

# City of Memphis

TENNESSEE



COMPREHENSIVE ANNUAL FINANCIAL REPORT

YEAR ENDED JUNE 30, 2007



T E N N E S S E E

# TABLE OF CONTENTS

## MAYOR’S LETTER OF TRANSMITTAL

### INTRODUCTORY SECTION

Letter of Transmittal .....	1
GFOA Certificate of Achievement for Excellence in Financial Reporting.....	11
City Officials.....	12
Organizational Chart.....	13

### FINANCIAL SECTION

	Exhibit	Page
<b>Independent Auditors’ Report</b> .....		15
<b>Management’s Discussion and Analysis</b> .....		17

#### 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

##### Governmental Funds

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	A-6	36
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual on Basis of Budgeting - General Fund .....	A-7	37

##### General Fund

Schedule of Revenues and Other Sources - Budget and Actual on Basis of Budgeting .....	A-8	38
Schedule of Expenditures and Other Uses - Budget and Actual on Basis of Budgeting .....	A-9	40

##### Debt Service Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual on Basis of Budgeting .....	A-10	44
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##### Proprietary Funds

Statement of Net Assets - Proprietary Funds .....	A-11	45
Statement of Revenues, Expenses, and Changes in Fund Net Assets.....	A-12	47
Statement of Cash Flows - Proprietary Funds.....	A-13	48

## TABLE OF CONTENTS

### Fiduciary Funds

Statement of Fiduciary Net Assets - Fiduciary Funds.....	A-14.....	49
Statement of Changes in Fiduciary Net Assets - Fiduciary Funds.....	A-15.....	50

### Combining Statements of Major Component Units

Combining Statement of Net Assets.....	A-16.....	51
Combining Statement of Activities.....	A-17.....	53

Notes to the Financial Statements .....		54
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### Required Supplementary Information

#### Combining Nonmajor Funds

Combining Balance Sheet.....	B-1.....	104
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance ..	B-2.....	106
Combining Schedule of Revenues and Expenditures - Budget and Actual on Basis of Budgeting (with annual budgets).....	B-3.....	108
Combining Schedule of Revenues and Expenditures - Budget and Actual on Basis of Budgeting (with carryover budgets).....	B-4.....	112

#### Combining Enterprise Funds

Combining Statement of Net Assets.....	C-1.....	113
Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets ....	C-2.....	114
Combining Statement of Cash Flows - Enterprise Funds .....	C-3.....	115

#### Combining Internal Service Funds

Combining Statement of Net Assets.....	D-1.....	117
Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets ....	D-2.....	118
Combining Statement of Cash Flows - Internal Service Funds .....	D-3.....	119

#### Combining Fiduciary Funds

Combining Statement of Net Assets.....	E-1.....	121
Combining Statement of Changes in Fund Net Assets .....	E-2.....	122

#### Supplementary Schedules

Schedule of Delinquent Property Taxes Receivable - All Funds .....	F-1.....	123
Schedule of Revenue Bonds - By Issue .....	F-2.....	124
Schedule of General Obligation Debt - By Issue .....	F-3.....	125
Schedule of General Obligation Debt - By Use .....	F-4.....	126
Long-term Debt - Principal and Interest Requirements - Proprietary Funds .....	F-5.....	127

## TABLE OF CONTENTS

Schedule of Interfund Balances.....	F-6.....	128
Schedule of Interfund Transfers.....	F-7.....	129
Schedule of Deposits and Investments Held Outside of the Cash and Investment Pool - Carrying Amount.....	F-8.....	130
Schedule of Additions and Retirements to Utility Plant.....	F-9.....	131

### STATISTICAL SECTION

Net Assets by Component.....	X-1.....	133
Changes in Net Assets.....	X-2.....	134
Fund Balances of Governmental Funds.....	X-3.....	135
Changes in Fund Balances of Governmental Funds.....	X-4.....	136
General Fund Expenditures and Other Uses by Function.....	X-5.....	137
Assessed and Estimated Actual Value of Taxable Property.....	X-6.....	138
Property Tax Rates and Levies - All Direct and Overlapping Governments.....	X-7.....	139
Principal Taxpayers.....	X-8.....	140
Property Tax Levies and Collections.....	X-9.....	141
Special Assessment Collections.....	X-10.....	142
Ratio of Outstanding Debt by Type.....	X-11.....	143
Bonded Debt Outstanding.....	X-12.....	144
Direct and Overlapping Governmental Activities Debt.....	X-13.....	145
Legal Debt Margin Information.....	X-14.....	146
Pledged Revenue Coverage.....	X-15.....	147
Demographic and Economic Statistics.....	X-16.....	148
Principal Employers.....	X-17.....	149
Government Employees by Function.....	X-18.....	150
Operating Assets Function.....	X-19.....	151
Capital Assets by Function.....	X-20.....	152
General Fund Expenditures on State Street Aid.....	X-21.....	153

### SINGLE AUDIT

Supplemental Schedule of Expenditures of Federal and State Awards.....	Y-1.....	155
Note to the Schedule of Expenditures of Federal and State Awards.....		158
Auditors' Report on Compliance and on Internal Control Over Financial Reporting.....		159
Auditors' Report on Compliance and Internal Control Over Compliance Applicable to Each Major Federal Award Program.....		161
Schedule of Findings and Questioned Costs.....		163
Schedule of Prior Year Audit Findings.....		166

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED JUNE 30, 2007

# CITY OF MEMPHIS, TENNESSEE



**Dr. Willie W. Herenton**

Mayor

**Keith L. McGee**

Chief Administrative Officer

PREPARED BY DIVISION OF FINANCE

**Roland McElrath**

Director





Peabody Hotel Ducks

# City of Memphis

TENNESSEE



December 29, 2007

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, 2007, 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. The independent auditors have issued an unqualified ("clean") opinion on the City's financial statements for the year ended June 30, 2007. 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 671,929. The City is empowered to levy a property tax on both real and personal property located within its boundaries. It also is empowered by state statute to extend its corporate limits by annexation, which occurs periodically when deemed appropriate by the City Council.

Under the provisions of the City charter, the City Council makes the laws that govern the City. The Council is responsible, among other things, for approving

the budget, setting the tax rate and establishing other lawful taxes and fees necessary to secure sufficient revenue to fund the budget as approved. All administrative duties concerning day-to-day operations of city government are the duty and responsibility of the mayor. Each of the various divisions of city government has a director who is appointed by the mayor with the City Council's approval.

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

The City evaluates its financial reporting entity in accordance with 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

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

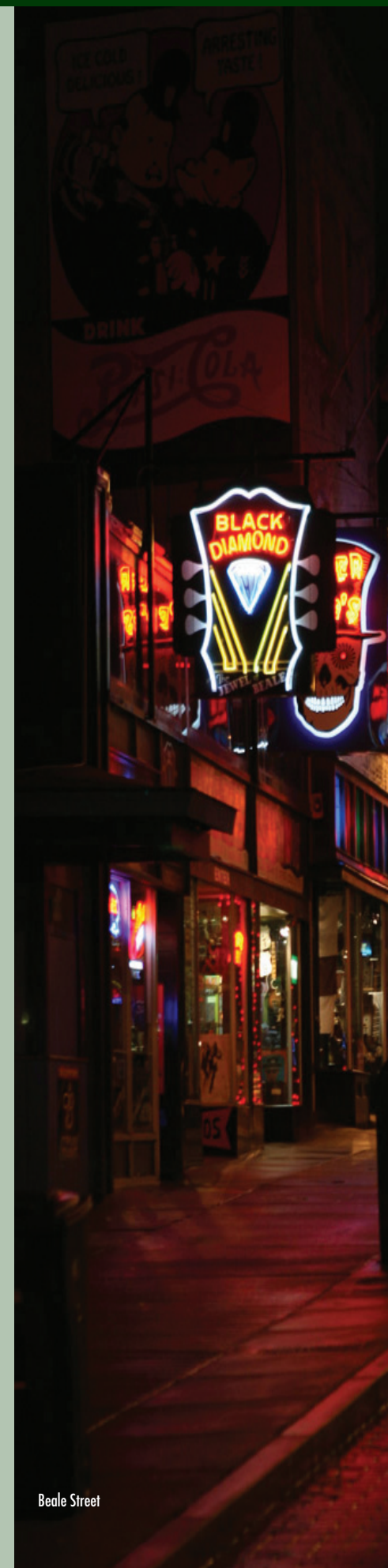
The following entities are considered to be joint ventures of the City:

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

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

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

- Memphis Housing Authority (related organization)
- Memphis and Shelby County Center City Commission
- Memphis and Shelby County Parking Authority
- Memphis Center City Revenue Finance Corporation







- Industrial Development Board
- Depot Redevelopment Corporation of Memphis and Shelby County
- Sports Authority of Memphis and Shelby County Incorporated

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

## **Economic Condition Assessment**

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

### **The National Economy**

- Over the past five years the U.S. has realized uneven but positive economic growth. However, economic growth is expected to slow substantially in the near future.
- The Gross Domestic Product (GDP) grew at 0.6%, 3.8% and 3.8% in the first, second and third quarters of 2007, respectively.
- Lead by the housing market, the risk of a recession is rising nationally and locally. New home sales are beginning to stabilize but, are still substantially lower than last year.
- Corporate profits, dropping 3.8% in fourth quarter of 2006 and rising by 6.1% in second quarter of 2007, are expected to decline in numerous cyclically-sensitive industries.
- Through September, retail sales were growing despite higher fuel and energy prices. However, the growth is expected to slow during the fourth quarter of 2007 and during the winter months of 2008.
- Rising food and energy prices negatively impacted the Growth in Real Disposable Personal Income (RDPI) in third quarter of 2007. Savings rates are at record lows as consumers finance current expenditures by reducing savings and home equity or going deeper into debt.
- The lowest-skilled workers, particularly in areas with undereducated populations (rural and inner-city), will be impacted the most from outsourcing which is expected to continue.

## Local Economy

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

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

Despite national economic concerns, employment in Memphis MSA continues to grow. The largest 12 month percent change was realized in the largest sector in the Memphis economy---trade, transportation and utilities. Significant gains were also realized in the government and professional and business services sectors. The relatively small manufacturing base in Memphis provides some protection from the negative pressure of international competition, outsourcing and cyclical demand fluctuations.

### Unemployment Rates (Seasonally Adjusted), 2007-2006

Region	Sep 2007	Sep 2006
Memphis MSA*	4.9%	5.2%
Tennessee	4.7%	4.6%
United States	4.7%	4.6%

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

\*Not Seasonally Adjusted

As the national and state economies begin to slow, job and income growth rates in the United States and Tennessee decelerate. Tennessee’s September unemployment rate reflects a 0.9 percent increase from September 2006 and reflects a 0.6 percent increase from the 4.1 percent reported just one month before in August 2007. Statistics in the local economy reflect more favorable year-over-year changes. Memphis’ unemployment rate decreased to 4.9 percent in September 2006, down from 5.2 percent a year ago. Despite the threat of a national recession, the continuation of major local job creation initiatives should continue to improve the Memphis unemployment situation.

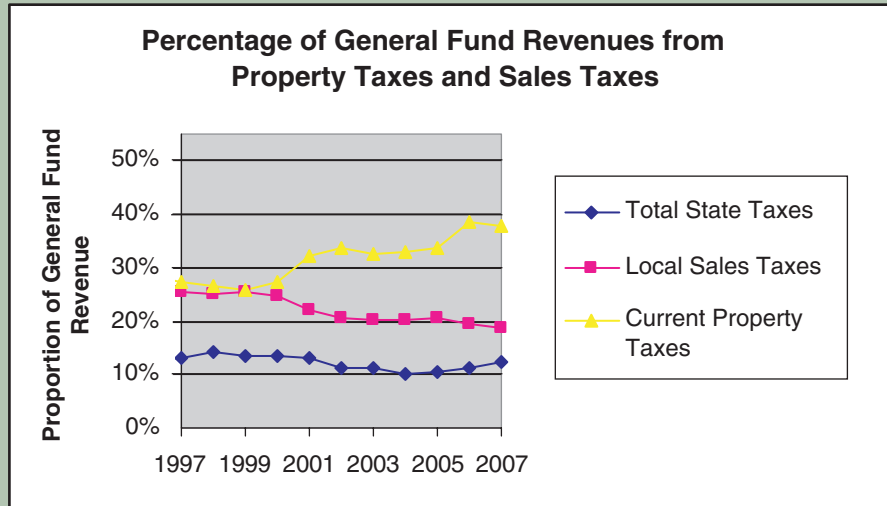
The chart below shows that Memphis’ Current Property Taxes and Local Sales Tax maintained rough parity as the two largest single revenue sources through fiscal year 2000. Since then, there has been a growing dependence



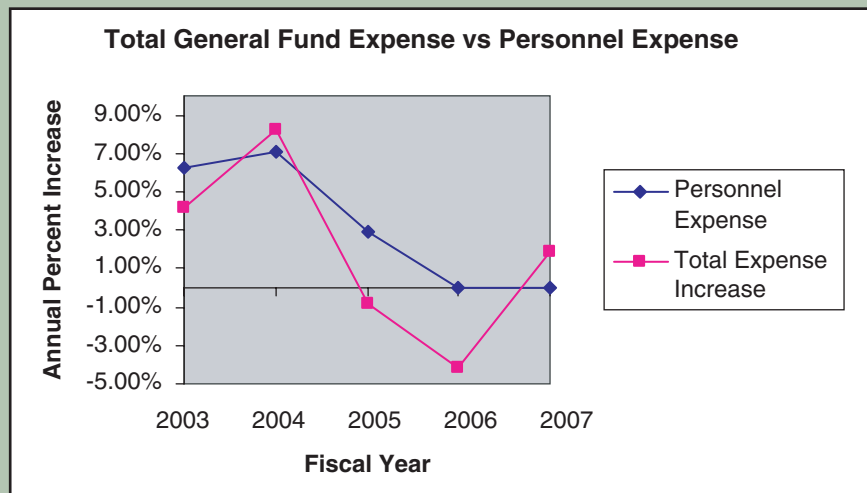
MATA Downtown Trolley Line



on the property tax as both Local Sales Taxes and State Shared Taxes have trended downwards as a percentage of total revenues. During fiscal year 2006, the City realized a significant increase in property tax revenues as a result of a rate increase. During fiscal year 2007, the percentage of revenues from current property taxes remained constant while the local sales tax percentage decreased slightly due to an increase in state tax collections.



Nationally and locally, fiscal managers are continually faced with managing rising energy prices, healthcare costs and employment costs. Policy makers are concerned with cost-push inflation as employment costs represent about two-thirds of total costs of production/service. The City's personnel costs' growth rate increased by close to one percent in fiscal year 2004 as a result of a windstorm. The 2004 windstorm generated an even steeper growth in total General Fund expenses. The Total General Fund expenditure growth rate in fiscal year 2004 was more than 8 percent, up from the 4 percent growth rate the previous year. 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 grew by only 2 percent.



While the housing sector has fallen sharply across the United States, there has been no housing bubble to burst in Memphis. Sales price appreciation for the homes have continued at a steady pace as evidenced by the 3.6% and 2.8% increase of the median and average sales prices, respectively. However, the local housing market is adjusting to the slowing national market. As shown below, the volume of home sales in Memphis have dropped to \$203 million, down 7.5% from February 2006's record sales level.

### Home Sales in Memphis, February 2006 - 2007

	2007	2006	Percent Change
Total Home Sales	1,202	1,336	-10.0%
Median Sales Price	\$133,600	\$128,900	3.6%
Average Sales Price	\$168,900	\$164,300	2.8%
Monthly Sales Volume	\$203 million	\$220 million	-7.5%
Active Listings	11,562	8,984	22.3%

Source: Memphis Area Association of Realtors Multiple Listing Service.

#### Recent Developments:

- Nike Inc. has purchased a 125-acre site in the City to build a one million square foot distribution center. The \$107 million project will make Memphis the 2<sup>nd</sup> largest Nike location in the United States, will create 200 new jobs and will retain another 350 employees from the existing plant.
- Medtronic, a Memphis-based medical devices company, recently purchased land near the airport for expansion purposes. The plans include an addition to an existing warehouse and construction of a new warehouse which should double the existing space from 210,000 square feet to over 450,000 square feet. The additional warehouse space is anticipated to create several hundred new positions. In addition, approximately 600 new workers are expected to be hired over the next five years once a new administration building and parking deck are constructed.

### Long-term Financial Planning

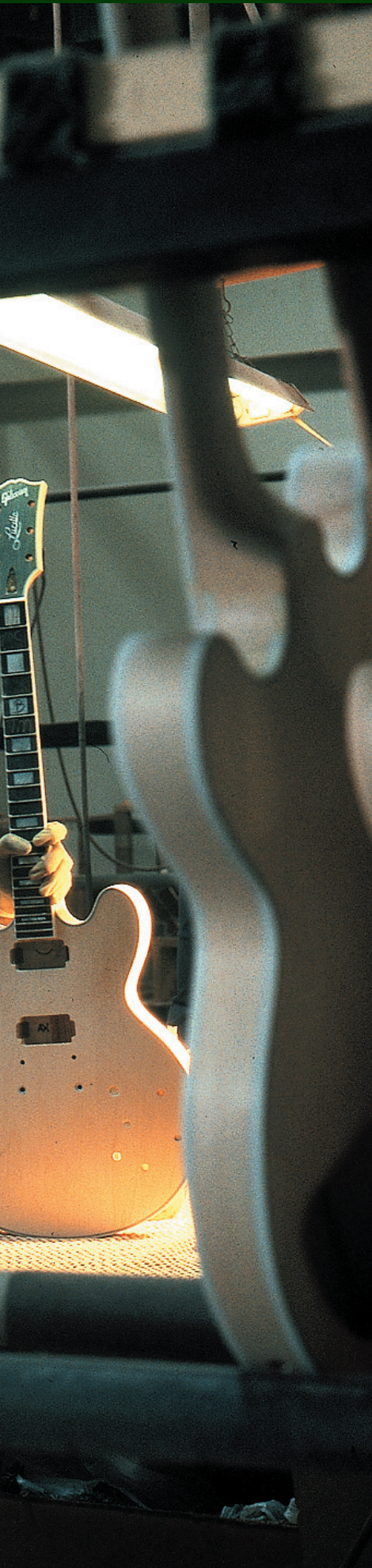
The financial position of the City continues to improve dramatically as a result of the City's ability to maintain disciplined spending practices. To ensure the City's financial position remains sound, the City has implemented a multi-year financial management plan as a means of exploring new and more efficient methods of revenue generation and cost-effective service delivery. To this end, an Efficiency Study that included a comprehensive assessment and review of the City's financial position, organizational structure, technological systems and processes was completed. The plan focused on the following areas:

- Revenue Generation
- Operational Efficiency
- Cost Containment
- Managing Key Assets (Capital Improvements)
- Increasing/Sustaining Reserve Levels

Moreover, the primary objectives of the financial management plan are to enhance



Gibson Guitar Factory



communication at all levels, maintain fiscal soundness, maximize productivity and improve operational efficiencies. All report recommendations that clearly support these objectives are being evaluated for future implementation.

In addition, internal and external teams have been formed to identify opportunities in the following areas: human resources/personnel, procurement, information technology, asset management, collections, fleet management, administrative policy, joint/shared services, and others areas that are developed as needed. 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 is in the final stages of preparing for implementation of Governmental Accounting Standards Board (GASB) Statement No. 45, Accounting and Financial Reporting for Employers for Post-employment Benefits Other than Pensions. The statement provides for recognition of the cost of other post-employment benefits (OPEB) over employees’ service periods, similar to the treatment required for pension costs.

Long-term obligations associated with OPEB costs 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 preliminary valuation of the City’s Unfunded Actuarial Accrued Liability (UAAL) and establishment of an OPEB Trust has been completed. The UAAL valuation totaling \$823.6 million is based on the current plan design and the City’s current pay-as-you-go funding approach. The valuation along with potential funding strategies and health benefit plan change alternatives designed to possibly reduce the obligation are currently being reviewed.

### **Major Initiatives**

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

area, quality of life in our neighborhoods and the general economic climate of the City. Highlights of the CIP budget plan for 2008-2012 are:

- The Fire Division's budget includes funds for the replacement of pumpers, aerial trucks and ambulances. Also, the division plans to open four new fire stations.
- The Police Division's budget includes funds for more than 200 replacement police cars and funding for precinct renovations.
- The Parks Division's budget includes funds for improvements to five aquatic facilities, land acquisition for future parks, improvements to the Liberty Bowl Stadium and improvements to the Wolf River greenway.
- The Public Services and Neighborhoods Division's budget includes funding for a new animal shelter and a fourth vehicle inspection station.
- The Memphis Area Transit Authority's capital improvement budget, heavily leveraged by Federal and State funding, will be used to fund a new bus transfer station near the Memphis International Airport. Preventative maintenance is funded entirely by G.O. Bonds.
- Riverfront Development's budget includes funds for Beale Street Landing and Cobblestone improvements.
- The Public Works Division's budget includes funds to pave over 200 lane miles of streets each year and includes funds for ADA ramp improvements, sixteen road projects and four bridge projects. The Stormwater Fund CIP budget will allow the City to make major investments in drainage infrastructure throughout the City. The Sewer Fund projects are for the repair and replacement of sewer infrastructure, new sanitary sewers and improvements to the treatment plants.
- The General Services Division's budget includes major ADA improvements and minor improvements to various City buildings and equipment
- Housing and Community Development's budget includes funding for the Lamar Terrace and Dixie Homes neighborhood redevelopments projects and includes funding for a major anti-blight initiative.
- The Engineering Division's budget includes funding for replacement of traffic signals, transportation improvements and a traffic signal inventory initiative.
- Information System's budget includes projects to upgrade the City's information technology infrastructure including a disaster recovery facility.

## 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



Autozone Stadium  
Home of the Memphis Redbirds Baseball Team



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**

On December 31, 2006, the city annexed from its reserve growth the Berryhill and Southwind-Windyke areas. 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, 2006. This was the 30<sup>th</sup> consecutive year that the City has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

The City of Memphis FY2005 Citizens' Report earned the Popular Annual Financial Reporting Award. The City also received GFOA's Distinguished Budget Presentation Award for its annual budget document for the fiscal year beginning July 1, 2007, the 9<sup>th</sup> consecutive year for this award.

The preparation of this report could not have been accomplished without the dedicated efforts of the staff of the City's Finance Division and the City's independent public accountants, Thompson and Dunavant PLC and Jones & Tuggle, CPAs. We wish to express our appreciation to both, with particular thanks to Vickie Lewis, Deputy Comptroller and the 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, 2006

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

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Memphis for its comprehensive annual financial report for the fiscal year ended June 30, 2006. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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



President

Executive Director

**CITY OF MEMPHIS, TENNESSEE  
CITY OFFICIALS**

Willie W. Herenton, Mayor

**CITY COUNCIL**

Tom Marshall, Chairman (District 9-2)

Dedrick Brittenum, Jr.....	District 4	Henry Hopper II.....	District 8-2
Joe W. Brown.....	District 8-1	E.C. Jones .....	District 1
Carol Chumney.....	District 5	Myron Lowery .....	District 8-3
Madeline Cooper-Taylor.....	District 3	Scott McCormick.....	District 9-1
Edmond Ford.....	District 6	Jack Sammons .....	District 9-3
Barbara Holt-Ware.....	District 7	Brent Taylor.....	District 2

**COURTS**

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

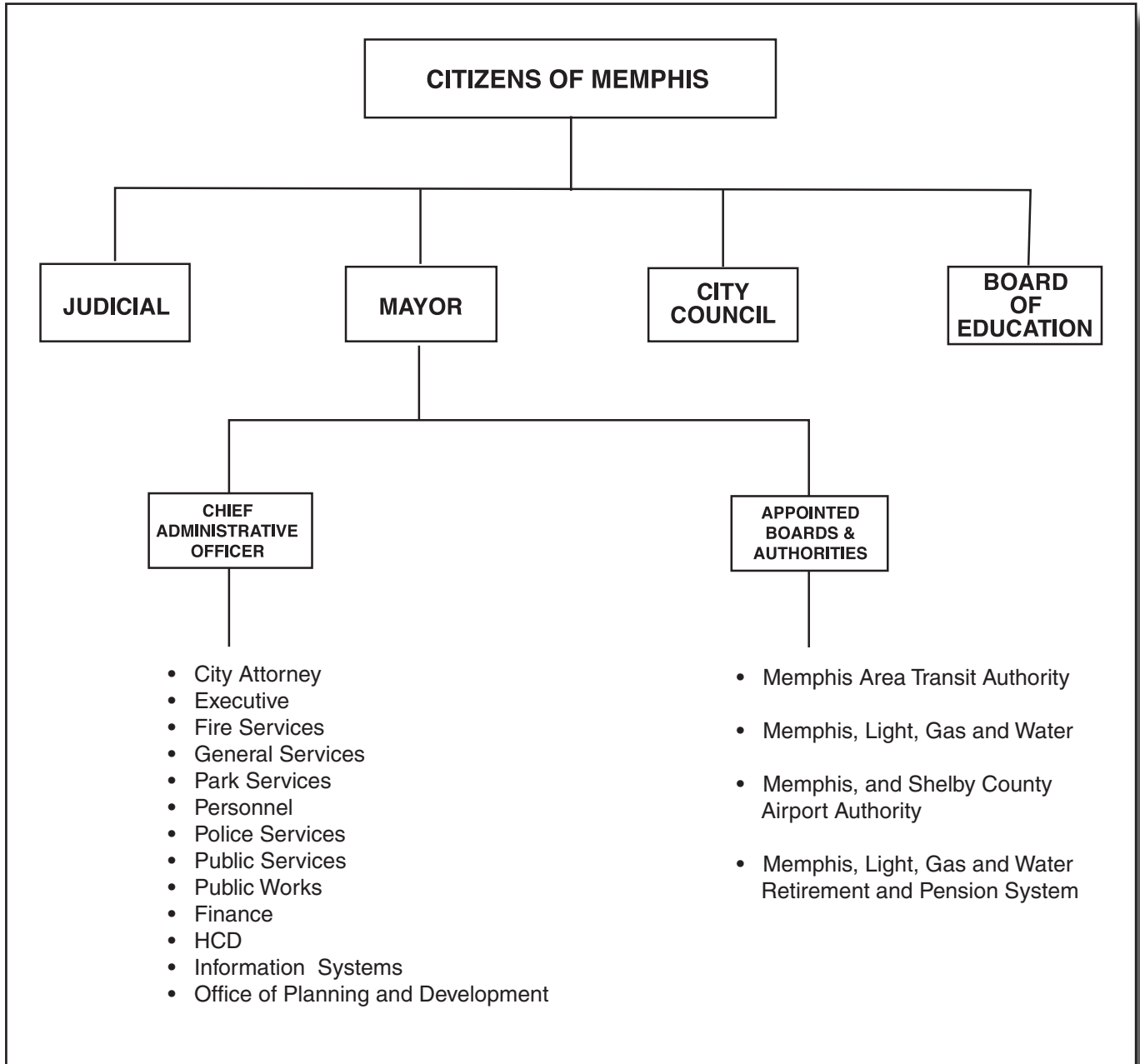
**ADMINISTRATIVE**

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

# City of Memphis, Tennessee

## ORGANIZATION CHART

### Primary Government and Discretely Presented Component Units



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

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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, 2007, and the respective budgetary comparison information for the General Fund and Debt Service Fund for the year ended June 30, 2007, 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 and the Memphis-Shelby County Airport Authority, which represent 94%, 92% and 96%, respectively, of the assets, net assets, and revenues of the component units. We did not audit the financial statements of the Electric, Gas, and Water Divisions of Memphis Light, Gas, and Water Division ("MLGW"), a major proprietary fund. MLGW Electric, Gas, and Water Divisions represent 89%, 87% and 96%, respectively, of the assets, net assets, and revenues of the business-type activities of the primary government. We did not audit the financial statements of Memphis Light, Gas, and Water Retirement System and Memphis Light, Gas, and Water Retiree Medical and Life Insurance Benefits, which represent 38%, 35% and 31%, respectively, of the assets, net assets, and total net additions of the pension trust funds. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinions, insofar as they relate to the amounts included for the aforementioned component units, MLGW Electric Division, Gas Division, and Water Division, and pension trust funds, 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 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.


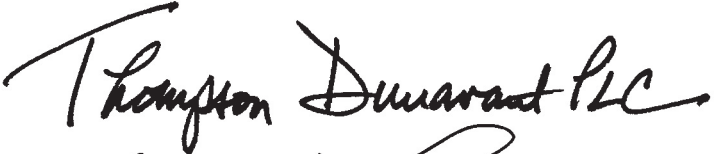
In our opinion, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City, as

of June 30, 2007, and the respective changes in financial position, where applicable, cash flows thereof and the respective budgetary comparison information for the General Fund and the Debt Service 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 January 29, 2008 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 as listed in the table of contents is not a required part of the basic financial statements but is 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 statements and schedules, supplementary schedules, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying supplemental schedule of expenditures of federal and state awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of the City. The combining and individual fund financial statements and schedules, supplementary schedules, and the supplemental schedule of expenditures of federal and state awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.



Memphis, Tennessee  
January 29, 2008

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## **Management's Discussion and Analysis**

As management of the City of Memphis, Tennessee (the City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2007. We encourage readers to consider the information presented here in conjunction with additional information that is furnished in the letter of transmittal and notes to the financial statements. All amounts, unless otherwise indicated, are expressed in thousands of dollars.

### **Financial Highlights**

- The primary government's total net assets increased by \$104,685 and exceeded its liabilities at June 30, 2007 by \$2,065,521 (net assets).
- At June 30, 2007, the City's governmental activities reported ending net assets of \$218,392, an increase of \$28,912 or 15.3% from the prior year
- The City's business-type activities reported ending net assets of \$1,847,129, an increase of \$75,773 or 4.3% from prior year.
- At June 30, 2007, the fund balance for the general fund was \$83,318, an increase of \$44,581 from prior year's restated balance. The positive increase results from strong tax revenue collections, higher investment earnings and continued emphasis on spending control. The unreserved portion of the fund balance was \$76,571.
- The City's total debt decreased by \$92,536 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, 2007. 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



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governmental activities of the City include general government, public safety, community services, transportation and environment, and education. The business-type activities of the City include the operations of the regional sewer collection and treatment facilities, the distribution of electricity, gas and water, and the operation of the storm water system and the City golf courses.

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

The government-wide financial statements are presented as Exhibits A-1 and A-2; component unit financial statements are presented as Exhibits A-16 and A-17.

**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, 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

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of Net Assets and Activities, are presented as Exhibits A-3 through A-10.

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

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

The basic proprietary fund financial statements are presented as Exhibits A-11 through A-13.

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

The basic fiduciary fund financial statements are presented as Exhibits A-14 and A-15.

**Notes to the Financial Statements.** The notes which follow Exhibits A-1 through A-17, provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. Information concerning the City's progress in funding its obligation to provide pension benefits to its employees is included in the notes to the financial statements.

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

**Government-wide Financial Analysis**

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. The City's assets exceeded liabilities by \$2,065,521 at June 30, 2007.

	<b>Governmental activities</b>		<b>Business-type activities</b>		<b>Total</b>	
	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>
Current and other assets	\$ 865,280	807,982	1,946,978	2,007,566	2,812,258	2,815,548
Capital assets	1,111,516	1,127,384	1,732,280	1,675,132	2,843,796	2,802,516
Total assets	<u>1,976,796</u>	<u>1,935,366</u>	<u>3,679,258</u>	<u>3,682,698</u>	<u>5,656,054</u>	<u>5,618,064</u>
Long-term liabilities outstanding	1,037,103	978,811	1,349,784	1,455,370	2,386,887	2,434,181
Other liabilities	721,301	773,747	482,345	460,373	1,203,646	1,234,120
Total liabilities	<u>1,758,404</u>	<u>1,752,558</u>	<u>1,832,129</u>	<u>1,915,743</u>	<u>3,590,533</u>	<u>3,668,301</u>
Net assets:						
Invested in capital assets, net of related debt	162,807	239,334	1,512,730	1,486,184	1,675,537	1,725,518
Restricted	64,471	78,238	118,799	89,905	183,270	168,143
Unrestricted	(8,886)	(134,764)	215,600	190,866	206,714	56,102
Total net assets	<u>\$ 218,392</u>	<u>182,808</u>	<u>1,847,129</u>	<u>1,766,955</u>	<u>2,065,521</u>	<u>1,949,763</u>

By far the largest portion of the City's net assets (81.1%) 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 (3.1%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (10.0%) is reflective of the City's practice of maintaining adequate reserves for payment of debt service and capital projects, while funding current operations with current revenue sources.

