

City of Memphis



A C WHARTON, JR. Mayor
GEORGE M. LITTLE – Chief Administrative Officer

201 OCT 11 PM 5:23
TRA DOCKET ROOM
INFORMATION SERVICES DIVISION
Brent Nair, Director/Chief Information Officer

Tennessee

October 6, 2011

Tennessee Regulatory Authority
460 James Robertson Parkway
Nashville, Tennessee 37243-0505

Filed electronically in
TRA Docket Room
10/11/2011
11-00172

Dear Directors:

The City of Memphis is petitioning for the assignment of 311 services from AT&T. The service will be used by the City to establish a call center that will provide a single point of contact for non-emergency municipal services and information. We are requesting to have this 311 assignment in service by December 1, 2011. When fully implemented, the expected call volume will be approximately 300,000 calls. This service request is to cover the entire Greater Memphis Area.

Thank you for your assistance. If you have any questions or require further information, please feel free to contact me at 901.636.6214 or 901.831.3277.

Sincerely

A handwritten signature in black ink, appearing to read "Michael Jones", with a long, sweeping horizontal line extending to the right.

Michael Jones
City of Memphis
Deputy Director of Information Services

cc: Mayor AC Wharton
George Little, CAO
Douglas Scarboro, ED
Brent Nair, CIO

THE TENNESSEE REGULATORY AUTHORITY

In re:

PETITION OF THE CITY OF MEMPHIS

TO PROVIDE 311 SERVICES TO THE

RESIDENTS OF THE CITY OF MEMPHIS

On behalf of the City of Memphis, Tennessee, we are requesting that the Tennessee Regulatory Authority Approve the allocation of N11 Number (311) to the City of Memphis for the purpose of providing public access to non-emergency City services and information.

Background

The Federal Communications Commission directed Bell Communications Research (Bellcore) in its capacity as North America Numbering Plan (NANP) to set aside 311 as a code to be used for the public to reach non-emergency police and other government services (Federal Communications Commission, First Report and Order and Further Notice of Proposed Rulemaking, CC97-7, February 19, 1997). The Commission required that when a provider of telecommunications services receives a request from an entity to use 311 for access to non-emergency police and other government services in a particular jurisdiction, that provider must ensure that it takes any steps necessary to complete 311 calls from the subscribers to a requesting 311 entity.

Prior to the issuance of the FCC's First Report, the Authority reviewed requests for the allocation of N11 numbers pursuant to criteria set forth in the Interim Order issued on October 20, 1993 by the Tennessee Public Service Commission ("TPSC") in TPSC

Docket No. 92-13892 ("TPSC Order") to determine the most qualified applicant for allocation of each N11 number in each local calling area. The criteria included:

- a. the overall financial fitness of the applicant.
- b. the technical ability and willingness of the applicant to provide the service on a permanent and continuous basis.
- c. the ability and willingness of the applicant to abide by applicable TPSC rules and policies.
- d. the rates, services and collection practices to be utilized by the applicant.
- e. the extent and duration of the applicant's service to the local community.
- f. anticipated future uses by the community of the proposed service being offered by the applicant.
- g. the type of information services to be provided by the applicant over N11 and its relative value to the public and local community.

(Tennessee Regulatory Authority, Petition of Contact Ministries, Inc. to Provide the 211 Information and Referral Services, Docket No. 02-00126, March 12, 2002).

Petition for 311 Service

Since 1999, the City of Memphis has had the ability to serve the citizens with what is known as the Mayor's Citizen Service Center (MCSC). The MCSC has been the central hub of routing issues and calls from citizens to their proper areas. The City of Memphis utilizes Oracle Citizen Relationship Management (CRM) for servicing citizen's requests. Right now there are many numbers that the Citizen can call for the service that they are seeking. The City wants to

enhance what we have in place by offering one place to call, and one place to get issues resolved.

The goal of 311:

- Provide the public with centralized access to government services and information while maintaining the highest possible level of customer service.
- Assist city Divisions with improving service delivery by allowing them to focus on their core missions and manage their workload efficiently.
- Provide insight into ways to improve City government through accurate, consistent measurement and analysis of service delivery citywide.
- Provide management and personnel the tools necessary to ensure timely and satisfactory response to public requests.
- Reduce the points of contact for non-emergency information and services.
- Reduce call volume and resource requirements for emergency response system.
- Share and integrate service related processes and data across the government entity.

The Applicant's Overall Financial Fitness

The 311 service will be provided by the City of Memphis, a political subdivision of the State of Tennessee that is governed by an elected mayor and a 13 member city council. The 311 service will be funded through the City's general fund. Funding is already in place for the current call center. Under the FY 2012 Budget enacted by the City Council in July 2011, the City projects General Fund revenue totaling \$688,583,596.

(see attachment A).

The Applicant's Technical Ability and Willingness to Provide Service on a Permanent and Continuous Basis.

Memphis currently has a Customer Call Center referred to as the Mayor's Citizen Service Center with a current staffing of 6 people and one manager. We also have 2 call agents that take calls for public works. These agents would be combined with the MCSC to bring the total to 9 staff members. Additional training would be administered to the total staff in order for everyone to be familiar with all division processes. The 311 Center hours will be 8:30 am to 5 pm, Monday thru Friday. We will be locating the Center to an area that will allow for growth as we expand the capabilities of the Center to be able to accommodate additional divisions. The current Call Center and Public Works agents answered 202,000 requests in year 2010. We will expand the center to be able to accommodate 300,000 calls with additional agents. The city uses a state of the art Nortel/Avaya system to take calls and The 311 number and center will be a permanent service provided to the citizens of Memphis on a continual basis. AT&T and Time-Warner Central offices will be programmed to allow 311 calls for the City of Memphis. (See attachment B for listing of Central Offices that can be programmed to except the 311 number and the tariff the city is under). The same approach will be addressed with cell towers.

The Applicant's Willingness to Abide by Applicable TPSC Rules and Polices

The City intends to fully abide by and comply with applicable TPSC rules and policies.

The Applicant's Rates, Services and Collection Practices

The City does not intend to charge residents for use of the 311 service.

The Extent and Duration of the Applicant's Service

Currently, Memphis residents have to select from 340 telephone numbers in our Blue Page Listing for non-emergency service requests for the various city services, including the Mayor's Citizen Service Center. Once implemented, citizens will not have to remember or try to locate the many different department or contact numbers when trying to contact the City of Memphis for nonemergency services or information. Dialing 311 from within the city limits of Memphis will immediately connect the person to an agent. The IVR system can be programmed for various options for contact. Upon implementation of the 311 non-emergency service number, residents will be able to continue to call 911 for emergency services.

The Anticipated Uses of the Proposed Service

Some of the options for City departments and divisions that could be handled by the 311 system upon implementation of service:

- Sewer Maintenance Resources
- Public Works
- Codes and Inspections
- Planning
- Finance / Purchasing
- Roads / Streets
- Storm Water Management
- City Engineer
- Parks
- Animal Services
- Personnel

- Recreation Centers
- Non-emergency Police

The Type of Information Services to be Provided by the Applicant and its Relative Value to the Public and Local Community.

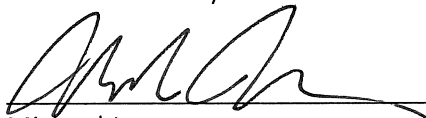
Enactment of the 311 service will enable the City of Memphis to join a growing number of cities across the country that have focused on the need to increase access to government services.

The systems that will be put in place will also enhance the accountability of government agencies. The system will save time for the citizens and also allow the City to do proper forecasting for services that are needed on a continuous basis.

Conclusion

The City of Memphis would like to provide its Citizens with an easy to remember number that will allow them to access services quickly and allow the city to respond, plan and be better equipped to be pre-emptive. We would like to mimic the national success of the 911 number for emergency calls and other municipalities utilizing 311 to provide services.

Dated this 6th day of October



Michael Jones
Deputy Director of Information Services
City of Memphis

Attachment A

Financial Statements for FY10, FY11, and projections for FY12

City of Memphis



TENNESSEE

2010

COMPREHENSIVE ANNUAL FINANCIAL REPORT YEAR ENDED JUNE 30, 2010



TABLE OF CONTENTS

MAYOR'S LETTER OF TRANSMITTAL

INTRODUCTORY SECTION

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

FINANCIAL SECTION	Exhibit.....	Page
--------------------------------	---------------------	-------------

Independent Auditors' Report	17
---	-----------

Management's Discussion and Analysis.....	19
--	-----------

Basic Financial Statements

Government-wide Financial Statements

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

Fund Financial Statements

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

General Fund

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

Proprietary Funds

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

Fiduciary Funds

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

Combining Statements of Component Units

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

Notes to the Financial Statements	53
--	-----------

TABLE OF CONTENTS

Other Supplementary Information

Combining Nonmajor Funds

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

Combining Enterprise Funds

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

Combining Internal Service Funds

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

Combining Fiduciary Funds

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

Supplementary Schedules

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

STATISTICAL SECTION

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



COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED JUNE 30, 2010

City of Memphis

Tennessee

A C Wharton

Mayor

George M. Little

Chief Administrative Officer

PREPARED BY DIVISION OF FINANCE

Roland McElrath

Director

City of Memphis



A C WHARTON, JR.
MAYOR

TENNESSEE

December 2, 2010

To Members of the City Council And Fellow Memphians:



I respectfully submit The City of Memphis' Comprehensive Annual Financial Report for the fiscal year ended June 30, 2010. This report documents the reality of our financial position and operations for the year, as well as the current economic climate of Memphis.

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

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

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

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

Respectfully submitted

AC Wharton, Jr.
Mayor

December 31, 2010

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

The Comprehensive Annual Financial Report (CAFR) of the City of Memphis, Tennessee (the City) for the fiscal year ended June 30, 2010, is hereby submitted in accordance with the Memphis City Charter requirement for an independent audit conducted by a certified public accounting firm. The financial statements are presented in conformity with generally accepted accounting principles (GAAP) as set forth by the Governmental Accounting Standards Board (GASB) and have been audited in accordance with generally accepted auditing standards. Additionally, the report is presented for compliance with the provisions of the Single Audit Act and related Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments and Non-Profit Organizations.

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

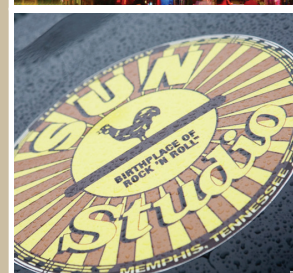
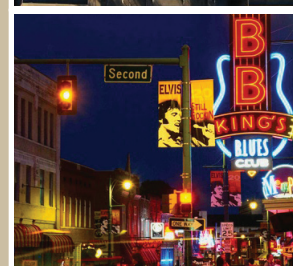
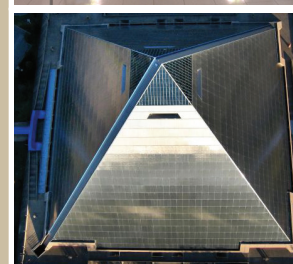
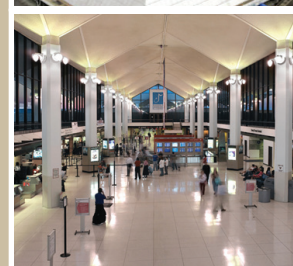
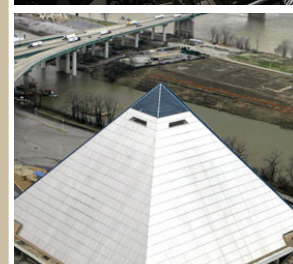
The Office of Internal Audit supports the internal controls within the City by reviewing and appraising existing accounting and management controls, ascertaining compliance with existing plans, policies and procedures, and ascertaining the reliability of accounting and other data developed within the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

The City's financial statements have been audited by Thompson Dunavant PLC and Jones & Tuggle, CPAs, licensed certified public accountants. Thompson Dunavant PLC has issued an unqualified ("clean") opinion on the City's financial statements for the year ended June 30, 2010. The independent auditor's report is located at the front of the financial section of this report.

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

Profile of the Government

The City of Memphis is a home rule city under State law and was incorporated in 1826. The present Charter was adopted in 1968 and provides for a Mayor-Council form of government. The Charter provides for the election of a mayor and thirteen council members. The City currently occupies a land area of 340.5 square miles and serves a population of 676,640. The City is empowered to levy a property tax on both real and personal property located within its boundaries. It also is empowered by state statute to extend its corporate limits by annexation, which occurs periodically when deemed appropriate by the City Council.





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

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

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

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

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

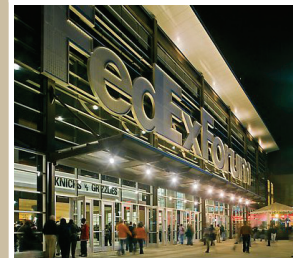
The following entities are considered to be joint ventures of the City:

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

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

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

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



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

Economic Condition Assessment

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

The National Economy

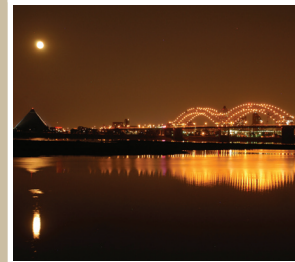
- The Great Recession, the longest and deepest economic contraction since the Great Depression, officially ended in June 2009 according to the National Bureau of Economic Research. The impact on state and national economies is expected to be long lasting and transformational. Many measures of economic activity are not expected to be completely restored for many years.
- The depth and breadth of the recession is evidenced by the forecasted GDP of 2.7 percent in 2010 and 2.2 percent in 2011 which are considered to be lackluster rates of growth for an economy rebounding from recession.
- High rates of unemployment for the nation are expected to be prolonged due to the slow employment recovery. The unemployment rate was only 4.6 percent in 2007 but will likely average 9.7 percent in 2010. Within the southeast region, Tennessee's unemployment rate compares favorably to most other states in the region.
- The nation's housing market is experiencing setbacks after expiration of the first-time homebuyer's tax credit. State and local sales tax collections, construction trades and building material sales will continue to be impacted by the weak housing market.
- The key federal funds rate, hovering just above zero, remains at unprecedented lows. Likewise, inflation remains low and is not expected to rise any time in the near future.

Local Economy

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

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

Although the recession has officially ended, it will be years before the state and local economies return to their pre-recession levels. However, Memphis' strong healthcare system, low cost of



living and position as a transportation hub leader will keep the city’s economy relatively stable until the state and nation fully recover.

According to the Center for Regional Economics-8th District Federal Reserve Bank of St. Louis, between August 2009 and August 2010, nonfarm employment growth in the Memphis MSA was negative by 1.9 percent which was weaker than for the country as a whole, which saw a modest 0.15 percent increase in employment. The largest percentage job losses were in leisure and hospitality (6.1 percent); natural resources, mining, and construction (6 percent); information (4.4 percent), and other services (3.2 percent). However, expansion remains ongoing in the education and health sector which grew by 1.6 percent.

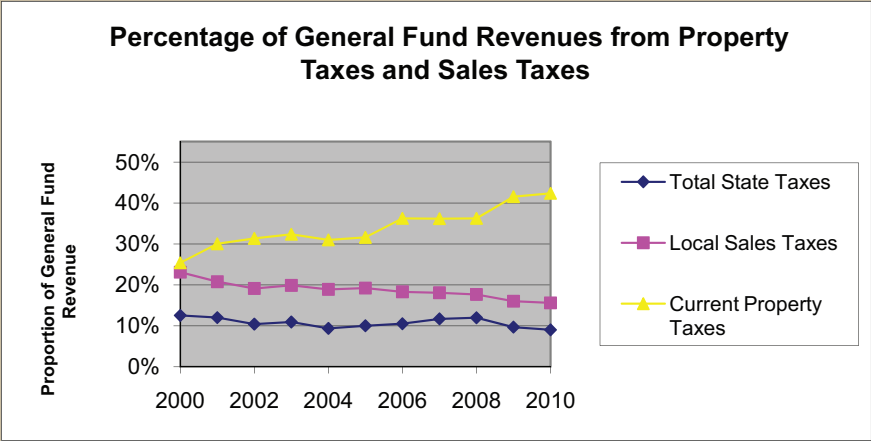
Unemployment Rates (Seasonally Adjusted), 2009-2010

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

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

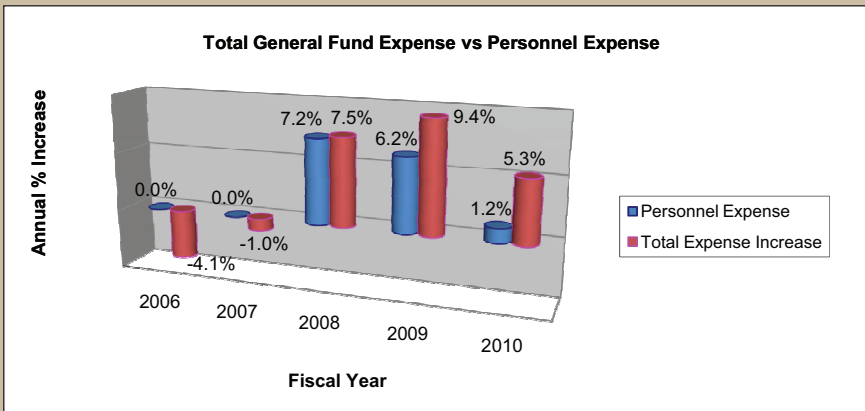
Tennessee’s unemployment rate which had been consistently above the nation’s rate throughout the recession, dipped in September 2010 to 9.2%. The Memphis MSA unemployment rate was slightly higher than the state’s unemployment rate in September 2010. Tennessee’s September unemployment rate reflects a 12.4 percent decrease from September 2009. Memphis’ unemployment rate decreased to 9.5 percent in September 2010, down 8.7 percent from a year ago. Despite the current national recession, the continuation of major local job creation initiatives should improve the Memphis unemployment situation in the future.

