENDITURES AND OTHER USES -
BUDGET AND ACTUAL ON BASIS OF BUDGETING
(Thousands of Dollars)
For the fiscal year ended June 30, 2009**

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

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget- Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
EXPENDITURES				
General government:				
Legislative:				
Personal services	\$ 1,398	1,418	1,302	116
Materials and supplies	445	445	234	211
Total legislative	<u>1,843</u>	<u>1,863</u>	<u>1,536</u>	<u>327</u>
Judicial:				
Personal services	557	521	497	24
Materials and supplies	87	127	98	29
Total judicial	<u>644</u>	<u>648</u>	<u>595</u>	<u>53</u>
Court clerk:				
Personal services	3,102	3,104	3,021	83
Materials and supplies	342	376	348	28
Capital outlay	22	38	16	22
Total court clerk	<u>3,466</u>	<u>3,518</u>	<u>3,385</u>	<u>133</u>
Executive:				
Personal services	5,948	4,854	4,468	386
Materials and supplies	1,747	2,116	1,413	703
Capital outlay	37	79	78	1
Grants and subsidies	1,840	1,967	1,649	318
Expense reimbursement	(30)	(30)	(8)	(22)
Total executive	<u>9,542</u>	<u>8,986</u>	<u>7,600</u>	<u>1,386</u>
Finance and administration:				
Personal services	5,252	5,209	4,667	542
Materials and supplies	1,650	1,751	1,310	441
Capital outlay	-	15	-	15
Expense reimbursement	(781)	(781)	(912)	131
Total finance and administration	<u>\$ 6,121</u>	<u>6,194</u>	<u>5,065</u>	<u>1,129</u>

(Continued)

GENERAL FUND
STATEMENT OF EXPENDITURES AND OTHER USES -
BUDGET AND ACTUAL ON BASIS OF BUDGETING
(Thousands of Dollars)
For the fiscal year ended June 30, 2009

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

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget-Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
City attorney:				
Personal services	\$ 5,031	5,085	4,439	646
Materials and supplies	16,496	16,621	16,286	335
Expense reimbursement	(4,089)	(4,089)	(3,459)	(630)
Total city attorney	17,438	17,617	17,266	351
City engineer:				
Personal services	9,066	9,686	9,495	191
Materials and supplies	2,181	2,214	1,407	807
Capital outlay	34	34	-	34
Expense reimbursement	(4,548)	(4,548)	(4,819)	271
Total city engineer	6,733	7,386	6,083	1,303
Information systems:				
Personal services	3,015	2,998	2,462	536
Materials and supplies	17,953	18,003	16,593	1,410
Capital outlay	755	755	392	363
Expense reimbursement	(1,657)	(1,657)	(1,639)	(18)
Total information systems	20,066	20,099	17,808	2,291
Human resources:				
Personal services	4,794	5,023	5,019	4
Materials and supplies	4,532	5,337	3,498	1,839
Capital outlay	1	51	49	2
Expense reimbursement	(330)	(330)	(441)	111
Total human resources	8,997	10,081	8,125	1,956
General services:				
Personal services	9,862	9,992	9,426	566
Materials and supplies	5,582	6,234	6,232	2
Capital outlay	5	5	-	5
Expense reimbursement	(1,345)	(1,997)	(3,363)	1,366
Total general services	14,104	14,234	12,295	1,939
Special appropriations:				
Personal services	202	205	156	49
Materials and supplies	30	30	25	5
Grants and subsidies	71,597	78,369	78,359	10
Expense reimbursement	(3,978)	(3,978)	(3,978)	-
Total special appropriations	67,851	74,626	74,562	64
Total general government	\$ 156,805	165,252	154,320	10,932

(Continued)

GENERAL FUND
STATEMENT OF EXPENDITURES AND OTHER USES -
BUDGET AND ACTUAL ON BASIS OF BUDGETING
(Thousands of Dollars)
For the fiscal year ended June 30, 2009

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

	Budgeted Amounts		Actual Amounts	Variance with Final Budget-Positive (Negative)
	Original	Final		
Public safety:				
Police:				
Personal services	\$ 188,962	190,154	186,696	3,458
Materials and supplies	20,160	20,139	19,042	1,097
Capital outlay	693	693	473	220
Expense reimbursement	(112)	(112)	(329)	217
Total police	209,703	210,874	205,882	4,992
Fire:				
Personal services	142,329	143,007	140,249	2,758
Materials and supplies	15,658	16,914	16,911	3
Capital outlay	1,083	643	597	46
Expense reimbursement	(225)	(225)	(267)	42
Total fire	158,845	160,339	157,490	2,849
Total public safety	368,548	371,213	363,372	7,841
Community services:				
Parks and recreation:				
Personal services	17,754	18,256	17,312	944
Materials and supplies	14,305	13,431	12,546	885
Capital outlay	165	165	44	121
Inventory	92	91	18	73
Expense reimbursement	(93)	(93)	(163)	70
Total parks and recreation	32,223	31,850	29,757	2,093
Public Service:				
Personal services	19,128	18,449	16,870	1,579
Materials and supplies	6,548	6,615	5,436	1,179
Capital outlay	7	7	-	7
Total public service	\$ 25,683	25,071	22,306	2,765

(Continued)

GENERAL FUND
STATEMENT OF EXPENDITURES AND OTHER USES -
BUDGET AND ACTUAL ON BASIS OF BUDGETING
(Thousands of Dollars)
For the fiscal year ended June 30, 2009

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

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget- Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Community development:				
Personal services	\$ 258	264	264	-
Materials and supplies	198	196	161	35
Capital outlay	5	5	-	5
Grants and subsidies	5,335	5,235	4,438	797
Total community development	5,796	5,700	4,863	837
Community enhancement:				
Personal services	5,488	5,736	5,333	403
Materials and supplies	2,012	1,989	1,845	144
Capital outlay	-	222	163	59
Expense reimbursement	(442)	(442)	(364)	(78)
Total community enhancement	7,058	7,505	6,977	528
Total community services	70,760	70,126	63,903	6,223
Transportation and environment:				
Public works:				
Personal services	7,595	7,722	7,183	539
Materials and supplies	17,250	16,262	15,403	859
Capital outlay	10	10	-	10
Expense reimbursement	(14,514)	(14,514)	(14,398)	(116)
Total public works	10,341	9,480	8,188	1,292
Total transportation and environment	10,341	9,480	8,188	1,292
Total expenditures	\$ 606,454	616,071	589,783	26,288
Other use - transfers out (primary):				
Solid waste management	\$ -	515	-	515
Debt service fund	3,776	3,776	5,653	(1,877)
Storm water fund	452	452	452	-
Miscellaneous grants fund	138	138	-	138
Community redevelopment fund	1,300	1,300	2,278	(978)
Total transfers out	5,666	6,181	8,383	(2,202)
Other use - transfers out (component unit):				
Transfer out - Board of Education	-	57,500	-	57,500
Total other uses	\$ 5,666	63,681	8,383	55,298

See accompanying notes to financial statements.

**STATEMENT OF NET ASSETS
 PROPRIETARY FUNDS
 (Thousands of Dollars)
 June 30, 2009**

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

	Business Type Activities - Enterprise Funds						Governmental Activities- Internal Service Funds
	Major Funds					Total	
	Sewer Col- lection and Treatment	MLGW Electric Division	MLGW Gas Division	MLGW Water Division	Non - Major Fund		
ASSETS							
Current assets:							
Cash and cash equivalents	\$ 246	119,657	26,295	10,113	1	156,312	1
Investments	20,594	57,026	11,090	4,827	-	93,537	-
Equity in cash and investment pool	2,947	-	-	-	-	2,947	11,541
Restricted funds - current	-	32,846	27,613	9,442	-	69,901	-
Receivables:							
Notes and accounts	3,111	152,925	95,907	13,699	1,643	267,285	28
Interest on investments	39	-	-	-	-	39	-
Federal and state grants	-	-	-	-	20	20	-
Due from other funds	-	-	-	-	-	-	5,369
Prepaid power cost	-	92,155	273	-	-	92,428	-
Inventories of materials and supplies	-	23,757	31,491	2,391	-	57,639	395
Collateral held in trust for securities on loan	-	20,096	5,515	2,852	-	28,463	-
Other current assets	-	3,068	23,846	-	-	26,914	-
Total current assets	26,937	501,530	222,030	43,324	1,664	795,485	17,334
Non-current assets:							
Restricted assets:							
Investments, less current portion	-	23,303	8,026	17,087	-	48,416	-
Total restricted assets	-	23,303	8,026	17,087	-	48,416	-
Capital assets:							
Land	13,692	-	-	-	34	13,726	-
Buildings	106,090	-	-	-	-	106,090	-
Utility plant	-	1,405,585	535,359	420,983	-	2,361,927	-
Improvements other than buildings	497,154	-	-	-	26,694	523,848	-
Machinery and equipment	22,803	-	-	-	7,012	29,815	3,966
Less accumulated depreciation and amortization	(329,003)	(524,624)	(240,716)	(169,668)	(14,038)	(1,278,049)	(3,287)
Total capital assets	310,736	880,961	294,643	251,315	19,702	1,757,357	679
Construction in progress	18,160	-	-	-	14,009	32,169	-
Net capital assets	328,896	880,961	294,643	251,315	33,711	1,789,526	679
Other noncurrent assets:							
Notes receivable	-	1,107	11,412	2,130	-	14,649	-
Prepaid power cost - long term	-	982,550	-	-	-	982,550	-
Prepayments In Lieu of Taxes	-	1,444	463	-	-	1,907	-
Unamortized debt expense	-	7,333	-	-	-	7,333	-
Other assets	358	1,668	560	371	-	2,957	-
Total other noncurrent assets	358	994,102	12,435	2,501	-	1,009,396	-
Total noncurrent assets	329,254	1,898,366	315,104	270,903	33,711	2,847,338	679
Total assets	\$ 356,191	2,399,896	537,134	314,227	35,375	3,642,823	18,013

**STATEMENT OF NET ASSETS
 PROPRIETARY FUNDS
 (Thousands of Dollars)
 June 30, 2009**

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

Business Type Activities - Enterprise Funds

	Major Funds					Non - Major Fund	Total	Governmental Activities- Internal Service Funds
	Sewer Collection and Treatment	MLGW Electric Division	MLGW Gas Division	MLGW Water Division				
LIABILITIES								
Current liabilities:								
Accounts payable	\$ 3,810	146,342	44,957	-	808	195,917	2,687	
Bonds and notes payable	-	81,976	35,000	-	-	116,976	-	
Accrued liabilities	2,263	46,435	17,964	8,824	251	75,737	-	
Payables due from restricted assets	-	25,456	7,980	5,757	-	39,193	-	
Insurance claims payable	-	-	-	-	-	-	7,194	
Contract retainage	505	-	-	-	379	884	-	
Due to other funds	4,612	-	-	-	9,329	13,941	4,981	
Deferred revenue	143	-	-	-	-	143	6,518	
Current installment of revenue bonds payable	8,855	7,390	-	3,235	-	19,480	-	
Collateral subject to return to borrowers	-	20,432	5,607	2,899	-	28,938	-	
Other post employment benefits	1,615	-	-	-	854	2,469	1,138	
Vacation, sick and other leave benefits	3,089	-	-	-	1,367	4,456	2,680	
Total current liabilities paid from current assets	24,892	328,031	111,508	20,715	12,988	498,134	25,198	
Long-term (net of current maturities):								
Revenue bonds payable	128,270	1,014,310	-	4,546	-	1,147,126	-	
Customer common deposits	-	18,219	4,669	546	-	23,434	-	
Other	-	28,664	10,127	5,960	-	44,751	-	
Total long-term liabilities	128,270	1,061,193	14,796	11,052	-	1,215,311	-	
Total liabilities	153,162	1,389,224	126,304	31,767	12,988	1,713,445	25,198	
NET ASSETS (DEFICIT)								
Invested in capital assets, net of related debt	191,771	869,504	294,643	243,534	33,711	1,633,163	679	
Restricted for debt service and construction	32,008	14,830	24,150	20,227	-	91,215	-	
Unrestricted (deficit)	(20,750)	126,338	92,037	18,699	(11,324)	205,000	(7,864)	
TOTAL NET ASSETS (DEFICIT)	\$ 203,029	1,010,672	410,830	282,460	22,387	1,929,378	(7,185)	
Adjustment to reflect the consolidation of internal service funds related to enterprise funds						3,828		
Net assets of business-type activities						\$ 1,933,206		

See accompanying notes to financial statements.

**STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN FUND NET ASSETS / PROPRIETARY FUNDS
(Thousands of Dollars)
For the fiscal year ended June 30, 2009**

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

Business Type Activities - Enterprise Funds

**Major
Funds**

	Sewer Col- lection and Treatment	MLGW Electric Division	MLGW Gas Division	MLGW Water Division	Non - Major Fund	Total	Governmental Activities- Internal Service Funds
Charges for services	\$ 53,778	1,214,046	523,317	80,741	19,680	1,891,562	91,965
Operating revenues	53,778	1,214,046	523,317	80,741	19,680	1,891,562	91,965
Operating expenses other than depreciation and amortization:							
Personal services	16,691	-	-	-	7,594	24,285	11,968
Materials, supplies, services, and other	21,955	-	-	-	2,968	24,923	5,169
Capital outlay	-	-	-	-	2,254	2,254	10
Purchased power and gas for resale	-	991,866	394,023	-	-	1,385,889	-
Production	-	-	-	15,817	-	15,817	-
Operation	-	109,436	66,526	42,029	-	217,991	-
Maintenance	-	42,318	9,684	7,624	-	59,626	-
In Lieu of Taxes	-	516	360	-	-	876	-
Inventories	-	-	-	-	-	-	17,531
Claims incurred	-	-	-	-	-	-	44,954
Total operating expenses other than depreciation and amortization	38,646	1,144,136	470,593	65,470	12,816	1,731,661	79,632
Operating income before depreciation and amortization	15,132	69,910	52,724	15,271	6,864	159,901	12,333
Depreciation and amortization: On assets acquired with own funds	12,716	40,018	12,377	10,493	603	76,207	109
Operating income	2,416	29,892	40,347	4,778	6,261	83,694	12,224
Non-operating revenues:							
Transmission credits	-	26,493	-	-	-	26,493	-
Investment income	660	56,219	3,785	1,692	-	62,356	431
Federal grant	-	-	-	-	-	-	19
State grant	-	-	-	-	205	205	-
Other	5	-	-	-	2	7	-
Total non-operating revenues	665	82,712	3,785	1,692	207	89,061	450
Non-operating expenses:							
Interest on bonded indebtedness	6,614	45,843	1,149	420	-	54,026	-
Total non-operating expenses	6,614	45,843	1,149	420	-	54,026	-
Income (loss) before capital contributions and transfers	(3,533)	66,761	42,983	6,050	6,468	118,729	12,674
Transfers in	-	-	-	-	452	452	-
Transfers out	(5,887)	(34,263)	(12,827)	(2,500)	(4,412)	(59,889)	(15,085)
Capital contributions	524	-	-	-	-	524	-
Change in net assets (deficit)	(8,896)	32,498	30,156	3,550	2,508	59,816	(2,411)
Total net assets (deficit) - beginning of year, as restated	211,925	978,174	380,674	278,910	19,879		(4,774)
Total net assets (deficit) - end of year	\$ 203,029	1,010,672	410,830	282,460	22,387		(7,185)
Adjustment to reflect the consolidation of internal service funds related to enterprise funds						174	
Change in net assets of business-type activities						\$ 59,990	

See accompanying notes to financial statements.

**STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
(Thousands of Dollars)
For the fiscal year ended June 30, 2009**

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

	Sewer Col- lection and Treatment	MLGW Electric Division	MLGW Gas Division	MLGW Water Division	Non-Major Funds	Total	Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES:							
Receipts from customers and users	\$ 54,042	1,201,126	513,242	79,425	19,504	1,867,339	1,472
Receipts from other division funds	-	-	-	1,686	-	1,686	37,089
Employee contributions	-	-	-	-	-	-	15,766
Employer contributions	-	-	-	-	-	-	42,804
Payments to suppliers	(19,719)	(859,377)	(446,989)	(33,812)	(5,428)	(1,365,325)	(7,961)
Payments to employees	(15,462)	(89,775)	(47,439)	(34,507)	(6,852)	(194,035)	(10,642)
Payments to other division funds	-	(313)	(972)	-	-	(1,285)	(491)
Payments for taxes	-	(480)	(197)	-	-	(677)	-
Payments for inventory	-	-	-	-	-	-	(17,415)
Payments for claims incurred	-	-	-	-	-	-	(49,220)
Other receipts	-	243	-	-	-	243	-
Net cash provided (used) by operating activities	18,861	251,424	17,645	12,792	7,224	307,946	11,402
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:							
Transfers to City	-	(34,263)	(12,827)	(2,500)	-	(49,590)	-
Proceeds from issuance of long-term debt	-	100,479	-	-	-	100,479	-
Receipt of Miscellaneous Revenue	5	-	-	-	2	7	-
Principal payments on long-term debt	-	(178,440)	-	-	-	(178,440)	-
Interest expense on bonds	-	(55,016)	-	-	-	(55,016)	-
Proceeds from issuance of notes payable	-	-	35,000	-	-	35,000	-
Principal payments on notes payable	-	-	(40,000)	-	-	(40,000)	-
Interest expense on notes payable	-	-	(1,255)	-	-	(1,255)	-
Advances from other funds	-	-	-	-	3,964	3,964	-
Transfers from other funds	-	-	-	-	452	452	-
Transfers to other funds	(5,887)	-	-	-	(4,412)	(10,299)	(15,085)
Net cash provided (used) by noncapital and related financing	(5,882)	(167,240)	(19,082)	(2,500)	6	(194,698)	(15,085)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:							
Acquisition and construction of capital assets	(7,806)	(80,791)	(15,986)	(16,975)	(7,435)	(128,993)	(404)
Contributions in aid of construction	-	11,675	1,567	4,589	-	17,831	-
Sale(Purchase) of utility plant to/from other Divisions	-	(6)	-	6	-	-	-
Receipts from federal grants	-	-	-	-	-	-	19
Receipts from state grants	-	-	-	-	205	205	-
Principal payments on capital debt	(8,285)	(6,820)	-	(3,100)	-	(18,205)	-
Interest payments on capital debt	(6,500)	(1,023)	-	(445)	-	(7,968)	-
Capital contributions	524	-	-	-	-	524	-
Net cash provided (used) by capital and related financing activities	(22,067)	(76,965)	(14,419)	(15,925)	(7,230)	(136,606)	(385)
CASH FLOWS FROM INVESTING ACTIVITIES:							
Sales and maturities of investments	17,326	27,104	15,574	6,699	-	66,703	-
Purchase of investments	(12,273)	(35,345)	(13,719)	(5,365)	-	(66,702)	-
Payments received on notes receivable	-	1,708	1,944	13	-	3,665	-
Issuance of notes receivable	-	-	-	(795)	-	(795)	-
Investment income earned on investments	766	8,378	3,547	1,272	-	13,963	431
Net cash provided (used) by investing activities	5,819	1,845	7,346	1,824	-	16,834	431
Net increase (decrease) in cash and cash equivalents	(3,269)	9,064	(8,510)	(3,809)	-	(6,524)	(3,637)
Cash and cash equivalents, beginning of year	6,462	159,049	62,813	37,235	1	265,560	15,179
Cash and cash equivalents, end of year	\$ 3,193	168,113	54,303	33,426	1	259,036	11,542
Reconciliation of operating income (loss) to net cash provided (used) by operating activities							
Operating income (loss)	2,416	29,892	40,347	4,778	6,261	83,694	12,224
Adjustments to reconcile operating income to net cash provided by operating activities:							
Depreciation expense	12,716	42,841	15,200	11,245	603	82,605	109
Transmission credits	-	26,493	-	-	-	26,493	-
Prepay power credits	-	44,542	-	-	-	44,542	-
Other income	-	3,367	155	467	-	3,989	-
(Increase) decrease in assets:							
Accounts receivable	264	(26,104)	(13,488)	(1,523)	(176)	(41,027)	(5,321)
Prepaid power cost	-	88,987	-	-	-	88,987	-
Prepayments - in lieu of taxes	-	6	35	-	-	41	-
Deferred purchased power and gas cost	-	-	2,555	-	-	2,555	-
Inventories	-	(1,049)	(6,750)	(130)	-	(7,929)	-
Other assets	-	(599)	(15,161)	-	-	(15,760)	115
(Increase) decrease in liabilities:							
Accounts payable	2,236	41,761	(4,619)	-	-	39,378	-
Other accounts payable and accrued expenses	1,229	5,524	1,673	(614)	536	8,348	4,275
Customer deposits	-	629	(396)	29	-	262	-
Insurance reserves	-	(281)	410	667	-	796	-
Medical benefit accrual	-	1,181	358	444	-	1,983	-
Other	-	(5,766)	(2,674)	(2,571)	-	(11,011)	-
Total adjustments	16,445	221,532	(22,702)	8,014	963	224,252	(822)
Net cash provided (used) by operating activities	\$ 18,861	251,424	17,645	12,792	7,224	307,946	11,402
Reconciliation of cash and cash equivalents per statements of cash flows to the balance sheets:							
Restricted funds	\$ -	56,149	35,639	26,529	-	118,317	-
Less investments included in restricted funds	-	(7,693)	(7,631)	(3,216)	-	(18,540)	-
Cash and cash equivalents included in restricted funds	-	48,456	28,008	23,313	-	99,777	-
Current assets - cash and cash equivalents	246	119,657	26,295	10,113	1	156,312	1
Current assets - equity in cash and investment pool	2,947	-	-	-	-	2,947	11,541
Total cash and cash equivalents	\$ 3,193	168,113	54,303	33,426	1	259,036	11,542

During the year, the sewer fund received \$74 in sewer lines and pipe contributed from developers. Also, during the year the Sewer Fund's investments depreciated by \$90. See accompanying notes to financial statements.

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
(Thousands of Dollars)
June 30, 2009

CITY OF MEMPHIS, TENNESSEE
Exhibit A-12

	Pension and OPEB Trust Funds
	<u> </u>
ASSETS	
Cash and cash equivalents	\$ 165,254
Investments, at fair value:	
Short-term investments	400
U.S. government securities - long-term	98,926
Common stock - domestic	799,530
Common stock - foreign	222,346
Corporate bonds - domestic	535,918
Corporate bonds - foreign	39,964
Mutual funds and money market funds	60,108
Collateralized mortgage obligations	111,673
Asset-backed pooled securities	12,702
Mortgage-backed pooled securities	223,404
Investments in index funds	75,010
Investment in real estate	156,711
Investment in high yield bond fund	10,374
Investment in international equity fund	191,567
Investment in multi-class investment fund	10,005
Investment in limited partnership	87
Total investments	<u>2,548,725</u>
Equity in cash and investment pool	13,038
Interest and dividends receivables	12,894
Receivable for securities sold	19,190
Due from other funds	13
Employer and employee contributions receivable	891
Collateral held in trust for securities on loan	<u>129,619</u>
Total assets	<u>2,889,624</u>
LIABILITIES	
Notes & accounts payable	239,473
Due to other funds	<u>363</u>
Total liabilities	<u>239,836</u>
NET ASSETS	
Held in trust for pension benefits, pool participants, and OPEB	<u>\$ 2,649,788</u>

See accompanying notes to financial statements.

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
(Thousands of Dollars)
For the fiscal year ended June 30, 2009

CITY OF MEMPHIS, TENNESSEE
Exhibit A-13

	Pension and OPEB Trust Funds
ADDITIONS (REDUCTIONS)	
Contributions:	
Employer	\$ 123,324
Plan members	48,127
Total contributions	<u>171,451</u>
Investment income (loss):	
Interest and dividend income	108,318
Securities lending income	1,432
Other investment income	1,267
Gain/(loss) on real estate investments	822
Net appreciation/(depreciation) in the fair value of investments	<u>(845,513)</u>
Total investment income/(loss)	<u>(733,674)</u>
Total Additions (Reductions)	<u>(562,223)</u>
DEDUCTIONS	
Benefits	260,598
OPEB expense paid on behalf of OPEB trust	19,170
Administrative expenses	15,923
Refunds of contributions	<u>17,052</u>
Total Deductions	<u>312,743</u>
Increase/(decrease) before transfers	(874,966)
Transfers in	15,085
Net increase/(decrease)	(859,881)
Net assets - beginning of year	<u>3,509,669</u>
Net assets - end of year	<u><u>\$ 2,649,788</u></u>

See accompanying notes to financial statements.

**COMBINING STATEMENT OF NET ASSETS
COMPONENT UNITS
(Thousands of Dollars)
June 30, 2009**

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

	Board of Education	Memphis Area Transit Authority	Airport Authority	Memphis Zoological Society	Total
ASSETS					
Current unrestricted assets:					
Cash and cash equivalents	\$ 290,061	1,333	5,120	4,631	301,145
Investments	29,688	-	18,591	8,594	56,873
Receivables:					
Federal and state grants	-	1,462	52	-	1,514
Accrued interest	-	-	60	-	60
Accounts	-	-	7,571	-	7,571
Other	3,632	1,070	-	3,774	8,476
Due from other agencies and governments	168,955	-	-	-	168,955
Inventories of materials and supplies	9,368	2,537	1,641	399	13,945
Prepaid expenses	-	258	2,183	-	2,441
Total current unrestricted assets	501,704	6,660	35,218	17,398	560,980
Current restricted assets:					
Cash and cash equivalents	-	-	9,035	-	9,035
Investments	-	523	109,158	-	109,681
Receivables:					
Federal and state grants	-	-	17,603	-	17,603
Accrued interest	-	-	1,645	-	1,645
Total current restricted assets	-	523	137,441	-	137,964
Total current assets	501,704	7,183	172,659	17,398	698,944
Non-current restricted assets:					
Investments	-	-	76,831	-	76,831
Receivables:					
Special facilities rent	-	-	34,762	-	34,762
Total non-current restricted assets	-	-	111,593	-	111,593
Capital Assets:					
Land	34,250	2,731	162,150	-	199,131
Buildings	1,244,690	151,597	341,007	-	1,737,294
Improvements other than buildings	-	-	840,052	-	840,052
Machinery, buses and equipment	208,166	89,380	87,193	99	384,838
Less accumulated depreciation and amortization	(576,476)	(117,906)	(547,606)	(21)	(1,242,009)
Total capital assets, net	910,630	125,802	882,796	78	1,919,306
Construction in progress	30,843	3,618	42,568	-	77,029
Net capital assets	941,473	129,420	925,364	78	1,996,335
Bond issue costs	-	-	6,115	-	6,115
Other assets	-	12	-	546	558
Total assets	\$ 1,443,177	136,615	1,215,731	18,022	2,813,545

(Continued)

**COMBINING STATEMENT OF NET ASSETS
COMPONENT UNITS
(Thousands of Dollars)
June 30, 2009**

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

	Board of Education	Memphis Area Transit Authority	Airport Authority	Memphis Zoological Society	Total
LIABILITIES					
Current:					
Notes and accounts payable	\$ 83,827	3,012	15,555	842	103,236
Due to other agencies and governments	894	-	3,129	80	4,103
Accrued liabilities	2,398	3,158	11,773	3,012	20,341
Insurance claims payable	22,127	1,187	-	-	23,314
Deferred revenue	28,858	239	-	1,273	30,370
Current installment of general obligation bonds payable	-	-	1,805	-	1,805
Current installment of revenue bonds payable	-	-	26,795	-	26,795
Total current liabilities	138,104	7,596	59,057	5,207	209,964
Long-term (net of current maturities):					
Other post employment benefits	193,594	2,429	-	-	196,023
General obligation bonds payable	-	-	3,920	-	3,920
Revenue bonds payable	-	-	492,660	-	492,660
Due to other agencies and governments	3,730	800	-	-	4,530
Deferred lease revenue	-	-	76,175	-	76,175
Other long term obligations	7,692	-	634	-	8,326
Total long-term liabilities	205,016	3,229	573,389	-	781,634
Total liabilities	343,120	10,825	632,446	5,207	991,598
NET ASSETS					
Invested in capital assets, net of related debt	936,758	129,420	438,852	78	1,505,108
Restricted for:					
Capital acquisition	121,411	-	123,059	6,073	250,543
Contracted grant programs	15,337	-	-	-	15,337
Food service	14,061	-	-	-	14,061
Self insurance	-	500	-	-	500
Other	-	-	-	4,257	4,257
Unrestricted	12,490	(4,130)	21,374	2,407	32,141
TOTAL NET ASSETS	\$ 1,100,057	125,790	583,285	12,815	1,821,947

See accompanying notes to financial statements.