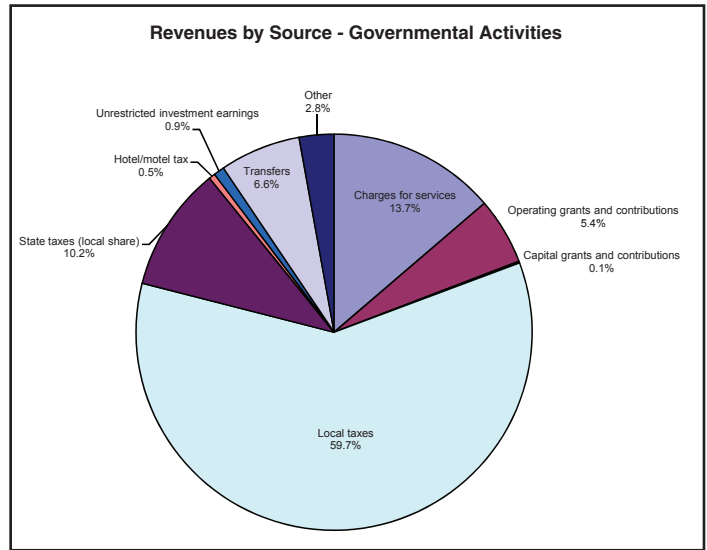
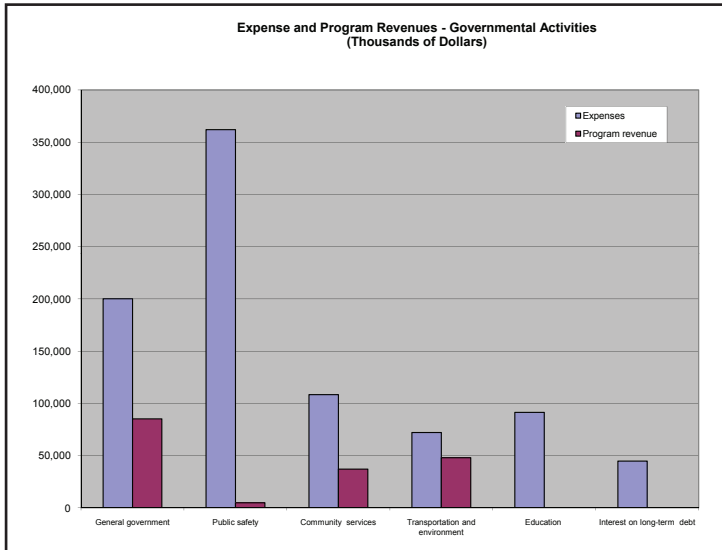
At June 30, 2007, the City reports positive balances in all three categories of net assets for its business-type activities and two categories of net assets for its governmental-type activities

<b>Condensed Statement of Changes in Net Assets</b>						
	<b>Governmental activities</b>		<b>Business-type activities</b>		<b>Total</b>	
	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>
<b>Revenues:</b>						
<b>Program Revenues:</b>						
Charges for services	\$ 124,585	95,507	1,671,877	1,606,068	1,796,462	1,701,575
Operating grants and contributions	49,415	56,472	24,117	23,205	73,532	79,677
Capital grants and contributions	1,201	1,494	6,306	5,805	7,507	7,299
<b>General revenues:</b>						
Local taxes	541,795	536,715	-	-	541,795	536,715
State taxes (local share)	92,554	83,602	-	-	92,554	83,602
Hotel/motel tax	4,607	4,399	-	-	4,607	4,399
Unrestricted investment earnings	7,907	3,596	69,910	63,619	77,817	67,215
Other	25,740	15,871	-	-	25,740	15,871
Total revenues	<u>847,804</u>	<u>797,656</u>	<u>1,772,210</u>	<u>1,698,697</u>	<u>2,620,014</u>	<u>2,496,353</u>
<b>Expenses:</b>						
General government	200,184	190,796	-	-	200,184	190,796
Public safety	362,050	340,621	-	-	362,050	340,621
Community services	108,341	101,488	-	-	108,341	101,488
Transportation and environment	72,106	66,262	-	-	72,106	66,262
Education	91,405	91,225	-	-	91,405	91,225
Interest on long-term debt	44,772	43,583	-	-	44,772	43,583
Sewer collection and treatment	-	-	47,852	48,991	47,852	48,991
Memphis Light, Gas and Water	-	-	1,577,503	1,507,661	1,577,503	1,507,661
Storm Water	-	-	7,223	1,343	7,223	1,343
Golf	-	-	3,893	4,153	3,893	4,153
Total expenses	<u>878,858</u>	<u>833,975</u>	<u>1,636,471</u>	<u>1,562,148</u>	<u>2,515,329</u>	<u>2,396,123</u>
Increase in net assets before transfers	(31,054)	(36,319)	135,739	136,549	104,685	100,230
Transfers	59,966	43,929	(59,966)	(43,929)	-	-
Increase (decrease) in net assets	28,912	7,610	75,773	92,620	104,685	100,230
Net assets - July 1, as restated	189,480	175,198	1,771,356	1,674,335	1,960,836	1,849,533
Net assets - June 30	<u>\$ 218,392</u>	<u>182,808</u>	<u>1,847,129</u>	<u>1,766,955</u>	<u>2,065,521</u>	<u>1,949,763</u>

**Governmental activities.** Governmental activities increased the City's net assets by \$28,912 and Business-Type activities increased net assets by \$75,773, thereby resulting in a 5.3% increase in total primary government's beginning net assets. Key elements of the governmental activities are discussed below:

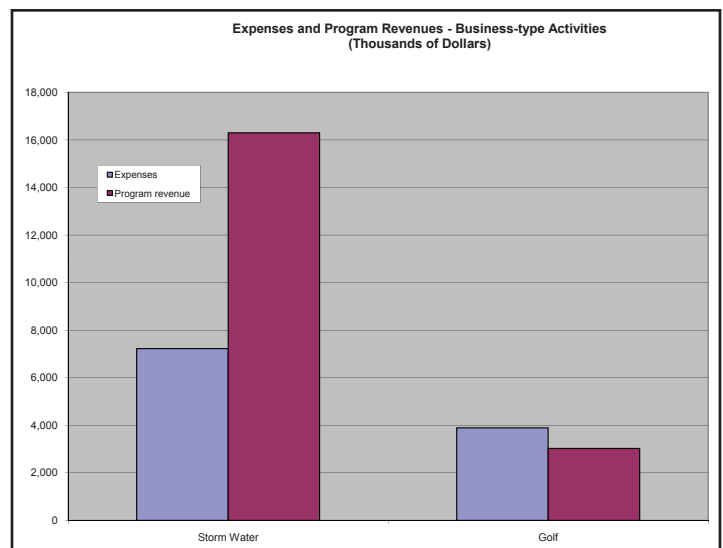
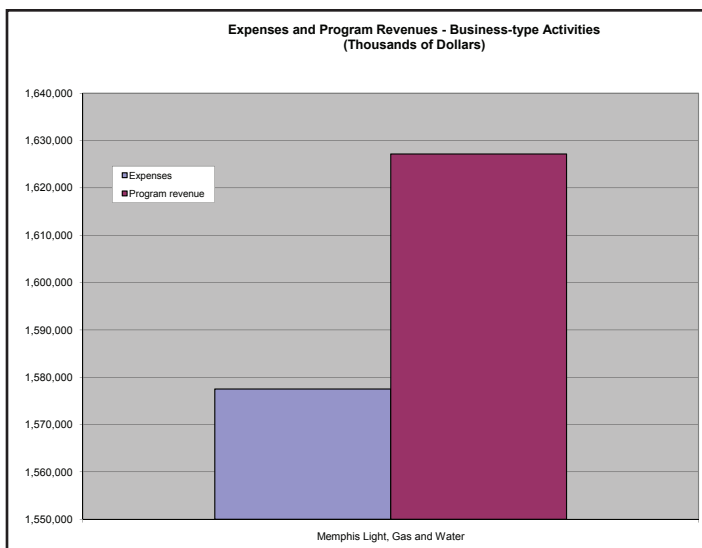
- Total expenses increased by \$44,883 or 5.0% from last year. Total revenues increased by \$50,148 or 6% over last year
- The most significant increase in expenses from prior year was realized in public safety, whose expense increased by \$21,429 or 6% and the general government which increased by \$9,388 or 4%. Expenses for Community Services and Transportation and environment increased by \$6,853 or 7% and \$5,844 or 9%, respectively.
- An increase of 30% or \$29,078 in charges for services, primarily related to increased solid waste management fees, contributed significantly to the overall increase in revenue for fiscal year 2007. Also, state taxes

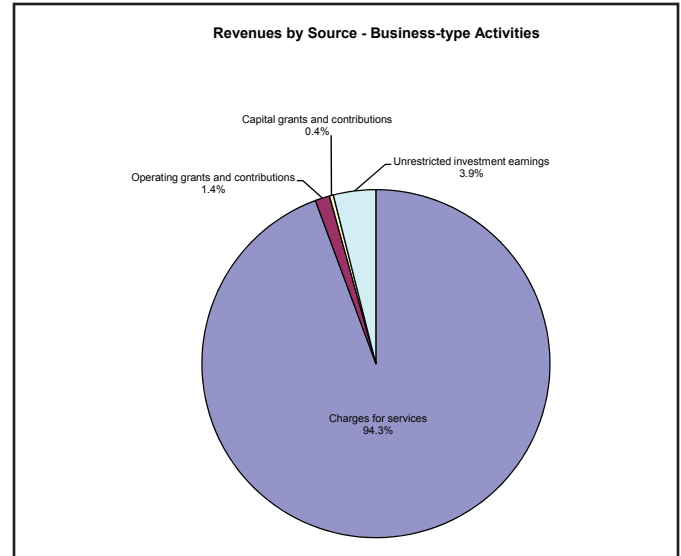
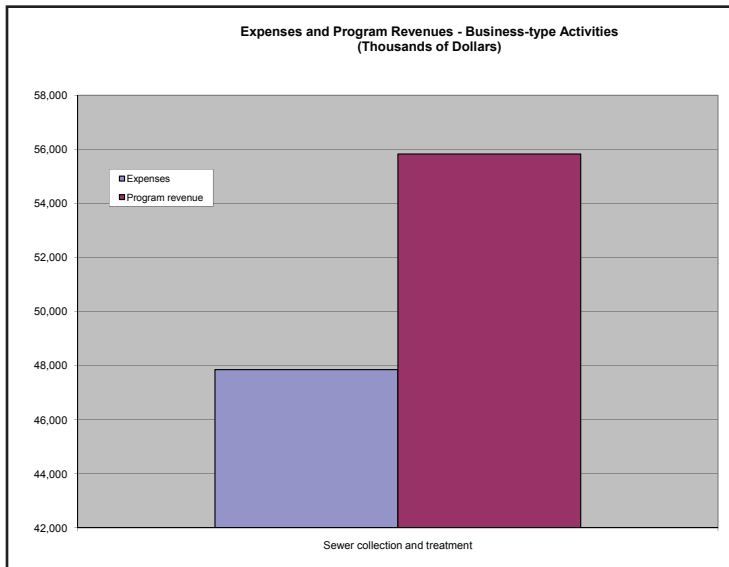
increased by 10% as a result of increased sales and income tax collections. Other Revenue increased by \$9,869 or 62%, due to intergovernmental revenues and higher investment earnings.



Business-type activities. Business-type activities increased the City’s net assets by \$75,773, accounting for 5% growth in the government’s beginning net assets. Key elements of the increase are as follows:

- MLGW’s Electric Division accounts for \$70.4 million of the net asset increase. The growth in net assets is a result of continued growth in operating revenue over operating expenses. Over 68% of the Electric Division’s net assets are related to utility plant, which include property, plant, and construction.
- Charges for services increased by 4% over last year.





**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, 2007, the City's governmental funds reported combined ending fund balance of \$111,910, an increase of \$70,732 in comparison with the prior year. Approximately 93.9% of this total amount (\$105,163) constitutes unreserved fund balance, which is available for spending at the government's discretion. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed to liquidate contracts and purchase orders of the prior period (\$5,352) or for special services (\$1,395).

The general fund is the chief operating fund of the City. At June 30, 2007, unreserved fund balance of the general fund was \$76,571, while total fund balance was \$83,318. 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 15.5% of total general fund expenditures, while total general fund balance represents 16.8% of the fund expenditures.

The fund balance of the City's general fund increased by \$44,581 (after FY06 restatement) during the fiscal year ended June 30, 2007. Key factors resulting in this increase are as follows:

- Total General Fund Revenues increased by \$17,113 or 3.57% over prior year. This significant increase is primarily the result of the City realizing increased property tax collections in FY 2007 as a result of an annexation in fiscal year 2006. In addition, the City received increased collections related to the sales and income tax from the Tennessee State Department of Revenue.

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- Total expenditures decreased by \$9,139, or 1.81% over prior year. Expenditures in transportation and environment decreased by \$12,428 as result of Public Works receiving increased expense recoveries for their asphalt paving program. However, these cost savings were offset by public safety and community services increases in expenditures over prior year of \$2,341 and \$2,206, respectively.
  - The general fund's operating transfers in decreased by \$11,698 or 17.26% due to reclass of State Street Aid from operating transfers to expense recoveries as per State law. The general fund's operating transfers out decreased by \$2,701 or 25.8% primarily as a result of a decrease in transfers out to the Solid Waste Management Fund.

The fund balance of the City's Debt Service fund increased by \$23,375 during the fiscal year ended June 30, 2007. Key factors resulting in this increase are as follows:

- Total revenues decreased by \$4,669 or 4.9% primarily due to an decrease in state grants and other. However, total expenditures decreased slightly by 5.4%.

Detail for other governmental funds, including special revenue funds and the capital project fund are presented in Exhibits D-1 and D-2. Significant changes from FY 2006 are summarized as follows:

- As the Capital Projects Fund did not meet the minimum criteria as defined by generally accepted accounting principles (GAAP) for mandatory major fund reporting this year, the fund is reported as a non-major fund this year. Fund balance decreased by \$4,232 to a negative balance of \$31,809.
- The New Memphis Arena Fund (FedEx Forum) revenue and expenditures decreased by 17.7% and 11.2%, respectively. The Water Division, through an agreement with the City, transfers a payment in the amount of \$2,500 per year. The agreement is effective through the year 2028. This fund also reports the collection and disbursement of certain revenues related to the bonds issued by the Sports Authority for construction of the arena.
- Solid Waste Management Fund revenues increased by 3.5% as result of the fee increase that became effective during FY 2006.

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

Unrestricted net assets of \$212,522 comprised primarily of \$190,096 for Memphis Light, Gas and Water, which can be used for on-going operations of the public utility system and \$30,476 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 \$8,050 represents unrestricted net assets of the non-major funds, Golf and Storm Water.

### **General Fund Budgetary Highlights**

The original operating budget for FY 2007 did not anticipate any use of unreserved fund balance. After a few years of less than desirable results due to significant revenue shortfalls in state and local sales taxes, the City achieved fiscal stability primarily as a result of increased revenues and expense savings realized from hiring/travel freezes and spending restrictions on materials and supplies. Most divisions ended FY 2007 with expen-

ditures below budget. Differences between the original budget and the final amended budget can be briefly summarized as follows:

- General Fund actual expenditures were under budget by \$10,123. Revenues were over budget by \$34,315.
- Slower hiring, lower overtime for non-public safety positions and modest growth in spending on materials and supplies during FY 2007 contributed significantly to the positive budget to actual variance in expenditures.
- The revenue variance resulted primarily from Current property tax collections, higher state tax receipts and higher investment earnings. Current property tax collections exceeded budget by \$3,494 due to lower anticipated assessment appeal reductions. Other property tax collections related to prior tax delinquencies and payment in lieu of taxes under contract contributed another \$1,806 and \$1,663, respectively, over budget. Higher State revenue collections and an enhancement in the State Department of Revenue's method of distributing these funds to municipalities caused State Taxes to exceed budget by \$11,658.
- Charges for services contributed a positive revenue variance of \$2,457 combined with higher investment earning over budget of \$4,807. Miscellaneous revenues including insurance recoveries and property damage reimbursements contributed \$3,186 of positive variances above budget.

**Capital Asset and Debt Administration**

**Capital assets.** The City's investment in capital assets for its governmental and business-type activities as of June 30, 2007 amounts to \$2,843,795 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, equipment, roads, highways, and other infrastructure. The total increase in the City's investment in capital assets for the current fiscal year was 1.47 (a 1.41% decrease for governmental activities and a 3.41% increase for business-type activities).

<b>Condensed Statement Capital Assets (net of depreciation)</b>						
	<b>Governmental activities</b>		<b>Business-type activities</b>		<b>Total</b>	
	2007	2006	2007	2006	2007	2006
Land and buildings	\$ 415,358	427,179	50,184	52,767	465,542	479,946
Improvements other than buildings	592,014	583,460	301,496	282,139	893,510	865,599
Equipment	72,993	81,698	3,048	2,136	76,041	83,834
Construction in progress	31,151	35,047	7,102	1,889	38,253	36,936
Memphis Light, Gas and Water		-	1,370,449	1,336,201	1,370,449	1,336,201
<b>Total</b>	<b>\$ 1,111,516</b>	<b>1,127,384</b>	<b>1,732,279</b>	<b>1,675,132</b>	<b>2,843,795</b>	<b>2,802,516</b>

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

- Rehabilitation of the Liberty Bowl Stadium to include ADA requirements, new fixtures and interior renovations.
- Expansion of the City's communication network including connecting remote locations through fiber optics.
- Completion of the NW Passage Exhibit featuring the Pacific Northwest at the Memphis Zoo.



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

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

Long-term debt. At June 30, 2007, the City had total bonded debt outstanding of \$2,513,751. Of this amount, \$1,073,245 comprises debt backed by the full faith and credit of the government, inclusive of self-supporting debt of the Board of Education and Airport Authority, and \$1,440,506 represents bonds secured solely by specified revenue sources (i.e., revenue bonds).

<b>Condensed Statement of Outstanding Debt</b>						
General Obligation and Revenue Bonds						
	Governmental activities		Business-type activities		Total	
	2007	2006	2007	2006	2007	2006
General obligation bonds	1,003,245	915,315	-	-	1,003,245	915,315
Bond anticipation notes	70,000	114,000	-	-	70,000	114,000
Notes payable	-	786	-	-	-	786
Capital lease obligations	-	970	-	-	-	970
Revenue bonds	-	-	1,440,506	1,543,865	1,440,506	1,543,865
<b>Total</b>	<b>\$ 1,073,245</b>	<b>1,031,071</b>	<b>1,440,506</b>	<b>1,543,865</b>	<b>2,513,751</b>	<b>2,574,936</b>

The City’s total debt decreased by \$61,185 (2.4% percent) during FY 2007. 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 4.09%, while business-type activities’ debt decreased by 6.7%.

The City has long held a high grade bond rating on indebtedness from the major credit rating services. As of June 30, 2007, the City held ratings of A1 from Moody’s, A from Standard and Poor’s and A+ from 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 Refunding Bonds of \$89,385 in December, 2006 and issued General Improvement Bonds in May, 2007 of \$94,935. The City’s Commercial Paper Program provides for the sale of bond anticipation notes to provide interim financing for various capital projects.

In 2005, MLGW’s Water Division AAA bond rating was reaffirmed from Standard & Poor’s after an annual review of financial management practices. The Water Division holds the highest possible bond ratings—Aaa from Moody’s Investors Service as well as the AAA from Standard and Poor’s. The Electric Division’s AA

rating was also reaffirmed. The Gas Division currently has no debt. More information is available in MLGW's separately issued financial statements. Separate financial statements for MLGW are issued as of and for its year-end December 31, and can be obtained by writing to MLGW Financial Statements, P.O. Box 430, Memphis, Tennessee 38101-0430.

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

### **Economic Factors and Next Year's Budgets and Rates**

Factors considered in preparing the City's budget for the 2008 fiscal year are discussed more fully in the Budget document and include:

- The City of Memphis continued to make employment gains with downward unemployment trends compared to recent years. Memphis' unemployment rate decreased to 5.4 percent in December 2006, down from 5.9 percent a year ago.
- The FY 2008 revenue collections are expected to continue to improve, yet are still budgeted very conservatively. In addition, expenditures are expected to remain stable as division leaders have been given a mandate to manage their costs within established resources.
- Increasing Public Safety is always a concern. Therefore, the City plans to hire an additional 109 commissioned police officers.
- To ensure the City's financial position remains fiscally sound management has implemented quarterly financial reviews and is evaluating the recommendations of consultants hired to complete an operational and financial efficiency study.

At June 30, 2007, unreserved fund balance in the general fund was \$76,571. The City has approved an operating budget of \$540,084 in total expenditures for FY 2008, with planned contribution of \$1,698 to unreserved fund balance. The City's tax rate for FY 2008 has been set at \$3.4332 per \$100 of assessed value. The tax rate is allocated to General Fund, Education, Debt Service, and Capital Projects. The City continues to explore cost cutting measures and additional revenue sources.

### **Requests for Information**

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or request for additional financial information may be addressed to the Office of the Director of Finance, Room 368, City of Memphis, 125 North Main, Memphis, Tennessee 38103. The Comprehensive Annual Financial Report, the 2008 Operating Budget and 5 Year Capital Improvement Program, and other general information about the City may be found on the City's website, [www.memphistn.gov](http://www.memphistn.gov).

# CITY OF MEMPHIS

T E N N E S S E E

## BASIC FINANCIAL STATEMENTS

**STATEMENT OF NET ASSETS**  
**(Thousands of Dollars)**  
**June 30, 2007**

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

	<b>Primary Government</b>			<b>Component Units</b>
	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>	
<b>ASSETS</b>				
Cash and cash equivalents	\$ 6,570	103,782	110,352	262,619
Investments	7,838	68,701	76,539	42,667
Equity in cash and investment pool	79,420	1,456	80,876	-
Receivables (net of allowance for uncollectibles):			-	
Property taxes	434,849	-	434,849	-
Sales and income taxes	40,592	-	40,592	-
Special assessments	15	-	15	-
Federal and state grants	29,808	30	29,838	3,287
Interest and dividends on investments	268	118	386	262
Notes and accounts receivable	83	253,398	253,481	7,092
Housing rehabilitation loans	65,374	-	65,374	-
Other	30,311	-	30,311	6,426
Internal balances	13,660	-	13,660	-
Due from component units	800	-	800	-
Due from other agencies and governments	90,751	-	90,751	128,600
Inventories	470	33,555	34,025	12,215
Deferred purchased power and gas costs	-	1,249,534	1,249,534	-
Collateral held in trust for securities on loan	-	35,221	35,221	-
Prepaid expenses	-	-	-	2,344
Restricted assets:			-	
Cash and cash equivalents	-	-	-	29,644
Investments	-	45,345	45,345	188,729
Receivables	-	-	-	
Accounts	-	-	-	3,998
Federal and state grants	-	-	-	7,020
Accrued interest	-	-	-	2,365
Special facilities	-	-	-	28,513
Special fund - customer deposits	-	96,538	96,538	-
Non-depreciable capital assets	93,351	13,757	107,108	192,577
Depreciable capital assets (net of accumulated depreciation)	1,018,165	1,718,523	2,736,688	1,732,853
Bond issue costs	-	-	-	6,804
Net pension asset	64,471	-	64,471	-
Other assets	-	59,300	59,300	13
Unrestricted assets:			-	
Investments	-	-	-	4,209
<b>Total assets</b>	<b>\$ 1,976,796</b>	<b>3,679,258</b>	<b>5,656,054</b>	<b>2,662,237</b>

(Continued)

**STATEMENT OF NET ASSETS**  
**(Thousands of Dollars)**  
**June 30, 2007**

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

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
<b>LIABILITIES</b>				
Accounts payable and accrued liabilities	\$ 39,615	353,749	393,364	118,036
Accrued interest payable	10,431	-	10,431	-
Contract retainage	95	409	504	-
Insurance claims payable	8,058	-	8,058	19,747
Legal claims and judgments	2,150	-	2,150	-
Due to component units	10,833	-	10,833	-
Due to other agencies and governments	6,507	-	6,507	-
Refundable bonds and deposits	1,120	-	1,120	-
Unearned revenue	529,440	3	529,443	52,404
Collateral subject to return to borrowers	-	35,221	35,221	-
Noncurrent liabilities:				
Due within one year	113,052	92,963	206,015	34,635
Due in more than one year	1,037,103	1,349,784	2,386,887	622,790
<b>Total liabilities</b>	<b>1,758,404</b>	<b>1,832,129</b>	<b>3,590,533</b>	<b>847,612</b>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	162,807	1,512,730	1,675,537	1,389,992
Restricted for:				
Debt service and construction	-	118,799	118,799	105,873
Capital acquisition	-	-	-	111,537
Contracted grant programs	-	-	-	4,904
Food service	-	-	-	10,613
Self insurance	-	-	-	500
Unrestricted:				
Net Pension Asset	64,471	-	64,471	-
Unrestricted, other	(8,886)	215,600	206,714	191,206
<b>Total net assets</b>	<b>\$ 218,392</b>	<b>1,847,129</b>	<b>2,065,521</b>	<b>1,814,625</b>

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

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

**STATEMENT OF ACTIVITIES**  
**(Thousands of Dollars)**  
**For the fiscal year ended June 30, 2007**

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets			Component Units
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business-Type Activities	Total	
<b>Functions/Programs</b>								
<b>Primary government:</b>								
Governmental Activities:								
General government	\$ 200,184	71,939	12,030	1,201	(115,014)	-	(115,014)	-
Public safety	362,050	4,584	327	-	(357,139)	-	(357,139)	-
Community services	108,341	125	36,995	-	(71,221)	-	(71,221)	-
Transportation and environment	72,106	47,937	63	-	(24,106)	-	(24,106)	-
Education	91,405	-	-	-	(91,405)	-	(91,405)	-
Interest on long-term debt	44,772	-	-	-	(44,772)	-	(44,772)	-
<b>Total governmental activities</b>	<b>878,858</b>	<b>124,585</b>	<b>49,415</b>	<b>1,201</b>	<b>(703,657)</b>	<b>-</b>	<b>(703,657)</b>	<b>-</b>
<b>Business-type activities:</b>								
Sewer collection and treatment	47,852	52,543	105	3,181	-	7,977	7,977	-
Memphis Light, Gas and Water	1,577,503	1,603,383	23,766	-	-	49,646	49,646	-
Golf	3,893	2,963	60	-	-	(870)	(870)	-
Storm water	7,223	12,988	186	3,125	-	9,076	9,076	-
<b>Total business-type activities</b>	<b>1,636,471</b>	<b>1,671,877</b>	<b>24,117</b>	<b>6,306</b>	<b>-</b>	<b>65,829</b>	<b>65,829</b>	<b>-</b>
<b>Total primary government</b>	<b>\$ 2,515,329</b>	<b>1,796,462</b>	<b>73,532</b>	<b>7,507</b>	<b>(703,657)</b>	<b>65,829</b>	<b>(637,828)</b>	<b>-</b>
<b>Component units:</b>								
Board of Education	\$ 1,007,880	40,197	524,802	-	-	-	-	(442,881)
Memphis Area Transit Authority	59,315	10,840	-	1,819	-	-	-	(46,656)
Airport Authority	135,205	112,634	-	49,532	-	-	-	26,961
<b>Total component units</b>	<b>\$ 1,202,400</b>	<b>163,671</b>	<b>524,802</b>	<b>51,351</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(462,576)</b>

**STATEMENT OF ACTIVITIES**  
**(Thousands of Dollars)**  
**For the fiscal year ended June 30, 2007**

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

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			Component Units
	Expenses	Charges for Services	Operating Grants and Contributions	Primary Government		Total	
				Capital Grants and Contributions	Governmental Activities		
General revenues:							
Local taxes:							
Property taxes - levied for education				91,952	-	-	91,952
Property taxes - levied for debt service				77,410	-	-	77,410
Property taxes - levied for capital projects				355	-	-	355
Property taxes - levied for general government				208,854	-	-	208,854
Interest, penalties and commission - property taxes				8,499	-	-	8,499
Sales tax, general				100,380	-	-	100,380
Sales tax, beer				15,125	-	-	15,125
Gross receipts tax				8,935	-	-	8,935
Franchise tax				5,008	-	-	5,008
Other local taxes				25,277	-	-	25,277
State taxes:							
Sales tax				49,357	-	-	49,357
Income tax				13,004	-	-	13,004
Beer tax				365	-	-	365
Alcoholic beverage tax				250	-	-	250
Gasoline inspection tax				1,569	-	-	1,569
State gas motor fuel tax				13,348	-	-	13,348
Three-cent tax				3,850	-	-	3,850
One-cent tax				2,074	-	-	2,074
Tourism development				8,737	-	-	8,737
Hotel/motel tax				4,607	-	-	4,607
Grants and contributions not restricted to specific programs				-	-	-	-
City of Memphis subsidy				-	-	-	-
Investment income				7,907	69,910	-	77,817
Intergovernmental Revenues				14,171	-	-	14,171
Federal grants and entitlements				-	-	-	-
State grants				-	-	-	-
Insurance refund				-	-	-	-
Other				11,569	-	-	11,569
Transfers				59,966	(59,966)	-	-
Total general revenues and transfers				732,569	9,944	-	742,513
Change in net assets				28,912	75,773	-	104,685
Net assets - beginning, as restated				189,480	1,771,356	-	1,960,836
Net assets - ending				218,392	1,847,129	-	2,065,521
				\$			\$

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



**BALANCE SHEET  
GOVERNMENTAL FUNDS  
(Thousands of Dollars)  
June 30, 2007**

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

	<b>General</b>	<b>Debt Service</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 35	-	6,535	6,570
Investments	10	-	7,828	7,838
Equity in cash and investment pool	42,133	15,190	17,124	74,447
Receivables (net of allowance for uncollectibles):				
Property taxes:				
Current property taxes	219,285	79,739	97,981	397,005
Delinquent property taxes	20,301	7,765	9,778	37,844
Sales and Income taxes	40,592	-	-	40,592
Special assessments	-	15	-	15
Federal and state grants	476	-	29,332	29,808
Interest and dividends on investments	166	42	60	268
Housing rehabilitation loans	-	-	65,374	65,374
Other	28,101	-	2,210	30,311
Due from other funds	18,496	37,717	774	56,987
Due from component units	-	800	-	800
Due from other agencies and governments	2,574	38,625	9,435	50,634
<b>Total assets</b>	<b>\$ 372,169</b>	<b>179,893</b>	<b>246,431</b>	<b>798,493</b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities:</b>				
Accounts payable and accrued liabilities	\$ 24,241	212	11,399	35,852
Contract retainage	-	-	95	95
Due to other funds	14	-	56,319	56,333
Due to other agencies and governments	1,575	-	1,853	3,428
Refundable bonds and deposits	1,120	-	-	1,120
Deferred revenue	261,901	125,888	201,966	589,755
<b>Total liabilities</b>	<b>288,851</b>	<b>126,100</b>	<b>271,632</b>	<b>686,583</b>
<b>Fund balances:</b>				
Fund balances:				
Reserved for				
Encumbrances	5,352	-	-	5,352
Parks special services	1,395	-	-	1,395
Undesignated				
General fund	76,571	-	-	76,571
Special revenue funds	-	-	6,608	6,608
Debt service fund	-	53,793	-	53,793
Capital projects fund	-	-	(31,809)	(31,809)
<b>Total fund balances</b>	<b>83,318</b>	<b>53,793</b>	<b>(25,201)</b>	<b>111,910</b>
<b>Total liabilities and fund balances</b>	<b>\$ 372,169</b>	<b>179,893</b>	<b>246,431</b>	<b>798,493</b>

See accompanying notes to financial statements.

**RECONCILIATION OF THE BALANCE SHEET TO  
THE STATEMENT OF NET ASSETS  
(Thousands of Dollars)  
June 30, 2007**

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

Total governmental fund balances:	\$ 111,910
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	1,111,281
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	89,815
Net pension assets should be reported as an asset in the governmental-wide statement of net assets. This is the cumulative amount by which the City has overfunded its pension obligations.	64,471
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.	(274)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	<u>(1,158,811)</u>
Net assets of governmental activities	<u>\$ 218,392</u>

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

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

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

(Thousands of Dollars)

For the fiscal year ended June 30, 2007

	General	Debt Service	Governmental Funds	Governmental Funds
<b>REVENUES</b>				
Local taxes	\$ 366,383	77,410	96,489	540,282
State taxes (local share)	64,545	-	28,009	92,554
Hotel/motel tax	-	397	4,210	4,607
Licenses and permits	11,918	-	-	11,918
Fines and forfeitures	8,838	-	4,584	13,422
Charges for services	23,644	-	48,663	72,307
Investment income	5,149	1,841	421	7,411
Federal grants and entitlements	1,709	-	39,964	41,673
State grants	847	-	3,602	4,449
Intergovernmental revenues	3,600	10,571	534	14,705
Other	9,845	1,074	3,629	14,548
<b>Total revenues</b>	<b>496,478</b>	<b>91,293</b>	<b>230,105</b>	<b>817,876</b>
<b>EXPENDITURES</b>				
Current:				
General government	115,356	-	26,185	141,541
Public safety	319,906	-	3,785	323,691
Community services	53,757	-	37,647	91,404
Transportation and environment	5,769	-	62,430	68,199
Education	-	-	91,952	91,952
Capital outlay	-	-	62,416	62,416
Debt service:				
Redemption of serial bonds and notes	-	36,528	-	36,528
Interest	-	46,738	-	46,738
Bond issuance cost	-	940	788	1,728
Service charges	-	1,308	-	1,308
<b>Total expenditures</b>	<b>494,788</b>	<b>85,514</b>	<b>285,203</b>	<b>865,505</b>
Revenues over (under) expenditures	1,690	5,779	(55,098)	(47,629)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	56,068	17,017	9,099	82,184
Transfers out	(13,177)	(400)	(8,641)	(22,218)
Issuance of debt	-	89,385	131,327	220,712
Retirement of refunded debt obligation	-	(95,172)	(80,000)	(175,172)
Premium on debt issue	-	6,766	6,089	12,855
<b>Total other financing sources and uses</b>	<b>42,891</b>	<b>17,596</b>	<b>57,874</b>	<b>118,361</b>
Net change in fund balances	44,581	23,375	2,776	70,732
Fund balances - beginning of year, as restated	38,737	30,418	(27,977)	41,178
<b>Fund balances - end of year</b>	<b>\$ 83,318</b>	<b>53,793</b>	<b>(25,201)</b>	<b>111,910</b>

**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, 2007**

**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	\$ 70,732
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 depreciation exceeded capital outlay in the current period.	(15,951)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(163)
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.	(18,840)
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.	(7,207)
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>341</u>
Change in net assets of governmental activities	<u>\$ 28,912</u>

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

**GENERAL FUND**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - BUDGET AND ACTUAL ON BASIS OF BUDGETING**  
(Thousands of Dollars)  
For the fiscal year ended June 30, 2007

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

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Local taxes	\$ 354,335	355,486	366,383	10,897
State taxes (local share)	52,887	52,887	64,545	11,658
Licenses and permits	11,897	11,897	11,918	21
Fines and forfeitures	9,030	9,030	8,838	(192)
Charges for services	21,080	21,187	23,644	2,457
Investment income	285	285	5,149	4,864
Federal grants	324	324	1,709	1,385
State grants	739	808	847	39
Intergovernmental revenues	3,600	3,600	3,600	-
Other	6,660	6,659	9,845	3,186
Total revenues	<u>460,837</u>	<u>462,163</u>	<u>496,478</u>	<u>34,315</u>
<b>EXPENDITURES</b>				
General government	121,684	119,977	116,933	3,044
Public safety	323,471	323,639	320,632	3,007
Community services	55,906	56,318	53,812	2,506
Transportation and environment	8,043	7,626	6,060	1,566
Total expenditures	<u>509,104</u>	<u>507,560</u>	<u>497,437</u>	<u>10,123</u>
Revenues over (under) expenditures	(48,267)	(45,397)	(959)	44,438
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	58,944	61,583	56,068	(5,515)
Transfers out	(4,711)	(13,316)	(13,177)	139
Total other financing sources (uses)	<u>54,233</u>	<u>48,267</u>	<u>42,891</u>	<u>(5,376)</u>
Revenues over (under) expenditures and other sources (uses)	<u>\$ 5,966</u>	<u>2,870</u>	<u>41,932</u>	<u>39,062</u>
Adjustment for encumbrances - prior year			(2,703)	
Adjustment for encumbrances - current year			<u>5,352</u>	
Revenues and other source over expenditures and other uses (GAAP basis)			44,581	
Fund balance - beginning of year - as restated			<u>38,737</u>	
<b>Fund balance - end of year</b>			<u>\$ 83,318</u>	

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

**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, 2007

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

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget-Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
<b>Local taxes:</b>				
Property taxes	\$ 204,559	204,559	208,053	3,494
Interest, penalties and commission - property taxes	6,693	6,693	8,499	1,806
Receipts in lieu of taxes contractual	9,191	9,191	10,854	1,663
Sales tax general	97,397	98,548	99,733	1,185
Sales tax beer	14,918	14,918	15,125	207
Alcoholic beverage tax	3,523	3,523	3,836	313
Liquor by the drink tax	2,173	2,173	2,432	259
Gross receipts tax	8,264	8,264	8,935	671
Excise tax	785	785	889	104
Franchise tax	4,800	4,800	5,008	208
Other local taxes	2,032	2,032	3,019	987
Total local taxes	<u>354,335</u>	<u>355,486</u>	<u>366,383</u>	<u>10,897</u>
<b>State taxes (local share):</b>				
Sales tax	44,158	44,158	49,357	5,199
Income taxes	6,246	6,246	13,004	6,758
Beer taxes	408	408	365	(43)
Alcoholic beverage tax	221	221	250	29
Gasoline inspection fees	1,854	1,854	1,569	(285)
Total state taxes (local share)	<u>52,887</u>	<u>52,887</u>	<u>64,545</u>	<u>11,658</u>
<b>Licenses and permits:</b>				
Auto licenses	10,851	10,851	10,776	(75)
Dog licenses	434	434	428	(6)
Liquor by the drink licenses	239	239	294	55
Other	373	373	420	47
Total licenses and permits	<u>11,897</u>	<u>11,897</u>	<u>11,918</u>	<u>21</u>
<b>Fines and forfeitures:</b>				
City courts	7,946	7,946	7,861	(85)
Library	1,084	1,084	977	(107)
Total fines and forfeitures	<u>\$ 9,030</u>	<u>9,030</u>	<u>8,838</u>	<u>(192)</u>

(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, 2007

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

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
<b>Charges for services:</b>				
Building and other inspection fees	\$ 840	840	747	(93)
Park commission revenues	2,091	2,091	1,494	(597)
Parking meter revenues	500	500	587	87
Ambulance service fees	13,700	13,806	16,139	2,333
Rents	1,418	1,419	1,722	303
Other	2,531	2,531	2,955	424
<b>Total charges for services</b>	<b>21,080</b>	<b>21,187</b>	<b>23,644</b>	<b>2,457</b>
<b>Investment income:</b>				
Interest on investments	231	231	5,038	4,807
Other	54	54	111	57
<b>Total investment income</b>	<b>285</b>	<b>285</b>	<b>5,149</b>	<b>4,864</b>
<b>Federal grants</b>	<b>324</b>	<b>324</b>	<b>1,709</b>	<b>1,385</b>
<b>State grants</b>	<b>739</b>	<b>808</b>	<b>847</b>	<b>39</b>
<b>Intergovernmental revenues</b>	<b>3,600</b>	<b>3,600</b>	<b>3,600</b>	<b>-</b>
<b>Other:</b>				
Auctions and sale of assets	2,189	2,189	2,478	289
Property damage reimbursement	-	30	235	205
Property insurance recoveries	-	-	1,206	1,206
Local shared revenue	1,954	1,954	2,134	180
Miscellaneous	2,517	2,486	3,792	1,306
<b>Total other</b>	<b>6,660</b>	<b>6,659</b>	<b>9,845</b>	<b>3,186</b>
<b>Total revenues</b>	<b>\$ 460,837</b>	<b>462,163</b>	<b>496,478</b>	<b>34,315</b>
<b>Other source:</b>				
<b>Transfers in:</b>				
Debt service fund	\$ 6,000	6,400	400	(6,000)
Sewer collection and treatment fund	5,542	5,542	5,909	367
MLG&W fund	47,400	49,639	49,759	120
Community services fund	2	2	-	(2)
<b>Total other source</b>	<b>\$ 58,944</b>	<b>61,583</b>	<b>56,068</b>	<b>(5,515)</b>

See accompanying notes to financial statements.