The chart below shows that since fiscal year 2000, there has been a growing dependence on property tax revenues while both Local Sales Taxes and State Shared Taxes have trended downwards as a percentage of total revenues. During fiscal year 2006, the City realized a significant increase in property tax revenues as a result of a rate increase. During fiscal year 2007 and fiscal year 2008, the percentage of revenues from current property taxes, local sales taxes and state shared taxes remained relatively constant year over year. Property Tax revenues in the general fund increased in total and as a percentage of total revenues due to an increase in the property tax rate allocation to the general fund during fiscal year 2009.



Nationally and locally, fiscal managers are continually faced with managing fluctuating energy prices, healthcare costs and employment costs. Policy makers are concerned with cost-push inflation as employment costs represent about two-thirds of total costs of production/service.

- During fiscal year 2005, City managers executed spending cuts and a temporary layoff, resulting in substantial expense savings. In an attempt to contain personnel costs and other operating expenses, the City implemented additional spending cuts and a hiring freeze during fiscal year 2006.
- During fiscal year 2007, growth in personnel expense remained flat while total general fund expenses decreased by 1 percent.
- Total General Fund expenses increased by more than 7 percent in fiscal year 2008 due primarily to an increase in personnel expense. Personnel expense increased as a result of a one-time one percent bonus granted to all employees, funding of the City's OPEB trust fund and higher overtime and part-time salary expense to compensate for vacancies.
- Personnel expenses grew by 6% in fiscal year 2009 as a result of a 5% general increase given to all employees, the filling of vacancies and an increase in funding to the OPEB trust fund. Total expenses increased by 9% as a result of the personnel expense increase, increased subsidies to the Memphis Area Transit Authority (MATA), increased retiree healthcare premium expense and prepayments of debt service for the Fire and Police divisions.
- Despite a 3% general increase in fiscal year 2010, total personnel expense only increased by 1.2%. The 3% general increase was offset by a reduction in overtime expense and part-time salaries expense, and reduced funding to the City's Other Post Employment Benefit (OPEB) Trust Fund. Total expenses in fiscal year 2010 increased by 5.3% as a result of a transfer of general funds to Memphis City Schools in the amount of \$40 million offset by reduced spending in other non-core programs.

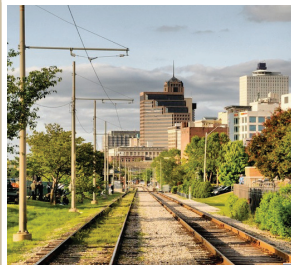


The Memphis real estate market proved not to be immune to the downfall of the global economy and the recession. Sub-prime lending problems that plagued the rest of the nation significantly impacted the Memphis residential market. Total home sales decreased by 15.9% year over year in September. Likewise,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

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

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

Source: Memphis Area Association of Realtors Multiple Listing Service.



Recent Developments:

- AC Wharton, Jr. became the city's mayor as a result of a special election held in October of 2009 after the previous mayor retired in the second year of his four-year term. Prior to becoming the mayor of the City of Memphis, Mayor Wharton served as the mayor of Shelby County for 7 years.
- After years of negotiation, the City celebrated the signing of a 20-year lease for the Pyramid Arena with Bass Pro, with the prospects of generating income for the city through the creative reuse of the vacant facility and the more expansive development of the Pinch and Uptown districts of the city. Under the lease, the city receives a minimum base rent amount of \$1 million dollars and will receive a percentage of gross sales.
- The University of Memphis Law School completed a \$42 million building renovation project in downtown Memphis. The school's 400-plus students and 50 faculty members moved into the now state-of-the-art law school that, at 140,000 square feet, is more than twice the size of the old school.
- The largest carrier at Memphis International Airport, Northwest Airlines, completed a merger with Delta Airlines in late 2009. The merger made Delta the largest airline in the world.
- Smith & Nephew, a medical device company, recently purchased property as a part of its \$42 million expansion of its orthopedic division's global headquarters in Memphis. As part of the growth, the company will add 160 new jobs with an average annual wage of \$121,425 including benefits.
- Pinnacle Airlines Corp., which currently employs 600 people in Memphis, reaffirmed its commitment to the City by signing a long-term lease in downtown Memphis.
- In August 2010, the State of Tennessee Supreme Court decided not to hear an appeal requested by the City of Memphis related to the multi-year lawsuit between the City and Memphis City Schools. An earlier decision by a Chancery Court judge and the state court of appeals ruled that the City of Memphis was financially responsible for the city's public schools. The City stopped funding the schools in fiscal year 2009, arguing that Shelby County should be the sole provider of school funding just as it is for all other municipalities in the County.

Long-term Financial Planning

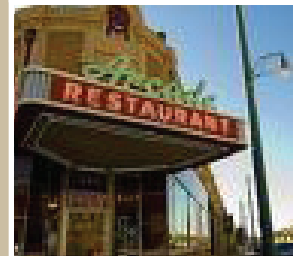
Notwithstanding the current year general fund operating deficit, the financial position of the City remains stable as a result of the City's conservative budgeting methodology and its ability to maintain disciplined spending practices. To ensure the City's financial position remains sound, the City has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

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

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

Relevant Financial Policies

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



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

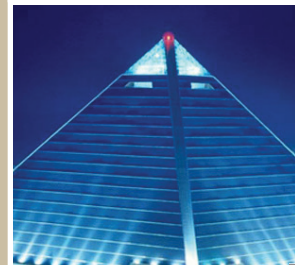
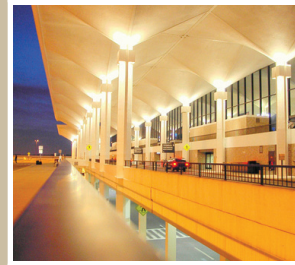
Long-term obligations associated with OPEB costs became a required disclosure for Memphis, effective July 1, 2007. Other required disclosures, per GASB Statement No. 45, include identifying the contributions made in comparison to OPEB costs, changes in net OPEB obligations, funding progress during the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

The City established an OPEB Trust in fiscal year 2008. The current valuation reflects approximately \$1.2 billion as the Unfunded Actuarial Accrued Liability (UAAL). The city is continually reviewing funding strategies and health benefit plan change alternatives in an effort to reduce the obligation.

Major Initiatives

In addition to the annual operating budget, the City also adopts a Capital Improvement Program (CIP) that is a multi-year plan for capital expenditures to replace and expand the City's infrastructure, vehicles and equipment. The program is updated annually to reflect the latest priorities, updated cost estimates and available revenue sources. Various sources of revenue include general obligation bonds, federal grants, state grants, user fees and private funds. Projects are reviewed based on need, impact on the area, quality of life in our neighborhoods and the general economic climate of the City. Highlights of the CIP budget plan for 2011-2015 are:

- The Fire Division's budget includes funds for upgrades of its various fire station locations and new construction dollars for previous annexation areas.
- The Police Division's budget includes funds for a Skycop System and precinct renovations.
- The Parks Division's budget includes funds for improvements to the Wolf River greenway and rehabilitations to Douglas Pool and the Mallory-Neely and Magevney House.
- The Public Services and Neighborhoods Division's budget includes funding for new equipment for the animal shelter.
- The Memphis Area Transit Authority's capital improvement budget, heavily leveraged by Federal and State funding, will be used to fund a new bus transfer station near the Memphis International Airport. Preventative maintenance is funded partially by G.O. Bonds.
- Riverfront Development's budget includes funds for Cobblestone improvements.
- The Public Works Division's budget includes funds to pave over 400 lane miles of streets each year, ADA ramp improvements, and several road projects. The Stormwater Fund CIP budget will allow the City to make major investments in drainage infrastructure throughout the City. The Sewer Fund projects are for the repair and replacement of sewer infrastructure, new sanitary sewers and improvements to the treatment plants.
- The General Services Division's budget includes major ADA improvements, minor improvements to various City buildings and equipment replacement. In addition, the budget reflects a new strategy to concentrate City-wide vehicle purchasing to achieve economies of scale. Vehicle acquisitions include 150 marked police cars, 3 fire engines and various heavy duty service equipment.
- Housing and Community Development's budget includes funding for the Hope VI and Dixie Homes neighborhood redevelopment projects. Development and construction of the Fairgrounds is represented in the Fairgrounds Public Greenspace Project.
- The Engineering Division's budget includes funding for replacement of traffic signals and intelligent transportation improvements.



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

Capital Planning Process

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

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

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

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

Capital Expenditure Analysis

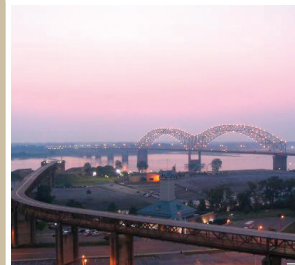
A review of Capital Improvement Projects are undertaken to insure that all major capital expenditures are not only necessary and appropriate but also fall into categories that include, but are not limited to:

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

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

Annexation Plans

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



Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Memphis for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2009. This was the 33rd consecutive year that the City has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

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

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

Respectfully submitted,



Roland McElrath, CPA
Director of Finance



Patrice Thomas, CPA
Comptroller



Certificate of Achievement for Excellence in Financial Reporting

Presented to
**City of Memphis
Tennessee**

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

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

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President

Executive Director

CITY OF MEMPHIS, TENNESSEE
CITY OFFICIALS

A C Wharton, Mayor

CITY COUNCIL
Harold Collins, Chairman (District 9)

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

COURTS

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

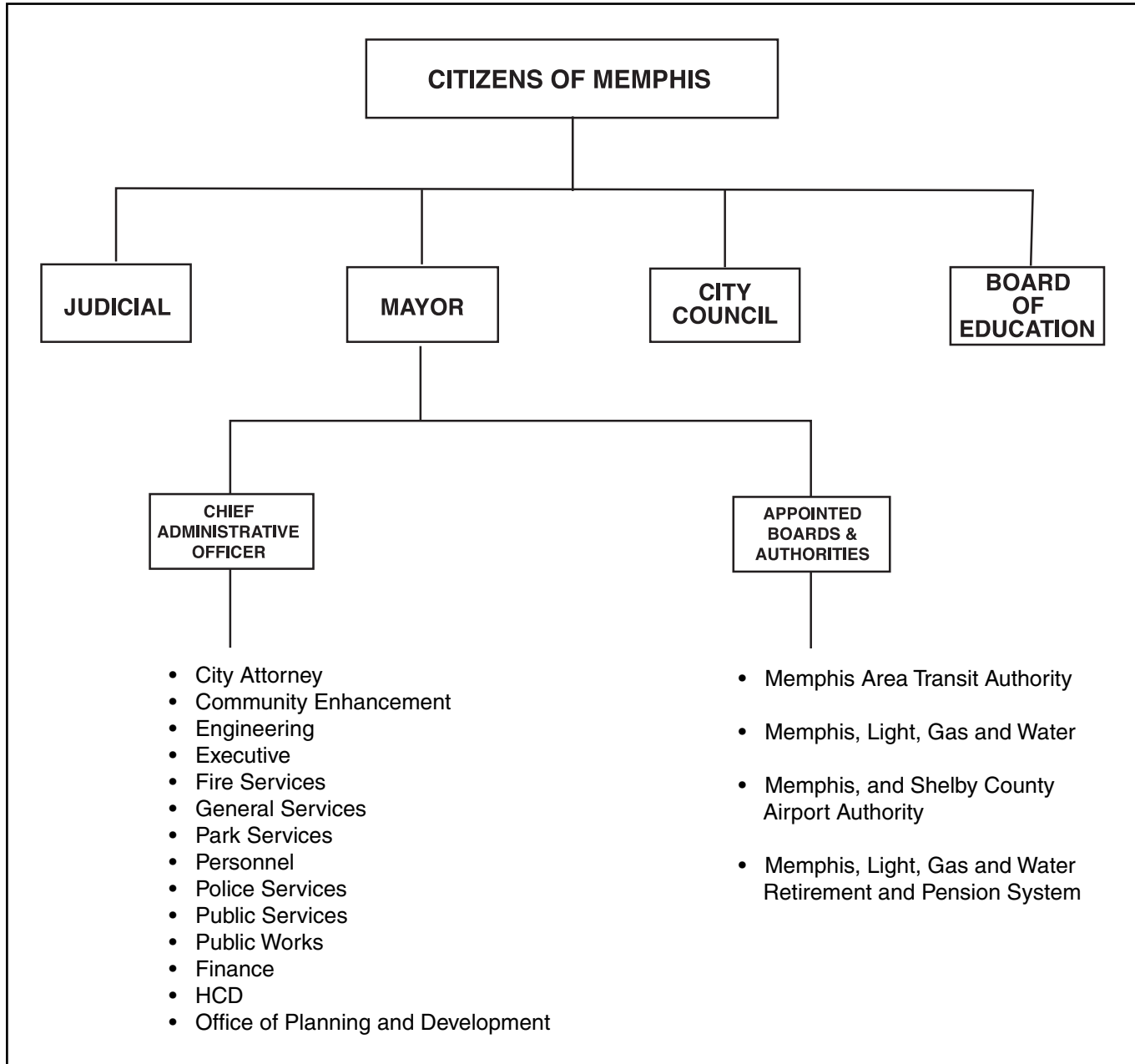
ADMINISTRATIVE

George M. Little.....	Chief Administrative Officer
Robert Lipscomb.....	Director, Housing and Community Development
Alvin Benson	Director, Fire Services
Rebecca Kissinger.....	Interim Director, General Services
Cynthia Buchanan.....	Director, Park Services
Jerry Collins	President, Memphis Light, Gas and Water Division
Rick Copeland.....	Director, Office of Planning and Development
Joseph Sanders	Chief Information Officer
Ernest Dobbins.....	Director, Community Enhancement
Rhoda Gillespie.....	Interim Director, Human Resources
Wain Gaskins	City Engineer
Larry Godwin.....	Director, Police Services
Herman Morris.....	City Attorney
Dwan Gilliom.....	Director, Public Works
Janet Hooks.....	Director, Public Services
Roland McElrath.....	Director, Finance and Administration

City of Memphis, Tennessee

ORGANIZATION CHART

Primary Government and Discretely Presented Component Units



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

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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, 2010, and the budgetary comparison for the general fund for the year ended June 30, 2010, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Board of Education of the Memphis City Schools, the Memphis-Shelby County Airport Authority and the Memphis Zoological Society, which represent 95%, 92% and 95%, respectively, of the assets, net assets, and revenues of the aggregate discretely presented component units. We did not audit the financial statements of Memphis Light, Gas, and Water Division Retirement and Pension System and Memphis Light, Gas, and Water Division Other Post Employment Benefits Trust Fund, which represent 38%, 39% and 38%, respectively, of the assets, net assets, and total deductions of the fiduciary funds. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the aforementioned entities, is based on the reports of the other auditors.

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

In our opinion, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2010, and the respective changes in financial position and, where applicable cash flows thereof and the respective budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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

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

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

Thompson Dunavant PLLC
Jones and Piggie

Memphis, Tennessee
December 23, 2010

Management's Discussion and Analysis

As management of the City of Memphis, Tennessee (the City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2010. We encourage readers to consider the information presented here in conjunction with additional information that is furnished in the letter of transmittal and notes to the financial statements. All amounts, unless otherwise indicated, are expressed in thousands of dollars.

Financial Highlights

- The primary government's total assets exceeded its liabilities at June 30, 2010 by \$1,907,863 (net assets). Total government-wide net assets decreased by \$128,358 in fiscal year 2010.
- At June 30, 2010, the City's governmental activities reported ending net assets of a negative \$86,052, a decrease of \$179,302 or 192.3% from the prior year. The decrease resulted primarily due to increases in liabilities related to pension, other post-employment benefits (OPEB) and accrual of a liability related to a lawsuit with Memphis City Schools.
- The City's business-type activities reported ending net assets of \$1,993,915, an increase of \$50,944 or 2.6% from prior year. A prior year adjustment was made to the MLGW division's beginning net assets balance as a result of a liability correction related to the fiscal year 2008 implementation of GASB Statement No. 49, Pollution Remediation Obligations.
- At June 30, 2010, the fund balance for the general fund was \$84,570, a decrease of \$22,033 from prior year's balance. The unreserved portion of the fund balance was \$76,271.
- The City's total general obligation and revenue bond debt decreased by \$84,593 or 3.4% during the current fiscal year.

Overview of the Financial Statements

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

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

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

The statement of activities presents information showing how the City's net assets changed during the year ended June 30, 2010. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flow in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

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

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

Financial information for these component units is reported separately from the financial information presented for the primary government.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. The City's assets exceeded liabilities by \$1,907,863 at June 30, 2010.