**COMBINING STATEMENT OF ACTIVITIES
 COMPONENT UNITS
 (Thousands of Dollars)
 For the fiscal year ended June 30, 2009**

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

Functions/Programs Component units:	Program Revenues				Net (Expense) Revenue and Changes in Net Assets				
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Board of Education	Memphis Area Transit Authority	Airport Authority	Memphis Zoological Society	Total
Board of Education	\$ 1,196,893	11,752	626,949	43,961	(514,231)	-	-	-	(514,231)
Memphis Area Transit Authority	66,379	10,517	-	1,387	-	(54,475)	-	-	(54,475)
Memphis Zoological Society	22,392	12,589	-	855	-	-	-	(8,948)	(8,948)
Airport Authority	134,403	107,952	-	44,444	-	-	17,993	-	17,993
Total component units	\$ 1,420,067	142,810	626,949	90,647	(514,231)	(54,475)	17,993	(8,948)	(559,661)
General revenues:									
Grants and contributions not restricted to specific programs					431,868	-	-	92	431,960
City of Memphis subsidy					-	23,194	-	-	23,194
Investment income (loss)					4,982	25	8,251	(866)	12,392
Federal grants and entitlements					-	11,733	-	-	11,733
State grants					-	8,060	-	-	8,060
Other					12,475	91	622	84	13,272
Total general revenues and special items					449,325	43,103	8,873	(690)	500,611
Changes in net assets					(64,906)	(11,372)	26,866	(9,638)	(59,050)
Net assets - beginning, as restated					1,164,963	137,162	556,419	22,453	1,880,997
Net assets - ending					\$ 1,100,057	125,790	583,285	12,815	1,821,947

See accompanying notes to financial statements.

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I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting entity

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

Fiscal Year End

Memphis Light Gas and Water (MLGW), a division of the primary government, has a fiscal year end of December 31. Thus, the amounts and disclosures for the MLGW Enterprise Fund, the MLGW Other Post Employment Benefits Trust Fund and the MLGW Retirement System Fund are as of December 31, 2008. 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. The Board of Education of the Memphis City Schools, Memphis Area Transit Authority, and Memphis-Shelby County Airport Authority are major component units. The Memphis Zoological Society is a non-major component unit.

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. BOE is a major component unit.

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. MATA is a major component unit.

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. MSCAA is a major component unit.

Memphis Zoological Society (MZS) – MZS was created as a not-for-profit in April 1951 by Charter to manage and support the Memphis Zoo and Aquarium in its efforts to preserve wildlife through education, conservation and research. All land, buildings, exhibits and other physical assets used by the society are the property of the City of Memphis. MZS operates on a 52-53 week fiscal year ending on the last Sunday in the month of June. The year ended June 28, 2009 contained 52 weeks. MZS is a non-major component unit.

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

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

Related Organization

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

Joint Ventures

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

- 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 non-fiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

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

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

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when

earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

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

The City reports the following major governmental funds:

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

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

The City reports the following major proprietary funds:

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

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

Additionally, the City reports the following fund types:

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

Printing and Mail Internal Service Fund

Health Insurance Internal Service Fund

Unemployment Compensation Internal Service Fund

Fleet Management Internal Service Fund

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

City Retirement System Fund

Library Retirement System Fund

City OPEB Trust Fund

Memphis Light, Gas and Water Retirement System Fund

Memphis Light Gas and Water Other Post Employment Benefits Trust Fund

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

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

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

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

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

D. Assets, liabilities, and net assets or equity

Cash and cash equivalents and investments

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

Property taxes receivable

Property taxes are recorded as receivables when levied, net of estimated uncollectibles. The receivables collected during the current fiscal year and those collected by August 31, 2009, related to tax levies for fiscal year 2009 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, 2009, are recorded as deferred revenue at June 30, 2009.

Interfunds receivable and payable

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

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

Transactions 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, 2009. 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 Collection and Treatment Fund during the current fiscal year was \$6,614. Of this amount, none was included as part of the cost of capital assets constructed with bond proceeds.

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

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

Compensated absences

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

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

Deferred Compensation Plan

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

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

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

Use of estimates

Estimates used in the preparation of financial statements require management to make assumptions that affect the recorded amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

Fund equity

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

Reclassification of Funds and Restatement of Fund Balance/Net Assets

Prior year net assets for the following proprietary funds have been adjusted as stated below:

	<u>MLGW Electric Division</u>
Net assets at December 31, 2007	\$ 1,003,685
GASB Statement No. 49, Pollution Remediation Obligations	<u>(25,511)</u>
Restated net assets at December 31, 2007	<u>\$ 978,174</u>

	<u>MLGW Gas Division</u>
Net assets at December 31, 2007	\$ 384,889
GASB Statement No. 49, Pollution Remediation Obligations	<u>(4,215)</u>
Restated net assets at December 31, 2007	<u>\$ 380,674</u>

	<u>MLGW Water Division</u>
Net assets at December 31, 2007	\$ 285,432
GASB Statement No. 49, Pollution Remediation Obligations	<u>(6,522)</u>
Restated net assets at December 31, 2007	<u>\$ 278,910</u>

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

	<u>Workforce Investment Act fund</u>
Fund balance at June 30, 2008	\$ (37)
Prior year correction	<u>37</u>
Restated fund balance at June 30, 2008	<u>\$ -</u>

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

The governmental fund balance sheet includes a reconciliation between fund balance – total governmental funds and net assets – governmental activities as reported in the government-wide statement of net assets. One element of that reconciliation explains that “long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.” The details of the \$1,350,179 difference are as follows:

Bonds payable	\$ 1,041,524
Bond anticipation notes payable	148,470
Accreted Interest	5,750
Unamortized loan costs	30,396
Capital lease obligations	6,058
Accrued interest payable	13,025
Claims and judgements liability	21,960
Compensated absences:	
Vacation, Sick and other leave	78,994
On the Job Injury	<u>4,002</u>
 Net adjustment to reduce-fund balance-total governmental funds to arrive at net assets-governmental activities	 <u>\$ 1,350,179</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 \$10,464 difference are as follows:

Capital outlay	\$ 66,529
Depreciation expense	<u>(56,065)</u>
 Net adjustment to increase net changes in fund balances-total governmental funds to arrive at changes in net assets of governmental activities	 <u>\$ 10,464</u>

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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 \$75,268 difference are as follows:

Debt issued or incurred:	
Issuance of general obligation bonds	\$ 284,495
Bond issue costs	(1,398)
Capital Lease Payment	(1,452)
Premium on bond issue	6,903
Principal repayments:	
General obligation debt	(57,112)
Payment to escrow agent for refunding	(150,000)
Accretion of general obligation bonds	-
Amortization of premium on general obligation bonds	(2,988)
Vacation, sick, and other leave benefits	(1,033)
Accrued interest payable	<u>(2,147)</u>
Net adjustment to decrease net changes in fund balances- total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ 75,268</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 (\$6,756) difference are as follows:

Claims and judgments liability:	
Balance 6/30/2008	\$ 15,204
Balance 6/30/2009	<u>21,960</u>
Net adjustment to decrease net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities	<u>\$(6,756)</u>

III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary information

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

During the fiscal year, budgetary control is maintained at a program level. The City Mayor has the authority to approve transfers between line items within the total amounts of each program category (Personal Services, Materials and Supplies, Capital Outlay, Grants and Subsidies, Inventory and Expense Reimbursements). The City Mayor also has the authority to approve transfers between program categories within the total amounts of each program; however, each transfer shall have a maximum limit of \$50 and each program shall have an annual cumulative limit of \$100 for transfers

between categories within the total amounts of each program. During the fiscal year, any transfer of appropriations between programs can be made only upon the authorization by ordinance or resolution of the City Council. At year-end, the Comptroller is authorized to transfer appropriations between programs to cover any resulting unfavorable variances as long as the total expenditure appropriation is not exceeded. The reported budgetary data has been revised for amendments authorized during the year and at year-end. Such data reflects expenditures by program categories at a division level to avoid excessively detailed program classifications.

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

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders, contracts) outstanding at year end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be 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, 2009, 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 2009.

C. Deficit fund equity

The New Memphis Arena Special Revenue Fund has a deficit fund balance of \$6,843 as of June 30, 2009. The City of Memphis, Shelby County, and The Memphis and Shelby County Sports Authority, Inc. are parties to an interlocal agreement relating to the financing of the new sports arena that was completed in August 2004. Of the \$250,000 budget, the City paid \$12,000 for acquisition and construction of the Arena site and infrastructure improvements. The City's commitment was funded through legally available non-ad valorem revenues. The interfund payable to the Capital Projects Fund will be repaid from future hotel motel taxes. The City anticipates the New Memphis Arena Special Revenue Fund negative fund balance will be eliminated over the next 7 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. Solid Waste has a deficit fund of \$2,298 as of June 30, 2009. Management is receiving the fee structure to determine if an adjustment is required.

The Unemployment Compensation Internal Service Fund deficit fund balance of \$1,798 as of June 30, 2009 remained unchanged from prior year. Future unemployment premium increases are expected to eliminate the deficit over time. The Printing and Mail Internal Service Fund reflected a fund increase of \$186 which decreased the deficit fund balance to \$2. The Fleet Management Internal Service Fund deficit fund balance increased by \$332 to \$7,020 as of June 30, 2009. Positive results from recent changes in the Fleet Management operations were offset by Other Post Employment Benefit (OPEB) expenses. As such, management is continuing a review of these funds' operations and charges to ensure that the funds' cost and charge structure are in alignment. As a result, a strategy will be developed to eliminate the current fund deficit over time.

IV. DETAILED NOTES ON ALL FUNDS

A. Deposits and investments

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

City ordinances, as interpreted by opinions of the City Attorney, authorize the City to enter into stock and bonds borrowed/cash or bond pledged securities lending agreements, that is a transfer of securities with a simultaneous receipt of securities. The securities received in the transfer are the type which the City is legally authorized to hold. The market value of the securities received in the agreement is 102 percent of the value of the securities transferred in the case of the securities of United States issuers and 105 percent in the case of securities of non-United States issuers. The securities transferred are a part of the total investments reported below. The securities being held are not reported as a part of the total investments. The City retains the interest income on the securities being transferred and received \$1,317 during the year ended June 30, 2009. On June 30, 2009, the market value of the securities transferred was \$102,694 and the market value of the securities the City was holding was \$104,038. The monitoring procedures in the securities lending programs are the same as those requirements in regard to the repurchase agreements. At year end, the City has no credit risk exposure to borrowers because the amounts the City owes the borrowers exceed the amounts the borrowers owe the City.

Cash and Investment Pool

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

Interest Rate Risk

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

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation. It is the City's policy to limit its investments to prime commercial paper which shall be rated at least A1 or equivalent by at least two (2) nationally recognized rating services. Proceeds of bonds, notes and other obligations issued by the city, reserves held in connection therewith and the investment income there from, may be invested in obligations which (a) are rated in either of the two highest rated categories by a nationally recognized rating agency; (b) are direct general obligations of a state of the United States, or a political subdivision or instrumentally thereof, having general taxing powers; and (c) have a final maturity on the date of investment not to exceed twenty-four (24) months or which may be tendered by the holder to the issuer thereof, or an agent of the issuer, at not less than twenty-four (24) month intervals unless approved by the State Director of Local Finance. As of June 30, 2009, the government's investments in general obligation bonds were rated A1 by Moody's Investor Service, AA by S & P, and A+ by Fitch Ratings.

Concentration of Credit Risk

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

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

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

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

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

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure the government's deposits may not be returned. At June 30, 2009 all deposits were insured or collateralized as required by policy. The City's investment policy provides that all securities purchased by the City or held as collateral on either deposits or investments shall be held in third-party safekeeping at a financial institution.

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Deposits held by the pool at June 30, 2009, were as follows:

Description	Carrying Amount	Bank Balance
Cash deposits	\$ <u>(11,194)</u>	<u>7,247</u>

The investments held by the pool consist of the following at June 30, 2009:

Description	Maturity Dates	Interest Rates	Fair Value	Duration
U.S. Government agencies	Jul 2009-Jun 2014	1.00-6.79	\$ 103,722	.12-.6
Commercial paper	Jul 2009-Dec 2009		16,718	.6-.12
Certificate of Deposit	Aug 2010-June 2010	1.33-3.75	11,000	.24-.6
U.S. Treasury Obligations	Aug 2010-May 2011	1.0-4.5	6,692	.24-.36
Corporate and foreign bonds	Mar 2011-Jul 2012	1.25-2.125	<u>1,253</u>	
Total			139,385	
Investments not subject to Categorization - Money market funds			<u>573</u>	
Total investments			<u>\$ 139,958</u>	

The Pool does not issue separate financial statements. Condensed financial information as of June 30, 2009 is as follows (dollar amounts and share amounts are the same):

Condensed Statement of Net Assets

Investments	\$ 139,958
Bank overdraft	<u>(11,194)</u>
Net assets	<u>\$ 128,764</u>

Net assets held in trust for pool participants:

Internal participants	<u>128,764</u>
Total net assets held in trust for pool participants	<u>\$ 128,764</u>

Condensed Statement of Changes in Net Assets

Additions:

Investment income	\$ 5,207
Purchase of units	<u>2,177,793</u>
Total Additions	2,183,000

Deduction:

Redemption of units	<u>2,208,950</u>
Net increase (decrease)	(25,950)

Net assets held in trust for pool participants:

Beginning of Year	<u>154,714</u>
End of Year	<u>\$ 128,764</u>

Investments Outside of the Pool

In addition to the cash and investment pool, several funds in the primary government own investments outside of the Pool. The Capital Project Fund's investments were purchased from the unexpended portion of general obligation bond issues which require the City to maintain separate investments for arbitrage purposes. The Sewer Collection and Treatment Fund's investments were purchased to set aside funds to satisfy certain revenue bond covenants. Investments in these funds are generally of the same type as in the Pool with the addition of collateralized certificates of deposit. These funds also are required to hold funds relating to certain construction projects in the State of Tennessee Treasurer's Local Government Investment Pool ("LGIP"). Deposits with the LGIP may be withdrawn with a maximum of one day's notice, are classified as cash equivalents and are valued at cost. The LGIP is not registered with the SEC as an investment company, however, the LGIP has a policy that it will-and does-operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. Rule 2a7 allows SEC-registered mutual funds to use amortized cost rather than fair value to report net assets to compute share prices if certain conditions are met. State statutes require the State Treasurer to administer the LGIP under the same terms and conditions, including collateral requirements, as required for other funds invested by the Treasurer. The reported value of the pool is the same as the fair value of the pool shares. Although the LGIP itself is unrated, its types of investments and maturities provide a level of credit risk similar to that detailed in the aforementioned credit risk section. All of MLGW Fund's investments are outside of the City's investment pool. MLGW's investments are invested under a cash management program which provides for the investment of excess cash balances in short-term investments and the investment of debt service funds in instruments maturing as the related debt matures. These investments are similar to those described above with the addition of commercial paper and mutual funds. Investments in the City Retirement Fund, the Library Retirement Fund, and the MLGW Retirement and Pension System include stocks, corporate and government bonds, mortgage-backed securities, mutual funds, limited partnerships, real estate investments and commercial paper in addition to the money market securities mentioned above. As of June 30, 2009, the City's investments in general obligation bonds were rated A1 by Moody's Investor Service, AA by Standard & Poor's, and A+ by Fitch Ratings.

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

Deposits held by the primary government outside of the Pool at June 30, 2009, were as follows:

Description	<u>Carrying Amount</u>	<u>Bank Balance</u>
Cash deposits	\$ 25,502	<u>\$ 6,311</u>
Cash on hand	<u>135</u>	
Total deposits and cash on hand	<u>\$ 25,637</u>	

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The investments held by the primary government outside the Pool consist of the following at June 30, 2009:

Description	<u>Fair Value</u>
Short-term investments	\$ 14,330
U.S. Government securities	135,604
Corporate bonds – domestic	16,201
Asset-backed pool securities	<u>10,866</u>
Total	177,001
Investments not subject to categorization:	
Bond and equity mutual funds	238,401
State of Tennessee LGIP	5,639
Purchased interest	<u>18</u>
Total	<u>244,058</u>
Total investments	<u>\$ 421,059</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	\$ (11,194)
Pool investments	139,958
Other deposits and cash on hand	25,637
Other investments	<u>421,059</u>
Total	\$ 575,460
Equity in cash and investment pool-City OPEB Trust	<u>(13,038)</u>
Total	<u>562,422</u>
Cash and cash equivalents	\$ 164,246
Investments	164,132
Equity in cash and investment pool	115,726
Restricted special fund-customer deposits	69,901
Restricted investments	<u>48,416</u>
Total	<u>\$ 562,422</u>

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

BOE Deposits - Deposits by type at June 30, 2009, were as follows:

Description	<u>Carrying Amount</u>	<u>Bank Balance</u>
Cash deposits	\$ 25,219	\$43,672
State of Tennessee local government investment pool	<u>264,842</u>	
Total deposits	<u>\$ 290,061</u>	

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BOE Investments - Investments by type at June 30, 2009, were as follows:

Description	<u>Fair Value</u>
Corporate bonds	\$ 12,058
U. S. Government mortgage backed securities	3,234
Short-term investments	<u>14,396</u>
Total Investments	<u>\$ 29,688</u>

MATA Deposits - Deposits by type at June 30, 2009 were as follows:

Description	<u>Carrying Amount</u>	<u>Bank Balance</u>
Cash deposits	\$ 1,332	\$ 1,317
Cash on hand	<u>1</u>	
Total deposits and cash on hand	<u>\$ 1,333</u>	

MATA Investments - Investments by type at June 30, 2009, were as follows:

Description	<u>Fair Value</u>
U.S. Treasury notes	<u>\$ 523</u>
Total Investments	<u>\$ 523</u>

MSCAA Deposits - Deposits by type at June 30, 2009, were as follows:

Description	<u>Carrying Amount</u>
Cash deposits	\$ 14,139
Cash on hand	<u>16</u>
Total deposits and cash on hand	<u>\$ 14,155</u>

MSCAA Investments - Investments by type at June 30, 2009, were as follows:

Description	<u>Fair Value</u>
U.S. Government agencies	\$ 179,458
Investments not subject to categorization:	
Mutual Funds	609
Forward Purchase Agreements	<u>24,513</u>
Total Investments	<u>\$ 204,580</u>

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MZS Deposits - Deposits by type at June 30, 2009 were as follows:

Description	<u>Carrying Amount</u>
Cash deposits	\$ <u>4,631</u>
Total deposits and cash on hand	\$ <u><u>4,631</u></u>

MZS Investments - Investments by type at June 30, 2009, were as follows:

Description	<u>Fair Value</u>
Money market mutual funds	\$ 6,221
CFGM funds	2,362
Common Stocks	<u>11</u>
Total Investments	<u><u>\$ 8,594</u></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	\$ 310,180
Total component unit investments	<u>243,385</u>
Total	<u><u>\$ 553,565</u></u>
Cash and cash equivalents	\$ 301,145
Investments	56,873
Restricted cash and cash equivalents	9,035
Current restricted investments	109,681
Noncurrent restricted investments	<u>76,831</u>
Total	<u><u>\$ 553,565</u></u>

City of Memphis Retirement System – Deposits and Investments

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

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

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

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

Interest rate risk

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

The fair values of fixed income investments grouped by maturity at June 30, 2009 are as follows:

Current to one year	\$ 21,795
One to two years	32,880
Two to three years	63,484
Three to four years	29,637
Four to five years	66,830
Five or more years	468,853
	<u>683,479</u>
Funds with indeterminable maturities	3,676
	<u><u>\$ 687,155</u></u>

Credit risk

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

The City Plan's exposure to credit risk at June 30, 2009 is presented below by investment category as rated by Standard and Poor's rating service

NOTES TO FINANCIAL STATEMENTS
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Type of investment	Fair Value	Ratings	Percentage of Fixed Income
Government bonds	40,368	AAA	5.87%
Non government backed CMOS	800	A	0.12%
	1,083	A-	0.16%
	158	A+	0.02%
	946	AA	0.14%
	144	AA+	0.02%
	34,936	AAA	5.08%
	2,129	B	0.31%
	2,435	B-	0.35%
	2,597	B+	0.38%
	3,524	BB	0.51%
	47	BB-	0.01%
	51	BB+	0.01%
	606	BBB	0.09%
	1,442	BBB+	0.21%
	1,301	BBB-	0.19%
	4,244	C	0.62%
	1,503	CC+	0.22%
	6,762	CCC	0.98%
	2,629	CCC-	0.38%
	5,089	CCC+	0.74%
Asset backed securities	1,456	A	0.21%
	5,572	AAA	0.81%
	770	B-	0.11%
	450	B+	0.07%
	570	BB-	0.08%
	1,520	BB+	0.22%
	359	BBB	0.05%
	7	C	0.00%
	1,002	CCC	0.15%
	996	CCC+	0.15%
Corporate bonds	47,168	A	6.86%
	25,034	A-	3.64%
	11,668	A+	1.70%
	2,646	AA	0.39%
	7,615	AA-	1.11%
	3,248	AA+	0.47%
	241,318	AAA	35.12%
	11,171	B	1.63%
	16,162	B-	2.35%
	14,528	B+	2.11%
	13,969	BB	2.03%
	12,997	BB-	1.89%
	7,166	BB+	1.04%
	30,488	BBB	4.44%
	12,922	BBB-	1.88%
	24,368	BBB+	3.55%
	149	C	0.02%
	1,762	CC	0.26%
	5,633	CCC	0.82%
	1,516	CCC-	0.22%
	9,361	CCC+	1.36%
	2,107	D	0.31%
	5,404	NR	0.79%
Government mortgage backed securities	53,259	AAA	7.75%
Total fixed income	\$ 687,155		100%

NOTES TO FINANCIAL STATEMENTS
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Foreign currency risk

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

The City Plan's exposure to foreign currency risk in US Dollars as of June 30, 2009 is as follows:

<u>Currency</u>	<u>Equities</u>	<u>Corporate Bonds</u>	<u>Total</u>
Australian dollar	\$ 3,813	\$ 908	\$ 4,721
Bermudian dollar	285	1,672	1,957
Brazilian real	-	985	985
British pound sterling	29,796	4,155	33,951
Canadian dollar	8,413	10,925	19,338
Czech koruna	1,197	-	1,197
Danish krone	3,110	-	3,110
Euro	32,746	8,349	41,095
Hong Kong dollar	4,876	-	4,876
Jamacian dollar	-	233	233
Japanese yen	24,668	-	24,668
Mexican peso	-	171	171
Norwegian krone	1,420	303	1,723
Panama balboa	9	-	9
Singapore dollar	2,913	-	2,913
South Korean won	-	365	365
Swedish krona	3,458	-	3,458
Swiss franc	17,792	1,000	18,792
United Arab Emirates dirham	-	447	447
Total securities subject to foreign credit risk	\$ 134,496	\$ 29,513	\$ 164,009
International portfolio in U.S dollars	185,294	-	185,294
	<u>\$ 319,790</u>	<u>\$ 29,513</u>	<u>\$ 349,303</u>

City OPEB Trust-Deposits and Investments

City OPEB Trust Investments at June 30, 2009 were as follows:

<u>Description</u>	<u>Fair Value</u>
Mutual Funds	\$2,563

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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
Receivables:						
Property taxes	\$ 321,626	101,464	-	-	37,080	460,170
Sales and income taxes	40,491	-	-	-	-	40,491
Federal and state grants	1,272	-	-	-	48,236	49,508
Interest and dividends on investments	116	68	39	-	620	843
Notes and accounts receivable	-	-	3,223	293,080	-	296,303
Housing and rehabilitation loans	-	-	-	-	83,484	83,484
Other	139,804	-	-	-	5,110	144,914
Gross receivables	503,309	101,532	3,262	293,080	174,530	1,075,713
Less allowance for uncollectibles	(130,675)	(3,664)	(112)	(15,900)	(19,486)	(169,837)
Net total receivables	\$ 372,634	97,868	3,150	277,180	155,044	905,876

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, 2009, 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 2009 levy was based was approximately \$12.3 billion. The market value was approximately \$39.8 billion making the overall assessed value 31.05 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, 2009, were 93.80 percent of the tax levy.