**GENERAL FUND**  
**STATEMENT OF EXPENDITURES AND OTHER USES -**  
**BUDGET AND ACTUAL ON BASIS OF BUDGETING**  
(Thousands of Dollars)  
For the fiscal year ended June 30, 2007

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

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget- Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>EXPENDITURES</b>				
<b>General government:</b>				
Legislative:				
Personal services	\$ 1,324	1,324	1,302	22
Materials and supplies	350	350	334	16
Expense reimbursement	-	-	1	(1)
Total legislative	<u>1,674</u>	<u>1,674</u>	<u>1,637</u>	<u>37</u>
Judicial:				
Personal services	520	520	474	46
Materials and supplies	67	67	49	18
Total judicial	<u>587</u>	<u>587</u>	<u>523</u>	<u>64</u>
Court clerk:				
Personal services	2,839	2,677	2,628	49
Materials and supplies	310	344	276	68
Capital outlay	10	138	124	14
Total court clerk	<u>3,159</u>	<u>3,159</u>	<u>3,028</u>	<u>131</u>
Executive:				
Personal services	2,362	2,362	2,311	51
Materials and supplies	847	1,092	863	229
Expense reimbursement	(55)	(55)	(67)	12
Total executive	<u>3,154</u>	<u>3,399</u>	<u>3,107</u>	<u>292</u>
Finance and administration:				
Personal services	4,320	4,270	3,978	292
Materials and supplies	1,107	1,157	991	166
Expense reimbursement	(765)	(765)	(880)	115
Total finance and administration	<u>\$ 4,662</u>	<u>4,662</u>	<u>4,089</u>	<u>573</u>

(Continued)



**GENERAL FUND**  
**STATEMENT OF EXPENDITURES AND OTHER USES -**  
**BUDGET AND ACTUAL ON BASIS OF BUDGETING**  
(Thousands of Dollars)  
For the fiscal year ended June 30, 2007

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

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget- Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
City attorney:				
Personal services	\$ 3,637	3,636	3,313	323
Materials and supplies	16,543	13,289	12,942	347
Capital outlay	-	1	1	-
Expense reimbursement	(3,395)	(3,395)	(2,823)	(572)
<b>Total city attorney</b>	<b>16,785</b>	<b>13,531</b>	<b>13,433</b>	<b>98</b>
City engineer:				
Personal services	8,447	8,311	8,158	153
Materials and supplies	1,791	2,048	2,047	1
Capital outlay	-	5	5	-
Expense reimbursement	(4,876)	(4,876)	(4,912)	36
<b>Total city engineer</b>	<b>5,362</b>	<b>5,488</b>	<b>5,298</b>	<b>190</b>
Information systems:				
Personal services	1,005	753	734	19
Materials and supplies	14,416	14,668	14,602	66
Expense reimbursement	(1,105)	(1,105)	(1,275)	170
<b>Total information systems</b>	<b>14,316</b>	<b>14,316</b>	<b>14,061</b>	<b>255</b>
Human resources:				
Personal services	5,766	5,307	4,283	1,024
Materials and supplies	1,033	1,040	780	260
Capital outlay	7	90	69	21
Expense reimbursement	(385)	(384)	(335)	(49)
<b>Total human resources</b>	<b>6,421</b>	<b>6,053</b>	<b>4,797</b>	<b>1,256</b>
General services:				
Personal services	7,651	7,914	7,914	-
Materials and supplies	3,725	3,950	3,950	-
Expense reimbursement	(951)	(1,439)	(1,548)	109
<b>Total general services</b>	<b>10,425</b>	<b>10,425</b>	<b>10,316</b>	<b>109</b>
Special appropriations:				
Personal services	157	157	125	32
Materials and supplies	30	30	23	7
Grants and subsidies	57,770	59,314	59,313	1
Expense reimbursement	(2,818)	(2,818)	(2,817)	(1)
<b>Total special appropriations</b>	<b>55,139</b>	<b>56,683</b>	<b>56,644</b>	<b>39</b>
<b>Total general government</b>	<b>\$ 121,684</b>	<b>119,977</b>	<b>116,933</b>	<b>3,044</b>

(Continued)

**GENERAL FUND**  
**STATEMENT OF EXPENDITURES AND OTHER USES -**  
**BUDGET AND ACTUAL ON BASIS OF BUDGETING**  
(Thousands of Dollars)  
For the fiscal year ended June 30, 2007

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

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget-Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Public safety:</b>				
Police:				
Personal services	\$ 171,914	169,862	167,113	2,749
Materials and supplies	18,533	18,914	18,914	-
Capital outlay	543	543	313	230
Expense reimbursement	(5,058)	(5,058)	(4,485)	(573)
<b>Total police</b>	<b>185,932</b>	<b>184,261</b>	<b>181,855</b>	<b>2,406</b>
Fire:				
Personal services	124,919	127,226	127,226	-
Materials and supplies	12,642	12,066	11,227	839
Capital outlay	464	572	444	128
Expense reimbursement	(486)	(486)	(120)	(366)
<b>Total fire</b>	<b>137,539</b>	<b>139,378</b>	<b>138,777</b>	<b>601</b>
<b>Total public safety</b>	<b>323,471</b>	<b>323,639</b>	<b>320,632</b>	<b>3,007</b>
Parks and recreation:				
Personal services	13,104	13,105	13,034	71
Materials and supplies	9,616	10,150	10,150	-
Capital outlay	107	514	513	1
Expense reimbursement	(383)	(383)	(363)	(20)
<b>Total parks and recreation</b>	<b>\$ 22,444</b>	<b>23,386</b>	<b>23,334</b>	<b>52</b>

(Continued)

**GENERAL FUND**  
**STATEMENT OF EXPENDITURES AND OTHER USES -**  
**BUDGET AND ACTUAL ON BASIS OF BUDGETING**  
(Thousands of Dollars)  
For the fiscal year ended June 30, 2007

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

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget-Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Public Service:				
Personal services	\$ 18,957	17,650	16,874	776
Materials and supplies	5,966	6,731	6,105	626
Capital outlay	27	40	13	27
Grants and subsidies	2,050	2,049	1,728	321
Expense reimbursement	(30)	(30)	(30)	-
<b>Total public service</b>	<b>26,970</b>	<b>26,440</b>	<b>24,690</b>	<b>1,750</b>
Community development:				
Personal services	2,207	2,207	1,754	453
Materials and supplies	1,367	1,336	1,089	247
Capital outlay	5	5	1	4
Grants and subsidies	2,913	2,944	2,944	-
<b>Total community development</b>	<b>6,492</b>	<b>6,492</b>	<b>5,788</b>	<b>704</b>
<b>Total community services</b>	<b>55,906</b>	<b>56,318</b>	<b>53,812</b>	<b>2,506</b>
<b>Transportation and environment:</b>				
Public works:				
Personal services	7,379	7,378	6,457	921
Materials and supplies	14,560	14,144	13,707	437
Expense reimbursement	(13,896)	(13,896)	(14,104)	208
<b>Total public works</b>	<b>8,043</b>	<b>7,626</b>	<b>6,060</b>	<b>1,566</b>
<b>Total transportation and environment</b>	<b>8,043</b>	<b>7,626</b>	<b>6,060</b>	<b>1,566</b>
<b>Total expenditures</b>	<b>\$ 509,104</b>	<b>507,560</b>	<b>497,437</b>	<b>10,123</b>
<b>Other use - transfers out:</b>				
Solid waste management fund	\$ -	2,000	2,000	-
Debt service fund	3,961	7,215	7,215	-
Golf fund	212	392	392	-
Stormwater fund	400	400	400	-
Miscellaneous grants fund	138	138	-	138
Community redevelopment fund	-	3,171	3,170	1
<b>Total transfers out</b>	<b>4,711</b>	<b>13,316</b>	<b>13,177</b>	<b>139</b>
<b>Total other use</b>	<b>\$ 4,711</b>	<b>13,316</b>	<b>13,177</b>	<b>139</b>

(Continued)

**DEBT SERVICE FUND**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCE BUDGET AND ACTUAL**  
(Thousands of Dollars)  
For the fiscal year ended June 30, 2007

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

	<b>Original and Final Budget</b>	<b>Actual</b>	<b>Variance with Final Budget- Positive (Negative)</b>
<b>REVENUES</b>			
Property taxes	\$ 76,092	77,410	1,318
Hotel/motel tax	397	397	-
Investment Income	500	1,841	1,341
Intergovernmental revenue-			
Memphis-Shelby County Airport Authority	3,899	3,860	(39)
Memphis-Shelby County Port Commission	363	363	-
Board of Education	6,348	6,348	-
Total intergovernmental revenue	<u>10,610</u>	<u>10,571</u>	<u>(39)</u>
Other	<u>1,806</u>	<u>1,074</u>	<u>(732)</u>
<b>Total revenues</b>	<u>89,405</u>	<u>91,293</u>	<u>1,888</u>
<b>EXPENDITURES</b>			
Redemption of serial bonds and notes	39,498	36,528	2,970
Interest	48,764	46,738	2,026
Other	1,153	2,248	(1,095)
<b>Total expenditures</b>	<u>89,415</u>	<u>85,514</u>	<u>3,901</u>
<b>Revenues over (under) expenditures</b>	<u>(10)</u>	<u>5,779</u>	<u>5,789</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	13,970	17,017	3,047
Transfers out	(6,000)	(400)	5,600
Proceeds of refunding bonds, net	-	96,151	96,151
Retirement of refunded debt obligation	-	(95,172)	(95,172)
<b>Total other financing sources and uses</b>	<u>7,970</u>	<u>17,596</u>	<u>9,626</u>
Net change in fund balances	<u>\$ 7,960</u>	<u>23,375</u>	<u>31,335</u>
Fund balance-beginning of year		<u>30,418</u>	
<b>Fund balance-end of year</b>		<u>\$ 53,793</u>	

**STATEMENT OF NET ASSETS  
 PROPRIETARY FUNDS  
 (Thousands of Dollars)  
 June 30, 2007**

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

**Business Type Activities - Enterprise Funds**

	Major Funds				Non - Major Funds	Total	Governmental Activities- Internal Service Funds
	Sewer Collection and Treatment	MLGW Electric Division	MLGW Gas Division	MLGW Water Division			
<b>ASSETS</b>							
Current assets:							
Cash and cash equivalents	\$ 245	73,364	16,618	13,555	-	103,782	-
Investments	19,821	41,102	162	7,616	-	68,701	-
Equity in cash and investment pool	1,456	-	-	-	-	1,456	4,973
Restricted funds - current	-	63,624	22,298	10,616	-	96,538	-
Receivables:							
Interest on investments	118	-	-	-	-	118	-
Notes and accounts	3,241	119,220	96,782	12,885	1,105	233,233	83
Federal and state grants	-	-	-	-	30	30	-
Due from other funds	-	-	-	-	-	-	19,636
Prepaid power cost	-	85,872	-	-	-	85,872	-
Deferred purchased power and gas cost	-	-	-	-	-	-	-
Inventories of materials and supplies	-	16,935	14,422	2,198	-	33,555	470
Collateral held in trust for securities on loan	-	29,326	3,216	2,679	-	35,221	-
Other current assets	-	3,377	39,769	-	-	43,146	-
<b>Total current assets</b>	<b>24,881</b>	<b>432,820</b>	<b>193,267</b>	<b>49,549</b>	<b>1,135</b>	<b>701,652</b>	<b>25,162</b>
Non-current assets:							
Restricted assets:							
Investments, less current portion	-	21,208	8,125	16,012	-	45,345	-
<b>Total non-current assets:</b>	<b>-</b>	<b>21,208</b>	<b>8,125</b>	<b>16,012</b>	<b>-</b>	<b>45,345</b>	<b>-</b>
Capital assets:							
Land	13,692	-	-	-	65	13,757	-
Buildings	106,090	-	-	-	-	106,090	-
Utility plant	-	1,255,828	549,912	396,659	-	2,202,399	-
Improvements other than buildings	496,045	-	-	-	29,531	525,576	-
Machinery and equipment	24,603	-	-	-	8,340	32,943	3,373
Less accumulated depreciation and amortization	(307,574)	(454,795)	(226,574)	(150,581)	(16,062)	(1,155,586)	(3,138)
<b>Total capital assets</b>	<b>332,856</b>	<b>801,033</b>	<b>323,338</b>	<b>246,078</b>	<b>21,874</b>	<b>1,725,179</b>	<b>235</b>
Construction in progress	1,709	-	-	-	5,392	7,101	-
<b>Net capital assets</b>	<b>334,565</b>	<b>801,033</b>	<b>323,338</b>	<b>246,078</b>	<b>27,266</b>	<b>1,732,280</b>	<b>235</b>
Noncurrent assets:							
Notes receivable	-	4,105	14,837	1,223	-	20,165	-
Prepaid power cost - long term	-	1,163,662	-	-	-	1,163,662	-
Prepayments In Lieu of Tax	-	1,456	517	-	-	1,973	-
Unamortized debt expense	-	9,214	-	-	-	9,214	-
Other assets	516	1,372	-	-	-	1,888	-
<b>Total noncurrent assets</b>	<b>516</b>	<b>1,179,809</b>	<b>15,354</b>	<b>1,223</b>	<b>-</b>	<b>1,196,902</b>	<b>-</b>
<b>Total assets</b>	<b>\$ 359,962</b>	<b>2,434,870</b>	<b>540,084</b>	<b>312,862</b>	<b>28,401</b>	<b>3,676,179</b>	<b>25,397</b>

(Continued)

**STATEMENT OF NET ASSETS  
 PROPRIETARY FUNDS  
 (Thousands of Dollars)  
 June 30, 2007**

**CITY OF MEMPHIS, TENNESSEE  
 Exhibit A-11  
 (Continued)**

**Business Type Activities - Enterprise Funds**

	<b>Major Funds</b>				<b>Non - Major Funds</b>	<b>Total</b>	<b>Governmental Activities- Internal Service Funds</b>
	<b>Sewer Col- lection and Treatment</b>	<b>MLGW Electric Division</b>	<b>MLGW Gas Division</b>	<b>MLGW Water Division</b>			
<b>LIABILITIES</b>							
Current liabilities:							
Accounts payable	\$ 3,004	93,708	61,630	-	290	158,632	2,513
Bonds and notes payable	-	74,609	-	-	-	74,609	-
Accrued liabilities	2,252	37,869	58,918	8,241	200	107,480	-
Payables due from restricted assets	-	24,619	7,364	4,836	-	36,819	-
Insurance claims payable	-	-	-	-	-	-	8,058
Contract retainage	409	-	-	-	-	409	-
Due to other funds	4,612	-	-	-	8,608	13,220	6,630
Deferred revenue	3	-	-	-	-	3	6,695
Current installment of revenue bonds payable	8,290	6,759	-	2,975	-	18,024	-
Collateral subject to return to borrowers	-	29,326	3,216	2,679	-	35,221	-
Vacation, sick and other leave benefits	2,662	-	-	-	87	2,749	1,775
<b>Total current liabilities paid from current assets</b>	<b>21,232</b>	<b>266,890</b>	<b>131,128</b>	<b>18,731</b>	<b>9,185</b>	<b>447,166</b>	<b>25,671</b>
Long-term (net of current maturities):							
Revenue bonds payable	125,410	1,211,158	-	10,796	-	1,347,364	-
Customer common deposits	-	15,170	4,302	513	-	19,985	-
Other	-	6,968	9,054	1,591	-	17,613	-
<b>Total long-term liabilities</b>	<b>125,410</b>	<b>1,233,296</b>	<b>13,356</b>	<b>12,900</b>	<b>-</b>	<b>1,384,962</b>	<b>-</b>
<b>Total liabilities</b>	<b>146,642</b>	<b>1,500,186</b>	<b>144,484</b>	<b>31,631</b>	<b>9,185</b>	<b>1,832,128</b>	<b>25,671</b>
<b>NET ASSETS</b>							
Invested in capital assets, net of related debt	150,830	778,989	323,338	232,307	27,266	1,512,730	235
Restricted for debt service and construction	32,014	46,160	19,346	21,279	-	118,799	-
Unrestricted	30,476	109,535	52,916	27,645	(8,050)	212,522	(509)
<b>TOTAL NET ASSETS</b>	<b>\$ 213,320</b>	<b>934,684</b>	<b>395,600</b>	<b>281,231</b>	<b>19,216</b>	<b>1,844,051</b>	<b>(274)</b>
Adjustment to reflect the consolidation of internal service funds related to enterprise funds						173	
<b>Net assets of business-type activities</b>						<b>\$ 1,844,224</b>	

See accompanying notes to financial statements.

**STATEMENT OF REVENUES, EXPENSES AND CHANGES  
IN FUND NET ASSETS / PROPRIETARY FUNDS  
(Thousands of Dollars)  
For the fiscal year ended June 30, 2007**

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

	Business Type Activities - Enterprise Funds							
	Major Funds					Non - Major Funds	Total	Governmental Activities- Internal Service Funds
	Sewer Col-lection and Treatment	MLGW Electric Division	MLGW Gas Division	MLGW Water Division				
Charges for services	\$ 52,543	1,092,979	432,930	77,474	15,951	1,671,877	106,355	
<b>Operating revenues</b>	<b>52,543</b>	<b>1,092,979</b>	<b>432,930</b>	<b>77,474</b>	<b>15,951</b>	<b>1,671,877</b>	<b>106,355</b>	
Operating expenses other than depreciation and amortization:								
Personal services	13,978	-	-	-	7,584	21,562	8,143	
Materials, supplies, services, and other	16,929	-	-	-	4,301	21,230	5,524	
Purchased power and gas for resale	-	846,441	343,761	-	-	1,190,202	-	
Production	-	-	-	13,974	-	13,974	-	
Operation	-	104,535	62,532	37,572	-	204,639	-	
Maintenance	-	38,854	11,001	7,060	-	56,915	-	
In lieu of tax	-	607	216	-	-	823	-	
Inventory	-	-	-	-	4	4	13,212	
Claims incurred	-	-	-	-	-	-	77,076	
Total operating expenses other than depreciation and amortization	30,907	990,437	417,510	58,606	11,889	1,509,349	103,955	
Operating income (loss) before depreciation and amortization	21,636	102,542	15,420	18,868	4,062	162,528	2,400	
Depreciation and amortization:								
On assets acquired with own funds	12,571	32,645	15,150	9,798	628	70,792	70	
Total depreciation and amortization	12,571	32,645	15,150	9,798	628	70,792	70	
<b>Operating income (loss)</b>	<b>9,065</b>	<b>69,897</b>	<b>270</b>	<b>9,070</b>	<b>3,434</b>	<b>91,736</b>	<b>2,330</b>	
Non-operating revenues:								
Transmission credits	-	23,767	-	-	-	23,767	-	
Investment income	1,570	63,506	2,749	2,085	-	69,910	917	
State grant	64	-	-	-	180	244	-	
Other	41	-	-	-	66	107	-	
Total non-operating revenues	1,675	87,273	2,749	2,085	246	94,028	917	
Non-operating expenses:								
Interest on state loan	-	-	-	-	-	-	-	
Interest on bonded indebtedness	6,052	50,737	-	695	-	57,484	-	
Telecommunications division loss	-	1,925	-	-	-	1,925	-	
Total non-operating expenses	6,052	52,662	-	695	-	59,409	-	
Income (loss) before capital contributions and transfers	4,688	104,508	3,019	10,460	3,680	126,355	3,247	
Transfers in	-	-	-	-	792	792	-	
Transfers out	(5,909)	(34,141)	(15,618)	(2,500)	(2,590)	(60,758)	-	
Capital contributions	3,181	-	-	-	3,125	6,306	-	
Change in net assets	1,960	70,367	(12,599)	7,960	5,007	72,695	3,247	
Total net assets - beginning of year, as restated	211,360	864,317	408,199	273,271	14,209		(3,521)	
<b>Total net assets - end of year</b>	<b>\$ 213,320</b>	<b>934,684</b>	<b>395,600</b>	<b>281,231</b>	<b>19,216</b>		<b>(274)</b>	
Adjustment to reflect the consolidation of internal service funds related to enterprise funds						271		
<b>Change in net assets of business-type activities</b>						<b>\$ 72,966</b>		

See accompanying notes to financial statements.

**STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
(Thousands of Dollars)  
For the fiscal year ended June 30, 2007**

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

	Sewer Col- lection and Treatment	MLGW Electric Division	MLGW Gas Division	MLGW Water Division	Non-Major Funds	Total	Internal Service Funds
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>							
Receipts from customers and users	\$ 52,726	1,110,495	478,065	81,990	15,797	1,739,073	21,100
Receipts from other division funds	-	-	2,904	2,146	-	5,050	1,786
Medicare Part D	-	-	-	-	-	-	1,376
Miscellaneous Revenue	-	-	-	-	-	-	2,275
Employee contributions	-	-	-	-	-	-	22,287
Employer contributions	-	-	-	-	-	-	57,669
Payments to suppliers	(15,363)	(749,298)	(430,853)	(34,155)	(4,488)	(1,234,157)	(5,414)
Payments to employees	(13,990)	(82,622)	(35,443)	(25,272)	(7,497)	(164,824)	(8,086)
Payments to other division funds	-	(5,050)	-	-	-	(5,050)	339
Payments for taxes	-	(1,682)	(785)	-	-	(2,467)	-
Payments for inventory	-	-	-	-	(4)	(4)	(13,230)
Payments for claims incurred	-	-	-	-	-	-	(76,670)
Other receipts	803	704	22	-	-	1,529	-
Net cash provided (used) by operating activities	24,176	272,547	13,910	24,709	3,808	339,150	3,432
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>							
Transfers to City	-	(34,141)	(15,618)	(2,500)	-	(52,259)	-
Debt issuance expense	-	-	-	-	-	-	-
Principal payments on long-term debt	-	(71,170)	-	-	-	(71,170)	-
Interest expense on bonds	-	(60,588)	-	-	-	(60,588)	-
Advances from other funds	-	-	-	-	3,703	3,703	-
Transfers from other funds	-	-	-	-	792	792	-
Transfers to other funds	(5,909)	-	-	-	(2,590)	(8,499)	-
Net cash (used) by noncapital and related financing	(5,909)	(165,899)	(15,618)	(2,500)	1,905	(188,021)	-
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>							
Proceeds from sale of revenue bonds	20,220	-	-	-	-	20,220	-
Bond issue costs	237	-	-	-	-	237	-
Acquisition and construction of capital assets	(26,975)	(93,636)	(20,488)	(18,213)	(5,959)	(165,271)	(151)
Contributions in aid of construction	-	22,726	3,506	5,088	-	31,300	-
Receipts from federal grants	-	-	-	-	-	-	-
Receipts from state grants	-	-	-	-	180	180	-
Principal payments on capital debt	(28,930)	(6,303)	-	(5,770)	-	(41,003)	-
Interest payments on capital debt	(6,052)	(1,530)	-	(796)	-	(8,378)	-
Capital contributions	3,181	-	-	-	-	3,181	-
Capital grants received	64	-	-	-	-	64	-
Net cash (used) in capital and related financing activities	(38,255)	(78,743)	(16,982)	(19,711)	(5,779)	(159,470)	(151)
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>							
Sales and maturities of investments	50,349	27,900	22,986	4,852	-	106,087	-
Purchase of investments	(32,035)	(41,795)	(9,025)	(7,024)	-	(89,879)	-
Payments received on notes receivable	-	1,899	1,712	346	-	3,957	-
Issuance of notes receivable	-	-	-	(923)	-	-	-
Investment income earned on investments	1,780	11,776	2,297	2,219	66	18,138	917
Investment in Memphis Network	-	84	-	-	-	84	-
Net cash provided (used) by investing activities	20,094	(136)	17,970	(530)	66	38,387	917
Net increase (decrease) in cash and cash equivalents	106	27,770	(720)	1,967	-	29,123	4,198
Cash and cash equivalents, beginning of year	1,595	109,848	41,668	34,020	-	187,131	775
Cash and cash equivalents, end of year	\$ 1,701	137,618	40,948	35,987	-	216,254	4,973
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities</b>							
Operating income (loss)	9,067	69,897	270	9,070	3,434	91,738	2,330
Adjustments to reconcile operating income to net cash provided by operating activities:							
Depreciation expense	12,571	37,025	18,443	11,465	628	80,132	70
Transmission credits	-	23,767	-	-	-	23,767	-
Prepay power credits	-	49,156	-	-	-	49,156	-
Other income	-	2,137	214	112	-	2,463	-
(Increase) decrease in assets:							
Accounts receivable	183	(2,753)	19,906	2,442	(154)	19,624	-
Prepaid power cost	-	82,961	-	-	-	82,961	-
Prepayments - in lieu of taxes	-	(1,456)	(517)	-	-	-	-
Deferred purchased power and gas cost	-	-	16,668	-	-	16,668	-
Inventories	-	51	539	(476)	-	114	-
Other assets	-	(908)	(3,673)	-	-	(4,581)	667
(Increase) decrease in liabilities:							
Accounts Receivable	-	-	-	-	-	-	86
Accounts payable	2,268	4,818	(28,570)	-	-	(21,484)	-
Other accounts payable and accrued expenses	384	5,314	(9,960)	1,696	(100)	(2,666)	279
Customer deposits	(267)	(325)	1,357	(51)	-	714	-
Insurance reserves	-	3,903	229	393	-	4,525	-
Medical benefit accrual	-	(534)	(126)	(150)	-	(810)	-
Accrued vacation/sick leave	(12)	-	-	-	-	(12)	-
Other	(18)	(506)	(870)	208	-	(1,186)	-
Total adjustments	15,109	202,650	13,640	15,639	374	249,385	1,102
Net cash provided (used) by operating activities	\$ 24,176	272,547	13,910	24,709	3,808	341,123	3,432
<b>Reconciliation of cash and cash equivalents per statements of cash flows to the balance sheets:</b>							
Restricted funds	\$ -	84,832	30,423	26,628	-	141,883	-
Less investments included in restricted funds	-	(20,578)	(6,093)	(4,196)	-	(30,867)	-
Cash and cash equivalents included in restricted funds	-	64,254	24,330	22,432	-	111,016	-
Current assets - cash and cash equivalents	245	73,364	16,618	13,555	-	103,782	-
Current assets - equity in cash and investment pool	1,456	-	-	-	-	1,456	4,973
Total cash and cash equivalents	\$ 1,701	137,618	40,948	35,987	-	216,254	4,973

During the year, the sewer fund received \$2,552 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, 2007

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

	<b>Pension Trust Funds</b>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 45,790
Investments, at fair value:	
Short-term investments	6,017
U.S. government securities - long-term	203,577
Common stock - domestic	1,193,741
Common stock - foreign	503,367
Mutual funds and money market	407,201
Corporate bonds - domestic	251,418
Corporate bonds - foreign	19,505
Bond mutual fund	56,217
Collateralized mortgage obligations	132,889
Mortgage-backed pooled securities	323,500
Investments in index funds	241,940
Investment in real estate	268,130
Investment in high yield bond fund	27,376
Investment in international equity fund	12,399
Investment in multi-class investment fund	9,766
Investment in limited partnership	8,776
Total investments	<u>3,665,819</u>
Interest and dividends on investments	12,030
Receivable for securities sold	135
Due from other funds	13
Employer and employee contributions receivable	860
Other	<u>210,625</u>
<b>Total assets</b>	<u><u>3,935,272</u></u>
<b>LIABILITIES</b>	
Notes & accounts payable	234,376
Due to other funds	<u>453</u>
<b>Total liabilities</b>	<u><u>234,829</u></u>
<b>NET ASSETS</b>	
Held in trust for pension benefits and pool participants	<u><u>\$ 3,700,443</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, 2007

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

	<b>Pension Trust Funds</b>
	<u>                    </u>
<b>ADDITIONS</b>	
Contributions:	
Employer	\$          33,948
Plan member	30,961
Total contributions	<u>                  64,909</u>
Investment income:	
Interest and dividend income	105,410
Securities lending income	641
Other investment income	3,122
Gain from real estate investments	101,193
Net appreciation in the fair value of investments	<u>                  297,213</u>
Total investment income	<u>                  507,579</u>
<b>Total Net Additions</b>	<u>                  572,488</u>
<b>DEDUCTIONS</b>	
Benefits	185,599
Administrative expenses	10,223
Refunds of contributions	<u>                   15,859</u>
<b>Total Deductions</b>	<u>                  211,681</u>
<b>Net increase</b>	360,807
Net assets - beginning of year	<u>                  3,339,636</u>
<b>Net assets - end of year</b>	<u><u>                  \$          3,700,443</u></u>

See accompanying notes to financial statements.

**COMBINING STATEMENT OF NET ASSETS  
COMPONENT UNITS  
(Thousands of Dollars)  
June 30, 2007**

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

	Board of Education	Memphis Area Transit Authority	Airport Authority	Total
<b>ASSETS</b>				
Current assets:				
Cash and cash equivalents	\$ 256,969	855	4,795	262,619
Investments	27,255	-	15,412	42,667
Receivables:				
Federal and state grants	-	3,267	20	3,287
Accrued interest	-	-	262	262
Accounts	-	-	7,092	7,092
Other	5,955	471	-	6,426
Due from other agencies and governments	128,600	-	-	128,600
Inventories of materials and supplies	8,443	2,103	1,669	12,215
Prepaid expenses	-	239	2,105	2,344
<b>Total current assets</b>	<b>427,222</b>	<b>6,935</b>	<b>31,355</b>	<b>465,512</b>
Restricted assets:				
Cash and cash equivalents	-	-	29,644	29,644
Investments	-	500	188,229	188,729
Receivables:				
Account receivable	-	-	3,998	3,998
Federal and state grants	-	-	7,020	7,020
Accrued interest	-	-	2,365	2,365
Special facilities	-	-	28,513	28,513
<b>Total restricted assets</b>	<b>-</b>	<b>500</b>	<b>259,769</b>	<b>260,269</b>
Non-current assets:				
Unrestricted assets:				
Investments	-	-	4,209	4,209
<b>Total non-current unrestricted assets</b>	<b>-</b>	<b>-</b>	<b>4,209</b>	<b>4,209</b>
Capital Assets:				
Land	28,675	2,731	161,171	192,577
Buildings	1,088,896	142,685	326,182	1,557,763
Utility plant	-	-	736,253	736,253
Machinery, buses and equipment	228,359	85,015	76,762	390,136
Less accumulated depreciation and amortization	(546,445)	(97,868)	(466,698)	(1,111,011)
<b>Total capital assets, net</b>	<b>799,485</b>	<b>132,563</b>	<b>833,670</b>	<b>1,765,718</b>
Construction in progress	81,903	12,275	65,534	159,712
<b>Net capital assets</b>	<b>881,388</b>	<b>144,838</b>	<b>899,204</b>	<b>1,925,430</b>
Bond issue costs	-	-	6,804	6,804
Other assets	-	13	-	13
<b>Total assets</b>	<b>\$ 1,308,610</b>	<b>152,286</b>	<b>1,201,341</b>	<b>2,662,237</b>

(Continued)

**COMBINING STATEMENT OF NET ASSETS  
COMPONENT UNITS  
(Thousands of Dollars)  
June 30, 2007**

**CITY OF MEMPHIS, TENNESSEE  
Exhibit A-16  
(Continued)**

	<b>Board of Education</b>	<b>Memphis Area Transit Authority</b>	<b>Airport Authority</b>	<b>Total</b>
<b>LIABILITIES</b>				
Current:				
Notes and accounts payable	\$ 68,609	3,449	27,223	99,281
Funds held for others	-	-	5,487	5,487
Accrued liabilities	-	2,433	10,835	13,268
Insurance claims payable	18,467	1,280	-	19,747
Deferred revenue	52,157	247	-	52,404
Current installment of general obligation bonds payable	-	-	4,236	4,236
Current installment of revenue bonds payable	5,168	-	25,005	30,173
Vacation, sick and other leave benefits	-	-	226	226
<b>Total current liabilities</b>	<b>144,401</b>	<b>7,409</b>	<b>73,012</b>	<b>224,822</b>
Long-term (net of current maturities):				
General obligation bonds payable	-	-	8,128	8,128
Revenue bonds payable	25,348	-	546,760	572,108
Deferred lease revenue	-	-	40,511	40,511
Other long term obligations	-	800	1,243	2,043
<b>Total long-term liabilities</b>	<b>25,348</b>	<b>800</b>	<b>596,642</b>	<b>622,790</b>
<b>Total liabilities</b>	<b>169,749</b>	<b>8,209</b>	<b>669,654</b>	<b>847,612</b>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	860,548	144,838	384,606	1,389,992
Restricted for:				
Debt service	-	-	105,873	105,873
Capital acquisition	99,368	-	12,169	111,537
Contracted grant programs	4,904	-	-	4,904
Food service	10,613	-	-	10,613
Self insurance	-	500	-	500
Unrestricted	163,428	(1,261)	29,039	191,206
<b>TOTAL NET ASSETS</b>	<b>\$ 1,138,861</b>	<b>144,077</b>	<b>531,687</b>	<b>1,814,625</b>

See accompanying notes to financial statements.