Condensed Statement of Net Assets

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

By far the largest portion of the City's net assets (88.5%) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided for by other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

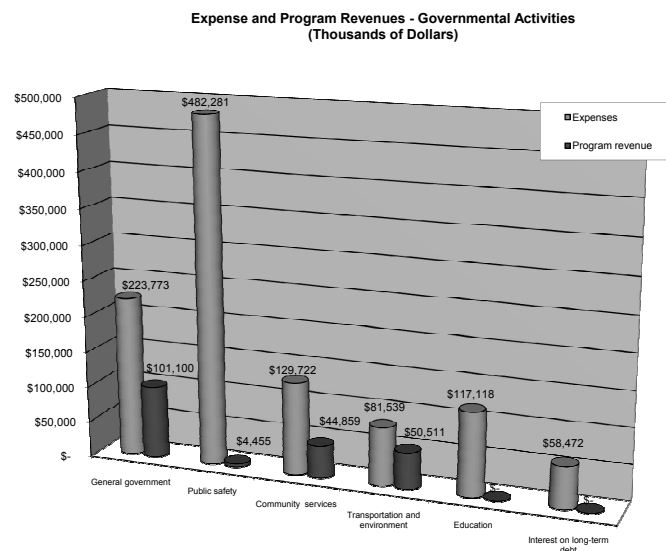
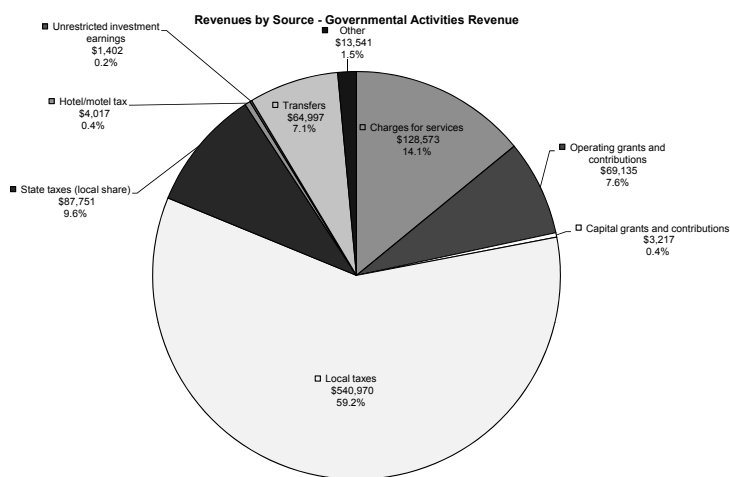
An additional portion of the City's net assets (4.0%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (7.5%) is reflective of the City's practice of maintaining adequate reserves for payment of debt service and capital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

Condensed Statement of Changes in Net Assets

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

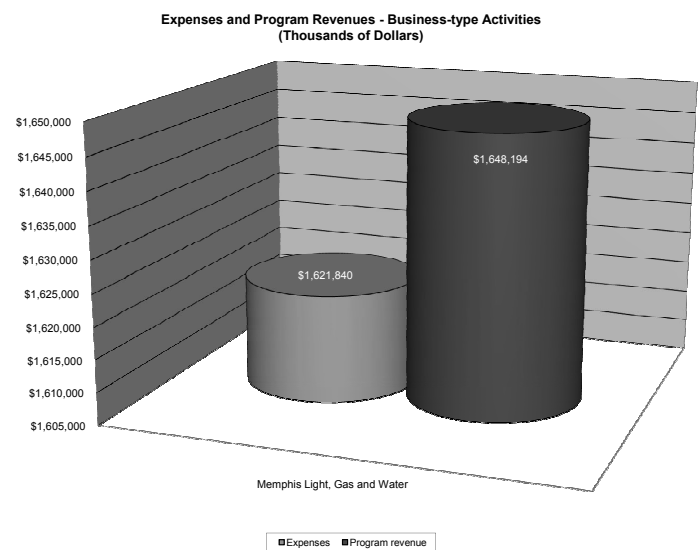
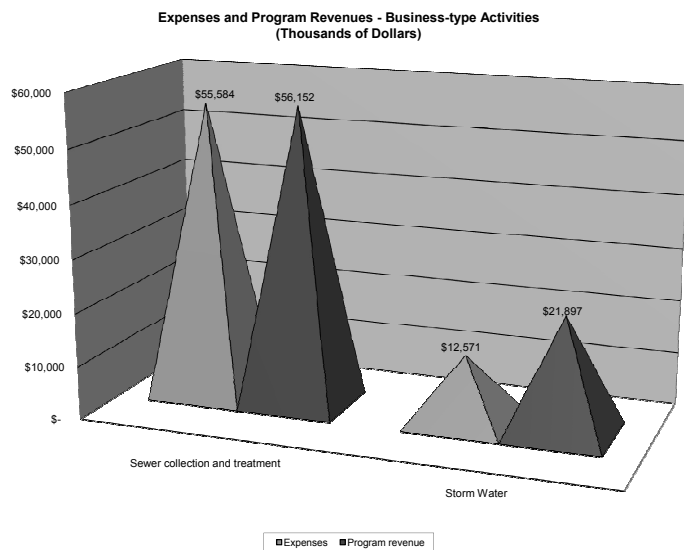
Governmental activities. Governmental activities decreased the City's net assets by \$179,302 and Business-Type activities increased net assets by \$50,944, thereby resulting in a net decrease of \$128,358 or 6.3% in total primary government's beginning net assets. Key elements of the governmental activities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

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



Business-type activities. Business-type activities increased the City's net assets by \$50,944, accounting for 2.6% growth in the government's beginning net assets. Key elements of the increase are as follows:

- MLGW's Electric Division, Gas Division and Water Division account for \$29.1 million, \$19.4 million and \$9 million of the net asset increase, respectively. The Electric division's net change in net assets was down year over year as a result of increased transfers to the city as a result of an increase in net plant, tax and equalization rates. The Gas division change in net assets was down year over year as a result of a decrease in sales, service and other operating revenues as a consequence of a decrease in sales volume and lower wholesale gas prices. Finally, the Water division's change in net assets decreased year over year as a result of a slight growth in expenses combined with a decline in sales volume and revenues.
- The Stormwater fund also contributed \$5.6 million towards the business-type total net asset increase. These increases were offset by a net asset decrease of \$4.1 million in the Sewer Collection and Treatment fund.



Financial Analysis of the Government's Funds

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

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

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

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

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

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

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

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

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

- The Capital Projects Fund's fund balance increased from last year from \$67,239 to \$74,030. The change resulted primarily from the proceeds from issuance of debt.
- The New Memphis Arena Fund (FedEx Forum) activity remained relatively constant year over year. As a result, the fund deficit decreased from \$6,843 to \$6,052. The MLGW Water Division, through an agreement with the City, transfers a payment in the amount of \$2,500 per year. The agreement is effective through the year 2028. This fund also reports the collection and disbursement of certain revenues related to the bonds issued by the Sports Authority for construction of the arena.
- Solid Waste Management Fund revenues exceeded expenditures by \$146, thereby, increasing fund balance to a negative \$2,152 from a negative \$2,298.

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

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

General Fund Budgetary Highlights

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

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

Capital Asset and Debt Administration

Capital assets. The City's investment in capital assets for its governmental and business-type activities as of June 30, 2010 amounts to \$2,976,679 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, equipment, roads, highways, and other infrastructure. The total increase in the City's investment in capital assets for the current fiscal year was \$52,868 or 1.8%. The governmental activities and business-type activities shared equally in the increase.

Condensed Statement Capital Assets
(net of depreciation)

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

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

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

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

Long-term debt. At June 30, 2010, the City had total bonded debt outstanding of \$2,431,545. Of this amount, \$1,261,306 comprises debt backed by the full faith and credit of the government, inclusive of self-supporting debt of the Board of Education and Airport Authority. The remaining balance of \$1,170,239 consisted of \$1,155,239 bonds secured solely by specified revenue sources (i.e., revenue bonds) and \$15,000 of bond anticipation notes.

Condensed Statement of Outstanding Debt
General Obligation and Revenue Bonds

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

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

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

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

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

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

In October 2009, MLGW initiated a refunding opportunity for a portion of the 2003A Electric System Revenue bonds. During this process, MLGW received credit upgrades from Fitch Ratings ("Fitch"). Fitch raised its credit ratings on all MLGW outstanding debt which includes the 2002, 2003A and the 2008 series bonds from AA to AA+. Moody's Investor Service ("Moody's") and Standard & Poor's ("S&P") reaffirmed their respective ratings on all outstanding Electric System Revenue bonds. The Water Division continues to hold the highest possible bond ratings which are Aaa from Moody's Investor Service and AAA from S&P. The Gas Division currently has no debt that is credit rated. More information is available in MLGW's separately issued financial statements. Separate financial statements for MLGW are issued as of and for its year-end December 31, and can be obtained by writing to MLGW Financial Statements, P.O. Box 430, Memphis, Tennessee 38101-0430.

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

Economic Factors and Next Year's Budgets and Rates

Factors considered in preparing the City's budget for the 2011 fiscal year are discussed more fully in the Budget document and include:

- Although the recession that impacted the US and local economy has officially ended, the budget preparation was predicated on the continuing assumption that the Memphis MSA will have slow to moderate growth during FY2011.
- The Operating Budget Revenue for FY2011 of \$634,816 which represents a revenue increase of \$57.5 million or 9.9% from the FY2010 Adopted Budget. This increase is primarily attributable to a planned transfer from the Debt Fund of \$41 million.
- The proposed budget includes a plan to create a new Office of Strategic and Financial Planning that will be responsible for guiding the city's fiscal health.

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

Requests for Information

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or request for additional financial information may be addressed to the Office of the Director of Finance, Room 368, City of Memphis, 125 North Main, Memphis, Tennessee 38103. The Comprehensive Annual Financial Report, the 2011 Operating Budget and 5 Year Capital Improvement Program, and other general information about the City may be found on the City's website, www.memphistn.gov.

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

CITY OF MEMPHIS, TENNESSEE
Exhibit A-1

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

(Continued)

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

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

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

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

STATEMENT OF ACTIVITIES
(Thousands of Dollars)

For the fiscal year ended June 30, 2010

CITY OF MEMPHIS, TENNESSEE
Exhibit A-2

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

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

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

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

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

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

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

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

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

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

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

Total governmental fund balances: \$ 199,459

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. 1,154,100

Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds. 105,385

Net pension obligations should be reported as a liability in the government-wide statement of net assets. This is the cumulative amount by which the City has underfunded its pension obligations. (11,648)

Other post employment benefits (OPEB) liabilities should be reported as a liability in the government-wide statement of net assets. This is the cumulative amount by which the City has underfunded its OPEB obligations. (86,388)

Internal service funds are used by management to charge the costs of printing & mail, information systems, health insurance, unemployment compensation, and fleet management to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets. (18,988)

Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds. (1,427,972)

Net assets of governmental activities \$ (86,052)

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, 2010

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

See accompanying notes to financial statements.

**RECONCILIATION OF THE STATEMENT OF REVENUES
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
(Thousands of Dollars)
For the fiscal year ended June 30, 2010**

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

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

Net change in fund balances - total governmental funds	\$ (25,759)
--	-------------

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	20,494
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	7,845
--	-------

The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	(26,543)
--	----------

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	(147,364)
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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>(7,975)</u>
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Change in net assets of governmental activities	<u><u>\$ (179,302)</u></u>
---	----------------------------

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

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

CITY OF MEMPHIS, TENNESSEE
Exhibit A-7

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

(Continued)

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

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

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

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

CITY OF MEMPHIS, TENNESSEE
Exhibit A-8

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

(Continued)

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

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

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

(Continued)

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

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

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

(Continued)

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

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

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

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

CITY OF MEMPHIS, TENNESSEE
Exhibit A-9

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

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

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

See accompanying notes to financial statements.

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

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

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

See accompanying notes to financial statements.

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

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

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

During the year, the Sewer Fund received \$594 in sewer lines and pipe contributed from developers.
See accompanying notes to financial statements.

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

CITY OF MEMPHIS, TENNESSEE
Exhibit A-12

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

See accompanying notes to financial statements.

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

CITY OF MEMPHIS, TENNESSEE
Exhibit A-13

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

See accompanying notes to financial statements.

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

CITY OF MEMPHIS, TENNESSEE
Exhibit A-14

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

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

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

See accompanying notes to financial statements.

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

CITY OF MEMPHIS, TENNESSEE
Exhibit A-15

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

See accompanying notes to financial statements.

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

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting entity

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

Fiscal Year-End

Memphis Light, Gas and Water (MLGW), a division of the primary government, has a fiscal year-end of December 31. Thus, the amounts and disclosures for the MLGW Enterprise Fund, the MLGW Other Post Employment Benefits Trust Fund and the MLGW Retirement System Fund are as of December 31, 2009. The disclosures for other divisions, component units, and joint ventures are as of their June 30 fiscal year-end.

Blended Component Units

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

Discretely Presented Component Units

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

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

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

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

Memphis Zoological Society (MZS) – MZS was created as a not-for-profit in April 1951 by Charter to manage and support the Memphis Zoo and Aquarium in its efforts to preserve wildlife through education, conservation and research. All land, buildings, exhibits and other physical assets used by the society are the property of the City of Memphis. MZS operates on a 52-53 week fiscal year ending on the last Sunday in the month of June. The year ended June 27, 2010, contained 52 weeks.

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

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)):

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

Jointly Governed Organizations

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

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

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

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

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

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

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

B. Government-wide and fund financial statements

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

reported separately from certain legally separate component units for which the primary government is financially accountable.

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

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

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

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

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

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

The City reports the following major governmental funds:

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

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

The City reports the following major proprietary funds:

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

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

Additionally, the City reports the following fund types:

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

Printing and Mail Internal Service Fund

Health Insurance Internal Service Fund

Unemployment Compensation Internal Service Fund

Fleet Management Internal Service Fund

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

City Retirement System Fund

Library Retirement System Fund

City Other Post Employment Benefits Trust Fund

Memphis Light, Gas and Water Retirement System Fund

Memphis Light Gas and Water Other Post Employment Benefits Trust Fund

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

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between MLGW and

the Sewer Collection and Treatment Fund and various other functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

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

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

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

D. Assets, liabilities, and net assets or equity

Cash and cash equivalents and investments

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

Property taxes receivable

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

Interfund receivables and payables

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

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

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

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

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

Inventories and prepaid expenses

Inventories in the Proprietary Funds are stated at cost determined principally by the first-in/first-out (FIFO) method. General Fund inventories are recorded as expenditures when purchased, and there were no significant inventories on hand at June 30, 2010. All other inventories are recorded as expenditures when consumed rather than when purchased (Consumption Method).

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

Capital assets

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

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. The total interest expense incurred by the Sewer Fund during the current fiscal year was \$6,732. Of this amount, none was included as part of the cost of capital assets constructed with bond proceeds.

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

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

Compensated absences

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

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

Deferred Compensation Plan

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

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

Long-term obligations

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

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as

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

CITY OF MEMPHIS, TENNESSEE
(Continued)

bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Use of estimates

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

Fund equity

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

Reclassification of Funds and Restatement of Fund Balance/Net Assets

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

MLGW Electric Division

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

Sewer Collection and Treatment

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

Storm Water Fund

Fund balance at June 30, 2009	\$ 22,387
Capitalization of prior period expense	<u>4,999</u>
Restated fund balance at June 30, 2009	<u>\$ 27,386</u>

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

The governmental fund balance sheet includes a reconciliation between fund balance – total governmental funds and net assets – governmental activities as reported in the government-wide statement of net assets. One element of that reconciliation explains that “long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.” The details of the \$1,427,972 difference are as follows:

Bonds payable	\$ 1,142,494
Bond anticipation notes payable	75,400
Accreted interest	1,999
Unamortized loan costs	36,785
Capital lease obligations	4,628
Accrued interest payable	10,225
Claims and judgments liability	73,210
Compensated absences	<u>83,231</u>

Net adjustment to reduce-fund balance-total governmental funds to arrive at net assets-governmental activities	<u>\$ 1,427,972</u>
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B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities

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

The details of the \$20,494 difference are as follows:

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

Another element of that reconciliation states that “the issuance of long-term debt (e.g. bond, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.” The details of this (\$26,543) difference are as follows:

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

CITY OF MEMPHIS, TENNESSEE
(Continued)

Debt issued or incurred:

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

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

Another element of that reconciliation states that “Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.” The details of this (\$147,364) difference are as follows:

Liability Changes:

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

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

III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary information

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

During the fiscal year, budgetary control is maintained at a program level. The City Mayor has the authority

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

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

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

B. Excess of expenditures over appropriations

In demonstrating compliance with the City's legally prescribed budgetary requirements, expenditures at June 30, 2010, did not exceed appropriations at the program level. The comparison of actual expenditures to the budget for the General Fund reflect no unfavorable variances from budget at the program level because the revisions to budget were recorded after year end to offset the legal level deficits for several functions. These revisions were made in accordance with the authorization allowed in the adopted budget ordinances for 2010.

C. Deficit fund equity

The New Memphis Arena Special Revenue Fund has a deficit fund balance of \$6,052 as of June 30, 2010. The City of Memphis, Shelby County, and The Memphis and Shelby County Sports Authority, Inc. are parties to an interlocal agreement relating to the financing of the new sports arena that was completed in August 2004. Of the \$250,000 budget, the City paid \$12,000 for acquisition and construction of the Arena site and infrastructure improvements. The City's commitment was funded through legally available non-ad valorem revenues. The interfund payable to the Capital Projects Fund will be repaid from future hotel motel taxes. The City anticipates the New Memphis Arena Special Revenue Fund negative fund balance will be eliminated over the next 6 years by using proceeds from the hotel/motel funding source. This fund also reports the pass-through of certain revenues related to Sports Authority bonds issued for the construction of the Arena.

The Unemployment Compensation Internal Service Fund deficit fund balance of \$1,798 as of June 30, 2010 remained unchanged from prior year. Future unemployment premium increases are expected to eliminate the deficit over time. The Fleet Management Internal Service Fund deficit fund balance of \$7,020 remained unchanged

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

IV. DETAILED NOTES ON ALL FUNDS

A. Deposits and investments

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

City ordinances, as interpreted by opinions of the City Attorney, authorize the City to enter into stock and bonds borrowed/cash or bond pledged securities lending agreements, that is a transfer of securities with a simultaneous receipt of securities. The securities received in the transfer are the type which the City is legally authorized to hold. The market value of the securities received in the agreement is 102 percent of the value of the securities transferred in the case of the securities of United States issuers and 105 percent in the case of securities of non-United States issuers. The securities transferred are a part of the total investments reported below. The securities being held are not reported as a part of the total investments. The City retains the interest income on the securities being transferred and earned \$256 during the year ended June 30, 2010, which was applied to a collateral insufficiency liability. On June 30, 2010, the market value of the securities transferred was \$143,910 and the market value of the securities the City was holding was \$146,558. The monitoring procedures in the securities lending programs are the same as those requirements in regard to the repurchase agreements. At year end, the City has no credit risk exposure to borrowers because the amounts the City owes the borrowers exceed the amounts the borrowers owe the City.