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At June 30, 2009 the allowance for uncollectibles by fund was as follows:

General Fund	\$ 10,757
Education Special Revenue Fund	3,663
Debt Service Fund	2,680
Capital Projects Fund	<u>15</u>
Total	<u>\$ 17,115</u>

The property tax levy is without legal limit. The rate, as permitted by Tennessee State Law and City Charter, is set annually by the City Council and collected by the City Treasurer. The City allocated the property tax per \$100 of assessed value for the year ended June 30, 2009, as follows:

General Fund	\$2.3427
Education Special Revenue Fund	.1900
Debt Service Fund	.7141
Capital Projects Fund	<u>.0032</u>
Total	<u>\$3.2500</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, 2009 was as follows:

Primary Government

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Governmental Activities:					
Capital assets, not being depreciated:					
Land	\$ 62,560	-	(326)	-	62,234
Construction in progress	89,934	91,805	(31,045)	-	150,694
Total capital assets, not being depreciated	<u>152,494</u>	<u>91,805</u>	<u>(31,371)</u>	<u>-</u>	<u>212,928</u>
Capital assets, being depreciated:					
Buildings	530,387	-	-	-	530,387
Improvements other than buildings	757,481	1,967	(2,711)	-	756,737
Machinery and equipment	335,015	6,596	(1,342)	-	340,269
Total capital assets being depreciated	<u>1,622,883</u>	<u>8,563</u>	<u>(4,053)</u>	<u>-</u>	<u>1,627,393</u>
Less accumulated depreciation for:					
Buildings	(189,612)	(13,143)	635	-	(202,120)
Improvements other than buildings	(175,977)	(19,116)	53	(104)	(195,144)
Machinery and equipment	(286,263)	(23,806)	1,193	104	(308,772)
Total accumulated depreciation	<u>(651,852)</u>	<u>(56,065)</u>	<u>1,881</u>	<u>-</u>	<u>(706,036)</u>
Total capital assets, being depreciated, net	<u>971,031</u>	<u>(47,502)</u>	<u>(2,172)</u>	<u>-</u>	<u>921,357</u>
Governmental activities capital assets, net	<u>\$ 1,123,525</u>	<u>44,303</u>	<u>(33,543)</u>	<u>-</u>	<u>1,134,285</u>

NOTES TO FINANCIAL STATEMENTS
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	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Business-type activities:					
Capital assets, not being depreciated:					
Land	\$ 13,692	-	-	34	13,726
Construction in progress	22,406	14,368	-	(4,605)	32,169
Memphis Light, Gas and Water assets	123,650	93,432	(85,552)	-	131,530
Total capital assets, not being depreciated	159,748	107,800	(85,552)	(4,571)	177,425
Capital assets, being depreciated:					
Buildings and system	106,090	-	-	-	106,090
Improvements other than buildings	519,319	74	(116)	4,571	523,848
Machinery and equipment	29,539	801	(525)	-	29,815
Memphis Light, Gas and Water assets	2,156,473	86,368	(12,444)	-	2,230,397
Total capital assets, being depreciated	2,811,421	87,243	(13,085)	4,571	2,890,150
Less accumulated depreciation for:					
Buildings and system	(72,246)	(2,582)	-	-	(74,828)
Improvements other than buildings	(232,200)	(9,994)	116	-	(242,078)
Machinery and equipment	(25,914)	(743)	522	-	(26,135)
Memphis Light, Gas and Water depreciation	(879,838)	(74,931)	19,761	-	(935,008)
Total accumulated depreciation	(1,210,198)	(88,250)	20,399	-	(1,278,049)
Total capital assets, being depreciated, net	1,601,223	(1,007)	7,314	4,571	1,612,101
Business-type activities capital assets, net	\$ 1,760,971	106,793	(78,238)	-	1,789,526

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

Governmental activities:

Executive	\$ 313
Finance	4,208
General services	997
Information services	6,302
Fire services	4,115
Police services	10,278
Park services	7,697
Public services	7,156
Housing and community development	280
Public works	13,460
Engineering	1,146
City Court Clerk	4
Capital assets held by government's internal service funds are charged to the various functions based on their usage of the assets	<u>109</u>

Total depreciation expense - governmental activities \$ 56,065

Business-type activities:

Sewer	\$ 12,716
Storm Water	603
Memphis Light, Gas and Water	<u>74,931</u>

Total depreciation expense - business-type activities \$ 88,250

	MLGW Electric Division	MLGW Gas Division	MLGW Water Division	Total
Statement of Revenues, Expenses, Changes in Net Fund Net Assets:				
Depreciation Expense	\$ 40,018	\$ 12,377	\$ 10,493	\$ 62,888
Transportation costs	2,798	2,826	655	6,279
Salvage Returns	25	(3)	97	119
Statement of Cash Flows, Depreciation Expense:	<u>\$ 42,841</u>	<u>\$ 15,200</u>	<u>\$ 11,245</u>	<u>\$ 69,286</u>
Retirements	2,472	76	30	2,578
Salvage	2,061	40	1	2,102
Shelby county board of public utilities acquisition annual amortization	-	-	965	965
	<u>\$ 47,374</u>	<u>\$ 15,316</u>	<u>\$ 12,241</u>	<u>\$ 74,931</u>

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

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

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Construction commitments

The government has active construction projects as of June 30, 2009. At year end the government's commitments with contractors are as follows:

<u>Function/Activity</u>	<u>Commitment</u>
Executive	\$ 4,379
Fire services	9,419
Police services	2,050
Park services	4,011
Public works	14,383
Port Commission	87
Public services	6,228
General services	1,447
Housing and community development	8,719
Engineering	10,991
Information systems	5,074
Library services	489
Sewer	15,675
	<u>\$ 82,952</u>

Discretely presented component units

Activity for the Board of Education for the year ended June 30, 2009, was as follows:

	Beginning Balance (Restated)	Increases	Decreases	Transfers	Ending Balance
Capital assets, not being depreciated:					
Land	\$ 33,929	-	-	321	34,250
Construction in progress	83,765	46,525	-	(99,447)	30,843
Total capital assets, not being depreciated	<u>117,694</u>	<u>46,525</u>	<u>-</u>	<u>(99,126)</u>	<u>65,093</u>
Capital assets, being depreciated:					
Buildings and improvements	1,162,927	-	(14,893)	96,656	1,244,690
Equipment and furniture	243,713	9,468	(47,485)	2,470	208,166
Total capital assets being depreciated	<u>1,406,640</u>	<u>9,468</u>	<u>(62,378)</u>	<u>99,126</u>	<u>1,452,856</u>
Less accumulated depreciation for:					
Buildings and improvements	(396,868)	(31,800)	10,539	-	(418,129)
Equipment and furniture	(192,911)	(12,917)	47,481	-	(158,347)
Total accumulated depreciation	<u>(589,779)</u>	<u>(44,717)</u>	<u>58,020</u>	<u>-</u>	<u>(576,476)</u>
Total capital assets, being depreciated, net	<u>816,861</u>	<u>(35,249)</u>	<u>(4,358)</u>	<u>99,126</u>	<u>876,380</u>
Capital assets, net	<u>\$ 934,555</u>	<u>11,276</u>	<u>(4,358)</u>	<u>-</u>	<u>941,473</u>

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Activity for the Memphis Area Transit Authority for the year ended June 30, 2009 was as follows:

	Beginning Balance (Restated)	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 2,731	-	-	2,731
Construction in progress	4,540	610	(1,532)	3,618
Total capital assets, not being depreciated	<u>7,271</u>	<u>610</u>	<u>(1,532)</u>	<u>6,349</u>
Capital assets, being depreciated:				
Buildings and improvements	150,045	1,552	-	151,597
Buses and other revenue vehicles	69,966	-	-	69,966
Machinery and equipment	18,661	753	-	19,414
Total capital assets being depreciated	<u>238,672</u>	<u>2,305</u>	<u>-</u>	<u>240,977</u>
Less accumulated depreciation for:				
Buildings and improvements	(47,305)	(3,471)	-	(50,776)
Buses and other revenue vehicles	(46,855)	(4,520)	-	(51,375)
Machinery and equipment	(15,508)	(247)	-	(15,755)
Total accumulated depreciation	<u>(109,668)</u>	<u>(8,238)</u>	<u>-</u>	<u>(117,906)</u>
Total capital assets, being depreciated, net	<u>129,004</u>	<u>(5,933)</u>	<u>-</u>	<u>123,071</u>
Capital assets, net	<u>\$ 136,275</u>	<u>(5,323)</u>	<u>(1,532)</u>	<u>129,420</u>

Activity for the Memphis-Shelby County Airport Authority for the year ended June 30, 2009, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 161,693	457	-	162,150
Avigation easements	42,324	-	-	42,324
Construction in progress	87,695	59,491	(104,618)	42,568
Total capital assets, not being depreciated	<u>291,712</u>	<u>59,948</u>	<u>(104,618)</u>	<u>247,042</u>
Capital assets, being depreciated:				
Runways, taxiways, aprons and airfield lighting	625,201	19,093	(10,025)	634,269
Buildings	338,206	2,822	(21)	341,007
Facilities constructed for tenants	27,077	76,816	-	103,893
Roads, bridges and fences	58,423	1,143	-	59,566
Equipment and utility systems	80,069	11,288	(4,164)	87,193
Total capital assets being depreciated	<u>1,128,976</u>	<u>111,162</u>	<u>(14,210)</u>	<u>1,225,928</u>
Less accumulated depreciation for:				
Runways, taxiways, aprons and airfield lighting	(219,319)	(29,103)	2,743	(245,679)
Buildings	(181,143)	(13,781)	21	(194,903)
Facilities constructed for tenants	(27,091)	(1,176)	-	(28,267)
Roads, bridges and fences	(15,412)	(3,225)	-	(18,637)
Equipment and utility systems	(55,931)	(4,715)	526	(60,120)
Total accumulated depreciation	<u>(498,896)</u>	<u>(52,000)</u>	<u>3,290</u>	<u>(547,606)</u>
Total capital assets, being depreciated, net	<u>630,080</u>	<u>59,162</u>	<u>(10,920)</u>	<u>678,322</u>
Capital assets, net	<u>\$ 921,792</u>	<u>119,110</u>	<u>(115,538)</u>	<u>925,364</u>

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E. The composition of interfund transfers.

The composition of interfund transfers for the year ended June 30, 2009, is as follows:

	Transfers in:									
	General Fund	Debt Service	Nonmajor Special Revenue				Capital Projects	Storm Water	OPEB Trust Fund	Totals
			Hotel/Motel Tax	New Memphis Arena	Community Redevelopment	Total Nonmajor Special Revenue				
Transfers out:										
General fund	\$ -	5,653	-	-	2,278	2,278	-	452	-	8,383
Debt service	6,000	-	-	-	-	-	-	-	-	6,000
Nonmajor special revenue:										
State Street Aid	-	2,286	-	-	-	-	-	-	-	2,286
Miscellaneous grants	-	388	-	-	-	-	-	-	-	388
Solid waste	-	1,662	-	-	-	-	-	-	-	1,662
Hotel/Motel tax	-	903	-	875	-	875	-	-	-	1,778
New Memphis arena	-	-	875	-	-	875	-	-	-	875
MLK Park Improvement	-	-	-	-	-	-	250	-	-	250
Community redevelopment	-	3,521	-	-	-	-	-	-	-	3,521
Total nonmajor special revenue	-	8,760	875	875	-	1,750	250	-	-	10,760
Enterprise fund:										
Sewer	5,887	-	-	-	-	-	-	-	-	5,887
Memphis light, gas and water	49,736	-	-	2,500	-	2,500	-	-	-	52,236
Storm water	-	4,412	-	-	-	-	-	-	-	4,412
Internal Service:										
Health insurance	-	-	-	-	-	-	-	-	15,085	15,085
	\$ 61,623	18,825	875	3,375	2,278	6,528	250	452	15,085	102,763

Transfers:

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

A discrepancy exists between the amount reported as transfers from MLGW by the General Fund and transfers to the General Fund by MLGW due to a transaction occurring prior to MLGW's December 31, 2008 year end and during the City's June 30, 2009 year end. As such, the City recorded the accrual for the transaction in prior year whereas MLGW recorded the transaction in the current year.

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The composition of interfund balances as of June 30, 2009 is as follows:

Due to/from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
GOVERNMENTAL FUND TYPES		
General	Community Development	\$ 19,260
	State Street Aid	3,002
	Workforce Investment Act	11,400
	Sewer	4,612
		<u>38,274</u>
Debt Service	State Street Aid	295
	Miscellaneous Grants	3,163
	Solid Waste	4,032
	Capital Projects	6,345
	Storm Water	9,329
		<u>23,164</u>
Special Revenue:		
Drug Enforcement	Miscellaneous Grants	19
Capital Projects	New Memphis Arena	6,843
PROPRIETARY FUND TYPES		
Internal Service:		
Printing and Mail	Community Development	15
Health Insurance	Unemployment Compensation	1,717
	Fleet Management	3,264
	Retirement	60
	Library Retirement	303
		<u>5,344</u>
Fleet Management	Community Development	10
FIDUCIARY FUND TYPES		
Pension Trust:		
Retirement	General	13
Total		<u>\$ 73,682</u>

Interfund Balances:

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

F. Leases

Operating Leases

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

Capital Leases

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

The assets acquired through capital leases are as follows:

Assets:	
Equipment	\$ 7,510
Accumulated Depreciation	<u>(1,502)</u>
Total	<u>\$ 6,058</u>

The remaining debt service requirement for the capital lease obligation for the City at June 30, 2009, is as follows:

Fiscal Year	
2010	1,662
2011	1,662
2012	1,662
2013	<u>1,663</u>
	6,649
Less Interest	<u>(591)</u>
Present Value of Payments	<u>\$ 6,058</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 June, 2009, the City issued \$76,025 of General Improvement Bonds, Series 2009. The issue resulted in net proceeds of \$80,000 (after the net issue premium of \$4,738, payment of \$427 in underwriter's discount and \$336 cost of issuance) to payoff \$80,000 of a term loan balance obtained in April 2009. The proceeds and issue cost of these debt instruments were recorded in the City's Capital Projects Fund as other sources and debt issue cost.

Commercial Paper Program

From April 2001 until April 2009, the City issued bond anticipation notes in the form of General Obligation Commercial Paper in an amount not to exceed \$150,000 through the State of Tennessee's Commercial Paper Program of which notes totaling \$60,000 were issued in fiscal year 2009. Upon expiration of the commercial paper agreement with the State of Tennessee in April 2009, the City secured a \$150,000 term loan until the City's direct issuance of bond anticipation notes was complete. The City issued \$148,470 in bond anticipation notes in May 2009. The issue resulted in net proceeds of \$150,000 (after the net issue premium of \$2,165, payment of \$334 in underwriter's discount and \$301 cost of issuance). The purpose of the bond anticipation notes is to provide interim financing of various capital projects. The debt is classified as long-term debt and is reflected in the City's Statement of Net Assets. The proceeds and issue cost of these debt instruments were recorded in the City's Capital Projects Fund as other sources and debt issue cost. The \$150,000 term loan was paid off via \$70,000 of the bond anticipation notes proceeds and \$80,000 of general improvement bond proceeds obtained in June 2009.

MLGW buys and stores natural gas during the off-season (summer) to use in the upcoming winter months. In September 2008, the Gas Division issued anticipation notes in the amount of \$35,000 with a yield rate of 3.30% to provide funds for the purchase of gas and related costs for storage. The notes will be paid when due in April 2009. New anticipation notes will be issued to purchase and store gas for the 2009-2010 winter season.

Revenue Bonds

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

Defeased debt

In prior years, the City defeased other general obligation and revenue bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on old bonds. Accordingly, the trust account assets and the liability of the defeased bonds are not included in the City's financial statements. On June 30, 2009, a total of approximately \$161,085 bonds outstanding are considered defeased.

Changes in long-term liabilities

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

The following is a summary of long-term debt by fund at June 30, 2009:

	General Obligation Bonds	Bond Anticipation Notes	Lease Obligations	Revenue Bonds	Total
Governmental Funds	\$ 1,077,670	148,470	6,058	-	1,232,198
Enterprise Funds	-	35,000		1,248,940	1,283,940
Total long-term debt	\$ 1,077,670	183,470	6,058	1,248,940	2,516,138

NOTES TO FINANCIAL STATEMENTS
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CITY OF MEMPHIS, TENNESSEE

Long-term liability activity for the year ended June 30, 2009, was as follows:

	Balance			Balance	Due Within
	June 30, 2008	Additions	Reductions	June 30, 2009	One Year
Governmental activities:					
General obligation bonds payable	\$ 1,022,611	76,025	(57,112)	1,041,524	60,373
Premium on general obligation bonds	27,879	6,903	(4,386)	30,396	-
Bond anticipation notes payable	90,000	208,470	(150,000)	148,470	148,470
Capital lease agreements	7,510	-	(1,452)	6,058	1,430
Accreted value on bonds	7,691	531	(2,472)	5,750	-
Legal Claims and Judgments	15,204	6,756	-	21,960	-
Vacation, sick and other leave benefits	86,009	32,545	(32,878)	85,676	727
	<u>\$ 1,241,700</u>	<u>331,230</u>	<u>(248,300)</u>	<u>1,339,834</u>	<u>211,000</u>
Business-type activities:					
Revenue bonds	\$ 145,410	-	(8,285)	137,125	8,855
Net premium/discount on revenue bonds	472	-	(114)	358	-
MLGW revenue bonds	1,137,895	96,930	(186,950)	1,047,875	92,601
Premium on MLGW revenue bonds	68,102	4,260	(11,557)	60,805	-
Less deferred amounts:					
For issuance discounts and on refunding	(445)	-	202	(243)	-
MLGW notes payable	4,430	-	(1,410)	3,020	-
MLGW anticipation note payable	40,000	35,000	(40,000)	35,000	35,000
Vacation, sick and other leave benefits	4,024	433	-	4,457	369
	<u>\$ 1,399,888</u>	<u>136,623</u>	<u>(248,114)</u>	<u>1,288,397</u>	<u>136,825</u>

The accreted value of bonds represents accrued interest on the \$4,289 principal portion of compound interest bonds of the 1993A Refunding Bonds. The cumulative accreted value of the 1993A Refunding Bonds is \$5,750 at June 30, 2009. The compounded accreted values (principal plus accreted interest) of this portion of the 1993A Refunding Bonds at maturity are as follows:

Maturity Date	Principal Amount	Accreted Values
August 1, 2009	\$ 2,016	3,555
August 1, 2010	1,914	3,545
August 1, 2011	1,820	3,545
Total	<u>\$ 5,750</u>	<u>10,645</u>

NOTES TO FINANCIAL STATEMENTS
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The compound interest bonds are subject to optional redemption by the City prior to their maturities at stated redemption prices which are calculated based upon the compounded accreted value at the date of redemption. A summary of General Obligation Debt and Revenue Bonds at June 30, 2009 follows:

Description	Interest Rates(%)	Original Issue	Balance Outstanding at Year End
General Obligation Debt:			
General City Government Serial Bonds (1)	2.00 - 5.75	\$ 1,667,721	\$ 1,044,829
General City Government Term Bonds	5.00 - 5.65	27,405	2,445
Bond Anticipation Notes	3.05-3.30	148,470	148,470
Net Premium/(Discount) on General Obligation Debt			30,396
Capital Lease Obligations	3.83	7,510	6,058
Total General Obligation Debt		<u><u>\$ 1,851,106</u></u>	<u>1,232,198</u>
Revenue Bonds:			
Sanitary Sewerage System	3.00-5.75	\$ 190,820	137,125
Electric Division, MLG&W(2)	3.00-5.00	1,542,535	1,043,030
Water Division, MLG&W(2)	3.90-5.25	29,470	7,865
Net Premium/(Discount) on revenue bonds			61,163
Unamortized deferred amount on bond refundings			(243)
Bond Anticipation Notes:			
Gas Division, MLGW(2)	3.30	35,000	35,000
Total Revenue Bonds		<u><u>\$ 1,762,825</u></u>	<u>1,283,940</u>
Total			<u><u>\$ 2,516,138</u></u>

(1) Includes accreted value of \$5,750 as of June 30,2009.

(2) All MLG&W bonds reflect amounts outstanding at December 31, 2008

NOTES TO FINANCIAL STATEMENTS
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Debt service requirements to maturity for general obligation and revenue bond long-term indebtedness at June 30, 2009 are as follows:

Fiscal Year	Total Long-term Indebtedness										Total
	General Obligation				Revenue						
	City		Capital Lease		Sewer System		MLG&W(2)		Total Requirements		
	Principal	Interest(1)	Principal	Interest	Principal	Interest(1)	Principal	Interest	Principal	Interest	
2009							127,601	51,741	127,601	51,741	179,342
2010	210,859	53,866	1,430	232	8,855	6,068	95,314	47,229	95,314	47,229	142,543
2011	65,206	48,552	1,485	177	9,115	5,720	91,960	42,538	313,104	102,704	415,808
2012	68,014	45,588	1,542	120	8,550	5,353	96,815	38,021	172,621	97,784	270,405
2013	69,715	39,977	1,601	61	9,065	4,979	99,700	33,241	177,806	87,266	265,072
2014	70,780	36,565			9,320	4,578	104,675	28,381	185,056	79,009	264,065
2015	72,460	33,235			9,565	4,161	109,905	23,148	190,005	67,703	257,708
2016	71,790	29,724			9,340	3,729	115,270	17,674	197,295	58,400	255,695
2017	70,330	26,261			10,040	3,337	119,700	11,911	200,830	48,875	249,705
2018	68,760	22,834			9,660	2,869	124,955	6,008	205,325	39,069	244,394
2019	66,665	19,385			7,360	2,395	-	-	78,420	29,130	107,550
2020	63,725	16,231			8,320	2,020	-	-	74,025	25,229	99,254
2021	60,730	13,191			7,160	1,614	-	-	72,045	21,405	93,450
2022	52,955	10,523			7,510	1,263	-	-	67,890	17,845	85,735
2023	47,800	7,901			5,300	958	-	-	60,465	14,454	74,919
2024	36,375	5,882			5,555	702	-	-	53,100	11,481	64,581
2025	27,745	4,479			5,820	433	-	-	41,930	8,603	50,533
2026	29,055	3,172			3,725	212	-	-	33,565	6,315	39,880
2027	22,750	1,985			1,400	97	-	-	32,780	4,691	37,471
2028	13,860	909			1,465	33	-	-	24,150	3,269	27,419
2029	6,170	285					-	-	13,860	1,985	15,845
TOTAL	\$ 1,195,744	420,545	6,058	591	137,125	50,521	1,085,895	299,892	2,417,187	824,188	3,241,375

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

(2) At 12-31-08

H. Restricted assets

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

Futures margin deposits	\$ 3,546
Construction	20,749
Insurance reserves – injuries and damages	11,001
Insurance reserves – casualties and general	25,635
Medical benefit	11,770
Customer deposits	20,245
Bond reserve and debt service	<u>25,371</u>
Total	<u>\$118,317</u>

V. OTHER INFORMATION

A. Risk management

The City is self-insured for health and medical benefits as well as on the job injury claims. The Health Insurance - Internal Service Fund charges premiums to other funds (primarily to the General Fund) which are used to pay claims and to fund the accrual for "incurred but not reported" (i.e. IBNR) claims and administrative costs of its health and medical benefits program. Additionally, on the job injury claims payable of \$5,658 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, 2008 and 2009 are as follows:

	On the Job Injury					
	Health	OPEB	Sewer Collection and Treatment Fund	Fleet Management Fund	Storm Water Fund	Governmental Funds
Balance - June 30, 2007	\$ 8,058	-	23	-	-	5,975
Current year provision	86,771	-	368	112	73	5,815
Payments	(83,429)	-	(280)	(89)	(68)	(5,498)
Balance - June 30, 2008	11,400	-	111	23	5	6,292
Current year provision	39,698	49,552	(20)	116	103	3,368
Payments	(43,904)	(44,446)	(45)	(81)	(78)	(5,658)
Balance - June 30, 2009	\$ 7,194	5,106	46	58	30	4,002

The City did not receive insurance recoveries during the year.

B. Subsequent events

Dr. Willie W. Herenton, the City's mayor, retired on July 30th after serving 18 years as the City's mayor.

In November 2009, the City issued \$20,000 of Sanitary Sewage System Revenue Bonds, Series 2009. The issue resulted in net proceeds of \$20,152 (after the net issue premium of \$309 and an underwriter's discount of \$157). The proceeds and issue cost of these debt instruments were recorded in the City's Sewer Collection and Treatment Fund.

In August 2009, Shelby County Commissioners voted to transfer the County's ownership rights of the Mid-South Coliseum, a City and County joint venture to the City. In April 2009, Shelby County Commissioners voted to transfer the County's stake in the City and County jointly operated Pyramid facility. As of December 2009, a formal agreement was in the process of being drafted.

C. Contingent liabilities and commitments

The City is a defendant in a number of various lawsuits filed in the ordinary course of its operations. The City believes that \$21,960 is a reasonable measure of the ultimate settlement of these matters and has been reflected on the City's Statement of Net Assets.

The City is party to a lawsuit with the Board of Education of the Memphis City Schools (BOE). The Chancery Court of Shelby County, Tennessee (the "Court") has ruled the City is to provide additional funding in the amount of \$57,460,947 to the BOE to meet its obligations as required by Tennessee's education statutes. The ruling has been appealed by the City and the Court has stayed judgment pending the appeal. The appeals process suspends the finality of the judgment and the judgment of the Court is subject to reversal or modification by the appellate court. The ultimate outcome of the legal matter cannot be presently determined. However, management and legal counsel for the City are of the opinion that the original judgment was flawed and without merit and that final settlement of the matter may not have a material adverse effect on the City's financial position. Further, the City has sought to enforce an agreement between the City and the BOE that allows the City to withhold from any funding due the BOE amounts loaned to the BOE for capital projects. The amount of the City's claim exceeds \$57,460,947.

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, 2009, for outstanding purchase orders and outstanding contracts reported as reserves for encumbrances in the General Fund of \$8,023. The City had additional commitments totaling \$82,952 for certain infrastructure and sewer construction projects.

D. Joint ventures

Memphis and Shelby County Convention Center Complex

The Memphis and Shelby County Convention Center Complex (the Convention Center) is a joint operation between the City and the County. It is managed by an eight member board consisting of four members appointed by the City and four members appointed by the County. The board is responsible for reporting the results of operations of the Convention Center semi-annually to both the City and the County. Each participant shares equally in the profits of the Convention Center and is responsible for funding any deficit from operations in the same proportion. As of and for its year ended June 30, 2009, the Convention Center reported the following derived from its audited financial statements:

Assets	\$11,671
Liabilities	1,949
Net assets	9,722
Operating revenues	3,793
Operating expenses	7,182
Other income	2,637
Change in net assets	\$ (752)

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, 2009, the Port Commission reported the following derived from its audited financial statements:

Assets	\$27,387
Liabilities	6,863
Net assets	20,524
Operating revenues	2,465
Other expense	817
Operating expenses	1,716
Change in net assets	\$ (68)

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 Pyramid is no longer in operations. In April 2009, Shelby County commissioners approved a resolution to transfer Shelby County's ownership to the City of Memphis. At June 30, 2009, an interlocal agreement detailing the transition was still pending.

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

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

The New Arena PBA did not have any financial activity for the current fiscal year and only has ownership rights to the FedEx Forum as assets. As such, no audited financial statements are presented.

Mid-South Coliseum

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

As of June 30, 2009, operation of the Coliseum has ceased; therefore, no financial statements were issued.

E. Other post employment benefits

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

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

NOTES TO FINANCIAL STATEMENTS
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As of and for its year ended June 30, 2009, the City OPEB Trust reported the following net assets:

ASSETS

Investments, at fair value:	
Mutual funds and money market funds	\$ 2,563
Total investments	<u>2,563</u>
Equity in cash and investment pool	13,038
Interest and dividends receivables	<u>3</u>
Total assets	<u>15,604</u>

LIABILITIES

Notes & accounts payable	<u>6,693</u>
Total liabilities	<u>6,693</u>

NET ASSETS

Held in trust for OPEB	<u>\$ 8,911</u>
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As of and for its year ended June 30, 2009, the City OPEB Trust reported the following changes in net assets:

ADDITIONS (REDUCTIONS)

Contributions:	
Employer	\$ 28,314
Plan members	9,486
Total contributions	<u>37,800</u>
Investment income (loss):	
Interest and dividend income	85
Net appreciation/(depreciation) in the fair value of investments	<u>(430)</u>
Total investment income/(loss)	<u>(345)</u>
Total Additions (Reductions)	<u>37,455</u>

DEDUCTIONS

Benefits	44,446
Administrative expenses	<u>2,094</u>
Total Deductions	<u>46,540</u>
Increase/(decrease) before transfers	(9,085)
Transfers In	<u>15,085</u>
Net increase/(decrease)	6,000
Net assets - beginning of year	<u>2,911</u>
Net assets - end of year	<u>\$ 8,911</u>

City of Memphis Other Post Employment Benefits (OPEB) Plan

Plan Description. The City’s OPEB plan provides medical and life insurance benefits to eligible retired City of Memphis General, Police, Fire and Airport Authority employees and their dependents based on firmly-established past practices. The primary benefit for eligible retirees is postretirement medical coverage through either a Preferred Provider Organization (PPO/Basic) or a Point of Service Plan (POS/Premier). Of premiums paid for retiree health and medical benefits and life insurance, 70 % is paid by the General Fund (with the remaining 30% paid by the retirees) and is recognized as an expenditure, which totaled \$22,982 for 2009. At June 30, 2009, the number of retirees eligible for health and medical benefits is 3,669. The City also provides two life insurance benefits: the first is a self-insured death benefit and the second is a continuation of active life insurance. The authority to conduct the general operation and administration of the single employer plan is vested with the City. Separate financial statements for the plan are not issued.

Summary of Accounting Policies - The financial statements of the City OPEB plan are prepared using the accrual basis of accounting. Benefits and refunds of the post employment defined benefit plan are recognized when due and payable in accordance with the terms of the plan.

Funding Policy. The contribution requirements of the plan members and the City are established and may be amended by the City. OPEB eligible members receiving benefits contribute \$75.61 to \$134.47 per month for retiree-only coverage and \$151.22 to \$266.68 per month for retiree and family coverage depending on medical plan coverage selected. The City pays for medical costs in excess of required retiree premiums and may elect through adoption of the City’s annual budget ordinance to contribute an amount in excess of the total annual benefit payments to a qualified trust for the purpose of funding future OPEB benefits. The City has adopted and established an OPEB Trust for the exclusive purpose of pre-funding and providing for payment of OPEB benefits under the plan. The City’s receipt of Medicare Part D prescription drug subsidies is included in operating income.