**COMBINING STATEMENT OF ACTIVITIES  
 COMPONENT UNITS  
 (Thousands of Dollars)  
 For the fiscal year ended June 30, 2007**

**CITY OF MEMPHIS, TENNESSEE  
 Exhibit A-17**

Functions/Programs Component units:	Program Revenues				Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges for Services and Contributions	Operating Grants and Contributions	Capital Grants and Contributions	Board of Education	Memphis Area Transit Authority	Airport Authority	Total
Board of Education	\$ 1,007,880	40,197	524,802	-	(442,881)	-	-	(442,881)
Memphis Area Transit Authority	59,315	10,840	-	1,819	-	(46,656)	-	(46,656)
Airport Authority	135,205	112,634	-	49,532	-	-	26,961	26,961
Total component units	\$ 1,202,400	163,671	524,802	51,351	(442,881)	(46,656)	26,961	(462,576)
General revenues:								
Grants and contributions not restricted to specific programs					503,447	-	-	503,447
City of Memphis subsidy					-	19,259	-	19,259
Investment income					13,721	95	11,138	24,954
Federal grants and entitlements					-	10,787	-	10,787
State grants					-	7,366	-	7,366
Other					-	1,323	1,494	2,817
Total general revenues and special items					517,168	38,830	12,632	568,630
Changes in net assets					74,287	(7,826)	39,593	106,054
Net assets - beginning, as restated					1,064,574	151,903	492,094	1,708,571
Net assets - ending					\$ 1,138,861	144,077	531,687	1,814,625

See accompanying notes to financial statements.

Note	Page
I. Summary of Significant Accounting Policies	
A. Reporting entity .....	55
B. Government-wide and fund financial statements .....	57
C. Measurement focus, basis of accounting, and financial statement presentation .....	58
D. Assets, liabilities, and net assets or equity.....	60
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 .....	64
III. Stewardship, Compliance, and Accountability	
A. Budgetary information.....	65
B. Excess of expenditures over appropriations .....	66
C. Deficit fund equity .....	66
IV. Detailed Notes on all Funds	
A. Deposits and investments .....	67
B. Receivables.....	77
C. Property taxes .....	77
D. Capital assets .....	78
E. Interfund receivable, payables, and transfers .....	82
F. Leases .....	84
G. Long-term debt .....	84
H. Restricted assets.....	88
V. Other Information	
A. Risk management .....	88
B. Subsequent events.....	89
C. Contingent liabilities.....	89
D. Joint ventures.....	89
E. Other postemployment benefits .....	92
F. Pension and retirement plans .....	92
G. Component units.....	102

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

### **A. Reporting entity**

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

### **Fiscal Year End**

Memphis Light Gas and Water (MLGW), a division of the primary government, has a fiscal year end of December 31. Thus, the amounts and disclosures for the MLGW Enterprise Fund, the MLGW Retiree Medical and Life Insurance Benefits Trust Fund and the MLGW Retirement System Trust Fund are as of December 31, 2006. 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.

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

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

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

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

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

### **Related Organization**

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

### **Joint Ventures**

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

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

### **Jointly Governed Organizations**

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

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



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

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

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

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants

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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.

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

Additionally, the City reports the following fund types:

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

**Printing and Mail Internal Service Fund**

**Health Insurance Internal Service Fund**

**Unemployment Compensation Internal Service Fund**

**Fleet Management Internal Service Fund**

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

**City Retirement System**

**Library Retirement System**

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

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

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

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

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

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

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

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

**Cash and cash equivalents and investments**

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

**Property taxes receivable**

Property taxes are recorded as receivables when levied, net of estimated uncollectibles. The receivables collected during the current fiscal year and those collected by August 31, 2007, related to tax levies for fiscal year 2007 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, 2007, are recorded as deferred revenue at June 30, 2007.

**Interfunds receivable and payable**

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

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

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

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

Under the Charter of the City of Memphis, the City is entitled to dividends from Memphis Light, Gas and Water

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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, 2007. All other inventories are recorded as expenditures when consumed rather than when purchased (Consumption Method).

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

**Capital assets**

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

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. The total interest expense incurred by the Sewer Fund during the current fiscal year was \$6,052. Of this amount, none was included as part of the cost of capital assets constructed with bond proceeds.

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

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

**Compensated absences**

City employees are granted vacation, sick and other leave benefits in varying amounts in accordance with administrative policy and union contracts. Vacation days earned are required to be utilized annually, but may be carried forward upon written request. In the event of termination, an employee is reimbursed for accumulated

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vacation days. Employees are required to take their vacation in their last year of employment prior to retirement. Employees are generally reimbursed for accumulated unused sick leave, not to exceed 75 days, only upon retirement, and only for those employees with 25 years or more service with the City. Certain exceptions to this policy occur in accordance with the terms of various union contracts.

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

### **Deferred Compensation Plan**

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

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

### **Long-term obligations**

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

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

### **Fund equity**

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

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

Prior year fund balance for general fund has been adjusted as stated below:

	<b>General Fund</b>
Fund Balance/Fund Equity at June 30, 2006	\$33,940
Adjustment for compensated absences	6,039
Metro Alarm fund reclassification to Special Revenue fund	<u>(1,242)</u>
Restated Fund Balance/Fund Equity at June 30, 2006	<u>\$38,737</u>

Prior year fund balance on the following special revenue fund has been adjusted as stated below:

	<b>Special Revenue Fund</b>
	Solid Waste
Fund Balance/Fund Equity at June 30, 2006	\$276
Adjustment for compensated absences	<u>624</u>
Restated Fund Balance/Fund Equity at June 30, 2006	<u>900</u>

	Metro Alarm
Fund Balance/Fund Equity at June 30, 2006	\$0
Metro Alarm fund reclassification from General Fund	<u>1,242</u>
Restated Fund Balance/Fund Equity at June 30, 2006	<u>1,242</u>

Prior year fund balance on the following proprietary fund has been adjusted as stated below:

	<b>Proprietary Fund</b>
	MLGW Gas Division
Fund Balance/Fund Equity at June 30, 2006	\$403,855
FY05 Sales Adjustment	1,814
Adjustment of prior year payable, accrual, deferral	<u>2,530</u>
Restated Fund Balance/Fund Equity at June 30, 2006	<u>\$408,199</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 \$1,158,511 difference are as follows:

Bonds payable	\$ 972,744
Bond anticipation notes payable	70,000
Unamortized loan costs	30,501
Accrued interest payable	10,431
Compensated absences:	
Vacation, Sick and other leave	69,781
On the Job Injury	<u>5,354</u>
Net adjustment to reduce-fund balance-total governmental funds to arrive at net assets-governmental activities	<u>\$ 1,158,811</u>

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

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances – total governmental funds and changes in net assets of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains that “Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.” The details of the \$15,951 difference are as follows:

Capital outlay	\$62,416
Depreciation expense	<u>(78,367)</u>
Net adjustment to decrease net changes in fund balances-total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ (15,951)</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 \$18,840 difference are as follows:



Debt issued or incurred:	
Issuance of general obligation bonds	220,320
Bond issue costs	(2,635)
Premium on bond issue	12,855
Principal repayments:	
General obligation debt	(36,528)
Payment to escrow agent for refunding	<u>(175,172)</u>
Net adjustment to decrease net changes in fund balances- total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ (18,840)</u>

Another element of that reconciliation states that “Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.” The details of this \$6,560 difference are as follows:

Claims and judgments liability:	
Balance 6/30/2006	\$ 8,710
Balance 6/30/2007	<u>2,150</u>
Net adjustment to increase net changes in fund balances-total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ 6,560</u>

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

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

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

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

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year-end. Such data reflects expenditures by program categories at a division level to avoid excessively detailed program classifications.

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

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

**B. Excess of expenditures over appropriations**

In demonstrating compliance with the City's legally prescribed budgetary requirements, expenditures at June 30, 2007, 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 2007.

**C. Deficit fund equity**

The New Memphis Arena Special Revenue Fund has a deficit fund balance of \$8,376 as of June 30, 2007. The City of Memphis, Shelby County, and The Memphis and Shelby County Sports Authority, Inc. are parties to an interlocal agreement relating to the financing of the new sports arena that was completed in August 2004. Of the \$250,000 budget, the City paid \$12,000 for acquisition and construction of the Arena site and infrastructure improvements. The City's commitment was funded through legally available non-ad valorem revenues. The interfund payable to the Debt Service Fund and Capital Projects Fund will be repaid from future hotel motel taxes. The City anticipates the New Memphis Arena Special Revenue Fund negative fund balance will be eliminated over the next 9 years by using proceeds from the hotel/motel funding source. This fund also reports the pass-through of certain revenues related to Sports Authority bonds issued for the construction of the Arena.

Premiums for the Unemployment Compensation Fund, which reflects a deficit fund balance of \$1,943 as of June 30, 2007, were increased July 1, 2005. The increased premium reduced fiscal year 2007's operating loss down to \$38 from \$231 in fiscal year 2006. Another premium increase is scheduled for fiscal year 2008 which is expected to eliminate the fund deficit over a 5 year period. The Printing and Supply and Fleet Management internal service funds reflected fund deficits of \$369 and \$6,782, respectively. Recent changes in the Fleet Management operations resulted in positive results for the first time in several years. Management is continuing a review of these funds' operations and charges to ensure that the funds' cost and charge structure are in alignment and to develop a strategy for eliminating the current fund deficits over time.

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**IV. DETAILED NOTES ON ALL FUNDS**

**A. Deposits and investments**

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

City ordinances, as interpreted by opinions of the City Attorney, authorize the City to enter into stock and bonds borrowed/cash or bond pledged securities lending agreements, that is a transfer of securities with a simultaneous receipt of securities. The securities received in the transfer are the type which the City is legally authorized to hold. The market value of the securities received in the agreement is 102 percent of the value of the securities transferred in the case of the securities of United States issuers and 105 percent in the case of securities of non-United States issuers. The securities transferred are a part of the total investments reported below. The securities being held are not reported as a part of the total investments. The City retains the interest income on the securities being transferred and received \$482 during the year ended June 30, 2007. On June 30, 2007, the market value of the securities transferred was \$212,612 and the market value of the securities the City was holding was \$219,392. The monitoring procedures in the securities lending programs are the same as those requirements in regard to the repurchase agreements. At year end, the City has no credit risk exposure to borrowers because the amounts the City owes the borrowers exceed the amounts the borrowers owe the City.

**Cash and Investment Pool**

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

**Interest Rate Risk**

In accordance with its investment policy, the city manages its exposure to fair value losses arising from increasing interest rates by limiting the duration of the portfolio, excluding bond proceeds, to less than one (1) year. Furthermore, no investment is allowed to have a maturity of greater than two (2) years from date of purchase

unless such maturity is approved by the State Director of Local Finance.

**Credit Risk**

It is the City's policy to limit its investments to prime commercial paper which shall be rated at least A1 or equivalent by at least two (2) nationally recognized rating services. Proceeds of bonds, notes and other obligations issued by the city, reserves held in connection therewith and the investment income there from, may be invested in obligations which (a) are rated in either of the two highest rated categories by a nationally recognized rating agency; (b) are explicitly guaranteed general obligations of a state of the United States, or a political subdivision or instrumentally thereof, having general taxing powers; and (c) have a final maturity on the date of investment not to exceed twenty-four (24) months or which may be tendered by the holder to the issuer thereof, or an agent of the issuer, at not less than twenty-four (24) month intervals unless approved by the State Director of Local Finance. As of June 30, 2007, the government's investments in general obligation bonds were rated A1 by Moody's Investor Service, A by S & P, and A+ by Fitch Ratings.

**Concentration of Credit Risk**

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

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

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

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

**Custodial Credit Risk**

The City's investment policy provides that all securities purchased by the City or held as collateral on either deposits or investments shall be held in third-party safekeeping at a financial institution.

**NOTES TO FINANCIAL STATEMENTS**  
**(Thousands of Dollars)**  
**For the fiscal year ended June 30, 2007**

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

Deposits held by the Pool at June 30, 2007, were as follows:

<b>Description</b>	<b><u>Carrying Amount</u></b>	<b><u>Bank Balance</u></b>
Cash deposits	\$ (9,910)	5,636

The investments held by the pool consist of the following at June 30, 2007:

<b>Description</b>	<b><u>Maturity Dates</u></b>	<b><u>Interest Rates</u></b>	<b><u>Fair Value</u></b>	<b><u>Duration</u></b>
U.S. Government agencies	July 2007- July 2009	3.50-5.40	\$75,638	.010-.24
Commercial paper	Aug 2007-Sept 2007	5.17- 5.30	10,145	.030
Certificate of Deposit			<u>5,000</u>	
Total			90,783	
Investments not subject to Categorization - Money market funds			<u>3</u>	
Total investments			\$ <u>90,786</u>	

The Pool does not issue separate financial statements. Condensed financial information as of June 30, 2007 is as follows (dollar amounts and share amounts are the same):

Condensed Statement of Net Assets

Investments	\$ 90,786
Bank overdraft	<u>(9,910)</u>
Net assets	\$ <u>80,876</u>

Net assets held in trust for pool participants:

Internal participants	<u>80,876</u>
Total net assets held in trust for pool participants	\$ <u>80,876</u>

Condensed Statement of Changes in Net Assets

Additions:

Investment income	\$ 7,759
Purchase of units	<u>1,068,748</u>
Total Additions	1,076,507

Deduction:

Redemption of units	<u>1,011,828</u>
Net decrease	64,679

Net assets held in trust for pool participants:

Beginning of Year	<u>16,197</u>
End of Year	\$ <u>80,876</u>

**Investments Outside of the Pool**

In addition to the cash and investment pool, several funds in the primary government own investments outside of the Pool. The Capital Project Fund’s investments were purchased from the unexpended portion of general obligation bond issues which require the City to maintain separate investments for arbitrage purposes. The Sewer Collection and Treatment Fund’s investments were purchased to set aside funds to satisfy certain revenue bond covenants. Investments in these funds are generally of the same type as in the Pool with the addition of collateralized certificates of deposit. These funds also are required to hold funds relating to certain construction projects in the State of Tennessee Local Government Investment Pool (“LGIP”). The LGIP is an interest bearing account insured and regulated by the State. The fair value of the position in the LGIP is the same as the value of the pool shares. All of MLGW Fund’s investments are outside of the City’s investment pool. MLGW’s investments are invested under a cash management program which provides for the investment of excess cash balances in short-term investments and the investment of debt service funds in instruments maturing as the related debt matures. These investments are similar to those described above with the addition of commercial paper and mutual funds. Investments in the City Retirement Fund, the Library Retirement Fund, and the MLGW Retirement and Pension System include stocks, corporate and government bonds, mortgage-backed securities, mutual funds, limited partnerships, real estate investments and commercial paper in addition to the money market securities mentioned above. As of June 30, 2007, the City’s investments in general obligation bonds were rated A1 by Moody’s Investor Service, A by Standard & Poor’s, and A+ by Fitch Ratings.

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

Deposits held by the primary government outside of the Pool at June 30, 2007, were as follows:

<b>Description</b>	<b>Carrying Amount</b>	<b>Bank Balance</b>
Cash deposits	\$ 33,490	<u>(17,737)</u>
Cash on hand	<u>135</u>	
Total deposits and cash on hand	\$ <u>33,625</u>	

The investments held by the primary government outside the Pool consist of the following at June 30, 2007:

**NOTES TO FINANCIAL STATEMENTS**  
**(Thousands of Dollars)**  
**For the fiscal year ended June 30, 2007**

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

<b>Description</b>	<b>Fair Value</b>
Short-term investments	161,057
U.S. Government securities	75,864
Corporate bonds - domestic	8,067
Mortgage-backed securities	<u>11,909</u>
Total	\$ 256,897
Investments not subject to categorization:	
Mutual funds and money markets	3,627
State of Tennessee LGIP	34,600
Purchased interest	<u>25</u>
Total	<u>38,252</u>
Total investments	\$ <u>295,149</u>
A reconciliation of cash and investments as shown on the governmental and proprietary funds for the governmental entity-wide is as follows:	
Pool deposits	\$ (9,910)
Pool investments	90,786
Other deposits and cash on hand	33,625
Other investments	<u>295,149</u>
Total	<u>\$409,650</u>
Cash and cash equivalents	110,352
Investments	76,539
Equity in cash and investment pool	80,876
Restricted special fund-customer deposits	96,538
Restricted investments	<u>45,345</u>
Total	<u>\$409,650</u>

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

**NOTES TO FINANCIAL STATEMENTS**  
**(Thousands of Dollars)**  
**For the fiscal year ended June 30, 2007**

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

**BOE Deposits** - Deposits by type at June 30, 2007, were as follows:

<b>Description</b>	<b><u>Carrying Amount</u></b>	<b><u>Bank Balance</u></b>
Cash deposits	\$ 22,483	<u>30,425</u>
State of Tennessee local government investment pool	<u>234,485</u>	
Total deposits	\$ <u>256,968</u>	

**BOE Investments** - Investments by type at June 30, 2007, were as follows:

<b>Description</b>	<b><u>Fair Value</u></b>
U. S. Government mortgage backed Securities	12,491
Short-term investments	<u>14,764</u>
Total Investments	<u>27,255</u>

**MATA Deposits** - Deposits by type at June 30, 2007 were as follows:

<b>Description</b>	<b><u>Carrying Amount</u></b>	<b><u>Bank Balance</u></b>
Cash deposits	\$ 853	<u>853</u>
Cash on hand	<u>2</u>	
Total deposits and cash on hand	\$ <u>855</u>	

**MATA Investments** - Investments by type at June 30, 2007, were as follows:

<b>Description</b>	<b><u>Fair Value</u></b>
U.S. Treasury notes	<u>\$ 500</u>
Total Investments	<u>\$ 500</u>



**MSCAA Deposits** - Deposits by type at June 30, 2007, were as follows:

<b>Description</b>	<b><u>Carrying Amount</u></b>
Cash deposits	\$34,423
Cash on hand	<u>16</u>
Total deposits and cash on hand	<u>\$ 34,439</u>

**MSCAA Investments** - Investments by type at June 30, 2007, were as follows:

<b>Description</b>	<b><u>Fair Value</u></b>
U.S. Government agencies	\$ 182,728
Investments not subject to categorization:	
Mutual Funds	609
Forward Purchase Agreements	<u>24,513</u>
Total Investments	<u>\$ 207,850</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	\$ 292,263
Total component unit investments	<u>236,605</u>
Total	<u>\$ 527,868</u>
Cash and cash equivalents	\$ 262,619
Investments	42,667
Investments - noncurrent	4,209
Restricted cash and cash equivalents	29,644
Restricted Investments	<u>188,729</u>
Total	<u>\$ 527,868</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:

	Minimum	Maximum
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, 2007 are as follows:

Current to one year	\$	12,330
One to two years		34,491
Two to three years		20,507
Three to four years		34,940
Four to five years		54,651
Five or more years		450,417
		<u>607,336</u>
Funds with indeterminable maturities		<u>16,423</u>
	\$	<u><u>623,759</u></u>

**Credit risk**

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

The City Plan's exposure to credit risk at June 30, 2007 is presented below by investment category as rated by Standard and Poor's rating service.

<u>Type of investment</u>	<u>Fair Value</u>	<u>Ratings</u>	<u>Percentage of Fixed Income</u>
Government bonds	50,822	AAA	8.15%
	49,203	NR	7.89%
Non government backed CMOS	117,829	AAA	18.89%
Asset backed securities	14,066	AAA	2.26%
Corporate bonds	23,715	A	3.80%
	19,743	A-	3.17%
	14,299	A+	2.29%
	6,847	AA	1.10%
	7,814	AA-	1.25%
	1,019	AA+	0.16%
	23,276	AAA	3.73%
	19,969	B	3.20%
	16,001	B-	2.57%
	19,264	B+	3.09%
	8,584	BB	1.38%
	9,544	BB-	1.53%
	8,142	BB+	1.31%
	20,230	BBB	3.24%
	7,447	BBB-	1.19%
	18,719	BBB+	3.00%
	289	CC	0.05%
	2,635	CCC	0.42%
	763	CCC-	0.12%
	11,740	CCC+	1.88%
	1,920	D	0.31%
	115	NR	0.02%
Government mortgage backed securities	134,414	AAA	21.55%
Bond mutual funds	15,350	BB-	2.46%
<b>Total fixed income</b>	<b>623,759</b>		<b>100%</b>

**Foreign currency risk**

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of the investment. The City Plan's exposure to foreign currency risk in US Dollars as of June 30, 2007 is as follows:

<u>Currency</u>	<u>Equities</u>	<u>Corporate Bonds</u>	<u>Total</u>
Australian dollar	\$ 7,520	750	8,270
Bermudian dollar	447	1,686	2,133
British pound sterling	123,937	1,304	125,241
Canadian dollar	9,527	6,379	15,906
Czech koruna	1,668	-	1,668
Danish krone	3,048	-	3,048
El Salvador colon	-	506	506
Euro	71,786	4,562	76,348
Hong Kong dollar	6,113	-	6,113
Japanese yen	38,073	-	38,073
Korean won	-	225	225
Mexican peso	-	330	330
Norwegian krone	3,338	-	3,338
Singapore dollar	3,968	-	3,968
South Korean won	2,704	-	2,704
Swedish krona	6,801	-	6,801
Swiss franc	19,969	-	19,969
UK Virgin Islands dollar	-	210	210
South African rand	-	305	305
Total securities subject to foreign credit risk	\$ 298,899	16,257	315,156
International portfolio in U.S. dollars	72,532	-	72,532
	<u>\$ 371,431</u>	<u>16,257</u>	<u>387,688</u>

**B. Receivables**

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

	General	Debt Service	Sewer Collection and Treatment	Memphis Light, Gas and Water	Nonmajor and Other Funds	Total
<b>Receivables:</b>						
Property taxes	\$ 248,125	90,737	-	-	108,923	447,785
Sales and income taxes	40,591	-	-	-	-	40,591
Special assessments	-	15	-	-	2,885	2,900
Federal and state grants	476	-	-	-	27,355	27,831
Interest and dividends on investments	166	41	118	-	54	379
Notes and accounts receivable	-	-	3,739	241,295	83	245,117
Housing and rehabilitation loans	-	-	-	-	81,721	81,721
Other	126,369	-	-	-	4,312	130,681
<b>Gross receivables</b>	<b>415,727</b>	<b>90,793</b>	<b>3,857</b>	<b>241,295</b>	<b>225,333</b>	<b>977,005</b>
Less allowance for uncollectibles	(106,807)	(3,233)	(498)	(12,408)	(20,534)	(143,480)
<b>Net total receivables</b>	<b>\$ 308,920</b>	<b>87,560</b>	<b>3,359</b>	<b>228,887</b>	<b>204,799</b>	<b>833,525</b>

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At June 30, 2007, 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 2007 levy was based was approximately \$11.4 billion. The market value was approximately \$36.5 billion making the overall assessed value 31.10 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, 2007, were 93.90 percent of the tax levy.

**NOTES TO FINANCIAL STATEMENTS**  
**(Thousands of Dollars)**  
**For the fiscal year ended June 30, 2007**

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

At June 30, 2007 the allowance for uncollectibles by fund was as follows:

General Fund	\$ 8,539
Education Special Revenue Fund	3,949
Debt Service Fund	3,233
Capital Projects Fund	<u>13</u>
Total	<u>\$ 15,734</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, 2007, as follows:

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

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

**D. Capital assets**

Capital asset activity for the year ended June 30, 2007, was as follows:

	<b>Beginning Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance</b>
<b>Governmental Activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 61,402	798	-	62,200
Construction in progress	35,047	62,136	(66,032)	31,151
Total capital assets, not being depreciated	<u>96,449</u>	<u>62,934</u>	<u>(66,032)</u>	<u>93,351</u>
Capital assets, being depreciated:				
Buildings	529,447	842	(45)	530,244
Improvements other than buildings	720,222	27,191	(163)	747,250
Machinery and equipment	314,660	18,565	(2,208)	331,017
Total capital assets being depreciated	<u>1,564,329</u>	<u>46,598</u>	<u>(2,416)</u>	<u>1,608,511</u>
Less accumulated depreciation for:				
Buildings	(163,670)	(13,462)	46	(177,086)
Improvements other than buildings	(136,762)	(18,582)	108	(155,236)
Machinery and equipment	(232,962)	(27,269)	2,207	(258,024)
Total accumulated depreciation	<u>(533,394)</u>	<u>(59,313)</u>	<u>2,361</u>	<u>(590,346)</u>
Total capital assets, being depreciated, net	<u>1,030,935</u>	<u>(12,715)</u>	<u>(55)</u>	<u>1,018,165</u>
Governmental activities capital assets, net	<u>\$ 1,127,384</u>	<u>50,219</u>	<u>(66,087)</u>	<u>1,111,516</u>

**NOTES TO FINANCIAL STATEMENTS**  
**(Thousands of Dollars)**  
**For the fiscal year ended June 30, 2007**

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

	<b>Beginning Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance</b>
<b>Business-type activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 13,757	-	-	13,757
Construction in progress	1,889	29,210	(23,997)	7,102
Memphis Light, Gas and Water assets	137,145	12,221	(31,304)	118,062
<b>Total capital assets, not being depreciated</b>	<b>152,791</b>	<b>41,431</b>	<b>(55,301)</b>	<b>138,921</b>
Capital assets, being depreciated:				
Buildings and system	106,090	-	-	106,090
Improvements other than buildings	496,340	29,256	(20)	525,576
Machinery and equipment	31,209	1,803	(69)	32,943
Memphis Light, Gas and Water assets	1,986,468	115,634	(17,765)	2,084,337
<b>Total capital assets, being depreciated</b>	<b>2,620,107</b>	<b>146,693</b>	<b>(17,854)</b>	<b>2,748,946</b>
Less accumulated depreciation for:				
Buildings and system	(67,080)	(2,583)	-	(69,663)
Improvements other than buildings	(214,201)	(9,902)	23	(224,080)
Machinery and equipment	(29,074)	(868)	47	(29,895)
Memphis Light, Gas and Water depreciation	(787,412)	(67,138)	22,600	(831,950)
<b>Total accumulated depreciation</b>	<b>(1,097,767)</b>	<b>(80,491)</b>	<b>22,670</b>	<b>(1,155,588)</b>
<b>Total capital assets, being depreciated, net</b>	<b>1,522,340</b>	<b>66,202</b>	<b>4,816</b>	<b>1,593,358</b>
<b>Business-type activities capital assets, net</b>	<b>\$ 1,675,131</b>	<b>107,633</b>	<b>(50,485)</b>	<b>1,732,279</b>

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

Governmental activities:	
Executive	\$ 284
Finance	5,346
General services	885
Information services	6,335
Fire services	4,899
Police services	11,238
Park services	7,464
Public services	6,518
Housing and community development	295
Public works	14,774
Engineering	1,203
City Court Clerk	3
Capital assets held by government's internal service funds are charged to the various functions based on their usage of the assets	70
<b>Total depreciation expense - governmental activities</b>	<b>\$ 59,314</b>
Business-type activities:	
Sewer	\$ 12,571
Golf	234
Stormwater	546
Memphis Light, Gas and Water	44,538
<b>Total depreciation expense - business-type activities</b>	<b>\$ 57,889</b>

**NOTES TO FINANCIAL STATEMENTS**  
**(Thousands of Dollars)**  
**For the fiscal year ended June 30, 2007**

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

The reported MLGW numbers show a small difference between depreciation expense in the Statement of Revenues,

	<b>MLGW Water Division</b>	<b>MLGW Electric Division</b>	<b>MLGW Gas Division</b>
Statement of Revenues, Expenses, Changes in Net Fund Net Assets:			
Depreciation Expense	\$ 32,645	\$ 15,150	\$ 9,798
Reclass from Maintenance Expense	4,380	3,293	1,667
Statement of Cash Flows, Depreciation Expense	<u>\$ 37,025</u>	<u>\$ 18,443</u>	<u>\$ 11,465</u>

**Construction commitments**

The government has active construction projects as of June 30, 2007. At year end the government's commitments with contractors are as follows:

<b><u>Function/Activity</u></b>	<b><u>Commitment</u></b>
Executive	\$ 1,312
Fire services	7,591
Police services	5,469
Park services	3,354
Public works	23,294
Port Commission	87
Public services	3,801
General services	913
Housing and community development	15,914
Engineering	5,594
Information systems	6,398
Library services	1,136
Sewer	8,794
	<u>\$ 83,657</u>



**NOTES TO FINANCIAL STATEMENTS**  
**(Thousands of Dollars)**  
**For the fiscal year ended June 30, 2007**

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

**Discretely presented component units**

Activity for the Board of Education for the year ended June 30, 2007, was as follows:

	<b>Beginning Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance</b>
Capital assets, not being depreciated:				
Land	\$ 27,154	1,520	-	28,674
Construction in progress	55,648	77,210	(50,954)	81,904
Total capital assets, not being depreciated	<u>82,802</u>	<u>78,730</u>	<u>(50,954)</u>	<u>110,578</u>
Capital assets, being depreciated:				
Buildings and improvements	1,043,432	46,944	(1,480)	1,088,896
Equipment and furniture	219,714	8,645	-	228,359
Total capital assets being depreciated	<u>1,263,146</u>	<u>55,589</u>	<u>(1,480)</u>	<u>1,317,255</u>
Less accumulated depreciation for:				
Buildings and improvements	(340,069)	(27,098)	423	(366,744)
Machinery, buses and equipment	(167,421)	(12,280)	-	(179,701)
Total accumulated depreciation	<u>(507,490)</u>	<u>(39,378)</u>	<u>423</u>	<u>(546,445)</u>
Total capital assets, being depreciated, net	<u>755,656</u>	<u>16,211</u>	<u>(1,057)</u>	<u>770,810</u>
Capital assets, net	<u>\$ 838,458</u>	<u>94,941</u>	<u>(52,011)</u>	<u>881,388</u>

Activity for the Memphis Area Transit Authority for the year ended June 30, 2007, was as follows:

	<b>Beginning Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance</b>
Capital assets, not being depreciated:				
Land	\$ 2,731	-	-	2,731
Construction in progress	11,168	1,107	-	12,275
Total capital assets, not being depreciated	<u>13,899</u>	<u>1,107</u>	<u>-</u>	<u>15,006</u>
Capital assets, being depreciated:				
Buildings and improvements	142,170	514	-	142,684
Buses and other revenue vehicles	69,922	638	(1,739)	68,821
Machinery and equipment	16,083	111	-	16,194
Total capital assets being depreciated	<u>228,175</u>	<u>1,263</u>	<u>(1,739)</u>	<u>227,699</u>
Less accumulated depreciation for:				
Buildings	(36,205)	(4,846)	-	(41,051)
Buses and other revenue vehicles	(39,152)	(4,913)	1,739	(42,326)
Machinery and equipment	(14,214)	(276)	-	(14,490)
Total accumulated depreciation	<u>(89,571)</u>	<u>(10,035)</u>	<u>1,739</u>	<u>(97,867)</u>
Total capital assets, being depreciated, net	<u>138,604</u>	<u>(8,772)</u>	<u>-</u>	<u>129,832</u>
Capital assets, net	<u>\$ 152,503</u>	<u>(7,665)</u>	<u>-</u>	<u>144,838</u>

**NOTES TO FINANCIAL STATEMENTS**  
**(Thousands of Dollars)**  
**For the fiscal year ended June 30, 2007**

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

Activity for the Memphis-Shelby County Airport Authority for the year ended June 30, 2007, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 162,251	(1,080)	-	161,171
Construction in progress	36,878	68,252	(39,596)	65,534
Total capital assets, not being depreciated	<u>199,129</u>	<u>67,172</u>	<u>(39,596)</u>	<u>226,705</u>
Capital assets, being depreciated:				
Buildings	335,649	(1,752)	(7,715)	326,182
Utility Plant	752,228	33,326	(49,301)	736,253
Machinery, buses and equipment	71,617	10,704	(5,559)	76,762
Total capital assets being depreciated	<u>1,159,494</u>	<u>42,278</u>	<u>(62,575)</u>	<u>1,139,197</u>
Less accumulated depreciation for:				
Buildings	(166,128)	(8,634)	7,083	(167,679)
Utility Plant	(260,973)	(32,929)	46,379	(247,523)
Machinery, buses and equipment	(48,680)	(8,212)	5,396	(51,496)
Total accumulated depreciation	<u>(475,781)</u>	<u>(49,775)</u>	<u>58,858</u>	<u>(466,698)</u>
Total capital assets, being depreciated, net	<u>683,713</u>	<u>(7,497)</u>	<u>(3,717)</u>	<u>672,499</u>
Capital assets, net	<u>\$ 882,842</u>	<u>59,675</u>	<u>(43,313)</u>	<u>899,204</u>

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

The composition of interfund transfers for the year ended June 30, 2007, is as follows:

	Transfers in:											
	General Fund	Debt Service	Capital Projects	Miscellaneous Grants	Solid Waste Management	Hotel/Motel Tax	New Memphis Arena	Community Redevelopment	Total Nonmajor Special Revenue	Storm Water	Golf	Totals
Transfers out:												
General fund	\$ -	7,215	-	-	2,000	-	-	3,170	5,170	400	392	13,177
Debt service	400	-	-	-	-	-	-	-	-	-	-	400
Nonmajor special revenue:												
State Street Aid	-	2,974	-	-	-	-	-	-	-	-	-	2,974
Miscellaneous grants	-	-	-	-	-	-	-	135	135	-	-	135
Solid waste	-	972	-	-	-	-	-	-	-	-	-	972
Hotel/Motel tax	-	978	-	-	-	-	647	-	647	-	-	1,625
New Memphis arena	-	-	-	-	-	647	-	-	647	-	-	647
Community redevelopment	-	2,288	-	-	-	-	-	-	-	-	-	2,288
Total nonmajor special revenue	-	7,212	-	-	-	647	647	135	1,429	-	-	8,641
Enterprise fund:												
Sewer	5,909	-	-	-	-	-	-	-	-	-	-	5,909
Memphis light, gas and water	49,759	-	-	-	-	-	2,500	-	2,500	-	-	52,259
Stormwater	-	2,300	-	-	-	-	-	-	-	-	-	2,300
Golf	-	290	-	-	-	-	-	-	-	-	-	290
	\$ 56,068	17,017	-	-	2,000	647	3,147	3,305	9,099	400	392	82,976

**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.

**NOTES TO FINANCIAL STATEMENTS**  
**(Thousands of Dollars)**  
**For the fiscal year ended June 30, 2007**

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

The composition of interfund balances as of June 30, 2007 is as follows:

Due to/from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
<b>GOVERNMENTAL FUND TYPES</b>		
<b>General</b>	State street aid	\$ 2,897
	Sewer	4,612
	Golf	4,357
	Printing & mail	275
	Unemployment compensation	1,891
	Fleet Management	4,464
		<u>18,496</u>
<b>Debt service</b>	State street aid	532
	Capital projects	32,934
	Storm water	4,251
	<u>37,717</u>	
<b>Special Revenue:</b>		
Community development	General fund	1
Drug enforcement	WIA	756
	Miscellaneous grants	17
		<u>773</u>
<b>PROPRIETARY FUND TYPES</b>		
<b>Internal Service:</b>		
Printing and mail	Community development	3
Health insurance	Community development	10,796
	New Memphis arena	8,376
	Retirement	150
	Library retirement	303
		<u>19,625</u>
Fleet management	Community development	8
		<u>19,636</u>
<b>FIDUCIARY FUND TYPES</b>		
<b>Pension Trust:</b>		
Retirement	General	13
Total		<u>\$ 76,636</u>

Due to/from primary government and component units:

<u>Receivable Entity</u>	<u>Payable Entity</u>	<u>Amount</u>
Primary government - debt service	Component unit - MATA	\$ 800
Total		<u>\$ 800</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 inter-fund balances resulting from working capital loans made between the funds. The majority of these balances are scheduled to be collected in the subsequent year.