Cash and Investment Pool

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

are generally maintained at all times. The City does not provide guarantees to the Pool participants to support the values of their equity positions.

Interest Rate Risk

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

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation. It is the City's policy to limit its investments to prime commercial paper which shall be rated at least A1 or equivalent by at least two (2) nationally recognized rating services. Proceeds of bonds, notes and other obligations issued by the City, reserves held in connection therewith and the investment income there from, may be invested in obligations which (a) are rated in either of the two highest rated categories by a nationally recognized rating agency; (b) are direct general obligations of a state of the United States, or a political subdivision or instrumentally thereof, having general taxing powers; and (c) have a final maturity on the date of investment not to exceed twenty-four (24) months or which may be tendered by the holder to the issuer thereof, or an agent of the issuer, at not less than twenty-four (24) month intervals unless approved by the State Director of Local Finance. As of June 30, 2010, the government's investments in general obligation bonds were rated AA2 by Moody's Investor Service, AA by S & P, and A+ by Fitch Ratings.

Concentration of Credit Risk

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

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

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

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

CITY OF MEMPHIS, TENNESSEE
(Continued)

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

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

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure the government's deposits may not be returned. At June 30, 2010 all deposits were insured or collateralized as required by policy. The City's investment policy provides that all securities purchased by the City or held as collateral on either deposits or investments shall be held in third-party safekeeping at a financial institution.

Deposits held by the pool at June 30, 2010, were as follows:

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

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

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

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

CITY OF MEMPHIS, TENNESSEE
(Continued)

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

Condensed Statement of Net Assets

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

Net assets held in trust for pool participants:

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

Condensed Statement of Changes in Net Assets

Additions:

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

Deduction:

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

Net assets held in trust for pool participants:

Beginning of year	<u>128,764</u>
End of year	<u>\$ 96,100</u>

Investments Outside of the Pool

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

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

CITY OF MEMPHIS, TENNESSEE
(Continued)

the related debt matures. These investments are similar to those described above with the addition of commercial paper and mutual funds. Investments in the City Retirement Fund, the Library Retirement Fund, and the MLGW Retirement and Pension System include stocks, corporate and government bonds, mortgage-backed securities, mutual funds, limited partnerships, real estate investments and commercial paper in addition to the money market securities mentioned above. As of June 30, 2010, the City's investments in general obligation bonds were rated A1 by Moody's Investor Service, AA by Standard & Poor's, and A+ by Fitch Ratings.

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

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

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

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

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

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

CITY OF MEMPHIS, TENNESSEE
(Continued)

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

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

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

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

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

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

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

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

CITY OF MEMPHIS, TENNESSEE
(Continued)

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

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

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

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

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

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

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

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

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

CITY OF MEMPHIS, TENNESSEE
(Continued)

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

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

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

Description	<u>Fair Value</u>
Money market mutual funds	\$ 3,814
CFGF funds	2,918
Common stocks	<u>11</u>
Total Investments	<u>\$ 6,743</u>

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

Total component unit cash and deposits	\$ 258,041
Total component unit investments	<u>275,130</u>
Total	<u>\$ 533,171</u>
Cash and cash equivalents	\$ 248,775
Investments	54,775
Restricted cash and cash equivalents	9,266
Restricted investments	168,386
Non current restricted investment	<u>51,969</u>
Total	<u>\$ 533,171</u>

City of Memphis Retirement System – Deposits and Investments

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

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

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

CITY OF MEMPHIS, TENNESSEE
(Continued)

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

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

Interest rate risk

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

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

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

Credit risk

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

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

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

CITY OF MEMPHIS, TENNESSEE
(Continued)

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

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

CITY OF MEMPHIS, TENNESSEE
(Continued)

Foreign currency risk

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

The City Plan's exposure to foreign currency risk – in U.S. Dollars – as of June 30, 2010, is as follows:

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

City OPEB Trust-Deposits and Investments

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

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

B. Receivables

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

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

CITY OF MEMPHIS, TENNESSEE
(Continued)

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

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At June 30, 2010, deferred revenue principally represents: (1) amounts received for various capital projects upon which revenues will not be recognized until such projects have started; (2) amounts relating to property taxes as described above; (3) operating subsidies received in advance; (4) uncollected principal on Housing Rehabilitation Loans; and (5) long-term receivables due from agencies.

C. Property taxes

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

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

The assessed value upon which the fiscal 2010 levy was based was approximately \$12.1 billion. The market value was approximately \$38.8 billion making the overall assessed value 31.07 percent of the market value. Taxes attach as an enforceable lien on property on June 1, the day taxes are levied, and are due by September 1. Current tax collections for the year ended June 30, 2010, were 93.70 percent of the tax levy.

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

CITY OF MEMPHIS, TENNESSEE
(Continued)

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

General Fund	\$ 12,192
Education Special Revenue Fund	2,400
Debt Service Fund	4,054
Capital Projects Fund	<u>17</u>
Total	<u>\$ 18,663</u>

The property tax levy is without legal limit. The rate, as permitted by Tennessee State Law and City Charter, is set annually by the City Council and collected by the City Treasurer. The City allocated the property tax per \$100 of assessed value for the year ended June 30, 2010, as follows:

General Fund	\$ 2.2917
Education Special Revenue Fund	.1868
Debt Service Fund	.7141
Capital Projects Fund	<u>.0031</u>
Total	<u>\$ 3.1957</u>

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

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

CITY OF MEMPHIS, TENNESSEE
(Continued)

D. Capital assets

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

Primary Government

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

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

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

CITY OF MEMPHIS, TENNESSEE
(Continued)

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

Governmental activities:

Executive	\$ 237
Finance	4,108
General services	946
Information services	3,774
Fire services	4,092
Police services	8,853
Park services	7,616
Public services	6,079
Housing and community development	288
Public works	13,438
Engineering	824
Community enhancement	3
City Court Clerk	2
Capital assets held by the government's internal service funds that are charged to the various functions based on their usage of the assets	<u>165</u>

Total depreciation expense - Governmental activities \$ 50,425

Business-type activities:

Sewer	\$ 12,928
Storm Water	1,053
Memphis Light, Gas and Water	<u>76,483</u>
Total depreciation expense - Business-type activities	<u>\$ 90,464</u>

	MLGW Electric Division	MLGW Gas Division	MLGW Water Division	Total
Statement of Revenues, Expenses and Changes in Net Assets:				
Depreciation expense	\$ 41,444	\$ 12,458	\$ 10,932	\$ 64,834
Transportation costs	2,805	3,034	666	6,505
Salvage returns	176	(5)	(21)	150
Statement of Cash Flows, Depreciation Expense:	\$ 44,425	\$ 15,487	\$ 11,577	\$ 71,489
Retirements	1,761	244	150	2,155
Salvage	1,549	228	98	1,875
Shelby County Board of Public Utilities Acquisition - annual amortization	-	-	964	964
	<u>\$ 47,735</u>	<u>\$ 15,959</u>	<u>\$ 12,789</u>	<u>\$ 76,483</u>

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

CITY OF MEMPHIS, TENNESSEE
(Continued)

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

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

Construction Commitments

The City had active construction projects as of June 30, 2010. At year-end the City's commitments with contractors were as follows:

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

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

CITY OF MEMPHIS, TENNESSEE
(Continued)

Discretely Presented Component Units

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

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

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

CITY OF MEMPHIS, TENNESSEE
(Continued)

Activity for the Memphis Area Transit Authority for the year ended June 30, 2010, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	\$ 2,731	\$ -	\$ -	\$ 2,731
Construction in progress	3,618	4,885	(957)	7,546
Total capital assets not being depreciated	<u>6,349</u>	<u>4,885</u>	<u>(957)</u>	<u>10,277</u>
Capital assets being depreciated:				
Buildings and improvements	151,597	836	-	152,433
Buses and other revenue vehicles	69,966	11,983	(4,693)	77,256
Machinery and equipment	19,414	1,678	(143)	20,949
Total capital assets being depreciated	<u>240,977</u>	<u>14,497</u>	<u>(4,836)</u>	<u>250,638</u>
Less accumulated depreciation for:				
Buildings and improvements	(50,776)	(5,305)	-	(56,081)
Buses and other revenue vehicles	(51,375)	(4,593)	4,477	(51,491)
Machinery and equipment	(15,755)	(746)	143	(16,358)
Total accumulated depreciation	<u>(117,906)</u>	<u>(10,644)</u>	<u>4,620</u>	<u>(123,930)</u>
Total capital assets being depreciated, net	<u>123,071</u>	<u>3,853</u>	<u>(216)</u>	<u>126,708</u>
Capital assets, net	<u>\$ 129,420</u>	<u>\$ 8,738</u>	<u>\$ (1,173)</u>	<u>\$ 136,985</u>

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

CITY OF MEMPHIS, TENNESSEE
(Continued)

Activity for the Memphis-Shelby County Airport Authority for the year ended June 30, 2010, was as follows:

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

E. Interfund receivables, payables, and transfers.

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

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

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

CITY OF MEMPHIS, TENNESSEE
(Continued)

The composition of interfund balances as of June 30, 2010 is as follows:

Due to/from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
GOVERNMENTAL FUND TYPES		
General	Community Development	\$ 10,083
	State Street Aid	3,069
	Solid Waste	3,301
	Sewer	4,612
	Unemployment Compensation	1,649
	Fleet Management	<u>1,817</u>
		<u>24,531</u>
Debt Service	State Street Aid	295
	Capital Projects	6,365
	Storm Water	<u>10,339</u>
		<u>16,999</u>
Special Revenue:		
Drug Enforcement	Community Development	2,805
Drug Enforcement	Workforce Investment Act	2,467
Drug Enforcement	Miscellaneous Grants	<u>20</u>
		<u>5,292</u>
Midtown Corridor	Miscellaneous Grants	1,117
Capital Projects	New Memphis Arena	8,104
PROPRIETARY FUND TYPES		
Internal Service:		
Printing and Mail	Community Development	60
Health Insurance	Community Development	5,000
Fleet Management	Community Development	<u>34</u>
		<u>5,094</u>
FIDUCIARY FUND TYPES		
Pension Trust:		
City OPEB Trust	Community Development	7,000
City OPEB Trust	Library Retirement	114
City OPEB Trust	City Retirement	<u>303</u>
		<u>7,417</u>
Total		<u>\$ 68,554</u>

Interfund Balances:

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

Transfers:

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

F. Leases

Operating Leases

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

Capital Leases

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

The assets acquired through capital leases are as follows:

Assets:

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

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

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

G. Long-term debt

General Obligation Bonds

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

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

In June 2010, the City issued \$87,004 of General Improvement Bonds, Series 2010C \$62,550, Series 2010E \$13,294, and Series 2010F \$11,160. The proceeds and issue cost of these debt instruments were recorded in the City's Capital Projects Fund as other sources and debt issue cost.

In June 2010, the City issued \$163,206 of General Improvement Refunding Bonds, Series 2010D \$121,205 and 2010E \$42,001 to refund \$7,190 in General Improvement Bonds, Series 2002, \$9,145 in General Improvement Bonds, Series 2003, \$16,410 in General Improvement Bonds, Series 2004, \$27,235 in General Improvement Bonds, Series 2007A, \$28,845 in General Improvement Bonds, Series 2008, \$29,985 in General Improvement Bonds, Series 2009 and to refund \$3,545 in General Improvement Refunding Bonds, Series Ref. 1993A, \$1,260 in General Improvement Refunding Bonds, Series Ref. 1997, \$1,905 in General Improvement Refunding Bonds, Series Ref. 1998, \$9,490 in General Improvement Refunding Bonds, Series Ref. 1999, \$23,805 in General Improvement Refunding Bonds, Series Ref. 2001. The net proceeds of \$175,209 (after the net issue premium of \$12,003, payment of \$855 in underwriter's discount and \$237 cost of issuance) were used to purchase U.S. Government, State, and Local Series Securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for future debt service payments on the above-mentioned bonds. As a result, these Series bonds are considered defeased. The proceeds and extinguishment of debt as well as the issue costs paid by the City were recorded in the Debt Service Fund for the refunding issue.

Commercial Paper Program

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

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

Revenue Bonds

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

Defeased debt

In prior years, the City defeased other general obligation and revenue bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on old bonds. Accordingly, the trust account assets and the liability of the defeased bonds are not included in the City's financial statements. On June 30, 2010, a total of approximately \$269,155 bonds outstanding are considered defeased.

Changes in long-term liabilities

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

The following is a summary of long-term debt by fund at June 30, 2010:

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

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

CITY OF MEMPHIS, TENNESSEE
(Continued)

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

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

The accreted value of bonds represents accrued interest on the \$1,339 principal portion of compound interest bonds of the 1993A Refunding Bonds. The cumulative accreted interest of the 1993A Refunding Bonds is \$1,999 at June 30, 2010. The compounded accreted value (principal plus accreted interest) of this portion of the 1993A Refunding Bonds at maturity (August 1, 2011) is \$3,545.

The compound interest bonds are subject to optional redemption by the City prior to their maturities at stated redemption prices which are calculated based upon the compounded accreted value at the date of redemption. A summary of General Obligation Debt and Revenue Bonds at June 30, 2010 follows:

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

CITY OF MEMPHIS, TENNESSEE
(Continued)

Description	Interest Rates(%)	Original Issue	Balance Outstanding at Year End
General Obligation Debt:			
General City Government Serial Bonds (1)	2.00 - 6.15	\$ 1,985,761	\$ 1,144,493
Bond Anticipation Notes	4.00	75,400	75,400
Net Premium/(Discount) on General Obligation Debt			36,785
Capital Lease Obligations	3.75	7,510	4,628
Total General Obligation Debt		<u>\$ 2,068,671</u>	<u>1,261,306</u>
Revenue Bonds:			
Sanitary Sewerage System	3.00-6.30	\$ 210,820	148,270
Electric Division, MLG&W (2)	3.00-7.58	1,442,535	953,664
Water Division, MLG&W (2)	4.05-5.25	29,470	3,165
Net Premium/(Discount) on revenue bonds			50,241
Unamortized deferred amount on bond refundings			(101)
Bond Anticipation Notes:			
Gas Division, MLGW (2)	1.25	15,000	15,000
Total Revenue Bonds		<u>\$ 1,697,825</u>	<u>1,170,239</u>
Total			<u>\$ 2,431,545</u>

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

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

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

CITY OF MEMPHIS, TENNESSEE
(Continued)

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

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

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

(2) At 12-31-09

H. Restricted assets

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

Futures margin deposits	\$ 4,886
Construction	2,738
Insurance reserves – injuries and damages	10,327
Insurance reserves – casualties and general	26,349
Medical benefit	8,172
Customer deposits	23,155
Bond reserve and debt service	21,999
Total	<u>\$ 97,626</u>

V. OTHER INFORMATION

A. Risk management

The City is self-insured for health and medical benefits as well as on the job injury claims. The Health Insurance - Internal Service Fund charges premiums to other funds (primarily to the General Fund) which are used to pay claims and to fund the accrual for "incurred but not reported" (i.e. IBNR) claims and administrative costs of its health and medical benefits program. Additionally, on the job injury claims payable of \$3,170 were recorded in the Governmental Funds.

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

The changes in the insurance claims payable for the years ended June 30, 2009 and 2010 are as follows:

	On the Job Injury					
	Health	OPEB	Sewer Collection and Treatment Fund	Fleet Management Fund	Storm Water Fund	Governmental Funds
Balance - June 30, 2008	\$ 11,400	-	111	23	5	6,292
Current year provision	39,698	49,552	(20)	116	103	3,368
Payments	(43,904)	(44,446)	(45)	(81)	(78)	(5,658)
Balance - June 30, 2009	7,194	5,106	46	58	30	4,002
Current year provision	58,765	43,998	90	59	2	3,147
Payments	(58,006)	(43,105)	(95)	(65)	(16)	(3,979)
Balance - June 30, 2010	\$ 7,953	5,999	41	52	16	3,170

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

B. Subsequent events

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

C. Contingent liabilities and commitments

The City is a defendant in a number of various lawsuits filed in the ordinary course of its operations. The City believes that \$18,149 is a reasonable measure of the ultimate settlement of these matters. However, the City's Statement of Net Assets reflects a total liability for legal claims and judgments of \$73,210 which includes the \$18,149 plus \$55,061 related to an extraordinary lawsuit discussed in more detail below. The \$55,061 consisted of the \$57,461 referenced below offset by a mutually agreed upon reduction for a \$2,400 grant provided by the City.

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

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

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

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

The City has commitments at June 30, 2010, for outstanding purchase orders and outstanding contracts reported as reserves for encumbrances in the General Fund of \$6,622. The City had additional commitments totaling \$90,076 for certain infrastructure and sewer construction projects.

D. Joint ventures

Memphis and Shelby County Convention Center Complex

The Memphis and Shelby County Convention Center Complex (the Convention Center) is a joint operation between the City and the County. It is managed by an eight member board consisting of four members appointed by the City and four members appointed by the County. The board is responsible for reporting the results of operations of the Convention Center semi-annually to both the City and the County. Each participant shares equally in the profits of the Convention Center and is responsible for funding any deficit from operations in

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

CITY OF MEMPHIS, TENNESSEE
(Continued)

the same proportion. As of and for its year ended June 30, 2010, the Convention Center reported the following derived from its audited financial statements:

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

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

Memphis and Shelby County Port Commission

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

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

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

Memphis and Shelby County Community Redevelopment Agency

Memphis and Shelby County Community Redevelopment Agency (CRA) is a joint operation of the City and County and is managed by a seven member board. Three members are appointed by the City Mayor with approval by the City /Council and three members are appointed by the County Mayor with the approval of the County Commission. One member is jointly approved by the City and County. The CRA's purpose is to ameliorate the slum and blight conditions within the City of Memphis and unincorporated areas of Shelby County. Efforts thus

far have been to utilize tax increment financing to redevelop the Uptown and Highland Row areas of Memphis. No financial report was available for CRA.