Annual OPEB Cost. For fiscal 2009, the City contributed 57.6% or \$38,159 of its annual OPEB cost of \$66,614. The annual OPEB cost consisted of the following:

Annual OPEB Cost (Expense)

Annual Required Contribution (ARC)	\$ 66,273
Interest on beginning of year accrual	1,082
Amortization of beginning of year accrual	(702)
Interest on the amortization	(39)
Fiscal 2009 OPEB cost	<u>\$ 66,614</u>

Two Year Schedule of Percentage of OPEB Cost Contributed

Fiscal Year Ended	Annual OPEB Cost	Percentage of OPEB Cost Contributed	Net OPEB Obligation
June 30, 2008	\$ 55,418	64.5%	\$ 19,675
June 30, 2009	\$ 66,614	57.3%	\$ 48,130

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Funded Status and Funding Progress. The funded status of the plan as of June 30, 2009, was as follows:

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u> (a)	<u>Actuarial Accrued Liability (AAL)--</u> (b)	<u>Unfunded/ (overfunded) AAL (UAAL)</u> (b-a)	<u>Funded Ratio</u> (a/b)	<u>Covered Payroll</u> (d)	<u>UAAL as a Percentage of Covered Payroll*</u> (c)/(d)
7/1/2007	\$0	\$857,062	\$857,062	0.0%	\$283,789	302.0%
7/1/2008	\$2,911	\$937,151	\$934,240	0.3%	\$315,682	295.9%

* Covered payroll includes all active plan participants.

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

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

In the July 1, 2008 actuarial valuation, the entry age normal actuarial cost method was used. The actuarial assumptions included a 5.5 percent investment rate of return (net of administrative expenses) and an annual healthcare cost trend rate of 11 percent initially, reduced by decrements to an ultimate rate of 4.5 percent after twenty years. Both rates assume a 5.0% salary scale. The City's OPEB unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2009 was 30 years.

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

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

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

Employees retired under the MLGW Pension Plan, or disabled with five years of service at any age, or disabled in the line of duty at any age with no years of service restriction are eligible for OPEB benefits. Health care benefits are also offered

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to qualifying survivors of deceased retired members and deceased active employees, who are eligible to retire at the time of death. Currently, 2,472 retirees and beneficiaries are eligible for post-employment benefits.

As of and for its year ended December 31, 2008, the MLGW OPEB Trust reported the following net assets:

ASSETS

Cash and cash equivalents	\$	35,051
Investments, at fair value:		
Common stock - domestic		21,575
Common stock - foreign		8,180
Corporate bonds - foreign		10,451
Investment in multi-class investment fund		10,005
Investment in limited partnership		87
Total investments		<u>50,298</u>
Interest and dividends receivables		45
Receivable for securities sold		28
Collateral held in trust for securities on loan		<u>7,058</u>
Total assets		<u>92,480</u>

LIABILITIES

Notes & accounts payable		<u>7,211</u>
Total liabilities		<u>7,211</u>

NET ASSETS

Held in trust for OPEB	\$	<u><u>85,269</u></u>
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NOTES TO FINANCIAL STATEMENTS
(Thousands of Dollars)
For the fiscal year ended June 30, 2009

CITY OF MEMPHIS, TENNESSEE

As of and for its year ended December 31, 2008, the MLGW OPEB Trust reported the following net assets:

ADDITIONS (REDUCTIONS)

Contributions:

Employer	\$ 60,143
Plan members	3,931
Total contributions	<u>64,074</u>

Investment income (loss):

Interest and dividend income	788
Securities lending income	55
Other investment income	15
Net appreciation/(depreciation) in the fair value of investments	<u>(24,531)</u>
Total investment income/(loss)	<u>(23,673)</u>

Total Additions (Reductions) 40,401

DEDUCTIONS

Benefits	22,297
OPEB expense paid on behalf of OPEB trust	19,170
Administrative expenses	<u>1,179</u>

Total Deductions 42,646

Net increase/(decrease) (2,245)

Net assets - beginning of year 87,514

Net assets - end of year \$ 85,269

Funding Policy

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

The Board of Commissioners has set the employer contribution rate based on the annual required contribution ("ARC"), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize and unfunded actuarial liabilities of the plan over a period not to exceed thirty years. For fiscal year 2008, employer contributions were \$66,881 to the Plan. Plan members receiving benefits contributed \$3,931 through their required contribution of \$32.19 to \$363.24 (dollars) per month depending on the coverage (employee only, employee and spouse, or family) and the health plan selected.

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

NOTES TO FINANCIAL STATEMENTS
(Thousands of Dollars)
For the fiscal year ended June 30, 2009

CITY OF MEMPHIS, TENNESSEE

Annual OPEB Cost and Net OPEB Obligation

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

	<u>2008</u>	<u>2007</u>
Annual Required Contribution	\$57,991	\$ 57,991
Interest on net OPEB obligation	-	-
Adjustment to annual required Contribution	-	-
Annual OPEB cost (expense)	<u>57,991</u>	<u>57,991</u>
Contributions made	<u>(66,881)</u>	<u>(51,253)</u>
Change in net OPEB obligation (asset)	(8,890)	6,738
Net OPEB obligation—beginning of year	<u>6,738</u>	\$ 57,991
Net OPEB obligation (asset)—end of year	<u>\$ (2,152)</u>	<u>\$ 6,738</u>

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

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

Funded Status and Funding Progress

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u> (a)	<u>Actuarial Accrued Liability (AAL)--</u> (b)	<u>Unfunded/ (overfunded) AAL (UAAL)</u> (b-a)	<u>Funded Ratio</u> (a/b)	<u>Covered Payroll</u> (d)	<u>UAAL as a Percentage of Covered Payroll*</u> (c)/(d)
December 31, 2007	15,097	694,574	679,477	2.2%	144,756	469.4%
December 31, 2006*	0	743,484	743,484	0.0%	148,219**	501.6%

* Projected from 12/31/05 valuation

** Projected from 2006 payroll

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revisions as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required

supplementary information following the notes to the MLGW's OPEB Trust's financial statements, will provide additional multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits, as actuarial valuations are updated.

Actuarial Methods and Assumptions

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

Valuation Date	December 31, 2007
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percent of pay, 30 years
Remaining amortization Period	29 years as of December 31, 2007
Asset Valuation Method	Market Value
Accrual Assumption:	
Investment Rate of Return (discount rate)	8.00%
Inflation Rate	4.00%
Projected Salary Increases	7.66% at age 20 graded to 4.0% at age 43 and older
Medical Cost Trend Rate for PPO, POS and HMO (starting 1/1/2008)	8.5% graded to 5.00% over 7 years
Drug Cost Trend Rate	8.00% graded to 5.00% over 6 years

Post-employment benefit cost for the years ended December 31, 2008 and 2007 are as follows:

	<u><i>Electric Division</i></u>		<u><i>Gas Division</i></u>		<u><i>Water Division</i></u>	
Premium Payments	<u>\$11,019</u>	<u>\$11,068</u>	<u>\$4,224</u>	<u>\$5,243</u>	<u>\$3,122</u>	<u>\$3,107</u>

F. Pension and retirement plans

City of Memphis Retirement System

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

NOTES TO FINANCIAL STATEMENTS
(Thousands of Dollars)
For the fiscal year ended June 30, 2009

CITY OF MEMPHIS, TENNESSEE

As of and for its year ended June 30, 2009, the City Retirement System reported the following net assets:

ASSETS

Cash and cash equivalents	\$	50,990
Investments, at fair value:		
U.S. government securities - long-term		40,368
Common stock - domestic		499,435
Common stock - foreign		134,496
Corporate bonds - domestic		473,786
Corporate bonds - foreign		29,513
Mutual funds and money market funds		47,380
Collateralized mortgage obligations		72,425
Asset-backed pooled securities		12,702
Mortgage-backed pooled securities		53,259
Investment in real estate		61,707
Investment in high yield bond fund		5,102
Investment in international equity fund		185,294
Total investments		<u>1,615,467</u>
Interest and dividends receivables		7,966
Receivable for securities sold		19,006
Due from other funds		<u>13</u>
Total assets		<u>1,693,442</u>

LIABILITIES

Notes & accounts payable		91,234
Due to other funds		<u>60</u>
Total liabilities		<u>91,294</u>

NET ASSETS

Held in trust for pension benefits and pool participants	\$	<u><u>1,602,148</u></u>
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NOTES TO FINANCIAL STATEMENTS
(Thousands of Dollars)
For the fiscal year ended June 30, 2009

CITY OF MEMPHIS, TENNESSEE

As of and for the its year ended June 30, 2009, The City Retirement System reported the following changes in net assets:

ADDITIONS (REDUCTIONS)

Contributions:

Employer	\$ 16,172
Plan members	22,630
Total contributions	<u>38,802</u>

Investment income (loss):

Interest and dividend income	75,375
Other investment income	912
Gain/(loss) on real estate investments	822
Net appreciation/(depreciation) in the fair value of investments	<u>(467,834)</u>
Total investment income/(loss)	<u>(390,725)</u>

Total Additions (Reductions) (351,923)

DEDUCTIONS

Benefits	118,241
Administrative expenses	6,965
Refunds of contributions	<u>14,544</u>

Total Deductions 139,750

Net increase/(decrease) (491,673)

Net assets - beginning of year 2,093,821

Net assets - end of year \$ 1,602,148

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).

NOTES TO FINANCIAL STATEMENTS
(Thousands of Dollars)
For the fiscal year ended June 30, 2009

CITY OF MEMPHIS, TENNESSEE

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

Retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them	4,219
Active employees:	
Fully vested	3,212
Nonvested	<u>3,215</u>
Total	<u>10,646</u>

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

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

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

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

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

Method Used to Value Investments - All investments of the City of Memphis Retirement System are reported at fair value. Short term investments are reported at cost, which approximates fair value. All other investments are valued based upon quoted market prices except for real estate investments, which are appraised by independent appraisals. Memphis Retirement System had no individual investments in excess of 5 percent of plan net assets.

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

Actuarial Methods and Assumptions - The actuarial asset valuation method is the entry age normal actuarial cost method with level dollar open amortization of the unfunded accrued liability. The amortization period is 30 years. The method divides the cost of funding into two parts; normal cost and actuarial accrued liability. Significant actuarial assumptions include (a) a rate of return on the investment of present and future assets of 7.5 percent a year compounded annually, (b) projected salary increases of 5 percent a year compounded annually, attributable to inflation, (c) no additional projected salary increases for seniority or merit, and (d) post-retirement benefit increases of 1% to 3% depending on the calendar year of retirement.

NOTES TO FINANCIAL STATEMENTS
(Thousands of Dollars)
For the fiscal year ended June 30, 2009

CITY OF MEMPHIS, TENNESSEE

Schedule of Funding Progress - The normal cost method is the level annual payment that would be required to fund the pension if paid from the date each employee was hired to the date of his retirement. Actuarial accrued liability is the amount of assets that would have been accumulated had the plan been established on the date the employee with the longest period of service was hired. If the actuarial accrued liability were fully funded, the total annual cost would be the normal cost. The schedule of funding progress for the six years ended June 30, 2009 is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (AAL)-- Entry Age (b)	Unfunded Actuarial Liability (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (d)	UAAL as a Percentage of Covered Payroll (c)/(d)
7/1/2004	1,926,962	N/A	N/A	N/A	241,321	N/A
7/1/2005	1,992,833	N/A	N/A	N/A	254,091	N/A
7/1/2006	2,056,080	N/A	N/A	N/A	262,859	N/A
7/1/2007*	2,121,919	2,063,051	0	102.9%	264,966	0.0%
7/1/2008	2,184,255	2,090,088	0	104.5%	281,040	0.0%
7/1/2009	1,773,457	2,222,984	449,527	79.8%	296,134	151.8%

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

Schedule of Employer Contributions - The schedule of employer contributions for the six years ended June 30, 2009 is as follows:

Year Ended June 30	Annual Required Contribution	Percentage Contributed
2004	709	1,909.0
2005	2,695	513.7
2006	11,893	117.6
2007	22,674	61.9
2008	24,072	60.6
2009	21,208	76.3

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, 2009 were as follows:

Annual required contribution	\$ 21,208
Interest on net pension asset	(3,653)
Adjustment to annual required contribution	<u>7,095</u>
Annual pension cost	24,650
Contribution made	<u>(16,172)</u>
Increase in net pension obligation	8,478
Net pension asset at beginning of year	<u>(48,704)</u>
Net pension asset at end of year	<u>\$ 40,226</u>

NOTES TO FINANCIAL STATEMENTS
(Thousands of Dollars)
For the fiscal year ended June 30, 2009

CITY OF MEMPHIS, TENNESSEE

Three-year trend information is as follows:

Year Ended June 30	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Asset
2007	28,093	50.0	62,603
2008	28,497	51.2	48,704
2009	24,650	65.6	40,226

Library Retirement System

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

As of and for its year ended June 30, 2009, the Library Retirement System reported the following net assets:

ASSETS

Cash and cash equivalents	\$ 60
Investments, at fair value:	
Common stock - domestic	23,710
Mutual funds and money market funds	622
Investment in index funds	18,184
Investment in international equity fund	<u>6,273</u>
Total investments	48,789
Interest and dividends receivables	6
Receivable for securities sold	<u>156</u>
Total assets	<u>49,011</u>

LIABILITIES

Notes & accounts payable	5
Due to other funds	<u>303</u>
Total liabilities	<u>308</u>

NET ASSETS

Held in trust for pension benefits and pool participants	<u><u>\$ 48,703</u></u>
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NOTES TO FINANCIAL STATEMENTS
(Thousands of Dollars)
For the fiscal year ended June 30, 2009

CITY OF MEMPHIS, TENNESSEE

As of and for its year ended June 30, 2009, The Library Retirement System reported the following changes in net assets:

ADDITIONS (REDUCTIONS)

Contributions:

Employer	\$ 228
Plan members	228
Total contributions	<u>456</u>

Investment income (loss):

Interest and dividend income	340
Net appreciation/(depreciation) in the fair value of investments	<u>(10,875)</u>
Total investment income/(loss)	<u>(10,535)</u>

Total Additions (Reductions) (10,079)

DEDUCTIONS

Benefits	2,902
Administrative expenses	353
Refunds of contributions	<u>55</u>

Total Deductions 3,310

Net increase/(decrease) (13,389)

Net assets - beginning of year 62,092

Net assets - end of year \$ 48,703

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

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

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

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

At January 1, 2008* the Library Retirement System membership consisted of:

NOTES TO FINANCIAL STATEMENTS
(Thousands of Dollars)
For the fiscal year ended June 30, 2009

CITY OF MEMPHIS, TENNESSEE

Retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them	137
Active employees:	
Vested	122
Nonvested	<u>124</u>
Total	<u>383</u>

*January 1, 2009 participant counts are unavailable at this time.

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

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

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

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

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

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

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

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

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

NOTES TO FINANCIAL STATEMENTS
(Thousands of Dollars)
For the fiscal year ended June 30, 2009

CITY OF MEMPHIS, TENNESSEE

Actuarial Methods and Assumptions - The actuarial asset valuation method is the aggregate entry age actuarial cost method with a closed amortization period of 28 years (based on 30 years as of June 30, 2006). The method divides the cost of funding into two parts; normal cost and actuarial accrued liability. Significant actuarial assumptions include (a) a rate of return on the investment of present and future assets of 7.5 percent a year compounded annually, (b) projected salary increases of 3.5 percent a year compounded annually, attributable to inflation, and (c) post-retirement benefit increases of 3 percent a year.

Schedule of Funding Progress – The normal cost method is the level annual payment that would be required to fund the pension if paid from the date each employee was hired to the date of his retirement. Actuarial accrued liability is the amount of assets that would have been accumulated had the plan been established on the date the employee with the longest period of service was hired. If the actuarial accrued liability were fully funded, the total annual cost would be the normal cost. The schedule of funding progress for the ten years ended January 1, 2008 is as follows:

(in thousands of dollars)

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) Entry Age	Assets in Excess of the Actual Accrued Liability	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UUAL as a Percentage of Covered Payroll
1/1/2004	53,766	50,030	3,736	0	107.0%	11,213	0.0%
1/1/2005	59,129	52,814	6,315	0	112.0%	11,074	0.0%
1/1/2006	61,017	54,855	6,162	0	111.0%	10,190	0.0%
1/1/2007	66,572	59,007	7,565	0	113.0%	9,230	0.0%
1/1/2008	69,025	62,704	6,321	0	110.0%	8,768	0.0%
1/1/2009	49,765	61,049	(11,284)	11,284	82.0%	7,648	148.0%

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

Year Ended June 30	Annual Required Contribution	Percentage Contributed
2004	1,494	23.0
2005	341	98.0
2006	0	N/A
2007	0	N/A
2008	0	N/A
2009	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, 2009 were as follows:

Interest on net pension asset	\$ (159)
Adjustment to annual required contribution	<u>177</u>
Annual pension cost	18
Contribution made	<u>(231)</u>
Decrease in net pension obligation	213
Net pension asset at beginning of year	<u>2,121</u>
Net pension asset at end of year	<u>\$ 2,334</u>

NOTES TO FINANCIAL STATEMENTS
(Thousands of Dollars)
For the fiscal year ended June 30, 2009

CITY OF MEMPHIS, TENNESSEE

Three-year trend information is as follows:

Year Ended June 30	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Asset
2007	11	2,727.0	1,868
2008	14	1,907.0	2,121
2009	18	1,295.6	2,334

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, 2008, the MLGW Retirement System membership consisted of:

Retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them	2,488
Active employees	<u>2,605</u>
Total	<u>5,093</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. As of December 31, 2008, MLGW's current required contribution is 7.18% of pensionable earnings of all active participants. Investment costs of the MLGW Retirement System are financed through investment earnings. Other administrative costs are included in the annual required contribution amount.

NOTES TO FINANCIAL STATEMENTS
(Thousands of Dollars)
For the fiscal year ended June 30, 2009

CITY OF MEMPHIS, TENNESSEE

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

Schedule of Funding Progress - The aggregate cost method does not identify or separately amortize unfunded actuarial liabilities. These liabilities are amortized through the normal cost. Information about the plan's funded status and funding progress has been prepared using the entry age actuarial cost method, and the information presented is intended to serve as a surrogate for the funded status and funded progress of the plan. Under the aggregate cost method, the actuarial accrued liability equals the actuarial value of assets. At December 31, 2008, the actuarial value of assets was \$1,172,879.

(in thousands of dollars)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL)-- Entry Age (b)	Unfunded Actuarial Accrued Liability (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UUAL as a Percentage of Covered Payroll ((b-a)/c)
1/1/2007	1,172,879	1,303,190	130,311	90.0%	150,253	86.7%
1/1/2008	1,258,670	1,240,867	(17,803)	101.4%	146,830	0.0%
1/1/2009	1,194,563	1,237,459	42,896	96.5%	143,929	29.8%

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

Year Ended December 31	Annual Required Contribution	Percentage Contributed
2003	15,890	67.3
2004	18,241	88.4
2005	18,683	102.8
2006	19,512	100.6
2007	17,217	100.1
2008	10,541	175.2

Annual Pension Cost and Net Pension Asset – The MLGW Retirement System's annual pension cost and net pension asset for the year ended June 30, 2009 were as follows:

Annual required contribution	\$ 10,541
Interest on net pension asset	(855)
Adjustment to annual required contribution	<u>1,227</u>
Annual pension cost	10,913
Contribution made	<u>(18,466)</u>
Increase in net pension obligation	(7,553)
Net pension asset at beginning of year	<u>(10,684)</u>
Net pension asset at end of year	<u>\$ (18,237)</u>

NOTES TO FINANCIAL STATEMENTS
(Thousands of Dollars)
For the fiscal year ended June 30, 2009

CITY OF MEMPHIS, TENNESSEE

Three-year trend information is as follows:

Year Ended December 30	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Asset
2006	19,850	98.9%	(11,050)
2007	17,596	97.9%	(10,684)
2008	10,850	169.2%	(18,237)

G. Component units

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

	GOVERNMENTAL TYPE		PROPRIETARY TYPE			COMPONENT UNITS	
	BOE	MATA	MSCAA	TOTAL	ZOO	TOTAL	
Current Assets	\$ 501,704	7,183	172,659	179,842	17,398	698,944	
Property, plant and equipment (net of accumulated depreciation)	941,473	129,420	925,364	1,054,784	78	1,996,335	
Other assets	-	12	117,708	117,720	546	118,266	
Total assets	\$ 1,443,177	136,615	1,215,731	1,352,346	18,022	2,813,545	
Current liabilities	\$ 138,104	7,596	59,057	66,653	5,207	209,964	
Long-term liabilities	205,016	3,229	573,389	576,618	-	781,634	
Net assets	1,100,057	125,790	583,285	709,075	12,815	1,821,947	
Total liabilities and net assets	\$ 1,443,177	136,615	1,215,731	1,352,346	18,022	2,813,545	
Operating revenues	\$ 682,662	11,904	107,952	119,856	13,444	815,962	
Operating expenses	1,152,176	58,141	50,182	108,323	12,889	1,273,388	
Operating income (loss) before depreciation and amortization	\$ (469,514)	(46,237)	57,770	11,533	555	(457,426)	
Depreciation and amortization	\$ (44,717)	(8,238)	(52,908)	(61,146)	-	(105,863)	
Grants and contributions not restricted	431,868	-	44,444	44,444	92	476,404	
City of Memphis subsidy	-	23,194	-	23,194	-	23,194	
Federal and State grant revenues	-	19,793	-	19,793	-	19,793	
Interest and investment income (loss)	4,982	25	8,251	8,276	(866)	12,392	
Interest expense	-	-	(31,313)	(31,313)	-	(31,313)	
Other revenue (expense)	12,475	91	622	713	(9,419)	3,769	
Change in net assets	(64,906)	(11,372)	26,866	15,494	(9,638)	(59,050)	
Net assets - beginning of year, as restated	1,164,963	137,162	556,419	693,581	22,453	1,880,997	
Net assets - end of year	\$ 1,100,057	125,790	583,285	709,075	12,815	1,821,947	

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COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES

CITY OF MEMPHIS

T E N N E S S E E

COMBINING NONMAJOR FUNDS

SPECIAL REVENUE

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

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

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

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

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

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

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

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

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

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

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

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

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

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

CAPITAL PROJECTS

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

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**NON MAJOR FUNDS
COMBINING BALANCE SHEET
(Thousands of Dollars)
June 30, 2009**

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

Special Revenue

	Community Development	Drug Enforcement	State Street Aid	Workforce Investment Act	Miscellaneous Grants	Midtown Corridor	Solid Waste Management	Hotel/ Motel Tax
ASSETS								
Cash and cash equivalents	\$ 7,735	131	-	-	1	-	-	-
Investments	-	-	-	-	-	-	-	-
Equity in cash and investment pool	-	9,288	-	217	664	1,769	-	2,607
Receivables (net of allowance for uncollectibles):								
Property taxes:								
Current property taxes	-	-	-	-	-	-	-	-
Delinquent property taxes	-	-	-	-	-	-	-	-
Federal grants and entitlements	27,689	-	-	13,183	2,215	-	-	-
State grants and entitlements	75	-	3,297	-	1,623	-	-	-
Interest on investments	603	13	-	-	-	2	-	-
Housing rehabilitation loans	66,787	-	-	-	-	-	-	-
Other	133	2	-	-	4,236	-	6	7
Due from other funds	-	19	-	-	-	-	-	-
Due from other agencies and governments	-	-	-	-	-	-	4,152	329
Total assets	\$ 103,022	9,453	3,297	13,400	8,739	1,771	4,158	2,943
LIABILITIES AND FUND BALANCES								
Liabilities:								
Accounts payable	\$ 1,235	272	-	1,660	296	-	1,507	-
Accrued liabilities	284	-	-	-	37	-	913	2,943
Contract retainage	-	-	-	-	74	-	-	-
Due to other funds	19,285	-	3,297	11,400	3,182	-	4,032	-
Due to other agencies and governments	-	-	-	-	-	-	-	-
Deferred revenue	82,210	1,124	-	340	4,907	-	4	-
Total liabilities	103,014	1,396	3,297	13,400	8,496	-	6,456	2,943
Fund balances:								
Undesignated	8	8,057	-	-	243	1,771	(2,298)	-
Total fund balances	8	8,057	-	-	243	1,771	(2,298)	-
Total liabilities and fund balances	\$ 103,022	9,453	3,297	13,400	8,739	1,771	4,158	2,943

**NON MAJOR FUNDS
COMBINING BALANCE SHEET
(Thousands of Dollars)
June 30, 2009**

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

New Memphis Arena	MLK Park	Metro Alarm	Community Services	Central Business Improvement District	Community Redevelopment	Education	Capital Projects	Total	
-	-	-	-	-	-	-	25	7,892	Cash and cash equivalents
-	-	-	-	-	-	-	70,585	70,585	Investments
-	330	1,797	502	1	1,396	824	4,140	23,535	Equity in cash and investment pool
-	-	-	-	2,909	-	23,273	386	26,568	Receivables (net of allowance for uncollectibles):
-	-	-	-	213	-	7,474	36	7,723	Property taxes:
-	-	-	-	-	-	-	-	-	Current property taxes
-	-	-	-	-	-	-	-	-	Delinquent property taxes
-	-	-	-	-	-	-	154	43,241	Federal grants and entitlements
-	-	-	-	-	-	-	-	4,995	State grants and entitlements
-	-	2	-	-	-	-	-	620	Interest on investments
-	-	-	-	-	-	-	-	66,787	Housing rehabilitation loans
-	-	5	-	14	-	-	707	5,110	Other
-	-	-	-	-	-	-	6,843	6,862	Due from other funds
-	-	-	-	-	3,527	-	-	8,008	Due from other agencies and governments
-	330	1,804	502	3,137	4,923	31,571	82,876	271,926	Total assets
-	9	6	-	15	4	107	5,333	10,444	LIABILITIES AND FUND BALANCES
-	-	-	-	-	-	-	-	4,177	Liabilities:
-	-	-	-	-	-	-	-	-	Accounts payable
6,843	-	-	-	-	-	-	6,345	54,384	Accrued liabilities
-	-	-	-	-	-	-	-	74	Contract retainage
-	-	-	-	-	-	-	-	-	Due to other funds
-	-	-	-	-	-	1,006	27	1,033	Due to other agencies and governments
-	63	-	-	3,122	3,527	30,458	3,932	129,687	Deferred revenue
6,843	72	6	-	3,137	3,531	31,571	15,637	199,799	Total liabilities
(6,843)	258	1,798	502	-	1,392	-	67,239	72,127	Fund balances:
(6,843)	258	1,798	502	-	1,392	-	67,239	72,127	Undesignated
-	330	1,804	502	3,137	4,923	31,571	82,876	271,926	Total fund balances
-	330	1,804	502	3,137	4,923	31,571	82,876	271,926	Total liabilities and fund balances

**NON MAJOR FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
(Thousands of Dollars) June 30, 2009**

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

	Special Revenue							
	Community Development	Drug Enforcement	State Street Aid	Workforce Investment Act	Miscellaneous Grants	Midtown Corridor	Solid Waste Management	Hotel/ Motel Tax
REVENUES								
Local taxes:								
Property taxes	\$	-	-	-	-	-	-	-
Special assessments - current	-	-	-	-	-	-	-	-
Special assessments - prior	-	-	-	-	-	-	-	-
Sales tax general	-	-	-	-	-	-	-	-
Other local taxes	-	-	-	-	-	-	6	-
Total local taxes	-	-	-	-	-	-	6	-
State taxes (local share)	-	-	18,170	-	-	-	-	-
Hotel/motel tax	-	-	-	-	-	-	-	3,846
Charges for services	-	-	-	-	-	-	50,391	-
Investment income	-	148	-	-	-	31	-	-
Federal grants and entitlements	21,415	-	-	11,903	3,544	-	-	-
State grants	-	-	-	161	4,924	-	144	-
Fines and forfeitures	-	6,420	-	-	-	-	-	-
Other	228	89	-	-	3,341	-	240	-
Total revenues	21,643	6,657	18,170	12,064	11,809	31	50,781	3,846
EXPENDITURES								
General government	-	-	-	-	11,421	-	-	2,943
Public safety	-	4,268	-	-	-	-	-	-
Community service	21,643	-	-	12,064	-	-	-	-
Transportation and environment	-	-	15,884	-	-	-	52,381	-
Education	-	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-	-
Bond issuance cost	-	-	-	-	-	-	-	-
Total expenditures	21,643	4,268	15,884	12,064	11,421	-	52,381	2,943
Revenues over (under) expenditures	-	2,389	2,286	-	388	31	(1,600)	903
OTHER FINANCING SOURCES (USES)								
Transfers in	-	-	-	-	-	-	-	875
Transfers out	-	-	(2,286)	-	(388)	-	(1,662)	(1,778)
Proceeds from issuance of debt	-	-	-	-	-	-	-	-
Retirement of refunded debt obligation	-	-	-	-	-	-	-	-
Premium on debt issuance	-	-	-	-	-	-	-	-
Total other financing sources and uses	-	-	(2,286)	-	(388)	-	(1,662)	(903)
Net change in fund balances	-	2,389	-	-	-	31	(3,262)	-
Fund balances - beginning of year, as restated	8	5,668	-	-	243	1,740	964	-
Fund balances - end of year	\$ 8	8,057	-	-	243	1,771	(2,298)	-