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**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**

During fiscal year 2007, the City fully depreciated and paid off all debt related to a lease agreement for financing the acquisition of vehicles for the Division of Police. These lease agreements qualified as capital leases for accounting purposes and, therefore, were recorded at the present value of their future minimum lease payments as of the inception date.

**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 December, 2006, the City issued \$89,385 of General Improvement Refunding Bonds, Series 2006C to refund a portion of certain series of the City's outstanding General Improvement Bonds, the \$23,655 Series 1996, the \$30,890 Series 1998A and the \$37,455 Series 2002 (collectively, the "Refunded Bonds"). The net proceeds of \$95,172 (after the net issue premium of \$6,767, payment of \$476 in underwriter's discount, \$367 cost of issuance, \$130 in insurance and \$5 in additional proceeds) were used to purchase U.S. Government, State, and Local Series Securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for future debt service payments on the above-mentioned bonds. As a result, these Series bonds are considered to be defeased. The proceeds and extinguishment of debt as well as the issue costs paid by the City were recorded in the Debt Service Fund for the refunding issue.

In May, 2007, the City issued \$94,935 of General Improvement Bonds, Series 2007A. The issue resulted in net proceeds of \$100,285 (after the net issue premium of \$6,089, payment of \$439 in underwriter's discount, and \$300 cost of issuance) to finance the costs of public works projects and retire \$80,000 in bond anticipation notes. The aggregate difference in debt service between the refunding debt and the refunded debt was \$5,745. The proceeds and issue cost of these debt instruments were recorded in the City's Capital Projects Fund as other sources and debt issue cost. The capitalized interest represents funds to be used to pay a portion of future interest. These funds were recorded in the City's Debt Service Fund as other revenue.

**Commercial Paper Program**

In April 2001, the city entered agreements to sell bond anticipation notes in the form of General Obligation Commercial Paper. The Commercial Paper is issued under the State of Tennessee Commercial Paper Program in an amount not to exceed \$150,000. The purpose of the Commercial Paper is to provide interim financing of various capital projects. The Commercial Paper has varying maturities of not more than 270 days from their

respective dates of issuance. The City has entered a line of credit agreement, which expires on April 24, 2009, to provide liquidity support for this Commercial Paper Program. The debt is classified as long-term debt and is reflected in the City's Statement of Net Assets and the City's Capital Improvement Projects Fund, based on the City's ability to refinance the debt under the line of credit agreement.

**Revenue Bond**

In August, 2006, the City issued \$20,220 of Sanitary Sewage System Revenue Refunding Bonds, Series 2006 to refund a portion of certain series of the Sanitary Sewerage System's outstanding Revenue Bonds, the \$6,730 Series 1998 and the \$13,520 Series 2000. The aggregate difference in debt service between the refunding debt and the refunded debt was \$1,512. The issue resulted in net proceeds of \$21,228 (after the net issue premium of \$1,280, a issuance cost of \$160, an underwriter's discount of \$130 and insurance of \$74). The proceeds and issue cost of these debt instruments were recorded in the City's Sewer Collection and Treatment Fund. The capitalized interest represents funds to be used to pay a portion of future interest. These funds were recorded in the City's Sewer Collection and Treatment Fund.

**Defeased debt**

In prior years, the City defeased other general obligation and revenue bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on old bonds. Accordingly, the trust account assets and the liability of the defeased bonds are not included in the City's financial statements. On June 30, 2007, a total of approximately \$317,648 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, 2007:

	<b>General Obligation Bonds</b>	<b>Bond Anticipation Notes</b>	<b>Revenue Bonds</b>	<b>Total</b>
Governmental Funds	\$ 1,003,245	70,000	-	1,073,245
Enterprise Funds	-	-	1,440,506	1,440,506
<b>Total long-term debt</b>	<b>\$ 1,003,245</b>	<b>70,000</b>	<b>1,440,506</b>	<b>2,513,751</b>

**NOTES TO FINANCIAL STATEMENTS**  
**(Thousands of Dollars)**  
**For the fiscal year ended June 30, 2007**

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

Long-term liability activity for the year ended June 30, 2007, was as follows:

	<u>Balance</u> <u>June 30, 2006</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2007</u>	<u>Due Within</u> <u>One Year</u>
<b>Governmental activities:</b>					
General obligation bonds payable	\$ 909,077	184,320	(127,596)	965,801	42,925
Premium on general obligation bonds	25,701	4,800	-	30,501	-
Bond anticipation notes payable	114,000	36,000	(80,000)	70,000	70,000
Notes payable	786	-	(786)	-	-
Capital lease agreements	970	-	(970)	-	-
Accreted value on bonds	6,238	705	-	6,943	-
Vacation, sick and other leave benefits	81,260	3,363	(7,713)	76,910	127
	<u>\$ 1,138,032</u>	<u>229,188</u>	<u>(217,065)</u>	<u>1,150,155</u>	<u>113,052</u>
<b>Business-type activities:</b>					
Revenue bonds	\$ 142,410	20,220	(28,930)	133,700	8,290
Net premium/discount on revenue bonds	753	1,282	(1,525)	510	-
MLGW revenue bonds	1,302,935	-	(82,030)	1,220,905	83,035
Premium on MLGW revenue bonds	93,438	-	(13,084)	80,354	-
Less deferred amounts:					
For issuance discounts and on refunding	(1,001)	-	301	(700)	-
MLGW notes payable	6,950	-	(1,213)	5,737	1,308
Vacation, sick and other leave benefits	2,674	87	(11)	2,750	330
	<u>\$ 1,548,159</u>	<u>21,589</u>	<u>(126,492)</u>	<u>1,443,256</u>	<u>92,963</u>

The accreted value of bonds represents accrued interest on the \$6,401 principal portion of compound interest bonds of the 1993A Refunding Bonds. The cumulative accreted value of the 1993A Refunding Bonds is \$6,943 at June 30, 2007. The compounded accreted values (principal plus accreted interest) of this portion of the 1993A Refunding Bonds at maturity are as follows: The accreted value of bonds represents accrued interest on the \$6,401 principal portion of compound interest bonds of the 1993A Refunding Bonds. The cumulative accreted value of the 1993A Refunding Bonds is \$6,943 at June 30, 2007. The compounded accreted values (principal plus accreted interest) of this portion of the 1993A Refunding Bonds at maturity are as follows:

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

For FY 2007, the Accrual for Vacation and Sick has been changed to disclose only those compensated absences that are reported in non-governmental funds and only if they have matured (i.e. unused reimbursable leave still outstanding following an employee's resignation or retirement). This is a change in accounting method from FY 2006 in that FY 2006's Accrual for Vacation and Sick included an estimate for governmental and non-governmental funds of all vacation and sick time accrued by all employees regardless of whether they were still currently employees or not as of June 30, 2006.

**NOTES TO FINANCIAL STATEMENTS**  
**(Thousands of Dollars)**  
**For the fiscal year ended June 30, 2007**

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

The compound interest bonds are subject to optional redemption by the City prior to their maturities at stated redemption prices which are calculated based upon the compounded accreted value at the date of redemption. A summary of General Obligation Debt and Revenue Bonds at June 30, 2007 follows:

Description	Interest Rates(%)	Original Issue	Balance Outstanding at Year End
<b>General Obligation Debt:</b>			
General City Government Serial Bonds (1)	2.65-6.125	\$ 1,733,191	\$ 971,679
General City Government Term Bonds	variable	27,405	1,065
Bond Anticipation Notes	variable	150,000	70,000
Net Premium/(Discount) on General Obligation Debt			30,501
Notes Payable		5,500	-
Capital Lease Obligations	3.75-4.29	7,920	-
<b>Total General Obligation Debt</b>		<u>\$ 1,924,016</u>	<u>1,073,245</u>
<b>Revenue Bonds:</b>			
Sanitary Sewerage System	2.28-5.75	\$ 170,600	133,700
Electric Division, MLG&W(2)	2.00-7.58	1,445,605	1,212,702
Water Division, MLG&W(2)	3.35-6.00	53,610	13,940
Net Premium/(Discount) on revenue bonds			80,864
Unamortized deferred amount on bond refundings			(700)
<b>Total Revenue Bonds</b>		<u>\$ 1,669,815</u>	<u>1,440,506</u>
<b>Total</b>			<u>\$ 2,513,751</u>

(1) Includes accreted value of \$6,239 as of June 30, 2007.

(2) All MLG&W bonds reflect amounts outstanding at December 31, 2006

Debt service requirements to maturity for general obligation and revenue bond long-term indebtedness at June 30, 2007 are as follows:

Fiscal Year	Total Long-term Indebtedness								
	General Obligation			Revenue					
	City		Sewer System		MLG&W(2)		Total Requirements		
	Principal	Interest(1)	Principal	Interest(1)	Principal	Interest	Principal	Interest	Total
2007	-	-	-	-	84,318	58,032	84,318	58,032	142,350
2008	112,925	46,064	8,290	5,926	88,360	53,977	209,575	105,967	315,542
2009	59,346	46,543	7,845	5,584	92,601	49,637	159,792	101,764	261,556
2010	62,025	43,348	8,155	5,270	95,313	45,128	165,493	93,746	259,239
2011	63,014	40,619	8,390	4,950	91,960	40,434	163,364	86,003	249,367
2012	61,709	37,772	7,795	4,613	96,815	35,917	166,319	78,302	244,621
2013	62,430	32,428	8,280	4,270	99,700	31,137	170,410	67,835	238,245
2014	63,240	29,337	8,500	3,902	104,675	26,277	176,415	59,516	235,931
2015	64,650	26,275	8,710	3,518	109,905	21,044	183,265	50,837	234,102
2016	63,690	23,053	8,450	3,120	115,270	15,570	187,410	41,743	229,153
2017	61,920	19,903	9,115	2,765	121,075	9,602	192,110	32,270	224,380
2018	60,010	16,812	8,700	2,334	126,650	4,477	195,360	23,623	218,983
2019	57,480	13,801	6,360	1,900	-	-	63,840	15,701	79,541
2020	54,080	11,107	7,280	1,566	-	-	61,360	12,673	74,033
2021	50,660	8,492	6,075	1,202	-	-	56,735	9,694	66,429
2022	42,435	6,270	6,380	896	-	-	48,815	7,166	55,981
2023	36,760	4,173	4,125	639	-	-	40,885	4,812	45,697
2024	24,780	2,707	4,325	433	-	-	29,105	3,140	32,245
2025	15,665	1,790	4,540	218	-	-	20,205	2,008	22,213
2026	16,415	1,043	2,385	54	-	-	18,800	1,097	19,897
2027	9,510	452	-	-	-	-	9,510	452	9,962
<b>TOTAL</b>	<u>\$ 1,042,744</u>	<u>411,989</u>	<u>133,700</u>	<u>53,160</u>	<u>1,226,642</u>	<u>391,232</u>	<u>2,403,086</u>	<u>856,381</u>	<u>3,259,467</u>

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

(2) At 12-31-06

**H. Restricted assets**

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

Futures margin deposits	\$ 5,304
Construction	52,995
Insurance reserves – injuries and damages	8,596
Insurance reserves – casualties and general	24,210
Medical benefit	7,838
Customer deposits	18,678
Bond reserve and debt service	<u>24,262</u>
Total	<u>\$141,883</u>

**V. OTHER INFORMATION**

**A. Risk management**

The City is self-insured for health and medical benefits as well as on the job injury claims. The Health Insurance - Internal Service Fund charges premiums to other funds (primarily to the General Fund) which are used to pay claims and to fund the accrual for “incurred but not reported” (i.e. IBNR) claims and administrative costs of its health and medical benefits program. Additionally, on the job injury claims of \$5,354 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, 2006 and 2007 are as follows:

	<u>On the Job Injury</u>			
	Health and Medical	Sewer	Vehicle Maintenance Fund	Governmental Funds
Balance - June 30, 2005	\$ 7,723	23	-	5,478
Current year provision	69,625	-	65	6,317
Payments	<u>(69,185)</u>	-	<u>(65)</u>	<u>(5,505)</u>
Balance - June 30, 2006	8,163	23	-	6,290
Current year provision	76,460	-	102	4,529
Payments	<u>(76,565)</u>	-	<u>(102)</u>	<u>(4,844)</u>
Balance - June 30, 2007	<u>\$ 8,058</u>	<u>23</u>	<u>-</u>	<u>5,975</u>

The City received insurance recoveries during the year for windstorm loss at the Memphis Belle Pavilion in the amount of \$60.



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**B. Subsequent events**

The City of Memphis issued on December 4, 2007, \$20,000 Sanitary Sewerage System Revenue Bonds, Series 2007 to finance improvements, additions and extensions to the Sanitary Sewerage System of the City of Memphis.

**C. Contingent liabilities**

The City is a defendant in a number of various lawsuits filed in the ordinary course of its operations. The City believes that \$2,150 is a reasonable measure of the ultimate settlement of these matters and has been reflected on the City's Statement of Net Assets.

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

The City has commitments at June 30, 2007, for outstanding purchase orders and outstanding contracts reported as reserves for encumbrances in the General Fund of \$5,352. The City had additional commitments totaling \$83,657 for certain infrastructure and sewer construction projects.

**D. Joint ventures**

**Mid-South Coliseum**

The Mid-South Coliseum (the Coliseum) is a joint operation between the City and the County. It is managed by a board consisting of two members appointed by the City, two appointed by the County, and one appointed jointly by the City and the County. The participants must approve expenditures for salaries over \$3 and other expenditures over \$2. The City and the County share in profits or fund any deficits from operations in a ratio of 60% and 40%, respectively. As of and for its year ended June 30, 2007, the Coliseum reported the following derived from its audited financial statements:

Assets	\$	1,105
Liabilities		1,372
Equity (deficit)		(267)
Operating revenues		2,092
Operating expenses		2,465
Net income (loss)		(373)

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

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**Memphis and Shelby County Convention Center Complex**

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

As of and for its year ended June 30, 2007, the Convention Center reported the following derived from its audited financial statements:

Assets	\$	13,359
Liabilities		1,899
Equity		11,460
Operating revenues		3,785
Operating expenses		7,338
Other income		3,190
Net income (loss)		(363)

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, 2007, the

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

Assets	\$29,759
Liabilities	9,824
Equity	19,935
Operating revenues	2,264
Operating expenses	2,827
Net income (loss)	(564)

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

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

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

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

**Operating Revenues**

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

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

As of and for its year ended June 30, 2007, the Pyramid Arena Operations reported the following derived from its audited financial statements:

Assets	\$ 283
Liabilities	97
Fund equity	186
Operating revenues	173
Operating expenses	1,184
Other income	670
Net income (loss)	(341)

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

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

In August 2001, the City and the County entered into a joint operation creating a nonprofit corporation, The New Memphis Arena Public Building Authority of Memphis and Shelby County, Tennessee (The New Arena PBA). The New Arena PBA is a non-profit corporation established under the Statutes of the State of Tennessee and is governed by a Board of Directors whose members are jointly appointed by the Majors and Memphis

and Shelby County and approved by the Memphis City Council and the Shelby County Commission. The New Arena PBA is responsible for the construction of a multipurpose sports and entertainment facility (FedEx Forum). The total construction cost of \$250,000 is to be funded from \$186,000 from Senior Lien Revenue Bonds, \$20,000 from Subordinate Lien Revenue Bonds, \$12,000 each by the City and the County from non-ad valorem revenues, and \$20,000 from the State of Tennessee for a parking structure and intermodal transfer station. As of and for its year ended December 31, 2006, the New Memphis Arena PBA reported the following derived from its audited financial statements:

Assets	\$	216,350
Liabilities		3
Fund equity		216,347
Operating revenues		267
Operating expenses		7,410
Other income		2
Net income (loss)		(7,141)

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

**E. Other postemployment benefits**

In addition to providing pension benefits, the City (excluding MLGW) provides certain health and medical benefits and life insurance for retired employees in accordance with the City ordinance, which authorized payment of the benefits. Substantially all of the City's employees may become eligible for the benefits if they reach normal retirement age while working for the City. Of premiums paid for retiree health and medical benefits and life insurance, 70 % is paid by the General Fund (with the remaining 30% paid by the retirees) and is recognized as an expenditure, which totaled \$19,450 for 2007. At June 30, 2007, the number of retirees eligible for health and medical benefits is 3,235.

MLGW has post-retirement major medical and life insurance benefits available to all employee groups as a continuation of those benefits that were available prior to retirement. Currently, 2,493 retirees and beneficiaries are eligible for post-retirement benefits. MLG&W has established a grantor trust to accumulate funds to be used to pay future post-retirement medical benefits. Post-retirement benefit costs, paid 100% by MLGW and the grantor trust, totaled \$19,536 for the year ended December 31, 2006.

**F. Pension and retirement plans**

**City of Memphis Retirement System**

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

**NOTES TO FINANCIAL STATEMENTS**  
**(Thousands of Dollars)**  
**For the fiscal year ended June 30, 2007**

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

As of and for its year ended June 30, 2007, the City Retirement System reported the following net assets:

**Assets:**

Cash and cash equivalents	\$ 906
Investments, at fair value:	
U.S. government securities – long-term	100,025
Common stock – domestic	638,403
Common stock – foreign	371,431
Mutual funds and money market	406,124
Corporate bonds – domestic	225,818
Corporate bonds – foreign	16,257
Collateralized mortgage obligations	117,829
Mortgage-backed pooled securities	148,480
Investment in index funds	200,530
Investment in real estate	110,449
Investment in high yield bond fund	15,350
Interest and dividends on investments	7,850
Due from other funds	13
Other	<u>2,802</u>
Total assets	<u>\$ 2,362,267</u>

**Liabilities:**

Notes and accounts payable	24,219
Due to other funds	<u>150</u>
Total liabilities	<u>24,369</u>

**Net assets:**

Held in trust for pension benefits and pool participants	<u>\$ 2,337,898</u>
--	---------------------

As of and for its year ended June 30, 2007, The City Retirement System reported the following changes in net assets:

**Additions:**

Employer contributions	\$ 14,037
Plan member contributions	19,551
Interest and dividend income	74,502
Other investment income	1,642
Gain from real estate investment	101,193
Net appreciation in the fair value of investments	<u>173,648</u>
Total additions	<u>384,573</u>

**Deductions:**

Benefits	113,140
Administrative expenses	8,664
Refunds of contributions	<u>12,009</u>
Total deductions	<u>133,813</u>
Net increase	250,760
Net assets – beginning of year	<u>2,087,138</u>
Net assets – end of year	\$ <u>2,337,898</u>

**Plan Description** - The City Retirement System pension trust fund accounts for the activity of the City of Memphis Retirement System and is a single employer public employee retirement system. Substantially all permanent full-time salaried employees of the City (excluding component units) are required to participate in either of two contributory defined benefit pension plans (the Plans) which are as follows: 1948 Plan - for salaried employees hired prior to July 1, 1978, and 1978 Plan - for salaried employees hired after June 30, 1978. Under City Ordinances, trust assets are reported in one trust fund and not segregated between the two benefit plans. Permanent, full-time employees in job classifications covered by contract with the Social Security Administration are not participants of the Retirement System as they are covered under the Federal Insurance Contribution Act (Social Security).

At June 30, 2007, the Retirement System membership consisted of:

Retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them	4,129
Active employees:	
Fully vested	2,828
Nonvested	<u>2,742</u>
Total	<u>9,699</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 October 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. At June 30, 2007, the City of Memphis Retirement System held one investment in Tattersall Advisory Group with a value of \$343,148, which represents more than 14 percent of plan net assets. No other investments in any one organization represent more than 14 percent of plan net assets.

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

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

**Schedule of Funding Progress** - The frozen entry age actuarial cost method, used in determining funding requirements, only identifies the initial unfunded actuarial accrued liability, which is incurred at the inception of the plan and amortized. All other sources of unfunded liabilities (such as plan amendments and experience gains and losses) become part of normal cost. The schedule of funding progress for the six years ended June 30, 2007 is as follows:

Actuarial Valuation Date	Actuarial Value of Assets	Unamortized Portion of initial Unfunded Actuarial Accrued Liability (IUAAL)	Unfunded Frozen Actuarial Accrued Liability (UFAAL)	Covered Payroll	IUAAL as a Percentage of Covered Payroll	UFAAL as a Percentage of Covered Payroll
7/1/2002	1,886,836	0	0	217,737	N/A	N/A
7/1/2003	1,861,728	0	0	226,580	N/A	N/A
7/1/2004	1,926,926	0	0	241,321	N/A	N/A
7/1/2005	1,992,833	0	0	254,529	N/A	N/A
7/1/2006	2,056,080	0	0	265,605	N/A	N/A
7/1/2007	2,121,919	0	0	259,681	N/A	N/A

**Schedule of Employer Contributions** - The schedule of employer contributions for the six years ended June 30, 2007 is as follows:

<b>Year Ended June 30</b>	<b>Annual Required Contribution</b>	<b>Percentage Contributed</b>
2002	0	(See Below) <sup>1</sup>
2003	0	(See Below) <sup>2</sup>
2004	709	1,909.0
2005	2,695	513.7
2006	11,893	117.6
2007	22,674	61.9

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

**Annual Pension Cost and Net Pension Asset** – The City Retirement System’s annual pension cost and net pension asset for the year ended June 30, 2007 were as follows:

Annual required contribution	\$ 22,674
Interest on net pension asset	(5,749)
Adjustment to annual required contribution	<u>11,168</u>
Annual pension cost	28,093
Contribution made	<u>14,037</u>
Increase in net pension obligation	(14,056)
Net pension asset at beginning of year	<u>76,659</u>
Net pension asset at end of year	\$ 62,603

Three-year trend information is as follows:

<b>Year Ended June 30</b>	<b>Annual Pension Cost (APC)</b>	<b>Percentage of APC Contributed</b>	<b>Net Pension Asset</b>
2005	7,238	191.3	80,240
2006	17,565	79.6	76,659
2007	28,093	50.0	62,603

**Library Retirement System**

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



**NOTES TO FINANCIAL STATEMENTS**  
**(Thousands of Dollars)**  
**For the fiscal year ended June 30, 2007**

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

As of and for its year ended June 30, 2007, the Library Retirement System reported the following net assets:

**Assets:**

Investments, at fair value:	
Common stock – domestic	28,730
Investment in index funds	22,240
Investment in real estate	9,780
Investment in limited partnership	7,324
Money market fund	1,077
Interest and dividends on investments	38
Receivable for Securities sold	<u>156</u>
<b>Total assets</b>	<u>69,345</u>

**Liabilities:**

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

**Net assets:**

Held in trust for pension benefits and pool participants \$ 69,042

As of and for its year ended June 30, 2007, The Library Retirement System reported the following changes in net assets:

**Additions:**

Employer contributions	\$ 281
Plan member contributions	281
Interest and dividend income	547
Other investment income	817
Net appreciation in the fair value of investments	<u>7,548</u>
Total additions	<u>9,474</u>

**Deductions:**

Benefits	2,316
Administrative expenses	535
Refunds of contributions	<u>88</u>
<b>Total deductions</b>	<u>2,939</u>

Net increase	6,535
Net assets – beginning of year	<u>62,507</u>
Net assets – end of year	<u>\$ 69,042</u>

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

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

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

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

At January 1, 2007 the Library Retirement System membership consisted of:

Retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them	129
Active employees:	
Vested	126
Nonvested	<u>151</u>
Total	<u>406</u>

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

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

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

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

Also under Plan II, employees may retire with reduced benefits after completion of 25 years of service and attainment of age 55. Upon retirement, the normal payment form for retirees is a monthly benefit for life for non-married participants or a monthly benefit for life with 75% 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 a market value method. The frozen entry age actuarial cost method is used in determining the funding requirements. Significant actuarial assumptions include (a) a rate of return on the investment of present and future assets of 7.5 percent a year compounded annually, (b) projected salary increases of 5 percent a year compounded annually, attributable to inflation, and (c) post-retirement benefit increases of 3 percent a year.

**Schedule of Funding Progress** - The frozen entry age actuarial cost method, used in determining funding requirements, identifies the initial unfunded accrued liability, which is incurred at the inception of the plan and amortized. As long as the unfunded accrued liability is less than zero, all other sources of unfunded liabilities (such as plan amendments and experience gains and losses) become part of normal cost. The amortization of the excess of assets over liabilities is over a period of 30 years. This amortization exceeds the normal cost, so the Annual Required Contribution is zero. The period of amortization is considered closed and the amortization period will be reduced by one year each year until the 30 years have expired. The schedule of funding progress for the six years ended January 1, 2007 is as follows:

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Assets in Excess of the Actual Accrued Liability	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
1/1/2002	50,769	41,939	8,830	0	121.0	9,420	0
1/1/2003	44,609	49,000		4391	91.0	10,639	41.0
1/1/2004	53,766	50,030	3,736	0	107.0	11,213	0
1/1/2005	59,129	52,814	6,315	0	112.0	11,074	0
1/1/2006	61,017	54,855	6,162	0	111.0	10,190	0
1/1/2007	66,572	59,007	7,565	0	113.0	9,230	0

**Schedule of Employer Contributions** - The schedule of employer contributions for the six years ended June 30, 2007 is as follows:

Year Ended June 30	Annual Required Contribution	Percentage Contributed
2002	0	N/A
2003	0	N/A
2004	1,494	23.0
2005	341	98.0
2006	0	N/A
2007	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, 2007 were as follows:

Interest on net pension asset	\$	(118)
Adjustment to annual required contribution		<u>129</u>
Annual pension cost		11
Contribution made		<u>(300)</u>
Decrease in net pension obligation		289
Net pension asset at beginning of year		<u>1,579</u>
Net pension asset at end of year	\$	1,868

Three-year trend information is as follows:

Year Ended June 30	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Asset
2005	343	98.0	1,251
2006	2	1,646.0	1,579
2007	11	2,727.0	1,868

### **MLGW Retirement System**

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

**Plan Description** - The MLGW Retirement System pension trust fund accounts for the activity of the MLGW Retirement System, a single employer public employee retirement system. Prior to 1988, the retirement system included the contributory defined benefit plans (the “1948 Plan” and the “1978 Plan”). The 1948 Plan and the

1978 Plan were amended and superseded as of July 1, 1988. All employees who were members of the 1948 Plan and the 1978 Plan automatically became members of the amended, restated and consolidated MLGW Retirement System.

At December 31, 2006, the MLGW Retirement System membership consisted of:

Retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them	2,504
Active employees	<u>2,598</u>
Total	<u>5,102</u>

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

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

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

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

**Actuarial Methods and Assumptions** - The actuarial valuation method used is the five-year weighted index method. The aggregate actuarial cost method is used in determining the funding requirements. Significant actuarial assumptions include (a) a rate of return on the investment of present and future assets of 8 percent a year compounded annually, (b) projected salary increases of 4.00 to 7.60 percent a year compounded annual, and (c) pensioner cost of living adjustments of 1.05 to 2.63 percent compounded annually.

**Schedule of Funding Progress** - The aggregate cost method does not identify or separately amortize unfunded actuarial liabilities. These liabilities are amortized through the normal cost. Under the aggregate cost method, the actuarial accrued liability equals the actuarial value of assets. At December 31, 2006, the actuarial value of assets was \$1,194,563.

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

<b>Year Ended December 31</b>	<b>Annual Required Contribution</b>	<b>Percentage Contributed</b>
2001	4,330	221.5
2002	9,972	98.8
2003	15,890	67.3
2004	18,241	88.4
2005	18,683	102.8
2006	19,512	101.0

**G. Component units**

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

	<b>GOVERNMENTAL TYPE BOE</b>	<b>PROPRIETARY TYPE MATA</b>	<b>MSCAA</b>	<b>TOTAL</b>	<b>COMPONENT UNITS TOTAL</b>
Current Assets	\$ 427,222	6,935	31,355	38,290	465,512
Property, plant and equipment (net of accumulated depreciation)	881,388	144,838	899,204	1,044,042	1,925,430
Other assets	-	513	270,782	271,295	271,295
Total assets	<u>\$ 1,308,610</u>	<u>152,286</u>	<u>1,201,341</u>	<u>1,353,627</u>	<u>2,662,237</u>
Current liabilities	\$ 144,401	7,409	73,012	80,421	224,822
Long-term liabilities	25,348	800	596,642	597,442	622,790
Net assets	1,138,861	144,077	531,687	675,764	1,814,625
Total liabilities and net assets	<u>\$ 1,308,610</u>	<u>152,286</u>	<u>1,201,341</u>	<u>1,353,627</u>	<u>2,662,237</u>
Operating revenues	\$ 564,998	10,840	112,634	123,474	
Operating expenses	461,435	49,280	84,741	134,021	
Operating income (loss) before depreciation and amortization	<u>\$ 103,563</u>	<u>(38,440)</u>	<u>27,893</u>	<u>(10,547)</u>	
Depreciation and amortization	\$ 546,444	10,036	50,464	60,500	
Grants and contributions not restricted	503,447	-	49,532	49,532	
City of Memphis subsidy	-	19,260	-	19,260	
Federal and State grant revenues	-	18,153	-	18,153	
Other revenue (expense)	13,721	3,237	12,632	15,869	
Change in net assets	74,287	(7,826)	39,593	31,767	
Net assets - beginning of year	1,064,574	151,903	492,094	643,997	
Net assets - end of year	<u>\$ 1,138,861</u>	<u>144,077</u>	<u>531,687</u>	<u>675,764</u>	

# COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES

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## CITY OF MEMPHIS

T E N N E S S E E

### COMBINING NONMAJOR FUNDS

#### SPECIAL REVENUE

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

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

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

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

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

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

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

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

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

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

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

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

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

#### CAPITAL PROJECTS

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

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**NON MAJOR FUNDS  
COMBINING BALANCE SHEET  
(Thousands of Dollars)  
June 30, 2007**

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

	Special Revenue							
	Community Development	Drug Enforcement	State Street Aid	Workforce Investment Act	Miscellaneous Grants	Midtown Corridor	Solid Waste Management	Hotel/ Motel Tax
<b>ASSETS</b>								
Cash and cash equivalents	\$ 6,309	131	-	-	1	-	-	-
Investments	-	-	-	-	-	-	-	-
Equity in cash and investment pool	-	4,359	-	15	881	1,675	1,805	2,815
Receivables (net of allowance for uncollectibles):								
Property taxes:								
Current property taxes	-	-	-	-	-	-	-	-
Prior property taxes	-	-	-	-	-	-	-	-
Federal grants and entitlements	20,223	-	-	1,832	3,212	-	-	-
State grants and entitlements	75	-	3,429	-	561	-	-	-
Interest on investments	33	15	-	-	-	5	-	-
Housing rehabilitation loans	65,374	-	-	-	-	-	-	-
Other	169	1	-	-	1,867	-	28	1
Due from other funds	1	773	-	-	-	-	-	-
Due from other agencies and governments	-	-	-	-	-	-	3,959	415
<b>Total assets</b>	<b>\$ 92,184</b>	<b>5,279</b>	<b>3,429</b>	<b>1,847</b>	<b>6,522</b>	<b>1,680</b>	<b>5,792</b>	<b>3,231</b>
<b>LIABILITIES AND FUND BALANCES</b>								
<b>Liabilities:</b>								
Accounts payable	898	219	-	730	341	-	1,176	-
Accrued liabilities	256	-	-	-	90	-	560	3,231
Contract retainage	-	-	-	-	58	-	-	-
Due to other funds	10,807	-	3,429	756	17	-	-	-
Due to other agencies and governments	-	-	-	-	-	-	-	-
Deferred revenue	80,215	313	-	361	5,741	-	1	-
<b>Total liabilities</b>	<b>92,176</b>	<b>532</b>	<b>3,429</b>	<b>1,847</b>	<b>6,247</b>	<b>-</b>	<b>1,737</b>	<b>3,231</b>
<b>Fund balances:</b>								
Undesignated, as restated	8	4,747	-	-	275	1,680	4,055	-
<b>Total fund balances</b>	<b>8</b>	<b>4,747</b>	<b>-</b>	<b>-</b>	<b>275</b>	<b>1,680</b>	<b>4,055</b>	<b>-</b>
<b>Total liabilities and fund balances</b>	<b>\$ 92,184</b>	<b>5,279</b>	<b>3,429</b>	<b>1,847</b>	<b>6,522</b>	<b>1,680</b>	<b>5,792</b>	<b>3,231</b>

**NON MAJOR FUNDS  
COMBINING BALANCE SHEET  
(Thousands of Dollars)  
June 30, 2007**

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

New Memphis Arena	MLK Park	Metro Alarm	Community Services	Central Business Improvement District	Community Redevelopment	Education	Capital Projects	Total	
-	-	-	-	-	-	-	94	6,535	<b>ASSETS</b>
-	-	-	-	-	-	-	7,828	7,828	Cash and cash equivalents
-	572	1,525	353	42	1,829	1,253	-	17,124	Investments
-	-	-	-	-	-	-	-	-	Equity in cash and investment pool
-	-	-	-	2,594	-	95,019	368	97,981	Receivables (net of allowance for uncollectibles):
-	-	-	-	203	-	9,544	31	9,778	Property taxes:
-	-	-	-	-	-	-	-	25,267	Current property taxes
-	-	-	-	-	-	-	-	4,065	Prior property taxes
-	2	4	1	-	-	-	-	60	Federal grants and entitlements
-	-	-	-	-	-	-	-	65,374	State grants and entitlements
-	-	5	-	-	-	-	-	2,210	Interest on investments
-	-	-	-	-	-	-	139	774	Housing rehabilitation loans
-	-	-	-	-	-	-	-	-	Other
-	-	-	-	-	5,061	-	-	9,435	Due from other funds and governments
-	574	1,534	354	2,839	6,890	105,816	8,460	246,431	<b>Total assets</b>
-	3	3	-	19	3	237	3,633	7,262	<b>LIABILITIES AND FUND BALANCES</b>
-	-	-	-	-	-	-	-	4,137	<b>Liabilities:</b>
-	-	-	-	-	-	-	37	95	Accounts payable
8,376	-	-	-	-	-	-	32,934	56,319	Accrued liabilities
-	-	-	-	23	-	1,803	27	1,853	Contract retainage
-	63	-	-	2,797	5,061	103,776	3,638	201,966	Due to other funds
8,376	66	3	-	2,839	5,064	105,816	40,269	271,632	Due to other agencies and governments
(8,376)	508	1,531	354	-	1,826	-	(31,809)	(25,201)	Deferred revenue
(8,376)	508	1,531	354	-	1,826	-	(31,809)	(25,201)	<b>Total liabilities</b>
-	574	1,534	354	2,839	6,890	105,816	8,460	246,431	<b>Fund balances:</b>
-	-	-	-	-	-	-	-	-	Undesignated, as restated
-	-	-	-	-	-	-	-	-	Total fund balances
-	574	1,534	354	2,839	6,890	105,816	8,460	246,431	<b>Total I fund balances</b>