Public Building Authority of Memphis and Shelby County, Tennessee

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

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

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

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

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

Mid-South Coliseum

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

E. Other postemployment benefits

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

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

CITY OF MEMPHIS, TENNESSEE
(Continued)

the status and progress of funding the benefits. The requirements of GASB statement No. 45 were implemented prospectively beginning July 1, 2007.

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

ASSETS

Investments, at fair value:	
Mutual funds and money market funds	<u>\$ 10,285</u>
Total investments	10,285
Equity in cash and investment pool	1,186
Interest and dividends receivables	11
Due from other funds	<u>7,417</u>
Total assets	<u>18,899</u>

LIABILITIES

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

NET ASSETS

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

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

DEDUCTIONS

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

Net increase	1,000
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Net assets - beginning of year	<u>8,911</u>
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Net assets - end of year	<u>\$ 9,911</u>
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City of Memphis Other Post Employment Benefits (OPEB) Plan

Plan Description. The City's OPEB plan provides medical and life insurance benefits to eligible retired City of Memphis General, Police, Fire and Airport Authority employees and their dependents based on firmly-established past practices. The primary benefit for eligible retirees is postretirement medical coverage through either a Preferred Provider Organization (PPO/Basic) or a Point of Service Plan (POS/Premier). Of premiums paid for retiree health and medical benefits and life insurance, 70 percent is paid by the General Fund (with the remaining 30 percent paid by the retirees) and is recognized as an expenditure, which totaled \$25,582 for 2010. At June 30, 2010, the number of retirees eligible for health and medical benefits is 3,697. The City also provides two life insurance benefits: the first is a self-insured death benefit and the second is a continuation of active life insurance. The authority to conduct the general operation and administration of the single employer plan is vested with the City. Separate financial statements for the plan are not issued.

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

Funding Policy. The contribution requirements of the plan members and the City are established and may be amended by the City. OPEB eligible members receiving benefits contribute \$66.30 to \$134.47 per month for retiree-only coverage and \$132.60 to \$266.68 per month for retiree and family coverage depending on medical plan coverage selected. The City pays for medical costs in excess of required retiree premiums and may elect through adoption of the City's annual budget ordinance to contribute an amount in excess of the total annual benefit payments to a qualified trust for the purpose of funding future OPEB benefits. In fiscal year 2009, the City adopted and established an OPEB Trust for the exclusive purpose of pre-funding and providing for payment of OPEB benefits under the plan. The City's receipt of Medicare Part D prescription drug subsidies is included in operating income.

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

Annual OPEB Cost

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

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

CITY OF MEMPHIS, TENNESSEE
(Continued)

Three Year Schedule of Percentage of OPEB Cost Contributed

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

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

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

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

Funded Status and Funding Progress. The funded status of the plan as of July 1, 2009, was as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL)-- (b)	Unfunded/ (Overfunded) AAL (UAAL) (c) = (b-a)	Funded Ratio (a/b)	Covered Payroll (d)	UAAL as a Percentage of Covered Payroll* (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%
7/1/2009	2,566	1,167,930	1,165,364	0.2%	313,285	372.0%

* Covered payroll includes all active plan participants.

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

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

In the July 1, 2009 actuarial valuation, the entry age normal actuarial cost method was used. The actuarial assumptions included a 5.1 percent investment rate of return (net of administrative expenses) and an annual healthcare cost trend rate of 10.4 percent initially, reduced by decrements to an ultimate rate of 4.5 percent after twenty years. Both rates assume a 5.0 percent salary scale. The City's OPEB unfunded actuarial accrued liability

is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2010, was 30 years.

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

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

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

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

ASSETS

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

LIABILITIES

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

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

CITY OF MEMPHIS, TENNESSEE
(Continued)

NET ASSETS

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

Contributions:

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

Investment income:

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

Total Additions	<u>84,369</u>
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DEDUCTIONS

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

Total Deductions	<u>43,417</u>
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Net increase	40,952
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Net assets - beginning of year	<u>85,269</u>
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Net assets - end of year	<u>\$ 126,221</u>
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Funding Policy

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

The Board of Commissioners has set the employer contribution rate based on the annual required contribution

(“ARC”), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize and unfunded actuarial liabilities of the plan over a period not to exceed thirty years. For fiscal year 2009, employer contributions were \$55,688 to the Plan. Plan members receiving benefits contributed \$4,213 through their required contribution of \$32.19 to \$363.24 (dollars) per month depending on the coverage (employee only, employee and spouse, or family) and the health plan selected.

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

Annual OPEB Cost and Net OPEB Obligation

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

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

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

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

Funded Status and Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL)-- (b)	Unfunded/ (overfunded) AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (d)	UAAL as a Percentage of Covered Payroll (c)/(d)
December 31, 2007***	15,097	674,002	658,905	2.2%	144,756	455.2%
December 31, 2006*	0	743,484	743,484	0.0%	148,219**	501.6%

* Projected from 12/31/05 valuation

** Projected from 2006 payroll

***Revised actuarial assumptions

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

Actuarial Methods and Assumptions

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

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

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

CITY OF MEMPHIS, TENNESSEE
(Continued)

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

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

F. Pension and retirement plans

City of Memphis Retirement System

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

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

ASSETS

Cash and cash equivalents \$ 43,713

Investments, at fair value:

U.S. Government securities - long-term	94,261
Common stock - domestic	577,242
Common stock - foreign	210,775
Corporate bonds - domestic	259,996
Corporate bonds - foreign	44,028
Mutual funds and money market funds	18,410
Collateralized mortgage obligations	18,140
Asset-backed pooled securities	2,475
Mortgage-backed pooled securities	102,583
Investment in index fund	147,419
Investment in real estate	60,256
Investment in international equity fund	<u>144,755</u>
Total investments	1,680,340

Interest and dividend receivables 7,105
Receivable for securities sold 49,928

Total assets 1,781,086

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

CITY OF MEMPHIS, TENNESSEE
(Continued)

LIABILITIES

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

NET ASSETS

Held in trust for pension benefits and pool participants	<u>\$ 1,711,916</u>
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As of and for its year ended June 30, 2010, the City Retirement System reported the following changes in net assets:

ADDITIONS

Contributions:

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

Investment income:

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

Total Additions	<u>256,897</u>
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DEDUCTIONS

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

Total Deductions	<u>147,129</u>
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Net increase	109,768
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Net assets - beginning of year	<u>1,602,148</u>
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Net assets - end of year	<u>\$ 1,711,916</u>
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Plan Description - The City Retirement System pension trust fund accounts for the activity of the City of Memphis Retirement System and is a single employer public employee retirement system. Substantially all permanent full-time salaried employees of the City (excluding component units) are required to participate in

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

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

Retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them	4,525
Active employees:	
Fully vested	3,131
Nonvested	<u>3,149</u>
Total	<u>10,805</u>

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

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

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

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

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

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

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

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

CITY OF MEMPHIS, TENNESSEE
(Continued)

statute. The City is also required to appropriate funds for the trust fund as necessary to pay all costs and expenses of the Plans.

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

Schedule of Funding Progress - The normal cost method is the level annual payment that would be required to fund the pension if paid from the date each employee was hired to the date of his retirement. Actuarial accrued liability is the amount of assets that would have been accumulated had the plan been established on the date the employee with the longest period of service was hired. If the actuarial accrued liability were fully funded, the total annual cost would be the normal cost. The schedule of funding progress for the six years ended June 30, 2010 is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL)-- Entry Age (b)	Unfunded Actuarial Accrued Liability (UAAL) (b-a)	Funded Ratio (c) (a)/(b)	Covered Payroll (d)	UAAL as a Percentage of Covered Payroll (c)/(d)
7/1/2005	1,992,833	N/A	N/A	N/A	254,091	N/A
7/1/2006	2,056,080	N/A	N/A	N/A	262,859	N/A
7/1/2007*	2,121,919	2,063,051	0	102.9%	264,966	0.0%
7/1/2008	2,184,225	2,090,088	0	104.5%	281,040	0.0%
7/1/2009	1,773,457	2,222,984	449,527	79.8%	296,134	151.8%
7/1/2010	1,805,071	2,336,075	531,004	77.3%	308,889	171.9%

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

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

Year Ended June 30	Annual Required Contribution	Percentage Contributed
2005	2,695	513.7
2006	11,893	117.6
2007	22,674	61.9
2008	24,072	60.6
2009	21,208	76.3
2010	71,447	24.4

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

CITY OF MEMPHIS, TENNESSEE
(Continued)

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

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

Three-year trend information is as follows:

Year Ended June 30	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation (Asset)
2008	28,497	51.2	(48,704)
2009	24,650	65.6	(40,226)
2010	71,836	24.2	14,191

Library Retirement System

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

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

ASSETS

Investments, at fair value:

Common stock - domestic	\$ 26,455
Mutual funds and money market funds	546
Investment in index funds	18,108
Investment in international equity fund	<u>6,485</u>
Total investments	51,594

Interest and dividend receivables	12
Receivable for securities sold	<u>156</u>

Total assets 51,762

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

CITY OF MEMPHIS, TENNESSEE
(Continued)

LIABILITIES

Due to other funds 303

Total liabilities 303

NET ASSETS

Held in trust for pension benefits and pool participants \$ 51,459

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

ADDITIONS

Contributions:

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

Investment income:

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

Total Additions 6,018

DEDUCTIONS

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

Total Deductions 3,262

Net increase 2,756

Net assets - beginning of year 48,703

Net assets - end of year \$ 51,459

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Schedule of Funding Progress - The normal cost method is the level annual payment that would be required to fund the pension if paid from the date each employee was hired to the date of his retirement. Actuarial accrued liability is the amount of assets that would have been accumulated had the plan been established on the date the employee with the longest period of service was hired. If the actuarial accrued liability were fully funded, the total annual cost would be the normal cost. The schedule of funding progress for the six years ended January 1, 2009 is as follows:

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

CITY OF MEMPHIS, TENNESSEE
(Continued)

(in thousands of dollars)

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	UAAL 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, 2010, is as follows:

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

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

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

Three-year trend information is as follows:

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

MLGW Retirement System

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

Plan Description - The MLGW Retirement System pension trust fund accounts for the activity of the MLGW Retirement System, a single employer public employee retirement system. Prior to 1988, the retirement system included the contributory defined benefit plans (the "1948 Plan" and the "1978 Plan"). The 1948 Plan and the 1978 Plan were amended and superseded as of July 1, 1988. All employees who were members of the 1948 Plan and the 1978 Plan automatically became members of the amended, restated and consolidated MLGW Retirement System. The MLGW Pension Plan was amended and restated effective January 1, 2009. Participants in the 1948 Plan (which includes those employees hired before July 1, 1978) are entitled to the greater of their retirement benefit determined under the 1948 Plan or their retirement benefit under the MLGW Pension Plan.

At December 31, 2009, the MLGW Retirement System membership consisted of:

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

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

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

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

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

CITY OF MEMPHIS, TENNESSEE
(Continued)

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

Contributions - All members under the MLGW Retirement System are required to contribute 8 percent of the benefit compensation to the MLGW Retirement System. As of December 31, 2009, MLGW's current required contribution is 14.87 percent of pensionable earnings of all active participants. Investment costs of the MLGW Retirement System are financed through investment earnings. Other administrative costs are included in the annual required contribution amount.

Actuarial Methods and Assumptions – The annual required contribution for the current year was determined as part of the January 1, 2010 actuarial valuation using the aggregate actuarial cost method. The aggregate actuarial cost method does not identify or separately amortize unfunded actuarial liabilities. The information about funded status and funding progress has been prepared using the entry age normal actuarial cost method.

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

Schedule of Funding Progress – As of January 1, 2010, the most recent actuarial valuation date, the MLGW Pension Plan was 92.1 percent funded. The actuarial accrued liability ("AAL") for benefits was \$1,292,791, and the actuarial value of assets was \$1,191,027, resulting in an unfunded actuarial accrued liability ("UAAL") of \$101,764. The covered payroll (annual payroll of active employees covered by the pension plan) was \$154,057, and the ratio of the UAAL to the covered payroll was 66.1 percent.

(in thousands of dollars)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL)* (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)
1/1/2008	1,258,670	1,240,867	(17,803)	101.4%	146,830	0.0%
1/1/2009	1,176,590	1,243,630	67,040	94.6%	150,253	44.6%
1/1/2010	1,191,027	1,292,791	101,764	92.1%	154,057	66.1%

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

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

CITY OF MEMPHIS, TENNESSEE
(Continued)

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
2004	18,241	88.4
2005	18,683	102.8
2006	19,512	100.6
2007	17,217	100.1
2008	10,541	175.2
2009	22,401	95.5

Annual Pension Cost and Net Pension Asset – The MLGW Retirement System’s annual pension cost and net pension asset for the year ended December 31, 2009, were as follows:

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

Three-year trend information is as follows:

Year Ended June 30	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Asset
2007	17,596	97.9%	(10,684)
2008	10,913	169.2%	(18,237)
2009	22,984	93.1%	(16,641)

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

CITY OF MEMPHIS, TENNESSEE
(Continued)

G. Component units

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

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

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CITY OF MEMPHIS

FISCAL YEAR 2012

ADOPTED

O P E R A T I N G

BUDGET

A C WHARTON, JR. MAYOR



GOVERNMENT FINANCE OFFICERS ASSOCIATION

*Distinguished
Budget Presentation
Award*

PRESENTED TO

**City of Memphis
Tennessee**

For the Fiscal Year Beginning

July 1, 2010



President

Executive Director

The Government Finance Officers Association of the United States and Canada (GFOA) presented a Distinguished Budget Presentation Award to the City of Memphis, Tennessee for the Annual Budget beginning July 01, 2010. In order to receive this award, a government unit must publish a budget document that meets program criteria as a policy document, as an operations guide, as a financial plan, and as a communications device.

This award is valid for a period of one year only. We believe our current budget continues to conform to program requirements, and we are submitting it to GFOA to determine its eligibility for another award.

INTRODUCTION

MAYOR'S LETTER

Note: The Mayor's transmittal letter was written at the time that the Proposed Budget was submitted to City Council. This schedule shows the amendments made to the Proposed Budget.			
FY2012 Operating Budget	Proposed Budget	Amendments	Adopted Budget
<u>General Fund Revenues</u>			
Unallocated Revenues	\$ 631,286,709	\$ 11,826,000	\$ 643,112,709
Divisional Revenues	\$ 45,029,887	\$ 441,000	\$ 45,470,887
Total Revenues	\$ 676,316,596	\$ 12,267,000	\$ 688,583,596
<u>General Fund Expenditures</u>			
City Attorney	\$ 13,195,613	\$ (66,215)	\$ 13,129,398
City Council	\$ 1,560,967	\$ (23,252)	\$ 1,537,715
City Court Clerks	\$ 4,360,989	\$ 317,795	\$ 4,678,784
City Judges	\$ 611,336	\$ (1,850)	\$ 609,486
Community Enhancement	\$ 8,913,976	\$ (617,880)	\$ 8,296,096
Engineering	\$ 7,531,197	\$ (258,256)	\$ 7,272,941
Executive	\$ 6,664,246	\$ (1,463,804)	\$ 5,200,442
Finance	\$ 4,950,646	\$ (31,086)	\$ 4,919,560
Fire Services	\$ 153,460,100	\$ (970,523)	\$ 152,489,577
General Services	\$ 15,135,112	\$ (3,831,129)	\$ 11,303,983
Grants & Agencies	\$ 136,435,734	\$ (9,770,290)	\$ 126,665,444
Housing and Community Development	\$ 5,576,398	\$ 248,150	\$ 5,824,548
Human Resources	\$ 6,760,972	\$ 68,724	\$ 6,829,696
Information Services	\$ 17,215,383	\$ (5,921)	\$ 17,209,462
Park Services	\$ 26,528,474	\$ 201,800	\$ 26,730,274
Police Services	\$ 226,149,683	\$ 49,317	\$ 226,199,000
Public Services	\$ 23,034,252	\$ 1,290,403	\$ 24,324,655
Public Works	\$ 18,231,518	\$ (51,811)	\$ 18,179,707
Total Expenditures	\$ 676,316,596	\$ (14,915,828)	\$ 661,400,768
Contribution to Fund Balance	\$ -	\$ 27,182,828	\$ 27,182,828