**NON MAJOR FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
(Thousands of Dollars) June 30, 2009**

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

New Memphis Arena	MLK Park	Metro Alarm	Community Services	Central Business Improvement District	Community Redevelopment	Education	Capital Projects	Total	
-	-	-	-	-	826	23,919	363	25,108	REVENUES
-	-	-	-	2,459	-	-	-	2,459	Local taxes:
-	-	-	-	105	-	-	-	105	Property taxes
875	-	-	-	-	-	-	-	875	Special assessments - current
-	-	-	-	52	-	-	-	58	Special assessments - prior
-	-	-	-	-	-	-	-	-	Sales tax general
-	-	-	-	-	-	-	-	-	Other local taxes
875	-	-	-	2,616	826	23,919	363	28,605	Total local taxes
10,997	-	-	-	-	-	-	-	29,167	State taxes (local share)
-	-	-	-	-	-	-	-	3,846	Hotel/motel tax
-	137	531	-	-	-	-	-	51,059	Charges for services
-	9	30	6	-	-	-	-	224	Investment income
-	-	-	-	-	-	-	495	37,357	Federal grants and entitlements
-	-	-	-	-	-	-	5,289	10,518	State grants
-	-	-	-	-	-	-	-	6,420	Fines and forfeitures
-	-	13	10	-	32	-	166	4,119	Other
11,872	146	574	16	2,616	858	23,919	6,313	171,315	Total revenues
13,497	-	410	-	2,616	997	-	211	32,095	EXPENDITURES
-	-	-	-	-	-	-	-	4,268	General government
-	181	-	-	-	-	-	-	33,888	Public safety
-	-	-	-	-	-	-	-	68,265	Community service
-	-	-	-	-	-	23,919	-	23,919	Transportation and environment
-	-	-	-	-	-	-	91,800	91,800	Education
-	-	-	-	-	-	-	1,384	1,384	Capital outlay
-	-	-	-	-	-	-	-	-	Bond issuance cost
13,497	181	410	-	2,616	997	23,919	93,395	255,619	Total expenditures
(1,625)	(35)	164	16	-	(139)	-	(87,082)	(84,304)	Revenues over (under) expenditures
3,375	-	-	-	-	2,278	-	250	6,778	OTHER FINANCING SOURCES (USES)
(875)	(250)	-	-	-	(3,521)	-	-	(10,760)	Transfers in
-	-	-	-	-	-	-	284,495	284,495	Transfers out
-	-	-	-	-	-	-	-	-	Proceeds from issuance of debt
-	-	-	-	-	-	-	(150,000)	(150,000)	Retirement of refunded debt obligation
-	-	-	-	-	-	-	6,903	6,903	Premium on debt issuance
2,500	(250)	-	-	-	(1,243)	-	141,648	137,416	Total other financing sources and uses
875	(285)	164	16	-	(1,382)	-	54,566	53,112	Net change in fund balances
(7,718)	543	1,634	486	-	2,774	-	12,673	19,015	Fund balances - beginning of year, as restated
(6,843)	258	1,798	502	-	1,392	-	67,239	72,127	Fund balances - end of year

**NON MAJOR SPECIAL REVENUE FUNDS
 COMBINING SCHEDULE OF REVENUES AND EXPENDITURES -
 BUDGET AND ACTUAL ON BASIS OF BUDGETING
 (WITH ANNUAL BUDGETS)
 (Thousands of Dollars)
 For the fiscal year ended June 30, 2009**

	<u>Budget Amounts</u>			Variance with Final Budget- Positive (Negative)
	Original	Final	Actual	
COMMUNITY DEVELOPMENT				
Revenues:				
Federal grants	\$ 22,785	22,785	21,415	(1,370)
Other	85	85	228	143
Total revenues	22,870	22,870	21,643	(1,227)
Expenditures:				
Community service	22,870	22,870	21,643	1,227
Total expenditures	22,870	22,870	21,643	1,227
Revenues over (under) expenditures	\$ -	-	-	-
DRUG ENFORCEMENT FUND				
Revenues:				
Investment income	\$ -	-	148	148
Fines and forfeitures	-	4,500	6,420	1,920
Other	-	50	89	39
Total revenues	-	4,550	6,657	2,107
Expenditures:				
Public safety	-	5,109	4,268	841
Total expenditures	-	5,109	4,268	841
Revenues over (under) expenditures	\$ -	(559)	2,389	2,948
STATE STREET AID FUND				
Revenues:				
State gasoline tax (local share)	\$ 19,200	19,200	18,170	(1,030)
Total revenues	19,200	19,200	18,170	(1,030)
Expenditures:				
Transportation & environment	16,811	16,811	15,884	927
Total expenditures	16,811	16,811	15,884	927
Other financing (uses):				
Transfers out	(2,389)	(2,389)	(2,286)	103
Total other financing (uses)	(2,389)	(2,389)	(2,286)	103
Revenues over (under) expenditures and other financing sources (uses)	\$ -	-	-	(1,854)
WORKFORCE INVESTMENT ACT				
Revenues:				
Federal grants	\$ 12,735	12,735	11,903	(832)
State grants	382	382	161	(221)
Other	1	1	-	(1)
Total revenues	13,118	13,118	12,064	(1,054)
Expenditures:				
Community service	13,118	13,118	12,064	1,054
Total expenditures	13,118	13,118	12,064	1,054
Revenues over (under) expenditures	\$ -	-	-	-

(Continued)

**NON MAJOR SPECIAL REVENUE FUNDS
 COMBINING SCHEDULE OF REVENUES AND EXPENDITURES -
 BUDGET AND ACTUAL ON BASIS OF BUDGETING
 (WITH ANNUAL BUDGETS)
 (Thousands of Dollars)
 For the fiscal year ended June 30, 2009**

	Budget Amounts			Variance with Final Budget- Positive(Negative)
	Original	Final	Actual	
MISCELLANEOUS GRANTS				
Revenues:				
Federal grants	\$ 34,764	34,764	3,544	(31,220)
State grants	10,080	10,080	4,924	(5,156)
Other	2,036	2,036	3,341	1,305
Total revenues	46,880	46,880	11,809	(35,071)
Expenditures:				
General government	46,880	46,880	11,421	35,459
Total expenditures	46,880	46,880	11,421	35,459
Other financing sources (uses):				
Transfers out	-	-	(388)	(388)
Total other financing sources (uses)	-	-	(388)	(388)
Revenues over (under) expenditures and other financing sources (uses)	\$ -	-	-	-
SOLID WASTE MANAGEMENT FUND				
Revenues:				
Other local taxes	\$ -	-	6	6
Charges for services	51,119	51,119	50,391	(728)
State grants	90	90	144	54
Other	325	325	240	(85)
Total revenues	51,534	51,534	50,781	(753)
Expenditures:				
Transportation and environment	51,584	52,099	52,381	(282)
Total expenditures	51,584	52,099	52,381	(282)
Other financing sources (uses):				
Transfers in	-	515	-	(515)
Transfers out	(1,671)	(1,671)	(1,662)	9
Total other financing sources (uses)	(1,671)	(1,156)	(1,662)	(506)
Revenues over (under) expenditures and other financing sources (uses)	\$ (1,721)	(1,721)	(3,262)	(1,541)
HOTEL/MOTEL TAX				
Revenues:				
Hotel /motel tax	\$ 4,000	4,000	3,846	(154)
Total revenues	4,000	4,000	3,846	(154)
Expenditures:				
General government	3,097	3,097	2,943	154
Total expenditures	3,097	3,097	2,943	154
Other financing sources (uses):				
Transfers in	650	650	875	225
Transfers out	(1,553)	(1,553)	(1,778)	(225)
Total other financing sources (uses)	(903)	(903)	(903)	-
Revenues over (under) expenditures and other financing sources (uses)	\$ -	-	-	-

(Continued)

**NON MAJOR SPECIAL REVENUE FUNDS
 COMBINING SCHEDULE OF REVENUES AND EXPENDITURES -
 BUDGET AND ACTUAL ON BASIS OF BUDGETING
 (WITH ANNUAL BUDGETS)
 (Thousands of Dollars)
 For the fiscal year ended June 30, 2009**

	Original	Final	Actual	Final Budget- Positive(Negative)
NEW MEMPHIS ARENA				
Revenues:				
Sales tax general	\$ 650	650	875	225
State taxes (local share)	9,000	9,000	10,997	1,997
Total revenues	9,650	9,650	11,872	2,222
Expenditures:				
General government	11,500	11,500	13,497	(1,997)
Total expenditures	11,500	11,500	13,497	(1,997)
Other financing sources (uses):				
Transfers in	3,150	3,150	3,375	225
Transfers out	(650)	(650)	(875)	(225)
Total other financing sources (uses)	2,500	2,500	2,500	-
Revenues over (under) expenditures and other financing sources (uses)	\$ 650	650	875	225
MLK PARK				
Revenues:				
Charges for services	\$ 131	131	137	6
Investment income	-	-	9	9
Total revenues	131	131	146	15
Expenditures:				
Community service	246	193	181	12
Total expenditures	246	193	181	12
Other financing sources (uses):				
Transfers out	-	(250)	(250)	-
Total other financing sources (uses)	-	(250)	(250)	-
Revenues over (under) expenditures and other financing sources (uses)	\$ (115)	(312)	(285)	27
METRO ALARMS				
Revenues:				
Charges for services	\$ 523	523	531	8
Investment income	-	-	30	30
Other	-	-	13	13
Total revenues	523	523	574	51
Expenditures:				
General government	346	350	410	(60)
Total expenditures	346	350	410	(60)
Revenues over (under) expenditures	\$ 177	173	164	(9)
COMMUNITY REDEVELOPMENT				
Revenues:				
Local taxes	\$ -	-	826	826
State grants	-	(5)	-	5
Other	-	-	32	32
Total revenues	-	(5)	858	863
Expenditures:				
General government	-	-	997	(997)
Total expenditures	-	-	997	(997)
Other financing sources (uses):				
Transfers in	-	-	2,278	2,278
Transfers out	-	-	(3,521)	(3,521)
Total other financing sources (uses)	-	-	(1,243)	(1,243)
Revenues over (under) expenditures and other financing sources (uses)	\$ -	(5)	(1,382)	(1,377)

(Continued)

**NON MAJOR SPECIAL REVENUE FUNDS
 COMBINING SCHEDULE OF REVENUES AND EXPENDITURES -
 BUDGET AND ACTUAL ON BASIS OF BUDGETING
 (WITH ANNUAL BUDGETS)
 (Thousands of Dollars)
 For the fiscal year ended June 30, 2009**

	Original	Final	Actual	Final Budget- Positive(Negative)
TOTAL NONMAJOR SPECIAL REVENUE FUNDS				
Revenues:				
Local taxes	-	-	832	832
Sales tax general	650	650	875	225
State taxes (local share)	28,200	28,200	29,167	967
Charges for services	51,773	51,773	51,059	(714)
Investment income	-	-	187	187
Federal grants and entitlements	70,284	70,284	36,862	(33,422)
State grants	10,552	10,547	5,229	(5,318)
Fines and forfeitures	-	4,500	6,420	1,920
Hotel/motel tax	4,000	4,000	3,846	(154)
Other	2,447	2,497	3,943	1,446
Total revenues	167,906	172,451	138,420	(34,031)
Expenditures:				
General government	61,823	61,827	29,268	32,559
Public safety	-	5,109	4,268	841
Community services	36,234	36,181	33,888	2,293
Transportation and environment	68,395	68,910	68,265	645
Total expenditures	166,452	172,027	135,689	36,338
Other financing sources (uses)				
Transfers in	3,800	4,315	6,528	2,213
Transfers out	(6,263)	(6,513)	(10,760)	(4,247)
Total other financing sources (uses)	(2,463)	(2,198)	(4,232)	(2,034)
Revenues over (under) expenditures and other financing sources (uses)	\$ (1,009)	(1,774)	(1,501)	273

ALL SPECIAL FUNDS (WITH CARRYOVER BUDGETS)
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL
(Thousands of Dollars)
For the fiscal year ended June 30, 2009

CITY OF MEMPHIS, TENNESSEE
Exhibit B-4

	Budget	Recognized thru June 30, 2008	Recognized Current Year	Recognized thru June 30, 2009	Variance
MIDTOWN CORRIDOR FUND					
Revenues:					
Investment income	\$ -	379	31	410	410
Other	-	25	-	25	25
Sale of land	2,932	4,080	-	4,080	1,148
Total revenues	2,932	4,484	31	4,515	1,583
Expenditures:					
Personal services	122	91	-	91	31
Materials and supplies	776	685	-	685	91
Capital outlay	5	4	-	4	1
Land acquisition	1,764	1,764	-	1,764	-
Grants and subsidies	-	200	-	200	(200)
Total expenditures	2,667	2,744	-	2,744	(77)
Revenues over expenditures	\$ 265	1,740	31	1,771	1,506

CITY OF MEMPHIS

T E N N E S S E E

ENTERPRISE FUNDS

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

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

**ENTERPRISE FUNDS
STATEMENT OF NET ASSETS
(Thousands of Dollars)
June 30, 2009**

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

	<u>Storm Water</u>
ASSETS	
Current assets:	
Cash	\$ 1
Receivables:	
Accounts receivable	1,643
Federal and state grants	<u>20</u>
Total current assets	1,664
Capital assets:	
Land	34
Improvements other than buildings	26,694
Machinery and equipment	7,012
Less accumulated depreciation and amortization	<u>(14,038)</u>
Total capital assets	19,702
Construction in progress	<u>14,009</u>
Net capital assets	<u>33,711</u>
Total assets	<u>35,375</u>
LIABILITIES	
Current liabilities:	
Accounts payable	808
Accrued liabilities	251
Contract retainage	379
Due to other funds	9,329
Other post employment benefits	854
Vacation, sick and other leave benefits	<u>1,367</u>
Total current liabilities	<u>12,988</u>
Total liabilities	<u>12,988</u>
NET ASSETS	
Invested in capital assets	33,711
Unrestricted	<u>(11,324)</u>
Total net assets	<u>\$ 22,387</u>

**ENTERPRISE FUNDS
STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN FUND NET ASSETS
(Thousands of Dollars)
For the fiscal year ended June 30, 2009**

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

	<u>Storm Water</u>
Operating revenues-charges for services	\$ 19,680
Operating expenses other than depreciation and amortization:	
Personal services	7,594
Materials, supplies, services, and other	2,968
Capital outlay	<u>2,254</u>
Total operating expenses other than depreciation and amortization	<u>12,816</u>
Operating income before depreciation and amortization	<u>6,864</u>
Depreciation and amortization: On assets acquired with own funds	<u>603</u>
Operating income	<u>6,261</u>
Non-operating revenues:	
State grant	205
Other	<u>2</u>
Total non-operating revenues	<u>207</u>
Income before capital contributions and transfers	<u>6,468</u>
Transfers in	452
Transfers out	<u>(4,412)</u>
Change in net assets	2,508
Total net assets - beginning of year	<u>19,879</u>
Total net assets - end of year	<u><u>\$ 22,387</u></u>

ENTERPRISE FUNDS
STATEMENT OF CASH FLOWS
(Thousands of Dollars)
For the fiscal year ended June 30, 2009

CITY OF MEMPHIS, TENNESSEE
Exhibit C-3

	<u>Storm Water</u>
CASH FLOWS FROM OPERATING ACTIVITIES:	
Receipts from customers and users	\$ 19,504
Payments to suppliers	(5,428)
Payments to employees	(6,852)
Net cash provided by (used for) operating activities	<u>7,224</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:	
Advances from other funds	3,964
Transfers from other funds	452
Receipt of local shared revenue	2
Transfers to other funds	(4,412)
Net cash provided by (used for) noncapital and related financing	<u>6</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Acquisition and construction of capital assets	(7,435)
State grant	205
Net cash provided by (used for) capital and related financing activities	<u>(7,230)</u>
Net increase (decrease) in cash	-
Cash, beginning of year	1
Cash, end of year	\$ <u><u>1</u></u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities	
Operating Income (loss)	\$ 6,261
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation expense	603
Decrease in assets:	
Accounts Receivable	(176)
Decrease in liabilities:	
Other accounts payable and accrued expenses	536
Total adjustments	<u>963</u>
Net cash provided by (used for) operating activities	\$ <u><u>7,224</u></u>

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CITY OF MEMPHIS

T E N N E S S E E

INTERNAL SERVICE FUNDS

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

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

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

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

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

INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF NET ASSETS
(Thousands of Dollars)
June 30, 2009

CITY OF MEMPHIS, TENNESSEE
Exhibit D-1

	Printing and Mail	Health Insurance	Unemployment Compensation	Fleet Management	Total
ASSETS					
Current assets:					
Cash and cash equivalents	\$ -	-	-	1	1
Equity in cash and investment pool	153	11,388	-	-	11,541
Receivables	-	28	-	-	28
Due from other funds	15	5,344	-	10	5,369
Inventories	23	-	-	372	395
Total current assets	191	16,760	-	383	17,334
Furniture and equipment	340	11	-	3,615	3,966
Less accumulated depreciation	(309)	(11)	-	(2,967)	(3,287)
Net capital assets	31	-	-	648	679
Total assets	222	16,760	-	1,031	18,013
LIABILITIES					
Current liabilities:					
Accounts payable and accrued expenses	112	1,306	81	1,188	2,687
Insurance claims payable	-	7,194	-	-	7,194
Due to other funds	-	-	1,717	3,264	4,981
Deferred revenues	-	6,518	-	-	6,518
Other post employment benefits	47	54	-	1,037	1,138
Vacation, sick and other leave benefits	65	53	-	2,562	2,680
Total current liabilities	224	15,125	1,798	8,051	25,198
NET ASSETS (DEFICIT)					
Invested in capital assets	31	-	-	648	679
Unrestricted	(33)	1,635	(1,798)	(7,668)	(7,864)
Total net assets (deficit)	\$ (2)	1,635	(1,798)	(7,020)	(7,185)

**INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET ASSETS
(Thousands of Dollars)
For the fiscal year ended June 30, 2009**

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

	Printing and Mail	Health Insurance	Unemployment Compensation	Fleet Management	Total
Operating revenues:					
Charges for services	\$ 2,116	-	-	29,909	32,025
Employee contributions	-	15,766	-	-	15,766
Employer contributions	-	43,119	1,050	-	44,169
Other	-	-	-	5	5
Total operating revenues	2,116	58,885	1,050	29,914	91,965
Operating expenses other than depreciation:					
Personal services	350	300	-	11,318	11,968
Materials and supplies	783	2,291	-	2,095	5,169
Capital outlay	-	-	-	10	10
Inventories	792	-	-	16,739	17,531
Claims incurred	-	43,904	1,050	-	44,954
Total operating expenses other than depreciation	1,925	46,495	1,050	30,162	79,632
Operating income (loss) before depreciation	191	12,390	-	(248)	12,333
Depreciation:					
On assets acquired with own funds	6	-	-	103	109
Total depreciation	6	-	-	103	109
Operating income (loss)	185	12,390	-	(351)	12,224
Non-operating revenues:					
Federal grant	-	-	-	19	19
Investment income	1	430	-	-	431
Total non-operating revenues	1	430	-	19	450
Income (loss) before transfers	186	12,820	-	(332)	12,674
Transfers out	-	(15,085)	-	-	(15,085)
Change in net assets	186	(2,265)	-	(332)	(2,411)
Total net assets (deficit) - beginning of year	(188)	3,900	(1,798)	(6,688)	(4,774)
Total net assets (deficit) - end of year	\$ (2)	1,635	(1,798)	(7,020)	(7,185)

**INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
(Thousands of Dollars)
For the fiscal year ended June 30, 2009**

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

	Printing and Mail	Health Insurance	Unemployment Compensation	Fleet Management	Total
CASH FLOWS FROM OPERATING ACTIVITIES:					
Receipts from customers and users	\$ 61	-	-	1,411	1,472
Receipts from other division funds	2,040	5,444	1,110	28,495	37,089
Employee contributions	-	15,766	-	-	15,766
Employer contributions	-	42,804	-	-	42,804
Payments to suppliers	(748)	(4,606)	-	(2,607)	(7,961)
Payments to employees	(311)	(433)	-	(9,898)	(10,642)
Payments to other division funds	(83)	-	-	(408)	(491)
Payments for inventory	(788)	-	-	(16,627)	(17,415)
Payments for claims incurred	-	(48,110)	(1,110)	-	(49,220)
Net cash provided by operating activities	171	10,865	-	366	11,402
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:					
Transfers to other funds	-	(15,085)	-	-	(15,085)
Net cash used in noncapital financing activities	-	(15,085)	-	-	(15,085)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:					
Federal Grants received	-	-	-	19	19
Acquisition and construction of capital assets	(19)	-	-	(385)	(404)
Net cash used in capital and related financing activities	(19)	-	-	(366)	(385)
CASH FLOWS FROM INVESTING ACTIVITIES:					
Investing income earned on investments	1	430	-	-	431
Net cash provided by investing activities	1	430	-	-	431
Net Increase (decrease) in cash and cash equivalents	153	(3,790)	-	-	(3,637)
Cash and cash equivalents, beginning of year	-	15,178	-	1	15,179
Cash and cash equivalents, end of year	\$ 153	11,388	-	1	11,542
Reconciliation of operating income (loss) to net cash provided by operating activities					
Operating income (loss)	\$ 185	12,390	-	(351)	12,224
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:	-	-	-	-	-
Depreciation expense	6	-	-	103	109
(Increase) decrease in assets:					
Inventories	4	-	-	111	115
Accounts receivable	(15)	(5,298)	-	(8)	(5,321)
Increase (decrease) in liabilities:					
Other accounts payable and accrued expenses	(9)	3,773	-	511	4,275
Total adjustments	(14)	(1,525)	-	717	(822)
Net cash provided by operating activities	\$ 171	10,865	-	366	11,402

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COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES

CITY OF MEMPHIS

T E N N E S S E E

FIDUCIARY FUNDS

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

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

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

FIDUCIARY FUNDS

FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET ASSETS
(Thousands of Dollars)
For the fiscal year ended June 30, 2009

CITY OF MEMPHIS, TENNESSEE
Exhibit E-1

	Pension Trust					
	City Retirement System	Library Retirement System	Memphis Light, Gas and Water Retirement System	City OPEB Trust	Memphis Light, Gas and Water OPEB Trust	Total Pension and OPEB Trust Funds
ASSETS						
Cash and cash equivalents	\$ 50,990	60	79,153	-	35,051	165,254
Investments, at fair value:						
Short-term investments	-	-	400	-	-	400
U.S. government securities - long-term	40,368	-	58,558	-	-	98,926
Common stock - domestic	499,435	23,710	254,810	-	21,575	799,530
Common stock - foreign	134,496	-	79,670	-	8,180	222,346
Corporate bonds - domestic	473,786	-	62,132	-	-	535,918
Corporate bonds - foreign	29,513	-	-	-	10,451	39,964
Mutual funds and money market funds	47,380	622	9,543	2,563	-	60,108
Collateralized mortgage obligations	72,425	-	39,248	-	-	111,673
Asset-backed pooled securities	12,702	-	-	-	-	12,702
Mortgage-backed pooled securities	53,259	-	170,145	-	-	223,404
Investment in index funds	-	18,184	56,826	-	-	75,010
Investment in real estate	61,707	-	95,004	-	-	156,711
Investment in high yield bond fund	5,102	-	5,272	-	-	10,374
Investment in international equity fund	185,294	6,273	-	-	-	191,567
Investment in multi-class investment fund	-	-	-	-	10,005	10,005
Investment in limited partnership	-	-	-	-	87	87
Total investments	1,615,467	48,789	831,608	2,563	50,298	2,548,725
Equity in cash and investment pool	-	-	-	13,038	-	13,038
Interest and dividends receivables	7,966	6	4,874	3	45	12,894
Receivable for securities sold	19,006	156	-	-	28	19,190
Due from other funds	13	-	-	-	-	13
Employer and employee contributions receivable	-	-	891	-	-	891
Collateral held in trust for securities on loan	-	-	122,561	-	7,058	129,619
Total assets	1,693,442	49,011	1,039,087	15,604	92,480	2,889,624
LIABILITIES						
Notes & accounts payable	91,234	5	134,330	6,693	7,211	239,473
Due to other funds	60	303	-	-	-	363
Total liabilities	91,294	308	134,330	6,693	7,211	239,836
NET ASSETS						
Held in trust for pension benefits, pool participants, and OPEB	\$ 1,602,148	48,703	904,757	8,911	85,269	2,649,788

FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
(Thousands of Dollars)
For the fiscal year ended June 30, 2009

CITY OF MEMPHIS, TENNESSEE
Exhibit E-2

	<u>Pension Trust</u>					
	City Retirement System	Library Retirement System	Memphis Light, Gas and Water Retirement System	City OPEB Trust	Memphis Light, Gas and Water OPEB Trust	Total Pension and OPEB Trust Funds
ADDITIONS (REDUCTIONS)						
Contributions:						
Employer	\$ 16,172	228	18,467	28,314	60,143	123,324
Plan members	22,630	228	11,852	9,486	3,931	48,127
Total contributions	<u>38,802</u>	<u>456</u>	<u>30,319</u>	<u>37,800</u>	<u>64,074</u>	<u>171,451</u>
Investment income (loss):						
Interest and dividend income	75,375	340	31,730	85	788	108,318
Securities lending income	-	-	1,377	-	55	1,432
Other investment income	912	-	340	-	15	1,267
Gain/(loss) on real estate investments	822	-	-	-	-	822
Net appreciation/(depreciation) in the fair value of investments	(467,834)	(10,875)	(341,843)	(430)	(24,531)	(845,513)
Total investment income/(loss)	<u>(390,725)</u>	<u>(10,535)</u>	<u>(308,396)</u>	<u>(345)</u>	<u>(23,673)</u>	<u>(733,674)</u>
Total Additions (Reductions)	<u>(351,923)</u>	<u>(10,079)</u>	<u>(278,077)</u>	<u>37,455</u>	<u>40,401</u>	<u>(562,223)</u>
DEDUCTIONS						
Benefits	118,241	2,902	72,712	44,446	22,297	260,598
OPEB expense paid on behalf of OPEB trust	-	-	-	-	19,170	19,170
Administrative expenses	6,965	353	5,332	2,094	1,179	15,923
Refunds of contributions	14,544	55	2,453	-	-	17,052
Total Deductions	<u>139,750</u>	<u>3,310</u>	<u>80,497</u>	<u>46,540</u>	<u>42,646</u>	<u>312,743</u>
Increase/(decrease) before transfers	(491,673)	(13,389)	(358,574)	(9,085)	(2,245)	(874,966)
Transfers In	-	-	-	15,085	-	15,085
Net increase/(decrease)	(491,673)	(13,389)	(358,574)	6,000	(2,245)	(859,881)
Net assets - beginning of year	<u>2,093,821</u>	<u>62,092</u>	<u>1,263,331</u>	<u>2,911</u>	<u>87,514</u>	<u>3,509,669</u>
Net assets - end of year	<u>\$ 1,602,148</u>	<u>48,703</u>	<u>904,757</u>	<u>8,911</u>	<u>85,269</u>	<u>2,649,788</u>

See accompanying notes to financial statements.

COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES

CITY OF MEMPHIS

T E N N E S S E E

SUPPLEMENTARY SCHEDULES

**SUPPLEMENTARY
SCHEDULES**

**ALL FUNDS
 COMBINED SCHEDULE OF DELINQUENT
 PROPERTY TAXES RECEIVABLE
 (Thousands of Dollars)
 June 30, 2009**

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

Tax Year	General	Debt Service	Capital Projects	Education	Total (1)
1999	\$ 499	199	-	306	1,004
2000	1,075	445	-	549	2,069
2001	1,331	551	-	681	2,563
2002	1,336	553	2	684	2,575
2003	1,438	596	3	736	2,773
2004	1,912	792	4	979	3,687
2005	2,555	929	4	1,107	4,595
2006	2,850	1,036	5	1,235	5,126
2007	5,641	2,051	9	2,444	10,145
2008	15,165	4,625	21	1,245	21,056
Total delinquent property taxes receivable	33,802	11,777	48	9,966	55,593
Allowance for uncollectibles	8,450	2,944	12	2,492	13,898
Net delinquent property taxes receivable	\$ 25,352	8,833	36	7,474	41,695
Special assessment tax, net of allowance					213
Total tax, net of allowance					\$ 41,908

(1) As of June 30, 2009, \$18,183 of delinquent taxes were in Chancery Court for collection.

SCHEDULE OF REVENUE BONDS - BY ISSUE
(Thousands of Dollars)
For the fiscal year ended June 30, 2009

CITY OF MEMPHIS, TENNESSEE
Exhibit F-2

Description, Issue and Final Maturity Dates	Interest Rates (%)	Original Issue	Redemptions	Balance Outstanding At Year End
SEWER COLLECTION AND TREATMENT FUND				
Sanitary Sewerage System Revenue Bonds				
June 2000 to 2020	4.65-5.75	20,000	20,000	-
January 2001 to 2014	4.00-5.25	20,795	9,015	11,780
March 2002 to 2021	4.00-5.00	25,000	5,410	19,590
August 2002 to 2016	3.00-4.30	22,805	11,105	11,700
June 2004 to 2024	3.00-5.25	30,000	4,200	25,800
December 2005 to 2025	3.25-5.00	32,000	3,220	28,780
September 2006 to 2020	4.00-5.00	20,220	305	19,915
December 2007 to 2028	4.00-4.50	20,000	440	19,560
Total sewer collection and treatment fund		190,820	53,695	137,125
MEMPHIS LIGHT, GAS AND WATER DIVISION (1)				
Electric Division				
Electric System Revenue Refunding Bonds:				
January 2003 to 2010	3.00-5.00	41,625	30,135	11,490
November 2004 to 2018	3.00-5.00	1,292,170	360,580	931,590
December 2017 to 2018	Variable	100,000	100,000	-
July 2017 to 2018	4.00-5.00	96,930	-	96,930
Notes Payable:				
First Tennessee Bank	7.58	11,810	8,790	3,020
Total electric division		1,542,535	499,505	1,043,030
Gas Division				
Anticipation Note Payable (2)	3.30	40,000	5,000	35,000
Total gas division		40,000	5,000	35,000
Water Division				
Southeast Memphis Suburban Utility District Waterworks Revenue Bonds				
December 2000 to 2012	3.90-5.25	12,575	6,540	6,035
August 2002 to 2009	4.00-5.00	16,895	15,065	1,830
Total water division		29,470	21,605	7,865
Total MLG&W		1,612,005	526,110	1,085,895
Total revenue bonds		\$ 1,802,825	\$ 579,805	\$ 1,223,020

(1) All MLG&W bonds reflect amounts outstanding at December 31, 2008

(2) In July 2008 MLG&W's Gas Division repaid in full \$40 million in bond anticipation notes issued in July 2007. New anticipation notes were issued in September 2008 for \$35 million.

SCHEDULE OF GENERAL OBLIGATION DEBT - BY ISSUE
(Thousands of Dollars)
For the fiscal year ended June 30, 2009

CITY OF MEMPHIS, TENNESSEE
Exhibit F-3

Description, Issue and Final Maturity Dates	Interest Rates (%)	Original Issue	Redemptions	Balance Outstanding At Year End
GENERAL OBLIGATION BONDS				
Government Serial Bonds				
General City Government Serial Bonds				
General improvement:				
December 1993 to 2011	3.25-5.00	48,996	38,957	10,039
April 1998 to 2011	5.50-5.70	19,290	13,565	5,725
September 1998 to 2015	4.50-5.75	81,045	76,335	4,710
January 1999 to 2012	4.00-5.75	42,290	23,435	18,855
May 1999 to 2010	4.00-5.00	59,305	55,940	3,365
April 2001 to 2009	5.25-5.75	140,000	140,000	-
November 2001 to 2016	2.125-5.25	92,985	16,255	76,730
June 2002 to 2022	4.00-5.25	170,000	155,995	14,005
May 2003 to 2022	3.00-5.00	96,940	56,885	40,055
February 2004 to 2017	2.00-5.00	34,160	14,860	19,300
November 2004 to 2023	3.00-5.00	125,000	17,585	107,415
March 2005 to 2019	3.25-5.25	166,880	-	166,880
June 2005 to 2018	4.00-5.25	115,635	5,000	110,635
February 2006 to 2025	4.25-5.00	115,115	5,455	109,660
December 2006 to 2022	4.00-5.00	89,385	2,625	86,760
May 2007 to 2027	4.75-5.00	94,935	-	94,935
April 2008 to 2028	3.25-5.00	99,735	-	99,735
May 2009 to 2029	4.00-5.00	76,025	-	76,025
Total general government serial bonds		1,667,721	622,892	1,044,829
Government Term Bonds				
General City Government Term Bonds				
General improvement:				
May 1997 to 2011	5.65	3,565	1,120	2,445
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	24,960	2,445
Total general obligation bonds		1,695,126	647,852	1,047,274
BOND ANTICIPATION NOTES				
City Direct Issue	Variable	148,470	-	148,470
State of TN Commercial Paper Program		150,000	150,000	-
Total bond anticipation notes		298,470	150,000	148,470
CAPITAL LEASE OBLIGATIONS:				
November 2007 to August 2012	3.83	7,510	1,452	6,058
TOTAL GENERAL OBLIGATION DEBT		\$ 2,001,106	\$ 799,304	\$ 1,201,802

SCHEDULE OF GENERAL OBLIGATION DEBT - BY ISSUE
(Thousands of Dollars)
For the fiscal year ended June 30, 2009

CITY OF MEMPHIS, TENNESSEE
Exhibit F-4

Use	Balance Outstanding At Year End
GENERAL OBLIGATION BONDS	
General Improvement	\$ 1,023,662
Schools	12,475
Airport	5,725
Convention Center	1,071
Port Commission	<u>4,341</u>
Total general obligation bonds	1,047,274
BOND ANTICIPATION NOTES	148,470
CAPITAL LEASE OBLIGATIONS	6,058
TOTAL GENERAL OBLIGATION DEBT	<u><u>\$ 1,201,802</u></u>

**LONG TERM DEBT PRINCIPAL AND INTEREST REQUIREMENTS
 PROPRIETARY FUNDS
 (Thousands of Dollars)
 For the fiscal year ended June 30, 2009**

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

Fiscal Year	Revenue				Total Requirements	
	Sewer Collection & Treatment		Memphis Light, Gas & Water (1)			
	Principal	Interest	Principal	Interest	Principal	Interest
2009	-	-	127,601	51,741	127,601	51,741
2010	8,855	6,068	95,314	47,229	104,169	53,297
2011	9,115	5,720	91,960	42,538	101,075	48,258
2012	8,550	5,353	96,815	38,021	105,365	43,374
2013	9,065	4,979	99,700	33,241	108,765	38,220
2014	9,320	4,578	104,675	28,381	113,995	32,959
2015	9,565	4,161	109,905	23,148	119,470	27,309
2016	9,340	3,729	115,270	17,674	124,610	21,403
2017	10,040	3,337	119,700	11,911	129,740	15,248
2018	9,660	2,869	124,955	6,008	134,615	8,877
2019	7,360	2,395	-	-	7,360	2,395
2020	8,320	2,020	-	-	8,320	2,020
2021	7,160	1,614	-	-	7,160	1,614
2022	7,510	1,263	-	-	7,510	1,263
2023	5,300	958	-	-	5,300	958
2024	5,555	702	-	-	5,555	702
2025	5,820	433	-	-	5,820	433
2026	3,725	212	-	-	3,725	212
2027	1,400	97	-	-	1,400	97
2028	1,465	33	-	-	1,465	33
Total	\$ 137,125	50,521	1,085,895	299,892	1,223,020	350,413

(1) At 12-31-08

SCHEDULE OF INTERFUND BALANCES
 (Thousands of Dollars)
 June 30, 2009

CITY OF MEMPHIS, TENNESSEE
 Exhibit F-6

	Primary Government											Total Payables - Reporting Entity.	
	Governmental Fund Types												
	General Fund	Drug Enforcement	Capital Projects	Debt Service	Printing and Mail	Health Insurance	Fleet Management	Retirement	Proprietary Funds		Pension Trust		
Internal Service													
GOVERNMENTAL FUND TYPES													
General	\$ -	-	-	-	-	-	-	-	-	-	-	13	13
Special Revenue:													
Community development	19,260	-	-	-	15	-	-	-	-	-	10	-	19,285
State street aid	3,002	-	-	295	-	-	-	-	-	-	-	-	3,297
Workforce investment act	11,400	-	-	-	-	-	-	-	-	-	-	-	11,400
Miscellaneous grants	-	19	-	3,163	-	-	-	-	-	-	-	-	3,182
Solid waste	-	-	-	4,032	-	-	-	-	-	-	-	-	4,032
New Memphis arena	-	-	6,843	-	-	-	-	-	-	-	-	-	6,843
Capital Projects	-	-	-	6,345	-	-	-	-	-	-	-	-	6,345
PROPRIETARY FUND TYPES													
Enterprise:													
Sewer	4,612	-	-	-	-	-	-	-	-	-	-	-	4,612
Storm water	-	-	-	9,329	-	-	-	-	-	-	-	-	9,329
Internal Service:													
Unemployment compensation	-	-	-	-	-	-	-	-	1,717	-	-	-	1,717
Fleet Management	-	-	-	-	-	-	-	-	3,264	-	-	-	3,264
FIDUCIARY FUND TYPES													
Pension Trust:													
City retirement	-	-	-	-	-	-	-	-	60	-	-	-	60
Library retirement	-	-	-	-	-	-	-	-	303	-	-	-	303
Total receivables - primary govt.	38,274	19	6,843	23,164	15	5,344	10	13					73,682
Total receivables - reporting entity	\$ 38,274	19	6,843	23,164	15	5,344	10	13					73,682

SCHEDULE OF INTERFUND TRANSFERS
 (Thousands of Dollars)
 For the fiscal year ended June 30, 2009

CITY OF MEMPHIS, TENNESSEE
 Exhibit F-7

	Primary Government										
	Governmental Fund Types						Business Type Activities				
	General Fund	Debt Service	Hotel/Motel Tax	New Memphis Arena	Community Redevelopment	Capital Projects	Enterprise Storm water	OPEB Trust Fund	Fiduciary	Total Transfers Out	
GOVERNMENTAL FUND TYPES											
General Fund	\$ -	5,653	-	-	2,278	-	452	-	-	-	8,383
Special Revenue:											
State street aid	-	2,286	-	-	-	-	-	-	-	-	2,286
Miscellaneous grants	-	388	-	-	-	-	-	-	-	-	388
Solid waste	-	1,662	-	-	-	-	-	-	-	-	1,662
Hotel/Motel tax	-	903	-	875	-	-	-	-	-	-	1,778
New Memphis arena	-	-	875	-	-	-	-	-	-	-	875
MLK Park Improvement	-	-	-	-	-	250	-	-	-	-	250
Community redevelopment	-	3,521	-	-	-	-	-	-	-	-	3,521
Debt Service Fund	6,000	-	-	-	-	-	-	-	-	-	6,000
PROPRIETARY FUND TYPES											
Enterprise:											
Sewer collection and treatment	5,887	-	-	-	-	-	-	-	-	-	5,887
Memphis light, gas and water	49,736	-	-	2,500	-	-	-	-	-	-	52,236
Storm water	-	4,412	-	-	-	-	-	-	-	-	4,412
Internal Service:											
Health insurance	-	-	-	-	-	-	-	-	15,085	-	15,085
Total transfers in	\$ 61,623	18,825	875	3,375	2,278	250	452	15,085	-	-	102,763

A discrepancy exists between the amount reported as transfers from MLGW by the General Fund and transfers to the General Fund by MLGW due to a transaction occurring prior to MLGW's December 31, 2008 year end and during the City's June 30, 2009 year end. As such, the City recorded the accrual for the transaction in prior year whereas MLGW recorded the transaction in the current year.

**SCHEDULE OF ADDITIONS AND RETIREMENTS
TO UTILITY PLANT
(Thousands of Dollars)
For the fiscal year ended June 30, 2009**

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

MEMPHIS LIGHT, GAS AND WATER DIVISION (1)

	Balance January 1, 2008	Additions	Deletions	Transfers	Balance December 31, 2008
Electric Division	\$ 1,277,270	63,005	(9,815)	6	1,330,466
Gas Division	510,618	14,183	(841)	-	523,960
Water Division	396,611	10,291	(1,783)	(6)	405,113
Total	\$ 2,184,499	87,479	(12,439)	-	2,259,539

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

SEWER COLLECTION AND TREATMENT FUND (2)

	Balance July 1, 2008	Additions	Deletions	Transfers	Balance June 30, 2009
Land and buildings	\$ 119,782	-	-	-	119,782
Improvements other than buildings	497,193	74	(115)	2	497,154
Equipment and furniture	22,533	780	(510)	-	22,803
Construction work in progress	11,209	6,953	-	(2)	18,160
Total	\$ 650,717	7,807	(625)	-	657,899

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

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

**SCHEDULE OF FUNDING PROGRESS
OTHER POSTEMPLOYMENT BENEFITS (OPEB)
(Thousands of Dollars)
For the fiscal year ended June 30, 2009**

CITY OF MEMPHIS

Fiscal Year Ending	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded/ (Over funded) AAL (UAAL) (b) – (a)	Funded Ratio (a) ÷ (b)	Covered Payroll ¹ (c)	UAAL as a Percentage of Covered Payroll ¹ [(b) – (a)] ÷ (c)
June 30,2008	\$0	\$857,062	\$857,062	0.0%	\$283,789	302.0%
June 30,2009	\$2,911	\$937,151	\$934,240	0.3%	\$315,682	295.9%

¹ Covered Payroll includes all active plan participants.

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

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL ON BASIS OF BUDGETING
(Thousands of Dollars)
For the fiscal year ended June 30, 2009

CITY OF MEMPHIS, TENNESSEE
Exhibit F-11

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
REVENUES				
Local taxes	\$ 409,943	409,943	415,924	5,981
State taxes (local share)	66,496	66,496	59,036	(7,460)
Licenses and permits	11,772	11,772	11,427	(345)
Fines and forfeitures	9,996	9,996	10,237	241
Charges for services	27,823	27,823	27,280	(543)
Investment income	4,376	4,376	3,395	(981)
Federal grants	334	334	2,818	2,484
State grants	1,371	1,416	1,938	522
Intergovernmental revenues	3,578	3,578	3,578	-
Other	10,236	67,819	8,188	(59,631)
Total revenues	545,925	603,553	543,821	(59,732)
EXPENDITURES				
General government	156,805	165,252	154,320	10,932
Public safety	368,548	371,213	363,372	7,841
Community services	70,760	70,126	63,903	6,223
Transportation and environment	10,341	9,480	8,188	1,292
Total expenditures	606,454	616,071	589,783	26,288
Revenues under expenditures	(60,529)	(12,518)	(45,962)	(33,444)
OTHER FINANCING SOURCES (USES)				
Transfers in	58,877	68,877	61,623	(7,254)
Transfers out	(5,666)	(6,181)	(8,383)	(2,202)
Total other financing sources and uses	\$ 53,211	62,696	53,240	(9,456)
Adjustment for encumbrances - prior year			(7,256)	
Adjustment for encumbrances - current year			8,023	
Revenues over expenditures (GAAP basis)			<u>\$ 8,045</u>	

**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, 2009**

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

	Original Budget	Final Budget	Actual	Variance with Final Budget- Positive (Negative)
REVENUES				
Local taxes	\$ 78,218	78,218	80,939	2,721
Hotel/motel tax	398	398	398	-
Investment income	2,000	2,000	1,564	(436)
Intergovernmental revenue:				-
Memphis-Shelby County Airport Authority	2,076	2,076	2,076	-
Memphis-Shelby County Port Commission	401	401	401	-
Board of Education	1,777	1,777	-	(1,777)
Total intergovernmental revenue	4,254	4,254	2,477	(1,777)
Other	1,475	1,475	1,123	(352)
Total revenues	86,345	86,345	86,501	156
EXPENDITURES				
Redemption of serial bonds and notes	62,285	62,285	58,565	3,720
Interest	53,354	53,354	52,451	903
Other	517	517	538	(21)
Total expenditures	116,156	116,156	111,554	4,602
Revenues under expenditures	(29,811)	(29,811)	(25,053)	4,758
OTHER FINANCING SOURCES (USES)				
Transfers in	17,058	17,058	18,825	1,767
Transfers out	-	(10,000)	(6,000)	4,000
Total other financing sources and uses	17,058	7,058	12,825	5,767
Net change in fund balances	\$ (12,753)	(22,753)	(12,228)	10,525
Fund balance - beginning of year			58,716	
Fund balance - end of year			\$ 46,488	

CITY OF MEMPHIS

T E N N E S S E E

STATISTICAL SECTION

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

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

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

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

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

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

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

CITY OF MEMPHIS, TENNESSEE
Exhibit X-1

	Fiscal Year							
	2002	2003	2004	2005	2006	2007	2008	2009
Governmental activities:								
Invested in capital assets, net of related debt	\$ 57,299	\$ 24,716	\$ 272,199	\$ 269,490	\$ 239,334	\$ 162,807	\$ 98,113	\$ 103,451
Restricted for :								
Debt service and construction	28,648	30,874	42,297	-	-	-	-	-
Contracted grant programs	3,744	5,068	3,718	-	-	-	-	-
Unrestricted:								
Net pension asset	-	67,847	74,893	81,491	78,238	64,471	50,825	42,560
Unrestricted, other	(21,192)	(54,319)	(174,983)	(175,783)	(134,764)	(8,886)	(4,974)	(52,761)
Total governmental activities net assets	68,499	74,186	218,124	175,198	182,808	218,392	143,964	93,250
Business-type activities:								
Invested in capital assets, net of related debt	1,268,016	1,310,278	1,388,651	1,434,661	1,467,373	1,512,730	1,587,881	1,633,163
Restricted for debt service and construction	143,894	161,117	89,222	90,115	89,905	118,799	88,703	91,215
Unrestricted	144,152	114,184	151,995	156,991	209,677	215,600	232,880	208,828
Total business-type activities net assets	1,556,062	1,585,579	1,629,868	1,681,767	1,766,955	1,847,129	1,909,464	1,933,206
Primary government:								
Invested in capital assets, net of related debt	1,325,315	1,334,994	1,660,850	1,704,151	1,725,518	1,675,537	1,685,994	1,736,614
Restricted for:								
Debt service and construction	172,542	191,991	131,519	90,115	89,905	118,799	88,703	91,215
Contracted grant programs	3,744	5,068	3,718	-	-	-	-	-
Unrestricted	122,960	59,865	(22,988)	(18,792)	56,102	271,185	278,731	198,627
Total primary government net assets	\$ 1,624,561	\$ 1,591,918	\$ 1,773,099	\$ 1,775,474	\$ 1,871,525	\$ 2,065,521	\$ 2,053,428	\$ 2,026,456

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

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

CITY OF MEMPHIS, TENNESSEE
Exhibit X-2

	2002	2003	2004	2005	2006	2007	2008	2009
Program Revenues								
Governmental activities:								
Charges for services:								
General government	\$ 50,223	\$ 43,604	\$ 45,016	\$ 33,781	\$ 45,500	\$ 71,939	\$ 71,398	\$ 67,880
Public Safety	5,294	2,673	1,725	2,459	3,785	4,584	5,203	6,420
Community services	642	125	125	125	125	125	147	137
Transportation and environment	25,836	22,325	22,011	21,942	46,097	47,937	47,790	50,391
Operating grants and contributions	54,046	60,476	89,832	57,424	56,472	49,415	49,822	56,402
Capital grants and contributions	26,858	5,195	1,598	3,785	1,494	1,201	3,217	3,217
Total governmental activities program revenues	162,899	134,398	160,307	119,516	153,473	175,201	177,577	184,447
Business-type activities:								
Charges for services:								
Sewer collection and treatment	35,963	34,773	35,722	46,909	48,670	52,543	52,510	53,778
Memphis Light, Gas and Water	1,230,483	1,158,345	1,257,141	1,367,644	1,553,537	1,603,383	1,649,378	1,818,104
Golf	-	3,395	3,204	3,079	2,934	2,963	-	-
Storm water	-	-	-	-	927	12,988	16,983	19,680
Operating grants and contributions	28,385	21,675	22,268	22,675	23,205	24,117	25,185	26,705
Capital grants and contributions	3,256	4,032	7,344	4,544	5,805	6,306	1,766	524
Total business-type activities program revenues	1,298,087	1,222,220	1,325,679	1,444,851	1,635,078	1,702,300	1,745,822	1,918,791
Total primary government program revenues	1,460,986	1,356,618	1,485,986	1,564,367	1,788,551	1,877,501	1,923,399	2,103,238
Expenses								
Governmental Activities:								
General government	133,168	170,815	159,005	187,105	190,796	200,184	271,906	249,707
Public safety	279,997	308,308	310,624	318,106	340,621	362,050	394,476	410,303
Community services	150,659	102,013	154,950	107,129	101,488	108,341	96,130	114,776
Transportation and environment	92,735	75,753	71,821	59,523	66,262	72,106	81,492	79,396
Education	109,113	89,192	84,465	85,144	91,225	91,405	91,392	21,846
Interest on long term debt	33,152	38,604	42,443	37,142	43,583	44,772	50,250	48,046
Total governmental activities expenses	798,824	784,685	823,308	794,149	833,975	878,858	985,646	924,074
Business-type activities:								
Sewer collection and treatment	45,997	50,391	45,201	50,512	48,991	47,852	51,507	57,802
Memphis Light, Gas and Water	1,229,233	1,155,423	1,265,411	1,398,375	1,507,661	1,577,503	1,629,803	1,790,499
Golf	-	4,683	4,589	4,270	4,153	3,893	-	-
Storm water	-	-	-	-	1,343	7,223	13,480	13,419
Total business-type activities expenses	1,275,230	1,210,497	1,315,201	1,453,157	1,562,148	1,636,471	1,694,790	1,861,720
Total primary government expenses	2,074,054	1,995,182	2,138,509	2,247,306	2,396,123	2,515,329	2,680,436	2,785,794
Net (expense)/revenue								
Governmental activities	(635,925)	(650,287)	(663,001)	(674,633)	(680,502)	(703,657)	(808,069)	(739,627)
Business-type activities	22,857	11,723	10,478	(8,306)	72,930	65,829	51,032	57,071
Total primary government net expense	(613,068)	(638,564)	(652,523)	(682,939)	(607,572)	(637,828)	(757,037)	(682,556)
General Revenues and Other Changes in Net Assets								
Governmental activities								
Taxes								
Local taxes	503,096	488,805	526,433	527,453	536,715	541,795	549,149	531,339
State taxes (local share)	71,210	71,561	68,806	75,441	83,602	92,554	96,193	88,203
Hotel/motel tax	3,514	3,599	3,706	3,936	4,399	4,607	4,740	4,244
Unrestricted investment earnings	6,155	2,230	1,236	-	3,596	7,907	7,367	5,614
Federal grants and entitlements	-	-	-	909	-	-	-	-
Intergovernmental revenues	10,334	12,942	8,746	10,227	-	14,171	9,315	4,163
Decreases in net pension obligation	-	8,774	25,584	6,598	-	-	-	-
Other	20,816	10,673	-	15,608	15,871	11,569	13,140	8,315
Transfers	1,300	1,300	1,588	1,587	43,929	59,966	59,113	46,998
Total governmental activities	616,425	599,884	636,099	641,759	688,112	732,569	739,017	688,876
Business-type activities:								
Investment earnings	17,734	16,112	17,840	61,792	63,619	69,910	74,064	62,356
Gain on sale of capital assets	7	-	-	-	-	-	-	-
Transfers	(1,300)	(1,300)	(1,588)	(1,587)	(43,929)	(59,966)	(61,759)	(59,437)
Total business-type activities	16,441	14,812	16,252	60,205	19,690	9,944	12,305	2,919
Total primary government	632,866	614,696	652,351	701,964	707,802	742,513	751,322	691,795
Change in Net Assets								
Government activities	(19,500)	(50,403)	(26,902)	(32,874)	7,610	28,912	(69,052)	(50,751)
Business-type activities	39,298	26,535	26,730	51,899	92,620	75,773	63,337	59,990
Total primary government	\$ 19,798	\$ (23,868)	\$ (172)	\$ 19,025	\$ 100,230	\$ 104,685	\$ (5,715)	\$ 9,239

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									
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
General fund										
Reserved	8,362	8,055	11,949	8,595	6,804	5,312	4,194	6,747	8,945	9,691
Unreserved	45,361	53,457	57,680	53,189	19,598	(4,100)	29,746	72,093	89,613	96,912
Total general fund	53,723	61,512	69,629	61,784	26,402	1,212	33,940	78,840	98,558	106,603
All other governmental funds										
Reserved	71,464	8,119	1,145	-	477	-	-	-	-	-
Unreserved, reported in:										
Debt service fund	9,570	10,866	18,793	13,277	13,918	8,042	30,418	53,793	58,716	46,488
Capital projects fund	-	-	1,193	8,660	19,407	303	(27,577)	(32,527)	12,673	67,239
Special revenue funds	3,301	4,923	(6,927)	(6,542)	(5,235)	(4,208)	(2,275)	6,602	6,305	4,888
Total all other governmental funds	84,335	23,908	14,204	15,395	28,567	4,137	566	27,868	77,694	118,615
Total governmental funds	\$ 138,058	\$ 85,420	\$ 83,833	\$ 77,179	\$ 54,969	\$ 5,349	\$ 34,506	\$ 106,708	\$ 176,252	\$ 225,218

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

CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS

Last Ten Fiscal Years

(Thousands of Dollars)