**NON MAJOR FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
(Thousands of Dollars)  
For the fiscal year ended June 30, 2007**

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

	Special Revenue							
	Community Development	Drug Enforcement	State Street Aid	Workforce Investment Act	Miscellaneous Grants	Midtown Corridor	Solid Waste Management	Hotel/ Motel Tax
<b>REVENUES</b>								
Local taxes:								
Property taxes	\$ -	-	-	-	-	-	-	-
Special assessments - current	-	-	-	-	-	-	-	-
Special assessments - prior	-	-	-	-	-	-	-	-
Sales tax general	-	-	-	-	-	-	-	-
Other local taxes	-	-	-	-	-	-	1	-
<b>Total local taxes</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1</b>	<b>-</b>
State taxes (local share)	-	-	19,272	-	-	-	-	-
Hotel/motel tax	-	-	-	-	-	-	-	4,210
Charges for services	-	-	-	-	-	-	47,937	-
Investment income	-	239	-	-	-	76	-	-
Federal grants and entitlements	30,597	-	-	5,480	3,220	-	-	-
State grants	-	-	-	912	2,621	-	63	-
Intergovernmental revenue	-	-	-	-	-	-	-	-
Fines and forfeitures	-	4,584	-	-	-	-	-	-
Other	473	88	-	78	2,718	3	258	-
<b>Total revenues</b>	<b>31,070</b>	<b>4,911</b>	<b>19,272</b>	<b>6,470</b>	<b>8,559</b>	<b>79</b>	<b>48,259</b>	<b>4,210</b>
<b>EXPENDITURES</b>								
General government	-	-	-	-	8,295	-	-	3,232
Public safety	-	3,656	-	-	129	-	-	-
Community service	31,070	-	-	6,470	-	-	-	-
Transportation and environment	-	-	16,298	-	-	-	46,132	-
Education	-	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-	-
Bond issuance cost	-	-	-	-	-	-	-	-
<b>Total expenditures</b>	<b>31,070</b>	<b>3,656</b>	<b>16,298</b>	<b>6,470</b>	<b>8,424</b>	<b>-</b>	<b>46,132</b>	<b>3,232</b>
Revenues over (under) expenditures	-	1,255	2,974	-	135	79	2,127	978
<b>OTHER FINANCING SOURCES (USES)</b>								
Transfers in	-	-	-	-	-	-	2,000	647
Transfers out	-	-	(2,974)	-	(135)	-	(972)	(1,625)
Proceeds from issuance of debt	-	-	-	-	-	-	-	-
Retirement of refunded debt obligation	-	-	-	-	-	-	-	-
Premium on debt issuance	-	-	-	-	-	-	-	-
<b>Total other financing sources and uses</b>	<b>-</b>	<b>-</b>	<b>(2,974)</b>	<b>-</b>	<b>(135)</b>	<b>-</b>	<b>1,028</b>	<b>(978)</b>
Net change in fund balances	-	1,255	-	-	-	79	3,155	-
Fund balances - beginning of year as restated	8	3,492	-	-	275	1,601	900	-
<b>Fund balances - end of year, as restated</b>	<b>\$ 8</b>	<b>4,747</b>	<b>-</b>	<b>-</b>	<b>275</b>	<b>1,680</b>	<b>4,055</b>	<b>-</b>

**NON MAJOR FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
(Thousands of Dollars)  
For the fiscal year ended June 30, 2007**

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

New Memphis Arena	MLK Park	Metro Alarm	Community Services	Central Business Improvement District	Community Redevelopment	Education	Capital Projects	Total	
-	-	-	-	-	801	91,952	355	93,108	<b>REVENUES</b>
-	-	-	-	2,542	-	-	-	2,542	Local taxes:
647	-	-	-	103	-	-	-	103	Property taxes
-	-	-	-	88	-	-	-	647	Special assessments - current
-	-	-	-	-	-	-	-	89	Special assessments - prior
-	-	-	-	-	-	-	-	-	Sales tax general
-	-	-	-	-	-	-	-	-	Other local taxes
647	-	-	-	2,733	801	91,952	355	96,489	Total local taxes
8,737	-	-	-	-	-	-	-	28,009	State taxes (local share)
-	-	-	-	-	-	-	-	4,210	Hotel/motel tax
-	125	601	-	-	-	-	-	48,663	Charges for services
-	25	66	15	-	-	-	-	421	Investment income
-	-	-	-	-	-	-	667	39,964	Federal grants and entitlements
-	-	-	-	-	6	-	-	3,602	State grants
-	-	-	-	-	-	-	534	534	Intergovernmental revenue
-	-	-	-	-	-	-	-	4,584	Fines and forfeitures
-	-	-	11	-	-	-	-	3,629	Other
9,384	150	667	26	2,733	807	91,952	1,556	230,105	Total revenues
11,237	-	378	-	2,733	310	-	-	26,185	<b>EXPENDITURES</b>
-	-	-	-	-	-	-	-	3,785	General government
-	107	-	-	-	-	-	-	37,647	Public safety
-	-	-	-	-	-	-	-	62,430	Community service
-	-	-	-	-	-	91,952	-	91,952	Transportation and environment
-	-	-	-	-	-	-	62,416	62,416	Education
-	-	-	-	-	-	-	788	788	Capital outlay
-	-	-	-	-	-	-	-	-	Bond issuance cost
11,237	107	378	-	2,733	310	91,952	63,204	285,203	Total expenditures
(1,853)	43	289	26	-	497	-	(61,648)	(55,098)	Revenues over (under) expenditures
3,147	-	-	-	-	3,305	-	-	9,099	<b>OTHER FINANCING SOURCES (USES)</b>
(647)	-	-	-	-	(2,288)	-	-	(8,641)	Transfers in
-	-	-	-	-	-	-	131,327	131,327	Transfers out
-	-	-	-	-	-	-	(80,000)	(80,000)	Proceeds from issuance of debt
-	-	-	-	-	-	-	6,089	6,089	Retirement of refunded debt ob
-	-	-	-	-	-	-	-	-	Premium on debt issuance
2,500	-	-	-	-	1,017	-	57,416	57,874	Total other financing sources and uses
647	43	289	26	-	1,514	-	(4,232)	2,776	Net change in fund balances
(9,023)	465	1,242	328	-	312	-	(27,577)	(27,977)	Fund balances - beginning of year as restated
(8,376)	508	1,531	354	-	1,826	-	(31,809)	(25,201)	<b>Fund balances - end of year, as restated</b>

**NON MAJOR SPECIAL REVENUE FUNDS  
 COMBINING SCHEDULE OF REVENUES AND EXPENDITURES -  
 BUDGET AND ACTUAL ON BASIS OF BUDGETING  
 (WITH ANNUAL BUDGETS)  
 (Thousands of Dollars)  
 For the fiscal year ended June 30, 2007**

	Budget Amounts			Variance with Final Budget- Positive (Negative)
	Original	Final	Actual	
<b>COMMUNITY DEVELOPMENT</b>				
<b>Revenues:</b>				
Federal grants	\$ 22,582	22,582	30,597	8,015
Other	-	-	473	473
Total revenues	22,582	22,582	31,070	8,488
<b>Expenditures:</b>				
Community service	22,582	22,582	31,070	(8,488)
Total expenditures	22,582	22,582	31,070	(8,488)
Revenues over (under) expenditures	\$ -	-	-	-
<b>DRUG ENFORCEMENT FUND</b>				
<b>Revenues:</b>				
Investment income	\$ -	-	239	239
Fines and forfeitures	-	3,465	4,584	1,119
Other	-	61	88	27
Total revenues	-	3,526	4,911	1,385
<b>Expenditures:</b>				
Public safety	142	3,931	3,656	275
Total expenditures	142	3,931	3,656	275
Revenues over (under) expenditures	\$ (142)	(405)	1,255	1,660
<b>STATE STREET AID FUND</b>				
<b>Revenues:</b>				
State gasoline tax (local share)	\$ 19,321	19,321	19,272	(49)
Total revenue	19,321	19,321	19,272	(49)
<b>Expenditures:</b>				
Transportation & environment	16,163	16,163	16,298	(135)
Total expenditures	16,163	16,163	16,298	(135)
<b>Other financing (uses):</b>				
Transfers out	(3,158)	(3,158)	(2,974)	184
Total other financing (uses)	(3,158)	(3,158)	(2,974)	184
Revenues over (under) expenditures and other financing sources (uses)	\$ -	-	-	270
<b>WORKFORCE INVESTMENT ACT</b>				
<b>Revenues:</b>				
Federal grants	\$ 15,101	15,101	5,480	(9,621)
State grants	233	233	912	679
Other	120	120	78	(42)
Total revenues	15,454	15,454	6,470	(8,984)
<b>Expenditures:</b>				
Community service	15,454	15,454	6,470	8,984
Total expenditures	15,454	15,454	6,470	8,984
Revenues (under) expenditures and other financing (uses)	\$ -	-	-	-

(Continued)

**NON MAJOR SPECIAL REVENUE FUNDS  
 COMBINING SCHEDULE OF REVENUES AND EXPENDITURES -  
 BUDGET AND ACTUAL ON BASIS OF BUDGETING  
 (WITH ANNUAL BUDGETS)  
 (Thousands of Dollars)  
 For the fiscal year ended June 30, 2007**

	Budget Amounts			Variance with Final Budget- Positive(Negative)
	Original	Final	Actual	
<b>MISCELLANEOUS GRANTS</b>				
<b>Revenues:</b>				
Federal grants	\$ 6,543	6,543	3,220	(3,323)
State grants	467	467	2,621	2,154
Other	5,960	5,960	2,718	(3,242)
<b>Total revenues</b>	<b>12,970</b>	<b>12,970</b>	<b>8,559</b>	<b>(4,411)</b>
<b>Expenditures:</b>				
General government	11,601	11,601	8,295	3,306
Public safety	1,420	1,420	129	1,291
<b>Total expenditures</b>	<b>13,021</b>	<b>13,021</b>	<b>8,424</b>	<b>4,597</b>
<b>Other financing sources (uses):</b>				
Transfers in	51	51	-	(51)
Transfers out	-	-	(135)	(135)
<b>Total other financing sources (uses)</b>	<b>51</b>	<b>51</b>	<b>(135)</b>	<b>(186)</b>
Revenues over (under) expenditures and other financing sources (uses)	\$ -	-	-	-
<b>SOLID WASTE MANAGEMENT FUND</b>				
<b>Revenues:</b>				
Other local taxes	\$ -	-	1	1
Charges for services	48,587	48,937	47,937	(1,000)
State grants	120	120	63	(57)
Other	350	350	258	(92)
<b>Total revenues</b>	<b>49,057</b>	<b>49,407</b>	<b>48,259</b>	<b>(1,148)</b>
<b>Expenditures:</b>				
Transportation and environment	47,942	48,292	46,132	2,160
<b>Total expenditures</b>	<b>47,942</b>	<b>48,292</b>	<b>46,132</b>	<b>2,160</b>
<b>Other financing sources (uses):</b>				
Transfers in	-	-	2,000	2,000
Transfers out	(1,391)	(1,391)	(972)	419
<b>Total other financing sources (uses)</b>	<b>(1,391)</b>	<b>(1,391)</b>	<b>1,028</b>	<b>2,419</b>
Revenues over (under) expenditures and other financing sources (uses)	\$ (276)	(276)	3,155	3,431
<b>HOTEL/MOTEL TAX</b>				
<b>Revenues:</b>				
Hotel /motel tax	\$ 4,000	4,000	4,210	210
<b>Total revenues</b>	<b>4,000</b>	<b>4,000</b>	<b>4,210</b>	<b>210</b>
<b>Expenditures:</b>				
General government	3,022	3,022	3,232	(210)
<b>Total expenditures</b>	<b>3,022</b>	<b>3,022</b>	<b>3,232</b>	<b>(210)</b>
<b>Other financing sources (uses):</b>				
Transfers in	1,000	1,000	647	(353)
Transfers out	(1,978)	(1,978)	(1,625)	353
<b>Total other financing sources (uses)</b>	<b>(978)</b>	<b>(978)</b>	<b>(978)</b>	<b>-</b>
Revenues over (under) expenditures and other financing sources (uses)	\$ -	-	-	-

(Continued)

**NON MAJOR SPECIAL REVENUE FUNDS  
COMBINING SCHEDULE OF REVENUES AND EXPENDITURES -  
BUDGET AND ACTUAL ON BASIS OF BUDGETING  
(WITH ANNUAL BUDGETS)  
(Thousands of Dollars)  
For the fiscal year ended June 30, 2007**

	Original	Final	Actual	Final Budget- Positive(Negative)
<b>NEW MEMPHIS ARENA</b>				
<b>Revenues:</b>				
Sales tax general	\$ 1,000	1,000	647	(353)
State taxes (local share)	8,000	8,737	8,737	-
Total revenues	9,000	9,737	9,384	(353)
<b>Expenditures:</b>				
General government	10,500	11,237	11,237	-
Total expenditures	10,500	11,237	11,237	-
<b>Other financing sources (uses):</b>				
Transfers in	3,500	3,500	3,147	(353)
Transfers out	(1,000)	(1,000)	(647)	353
Total other financing sources (uses)	2,500	2,500	2,500	-
Revenues over (under) expenditures and other financing sources (uses)	\$ 1,000	1,000	647	(353)
<b>MLK PARK</b>				
<b>Revenues:</b>				
Charges for services	\$ 125	125	125	
Investment income	-	-	25	25
Total revenues	125	125	150	25
<b>Expenditures:</b>				
Community service	381	381	107	274
Total expenditures	381	381	107	274
Revenues over (under) expenditures	\$ (256)	(256)	43	299
<b>METRO ALARMS</b>				
<b>Revenues:</b>				
Charges for services	\$ 556	556	601	45
Investment income	-	-	66	66
Total revenues	556	556	667	111
<b>Expenditures:</b>				
General government	374	374	378	(4)
Total expenditures	374	374	378	(4)
Revenues over (under) expenditures	\$ 182	182	289	107
<b>COMMUNITY REDEVELOPMENT</b>				
<b>Revenues:</b>				
Local taxes	\$ -	1,490	801	(689)
State grants	-	-	6	6
Total revenues	-	1,490	807	(683)
<b>Expenditures:</b>				
General government	-	418	310	108
Total expenditures	-	418	310	108
<b>Other financing sources (uses):</b>				
Transfers in	-	1,839	3,305	1,466
Transfers out	-	(2,914)	(2,288)	626
Total other financing sources (uses)	-	(1,075)	1,017	2,092
Revenues over (under) expenditures and other financing sources (uses)	\$ -	(3)	1,514	1,517

**NON MAJOR SPECIAL REVENUE FUNDS  
 COMBINING SCHEDULE OF REVENUES AND EXPENDITURES -  
 BUDGET AND ACTUAL ON BASIS OF BUDGETING  
 (WITH ANNUAL BUDGETS)  
 (Thousands of Dollars)  
 For the fiscal year ended June 30, 2007**

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

	Original	Final	Actual	Final Budget- Positive(Negative)
<b>TOTAL NONMAJOR SPECIAL REVENUE FUNDS</b>				
<b>Revenues:</b>				
Local taxes			1	1
Sales tax general	2,000	2,490	1,448	(1,042)
State taxes (local share)	27,321	28,058	28,009	(49)
Charges for services	49,268	49,618	48,663	(955)
Investment income	-	-	330	330
Federal grants and entitlements	44,226	44,226	39,297	(4,929)
State grants	820	820	3,602	2,782
Fines and forfeitures	-	3,465	4,584	1,119
Hotel/motel tax	4,000	4,000	4,210	210
Other	6,310	6,371	3,615	(2,756)
<b>Total revenues</b>	<b>133,945</b>	<b>139,048</b>	<b>133,759</b>	<b>(5,289)</b>
<b>Expenditures:</b>				
General government	25,497	26,652	23,452	3,200
Public safety	1,562	5,351	3,785	1,566
Community services	38,417	38,417	37,647	770
Transportation and environment	64,105	64,455	62,430	2,025
<b>Total expenditures</b>	<b>129,581</b>	<b>134,875</b>	<b>127,314</b>	<b>7,561</b>
<b>Other financing sources (uses)</b>				
Transfers in	4,551	6,390	9,099	2,709
Transfers out	(7,527)	(10,441)	(8,641)	1,800
<b>Total other financing sources (uses)</b>	<b>(2,976)</b>	<b>(4,051)</b>	<b>458</b>	<b>4,509</b>
Revenues over (under) expenditures and other financing sources (uses)	<b>\$ 1,388</b>	<b>122</b>	<b>6,903</b>	<b>6,781</b>



# CITY OF MEMPHIS

T E N N E S S E E

## ENTERPRISE FUNDS

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

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

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

**ENTERPRISE FUNDS  
COMBINING STATEMENT OF NET ASSETS  
(Thousands of Dollars)  
For the fiscal year ended June 30, 2007**

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

	<u>Golf</u>	<u>Storm Water</u>	<u>Total</u>
<b>ASSETS</b>			
Current assets:			
Receivables:			
Accounts Receivable	\$ 3	1,102	1,105
Federal and state grants	-	30	30
<b>Total current assets</b>	<b>3</b>	<b>1,132</b>	<b>1,135</b>
Capital assets:			
Land	65	-	65
Improvements other than buildings	7,405	22,126	29,531
Machinery and equipment	1,373	6,967	8,340
Less accumulated depreciation and amortization	(3,188)	(12,874)	(16,062)
<b>Total capital assets</b>	<b>5,655</b>	<b>16,219</b>	<b>21,874</b>
Construction in progress	-	5,392	5,392
<b>Net capital assets</b>	<b>5,655</b>	<b>21,611</b>	<b>27,266</b>
<b>Total assets</b>	<b>5,658</b>	<b>22,743</b>	<b>28,401</b>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	124	166	290
Accrued liabilities	-	200	200
Due to other funds	4,357	4,251	8,608
Vacation, sick and other leave benefits	-	87	87
<b>Total current liabilities</b>	<b>4,481</b>	<b>4,704</b>	<b>9,185</b>
<b>Total liabilities</b>	<b>4,481</b>	<b>4,704</b>	<b>9,185</b>
<b>NET ASSETS</b>			
Invested in capital assets	5,655	21,611	27,266
Unrestricted	(4,478)	(3,572)	(8,050)
<b>TOTAL NET ASSETS</b>	<b>\$ 1,177</b>	<b>18,039</b>	<b>19,216</b>

**ENTERPRISE FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENSES,  
AND CHANGES IN FUND NET ASSETS  
(Thousands of Dollars)  
For the fiscal year ended June 30, 2007**

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

	<u>Golf</u>	<u>Storm Water</u>	<u>Total</u>
<b>Operating revenues-charges for services</b>	\$ 2,963	12,988	15,951
Operating expenses other than depreciation and amortization:			
Personal services	1,710	5,874	7,584
Materials, supplies, services, and other	2,200	2,101	4,301
Inventory	4	-	4
	<hr/>	<hr/>	<hr/>
Total operating expenses other than depreciation and amortization	3,914	7,975	11,889
	<hr/>	<hr/>	<hr/>
Operating Income(loss) before depreciation and amortization	(951)	5,013	4,062
	<hr/>	<hr/>	<hr/>
Depreciation and amortization:			
On assets acquired with own funds	234	394	628
	<hr/>	<hr/>	<hr/>
Total depreciation and amortization	234	394	628
	<hr/>	<hr/>	<hr/>
<b>Operating income (loss)</b>	<b>(1,185)</b>	<b>4,619</b>	<b>3,434</b>
	<hr/>	<hr/>	<hr/>
Non-operating revenues:			
State Grant	-	180	180
Other	60	6	66
	<hr/>	<hr/>	<hr/>
Total non-operating revenues	60	186	246
	<hr/>	<hr/>	<hr/>
Loss before capital contributions and transfers	(1,125)	4,805	3,680
	<hr/>	<hr/>	<hr/>
Transfers in	392	400	792
Transfers out	(290)	(2,300)	(2,590)
Capital contribution	-	3,125	3,125
	<hr/>	<hr/>	<hr/>
Change in net assets	(1,023)	6,030	5,007
Total net assets - beginning of year	2,200	12,009	14,209
<b>Total net assets - end of year</b>	<b>\$ 1,177</b>	<b>18,039</b>	<b>19,216</b>
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**ENTERPRISE FUNDS**  
**COMBINING STATEMENT OF CASH FLOWS**  
(Thousands of Dollars)  
For the fiscal year ended June 30, 2007

	<b>Golf</b>	<b>Storm Water</b>	<b>Total</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Receipts from customers and users	\$ 2,963	12,834	15,797
Payments to suppliers	(2,411)	(2,077)	(4,488)
Payments to employees	(1,710)	(5,787)	(7,497)
Payments for inventory	(4)	-	(4)
Net cash provided by (used for) operating activities	(1,162)	4,970	3,808
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>			
Advances from other funds	1,000	2,703	3,703
Transfers from other funds	392	400	792
Transfers to other funds	(290)	(2,300)	(2,590)
Net cash (used) by noncapital and related financing	1,102	803	1,905
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>			
Acquisition and construction of capital assets	-	(5,959)	(5,959)
State grant	-	180	180
Net cash (used) in capital and related financing activities	-	(5,779)	(5,779)
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Investment income earned on investments	60	6	66
Net cash provided by investing activities	60	6	66
Net increase (decrease) in cash and cash equivalents	-	-	-
Cash and cash equivalents, beginning of year	-	-	-
Cash and cash equivalents, end of year	\$ -	-	-
<b>Reconciliation of operating (loss) to net cash provided (used) by operating activities</b>			
Operating Income(loss)	(1,185)	4,619	3,434
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation expense	234	394	628
Decrease in assets:			
Accounts Receivable	-	(154)	(154)
Decrease in liabilities:			
Other accounts payable and accrued expenses	(211)	111	(100)
Total adjustments	23	351	374
Net cash provided by (used for) operating activities	\$ (1,162)	4,970	3,808

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# CITY OF MEMPHIS

T E N N E S S E E

## INTERNAL SERVICE FUNDS

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

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

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

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

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

**INTERNAL SERVICE FUNDS**  
**COMBINING STATEMENT OF NET ASSETS**  
(Thousands of Dollars)  
For the fiscal year ended June 30, 2007

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

	<b>Printing and Mail</b>	<b>Health Insurance</b>	<b>Unemployment Compensation</b>	<b>Fleet Management</b>	<b>Total</b>
<b>ASSETS</b>					
Current assets:					
Equity in cash and investment pool	\$ -	4,973	-	-	4,973
Receivables	3	80	-	-	83
Due from other funds	3	19,625	-	8	19,636
Inventory	34	-	-	436	470
<b>Total current assets</b>	<b>40</b>	<b>24,678</b>	<b>-</b>	<b>444</b>	<b>25,162</b>
Furniture and equipment	301	11	-	3,061	3,373
Less accumulated depreciation	(301)	(11)	-	(2,826)	(3,138)
<b>Net capital assets</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>235</b>	<b>235</b>
<b>Total assets</b>	<b>40</b>	<b>24,678</b>	<b>-</b>	<b>679</b>	<b>25,397</b>
<b>LIABILITIES</b>					
Current:Liabilities:					
Accounts payable and accrued expenses	48	1,264	52	1,149	2,513
Insurance claims payable	-	8,058	-	-	8,058
Due to other funds	275	-	1,891	4,464	6,630
Deferred revenues	-	6,695	-	-	6,695
Vacation, sick and other leave benefits	86	76	-	1,613	1,775
<b>Total current liabilities</b>	<b>409</b>	<b>16,093</b>	<b>1,943</b>	<b>7,226</b>	<b>25,671</b>
<b>NET ASSETS</b>					
Invested in Capital Assets Unrestricted	- (369)	- 8,585	- (1,943)	235 (6,782)	235 (509)
<b>Total net assets</b>	<b>\$ (369)</b>	<b>8,585</b>	<b>(1,943)</b>	<b>(6,547)</b>	<b>(274)</b>

**INTERNAL SERVICE FUNDS**  
**COMBINING STATEMENT OF REVENUES, EXPENSES**  
**AND CHANGES IN FUND NET ASSETS**  
(Thousands of Dollars)  
For the fiscal year ended June 30, 2007

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

	Printing and Mail	Health Insurance	Unemployment Compensation	Fleet Management	Total
Operating revenues:					
Charges for services	\$ 1,289	-	-	21,034	22,323
Medicare Part D Reimbursements	-	1,375	-	-	1,375
Miscellaneous Revenue	-	2,275	-	-	2,275
Employee contributions	-	22,287	-	-	22,287
Employer contributions	-	57,622	473	-	58,095
<b>Total operating revenues</b>	<b>1,289</b>	<b>83,559</b>	<b>473</b>	<b>21,034</b>	<b>106,355</b>
Operating expenses other than depreciation:					
Personal services	336	431	-	7,376	8,143
Materials and supplies	362	4,331	-	831	5,524
Inventory	613	-	-	12,599	13,212
Claims incurred	-	76,565	511	-	77,076
<b>Total operating expenses other than depreciation</b>	<b>1,311</b>	<b>81,327</b>	<b>511</b>	<b>20,806</b>	<b>103,955</b>
Operating income (loss) before depreciation	(22)	2,232	(38)	228	2,400
Depreciation:					
On assets acquired with own funds	4	-	-	66	70
<b>Total depreciation</b>	<b>4</b>	<b>-</b>	<b>-</b>	<b>66</b>	<b>70</b>
<b>Operating income (loss)</b>	<b>(26)</b>	<b>2,232</b>	<b>(38)</b>	<b>162</b>	<b>2,330</b>
Investment income	-	917	-	-	917
<b>Income (loss)</b>	<b>(26)</b>	<b>3,149</b>	<b>(38)</b>	<b>162</b>	<b>3,247</b>
Change in net assets	(26)	3,149	(38)	162	3,247
Total net assets - beginning of year	(343)	5,436	(1,905)	(6,709)	(3,521)
<b>Total net assets - end of year</b>	<b>\$ (369)</b>	<b>8,585</b>	<b>(1,943)</b>	<b>(6,547)</b>	<b>(274)</b>



**INTERNAL SERVICE FUNDS  
COMBINING STATEMENT OF CASH FLOWS  
(Thousands of Dollars)  
For the fiscal year ended June 30, 2007**

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

	Printing and Mail	Health Insurance	Unemployment Compensation	Fleet Management	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>					
Receipts from customers and users	\$ 66	-		21,034	21,100
Receipts from other division funds	1,224	89	473		1,786
Medicare Part D Reimbursement		1,376			1,376
Miscellaneous Revenue		2,275			2,275
Employee contributions		22,287			22,287
Employer contributions		57,669			57,669
Payments to suppliers	(340)	(4,033)	(531)	(510)	(5,414)
Payments to employees	(312)	(398)		(7,376)	(8,086)
Payments to other division funds	(26)	686	58	(379)	339
Payments for inventory	(612)			(12,618)	(13,230)
Payments for claims incurred		(76,670)			(76,670)
Net cash provided by operating activities	-	3,281	-	151	3,432
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>					
Acquisition and construction of capital assets	-	-	-	(151)	(151)
Net cash in capital and related financing activities	-	-	-	(151)	(151)
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>					
Investing income earned on investments	-	917	-	-	917
Net cash provided by investing activities	-	917	-	-	917
Net Increase (decrease) in cash and cash equivalents	-	4,198	-	-	4,198
Cash and cash equivalents, beginning of year	-	775	-	-	775
Cash and cash equivalents, end of year	\$ -	4,973	-	-	4,973
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities</b>					
Operating income (loss)	(26)	2,232	(38)	162	2,330
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:					
Depreciation expense	4	-	-	66	70
(Increase) decrease in assets:					
Other assets	(1)	687	-	(19)	667
Accounts receivable	3	89	-	(6)	86
(Increase) decrease in liabilities:					
Other accounts payable and accrued expenses	20	273	38	(52)	279
Total adjustments	26	1,049	38	(11)	1,102
Net cash provided by operating activities	\$ -	3,281	-	151	3,432

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# CITY OF MEMPHIS

T E N N E S S E E

## FIDUCIARY FUNDS

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

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

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

**FIDUCIARY FUNDS**  
**STATEMENT OF FIDUCIARY NET ASSETS**  
(Thousands of Dollars)  
For the fiscal year ended June 30, 2007

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

	Pension Trust				Total Pension Trust Funds
	City Retirement System	Library Retirement System	Memphis Light, Gas and Water Retirement System	Memphis Light, Gas, and Water Retiree Medical and Life Insurance Benefits	
<b>ASSETS</b>					
Cash and cash equivalents	\$ 906	1,077	42,939	1,945	46,867
Investments, at fair value:					
Short-term investments			6,017		6,017
U.S. government securities - long-term	100,025	-	103,552	-	203,577
Common stock - domestic	638,403	28,730	498,158	28,450	1,193,741
Common stock - foreign	371,431	-	130,224	1,712	503,367
Mutual funds and money market	406,124	-	-	-	406,124
Corporate bonds - domestic	225,818	-	21,672	3,928	251,418
Corporate bonds - foreign	16,257	-	-	3,248	19,505
Bond mutual fund	-	-	56,217	-	56,217
Collateralized mortgage obligations	117,829	-	15,060	-	132,889
Mortgage-backed pooled securities	148,480	-	175,020	-	323,500
Investment in index funds	200,530	22,240	19,170	-	241,940
Investment in real estate	110,449	9,780	147,901	-	268,130
Investment in high yield bond fund	15,350	-	12,026	-	27,376
Investment in international equity fund	-	-	-	12,399	12,399
Investment in multi-class investment fund	-	-	-	9,766	9,766
Investment in limited partnership	-	7,324	-	1,452	8,776
<b>Total investments</b>	<b>2,350,696</b>	<b>68,074</b>	<b>1,185,017</b>	<b>60,955</b>	<b>3,664,742</b>
Interest and dividends on investments	7,850	38	4,111	31	12,030
Receivable for Securities sold		156	(25)	4	135
Due from other funds	13	-	-	-	13
Employer and employee contributions receivable	-	-	860	-	860
Collateral held in trust for securities on loan	2,802	-	198,680	9,143	210,625
<b>Total assets</b>	<b>2,362,267</b>	<b>69,345</b>	<b>1,431,582</b>	<b>72,078</b>	<b>3,935,272</b>
<b>LIABILITIES</b>					
Notes & accounts payable	24,219	-	200,912	9,245	234,376
Due to other funds	150	303	-	-	453
<b>Total liabilities</b>	<b>24,369</b>	<b>303</b>	<b>200,912</b>	<b>9,245</b>	<b>234,829</b>
<b>NET ASSETS</b>					
Held in trust for pension benefits and pool participants	\$ 2,337,898	69,042	1,230,670	62,833	3,700,443

**FIDUCIARY FUNDS**  
**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS**  
(Thousands of Dollars)  
For the fiscal year ended June 30, 2007

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

**Pension Trust**

	<b>City Retirement System</b>	<b>Library Retirement System</b>	<b>Memphis Light, Gas and Water Retirement System</b>	<b>Memphis Light, Gas, and Water Retiree Medical and Life Insurance Benefits</b>	<b>Total Pension Trust Funds</b>
<b>ADDITIONS</b>					
Contributions:					
Employer	\$ 14,037	281	19,630	-	33,948
Plan member	19,551	281	11,129	-	30,961
Total contributions	33,588	562	30,759	-	64,909
Investment income:					
Interest and dividend income	74,502	547	29,189	1,172	105,410
Securities lending income	-	-	618	23	641
Other investment income	1,642	817	660	3	3,122
Gain from real estate investments	101,193	-	-	-	101,193
Net appreciation in the fair value of investments	173,648	7,548	108,265	7,752	297,213
Total investment income	350,985	8,912	138,732	8,950	507,579
<b>Total Net Additions</b>	<b>384,573</b>	<b>9,474</b>	<b>169,491</b>	<b>8,950</b>	<b>572,488</b>
<b>DEDUCTIONS</b>					
Benefits	113,140	2,316	70,143	-	185,599
Administrative expenses	8,664	535	691	333	10,223
Refunds of contributions	12,009	88	3,762	-	15,859
<b>Total Deductions</b>	<b>133,813</b>	<b>2,939</b>	<b>74,596</b>	<b>333</b>	<b>211,681</b>
<b>Net increase</b>	<b>250,760</b>	<b>6,535</b>	<b>94,895</b>	<b>8,617</b>	<b>360,807</b>
Net assets - beginning of year	2,087,138	62,507	1,135,775	54,216	3,339,636
<b>Net assets - end of year</b>	<b>\$ 2,337,898</b>	<b>69,042</b>	<b>1,230,670</b>	<b>62,833</b>	<b>3,700,443</b>

**COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES**

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**CITY OF MEMPHIS**

T E N N E S S E E

**SUPPLEMENTARY SCHEDULES**

**SUPPLEMENTARY  
SCHEDULES**

**ALL FUNDS  
COMBINED SCHEDULE OF DELINQUENT  
PROPERTY TAXES RECEIVABLE  
(Thousands of Dollars)  
June 30, 2007**

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

<u>Tax Year</u>	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Education</u>	<u>Total (1)</u>
1997	\$ 318	102	-	185	605
1998	430	171	-	264	865
1999	642	256	-	394	1,292
2000	1,149	475	-	587	2,211
2001	1,376	569	-	703	2,648
2002	2,069	857	4	1,060	3,990
2003	2,114	876	4	1,082	4,076
2004	2,938	1,217	6	1,504	5,665
2005	5,152	1,874	9	2,233	9,268
2006	10,879	3,956	18	4,714	19,567
Total delinquent property taxes receivable	27,067	10,353	41	12,726	50,187
Allowance for uncollectibles	6,766	2,588	10	3,182	12,546
Net delinquent property taxes receivable	<u>\$ 20,301</u>	<u>7,765</u>	<u>31</u>	<u>9,544</u>	<u>37,641</u>

(1) As of June 30, 2007, \$18,143 of delinquent taxes were in Chancery Court for collection.