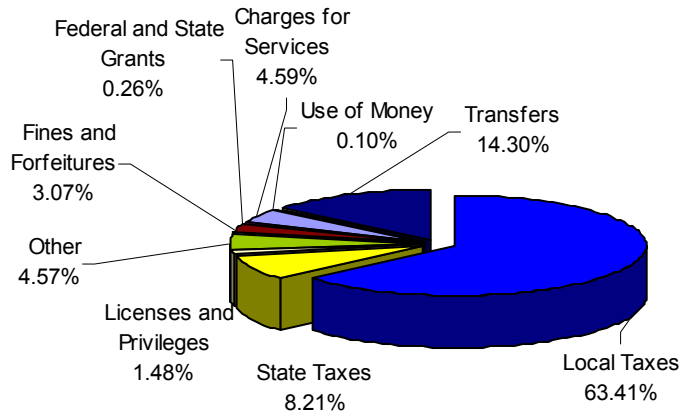


GENERAL FUND

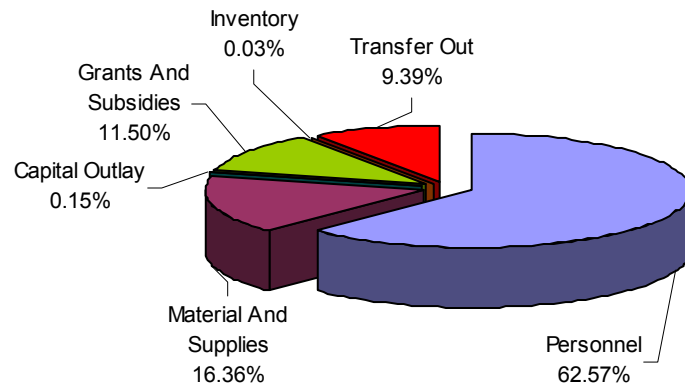
Description	FY2010	Actual	FY2011 Adopted	FY2011 Forecast	FY2012 Adopted
Revenues					
Local Taxes	420,878,986	423,482,795	423,603,813	436,659,583	
State Taxes	54,713,106	52,045,528	54,882,700	56,548,505	
Licenses and Privileges	11,118,673	11,734,243	10,766,821	10,221,821	
Fines and Forfeitures	12,161,981	13,026,396	12,993,606	21,117,500	
Federal and State Grants	2,575,729	1,806,949	2,331,279	1,793,067	
Charges for Services	31,815,236	29,483,170	32,197,599	31,636,225	
Use of Money	876,828	2,035,679	573,151	673,151	
Other/Intergov't Revenues	13,045,829	16,040,831	15,988,283	31,446,847	
Total General Revenues	547,186,368	549,655,591	553,337,252	590,096,699	
Transfers	58,537,514	127,766,897	127,486,267	98,486,897	
Total Revenues/Transfers	605,723,882	677,422,488	680,823,519	688,583,596	
Expenditures					
Personnel	416,446,928	437,927,219	438,043,312	413,868,243	
Materials & Supplies	87,287,964	105,229,437	112,712,616	108,189,401	
Capital Outlay	1,804,337	1,336,772	1,426,698	959,592	
Grants & Subsidies	76,572,859	63,601,398	67,856,424	76,083,148	
Inventory/Other Expenses	120,938	75,300	215,253	225,300	
Transfer Out	45,662,173	64,996,056	65,765,844	62,075,084	
Total Expenditures	627,895,199	673,166,182	686,020,147	661,400,768	
Contribution (Use) of Fund Balance	(22,171,317)	4,256,306	(5,196,628)	27,182,828	
Fund balance beginning of year	106,603,000		84,431,683	79,235,055	
Fund balance end of year	84,431,683		79,235,055	106,417,883	



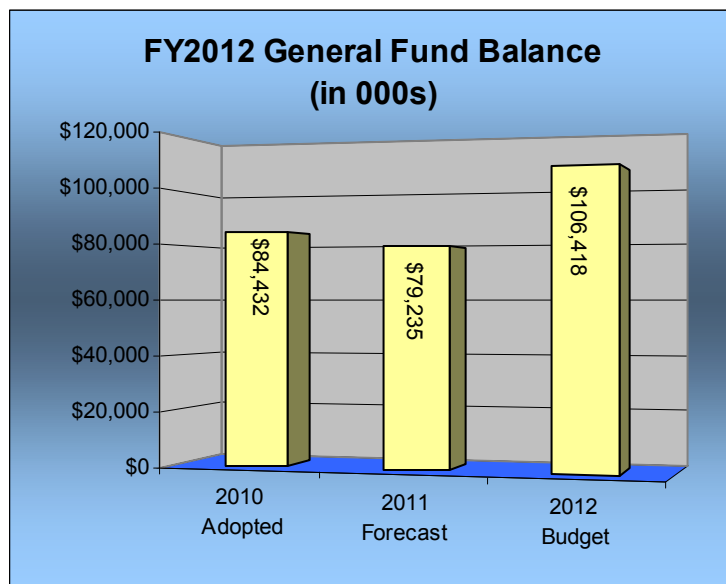
FY2012 General Fund Revenues



FY2012 General Fund Expenditures



FY2012 General Fund Balance (in 000s)



AN ORDINANCE TO APPROPRIATE THE PROCEEDS OF THE TAX LEVY ON THE ASSESSED VALUES ON ALL PROPERTIES OF EVERY SPECIES WITHIN THE CITY LIMITS FOR GENERAL PURPOSES FOR THE FISCAL YEAR JULY 1, 2011 THROUGH JUNE 30, 2012, INCLUSIVE, TOGETHER WITH ALL COLLECTIONS FROM PRIVILEGES, LICENSES, FEES, FINES, PERMITS, CHARGES, REQUESTS, TRANSFERS FROM NON-BUDGET ACCOUNTS, EARNINGS, REFUNDS, AND ALL OTHER ITEMS CONSTITUTING THE REVENUE RECEIPTS OF THE CITY OF MEMPHIS FOR THE FISCAL YEAR JULY 1, 2011 THROUGH JUNE 30, 2012, INCLUSIVE, TO PROVIDE THE MANNER IN WHICH MONIES MAY BE TRANSFERRED FROM ONE FUND TO ANOTHER AND TO PROVIDE THE STANDARD CODE OR DESIGNATIONS UNDER WHICH THE APPROPRIATIONS ARE TO BE ADMINISTERED AND ACCOUNTING CONTROL MAINTAINED.

SECTION 1. BE IT ORDAINED that the anticipated receipts herein appropriated shall be designated as follows:

1. GENERAL FUND, which shall embrace all expenditures for the accounts of the City corporation, except for the expenditures hereinafter appropriated to the Special Revenue Funds, Debt Service, Enterprise Funds, Internal Service Fund and Fiduciary Fund, including current operations and outlays for construction and equipment to be made from receipts herein appropriated.

**GENERAL FUND
GENERAL REVENUES**

LOCAL TAXES

Ad Valorem Tax- Current	278,106,000
Ad Valorem Tax Prior	780,000
Rec In Lieu Of Taxes - Cont	5,220,500
Prop Taxes Int & Penalty	1,200,000
Bankruptcy Interest & Penalty	170,000
Special Assessment - Prior	130,000
Local Sales Tax	99,000,000
Alcoholic Bev Insp Fee	4,100,000
Beer Sales Tax	15,100,000
Gross Receipts Bus. Tax	12,000,000
Interest Penalties & Commissions	230,000
Business Tax Fees	900,000
Mixed Drink Tax	2,600,000
Bank Excise Tax	792,987
State Appointment TVA	7,800,000
Cable TV Franchise Fees	4,400,000
Miscellaneous Franchise Tax	650,000
Warrants and Levies	200
Miscellaneous Tax Recoveries	2,300,000
MLGW/Williams Pipeline	315,870
TOTAL LOCAL TAXES	435,795,557



CITY OF MEMPHIS**OPERATING BUDGET ORDINANCE**

STATE TAXES (LOCAL SHARE)

State Income Tax	6,000,000
State Sales Tax	46,863,401
Telecommunication Sales Tax	50,000
State Shared Beer Tax	340,000
Alcoholic Beverage Tax	270,504
Spec Petroleum Product Tax	1,479,600
TOTAL STATE TAXES (LOCAL SHARE)	55,003,505

LICENSES & PRIVILEGES

Liquor By The Oz License	250,000
Taxi Drivers Licenses	28,200
Gaming Pub Amusement Fees	13,000
Wrecker Permit Fee	9,088
Miscellaneous Permits	70,000
Beer Applications	65,000
Auto-Veh Reg/Inspect Fee	9,200,000
Beer Permits	140,000
TOTAL LICENSES & PRIVILEGES	9,775,288

FINES AND FORFEITURES

Court Fines	8,900,000
Court Costs	9,140,000
Fines & Forfeitures	100,000
Beer Applications (Fines)	100,000
Arrest Fees	260,000
TOTAL FINES & FORFEITURES	18,500,000

CHARGES FOR SERVICES

Tax Sales-Attorneys Fee	700,000
MLG & W Rents	2,400
Parking Lots	315,000
TOTAL CHARGES FOR SERVICES	1,017,400

USE OF MONEY

Interest on Investments	300,000
Net Income/Investors	300,000
State Litigation - Tax Commission	73,151
TOTAL USE OF MONEY	673,151

OTHER REVENUES	23,860,911
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CITY OF MEMPHIS**OPERATING BUDGET ORDINANCE**

TRANSFERS

In Lieu of Tax-MLG&W	54,470,000
In Lieu of Tax-Sewer Fund	3,874,897
Transfer in Debt Service Fund	20,000,000
Transfer In Mun St Aid Fund	16,811,000
Transfer In Sewer Fund	1,300,000
Transfer In Solid Waste	2,031,000
TOTAL TRANSFERS	98,486,897

TOTAL GENERAL REVENUES/ TRANSFERS IN**643,112,709****GENERAL FUND
DEPARTMENTAL REVENUES**

EXECUTIVE

Federal Grants	150,000
Local Shared Revenue	303,593
TOTAL EXECUTIVE	453,593

FINANCE

Rezoning Ordinance Publication Changes	10,000
TOTAL FINANCE	10,000

FIRE

Anti-Neglect Enforcement Program	200,000
Ambulance Service	18,500,000
Fire-Misc Collections	22,000
International Airport	3,802,196
TOTAL FIRE	22,524,196

POLICE

Fines & Forfeitures	40,000
DUI BAC Fees	4,500
Sex Offender Registry Fees	49,000
Wrecker & Storage Charges	1,028,920
Tow Fees	1,099,214
Police Special Events	850,000
Sale of Reports	259,060
Officers in the School	1,067,000
Misc Revenue	44,000
Federal Grants	200,000
TOTAL POLICE	4,641,694



CITY OF MEMPHIS**OPERATING BUDGET ORDINANCE**

PARKS

Admissions - School Groups	14,000
Admissions - Groups	2,900
Admissions - Museum Workshops	17,800
Admissions - General	269,900
Museum Planetarium Fee	67,000
Senior Citizens Meals	135,000
Concessions	414,200
Golf Car Fees	1,126,000
Pro Shop Sales	107,500
Green Fees	1,850,400
Softball	119,850
Basketball	54,300
Ball Permit	28,750
Class Fees	92,200
Rental Fees	220,135
Day Camp Fees	214,050
After School Camp	7,500
Outside Revenue	1,579,758
St TN Highway Maint Grant	111,372
Local Shared Revenue	332,500
Misc Revenue-Cash Overage/Shortage	27,015
TOTAL PARKS	6,792,130

PUBLIC WORKS

St TN Highway Maint Grant	486,695
TOTAL PUBLIC WORKS	486,695

HUMAN RESOURCES

Gym Fees	15,000
TOTAL HUMAN RESOURCES	15,000

PUBLIC SERVICES

Dog License	274,965
County Dog License Fee	83,568
Library Fines & Fees	700,000
Weights/Measures Fees	540,000
Fleet/Mobile Fees	170,723
Shelter Fees	181,239
Animal Vaccination	18,234
Local Shared Revenue	654,709



CITY OF MEMPHIS**OPERATING BUDGET ORDINANCE**

City of Bartlett	1,034,000
Misc Income	50,000
Grant Revenue - Library	16,000
<i>TOTAL PUBLIC SERVICES</i>	<u>3,723,438</u>
 GENERAL SERVICES	
Fiber Optic Franchise Tax	466,026
Rent of Land	43,669
Easements and Encroachments	80,383
<i>TOTAL GENERAL SERVICES</i>	<u>590,078</u>
 COMMUNITY ENHANCEMENT	
Special Assessment Tax	398,000
St TN Interstate Grant	750,000
<i>TOTAL COMMUNITY ENHANCEMENT</i>	<u>1,148,000</u>
 ENGINEERING	
Sidewalk Permits	88,000
Subdivision Plan Insp Fees	385,000
Street Cut Inspection Fee	250,000
Traffic Signals	66,000
Signs-Loading Zones	12,800
Arc Lights	4,000
MLG&W Rent	400
St TN Highway Maint Grant	95,000
Sale of Report	14,363
<i>TOTAL ENGINEERING</i>	<u>915,563</u>
 INFORMATION SYSTEMS	800,000
 CITY COURT CLERK	
Court Fees	1,824,000
<i>TOTAL CITY COURT CLERK</i>	<u>1,824,000</u>
 PLANNING AND DEVELOPMENT	
Landmarks Commission Misc. Revenue	1,546,500
<i>TOTAL PLANNING AND DEVELOPMENT</i>	<u>1,546,500</u>
 TOTAL DEPARTMENTAL REVENUES	<u>45,470,887</u>
 TOTAL REVENUES GENERAL FUND	<u><u>688,583,596</u></u>



CITY OF MEMPHIS**OPERATING BUDGET ORDINANCE**

**GENERAL FUND
EXPENDITURE BUDGET****EXECUTIVE**

Mayor's Office	1,126,281
Chief Administrative Office	328,095
Auditing	967,584
Mayor's Citizen Service Center	334,361
Youth Services/Community Affairs	1,806,202
Emergency Operations Center	637,919
TOTAL EXECUTIVE	5,200,442

FINANCE

Administration	375,830
Financial Management	1,625,929
Purchasing	686,086
Budget	461,503
Debt & Investment Management	176,381
City Treasurer	1,404,478
Financial & Strategic Planning Office	189,353
TOTAL FINANCE	4,919,560

FIRE

Administration	2,032,490
Apparatus Maintenance\Hydrant Repair	7,038,994
Logistical Services	1,805,430
Training	2,677,378
Communications	4,734,573
Fire Prevention/Public Education	5,175,334
Firefighting	92,431,054
EMS	32,921,061
Airport	3,673,263
TOTAL FIRE	152,489,577

POLICE

Executive Administration	31,298,447
Support Services	27,394,657
Precincts	115,081,010
Investigative Services	28,594,102
Special Operations	23,830,784
TOTAL POLICE	226,199,000



CITY OF MEMPHIS**OPERATING BUDGET ORDINANCE**

PARKS

Administration	576,788
Planning & Development	138,911
Park Operations	5,378,209
Park Facilities	3,148,425
Zoo	1,790,873
Brooks Museum	614,460
Memphis Botanic Gardens	521,058
Fairgrounds/Stadium	1,882,308
Recreation	8,344,625
Golf	4,334,617
TOTAL PARKS	26,730,274

PUBLIC WORKS

Administration	806,639
Street Maintenance	5,178,068
Street Lighting	12,195,000
TOTAL PUBLIC WORKS	18,179,707

HUMAN RESOURCES

Administration/EAP	859,685
Health, Wellness & Benefits	584,075
Recruitment & Selection	3,780,098
Compensation/Records Administration	773,929
Labor Relations/EEO	317,855
Academy of Learning & Development	514,054
TOTAL HUMAN RESOURCES	6,829,696

PUBLIC SERVICES & NEIGHBORHOODS

Administration	545,234
Special Services	1,873,643
Animal Shelter	2,951,001
Vehicle Inspection	2,491,887
Memphis/Shelby County Music Commission	210,495
Memphis Public Libraries	16,252,395
TOTAL PUBLIC SERVICES & NEIGHBORHOODS	24,324,655

GENERAL SERVICES

Administration	576,223
Property Maintenance	6,291,790
Real Estate	358,549
Operation Of City Hall	2,139,386



CITY OF MEMPHIS**OPERATING BUDGET ORDINANCE**

Printing/Mail Services	1,938,035
<i>TOTAL GENERAL SERVICES</i>	<u>11,303,983</u>
 HOUSING & COMMUNITY DEVELOPMENT	
Housing	310,940
Economic Development	4,272,596
Community Initiatives	934,062
Business Development Center	306,950
<i>TOTAL HOUSING & COMMUNITY DEVELOPMENT</i>	<u>5,824,548</u>
 COMMUNITY ENHANCEMENT	
Administration	567,583
Community Enhancement	7,728,513
<i>TOTAL COMMUNITY ENHANCEMENT</i>	<u>8,296,096</u>
 CITY ATTORNEY	13,129,398
 ENGINEERING	
Engineering Design & Administration	2,270,061
Signs And Markings	2,446,879
Traffic Signal Maintenance	2,556,001
<i>TOTAL ENGINEERING</i>	<u>7,272,941</u>
 INFORMATION SYSTEMS	17,209,462
 CITY COUNCIL	1,537,715
 CITY COURT JUDGES	609,486
 CITY COURT CLERK	3,313,718
RED LIGHT CAMERA	1,365,066
	<u>4,678,784</u>
 GRANTS & AGENCIES	
Black Business Association	200,000
Chamber Foundation	1,350,000
Coliseum	150,000
Convention Center	1,000,000
Delta Commission on Aging	143,906
Economic Development	3,000,000
Elections	1,075,000
Facility Management Program Expense	1,545,000



CITY OF MEMPHIS**OPERATING BUDGET ORDINANCE**

Family Safety Center	100,000
Launch Memphis	25,000
MATA	16,930,000
Memphis Film & Tape	150,000
MLGW Citizen Assistant	1,000,000
Pensioners Insurance	28,451,500
Planning & Development	2,000,000
Pyramid	500,000
Rightsizing Budget Cost	1,300,000
Riverfront Development	2,373,859
Shelby County	6,646,149
Shelby County Assessor	414,129
Transfer Out - Board of Education	55,237,285
Transfer Out- CRA Program	2,102,988
Transfer Out- Storm Water Fund	232,820
Transfer Out- Misc Grants Fund	33,200
Transfer Out- Unemployment Funds	400,000
Administrative Expenses	174,608
Urban Art	130,000
TOTAL GRANTS & AGENCIES	126,665,444
 TOTAL EXPENDITURES / TRANSFERS GENERAL FUND	 661,400,768
 CONTRIBUTION TO FUND BALANCE	 27,182,828
	 688,583,596

2. SPECIAL REVENUE FUNDS**A. HOTEL/MOTEL TAX FUND**

HOTEL/MOTEL TAX FUND
REVENUE BUDGET

Hotel/Motel Tax	3,400,000
Transfer from New Memphis Arena Fund	965,000
TOTAL REVENUES	4,365,000

EXPENDITURE BUDGET

Convention/Visitor's Bureau	2,213,571
Transfer to New Memphis Arena Fund	965,000



CITY OF MEMPHIS

OPERATING BUDGET ORDINANCE

Transfer To Debt Service Fund	1,186,429
<i>TOTAL EXPENDITURES</i>	<u>4,365,000</u>