CITY OF MEMPHIS, TENNESSEE

Exhibit X-4

	Fiscal Year									
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Revenues										
Local taxes	\$ 338,702	388,143	496,695	493,984	516,952	522,876	533,045	540,282	548,095	525,468
State taxes (local share)	72,128	73,298	71,210	68,806	75,441	75,441	83,602	92,554	96,193	88,203
Hotel/motel tax	-	2,034	3,514	3,599	3,706	3,936	4,399	4,607	4,740	4,244
Licenses and permits	11,829	11,852	11,731	11,921	12,257	12,059	12,478	11,918	11,934	11,427
Fines and forfeitures	14,140	13,389	13,560	13,118	12,574	13,639	13,009	13,422	15,243	16,657
Charges for services	34,841	38,032	40,464	40,105	41,269	41,139	66,941	72,307	76,788	78,339
Investment income	10,410	11,199	6,165	2,180	1,221	855	3,076	7,411	7,367	5,183
Federal grants and entitlements	43,506	30,785	46,640	41,042	46,757	41,559	35,212	41,673	37,359	40,175
State grants	8,124	5,951	8,226	9,723	29,202	10,506	4,202	4,449	7,908	12,456
Intergovernmental revenues	28,508	35,162	32,613	15,723	14,145	16,370	15,948	14,705	11,207	6,055
Other	20,079	20,602	21,073	22,987	28,321	18,562	18,457	14,548	18,420	13,430
Total revenues	582,267	630,447	751,891	725,943	775,210	756,942	790,369	817,876	835,254	801,637
Expenditures										
General government	102,943	108,317	128,826	149,055	158,736	148,520	141,436	141,541	167,215	185,741
Public safety	238,724	251,911	265,815	286,251	297,205	309,341	320,190	323,691	347,366	367,366
Instruction and administration	-	-	-	-	-	-	80,029	-	-	-
Community services	80,562	70,639	105,395	77,709	104,584	91,668	65,189	91,404	91,945	97,700
Transportation and environment	65,091	58,628	63,690	61,886	71,126	60,190	-	68,199	74,256	76,725
Education	-	-	80,487	79,590	83,974	85,446	90,946	91,952	92,438	23,919
Capital outlay	151,880	187,595	140,011	98,019	91,161	146,723	98,737	62,416	79,089	91,800
Debt service:										
Redemption of serial bonds and notes	45,634	47,528	45,292	43,341	50,792	52,385	46,046	36,528	42,925	58,565
Interest	30,416	39,179	33,847	37,258	40,310	37,065	43,338	46,738	49,015	52,451
Bond issuance cost	289	130	182	-	207	3,495	416	940	1,932	1,399
Service charges	88	690	675	303	1,221	405	624	1,308	581	523
Total expenditures	715,627	764,617	864,220	833,412	899,316	935,238	886,951	864,717	946,762	956,189
Excess of revenues over (under) expenditures	(133,360)	(134,170)	(112,329)	(107,469)	(124,106)	(178,296)	(96,582)	(46,841)	(111,508)	(154,552)
Other financing sources (uses)										
Transfers in	66,021	52,848	176,386	54,571	62,037	54,981	93,993	82,184	70,310	87,226
Transfers out	(73,219)	(65,196)	(179,211)	(53,271)	(60,449)	(53,394)	(37,073)	(22,218)	(11,197)	(25,143)
Proceeds from issuance of debt	138,956	92,000	337,377	125,176	134,160	507,515	188,030	220,712	189,735	284,495
Retirement of refunded debt obligation	-	-	(228,570)	(24,257)	(36,343)	(410,290)	(120,385)	(175,172)	(70,000)	(150,000)
Bond issuance cost	-	-	-	-	-	(839)	(839)	(788)	-	-
Premium on debt issue	-	-	-	-	2,491	39,916	2,615	12,855	2,204	6,903
Other financing source-capital lease/capital outlay	3,108	1,880	6,040	4,310	-	-	-	-	-	-
Other	-	-	-	(1,093)	-	-	-	-	-	-
Total other financing sources	134,866	81,532	112,022	105,436	101,896	138,728	125,741	117,573	181,052	203,481
Net change in fund balances/(deficit)	\$ 1,506	(52,638)	(307)	(2,033)	(22,210)	(39,568)	29,159	70,732	69,544	48,929
Debt service as a percentage of noncapital expenditures	13.6%	15.2%	11.0%	11.0%	11.4%	11.8%	11.5%	10.7%	10.9%	13.1%

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

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

	For the Fiscal Years Ended June 30									
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
General Government										
Legislative	\$ 1,146	1,311	1,372	1,419	1,487	1,411	1,368	1,541	1,598	1,560
Judicial	451	448	501	503	511	513	525	523	623	587
Court clerk	2,773	2,170	2,942	2,513	2,686	2,901	2,886	2,796	3,393	3,378
Executive	1,752	1,769	1,818	1,868	2,120	2,442	2,475	2,862	8,257	7,688
Finance and administration	5,471	6,387	5,498	5,249	6,035	4,952	4,560	4,004	4,627	5,141
City attorney	4,353	4,503	5,492	5,646	7,164	11,180	9,783	13,040	13,945	17,789
City engineer	-	8,276	8,207	8,226	9,924	8,279	8,785	4,980	5,146	6,224
Information systems	-	-	-	10,026	15,747	11,897	13,315	13,983	17,224	17,699
Human resources	3,089	3,238	3,460	3,353	3,448	2,920	2,786	4,708	6,188	8,116
General services	12,125	12,454	12,796	13,871	14,203	12,302	11,288	10,365	10,834	12,348
Special appropriations	40,211	39,959	52,895	54,517	58,618	59,600	58,842	56,554	61,039	73,116
Total general government	71,371	80,515	94,981	107,191	121,943	118,397	116,613	115,356	132,874	153,646
Public Safety										
Police	136,825	146,253	152,986	162,299	173,972	178,632	181,979	181,512	193,024	206,326
Fire	94,866	99,360	107,450	117,259	119,639	128,336	135,586	138,394	149,747	156,772
Total public safety	231,691	245,613	260,436	279,558	293,611	306,968	317,565	319,906	342,771	363,098
Community Services										
Library	16,694	18,630	21,657	21,096	21,126	19,854	18,574	-	-	-
Parks and recreation	30,077	30,395	28,404	24,455	26,033	22,068	21,268	23,307	31,017	29,678
Public Service	8,494	10,435	11,753	11,985	12,382	8,712	7,070	24,687	21,627	22,557
Community development	6,317	3,354	4,910	4,805	4,718	6,936	4,640	5,763	4,743	4,717
Community enhancement	-	-	-	-	-	-	-	-	2,684	6,860
Total community services	61,582	62,814	66,724	62,341	64,259	57,570	51,552	53,757	60,071	63,812
Transportation and Environment										
Public works	25,873	18,090	18,318	18,857	19,614	17,143	18,197	5,769	6,676	8,460
Total transportation and environment	25,873	18,090	18,318	18,857	19,614	17,143	18,197	5,769	6,676	8,460
Transfers out - primary	30,056	27,366	28,181	23,052	34,814	22,134	10,476	13,177	3,448	8,383
Transfers out - component unit (1)	13,000	14,000	-	-	-	-	-	-	-	-
Total	\$ 433,573	448,398	468,640	490,999	534,241	522,212	514,403	507,965	545,840	597,399

(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

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(50%) (2)		Privately Owned		Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value		
	Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value						
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	\$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	9,697,751,205	30,475,303,220	31.82%	3.3700
2002	3,825,350,400	15,301,401,600	3,980,394,369	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	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	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	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	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	11,156,091,653	35,682,730,905	31.26%	3.4332
2007	5,135,189,100	20,540,756,400	4,291,102,795	10,921,043,300	1,031,524,225	3,434,824,100	911,976,305	1,658,138,736	11,369,792,425	36,554,762,536	11,369,792,425	36,554,762,536	31.10%	3.4332
2008	5,199,303,925	20,797,215,700	4,320,688,495	11,005,511,900	1,037,557,855	3,455,649,100	835,038,281	1,518,251,420	11,392,568,556	36,776,628,120	11,392,568,556	36,776,628,120	30.98%	3.4332
2009	5,476,099,925	21,904,399,700	4,893,771,265	12,450,961,410	1,196,861,700	3,986,490,000	775,027,935	1,409,141,700	12,341,760,825	39,750,992,810	12,341,760,825	39,750,992,810	31.05%	3.2500

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

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

(3) Includes multiple real estate assessed at 0-40% as well as greenbelt commercial real estate at 25%, greenbelt industrial real estate at 25%, and greenbelt multiple real estate at 0-40%. For real estate, where parcel classification is multiple, the assessments will not equal the percentage multiple of the market appraisal or greenbelt.

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

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

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

Fiscal Year	Tax Rates per \$100 Assessed Value			Tax Levies		
	City	County	Total	City	County	Total
2000	\$ 2.77	\$ 3.54	\$ 6.31	234,064,460	435,779,520	669,843,980
2001	3.37	3.54	6.91	284,214,898	447,808,677	732,023,575
2002	3.23	3.79	7.02	314,190,509	549,355,956	863,546,465
2003	3.23	3.79	7.02	309,292,650	555,311,765	864,604,415
2004	3.23	4.04	7.27	325,695,529	596,378,594	922,074,123
2005	3.23	4.04	7.27	324,340,510	606,615,294	930,955,804
2006	3.43	4.04	7.47	380,947,344	681,245,173	1,062,192,517
2007	3.43	4.04	7.47	384,877,389	704,279,575	1,089,156,964
2008	3.43	4.04	7.47	392,477,211	717,010,251	1,109,487,462
2009	3.25	4.04	7.29	375,803,751	730,042,595	1,105,846,346

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

Source of County information: Shelby County Finance Department

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

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

Name of Taxpayer	2009		2000		Percentage of Total Taxable Assessed Value
	Taxable Assessed Value	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Percentage of Total Taxable Assessed Value	
Federal Express	\$ 399,133,347	3.22	\$ 342,246,398	4.05	
Bell South Telecommunications	105,529,365	0.86	169,594,809	2.01	
Wolfchase Galleria, LTD	61,846,400	0.50	160,754,000	1.90	
AMISUB (St. Francis Hospital) Inc.	42,866,040	0.35	48,257,120	0.57	
Northwest Airlines, Inc.	33,828,323	0.27	33,087,560	0.39	
Cargill, Inc.	31,974,670	0.26	31,117,871	0.37	
Pinnacle Airlines, Inc.	27,116,493	0.22	29,679,080	0.35	
Shopping Center Associates	26,058,360	0.21	29,086,800	0.34	
T & T Mobility LLC	25,545,747	0.21	28,759,420	0.34	
IPC Crescent Center LLC	24,171,960	0.20	27,171,392	0.32	
Total Assessed Valuation of Top 10 Taxpayers	778,070,705	6.30	899,754,450	10.64	
Balance of Assessed Valuation	11,563,690,120	93.70	7,556,353,223	89.36	
	\$ 12,341,760,825	100.00	\$ 8,456,107,673	100.00	

Source: City of Memphis Tax System

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

CITY OF MEMPHIS, TENNESSEE
Exhibit X-9

Fiscal Year	Total Tax Levy	Current Tax Collections	Percent Collected	Delinquent Tax Collections	Total Tax Collections	Total Collections as Percent of Current Levy	Prior Years Outstanding Delinquent Taxes	Outstanding Delinquent Taxes as Percent of Current Levy
2000	\$ 234,064,460	\$ 213,875,079	91.37	\$ 4,468,222	\$ 218,343,301	93.28	\$ 21,029,909	8.98
2001	284,214,898	260,938,982	91.81	10,690,611	271,629,593	95.57	22,693,903	7.98
2002	314,190,509	293,021,608	93.26	11,780,320	304,801,928	97.01	26,273,142	8.36
2003	309,292,650	286,509,335	92.63	14,156,364	300,665,699	97.21	26,939,877	8.71
2004	325,695,529	296,247,065	90.96	16,494,982	312,742,047	96.02	29,109,210	8.94
2005	324,340,510	300,716,889	92.72	15,066,930	315,783,819	97.36	30,283,302	9.34
2006	380,947,344	356,886,796	93.68	15,835,849	372,722,645	97.84	30,367,032	7.97
2007	384,877,389	361,358,644	93.89	16,264,065	377,622,709	98.12	30,620,012	7.96
2008	392,477,211	368,298,361	93.84	15,852,825	384,151,186	97.88	32,281,474	8.23
2009	375,803,751	352,497,179	93.80	14,750,644	367,247,823	97.72	34,538,869	9.19

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

Source: City of Memphis Tax System

Fiscal Year	Collections			
	Construction	Interest	Promotional Costs	Total
2000	\$ 22,780	\$ 12,724	\$ 28,522	\$ 64,026
2001	1,045	583	6,345	7,973
2002	92	52	242	386
2003	78	4	2,438	2,520
2004	389	217	47	653
2005	344	192	3,072	3,608
2006	7,218	4,032	11,100	22,350
2007	2,533	1,415	838	4,786
2008	2,533	1,415	-	3,948
2009	9,281	1,436	-	10,717

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

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

CITY OF MEMPHIS, TENNESSEE
 Exhibit X-11

Fiscal Year	Governmental Activities										Business-Type Activities										Total Primary Government	Percentage of Personal Income	Per Capita															
	General Obligation Bonds					Capital Outlay					State Loans					Sewer Revenue Bonds								Electric Revenue Bonds					Gas Bond Anticipation Notes					Water Revenue Bonds				
	Bonds	Anticipation	Notes	State	Capital	Notes Payable	Notes	Leases	Revenue	Bonds	Revenue	Bonds	Anticipation	Notes	Revenue	Bonds	Anticipation	Notes	Revenue	Bonds				Anticipation	Notes	Revenue	Bonds	Anticipation	Notes	Revenue	Bonds	Anticipation	Notes	Revenue	Bonds	Anticipation	Notes	
2000	722,162	-	6,970	6,322	1,285	-	1,285	92,720	137,775	-	-	4,714	1,880	87,115	127,240	-	-	53,810	1,021,044	2.96%	1,571																	
2001	676,236	92,000	3,255	4,835	1,880	4,714	1,880	87,115	127,240	-	-	3,929	7,249	106,355	102,689	-	-	47,695	1,044,970	2.88%	1,546																	
2002	805,434	45,000	1,100	3,436	7,249	3,143	7,249	106,355	102,689	-	-	3,143	10,053	101,435	101,513	-	-	40,960	1,116,152	2.98%	1,656																	
2003	863,161	25,000	-	2,302	10,053	3,143	10,053	101,435	101,513	-	-	2,357	4,215	124,835	1,453,252	-	-	34,230	1,147,567	2.97%	1,705																	
2004	814,360	125,000	-	1,108	4,215	2,357	4,215	124,835	1,453,252	-	-	1,571	2,626	117,790	1,364,214	-	-	27,150	2,559,357	6.26%	3,809																	
2005	882,312	125,000	-	189	2,626	1,571	2,626	117,790	1,364,214	-	-	786	970	142,410	1,290,175	-	-	19,710	2,520,852	5.90%	3,751																	
2006	915,315	114,000	-	-	-	-	-	133,700	1,212,702	-	-	-	-	145,410	1,131,360	-	-	13,940	2,483,366	5.55%	3,668																	
2007	971,679	70,000	-	-	-	-	-	145,410	1,131,360	-	-	-	-	137,125	1,043,030	-	-	10,965	2,402,021	5.33%	3,564																	
2008	1,030,302	90,000	-	-	7,510	-	7,510	145,410	1,131,360	-	-	-	-	137,125	1,043,030	40,000	35,000	7,865	2,455,547	5.44%	3,643																	
2009	1,047,274	148,470	-	-	6,058	-	6,058	137,125	1,043,030	-	-	-	-	137,125	1,043,030	-	-	7,865	2,424,822	5.10%	3,625																	

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

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

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

For the Fiscal Years Ended June 30

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Estimated population (4)	650,100	676,087	674,478	673,120	671,929	672,277	677,345	674,028	674,028	669,651
Appraised property valuation (3)	\$ 26,565,060	\$ 30,475,303	\$ 30,569,738	\$ 32,265,194	\$ 31,801,586	\$ 35,550,325	\$ 35,682,731	\$ 36,554,763	\$ 36,776,628	\$ 39,750,993
Assessed valuation (3)	\$ 8,456,108	\$ 9,697,751	\$ 9,764,897	\$ 10,200,919	\$ 9,992,954	\$ 11,108,644	\$ 11,156,092	\$ 11,369,792	\$ 11,392,569	\$ 12,341,761
Total general obligation debt (1) (3)	\$ 736,739	\$ 782,920	\$ 866,148	\$ 903,659	\$ 947,040	\$ 1,011,698	\$ 1,031,071	\$ 1,042,744	\$ 1,127,812	\$ 1,201,802
Self-supporting debt (2) (3)	\$ 47,362	\$ 43,008	\$ 38,599	\$ 34,259	\$ 29,656	\$ 25,386	\$ 21,539	\$ 17,663	\$ 13,565	\$ 11,137
Net Debt (3)	\$ 689,377	\$ 739,912	\$ 827,549	\$ 869,400	\$ 917,384	\$ 986,312	\$ 1,009,532	\$ 1,025,081	\$ 1,114,247	\$ 1,190,665
Bonded debt per capita - total debt	\$ 1,133	\$ 1,158	\$ 1,284	\$ 1,342	\$ 1,409	\$ 1,505	\$ 1,522	\$ 1,547	\$ 1,673	\$ 1,795
Bonded debt per capita - net debt	\$ 1,060	\$ 1,094	\$ 1,227	\$ 1,292	\$ 1,365	\$ 1,467	\$ 1,490	\$ 1,521	\$ 1,653	\$ 1,778
Bonded debt to appraised valuation -total debt	2.77%	2.57%	2.83%	2.80%	2.98%	2.85%	2.89%	2.85%	3.07%	3.02%
Bonded debt to appraised valuation -net debt	2.60%	2.43%	2.71%	2.69%	2.88%	2.77%	2.83%	2.80%	3.03%	3.00%
Bonded debt to assessed valuation -total debt	8.71%	8.07%	8.87%	8.86%	9.48%	9.11%	9.24%	9.17%	9.90%	9.74%
Bonded debt to assessed valuation -net debt	8.15%	7.63%	8.47%	8.52%	9.18%	8.88%	9.05%	9.02%	9.78%	9.65%

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

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

(3) In thousands of dollars.

(4) Source-U.S. Census Bureau

DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
(Thousands of Dollars)
As of June 30, 2009

CITY OF MEMPHIS, TENNESSEE
Exhibit X-13

Name of Governmental Unit	Debt Outstanding	Estimated Percentage Applicable(1)	Estimated Share of Overlapping Debt(2)
Memphis Board of Education (Primary Government Obligation)	\$ 12,475	100%	12,475
Memphis-Shelby County Airport Authority (Primary Government Obligation)	5,725	100%	5,725
City of Memphis (5)	<u>1,029,074</u>	100%	<u>1,029,074</u>
	1,047,274		1,047,274
Bond Anticipation Notes	148,470	100%	148,470
Notes payable	-	100%	-
Capital lease obligations	<u>6,058</u>	100%	<u>6,058</u>
Total (3)	1,201,802		1,201,802
Shelby County debt	<u>1,627,860</u>	68.2%	<u>1,110,201</u>
Total overlapping debt (4)	<u>\$ 2,829,662</u>		<u>2,312,003</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 \$46,308 which is available for payment of principal and interest in the debt service fund.
- (4) Does not include revenue bonds.
- (5) The City of Memphis has no legal debt margin.

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

CITY OF MEMPHIS, TENNESSEE
 Exhibit X-14

	Fiscal Year									
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Debt capacity limit	\$ 1,014,733	1,163,730	1,171,788	1,224,110	1,199,154	1,333,037	1,338,731	1,364,375	1,367,108	1,481,011
Total net debt applicable to limit	689,377	739,912	827,549	869,400	917,384	986,312	1,009,532	1,033,129	1,114,247	1,190,665
Legal debt capacity margin balance	\$ 325,356	423,818	344,239	354,710	281,770	346,725	329,199	331,246	252,861	290,346
Total net debt applicable to the limit as a percentage of debt limit	67.94%	63.58%	70.62%	71.02%	76.50%	73.99%	75.41%	75.72%	81.50%	80.40%

Legal Debt Margin Calculation for Fiscal Year 2009

Total assessed value	\$ 12,341,761
Debt capacity limit (12% of total assessed value)	1,481,011
Debt applicable to limit:	
Total bonded debt	\$ 1,201,802
Less self-supporting debt	(11,137)
Total net debt applicable to limit	1,190,665
Legal debt capacity margin balance	\$ 290,346

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

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

Last ten fiscal years
(Thousands of Dollars)

<u>Year</u>	<u>Total Income</u>	<u>Operating and Maintenance Expenses</u>	<u>Net Revenue Available for Debt Service</u>	<u>Total Debt Service</u>	<u>Debt Service Coverage</u>
ELECTRIC DIVISION (1)					
1999	848,890	762,824	86,066	29,642	2.90
2000	880,013	795,727	84,286	17,907	4.71
2001	850,979	787,456	63,523	31,551	2.01
2002	865,160	811,969	53,191	72,244	0.74
2003	871,138	822,527	48,611	60,028	0.81
2004	952,976	869,830	83,146	22,961	3.62
2005	1,076,882	886,428	190,454	138,202	1.38
2006	1,180,252	990,437	189,815	138,796	1.37
2007	1,217,396	1,025,267	192,129	140,301	1.37
2008	1,296,758	1,144,136	152,622	140,820 ³	1.08
GAS DIVISION (1)					
1999	203,562	169,369	34,193	-	N/A
2000	263,824	236,133	27,691	-	N/A
2001	350,999	345,263	5,736	619	9.27
2002	261,799	243,950	17,849	-	N/A
2003	356,076	334,113	21,963	-	N/A
2004	368,318	361,357	6,961	-	N/A
2005	486,503	450,367	36,136	-	N/A
2006	435,679	417,510	18,169	-	N/A
2007	448,258	430,325	17,933	-	N/A
2008	527,102	470,593	56,509	41,255	1.37
WATER DIVISION (1)					
1999	63,949	36,155	27,794	8,933	3.11
2000	67,511	38,244	29,267	8,826	3.32
2001	61,117	41,738	19,379	9,117	2.13
2002	56,447	43,568	12,879	6,641	1.94
2003	56,432	47,720	8,712	8,427	1.03
2004	69,605	54,789	14,816	8,596	1.72
2005	75,279	55,158	20,121	6,565	3.06
2006	79,559	58,606	20,953	3,554	5.90
2007	81,175	63,471	17,704	3,546	4.99
2008	82,433	65,470	16,963	3,545	4.79
SEWER COLLECTION AND TREATMENT FUND (2)					
2000	40,017	29,215	10,802	9,156	1.18
2001	45,845	29,568	16,277	11,364	1.43
2002	40,354	30,779	9,575	10,002	0.96
2003	39,749	33,690	6,059	11,174	0.54
2004	35,935	31,038	4,897	12,354	0.40
2005	47,652	33,495	14,157	12,693	1.12
2006	50,278	30,782	19,496	14,920	1.31
2007	54,218	31,210	23,008	14,216	1.62
2008	54,123	32,774	21,349	14,927	1.43
2009	54,443	38,646	15,797	14,899	1.06

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

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

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

DEMOGRAPHIC AND ECONOMICS STATISTICS

Last ten fiscal years

Year	Population	Personal Income (amounts expressed in thousands)	Per Capita Personal Income	Median Age	School Enrollment	Unemployment Rate
1999	643,715	33,139,503	27,737	Not available	117,900	3.6
2000	650,100	34,458,835	28,518	31.6	118,365	3.8
2001	676,087	36,241,448	29,839	Not available	118,995	4.1
2002	674,478	37,395,712	30,557	Not available	118,122	5.2
2003	673,120	38,592,109	31,677	33.4	118,000	6.2
2004	671,929	40,876,802	32,741	Not available	118,000	5.6
2005	672,277	42,720,000	33,880	33.4	119,021	5.7
2006	677,345	44,758,000	35,113	33.6	120,162	6.2
2007	674,028	45,107,701	35,470	33.4	120,275	6.4
2008	669,651	47,515,739	37,147	33.4	117,349	5.2

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

Name of Employer	2009		2000	
	Employees	Percentage of Total City Employment	Employees	Percentage of Total City Employment
Federal Express Corporation	32,000	5.44%	40,000	8.92%
Memphis City Schools	15,240	2.59%	14,860	3.31%
United States Government	14,500	2.47%	14,402	3.21%
Methodist Healthcare	8,937	1.52%	11,000	2.45%
Memphis City Government	6,909	1.18%	6,700	1.49%
Baptist Memorial Healthcare Corp.	6,791	1.16%	6,680	1.49%
Shelby County Government	6,513	1.11%	6,500	1.45%
Naval Support Activity Mid-South	6,372	1.08%	5,247	1.17%
Wal-Mart Stores, Inc.	6,000	1.02%	5,100	1.14%
Harrah's Entertainment Inc.	5,780	0.98%	5,014	1.12%
Total	109,042	18.55%	115,503	25.76%

Source - Memphis Regional Chamber

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

CITY OF MEMPHIS, TENNESSEE
Exhibit X-18

Function and Activity	Fiscal Year									
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
General government	792	831	851	857	857	874	859	828	1,231	1,340
Public safety										
Police										
Officers	2,132	2,402	2,152	2,015	1,996	2,147	2,024	2,018	2,385	2,273
Civilians	595	604	644	690	670	598	578	667	483	482
Fire										
Firefighters and officers	1,519	1,562	1,556	1,603	1,629	1,639	1,668	1,553	1,721	1,729
Civilians	139	132	140	76	144	157	140	255	168	147
Highways and streets										
Engineering	108	172	170	181	189	191	186	186	186	152
Maintenance	355	290	282	272	274	275	277	301	311	309
Sanitation	693	693	677	658	652	653	654	653	653	653
Culture and recreation	345	428	418	397	417	422	326	318	346	264
Sewer	287	273	288	287	289	290	293	289	290	290

Source - City of Memphis Operating Budget Book FY 2009

OPERATING INDICATORS BY FUNCTION
Last ten fiscal years

CITY OF MEMPHIS, TENNESSEE
Exhibit X-19

Function	Fiscal Year									
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Police										
Physical arrests	87,277	79,663	82,786	78,368	88,076	79,586	51,871	48,746	57,304	65,734
Parking violations	236,848	146,425	134,610	128,225	122,004	136,057	119,017	90,005	86,497	97,554
Traffic violations	250,646	261,081	225,478	257,849	229,222	245,512	233,961	222,745	217,766	250,284
Fire										
Number of calls answered	61,695	64,392	64,344	65,571	64,691	62,153	66,357	27,597	24,974	24,974
Inspections	N/A	78,829	56,201	165,303	N/A	N/A	N/A	N/A	N/A	N/A
Highways and streets										
Street resurfacing (miles)	N/A	N/A	317.35	236.32	216.13	300.12	193.93	101.00	144.88	123.25
Potholes repaired	N/A	N/A	2,312	1,945	1,735	1,896	1,052	993	1,499	1,230
Sanitation										
Refuse collected (tons/day)	1,216	1,233	1,227	1,278	1,329	1,214	1,295	1,174	1,086	1,005
Recyclables collected (tons/day)	331	340	377	399	380	415	464	466	377	488
Culture and recreation										
Athletic field permits issued	N/A	N/A	739	294	97	168	1,527	892	1,054	1,093
Community center admissions	N/A	N/A	1,171,124	1,264,776	1,401,897	793,029	392,125	1,561,281	1,725,798	1,419,032
Water										
Average daily consumption (thousands of gallons)	132,937	136,237	134,384	113,851	119,386	121,456	124,676	128,149	125,972	122,267
Wastewater										
Average daily sewage treatment (thousands of gallons)	154,400	155,500	170,400	160,500	149,700	167,200	155,400	151,000	172,400	154,000

Source: City of Memphis Operating Budget Book FY 2009 and /or Internal Division Operating Reports
 N/A - Information was not recorded at this time.