**SCHEDULE OF REVENUE BONDS - BY ISSUE**  
**(Thousands of Dollars)**  
**For the fiscal year ended June 30, 2007**

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

Description, Issue and Final Maturity Dates	Interest Rates (%)	Original Issue	Redemptions	Balance Outstanding At Year End
<b>SEWER COLLECTION AND TREATMENT FUND</b>				
Sanitary Sewerage System Revenue Bonds				
February 1998 to 2018	3.875-5.25	\$ 20,000	\$ 19,130	\$ 870
June 2000 to 2020	4.65-5.75	20,000	18,295	1,705
January 2001 to 2014	4.00-5.25	20,795	5,530	15,265
March 2002 to 2021	4.00-5.00	25,000	3,480	21,520
August 2002 to 2016	3.00-4.30	22,805	7,435	15,370
June 2004 to 2024	3.00-5.25	30,000	2,035	27,965
December 2005 to 2025	3.25-5.00	32,000	1,000	31,000
September 2006 to 2020	4.00-5.00	20,220	215	20,005
<b>Total sewer collection and treatment fund</b>		<b>190,820</b>	<b>57,120</b>	<b>133,700</b>
<b>MEMPHIS LIGHT, GAS AND WATER DIVISION (1)</b>				
<b>Electric Division</b>				
Electric System Revenue Refunding Bonds:				
January 2003 to 2010	3.00-5.00	41,625	19,485	22,140
November 2004 to 2018	2.00-5.00	1,292,170	207,345	1,084,825
December 2017 to 2018	Variable	100,000	-	100,000
Notes Payable:				
First Tennessee Bank	7.58	11,810	6,073	5,737
<b>Total electric division</b>		<b>1,445,605</b>	<b>232,903</b>	<b>1,212,702</b>
<b>Water Division</b>				
Southeast Memphis Suburban Utility District Waterworks Revenue Bonds				
January 1993 to 2006	3.35-6.00	24,140	24,140	0
December 2000 to 2012	3.30-5.25	12,575	3,905	8,670
August 2002 to 2009	4.00-5.00	16,895	11,625	5,270
<b>Total water division</b>		<b>53,610</b>	<b>39,670</b>	<b>13,940</b>
<b>Total MLG&amp;W</b>		<b>1,499,215</b>	<b>272,573</b>	<b>1,226,642</b>
<b>Total revenue bonds</b>		<b>\$ 1,690,035</b>	<b>\$ 329,693</b>	<b>\$ 1,360,342</b>

(1) All MLG&W bonds reflect amounts outstanding at December 31, 2006



**SCHEDULE OF GENERAL OBLIGATION DEBT - BY ISSUE**  
**(Thousands of Dollars)**  
**For the fiscal year ended June 30, 2007**

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

Description, Issue and Final Maturity Dates	Interest Rates (%)	Original Issue	Redemptions	Balance Outstanding At Year End	
<b>GENERAL OBLIGATION BONDS</b>					
<b>Government Serial Bonds</b>					
<b>General City Government Serial Bonds</b>					
General improvement:					
May 1992 to 2007	4.00-6.125	\$ 43,825	\$ 43,825	\$ -	
December 1993 to 2011	3.25-5.00	48,996	35,652	13,344	
August 1995 to 2007	Variable	26,200	23,800	2,400	
August 1995 to 2007	Variable	13,500	11,700	1,800	
August 1996 to 2013	5.00-6.00	50,130	46,730	3,400	
May 1997 to 2010	4.55-5.875	7,490	3,925	3,565	
April 1998 to 2011	5.50-5.70	19,290	10,235	9,055	
July 1998 to 2018	4.25-5.25	76,045	71,980	4,065	
September 1998 to 2015	4.30-5.25	81,045	75,405	5,640	
January 1999 to 2012	4.00-5.25	42,290	10,270	32,020	
May 1999 to 2010	4.00-5.00	59,305	49,635	9,670	
April 2001 to 2009	5.00-5.75	140,000	133,895	6,105	
November 2001 to 2016	2.125-5.25	92,985	9,980	83,005	
June 2002 to 2022	4.00-5.50	170,000	149,520	20,480	
August 2002 to 2007	3.00-3.25	24,040	19,960	4,080	
May 2003 to 2022	3.00-5.00	96,940	48,715	48,225	
February 2004 to 2017	2.00-5.00	34,160	7,880	26,280	
November 2004 to 2023	3.00-5.00	125,000	8,405	116,595	
March 2005 to 2019	3.25-5.25	166,880	-	166,880	
June 2005 to 2018	4.00-5.25	115,635	-	115,635	
February 2006 to 2025	4.25-5.00	115,115	-	115,115	
December 2006 to 2022	4.00-5.00	89,385	-	89,385	
May 2007 to 2027	4.75-5.00	94,935	-	94,935	
Total general government serial bonds		1,733,191	761,512	971,679	
<b>Government Term Bonds</b>					
<b>General City Government Term Bonds</b>					
General improvement:					
May 1997 to 2011	5.65	3,565	2,500	1,065	
July 1998 to 2005	5.10	13,145	13,145	-	
May 1999 to 2012	5.00	10,695	10,695	-	
Total government term bonds		27,405	26,340	1,065	
Total general obligation bonds		1,760,596	787,852	972,744	
<b>BOND ANTICIPATION NOTES</b>		Variable	150,000	80,000	70,000
<b>NOTES PAYABLE - UNION PLANTERS BANK</b>			5,500	5,500	-
<b>CAPITAL LEASE OBLIGATIONS:</b>					
February 2001 to 2006	4.29	1,880	1,880	-	
July 2001 to 2007	4.11	4,350	4,350	-	
August 2001 to 2003	3.98	1,020	1,020	-	
September 2001 to 2006	3.75	670	670	-	
Total capital lease obligations		7,920	7,920	-	
<b>TOTAL GENERAL OBLIGATION DEBT</b>		<b>\$ 1,924,016</b>	<b>\$ 881,272</b>	<b>\$ 1,042,744</b>	

**SCHEDULE OF GENERAL OBLIGATION DEBT - BY ISSUE**  
**(Thousands of Dollars)**  
**For the fiscal year ended June 30, 2007**

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

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<b>Use</b>	<b>Balance Outstanding At Year End</b>
<hr/>	
<b>GENERAL OBLIGATION BONDS</b>	
General Improvement	\$ 941,732
Schools	13,350
Airport	10,855
Convention Center	1,684
Port Commission	<u>5,124</u>
Total general obligation bonds	972,744
<b>BOND ANTICIPATION NOTES</b>	<u>70,000</u>
<b>TOTAL GENERAL OBLIGATION DEBT</b>	<u><u>\$ 1,042,744</u></u>

**LONG TERM DEBT PRINCIPAL AND INTEREST REQUIREMENTS  
 PROPRIETARY FUNDS  
 (Thousands of Dollars)  
 For the fiscal year ended June 30, 2007**

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

Fiscal Year	Revenue				Total Requirements	
	Sewer Collection & Treatment		Memphis Light, Gas & Water (1)			
	Principal	Interest	Principal	Interest	Principal	Interest
2007			84,318	58,032	84,318	58,032
2008	8,290	5,926	88,360	53,977	96,650	59,903
2009	7,845	5,584	92,601	49,637	100,446	55,221
2010	8,155	5,270	95,313	45,128	103,468	50,398
2011	8,390	4,950	91,960	40,434	100,350	45,384
2012	7,795	4,613	96,815	35,917	104,610	40,530
2013	8,280	4,270	99,700	31,137	107,980	35,407
2014	8,500	3,902	104,675	26,277	113,175	30,179
2015	8,710	3,518	109,905	21,044	118,615	24,562
2016	8,450	3,120	115,270	15,570	123,720	18,690
2017	9,115	2,765	121,075	9,602	130,190	12,367
2018	8,700	2,334	126,650	4,477	135,350	6,811
2019	6,360	1,900	-	-	6,360	1,900
2020	7,280	1,566	-	-	7,280	1,566
2021	6,075	1,202	-	-	6,075	1,202
2022	6,380	896	-	-	6,380	896
2023	4,125	639	-	-	4,125	639
2024	4,325	433	-	-	4,325	433
2025	4,540	218	-	-	4,540	218
2026	2,385	54	-	-	2,385	54
<b>Total</b>	<b>\$ 133,700</b>	<b>53,160</b>	<b>1,226,642</b>	<b>391,232</b>	<b>1,360,342</b>	<b>444,392</b>

(1) At 12-31-06

**SCHEDULE OF INTERFUND BALANCES**  
 (Thousands of Dollars)  
 For the fiscal year ended June 30, 2007

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

	Primary Government											Total Payables - Reporting Entity				
	Governmental Fund Types															
	General Fund	Community Development	Drug Enforcement	Debt Service	Printing and Mail	Health Insurance	Fleet Management	Retirement	Pension Trust	Proprietary Funds						
<b>GOVERNMENTAL FUND TYPES</b>																
General	\$ -	1	-	-	-	-	-	-	-	-	-	-	13	14	14	14
<b>Special Revenue:</b>																
Community development	-	-	-	-	3	10,796	8	-	-	-	-	-	-	10,807	10,807	10,807
State street aid	2,897	-	-	532	-	-	-	-	-	-	-	-	-	3,429	3,429	3,429
Workforce investment act	-	-	756	-	-	-	-	-	-	-	-	-	-	756	756	756
Miscellaneous grants	-	-	17	-	-	-	-	-	-	-	-	-	-	17	17	17
Solid waste	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
New Memphis arena	-	-	-	-	-	8,376	-	-	-	-	-	-	-	8,376	8,376	8,376
<b>Capital Projects</b>	-	-	-	32,934	-	-	-	-	-	-	-	-	-	32,934	32,934	32,934
<b>PROPRIETARY FUND TYPES</b>																
<b>Enterprise:</b>																
Sewer	4,612	-	-	-	-	-	-	-	-	-	-	-	-	4,612	4,612	4,612
Golf	4,357	-	-	-	-	-	-	-	-	-	-	-	-	4,357	4,357	4,357
Storm water	-	-	-	4,251	-	-	-	-	-	-	-	-	-	4,251	4,251	4,251
<b>Internal Service:</b>																
Printing and mail	275	-	-	-	-	-	-	-	-	-	-	-	-	275	275	275
Unemployment compensation	1,891	-	-	-	-	-	-	-	-	-	-	-	-	1,891	1,891	1,891
Fleet Management	4,464	-	-	-	-	-	-	-	-	-	-	-	-	4,464	4,464	4,464
<b>FIDUCIARY FUND TYPES</b>																
<b>Pension Trust:</b>																
City retirement	-	-	-	-	-	150	-	-	-	-	-	-	-	150	150	150
Library retirement	-	-	-	-	-	303	-	-	-	-	-	-	-	303	303	303
<b>Total receivables - primary govt.</b>	18,496	1	773	37,717	3	19,625	8	13	13	76,636	800	800	800	77,436	77,436	77,436
<b>COMPONENT UNITS:</b>																
<b>MATA</b>	-	-	-	800	-	-	-	-	-	-	-	-	-	800	800	800
<b>Total receivables - reporting entity</b>	\$ 18,496	1	773	38,517	3	19,625	8	13	13	77,436	800	800	800	77,436	77,436	77,436

**SCHEDULE OF INTERFUND TRANSFERS**  
 (Thousands of Dollars)  
 For the fiscal year ended June 30, 2007

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

	Primary Government											Total Transfers Out
	Governmental Fund Types						Business Type Activities					
	General Fund	Debt Service	Capital Projects	Miscellaneous Grants	Solid Waste Management	Hotel/Motel Tax	New Memphis Arena	Community Redevelopment	Golf	Storm water	Enterprise	
<b>GOVERNMENTAL FUND TYPES</b>												
General Fund	\$ -	7,215	-	-	2,000	-	-	3,170	392	400	-	13,177
<b>Special Revenue:</b>												
State street aid	-	2,974	-	-	-	-	-	-	-	-	-	2,974
Workforce investment act	-	-	-	-	-	-	-	-	-	-	-	-
Miscellaneous grants	-	-	-	-	-	-	135	-	-	-	-	135
Solid waste	-	972	-	-	-	-	-	-	-	-	-	972
Hotel/Motel tax	-	978	-	-	-	647	-	-	-	-	-	1,625
New Memphis arena	-	-	-	-	-	647	-	-	-	-	-	647
Community redevelopment	-	2,288	-	-	-	-	-	-	-	-	-	2,288
<b>Debt Service Fund</b>	400	-	-	-	-	-	-	-	-	-	-	400
<b>PROPRIETARY FUND TYPES</b>												
<b>Enterprise:</b>												
Sewer collection and treatment	5,909	-	-	-	-	-	-	-	-	-	-	5,909
Memphis light, gas and water	49,759	-	-	-	-	2,500	-	-	-	-	-	52,259
Golf	-	290	-	-	-	-	-	-	-	-	-	290
Storm water	-	2,300	-	-	-	-	-	-	-	-	-	2,300
<b>Total transfers in</b>	\$ 56,068	17,017	-	-	2,000	647	3,147	3,305	392	400	-	82,976

**COMBINED SCHEDULE OF DEPOSITS AND INVESTMENTS  
HELD OUTSIDE OF THE CASH AND INVESTMENTS POOL - CARRYING AMOUNT  
(Thousands of Dollars)  
For the fiscal year ended June 30, 2007**

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

	Governmental Fund Types					Proprietary Funds					Fiduciary Fund Types							
	General	Special Revenue	Capital Projects	Internal Services	Sewer	MLGW	Total	Trust and Agency										
								MLGW Retiree Medical and Life Insurance Benefits	City Retirement System	Library Retirement System	MLGW Retirement System	Total						
<b>Investments:</b>																		
Short-term investments	-	-	-	-	-	161,057	161,057	-	-	-	-	-	-	-	-	-	6,017	6,017
U. S. Government securities - long-term	10	-	-	-	16,098	59,756	75,864	-	-	-	-	-	-	-	-	-	103,552	203,577
Common stock - domestic	-	-	-	-	-	-	-	28,450	638,403	28,730	-	-	-	-	-	-	498,158	1,193,741
Common stock - foreign	-	-	-	-	-	-	-	1,712	371,431	-	-	-	-	-	-	-	130,224	503,367
Corporate bonds - domestic	-	-	-	-	-	8,067	8,067	-	-	-	-	-	-	-	-	-	21,672	251,418
Corporate bonds - foreign	-	-	-	-	-	-	-	3,928	225,818	-	-	-	-	-	-	-	-	19,505
Bond index fund	-	-	-	-	-	-	-	3,248	16,257	-	-	-	-	-	-	-	56,217	78,457
Mortgage-backed securities	-	-	-	-	-	11,909	11,909	-	148,480	-	-	-	-	-	-	-	175,020	323,500
<b>Total</b>	10	-	-	-	16,098	240,789	256,897	37,338	1,500,414	50,970	990,860	2,579,582	132,889	27,376	12,399	8,776	219,700	219,700
Collateralized mortgage obligations	-	-	-	-	-	-	-	-	117,829	-	-	15,060	-	-	-	-	12,026	12,399
Strategic property fund	-	-	-	-	-	-	-	-	15,350	-	-	-	-	-	-	-	-	-
Investment in high yield bond fund	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Investment in international equity fund	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Investment in limited partnership	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Investment in index fund	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Investment in multi-class investment fund	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Investment in real estate	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Insurance contract	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Mutual funds and money market	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Purchased Interest	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
State of Tennessee local government investment pool	-	-	7,828	-	-	71	26,701	3,627	406,124	1,077	-	407,201	-	-	-	-	-	-
<b>Total investments</b>	10	-	7,828	-	19,821	267,490	295,149	60,955	2,350,696	69,151	1,185,017	3,665,819	42,939	45,790	45,790	45,790	45,790	
<b>Deposits:</b>																		
Cash deposits	35	6,441	94	-	245	26,810	33,625	1,945	906	-	42,939	45,790	-	-	-	-	-	-
<b>Total deposits</b>	35	6,441	94	-	245	26,810	33,625	1,945	906	-	42,939	45,790	-	-	-	-	-	-
<b>Total investments and deposits</b>	45	6,441	7,922	-	20,066	294,300	328,774	62,900	2,351,602	69,151	1,227,956	3,711,609	42,939	45,790	45,790	45,790	45,790	

**SCHEDULE OF ADDITIONS AND RETIREMENTS  
TO UTILITY PLANT  
(Thousands of Dollars)  
For the fiscal year ended June 30, 2007**

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

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

	<b>Balance January 1, 2006</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance December 31, 2006</b>
Electric Division	\$ 1,124,064	71,775	(10,544)	1,185,295
Gas Division	513,650	26,327	(2,763)	537,214
Water Division	371,449	18,220	(4,457)	385,212
<b>Total</b>	<b>\$ 2,009,163</b>	<b>116,322</b>	<b>(17,764)</b>	<b>2,107,721</b>

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

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

	<b>Balance July 1, 2006</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance June 30, 2007</b>
Land and buildings	\$ 119,782	-	-	119,782
Improvements other than buildings	470,625	25,440	(20)	496,045
Equipment and furniture	23,471	1,155	(23)	24,603
Construction work in progress	1,269	23,251	(22,810)	1,710
	<b>\$ 615,147</b>	<b>49,846</b>	<b>(22,853)</b>	<b>642,140</b>

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

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

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# CITY OF MEMPHIS

T E N N E S S E E

## STATISTICAL SECTION

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

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

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

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

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

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

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

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

	Fiscal Year					
	2002	2003	2004	2005	2006	2007
<b>Governmental activities:</b>						
Invested in capital assets, net of related debt	\$ 57,299	\$ 24,716	\$ 272,199	\$ 269,490	\$ 239,334	\$ 162,807
Restricted for pension obligations						
Debt service and construction	28,648	30,874	42,297	-	-	-
Contracted grant programs	3,744	5,068	3,718	-	-	-
Pension obligations						
Unrestricted:						
Net Pension Asset	-	67,847	74,893	81,491	78,238	64,471
Unrestricted, other	(21,192)	(54,319)	(174,983)	(175,783)	(134,764)	(8,886)
<b>Total governmental activities net assets</b>	<b>68,499</b>	<b>74,186</b>	<b>218,124</b>	<b>175,198</b>	<b>182,808</b>	<b>218,392</b>
<b>Business-type activities:</b>						
Invested in capital assets, net of related debt	1,268,016	1,310,278	1,388,651	1,434,661	1,467,373	1,512,730
Restricted for debt service and construction	143,894	161,117	89,222	90,115	89,905	118,799
Unrestricted	144,152	114,184	151,995	156,991	209,677	215,600
<b>Total business-type activities net assets</b>	<b>1,556,062</b>	<b>1,585,579</b>	<b>1,629,868</b>	<b>1,681,767</b>	<b>1,766,955</b>	<b>1,847,129</b>
<b>Primary government:</b>						
Invested in capital assets, net of related debt	1,325,315	1,334,994	1,660,850	1,704,151	1,725,518	1,675,537
Restricted for:						
Debt service and construction	172,542	191,991	131,519	90,115	89,905	118,799
Contracted grant programs	3,744	5,068	3,718	-	-	-
Pension obligations	-	-	-	-	-	-
Unrestricted	122,960	59,865	(22,988)	(18,792)	56,102	271,185
<b>Total primary government net assets</b>	<b>\$ 1,624,561</b>	<b>\$ 1,591,918</b>	<b>\$ 1,773,099</b>	<b>\$ 1,775,474</b>	<b>\$ 1,871,525</b>	<b>\$ 2,065,521</b>

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

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

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

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

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

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

	Fiscal Year										
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	
<b>General fund</b>											
Reserved	35,081	25,376	8,362	8,055	11,949	8,595	6,804	5,312	4,194	6,747	
Unreserved	46,857	38,335	45,361	53,457	57,680	53,189	19,598	(4,100)	29,746	76,571	
Total general fund	81,938	63,711	53,723	61,512	69,629	61,784	26,402	1,212	33,940	83,318	
<b>All other governmental funds</b>											
Reserved	14,946	58,597	71,464	8,119	1,145	-	477	-	-	-	
Unreserved, reported in:											
Debt service fund	3,336	10,836	9,570	10,866	18,793	13,277	13,918	8,042	30,418	53,793	
Capital projects fund	-	-	-	-	1,193	8,660	19,407	303	(27,577)	(31,809)	
Special revenue funds	4,671	3,408	3,301	4,923	(6,927)	(6,542)	(5,235)	(4,208)	(2,275)	6,608	
Total all other governmental funds	22,953	72,841	84,335	23,908	14,204	15,395	28,567	4,137	566	28,592	
<b>Total governmental funds</b>	\$ 104,891	\$ 136,552	\$ 138,058	\$ 85,420	\$ 83,833	\$ 77,179	\$ 54,969	\$ 5,349	\$ 34,506	\$ 111,910	

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

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

	Fiscal Year									
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
<b>Revenues</b>										
Local taxes	\$ 285,080	307,947	338,702	388,143	496,695	493,984	516,952	522,876	533,045	540,282
State taxes (local share)	66,568	66,901	72,128	73,298	71,210	71,561	68,806	75,441	83,602	92,554
Hotel/motel tax	-	-	-	2,034	3,514	3,599	3,706	3,936	4,399	4,607
Licenses and permits	10,666	10,834	11,829	11,852	11,731	11,921	12,257	12,059	12,478	11,918
Fines and forfeitures	12,514	14,154	14,140	13,389	13,560	13,118	12,574	13,639	13,009	13,422
Charges for services	31,706	32,783	34,841	38,032	40,464	40,105	41,269	41,139	66,941	72,307
Investment income	10,939	10,062	10,410	11,199	6,165	2,180	1,221	855	3,076	7,411
Federal grants and entitlements	40,319	40,323	43,506	30,785	46,640	41,042	46,757	41,559	35,212	41,673
State grants	7,579	8,353	8,124	5,951	8,226	9,723	29,202	10,506	4,202	4,449
Intergovernmental revenues	9,349	21,779	28,508	35,162	32,613	15,723	14,145	16,370	15,948	14,705
Other	25,123	25,637	20,079	20,602	21,073	22,987	28,321	18,562	18,457	14,548
<b>Total revenues</b>	<b>499,843</b>	<b>538,773</b>	<b>582,267</b>	<b>630,447</b>	<b>751,891</b>	<b>725,943</b>	<b>775,210</b>	<b>756,942</b>	<b>790,369</b>	<b>817,876</b>
<b>Expenditures</b>										
General government	104,442	103,627	102,943	108,317	128,826	149,055	158,736	148,520	141,436	141,541
Public Safety	208,579	229,696	238,724	251,911	265,815	286,251	297,205	309,341	320,190	323,691
Instruction and administration	-	-	-	-	-	-	-	-	80,029	-
Community Services	67,577	68,812	80,562	70,639	105,395	77,709	104,584	91,668	65,189	91,404
Transportation and environment	60,136	63,626	65,091	58,628	63,690	61,886	71,126	60,190	-	68,199
Food service	-	-	-	-	-	-	-	-	-	-
Education	-	-	-	-	80,487	79,590	83,974	85,446	90,946	91,952
Capital outlay	66,480	131,684	151,880	187,595	140,011	98,019	91,161	146,723	98,737	62,416
Debt service:										
Redemption of serial bonds and notes	41,833	41,691	45,634	47,528	45,292	43,341	50,792	52,385	46,046	36,528
Interest	23,481	28,296	30,416	39,179	33,847	37,258	40,310	37,065	43,338	46,738
Bond issuance cost	224	526	289	130	182	-	207	3,495	416	940
Service charges	240	475	88	690	675	303	1,221	405	624	1,308
<b>Total expenditures</b>	<b>572,992</b>	<b>668,433</b>	<b>715,627</b>	<b>764,617</b>	<b>864,220</b>	<b>833,412</b>	<b>899,316</b>	<b>935,238</b>	<b>886,951</b>	<b>864,717</b>
Excess of revenues over (under) expenditures	(73,149)	(129,660)	(133,360)	(134,170)	(112,329)	(107,469)	(124,106)	(178,296)	(96,582)	(46,841)
<b>Other financing sources (uses)</b>										
Transfers in	62,030	70,476	66,021	52,848	176,386	54,571	62,037	54,981	93,393	82,184
Transfers out	(59,388)	(68,808)	(73,219)	(65,196)	(179,211)	(53,271)	(60,449)	(53,394)	(37,073)	(22,218)
Proceeds from issuance of debt	89,601	279,142	138,956	92,000	337,377	125,176	134,160	507,515	188,030	220,712
Retirement of refunded debt obligation	(19,473)	(124,646)	-	-	(228,570)	(24,257)	(36,343)	(410,290)	(120,385)	(175,172)
Bond issuance cost	-	-	-	-	-	-	-	-	(839)	(788)
Premium on debt issue	-	-	-	-	-	-	2,491	39,916	2,615	12,855
Other financing source-capital lease/capital outlay	4,478	4,759	3,108	1,880	6,040	4,310	-	-	-	-
Other	-	-	-	-	-	(1,093)	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>77,248</b>	<b>160,923</b>	<b>134,866</b>	<b>81,532</b>	<b>112,022</b>	<b>105,436</b>	<b>101,896</b>	<b>138,728</b>	<b>125,741</b>	<b>117,573</b>
<b>Net change in fund balances</b>	<b>\$ 4,099</b>	<b>31,263</b>	<b>1,506</b>	<b>(52,638)</b>	<b>(307)</b>	<b>(2,033)</b>	<b>(22,210)</b>	<b>(39,568)</b>	<b>29,159</b>	<b>70,732</b>
Debt service as a percentage of noncapital expenditures	13.0%	13.2%	13.6%	15.2%	11.0%	11.0%	11.4%	11.8%	11.5%	10.7%

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

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

	For the Fiscal Years Ended June 30									
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
General Government										
Legislative	1,173	1,160	1,146	1,311	1,372	1,419	1,487	1,411	1,368	1,541
Judicial	412	413	451	448	501	503	511	513	525	523
Court clerk	2,513	2,615	2,773	2,170	2,942	2,513	2,686	2,901	2,886	2,796
Executive	2,032	1,923	1,752	1,769	1,818	1,868	2,120	2,442	2,475	2,862
Finance and administration	5,830	5,467	5,471	6,387	5,498	5,249	6,035	4,952	4,560	4,004
City attorney	3,624	4,088	4,353	4,503	5,492	5,646	7,164	11,180	2,786	4,708
City engineer	-	-	-	8,276	8,207	8,226	9,924	8,279	9,783	13,040
Information systems	-	-	-	-	-	10,026	15,747	11,897	8,785	4,980
Human resources	2,841	3,422	3,089	3,238	3,460	3,353	3,448	2,920	13,315	13,983
General services	11,341	12,054	12,125	12,454	12,796	13,871	14,203	12,302	11,288	10,365
Special appropriations	39,159	37,393	40,211	39,959	52,895	54,517	58,618	59,600	58,842	56,554
<b>Total general government</b>	<b>68,925</b>	<b>68,535</b>	<b>71,371</b>	<b>80,515</b>	<b>94,981</b>	<b>107,191</b>	<b>121,943</b>	<b>118,397</b>	<b>116,613</b>	<b>115,356</b>
Public Safety										
Police	116,752	128,968	136,825	146,253	152,986	162,299	173,972	178,632	181,979	181,512
Fire	83,686	92,346	94,866	99,360	107,450	117,259	119,639	128,336	135,586	138,394
<b>Total public safety</b>	<b>200,438</b>	<b>221,314</b>	<b>231,691</b>	<b>245,613</b>	<b>260,436</b>	<b>279,558</b>	<b>293,611</b>	<b>306,968</b>	<b>317,565</b>	<b>319,906</b>
Community Services										
Library	15,373	16,271	16,694	18,630	21,657	21,096	21,126	19,854	18,574	-
Parks and recreation	28,241	28,240	30,077	30,395	28,404	24,455	26,033	22,068	21,268	23,307
Wonders	600	-	-	-	-	-	-	-	-	-
Public Service	6,711	7,917	8,494	10,435	11,753	11,985	12,382	8,712	7,070	24,687
Community development	6,472	6,716	6,317	3,354	4,910	4,805	4,718	6,936	4,640	5,763
<b>Total community services</b>	<b>57,397</b>	<b>59,144</b>	<b>61,582</b>	<b>62,814</b>	<b>66,724</b>	<b>62,341</b>	<b>64,259</b>	<b>57,570</b>	<b>51,552</b>	<b>53,757</b>
Transportation and Environment										
Public works	23,930	26,444	25,873	18,090	18,318	18,857	19,614	17,143	18,197	5,769
<b>Total transportation and environment</b>	<b>23,930</b>	<b>26,444</b>	<b>25,873</b>	<b>18,090</b>	<b>18,318</b>	<b>18,857</b>	<b>19,614</b>	<b>17,143</b>	<b>18,197</b>	<b>5,769</b>
Transfers out - primary	24,544	28,659	30,056	27,366	28,181	23,052	34,814	22,134	10,476	13,177
Transfers out - component unit (1)	12,150	12,150	13,000	14,000	-	-	-	-	-	-
<b>Total</b>	<b>\$ 387,384</b>	<b>416,246</b>	<b>433,573</b>	<b>448,398</b>	<b>468,640</b>	<b>490,999</b>	<b>534,241</b>	<b>522,212</b>	<b>514,403</b>	<b>507,965</b>

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

**ASSESSED AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY**

Last ten fiscal years

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

Fiscal Year	Real Property			Personal Property			Utilities and Carriers (55%) (Real and Personal) (1)			Total Assessed to Total Market Value	Total Direct Tax Rate		
	Farm and Residential(25%)			Commercial and Industrial(40%) (3)			Commercial and Industrial(30%) (2)					Assessed Value	Estimated Actual Value
	Assessed Value	Estimated Actual Value		Assessed Value	Estimated Actual Value		Assessed Value	Estimated Actual Value					
1998	\$ 3,036,659,925	\$ 12,146,639,700	\$ 3,215,160,945	\$ 824,475,510	\$ 2,743,529,800	\$ 595,282,106	\$ 1,082,331,103	\$ 7,671,578,486	\$ 24,149,652,303	31.77%	3.1800		
1999	3,263,856,200	13,055,424,800	3,594,147,490	1,022,711,990	3,403,992,800	719,101,721	1,307,457,674	8,599,817,401	26,897,489,774	31.97%	2.7700		
2000	3,289,560,950	13,158,243,800	3,391,717,000	1,024,187,360	3,408,300,100	750,642,363	1,366,169,101	8,456,107,673	26,565,060,901	31.83%	2.7700		
2001	3,840,642,800	15,362,571,200	4,076,629,418	1,003,553,475	3,340,403,600	776,925,512	1,412,591,840	9,697,751,205	30,475,303,220	31.82%	3.3700		
2002	3,825,350,400	15,301,401,600	3,980,384,369	1,054,764,970	3,511,817,900	904,397,490	1,644,359,073	9,764,897,229	30,569,738,373	31.94%	3.2304		
2003	4,196,715,250	16,786,861,000	4,105,623,644	1,051,851,210	3,501,707,400	846,729,349	1,539,507,907	10,200,919,453	32,265,193,507	31.62%	3.2304		
2004	4,239,551,575	16,958,206,300	3,971,880,085	997,752,815	3,321,838,600	783,769,116	1,425,034,756	9,992,953,591	31,801,585,556	31.42%	3.2304		
2005	4,869,679,825	19,478,719,300	4,371,575,300	1,030,040,160	3,429,662,300	837,348,675	1,522,452,136	11,108,643,960	35,550,324,536	31.25%	3.2304		
2006	4,911,984,475	19,647,937,900	4,279,098,355	1,043,440,480	3,475,008,700	921,568,343	1,675,578,805	11,156,091,653	35,682,730,905	31.26%	3.4332		
2007	5,135,189,100	20,540,756,400	4,291,102,795	1,031,524,225	3,434,824,100	911,976,305	1,658,138,736	11,369,792,425	36,554,762,536	31.10%	3.4332		

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

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

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

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

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

Fiscal Year	Tax Rates per \$100 Assessed Value			Tax Levies		
	City	County	Total	City	County	Total
1998	\$ 3.18	\$ 3.16	\$ 6.34	186,904,096	\$ 295,674,092	\$ 482,578,188
1999	2.77	2.82	5.59	210,700,956	335,220,331	545,921,287
2000	2.77	3.54	6.31	234,064,460	435,779,520	669,843,980
2001	3.37	3.54	6.91	284,214,898	447,808,677	732,023,575
2002	3.23	3.79	7.02	314,190,509	549,355,956	863,546,465
2003	3.23	3.79	7.02	309,292,650	555,311,765	864,604,415
2004	3.23	4.04	7.27	325,695,529	596,378,594	922,074,123
2005	3.23	4.04	7.27	324,849,022	606,615,294	931,464,316
2006	3.43	4.04	7.47	380,947,344	681,245,173	1,062,192,517
2007	3.43	4.04	7.47	384,844,389	704,279,575	1,089,123,964

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



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

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

	2007			1998		
	Name of Taxpayer	Taxable Assessed Value	Percentage of Total Taxable Assessed Value	Name of Taxpayer	Taxable Assessed Value	Percentage of Total Taxable Assessed Value
	Federal Express	\$ 440,530,252	3.87	Federal Express	\$ 284,165,891	3.70
	Bell South Telecommunications	119,670,334	1.05	Belz Enterprises	148,715,395	1.94
	Wolfchase Galleria, LTD	53,210,400	0.47	Bell South Telecommunications	140,703,050	1.83
	AMISUB (St. Francis Hospital) Inc.	38,720,000	0.34	Baptist Memorial Hospital	35,630,062	0.46
	Pinnacle Airlines, Inc.	34,248,416	0.30	Avron B. Fogelman & Affiliates	35,105,750	0.46
	Cingular Wireless	27,116,125	0.24	AMISUB (St. Francis Hospital) Inc.	30,074,950	0.39
	Northwest Airlines, Inc.	23,947,089	0.21	Mapco Petroleum, Inc.	26,476,288	0.35
	Cargill	21,992,070	0.19	Cargill, Inc.	24,726,944	0.32
	Shopping Center Associates	21,564,320	0.19	Boyle Investment Co. & Affiliates	24,472,420	0.33
	DRA CRT Germantown Center LP	19,974,560	0.18	Northwest Airlines	22,435,350	0.29
	Total Assessed Valuation of Top 10 Taxpayers	800,973,566	7.04		772,506,100	10.07
	Balance of Assessed Valuation	10,568,818,859	92.96		6,899,072,386	89.93
		\$ 11,369,792,425	100.00		\$ 7,671,578,486	100.00

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

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

Fiscal Year	Total Tax Levy		Current Tax Collections		Percent Collected	Delinquent Tax Collections		Total Tax Collections		Total Collections as Percent of Current Levy		Prior Years Outstanding Delinquent Taxes		Outstanding Delinquent Taxes as Percent of Current Levy
	\$		\$			\$		\$		%	\$		Years	
1998	\$	186,904,096	\$	175,352,843	93.82	\$	6,398,141	\$	181,750,984	97.24	\$	20,025,223	10.71	
1999		210,700,956		193,904,816	92.03		8,235,688		202,140,504	95.94		19,460,186	9.24	
2000		234,064,460		213,875,079	91.37		4,468,222		218,343,301	93.28		21,029,909	8.98	
2001		284,214,898		260,938,982	91.81		10,690,611		271,629,593	95.57		22,693,903	7.98	
2002		314,190,509		293,021,608	93.26		11,780,320		304,801,928	97.01		26,273,142	8.36	
2003		309,292,650		286,509,335	92.63		14,156,364		300,665,699	97.21		26,939,877	8.71	
2004		325,695,529		296,247,065	90.96		16,494,982		312,742,047	96.02		29,109,210	8.94	
2005		324,340,510		300,716,889	92.72		15,066,930		315,783,819	97.36		30,283,302	9.34	
2006		380,947,344		356,886,796	93.68		15,835,849		372,722,645	97.84		30,367,032	7.97	
2007		384,844,389		361,358,644	93.90		16,264,065		377,622,709	98.12		30,620,012	7.96	

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

<b>Fiscal Year</b>	<b>Collections</b>			
	<b>Construction</b>	<b>Interest</b>	<b>Promotional Costs</b>	<b>Total</b>
1998	\$ 136,195	\$ 74,141	\$ 351,590	\$ 561,926
1999	13,971	7,808	413,295	435,074
2000	22,780	12,724	28,522	64,026
2001	1,045	583	6,345	7,973
2002	92	52	242	386
2003	78	4	2,438	2,520
2004	389	217	47	653
2005	344	192	3,072	3,608
2006	7,218	4,032	11,100	22,350
2007	2,533	1,415	838	4,786

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

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

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

Fiscal Year	Governmental Activities							Business-Type Activities						Total Primary Government	Percentage of Personal Income	Per Capita			
	General			Bond		Capital		State Loans	Notes Payable	Capital Leases	Sewer		Electric				Water		
	Obligation Bonds	Anticipation	Notes	Outlay	Notes	Notes Payable	Revenue				Bonds	Revenue	Bonds				Revenue	Bonds	Revenue
1998	486,465	-	-	17,700	-	-	9,102	-	-	3,581	83,120	179,095	64,685	843,748	2.66%	1,413			
1999	620,917	-	-	12,600	-	-	7,745	-	-	3,172	78,025	158,970	59,675	941,104	2.84%	1,461			
2000	722,162	-	-	6,970	-	-	6,322	-	-	1,285	92,720	137,775	53,810	1,021,044	2.96%	1,571			
2001	676,236	92,000	92,000	3,255	4,714	3,929	4,835	4,714	1,880	7,249	87,115	127,240	47,695	1,044,970	2.88%	1,546			
2002	805,434	45,000	45,000	1,100	3,143	3,929	3,436	3,143	10,053	7,249	106,355	102,689	40,960	1,116,152	2.98%	1,656			
2003	863,161	25,000	25,000	-	2,357	2,357	2,302	2,357	4,215	10,053	101,435	101,513	40,960	1,147,567	2.97%	1,705			
2004	814,360	125,000	125,000	-	1,571	1,571	1,108	1,571	2,626	4,215	124,835	1,453,252	34,230	2,559,357	6.26%	3,809			
2005	882,312	125,000	125,000	-	786	786	189	786	970	2,626	117,790	1,364,214	27,150	2,520,852	5.90%	3,751			
2006	915,315	114,000	114,000	-	-	-	-	-	-	-	142,410	1,290,175	19,710	2,483,366	5.55%	3,880			
2007	971,679	70,000	70,000	-	-	-	-	-	-	-	133,700	1,212,702	13,940	2,402,021	5.37%	3,753			

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

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

For the Fiscal Years Ended June 30

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Estimated population	596,725	643,715	650,100	676,087	674,478	673,120	671,929	672,277	640,393	640,393
Appraised property valuation (3)	\$ 24,149,652	26,897,490	26,565,060	30,475,303	30,569,738	32,265,194	31,801,586	35,550,325	35,682,731	36,554,763
Assessed valuation (3)	\$ 7,671,578	8,599,817	8,456,108	9,697,751	9,764,897	10,200,919	9,992,954	11,108,644	11,156,092	11,369,792
Total general obligation debt (1) (3)	\$ 516,848	644,434	736,739	782,920	866,148	903,659	947,040	1,011,698	1,031,071	1,042,744
Self-supporting debt (2) (3)	\$ 58,429	51,241	47,362	43,008	38,599	34,259	29,656	25,386	21,539	17,663
Net Debt (3)	\$ 458,419	593,193	689,377	739,912	827,549	869,400	917,384	986,312	1,009,532	1,025,081
Bonded debt per capita - total debt	\$ 866	1,001	1,133	1,158	1,284	1,342	1,409	1,505	1,610	1,628
Bonded debt per capita - net debt	\$ 768	922	1,060	1,094	1,227	1,292	1,365	1,467	1,576	1,601
Bonded debt to appraised valuation -total debt	2.14%	2.40%	2.77%	2.57%	2.83%	2.80%	2.98%	2.85%	2.89%	2.85%
Bonded debt to appraised valuation -net debt	1.90%	2.21%	2.60%	2.43%	2.71%	2.69%	2.88%	2.77%	2.83%	2.80%
Bonded debt to assessed valuation -total debt	6.74%	7.49%	8.71%	8.07%	8.87%	8.86%	9.48%	9.11%	9.24%	9.17%
Bonded debt to assessed valuation -net debt	5.98%	6.90%	8.15%	7.63%	8.47%	8.52%	9.18%	8.88%	9.05%	9.02%

(1) Debt includes City general obligation bonds and capital lease obligations (2001-2008).