B. MUNICIPAL AID FUND, which shall embrace expenditures from Municipal State Aid Fund receipts.

MUNICIPAL STATE AID FUND REVENUE BUDGET

State Three Cent Tax	3,846,000
State One Cent Tax	2,062,300
State Gas Tax	12,671,000
<i>TOTAL REVENUES</i>	<u>18,579,300</u>

EXPENDITURE BUDGET

Operating Transfer Out To General Fund	16,811,000
Operating Transfer Out To Debt Service Fund	1,768,300
<i>TOTAL EXPENDITURES</i>	<u>18,579,300</u>

C. NEW MEMPHIS ARENA FUND

NEW MEMPHIS ARENA FUND REVENUE BUDGET

Local Taxes	965,000
State Shared Revenues	12,000,000
Transfer From Hotel Motel Fund	965,000
Transfer From MLGW	2,500,000
<i>TOTAL REVENUES</i>	<u>16,430,000</u>

EXPENDITURE BUDGET

Sports Authority	2,500,000
Shelby County	12,000,000
Transfer To Hotel Motel Fund	965,000
Contribution to Fund Balance	965,000
<i>TOTAL EXPENDITURES</i>	<u>16,430,000</u>



D. METRO ALARM FUND

METRO ALARM FUND
REVENUE BUDGET

Alarm Revenue	402,355
<i>TOTAL REVENUE</i>	<u>402,355</u>

EXPENDITURE BUDGET

Alarm Operating Expenses	402,355
<i>TOTAL EXPENDITURES</i>	<u>402,355</u>

E. ZOO GRANT

ZOO GRANT
REVENUE BUDGET

Contribution from Fund Balance	95,000
<i>TOTAL REVENUE</i>	<u>95,000</u>

EXPENDITURE BUDGET

Zoo Grant Expenses	95,000
<i>TOTAL EXPENDITURES</i>	<u>95,000</u>

F. MLK PARK IMPROVEMENTS

MLK PARK IMPROVEMENTS
REVENUE BUDGET

MLK Park Improvements Revenue	140,446
Contributed from Fund Balance	124,340
<i>TOTAL REVENUE</i>	<u>264,786</u>

EXPENDITURE BUDGET

MLK Park Improvements Expenses	264,786
<i>TOTAL EXPENDITURES</i>	<u>264,786</u>



G. SOLID WASTE MANAGEMENT FUND**SOLID WASTE MANAGEMENT FUND
REVENUE BUDGET**

Solid Waste Disposal Fee	58,532,262
Sanitation Inspection Fee	620,140
Waste Reduction Grant	73,000
Recycling Proceeds	100,000
TOTAL REVENUES	59,325,402

EXPENDITURE BUDGET

Solid Waste Management Expenses	57,995,044
Contribution To Fund Balance	1,330,358
TOTAL EXPENDITURES	59,325,402

H. PLANNING & DEVELOPMENT**PLANNING & DEVELOPMENT
REVENUE BUDGET**

Depot Redevelopment Agency	78,328
Industrial Dev Board	600,000
Neighborhood Planning/CRA	521,734
CRA/Projects	5,046,867
Tree Bank	33,469
TOTAL REVENUE	6,280,398

EXPENDITURE BUDGET

Depot Redevelopment Agency	78,328
Industrial Dev Board	600,000
Neighborhood Planning/CRA	521,734
CRA/Projects	5,046,867
Tree Bank	33,469
TOTAL EXPENDITURE	6,280,398



3. DEBT SERVICE FUND

The Debt Service Fund shall embrace expenditures for the payment of interest and installments on the public debt.

DEBT SERVICE FUND
REVENUE BUDGET

Current Property Tax	77,213,461
Delinquent Property Tax	1,550,000
Local Option Sales Tax	7,000,000
In Lieu of Taxes- Contractual	1,100,000
Hotel-Motel Tax	402,270
Use of Money	65,000
Intergovernmental Rev.	4,658,428
Other Revenues	1,302,921
Municipal State Aid Fund	1,768,300
Transfer in General Fund	4,042,448
Solid Waste Management Fund	4,062,215
Transfer in Storm Water Management Fund	4,412,440
Hotel/Motel Fund	1,186,430
Proceeds From Refunding Bonds	75,400,000
Contribution From Fund Balance	8,825,221
TOTAL REVENUES / TRANSFERS IN	192,989,134

EXPENDITURE BUDGET

Redemption of serial bonds and notes	36,475,078
Interest	58,777,056
Other	315,000
Transfer to Sewer Fund	272,000
Transfer to Port Commission Fund	1,750,000
Transfer to General Fund	20,000,000
Retirement of Refunded Note	75,400,000
TOTAL EXPENDITURES / TRANSFERS OUT	192,989,134



4. ENTERPRISE FUNDS

A. SEWER FUND which shall embrace expenditures from City Sewer Fees, Connection Fees, Miscellaneous Fees, and other monies used for Sewer Services operating and debt service purposes.

SEWER FUND
REVENUE BUDGET

Sewer Fees	100,918,000
Sewer Connection Fees	300,000
Sewer Special Connections	100,000
Rents	32,000
Other Revenues	150,000
Subdivision Development Fees	500,000
Interest on Investments	1,000,000
<i>TOTAL REVENUES</i>	<hr/> 103,000,000

EXPENDITURE BUDGET

Environmental Inspection & Preventive Maintenance	5,752,657
T E Maxson Treatment Plant	14,761,631
Maynard Stiles Treatment Plant	14,987,636
Lift Stations	1,233,799
Environmental Administration	4,082,165
Environmental Maintenance	10,158,059
Sanitary Sewer Design	916,417
Dividend To General Fund	1,300,000
Cost Allocation- General Fund	1,075,000
Materials & Supplies	110,000
Pension Fees	1,000
Bond Sale	150,000
In Lieu of Tax	4,000,000
Payment of Debt Service	16,834,000
State Loan & Principal & Interest	141,000
Increase (Decrease) in Net Assets	27,496,636
<i>TOTAL EXPENDITURES</i>	<hr/> 103,000,000



B. STORM WATER FUND which shall embrace expenditures from City Storm Water Fees, Drainage Fees, Miscellaneous Fees, and other monies used for Storm Water Services operating and debt service purposes.

STORM WATER FUND
REVENUE BUDGET

Storm Water Fees	24,275,500
Open Transfer In - General Fund	232,820
Fines & Forfeitures	5,000
TOTAL REVENUES	24,513,320

EXPENDITURE BUDGET

PW/Drain Maintenance	6,693,386
PW/ Heavy Equipment Services	2,576,976
PW/ Flood Control	1,368,695
PW/Storm Water	1,261,178
CE/ Street Sweeping	2,416,749
ENG/ Drainage Design	273,008
Cost Allocation- General Fund	300,000
MLGW Billing	485,510
Materials & Supplies	50,000
Depreciation	1,049,073
Transfer Out - Debt Service	4,412,440
Increase (Decrease) in Net Assets	3,626,305
TOTAL EXPENDITURES	24,513,320

5. INTERNAL SERVICE FUND

HEALTHCARE
REVENUE BUDGET

Employer Contributions	56,249,641
Employee Contributions	18,197,526
Other (Medicare Part D/Interest)	130,000
Increase/(Decreases) in Net Assets	10,183,778
TOTAL REVENUES	84,760,945



EXPENDITURE BUDGET

Personnel	447,506
Materials & Supplies	4,643,015
Claims Incurred	73,515,000
Transfer Out	6,152,174
Other	3,250
TOTAL EXPENDITURES	84,760,945

6. FIDUCIARY FUND

OTHER POST EMPLOYMENT BENEFITS (OPEB)
ADDITIONS

Employer	30,288,268
Members	9,798,668
Medicare Part D	1,000,000
Transfer In	6,152,174
Interest on Investments	70,000
TOTAL ADDITIONS	47,309,110

DEDUCTIONS

Benefits	39,585,000
Administrative Expenses	2,722,360
Medicare Buy-backs	5,000,000
Other	1,750
TOTAL DEDUCTIONS	47,309,110

SECTION 2. BE IT FURTHER ORDAINED that for the purposes of budget control, administration and accounting of the appropriations made herein for the fiscal year, July 1, 2011, through June 30, 2012, inclusive, the Division and Program names shall be as set out in accordance with the requirements of Section One (1) hereof.

SECTION 3. BE IT FURTHER ORDAINED that Council estimates of the revenues of the City of Memphis for the fiscal year, July 1, 2011, through June 30, 2012, inclusive, which are applicable to the purposes for which taxes are levied shall be set in the schedule within Section 1.



SECTION 4. BE IT FURTHER ORDAINED that all monies subject to appropriation by all divisions shall be deposited with the City Treasurer for the use of the City and all monies so received shall be considered appropriated regardless of the foregoing estimates by items until the appropriations have been filled.

Thereupon, any surplus shall become and be designated Unappropriated Revenue and be subject to lawful appropriation by the Council. Such amounts are not appropriated for the use of the Division receiving same, but shall be carried as a memorandum of collections and earnings.

SECTION 5. BE IT FURTHER ORDAINED that the Comptroller shall have no power to authorize withdrawal of funds constituting the current operating revenues of the City of Memphis from the Treasury of the City of Memphis nor shall any obligations for the expenditures of any such funds be incurred except in pursuance of this ordinance; provided, however, that the Council may appropriate in the current year a greater amount for the operation of any Division, or for any corporate purpose other than those for which an appropriation shall have been made herein in the event that the current revenues shall be available for such purposes; and, provided further, that said expenditures shall be authorized by ordinance or resolution duly adopted by the Council.

SECTION 6. BE IT FURTHER ORDAINED that where work is done or materials furnished by one service center for another service center, the Comptroller is directed to charge the appropriation of the service center receiving and to credit the appropriation of the service center furnishing such labor or materials with the proper cost thereof, when said charge is accepted by the service center receiving same.

SECTION 7. BE IT FURTHER ORDAINED that the Comptroller shall maintain on file in his/her office the line item budget of each program, and that sums not to exceed the preceding amounts set forth in totals by Division and Program for the several funds shall so far as may be needed, be appropriated for the purpose shown for the fiscal year, July 1, 2011 through June 30, 2012, inclusive.

The Mayor shall have the authority to approve transfers between line items within the total amounts of each category (Personnel, Supplies and Services, Grants & Subsidies, Capital Outlay and Expense Recoveries).

The Mayor shall have the authority to approve transfers between categories within the total amounts of each program as set forth herein, however, each transfer shall have a maximum limit of \$50,000 and each Program shall have an annual cumulative limit of \$100,000 for transfers between categories, within the total amounts of each Program. Any transfer of appropriations between Programs shall be made only upon the authorization by ordinance or resolution of the Council.

SECTION 8. BE IT FURTHER ORDAINED, that at the end of the fiscal year which is fixed as June 30, the City Comptroller be authorized to transfer funds as necessary in order that budgeted appropriations not be exceeded in each Program and that the transfer of funds shall not result in an increase in the total Fiscal Year 2012 budget.



SECTION 9. BE IT FURTHER ORDAINED that pursuant to the provisions of the City Charter as amended when any obligation has been incurred by order, contract, agreement to purchase, hire, receive or otherwise obtain anything of value for the use of the City by the joint action of the respective Division Directors, a liability shall be construed to have been created against the appropriation of the Division affected and the respective Division Directors and Program Heads in charge and other persons are prohibited from incurring liabilities in excess of the amount appropriated for each budget of each Program, the totals of which are set out in Section One (1), hereof, of additional amounts which may hereafter be authorized by the Council.

SECTION 10. BE IT FURTHER ORDAINED that, at the close of each fiscal year, which is fixed as June 30, any unencumbered balance of an appropriation shall revert to the appropriate fund balance account or net assets account and shall be subject to reappropriation by the Council, encumbered appropriations shall be carried forward into the next fiscal year from the current year budget in furtherance of improvements or for any corporate purpose which will not be completed within such current fiscal year.

SECTION 11. BE IT FURTHER ORDAINED that it shall be the duty of the Comptroller to keep an account of each object item appropriation made by the City Council and each such account shall show the appropriations made thereto, the amounts drawn thereon, and he/she shall make available such information on each appropriation account to the Directors of the various Divisions.

SECTION 12. BE IT FURTHER ORDAINED that no claims against the City shall be paid except by means of a check, manual or electronic, on the Treasury issued and signed/authorized by the Comptroller.

SECTION 13. BE IT FURTHER ORDAINED that the Council expressly declares that each section, subsection, paragraph and provision of this ordinance is severable, and that should any portion of this ordinance be held unconstitutional or invalid, the same shall not affect the remainder of this ordinance, but such unconstitutional or invalid portion be elided, and the City Council declares that it would have passed this ordinance with such unconstitutional or invalid portions elided.

SECTION 14. BE IT FURTHER ORDAINED that this ordinance take effect from and after the date it shall have been passed by the Council, signed by the Chairman of the Council, certified and delivered to the Office of the Mayor in writing by the Comptroller and become effective as otherwise provided by law.

SECTION 15. BE IT FURTHER ORDAINED that the administration is directed to study the feasibility and legality of levying an occupational privilege tax and submit its findings to the Memphis City Council by January 2012.

SECTION 16. BE IT FURTHER ORDAINED that the administration is directed to study the feasibility of revising its parking fees and structure of service delivery by January 2012.

SECTION 17. BE IT FURTHER ORDAINED that the administration shall evaluate the consolidation of Parks, Community Enhancement and Public Services Divisions by November 2011.



SECTION 18. BE IT FURTHER ORDAINED that the administration will evaluate the pension plan in order to address unfunded pension and OPEB liabilities. (See Attached Resolution, Page 3, Section 1)

SECTION 19. BE IT FURTHER ORDAINED that the organization structure will change whereby the Executive Division will transfer two (2) legal levels (OYS and Human Services & Community Affairs) to the Public Services Division. Whereas, the reporting structure changes will be budget neutral.

SECTION 20. BE IT FURTHER ORDAINED that if for any reason a budget ordinance is not adopted prior to the beginning of the next succeeding fiscal year, one-twelfth (1/12) of the appropriations from the previous fiscal years' adopted budget ordinance shall become the appropriation for the new fiscal year until the adoption of the new fiscal year budget ordinance is approved, in accordance with Section 6-56-210, TENNESSEE CODE ANNOTATED, provided sufficient revenues are being collected to support the continuing appropriations.

Myron Lowery, Chairperson

Attest: Patrice Thomas, Comptroller

THE FOREGOING ORDINANCE
5518 PASSED
1st Reading 5-3-11
2nd Reading 5-17-11
3rd Reading 6-21-11
Approved Bill Marshall
Chairman of Council
Date Signed: 7-5-11
Approved: [Signature]
Mayor, City of Memphis
Date Signed: 07-07-2011
I hereby certify that the foregoing is a true
copy, and said document was adopted by the
Council of the City of Memphis as above in-
dicated and approved by the Mayor.
Valerie C. Grimes
Comptroller



REVENUE AND EXPENDITURE SUMMARY

FIVE YEAR PROJECTION

The Memphis City Administration develops a Five-Year Financial Plan for the General Fund. The Five Year Financial Plan is an indication of management's best assessment of future revenues, expenditures and operating results over the five-year forecast period.

The compilation and review of the Plan provides an opportunity to put current funding decisions in context with longer-term economic conditions while affording City management a realistic projection of the ongoing financial impact of policy decisions. The Plan also provides an opportunity to demonstrate to policy makers the likely impact of the short-term capital investment and financing decisions on the City's longer-term financial capacity.

Major goals of the Five-Year Financial Plan include the following:

1. To put the City's annual budget making process into a five-year planning horizon to facilitate prudent financial management.
2. To provide an environment for setting revenue and expenditure targets and for evaluating budget priorities in light of projected fiscal conditions.
3. To present a picture of the longer-term strategic financial issues facing the City, while highlighting funding priorities for budget planning.
4. To identify potential structural budget imbalances, surpluses or shortfalls.
5. To provide a useful framework for reviewing and refining the City's financial forecasts, as well as its financial management goals and priorities.

In preparing the Plan, the Budget Office takes into account historical experience, as well as the economic uncertainties underlying the revenue outlook and growth in expenditures during the five-year period. The City's key assumptions for revenues and expenditures are provided in the following paragraphs.

The revenue projections assume annual growth based on specific assumptions relative to revenue types. The economic dependency of all revenue categories, especially the two main revenue categories of property and sales taxes, in this current financial climate, with high unemployment, and housing instability, effectively negate historical growth and collection trends. Consequently revenue trends for all categories in the general fund are modest.

Expenditure projections represent no expenditure growth for most expenditure categories, in each year. Any expenditure projection increases reflect the impact of known and proposed spending for personnel, or operating expenditures resulting from capital projects in the City's Capital Improvement Plan. Personnel expenditures, in general, are held at no growth as many employees are subject to bargaining unit agreements which will be negotiated at a future time.

Financial data in this section *does not* represent an approved financial plan, and it *does not* represent the final form of a financial plan that could be presented to the City Council for future consideration. This section is intended to provide a high level look at projected revenues and expenditures for long range



REVENUE AND EXPENDITURE SUMMARY

FIVE YEAR PROJECTION

planning purposes. There are a number of financial decisions that could not be projected during the development of this data, including changes in the tax rate, the impact of grant awards, the use of technology and the impact of new service delivery strategies.