CAPITAL ASSET STATISTICS BY FUNCTION
Last ten fiscal years

CITY OF MEMPHIS, TENNESSEE
Exhibit X-20

Function and Activity	Fiscal Year									
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Public Safety:										
Police:										
Stations	8	8	8	8	8	8	9	9	10	10
Community policing offices	15	15	15	15	15	15	15	15	14	14
Patrol units	1,272	1,377	1,530	2,776	800	800	800	800	800	825
Fire:										
Stations	52	52	52	54	54	59	59	55	56	56
Trucks (ladder)	25	25	26	26	27	27	27	26	27	27
Solid Waste Managements:										
Collection trucks	296	296	296	296	296	296	296	296	296	296
Solid waste disposed (tons)	403,618	409,063	417,024	436,001	446,071	425,170	451,472	420,306	396,606	389,762
Streets and Highways:										
Streets (miles)	3,200	3,200	4,662	4,662	4,662	6,750	6,750	6,750	6,750	6,750
Curb & gutter (miles)	3,590	3,590	3,590	3,590	3,590	3,590	3,590	3,590	3,590	3,590
Streetlights	69,157	69,157	69,715	71,287	71,376	71,376	73,684	77,689	80,570	81,900
Traffic signals	800	800	800	800	800	800	830	821	825	825
Roadside ditches	574	574	574	574	580	580	580	580	580	580
Community Services:										
Parks acreage	5,387	5,387	5,387	5,387	5,387	5,387	5,387	5,387	5,387	5,387
Parks	187	187	187	187	187	187	187	187	187	187
Golf courses	7	7	7	7	7	7	8	8	8	8
Community centers	26	28	28	28	28	28	28	28	24	24
Tennis courts	7	7	7	7	7	7	7	7	7	7
Swimming pools	15	15	15	17	17	17	17	18	18	18
Water:										
Water mains (miles)	3,095	3,095	4,650	4,650	4,650	6,680	6,680	3,672	3,700	3,710
Fire hydrants	22,000	22,000	22,000	22,000	22,000	22,000	22,000	29,665	29,050	30,221
Daily storage capacity (millions of gallons)	262.5	262.5	437.5	437.5	437.5	437.5	437.5	437.5	437.5	437.5
Sanitary Sewer and Storm:										
Miles of sewer lines	3,600	3,600	3,600	3,600	3,600	3,605	3,605	3,610	3,615	3,620
Miles of storm drainage	3,929	3,929	3,929	3,929	3,929	3,988	3,988	3,988	3,988	3,988

Source - City of Memphis Operating Budget Book FY 2009 and/or Internal Division Operating Reports.

GENERAL FUND EXPENDITURES ON STATE STREET AID
For the fiscal year ended June 30, 2009
(Thousands of Dollars)

CITY OF MEMPHIS, TENNESSEE
Exhibit X-21

	<u>2009</u>
Revenues	
State taxes (local share)	\$ 15,884
Total revenues	<u>15,884</u>
Expenditures	
Traffic engineering	906
Street signs and markings	2,437
Mass transit	17,902
Traffic signal maintenance	2,533
Street maintenance	5,635
Street lighting	10,520
Grounds maintenance	<u>695</u>
Total expenditures	<u>40,628</u>
Excess of expenditures over revenues	<u>\$ 24,744</u>

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

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**SUPPLEMENTAL SCHEDULE OF EXPENDITURES
OF FEDERAL AND STATE AWARDS
For the fiscal year ended June 30, 2009**

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

	Federal CFDA Number	Grant Number	Receivable (Deferral) June 30, 2008	Receipts FY' 09	Expenditures FY' 09	Receivable (Deferral) June 30, 2009
FEDERAL GOVERNMENT AWARDS						
DEPARTMENT OF AGRICULTURE						
Passed through Tennessee Department of Human Services						
Summer Lunch Program	10.559	DA03000050,DA04000069	137,989	-	1,452	139,441
Urban Forestry	10.675	Z0401525300	(20,596)	-	-	(20,596)
TOTAL DEPARTMENT OF AGRICULTURE			117,393	-	1,452	118,845
DEPARTMENT OF HOMELAND SECURITY						
Urban Search and Rescue Task Force						
Urban Search and Rescue Task Force	97.025	EMW2001CA0131,WK03036603	(59,635)	-	-	(59,635)
Urban Search and Rescue Task Force	97.025	W2004CA622271,EMW2005CA0274	(2,508)	-	-	(2,508)
Urban Search and Rescue Task Force 06	97.025	EMW2006CA0230	46,864	-	2,149	49,013
Urban Search and Rescue Task Force	97.025	EMW-2007-CA-0178	17,699	984,356	1,085,137	118,480
Urban Search and Rescue Task Force 09	97.025	2009-SR-24-K021	-	-	8,774	8,774
Emergency Management Agency	97.025	Z0301587600, Z04020264	12,286	11,550	-	736
Emergency Management Agency	97.025	EMW2008CA1511	-	1,073,451	1,073,451	-
Emergency Management Agency	97.025	EMW2008CA1511M001	-	1,309,314	1,314,023	4,709
Emergency Management Agency	97.025	EMW2003CA0448	-	-	-	-
Assistance to Firefighters	97.025	EMW-2005-FG-19364	-	439,082	439,082	-
Assistance to Firefighters	97.025	EMW-2004-FG-20915	-	694,001	694,001	-
Passed through City of Jackson , TN			38,542	38,542	-	-
Emergency Management Agency	97.025		53,248	4,550,296	4,616,617	119,569
Subtotal (97.025)			405,249	93,407	-	311,842
Passed through Tennessee Department of Military			405,249	93,407	-	311,842
Severe Storms , Tornados, Straight-Line Winds and Flooding	97.036	Z0821284100	-	-	-	-
Emergency Management Agency	97.042	Z072060800	152,000	142,661	(9,339)	-
Community Emergency Response Team Training	97.053	Z0301551500	12,012	-	-	12,012
Metro Medical Response System	97.071	EMW2004GR0655	269,346	232,287	191,823	228,882
Buffer Zone Protection	97.078	Z0503101801	-	181,584	183,573	1,989
Bridge Security	97.056	2005-GB-T5-0108	1,600,000	1,666,547	82,771	16,224
TOTAL DEPARTMENT OF HOMELAND SECURITY			2,491,855	6,866,782	5,065,445	690,518

**SUPPLEMENTAL SCHEDULE OF EXPENDITURES
OF FEDERAL AND STATE AWARDS
For the fiscal year ended June 30, 2009**

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

	Federal CFDA Number	Grant Number	Receivable (Deferral) June 30, 2008	Receipts FY 09	Expenditures FY 09	Receivable (Deferral) June 30, 2009
DEPARTMENT OF HEALTH AND HUMAN SERVICES						
Passed through Tennessee Department of Health						
Rape Services and Prevention	16.575	GG0511592, GR0617324	58,418	-	-	58,418
TOTAL DEPARTMENT OF HEALTH AND HUMAN SERVICES			58,418	-	-	58,418
DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT						
Community Development Block Grant	14.218	B01MC470006,B01MC470006	4,859,797	7,926,229	11,526,851	8,460,419
Lead Based Paint	14.900	TNLHB017200,TNLHD0000603	288,277	757,841	617,732	148,168
Emergency Shelter	14.231	S02,03MC4-70002	147,958	402,380	418,979	164,557
Home Program	14.239	M02,03MC470202	2,174,462	3,101,464	5,640,142	4,713,140
Housing Opportunities for Persons with Aids	14.241	TN37H9-7F040,8F001	(350,084)	1,797,018	2,439,855	292,753
Shelter Plus Care	14.238	TN37C970105,TN37C101001	156,840	1,070	542,543	698,313
Fair Housing	14.408	FH400G01028	(84,731)	-	-	(84,731)
Brownsfields Economic Dev Initiative	14.246	B-98-BD-47-0009	571,099	238,866	157,720	489,953
TOTAL DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			7,763,618	14,224,868	21,343,822	14,882,572
DEPARTMENT OF JUSTICE						
Encourage Arrest Policies	16.590	2004WEAX0031	847,706	-	515,869	1,363,575
OCS- COOR Le Initiative	16753	2008-DD-BX-0282	-	-	479,972	479,972
Economic Crimes Task Force	16.609		-	221,864	221,864	-
Training to Stop Abuse	16.528	2006-EW-AX-K010	-	13,750	-	(13,750)
			847,706	235,614	1,217,705	1,829,797
Local Law Enforcement	16.592	2003LBBX2211	3,766	-	-	3,766
Local Law Enforcement	16.592	2004LBBX0674	8,903	-	-	8,903
Subtotal (16.592)			12,669	-	-	12,669
Cops Technology Program FY05	16.710	2005CKWX0430	57,654	49,448	904,233	912,439
Project Safe Neighborhood Housing Demo	16.609	2004-GP-CX-0704	(12,080)	-	37,644	25,564
Gang Resistance Education	21.053	96689071,ATC010132,STC030000171	63,184	-	-	63,184
GREAT FY06	21.053	2006-JV-FX-0031	(11,084)	-	-	(11,084)
GREAT FY07	16.737	2007-JV-FX-0255	77,991	149,515	76,246	4,722
JAG 07-11	16.738	2007-F2834-TN-DJ	(512,934)	-	270,656	(242,278)
			(337,269)	198,963	1,288,779	752,547
Police Athletic League	16.540		3,893	-	-	3,893
Passed through Tennessee Department of Human Services			92,917	-	-	92,917
Victims of Crime	16.575	Z00004855	619,916	434,577	2,506,484	2,691,823
TOTAL DEPARTMENT OF JUSTICE			619,916	434,577	2,506,484	2,691,823

**SUPPLEMENTAL SCHEDULE OF EXPENDITURES
OF FEDERAL AND STATE AWARDS
For the fiscal year ended June 30, 2009**

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

	Federal CFDA Number	Grant Number	Receivable (Deferral) June 30, 2008	Receipts FY' 09	Expenditures FY' 09	Receivable (Deferral) June 30, 2009
DEPARTMENT OF LABOR						
Passed through Public Private Ventures						
Ready for Work	16.202		(189,238)	-	-	(189,238)
Second Chance Connection	17.261	EA-18574-09-60-A-47	-	-	484	484
Passed through Tennessee Department of Labor						
Workforce Investment Act - Adult	17.258	DA0400062	2,806,236	1,325,520	3,833,902	5,314,618
Workforce Investment Act - Youth	17.259	DA0400062	1,820,284	1,878,062	5,156,477	5,098,699
American Recovery and Reinvestment Act - WIA Youth	17.259	LW135T91Youth09	-	-	233,300	233,300
Workforce Investment Act - Dislocated	17.260	DA0400062	1,820,284	1,878,062	5,389,777	5,331,999
Workforce Investment Act - Title 1 National Emergency	17.260	DA0400062	561,994	813,899	2,669,379	2,417,474
Workforce Investment Act - Title 1 Hurricane Katrina	17.261	DA040062	(7,160)	-	-	(7,160)
Workforce Investment Act - Title 1 Incumbent Workers	17.269	DA040062	(22,070)	-	44,316	22,246
TOTAL DEPARTMENT OF LABOR			4,970,046	4,017,481	11,986,393	12,938,958
DEPARTMENT OF TRANSPORTATION						
Passed through Tennessee Department of Transportation						
Congestion Mitigation Air Quality	20.205	STP-M-9409,CM-STP-9409,G6980770	(281,310)	209,951	-	(491,261)
Memphis Early Deployment Grant	20.205	CM-ITS-9547(601)	66,416	-	-	66,416
Restoration	20.205	CM-STP-9409(44)	86,447	88,543	196,814	194,718
Transportation Improvement 25	20.205	CM-STP-9409(59)	102,277	155,145	97,975	45,107
Enhanced Traffic Signal Maintenance Response	20.205	CM-STP-9409(49)	32,663	-	-	32,663
Traffic Signal System	20.205	CM-STP-9409(42),(47)	104,396	20,374	23,638	107,660
Beale Street Landing	20.205	PIN-102617-00	-	3,684,776	3,809,722	124,946
Enhanced Traffic Signal Implementation	20.205	CM-STP-9409(41),(48)	(97,451)	-	-	(97,451)
Subtotal (20.205)			13,438	4,158,789	4,128,149	(17,202)
Mississippi River Cycling Corridor	20.219	EN-STP-7900(16)	(2,728)	-	-	(2,728)
Forest Hill	20.219	STP-M-9409(90)	-	876	3,114	2,238
Holmes/Milbran	20.219	STP-M-9409(97)	-	729	-	(729)
Holmes Road East	20.219	PIN-108701-00	-	1,019	-	(1,019)
Poplar/Sweetbriar Interchange	20.219	PIN-110296-00	-	803	1,644	841
Riverbluff Walkway	20.219	EN-STP-7900(13)	19,920	-	-	19,920
Cobblestone Walkway	20.219	STP-EN-9409(62)	40,744	-	-	40,744
Subtotal (20.219)			57,936	3,427	4,758	59,267
TOTAL DEPARTMENT OF TRANSPORTATION			71,374	4,162,216	4,132,907	42,065

(Continued)

**SUPPLEMENTAL SCHEDULE OF EXPENDITURES
OF FEDERAL AND STATE AWARDS
For the fiscal year ended June 30, 2009**

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

	Federal CFDA Number	Grant Number	Receipts		Expenditures		Receivable	
			FY '09	FY '09	FY '09	(Deferral) June 30, 2009		
DEPARTMENT OF INTERIOR NATIONAL PARK SERVICE								
Aquatic Facilities Major Maintenance	15.406	47-CITY-1620-0101	500,000	456,060	(43,940)			
TOTAL DEPARTMENT OF INTERIOR			500,000	456,060	(43,940)			
TOTAL FEDERAL GRANTS			\$ 30,205,924	45,492,563	31,379,259			
STATE GOVERNMENT GRANTS								
Memphis Fire Division In-service Training Supplement		NONE			63,306		63,306	
Memphis Fire Division In-service Training Supplement 05		NONE			(9,450)		(9,450)	
Memphis Fire Division In-service Training Supplement 06		NONE		9	(1,400)		(1,400)	
Memphis Fire Division In-service Training Supplement		NONE		979,970		977,400	(2,570)	
Memphis Police Division In-service Training Supplement		NONE		1,148,400		1,148,400	(35,306)	
Local Emergency Planning Committee		GG0209756			211,373		211,373	
Stop Violence Against Women		Z00001451			23,797		23,797	
State Highway Maintenance Grant		CMA971, CMA1030			152,451		152,451	
State Highway Maintenance Grant		CMA1170			166,132		166,132	
Landmarks Commission Training - Historic Zoning		GG0511346			(3,600)		(3,600)	
Memphis Landmarks Commission Training		GG0712649			1,728		1,728	
Enterprise Zone		GG000860300			27,474		27,474	
Help Care		Z03010557,Z04015720,Z05020309			(58,707)		(58,707)	
TIIP Project - Cleveland Track Material		Z0200852000			(569)		(569)	
Planning Grant		FHWA-PL-112			60,620		60,620	
Memphis Survey Grant		GG0209746			53,267		53,267	
Memphis Survey Grant FY06		GG0612176			(27,716)		(27,716)	
Plough Boulevard		STP-EN-9409(61)			(182,286)		(182,286)	
Plough Blvd Landscape Phase I		STP-EN-7900(21)			(91,525)		(92,228)	
Motor Vehicle Inspection Station		CM-STP-9409(54)		703	(113,766)		(13,328)	
Raleigh Lagrange-Sycamore		BR-STP-2878(2)			(345,881)		(345,881)	
Cobblestone Walkway		SBC5290000296			(710,637)		(710,637)	
Martys Park Riverwalk Improvement		STP-EN-9409(63)			(97,745)		(97,745)	
Parkway Streetscape Improv		STP-EN-9409(73)			(640)		(640)	
Bicycling Network Phase I		GG041063700			33,485		33,485	
Juvenile Accountability Block		Z03011860			928		928	
Governor Highway Safety		Z0602734800			935		935	
Governor Highway Network FY06		Z0602734800			1,523		1,523	
Governor Highway Network		Z0802398600			50,207		50,207	
Governor Highway Network		Z0802403700			308,822		308,822	
Governor Highway Network		Z0802367600			2,591		2,591	
Governor Highway Network		Z0802369200			47,285		47,285	
Deploy Traffic Signal Systems FY07		010764.00			1,636		1,636	
Backyard Wildlife		Z02005120			363		363	

(Continued)

**SUPPLEMENTAL SCHEDULE OF EXPENDITURES
OF FEDERAL AND STATE AWARDS
For the fiscal year ended June 30, 2009**

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

	Federal CFDA Number	Grant Number	Receivable (Deferral) June 30, 2008	Receipts FY 09	Expenditures FY 09	Receivable (Deferral) June 30, 2009
Highway Safety		Z05024096	44	-	-	44
Highway Safety		Z04016777	(245)	-	-	(245)
Storm Water Program	Dept. of Environ & Cons	GG0511351	12,727	-	623	13,350
Victims of Crime FY06-FY09	Dept. of Finance & Admin	Z07033198	97,940	213,274	237,783	122,449
STOP FY06-FY09	Dept. of Finance & Admin	Z07033057	(8,569)	9,570	-	(18,139)
Household Hazardous Waste		GG0712743	-	66,687	66,687	-
Enhancement Grant Program		STP-EN-7900(24)	436	-	-	436
Internet Crimes Against Children		GG082393100	28,264	173,655	147,096	1,705
GHSO FY07 Multiple Violation		Z07035691	(1,466)	-	-	(1,466)
GHSO FY07 Network Coord		Z07035678	305	-	-	305
GHSO FY07 Alcohol Saturation		Z0703609600	34,931	-	-	34,931
GHSO FY09 Alcohol Saturation		Z09214632	-	509,769	778,157	268,388
GHSO FY09 Multiple Violation		Z09214367	-	58,626	142,557	83,931
GHSO FY09 Network Law		Z09214366	-	4,004	12,903	8,899
GHSO FY09 CARD		Z09214633	-	60,532	79,910	19,378
SYEP & EMT Training		NONE	22,067	22,067	2,623	2,623
Workforce Development MOU	Dept of Labor	GG0712740	(4,050)	-	-	(4,050)
Workforce Development MOU	Dept of Labor	GR0822660	1,170	-	-	1,170
Rape Prevention and Education Proj		RFS 343.52-893-09	-	26,146	24,675	(1,471)
Severe Storms, Tornados, Straight-Line Winds	Dept of Homeland Security	Z0821284100	-	15,568	67,542	51,974
Nucor Steel Memphis Fast Track		GG-08-24188-00	-	909,106	909,106	-
Illinois Central Fast Track Infrastructure		GG-07-21564-00	-	340,739	178,725	(340,739)
Parks Community Enhancement		NONE	-	-	-	178,725
Walnut Grove Bend		60126	-	-	1,038	1,038
TOTAL STATE GRANTS			\$ (287,751)	5,499,260	5,521,263	(265,748)
TOTAL GRANTS			\$ 15,804,869	35,705,184	51,013,826	31,113,511

See accompanying note to the schedule.

**City of Memphis
Note to the Schedule of Expenditures of Federal and State Awards
For the Year Ended June 30, 2009**

Basis of Presentation

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

**Report on Internal Control Over Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance with *Government
Auditing Standards***

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

We have audited the financial statements of the governmental activities, the business type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of City of Memphis (the "City"), as of and for the year ended June 30, 2009, and the budgetary comparison for the general fund for the year ended June 30, 2009, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 23, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City's financial statements that is more than inconsequential will not be prevented or detected by the City's internal control. We consider the deficiencies described in the accompanying schedule of findings and questioned costs and shown as items 2009-1 through 2009-5 to be significant deficiencies in internal control over financial reporting.

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider item 2009-1 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of the City's compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2009-6, 2009-7 and 2009-8.

We noted certain other matters that we reported to management of the City in a separate letter dated December 23, 2009.

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

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

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

Memphis, Tennessee
December 23, 2009

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

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

Compliance

We have audited the compliance of City of Memphis (the "City") with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2009. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

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

As described in items 2009-7 and 2009-8 in the accompanying schedule of findings and questioned costs, the City did not comply with the requirements regarding eligibility and reporting that are applicable to its Workforce Investment Act programs. Compliance with such requirements is necessary, in our opinion, for the City to comply with the requirements referred to above that are applicable to this major federal program for the year ended June 30, 2009.

In our opinion, except for the noncompliance described in the preceding paragraph, 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, 2009.

Internal Control Over Compliance

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

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

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2009-4 and 2009-5 to be significant deficiencies.

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

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

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

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

Memphis, Tennessee
December 23, 2009

CITY OF MEMPHIS

Schedule of Findings and Questioned Costs For the Year Ended June 30, 2009

A. Summary of Auditor's Results

1. The auditors' report expresses an unqualified opinion on the financial statements of City of Memphis.
2. Five significant deficiencies relating to the audit of the financial statements are reported in the Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements in accordance with *Government Auditing Standards*. We consider deficiency 2009-1 to be a material weakness.
3. Three instances of noncompliance material to the financial statements of City of Memphis are reported in accordance with *Government Auditing Standards*.
4. Two significant deficiencies relating to the audit of the major federal award programs are reported in the Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133.
5. The auditor's report on compliance for the major federal award programs for City of Memphis expresses an unqualified opinion on all major federal programs except for the Workforce Investment Act programs which was qualified.
6. There were three audit findings related to major programs that are required to be reported under OMB Circular A-133. See section C.
7. The programs tested as major programs included:

14.239	Home Investment Partnerships Program
14.241	Housing Opportunities for Persons with AIDS
16.753	Congressionally Recommended Awards
17.258	Workforce Investment Act – Adult Program
17.259	Workforce Investment Act – Youth Activities
17.260	Workforce Investment Act – Dislocated Workers
97.025	National Urban Search and Rescue Response System
8. The threshold for distinguishing Type A and B programs was \$1,364,777.
9. City of Memphis, Tennessee was not determined to be a low risk auditee.

CITY OF MEMPHIS

Schedule of Findings and Questioned Costs (Continued) For the Year Ended June 30, 2009

B. Findings - Financial Statement Audit

Material Weakness

2009-1 Reconciliation of Bank Statements

Condition: Bank statements for the concentration and general funding accounts are not currently being reconciled as timely as is needed for strong internal control. In addition, we noted certain reconciling items on the concentration and general funding account reconciliations dating back to prior years that management has not resolved. Management has made significant improvements in the bank reconciliation process but we believe the remaining deficiencies remain a material weakness.

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

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

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

Response: Priority for correcting this weakness is immediate. The corrective action plan includes working with the City's Information System division to identify ways to leverage technology. In the interim, the Comptroller's office will use all available resources to bring all reconciliations current and promptly reconcile accounts on a monthly basis. The Deputy Comptroller reviews and signs each bank reconciliation upon completion, and promptly investigates and resolves all unusual reconciling items.

Significant Deficiencies

2009-2 Payroll Expenses

Condition: In connection with our testing of payroll, we examined timesheets and noted numerous ones were not approved as directed in the Finance Division Policy and Procedures Manual. This was noted as a significant deficiency in the prior year. We also noted two instances where employees were paid for hours that were not listed on approved timesheets.

CITY OF MEMPHIS

Schedule of Findings and Questioned Costs (Continued)
For the Year Ended June 30, 2009

B. Findings - Financial Statement Audit (continued)

Significant Deficiencies (continued)

2009-2 Payroll Expenses (continued)

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

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

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

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

2009-3 Proper Accounting for Long-Term Debt and Liabilities

Condition: In connection with our testing of Fund 921 – General Long-term Debt and Liabilities, we noted errors in the calculation and recording of various account balances, including bond accretion, amortization of bond premiums, discounts and issuance costs, and On-the-Job Injury accrual. As a result, numerous journal entries were required during fieldwork to adjust account balances.

Criteria: Timely, accurate recording and reconciliation of long-term debt and liabilities and review thereof are essential for strong internal controls over long-term liabilities.

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

CITY OF MEMPHIS

Schedule of Findings and Questioned Costs (Continued)
For the Year Ended June 30, 2009

B. Findings - Financial Statement Audit (continued)

Significant Deficiencies (continued)

2009-3 Proper Accounting for Long-Term Debt and Liabilities (continued)

Recommendation: We recommend that management evaluate the adequacy of staffing for the accounting function over long-term debt and liabilities and identify where employees might need additional training in the accounting of these areas. Additionally, a process should be implemented to ensure the general ledger accounts for long-term debt and liabilities are reconciled to the detailed records and that such records and reconciliations are reviewed by the Deputy Comptroller.

Response: Priority for correcting this deficiency is immediate. The corrective action plan includes providing training to the Deputy Comptroller and Financial Accounting Analyst responsible for recording transactions to the Long-Term Debt Fund. The Deputy Comptroller and Financial Accounting Analyst will facilitate discussions with the Debt and Administrative department to receive detailed records and a complete understanding of all transactions prior to recording the transactions into a general ledger. Monthly reconciliations will be performed to ensure amounts recorded in the general ledger agree to detailed records.

2009-4 Preparation of Schedule of Expenditures of Federal and State Awards (SEFA)

Condition: In connection with our single audit procedures we noted that the City updates the SEFA schedule once at fiscal year end. Due to incomplete and inaccurate information, this SEFA schedule preparation was delayed with many revisions occurring late into our audit process.

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

Effect: If the SEFA schedule is not complete and accurate, nor is timely prepared and provided to the auditors, inaccurate major program selections can occur. This could result in costly additional, unnecessary procedures and audit inefficiencies.

Recommendation: We recommend that management establish centralized data accumulation and reporting requirements, whereby the program fiscal directors are required to report program fiscal information to the grant's accountant. The Grants Compliance Office can also provide assistance to ensure that all program fiscal directors have timely reported complete and accurate information to the grant's accountant.

CITY OF MEMPHIS

Schedule of Findings and Questioned Costs (Continued)
For the Year Ended June 30, 2009

B. Findings - Financial Statement Audit (continued)

Significant Deficiencies (continued)

2009-4 Preparation of Schedule of Expenditures of Federal and State Awards (SEFA)
(continued)

Response: Priority for correcting this deficiency is immediate. The corrective action plan includes ensuring that the Grants Compliance Office serves as the centralized data and reporting repository. The grant's accountant will coordinate with the Grants Compliance Office to receive complete and accurate information timely enough to efficiently and effectively prepare the Schedule of Expenditures of Federal and State Awards (SEFA).

2009-5 Payroll Expenses-WIA Grant

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

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

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

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

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

CITY OF MEMPHIS

Schedule of Findings and Questioned Costs (Continued) For the Year Ended June 30, 2009

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

Significant Deficiencies

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

Condition: Close out reports were not completed for the fiscal years 2006 and 2007 Cooperative Agreements within the required 90 days after the close of the grant period.

Criteria: Close out reports must be submitted to the granting agency within 90 days after the close of the grant period.

Effect: Close out reports that are not submitted timely are considered a reporting compliance finding and may hinder eligibility of future federal funding.

Recommendation: We recommend that management strongly enforce the compliance requirements outlined in the grant agreements. Furthermore, we suggest the Memphis Fire Administration provide written information to the grants management office for Tennessee Task Force One showing that the reimbursements have been paid in order to reconcile to actual expenditures as reported in Oracle. This information is necessary in order to complete the closeout of the Cooperative Agreements.

Response: Priority for correcting this deficiency is immediate. The corrective action plan includes ensuring that the Memphis Fire Administration develop a process where written information reflecting grant reimbursements is forwarded to the grants management office for Tennessee Task Force One as reimbursements occur.

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

Condition: The monthly, quarterly and close out reports required by the granting agency were not submitted timely. Further, monthly reports submitted to the State did not accurately report administrative and program expenditures.

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

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

CITY OF MEMPHIS

Schedule of Findings and Questioned Costs (Continued)
For the Year Ended June 30, 2009

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

Significant Deficiencies (continued)

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

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

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

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

Condition: The City was reimbursed by the granting agency for unallowable costs related to ineligible participants for on-the-job training costs.

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

Criteria: Participants may not exceed the low-income requirement when participating in a WIA funded training program in order to be eligible.

Effect: Training costs initially reimbursed by the State for later determined ineligible participants are questioned costs. Therefore, the City had to fund these ineligible costs internally which had not been previously budgeted.

Recommendation: Each participant should be thoroughly screened for all eligibility requirements before being allowed to participate in the program.

Response: Priority for correcting this deficiency is immediate. The corrective action plan includes ensuring that each participant is thoroughly screened for all eligibility requirements before being allowed to participate in the program.

CITY OF MEMPHIS

Summary Schedule of Prior Year Audit Findings
June 30, 2009

There were no prior year audit findings.

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