REVENUE AND EXPENDITURE SUMMARY

FIVE YEAR PROJECTION

Category	FY 2012 Adopted	FY 2013 Projected	FY 2014 Projected	FY 2015 Projected	FY 2016 Projected
<u>Revenues</u>					
Local Taxes	435,795,557	415,690,144	419,773,719	423,984,804	428,240,472
State Taxes	55,003,505	53,797,514	54,322,952	54,853,700	55,389,811
Licenses and Permits	9,775,288	9,767,875	9,767,875	9,767,875	9,767,875
Fines and Forfeitures	18,500,000	10,517,600	10,675,270	10,838,285	11,001,443
Charges for Services	1,017,400	917,400	917,400	917,400	917,400
Use of Money and Property	673,151	467,151	461,271	455,509	449,861
Federal Grants	0	0	0	0	0
Other Revenues	23,860,911	13,241,911	13,241,911	13,241,911	13,241,911
Transfers In	98,486,897	77,716,897	77,716,897	76,685,897	76,685,897
Total Revenues	<u>643,112,709</u>	<u>582,116,492</u>	<u>586,877,295</u>	<u>590,745,381</u>	<u>595,694,670</u>
<u>Net Division Expenditures</u>					
CITY ATTORNEY	13,129,398	13,611,469	13,611,469	13,611,469	13,610,469
CITY COUNCIL	1,537,715	1,537,715	1,537,715	1,537,715	1,537,715
CITY COURT CLERK	2,854,784	2,814,173	2,806,181	2,806,181	2,806,181
CITY COURT JUDGES	609,486	611,336	611,336	611,336	611,336
CITY ENGINEERING	6,357,378	6,188,782	6,247,382	6,309,982	6,418,582
COMMUNITY ENHANCEMENT	7,148,096	7,431,855	14,675,366	7,518,420	7,417,568
EXECUTIVE	4,746,849	4,974,008	4,974,008	4,974,008	4,974,008
FINANCE	4,909,560	5,114,810	5,090,326	5,090,596	5,090,872
FIRE SERVICES	129,965,381	136,951,057	137,955,547	137,857,932	138,041,317
GENERAL SERVICES	10,713,905	9,737,439	9,766,781	9,789,281	9,764,281
GRANTS & AGENCIES	124,718,944	118,974,949	118,974,949	118,974,949	118,974,949
HCD	5,824,548	4,313,145	3,297,457	3,389,454	2,840,320
HUMAN RESOURCES	6,814,696	6,797,834	6,814,120	6,830,473	6,846,922
INFORMATION SERVICES	16,409,462	16,821,008	17,454,284	17,486,143	17,828,720
PARK SERVICES	19,938,144	20,619,464	20,567,159	20,566,714	20,567,614
POLICE SERVICES	221,557,306	222,096,704	221,086,575	222,021,386	222,174,494
PUBLIC SERVICES & NEIGHBORHOODS	20,601,217	21,138,089	21,138,089	21,138,089	21,138,089
PUBLIC WORKS	17,693,006	17,791,843	18,136,951	18,470,379	18,804,834
Total Expenditures	<u>615,529,875</u>	<u>617,525,680</u>	<u>624,745,695</u>	<u>618,984,507</u>	<u>619,448,271</u>



Attachment B

Central Office Locations for The City of Memphis

Exchange	LATA	Name	Switch CLLI
MEMPHIS	468	MMPH-SOUTHWIND	RS5
MEMPHIS	468	MMPH-BARTLETT	40W
MEMPHIS	468	MMPH-BARTLETT	BBA
MEMPHIS	468	MMPH-BARTLETT	BBC
MEMPHIS	468	MMPH-BARTLETT	DS0
MEMPHIS	468	MMPH-BARTLETT	K01
MEMPHIS	468	MMPH-CHEROKEE	DS0
MEMPHIS	468	MMPH-CHICKASAW	DS0
MEMPHIS	468	MMPH-CHICKASAW	K01
MEMPHIS	468	MMPH-CHICKASAW	K41
MEMPHIS	468	MMPH-EASTLAND	4AW
MEMPHIS	468	MMPH-EASTLAND	BB0
MEMPHIS	468	MMPH-EASTLAND	BB1
MEMPHIS	468	MMPH-EASTLAND	BB2
MEMPHIS	468	MMPH-EASTLAND	BBA
MEMPHIS	468	MMPH-EASTLAND	BBC
MEMPHIS	468	MMPH-EASTLAND	BBE
MEMPHIS	468	MMPH-EASTLAND	BBF
MEMPHIS	468	MMPH-EASTLAND	DS0
MEMPHIS	468	MMPH-EASTLAND	K01
MEMPHIS	468	MMPH-FRAYSER	DS0
MEMPHIS	468	MMPH-GERMANTOWN	43W
MEMPHIS	468	MMPH-GERMANTOWN	BBA
MEMPHIS	468	MMPH-GERMANTOWN	BBC
MEMPHIS	468	MMPH-GERMANTOWN	DS0
MEMPHIS	468	MMPH-GERMANTOWN	K01
MEMPHIS	468	MMPH-GERMANTOWN	K41
MEMPHIS	468	MMPH-HUMPHREYS	RS5
MEMPHIS	468	MMPH-MAIN	51W
MEMPHIS	468	MMPH-MAIN	84T
MEMPHIS	468	MMPH-MAIN	BB0
MEMPHIS	468	MMPH-MAIN	BB1
MEMPHIS	468	MMPH-MAIN	BB2
MEMPHIS	468	MMPH-MAIN	BB3
MEMPHIS	468	MMPH-MAIN	BB5
MEMPHIS	468	MMPH-MAIN	BBA
MEMPHIS	468	MMPH-MAIN	BBC
MEMPHIS	468	MMPH-MAIN	DS0
MEMPHIS	468	MMPH-MAIN	DS1
MEMPHIS	468	MMPH-MAIN	K01

MEMPHIS	468	MMPH-MAIN	K02
MEMPHIS	468	MMPH-MIDTOWN	DS0
MEMPHIS	468	MMPH-MIDTOWN	K41
MEMPHIS	468	MMPH-OAKVILLE	21W
MEMPHIS	468	MMPH-OAKVILLE	BBA
MEMPHIS	468	MMPH-OAKVILLE	BBC
MEMPHIS	468	MMPH-OAKVILLE	DS1
MEMPHIS	468	MMPH-OAKVILLE	K02
MEMPHIS	468	MMPH-SOUTHLAND	44W
MEMPHIS	468	MMPH-SOUTHLAND	BBA
MEMPHIS	468	MMPH-SOUTHLAND	DS0
MEMPHIS	468	MMPH-SOUTHLAND	K01
MEMPHIS	468	MMPH-SOUTHSIDE	DS0
MEMPHIS	468	MMPH-WESTWOOD	RS0

BELLSOUTH
TELECOMMUNICATIONS, INC.
TENNESSEE

GENERAL SUBSCRIBER SERVICES TARIFF

First Revised Page 77.9
Cancels Original Page 77.9

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BY: President - Tennessee
Nashville, Tennessee

EFFECTIVE: December 17, 2003

A13. MISCELLANEOUS SERVICE ARRANGEMENTS**A13.82 311 for Non-Emergency Municipal Use**

(N)

A13.82.1 General

(N)

- A. 311 for Non-Emergency Municipal Use ("311") is a three digit local dialing arrangement available in specified areas from BellSouth Telecommunications, Inc. ("Company"), for delivery of general information via voice grade facilities. The Federal Communications Commission (FCC) in CC Docket 92-105, assigned the 311 code for access to non-emergency police and other government agencies. The 311 subscriber must comply with any orders and rules pertaining to 311, adopted by the FCC in rulemaking proceeding CC Docket 92-105. Eligible customers that have already received 311 pursuant to the FCC requirements will be considered to be the assignee. (N)
- B. 311 is available from BellSouth in BellSouth Territory only. To provide access to 311 to end users in an independent company territory or to a Competitive Local Exchange Carriers (CLECs) end users per central office switch, the 311 subscriber must make appropriate arrangements with the independent company or CLEC serving that territory. The 311 subscriber should work separately with competing local providers to ascertain that its end user customers will be able to reach non-emergency police and other governmental agencies by dialing 311. (N)
- C. 311 will be assigned to the subscriber on a central office-by-central office basis, as facilities permit. If central offices are merged, and a 311 "point-to" number exists in both central offices, the 311 subscriber who established 311 first in time will be entitled to retain the 311 "point-to" number in the merged central office. (N)
- D. 311 for Non-Emergency Municipal Use is subject to the availability of 311 as an abbreviated dialing code and will be deployed by BellSouth on a "first come, first served" basis. (N)
- E. 311 for Non-Emergency Municipal Use can be accessed via regular exchange access lines (by individual business lines, PBX trunks, etc.) unless such lines invoke N11 dialing restrictions or other customized dialing restrictions. (N)
- F. Limitations and use of service as stated in Section A2. of this Tariff apply. (N)
- G. Directory Listings may be provided for 311 for Non-Emergency Municipal Use at rates and regulations as specified in Section A6. of this Tariff. (N)
- H. Access to 311 is not available to the following classes of service: (N)
 - Payphone Service Provider Telephones (PSPs) (N)
 - Hotel/Motel/Hospital Service (N)
 - I+ (N)
 - 0+, 0- (Credit Card, Third-Party Billing, Collect Calls) (N)
 - Inmate Service (N)
 - 101XXXX (N)
 - Cellular - Type 2A (N)

In addition, operator assisted calls to the 311 subscriber will not be completed. (N)
- I. The 311 subscriber is restricted from selling or transferring the 311 code to an unaffiliated entity without prior approval from the Company. (N)
- J. An "affiliate" of a 311 subscriber is any entity that directly, or indirectly through one or more intermediaries, controls, is controlled by, or is under common control with, the 311 subscriber. The term "control" (including the terms "controlling", "controlled by, and under common control with") means the possession, direct or indirect, of the power to direct or cause the direction of the management and policies of an entity, whether through the ownership of voting securities, by contract, or otherwise. (N)

If a 311 subscriber becomes an affiliate of or is acquired by another 311 subscriber through merger, acquisition, annexation or otherwise, then the affiliated subscribers must surrender all but one 311 number within 6 months of the merger or acquisition. (N)
- K. 311 will not provide calling number information in real time to the 311 subscriber. If the 311 subscriber needs this type of information, the 311 subscriber must subscribe to a compatible Calling Number Identification service in A13. preceding. (N)
- L. Calls to a disconnected 311 number will be routed to intercept announcement facilities for a maximum of 60 days, when the 311 subscriber is a Company subscriber. The announcement provided may refer the caller to another telephone number. (N)

(M)

BELLSOUTH
TELECOMMUNICATIONS, INC.
TENNESSEE

GENERAL SUBSCRIBER SERVICES TARIFF

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A13. MISCELLANEOUS SERVICE ARRANGEMENTS

A13.82 311 for Non-Emergency Municipal Use (Cont'd)

A13.82.2 Service Requirements and Conditions

- A. All requests for 311 must be submitted in writing to the Tennessee Regulatory Authority (TRA). The TRA will allocate the 311 code in the specified central office based upon requirements and/or standards established by the FCC. (N)
- B. Within 30 days of the number assignment by the TRA, the 311 subscriber must initiate the request for service. The Company will provision the subscriber's order within a reasonable time, given the complexity of the order. The 311 subscriber will be billed the nonrecurring charge when the service is provisioned by the Company. (N)
If during this period, the 311 subscriber has failed to establish service or decides to discontinue service establishment, the 311 number will be recalled and the number will be considered available for reassignment as specified in A. preceding. If the network has been provisioned for the subscriber, the nonrecurring charge will not be refunded or waived. (N)
- C. The 311 subscriber, must prior to provisioning of the service, sign a written acknowledgement of possible recall of the 311 number and an agreement to return the code upon receipt of 6 months written notice of such a recall from the Company and abide by all terms and conditions identified by the FCC in CC Docket 92-105 regarding the use and return of such 311 codes. If a recall is affected, the Company will work with all 311 subscribers affected by such recall to transfer their service arrangements, to a 7 or 10 digit dialing arrangement within the 6 month notice period. The 311 subscriber will be required to migrate to any standard access arrangement for information services subsequently agreed to by the industry and approved by the FCC. The 311 subscriber will be charged the appropriate tariff rates for the establishment of the new access arrangement. (N)
- D. Only one 7 or 10-digit local number or one 10-digit toll free number may be used as the lead number per central office. Appropriate rates from Sections A3. and A4., of this Tariff will apply. (N)
- E. The 311 is provided where facilities permit. (N)
- F. The 311 subscriber should work separately with cellular companies to ascertain whether Type 1 cellular customers will be able to reach non-emergency services provided by dialing 311. (N)
- G. The 311 subscriber should work separately with competitive local exchange companies to ascertain that its end user customers will be able to reach non-emergency services provided by dialing 311. (N)
- H. 311 will be provided under the following conditions. (N)
 - 1. For network sizing and protection, the 311 subscriber must provide an estimate of annual call volumes, the expected busy hour and holding time for each call to 311. (N)
 - 2. The customer will subscribe to adequate telephone facilities initially and subsequently as may be required, in the judgment of the Company, to adequately handle calls to 311 without impairing the Company's general telephone service or telephone plant. It will be the intent of the Company to provide facilities designed to provide a call blocking probability of one call per hundred during normal busy hours for 311 Dialing Service. (N)
 - 3. The 311 subscriber is responsible for obtaining all necessary permission, licenses, written consents, waivers and releases and all other rights from all persons whose work, statements or performance are used in connection with the service, and from all holders of copyrights, trademarks, and patents used in connection with said service. (N)
 - 4. The 311 subscriber shall be liable for, and shall indemnify, protect, defend and save harmless the Company against all suits, actions, claims, demands and judgments, and of all costs, expenses and counsel fees incurred on account thereof, arising out of and resulting directly or indirectly from the service or in connection therewith, including, but not limited to, any loss, damage, expense or liability resulting from any infringement or claim of infringement, of any patent, trademark, copyright, or resulting from any claim of liable and slander. (N)
 - 5. Suspension of 311 as covered in Section A2. of this Tariff is not applicable for this service. (N)
 - 6. The 311 subscriber shall respond promptly to any and all complaints lodged with any regulatory authority against any service provided via the 311 number. If requested by the Company, the 311 subscriber shall assist the Company in responding to complaints made to the Company concerning the subscriber's 311 service. (N)
 - 7. A written notice will be sent to any 311 subscriber following oral notification when their service unreasonably interferes with or impairs other services rendered to the public by the Company or by other subscribers of 311 Service. If after notification the subscriber makes no modification in method of operation or in the service arrangements that are deemed service-protective by the Company, or if the subscriber is unwilling to accept the modifications, or if the subscriber continues to cause service impairment, the Company reserves the right, at any time, without further notice, to institute protective measure, up to and including termination of service. In an emergency situation as defined by the Company, the Company reserves the right, at any time, without notice, to institute protective measures up to and including termination of service. (N)

BELLSOUTH
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TENNESSEE

GENERAL SUBSCRIBER SERVICES TARIFF

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A13. MISCELLANEOUS SERVICE ARRANGEMENTS**A13.82 311 for Non-Emergency Municipal Use (Cont'd)**

(N)

A13.82.2 Service Requirements and Conditions (Cont'd)

(N)

- I. If a pre-recorded announcement is provided by the 311 subscriber, the following conditions apply. (N)
 1. The 311 subscriber will provide announcements. The Company will provide only the delivery of the call. (N)
 2. 311 subscriber's sponsorship of any particular announcement of recorded program service shall not preclude another 311 subscriber from sponsoring the same or similar announcement or recorded program service. (N)
 3. The provision of access to the 311 network by the Company for the transmission of announcement or recorded program services is subject to availability of such facilities and the requirements of the local exchange network. (N)
 4. The 311 subscriber assumes all financial responsibility for all costs involved in providing announcement or recorded program services including, but not limited to, the recorder-announcement equipment producing the recording, advertising and promotional expenses. (N)
 5. The 311 subscriber assumes, according to other specific rates and charges under tariff, all financial responsibility for all facilities required to connect the recorder-announcement equipment located on the subscriber's premises. (N)
- J. The Company may take all legal and practical steps to disassociate itself from 311 subscribers providing services whose business and/or public conduct (whether demonstrated or proposed) is of a type that in the Company's discretion generates unacceptable levels of complaints by end users. (N)
- K. In no event shall the Company be liable for any losses or damages of any kind resulting from the unavailability of its equipment or facilities or for any act, omission or failure of performance by the Company, or its employees, or agents, in connection with this Tariff. The Company shall not be responsible for calls that cannot be completed as a result of repair or maintenance difficulties on Company facilities and equipment nor on equipment owned or leased by the subscriber. (N)
- L. The municipality ordering the service must establish procedures to deal with calls from those within the central office but outside of their jurisdiction. (N)

A13.82.3 Obligations of the Competitive Local Exchange Carrier (CLEC)

(N)

- A. In those instances where a CLEC provides the 311 to its end user per central office switch, terms and conditions for 311 are as defined in the appropriate Interconnection Agreement. (N)
 1. For purposes of providing a CLEC end user access to the 311 subscriber per central office switch, appropriate arrangements must be made by the CLEC with the 311 subscriber. (N)
 2. A CLEC may negotiate the provision of directory listings as defined in the Interconnection Agreement. (N)

A13.82.4 Rates and Charges

(N)

- A. Application of Rates (N)
 1. A Service Establishment charge shall apply per central office. (N)
 2. 311 subscribers will pay the normal tariffed charges for the local exchange access arrangements (e.g., PBX trunks, Centrex Type Services lines, etc.) used for transporting and terminating messages at the 311 subscriber's designated premises. (N)
 3. Applicable service order charges as specified in Section A4. of this Tariff will apply, in addition to the following rates. (N)
 4. A Central Office Activation charge will apply per central office switch translated to the lead number. (N)
 5. A charge will apply to changes to the point-to number at the subscriber's request, per 311 Dialing Service, per central office switch. (N)
- B. Charges applicable to the 311 For Non-Emergency Municipal Use Subscriber (N)
 1. Service Establishment Charge (N)

	Nonrecurring Charge	USOC	
(a) Per Central Office	\$625.00	311SE	(N)
2. Central Office Activation			(N)
(a) Per Central Office	107.00	311CC	(N)
3. Change of Point-to Number by Subscriber			(N)
(a) Per Central Office	4.00	311AP	(N)