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

(3) In thousands of dollars.

**DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT**  
**(Thousands of Dollars)**  
**As of June 30, 2007**

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

Name of Governmental Unit	Debt Outstanding	Estimated Percentage Applicable(1)	Estimated Share of Overlapping Debt(2)
Memphis Board of Education (Primary Government Obligation)	\$ 13,350	100%	13,350
Memphis-Shelby County Airport Authority (Primary Government Obligation)	10,855	100%	10,855
City of Memphis (5)	<u>948,539</u>	100%	<u>948,539</u>
	972,744		972,744
Bond Anticipation Notes	70,000	100%	70,000
Notes payable	0	100%	0
Capital lease obligations	<u>0</u>	100%	<u>0</u>
Total (3)	1,042,744		1,042,744
Shelby County debt	<u>1,782,004</u>	68.9%	<u>1,227,801</u>
Total overlapping debt (4)	<u>\$ 2,824,748</u>		<u>2,270,545</u>

- (1) Determined by ratio of assessed valuation of property subject to taxation in City of Memphis to valuation of property subject to taxation in Shelby County.
- (2) Amount in debt outstanding column multiplied by percentage applicable.
- (3) Has not been adjusted for the \$53,795 which is available for payment of principal and interest in the debt service fund.
- (4) Does not include revenue bonds.
- (5) The City of Memphis has no legal debt margin.

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

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

	Fiscal Year									
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Debt capacity limit	\$ 920,589	1,031,978	1,014,733	1,163,730	1,171,788	1,224,110	1,199,154	1,333,037	1,338,731	1,364,375
Total net debt applicable to limit	458,419	593,193	689,377	739,912	827,549	869,400	917,384	986,312	1,009,532	1,033,129
Legal debt capacity margin balance	\$ 462,170	438,785	325,356	423,818	344,239	354,710	281,770	346,725	329,199	331,246
Total net debt applicable to the limit as a percentage of debt limit	49.80%	57.48%	67.94%	63.58%	70.62%	71.02%	76.50%	73.99%	75.41%	75.72%

**Legal Debt Margin Calculation for Fiscal Year 2007**

Total assessed value	\$ 11,369,792
Debt capacity limit (12% of total assessed value)	1,364,375
Debt applicable to limit:	
Total bonded debt	\$ 1,050,791
Less self-supporting debt	(17,662)
Total net debt applicable to limit	1,033,129
Legal debt capacity margin balance	\$ 331,246

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

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

Last ten fiscal years  
(Thousands of Dollars)

<u>Year</u>	<u>Total Income</u>	<u>Operating and Maintenance Expenses</u>	<u>Net Revenue Available for Debt Service</u>	<u>Total Debt Service</u>	<u>Debt Service Coverage</u>
<b>ELECTRIC DIVISION (1)</b>					
1997	747,169	668,293	78,876	29,586	2.67
1998	849,121	764,393	84,728	29,642	2.86
1999	848,890	762,824	86,066	29,642	2.90
2000	880,013	795,727	84,286	17,907	4.71
2001	850,979	787,456	63,523	31,551	2.01
2002	865,160	811,969	53,191	72,244	0.74
2003	871,138	822,527	48,611	60,028	0.81
2004	952,976	869,830	83,146	22,961	3.62
2005	1,076,882	886,428	190,454	138,202	1.38
2006	1,074,928	990,437	84,491	138,685	0.61
<b>GAS DIVISION (1)</b>					
1997	232,659	190,223	42,436	-	N/A
1998	203,349	166,739	36,610	-	N/A
1999	203,562	169,369	34,193	-	N/A
2000	263,824	236,133	27,691	-	N/A
2001	350,999	345,263	5,736	619	9.27
2002	261,799	243,950	17,849	-	N/A
2003	356,076	334,113	21,963	-	N/A
2004	368,318	361,357	6,961	-	N/A
2005	486,503	450,367	36,136	-	N/A
2006	435,679	417,510	18,169	-	N/A
<b>WATER DIVISION (1)</b>					
1997	58,397	33,989	24,408	8,991	2.71
1998	62,811	36,704	26,107	21,244	1.23
1999	63,949	36,155	27,794	8,933	3.11
2000	67,511	38,244	29,267	8,826	3.32
2001	61,117	41,738	19,379	9,117	2.13
2002	56,447	43,568	12,879	6,641	1.94
2003	56,432	47,720	8,712	8,427	1.03
2004	69,605	54,789	14,816	8,596	1.72
2005	75,279	55,158	20,121	8,581	2.34
2006	79,559	58,606	20,953	6,565	3.19
<b>SEWER COLLECTION AND TREATMENT FUND (2)</b>					
1998	39,755	27,477	12,278	7,620	1.61
1999	40,713	28,702	12,011	9,194	1.31
2000	40,017	29,215	10,802	9,156	1.18
2001	45,845	29,568	16,277	11,364	1.43
2002	40,354	30,779	9,575	10,002	0.96
2003	39,749	33,690	6,059	11,174	0.54
2004	35,935	31,038	4,897	12,354	0.40
2005	47,652	33,495	14,157	12,693	1.12
2006	50,278	30,782	19,496	14,920	1.31
2007	54,218	31,210	23,008	14,216	1.62

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

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



**DEMOGRAPHIC AND ECONOMICS STATISTICS**

Last ten fiscal years

<b>Fiscal Year</b>	<b>Population</b>	<b>Personal Income (amounts expressed in thousands)</b>	<b>Per Capita Personal Income</b>	<b>Median Age</b>	<b>School Enrollment</b>	<b>Unemployment Rate</b>
1996	614,289	27,736,796	24,045	Not available	107,581	4.4
1997	614,289	29,125,934	25,013	Not available	110,000	4.6
1998	596,725	31,775,068	26,953	Not available	109,600	3.8
1999	643,715	33,139,503	27,737	Not available	117,900	3.6
2000	650,100	34,458,835	28,518	31.6	118,365	3.8
2001	676,087	36,241,448	29,839	Not available	118,995	4.1
2002	674,478	37,395,712	30,557	Not available	118,122	5.2
2003	673,120	38,592,109	31,677	33.4	118,000	6.2
2004	671,929	40,876,802	32,741	Not available	118,000	5.6
2005	672,277	42,720,000	33,880	33.4	119,021	5.7
2006	640,393	44,758,000	35,113	33.6	120,162	6.2

Name of Employer	2007		1998	
	Employees	Percentage of Total City Employment	Employees	Percentage of Total City Employment
Federal Express Corporation	30,000	5.34%	28,000	5.88%
Memphis City Schools	15,240	2.71%	17,900	3.76%
United States Government	15,000	2.67%	14,000	2.94%
Methodist Healthcare	7,369	1.31%	6,572	1.38%
Memphis City Government	6,667	1.19%	6,565	1.38%
Shelby County Government	6,513	1.16%	5,162	1.08%
Baptist Memorial Healthcare Corp.	6,463	1.15%	4,335	0.91%
Naval Support Activity Mid-South	6,372	1.13%	4,222	0.89%
Wal-Mart Stores, Inc.	6,000	1.07%	3,890	0.82%
Harrah's Entertainment	5,541	0.99%	3,060	0.64%
<b>Total</b>	<b>105,165</b>	<b>18.71%</b>	<b>93,706</b>	<b>19.04%</b>

**FULL-TIME EQUIVALENT GOVERNMENT EMPLOYEES BY FUNCTION**

Last ten fiscal years

Function and Activity	Fiscal Year									
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
<b>General government:</b>										
<b>Public safety</b>										
Police	740	754	792	831	851	857	857	874	859	828
Officers	1,782	1,967	2,132	2,402	2,152	2,015	1,996	2,147	2,024	2,018
Civilians	448	521	595	604	644	690	670	598	578	667
Fire										
Firefighters and officers	1,374	1,433	1,519	1,562	1,556	1,603	1,629	1,639	1,668	1,553
Civilians	150	134	139	132	140	76	144	157	140	255
<b>Highways and streets</b>										
Engineering	100	110	108	172	170	181	189	191	186	186
Maintenance	335	326	355	290	282	272	274	275	277	301
<b>Sanitation</b>	688	690	693	693	677	658	652	653	654	653
<b>Culture and recreation</b>	471	339	345	428	418	397	417	422	326	318
<b>Sewer</b>	298	296	287	273	288	287	289	290	293	289

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

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

Function	Fiscal Year									
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Police										
Physical arrests	85,099	84,555	87,277	79,663	82,786	78,368	88,076	79,586	51,871	48,746
Parking violations	119,070	139,398	236,848	146,425	134,610	128,225	122,004	136,057	119,017	90,005
Traffic violations	157,016	202,106	250,646	261,081	225,478	257,849	229,222	245,512	233,961	222,745
Fire										
Number of calls answered	54,462	54,252	61,695	64,392	64,344	65,571	64,691	62,153	66,357	27,597
Inspections	N/A	N/A	N/A	78,829	56,201	165,303	N/A	N/A	N/A	N/A
Highways and streets										
Street resurfacing (miles)	N/A	N/A	N/A	N/A	317.35	236.32	216.13	300.12	193.93	101.00
Potholes repaired	N/A	N/A	N/A	N/A	2,312	1,945	1,735	1,896	1,052	993
Sanitation										
Refuse collected (tons/day)	1,208	1,213	1,216	1,233	1,227	1,278	1,329	1,214	1,295	1,174
Recyclables collected (tons/day)	250	285	331	340	377	399	380	415	464	466
Culture and recreation										
Athletic field permits issued	N/A	N/A	N/A	N/A	739	294	97	168	1,527	892
Community center admissions	N/A	N/A	N/A	N/A	1,171,124	1,264,776	1,401,897	793,029	392,125	1,561,281
Water										
Average daily consumption (thousands of gallons)	124,430	128,836	132,937	136,237	134,384	113,851	119,386	121,456	124,676	128,149
Wastewater										
Average daily sewage treatment (thousands of gallons)	177,200	168,100	154,400	155,500	170,400	160,500	149,700	167,200	155,400	151,000

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

**CAPITAL ASSET STATISTICS BY FUNCTION**  
**Last ten fiscal years**

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

Function and Activity	Fiscal Year									
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
<b>Public safety:</b>										
Police:										
Stations	7	7	8	8	8	8	8	8	9	9
Community policing offices	15	15	15	15	15	15	15	15	15	15
Patrol units	728	1,167	1,272	1,377	1,530	2,776	800	800	800	800
Fire:										
Number of Stations	50	52	52	52	52	54	54	59	59	55
Number of Truck (Ladder)	25	25	25	25	26	26	27	27	27	26
<b>Solid Waste Managements:</b>										
Collection trucks	296	296	296	296	296	296	296	296	296	296
Solid waste disposed (Tons)	379,197	391,097	403,618	409,063	417,024	436,001	446,071	425,170	451,472	420,306
<b>Streets and Highways:</b>										
Streets (miles)	3,160	3,183	3,200	3,200	4,662	4,662	4,662	6,750	6,750	6,750
Curb & gutter (miles)	3,590	3,590	3,590	3,590	3,590	3,590	3,590	3,590	3,590	3,590
Streetlights	65,071	66,147	69,157	69,157	69,715	71,287	71,376	71,376	73,684	77,689
Traffic signals	800	800	800	800	800	800	800	800	830	821
Roadside ditches	574	574	574	574	574	574	580	580	580	580
<b>Community services:</b>										
Parks acreage	5,425	5,425	5,387	5,387	5,387	5,387	5,387	5,387	5,387	5,387
Parks	214	214	187	187	187	187	187	187	187	187
Golf courses	7	7	7	7	7	7	7	7	8	8
Community centers	26	26	26	28	28	28	28	28	28	28
Tennis courts	6	6	7	7	7	7	7	7	7	7
Swimming pools	17	17	15	15	15	17	17	17	17	18
<b>Water:</b>										
Water mains (miles)	3,050	3,050	3,095	3,095	4,650	4,650	4,650	6,680	6,680	3,672
Fire hydrants	22,000	22,000	22,000	22,000	22,000	22,000	22,000	22,000	22,000	29,665
Daily storage capacity (millions of gallons)	262.5	262.5	262.5	262.5	437.5	437.5	437.5	437.5	437.5	437.5
<b>Sanitary Sewer and Storm:</b>										
Miles of sewer lines	3,600	3,600	3,600	3,600	3,600	3,600	3,600	3,605	3,605	3,610
Miles of storm drainage	3,913	3,924	3,929	3,929	3,929	3,929	3,929	3,988	3,988	3,988

**GENERAL FUND EXPENDITURES ON STATE STREET AID**  
For the fiscal year ended June 30, 2007  
(Thousands of Dollars)

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

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	<u>2007</u>
<b>Revenues</b>	
State taxes (local share)	\$ 16,298
Total revenues	<u>16,298</u>
<b>Expenditures</b>	
Traffic engineering	505
Street signs and markings	1,584
Mass transit	2,817
Traffic signal maintenance	1,536
Street maintenance	3,843
Street lighting	<u>6,013</u>
Total expenditures	<u>16,298</u>
Excess of expenditures over revenues	<u>\$ -</u>

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

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**SUPPLEMENTAL SCHEDULE OF EXPENDITURES  
OF FEDERAL AND STATE AWARDS  
For the fiscal year ended June 30, 2007**

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

	Federal CFDA Number	Grant Number	Receivable (Deferral) June 30, 2006	Receipts FY '07	Expenditures FY '07	Receivable (Deferral) June 30, 2007
<b>FEDERAL GOVERNMENT AWARDS</b>						
<b>DEPARTMENT OF AGRICULTURE</b>						
<b>Passed through Tennessee Department of Human Services</b>						
Summer Lunch Program	10.559	DA0300050,DA0400069	\$ 135,006	\$ -	1,652	\$ 136,658
Urban Forestry	10.675	Z0401525300	(20,596)	-	-	(20,596)
<b>TOTAL DEPARTMENT OF AGRICULTURE</b>			<b>114,410</b>	<b>-</b>	<b>1,652</b>	<b>116,062</b>
<b>DEPARTMENT OF HOMELAND SECURITY</b>						
<b>Urban Search and Rescue Task Force</b>						
Urban Search and Rescue Task Force	97.025	EMW2001CA0131,WK03036603	(65,640)	-	6,005	(59,635)
Urban Search and Rescue Task Force	97.025	W2004CA622Z71,EMW2005CA02	79,676	243,565	167,319	3,430
Urban Search and Rescue Task Force 06	97.025	EMW2006CA0230	-	290,602	516,280	225,678
Emergency Management Agency	97.025	Z0301587600, Z04020264	282,412	714,558	444,432	12,286
Subtotal (97.025)			296,448	1,248,725	1,134,036	181,759
<b>Passed through Tennessee Department of Military</b>						
Severe Storms and High Winds	97.036	FEMA1482	125,164	802,975	677,811	-
Severe Storms and High Winds	97.036	Z0401969803	-	118,394	118,394	-
Katrina Shelters	97.036	Z0603096800	168,336	-	-	168,336
			293,500	921,369	796,205	168,336
<b>Emergency Management Agency</b>						
Community Emergency Response Team Training	97.042	Z06032845	118,000	123,882	129,764	123,882
Meiro Medical Response System	97.053	Z0301551500	12,012	-	-	12,012
Buffer Zone Protection	97.071	EMW2004GR0655	14,799	-	240,743	255,542
	97.078	Z0503101801	-	447,615	65,325	(382,290)
<b>TOTAL DEPARTMENT OF HOMELAND SECURITY</b>			<b>734,759</b>	<b>2,741,591</b>	<b>2,366,073</b>	<b>359,241</b>
<b>DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>						
<b>Passed through Tennessee Department of Health</b>						
Rape Services and Prevention	16.575	GG0511592, GR0617324	139,970	82,399	-	57,571
<b>TOTAL DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>			<b>139,970</b>	<b>82,399</b>	<b>-</b>	<b>57,571</b>
<b>DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</b>						
<b>Community Development Block Grant</b>						
Lead Based Paint	14.218	B01MC470006,B01MC470006	4,385,692	12,780,631	12,015,332	3,620,393
Emergency Shelter	14.900	TNLHB017200,TNLHD0000603	236,286	179,571	1,077,551	1,134,266
Home Program	14.231	S02.03MC4-70002	184,795	381,501	350,167	153,461
Housing Opportunities for Persons with Aids	14.239	M02.03MC470202	2,018,605	3,785,973	3,245,676	1,478,308
Shelter Plus Care	14.241	TN37H9-7F040,8F001	(120,404)	2,027,116	1,890,076	(257,444)
Fair Housing	14.238	TN37C970105, TN37C101001	(109,348)	318,460	429,398	1,590
Brownsfields Economic Dev Initiative	14.408	FH4000G01028	(6,647)	80,000	1,916	(84,731)
	14.246	B-98-BD-47-0009	240,229	-	221,182	461,411
<b>TOTAL DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</b>			<b>6,829,208</b>	<b>19,553,252</b>	<b>19,231,298</b>	<b>6,507,254</b>

(Continued)

**SUPPLEMENTAL SCHEDULE OF EXPENDITURES  
OF FEDERAL AND STATE AWARDS  
For the fiscal year ended June 30, 2007**

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

	Federal CFDA Number	Grant Number	Receivable (Deferral) June 30, 2006	Receipts FY '07	Expenditures FY '07	Receivable (Deferral) June 30, 2007
<b>DEPARTMENT OF JUSTICE</b>						
Encourage Arrest Policies	16.590	2004WEAX0031	495,557	474,588	353,625	374,594
Encourage Arrest Policies	16.590	2004WEAX0031	-	-	19,296	19,296
			495,557	474,588	372,921	393,890
Local Law Enforcement	16.592	2003LBBX2211	3,766	-	-	3,766
Local Law Enforcement	16.592	2004LBBX0674	(16,303)	-	25,206	8,903
Subtotal (16.592)			(12,537)	-	25,206	12,669
Cops Technology Program FY05	16.710	2005CKWX0430	243,550	-	633,658	877,208
Economic Crimes Task Force	16.609	2004-GP-CX-0704	339,097	339,097	339,097	-
Project Safe Neighborhood Housing Demo	16.609	2003-GP-CX-0515	249,389	72,713	21,235	197,911
Project Safe Neighborhood Unit	16.609	2003-GP-CX-0515	43,528	56,392	12,864	-
Subtotal (16.609)			292,917	488,202	373,196	197,911
Gang Resistance Education	21.053	96689071,ATC010132,STC03000	250,887	188,499	26,787	89,175
GREAT FY06	21.053	2006-JV-FX-0031	-	-	13,405	13,405
			250,887	188,499	40,192	102,580
Police Athletic League	16.540		3,893	-	-	3,893
<b>Passed through Tennessee Department of Human Services</b>						
Victims of Crime	16.575	Z00004855	240,686	168,062	16,905	89,529
			1,514,953	1,299,351	1,462,078	1,677,680
<b>TOTAL DEPARTMENT OF JUSTICE</b>						
<b>DEPARTMENT OF LABOR</b>						
<b>Passed through Public Private Ventures</b>						
Ready for Work	16.202		(157,111)	78,408	46,281	(189,238)
<b>Passed through Tennessee Department of Labor</b>						
Workforce Investment Act - Adult	17.258	DG0702031	77,520	2,332,414	2,945,827	690,933
Workforce Investment Act - Youth	17.259	DG0702031	627,590	1,984,165	2,147,839	791,264
Workforce Investment Act - Dislocated	17.260	DG0702031	125,486	1,263,149	1,212,504	74,841
Workforce Investment Act - Title 1 National Emergency	17.260	DG0702031	1,500	8,273	6,773	-
			126,986	1,271,422	1,219,277	74,841
Workforce Investment Act - Title 1 Hurricane Katrina	17.261	DG0702031	(3,070)	61,101	57,011	(7,160)
Workforce Investment Act - Title 1 Incumbent Workers	17.269	DG0702031	2,207	40,027	16,500	(21,320)
			674,122	5,767,537	6,432,735	1,339,320
<b>TOTAL DEPARTMENT OF LABOR</b>						
<b>DEPARTMENT OF TRANSPORTATION</b>						
<b>Passed through Tennessee Department of Transportation</b>						
Congestion Mitigation Air Quality	20.205	STP-M-9409,CM-STP-9409,G880770	99,479	410,211	404,180	93,448
Memphis Early Deployment Grant	20.205	CM-HTS-9547(601)	66,416	-	-	66,416
Restoration	20.205	CM-STP-9409(44)	-	86,106	254,322	168,216
Transportation Improvement 25	20.205	CM-STP-9409(59)	-	142,768	304,462	161,694
Enhanced Traffic Signal Maintenance Response	20.205	CM-STP-9409(49)	32,663	-	-	32,663
Traffic Signal System	20.205	CM-STP-9409(42),(47)	352,588	311,946	83,262	123,904
Enhanced Traffic Signal Implementation	20.205	CM-STP-9409(41),(48)	(29,791)	143,079	131,450	(41,420)
Subtotal (20.205)			521,355	1,094,110	1,177,676	604,921
Mississippi River Cycling Corridor	20.219	EN-STP-7900(16)	(2,728)	-	-	(2,728)
Riverbluff Walkway	20.219	EN-STP-7900(13)	19,920	-	-	19,920
Cobblestone Walkway	20.219	STP-EN-9409(62)	40,744	-	-	40,744
Subtotal (20.219)			57,936	-	-	57,936
			579,291	1,094,110	1,177,676	662,857
<b>TOTAL DEPARTMENT OF TRANSPORTATION</b>						
<b>TOTAL FEDERAL GRANTS</b>						
			\$ 10,586,713	\$ 30,538,240	\$ 30,671,512	\$ 10,719,985

(Continued)

**SUPPLEMENTAL SCHEDULE OF EXPENDITURES  
OF FEDERAL AND STATE AWARDS  
For the fiscal year ended June 30, 2007**

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

	Federal CFDA Number	Grant Number	Receivable (Deferral) June 30, 2006	Receipts FY '07	Expenditures FY '07	Receivable (Deferral) June 30, 2007
<b>STATE GOVERNMENT GRANTS</b>						
Memphis Fire Division In-service Training Supplement		NONE	63,306	-	-	63,306
Memphis Fire Division In-service Training Supplement 05		NONE	(17,150)	-	7,700	(9,450)
Memphis Fire Division In-service Training Supplement 06		NONE	-	672,750	668,250	(4,500)
Memphis Police Division In-service Training Supplement		NONE	(13)	989,680	989,187	(506)
Local Emergency Planning Committee		GG0209756	208,711	-	1,452	210,163
Local Emergency Planning Committee Training FY06		GG0612389	-	5,603	5,603	-
Stop Violence Against Women		Z00001451	42,107	18,597	287	23,797
State Highway Maintenance Grant		CMA971, CMA1030	284,027	1,001,896	840,564	102,695
Landmarks Commission Training - Historic Zoning		GG0511346	(3,600)	-	-	(3,600)
Landmarks Commission Training		GC0310104	936	936	-	-
Landmarks Commission Training		GG0712649	-	2,500	4,228	1,728
Enterprise Zone		GG000860300	27,474	-	-	27,474
Help Care		Z03010557,Z04015720,Z05020309	(58,707)	-	-	(58,707)
TIP Project - Cleveland Track Material		Z0200852000	(569)	-	-	(569)
Planning Grant		FHWA-PL-112	51,776	119,865	84,531	16,442
Memphis Survey Grant		GG0209746	53,267	-	-	53,267
Memphis Survey Grant FY06		GG0612176	(9,522)	43,678	25,484	(27,716)
Plough Boulevard		STP-EN-9409(61)	(182,286)	-	-	(182,286)
Plough Blvd Landscape Phase I		STP-EN-7900(21)	(91,525)	-	-	(91,525)
Motor Vehicle Inspection Station		CM-STP-9409(54)	(249,640)	-	28,718	(220,922)
Raleigh Lagrange-Sycamore		BR-STP-2878(2)	(345,881)	-	-	(345,881)
Cobblestone Walkway		SBC529000296	(710,637)	-	-	(710,637)
Martys Park Riverwalk Improvement		STP-EN-9409(63)	(97,745)	-	-	(97,745)
Parkway Streetscape Improv		(640)	(640)	-	-	(640)
Bicycling Network Phase I		STP-EN-9409(73)	33,485	-	-	33,485
Juvenile Accountability Block		GG041063700	928	-	-	928
Governor Highway Safety		Z03011860	935	-	-	935
Governor Highway Safety FY06		Z0602729400	865,908	1,162,012	338,049	41,945
Governor Highway Network FY06		Z0602734800	430	5,772	6,865	1,523
Backyard Wildlife		Z02005120	363	-	-	363
Highway Safety		Z05024096	44	-	-	44
Highway Safety		Z04016777	(245)	-	-	(245)
Storm Water Program		GG0511351	4,663	3,937	12,001	12,727
Victims of Crime FY06-FY09		Z07033198	-	37,727	158,272	120,545
Victims of Crime FY06-FY09		GR0617324	-	9,383	9,383	-
STOP FY06-FY09		Z07033057	-	1,432	1,089	(343)
Enhancement Grant Program		STP-EN-7900(24)	-	1,742	2,178	436
GHSO FY07 Multiple Violation		Z0703609600	-	-	45,007	45,007
GHSO FY07 Network Coord		Z0703609600	-	-	2,899	2,899
GHSO FY07 Alcohol Saturation		Z0703609600	-	-	286,733	286,733
Library State Grants		GG0712778	-	96,000	96,000	-
Library State Grants		SS-L&A	-	5,029	5,029	-
Library State Grants		Z06034120	-	29,200	29,200	-
Workforce Development MOU		GR0617593	-	23,377	23,377	-
Workforce Development MOU		GG0712740	27,301	81,164	53,863	-
Workforce Development MOU		GG0511369	-	1,320	1,320	-
Workforce Development MOU		GG0712631	-	2,649	2,649	-
Workforce Development MOU			-	6,329	6,329	-
<b>TOTAL STATE GRANTS</b>			<b>(122,499)</b>	<b>4,322,578</b>	<b>3,736,247</b>	<b>(708,830)</b>
<b>TOTAL GRANTS</b>			<b>\$ 10,464,214</b>	<b>\$ 34,860,818</b>	<b>\$ 34,407,759</b>	<b>\$ 10,011,155</b>

See accompanying note to the schedule.

**City of Memphis**  
**Note to the Schedule of Expenditures of Federal and State Awards**  
**For the Year Ended June 30, 2007**

**Basis of Presentation**

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

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

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

We have audited the financial statements of the governmental activities, the business type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of City of Memphis (the "City"), as of and for the year ended June 30, 2007, and the respective budgetary comparisons for the General Fund and Debt Service Fund for the year ended June 30, 2007, which collectively comprise the City's basic financial statements, and have issued our report thereon dated January 29, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

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

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City's financial statements that is more than inconsequential will not be prevented or detected by the City's internal control. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be significant deficiencies in internal control over financial reporting as items 2007-1, 2007-2, 2007-3, and 2007-4.

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described in the accompanying schedule of findings and questioned costs is a material weakness.

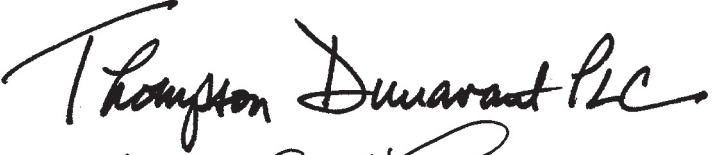
#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of the City's compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We also noted certain other matters that we reported to management of the City in a separate letter dated January 29, 2008.

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

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



Thompson Dunavant LLC  
Jens and Luggie

Memphis, Tennessee  
January 29, 2008

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

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

**Compliance**

We have audited the compliance of City of Memphis (the "City") with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2007. The City's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

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

In our opinion, the City complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2007.

**Internal Control Over Compliance**

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

In planning and performing our audit, we considered the City's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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

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

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

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

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

Thompson Dunavant PLLC  
Jones and Leggett

Memphis, Tennessee  
January 29, 2008



**CITY OF MEMPHIS**

Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2007

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**A. Summary of Audit Results**

1. The auditors' report expresses an unqualified opinion on the financial statements of City of Memphis.
2. Four significant deficiencies relating to the audit of the financial statements are reported in the Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements in accordance with *Government Auditing Standards*. These deficiencies are not reported as material weaknesses.
3. No instances of noncompliance material to the financial statements of City of Memphis, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. No significant deficiencies relating to the audit of the major federal award programs are reported in the Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133.
5. The auditor's report on compliance for the major federal award programs for City of Memphis expresses an unqualified opinion on all major federal programs.
6. There were no audit findings related to major programs that are required to be reported under OMB Circular A-133.
7. The programs tested as major programs included:

14.218	Community Development Block Grant
14.900	Lead Based Paint Program
14.239	Home Investment Partnership Program
20.205	Highway Planning and Construction Program
8. The threshold for distinguishing Type A and B programs was \$920,145.
9. City of Memphis, Tennessee was determined to be a low risk auditee.

## CITY OF MEMPHIS

### Schedule of Findings and Questioned Costs (Continued) For the Year Ended June 30, 2007

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#### B. Findings - Financial Statement Audit

##### Significant Deficiencies

##### 2007-1 Review and Reconciliation of Bank Statements

Condition: Key positions in the Comptroller's office became open after year end. As a result of these unfilled accounting positions, the bank statements for the operating and payroll accounts are not currently being reconciled on a timely basis. Furthermore, the bank reconciliations are not being reviewed on a current basis.

Criteria: Timely reconciliations of bank accounts and review thereof are essential for strong internal controls over cash.

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

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

Response: Our priority for correcting this deficiency is immediate. Our corrective action plan includes filling key open positions within the Comptroller's office. In the interim, the Comptroller's office is utilizing temporary staffing to bring all reconciliations current and promptly reconciling accounts on a monthly basis. The Comptroller reviews and signs each bank reconciliation upon completion, and promptly investigates and resolves all unusual reconciling items.

##### 2007-2 Travel Expenses

Condition: In connection with our testing of expense reports for travel, we noted that employees often submit expense reports much later than required by City of Memphis travel policies. Also, numerous expense reports pertaining to fiscal year end June 30, 2007 cash advances have not been submitted.

Criteria: Expense reports are required to be submitted for settlement within 15 days of return from travel. Travel is authorized before advances for travel are made but settlement for the advances does not occur until the expense report is submitted.

Effect: When expense reports for travel are not submitted in accordance with policies, there is more than a remote likelihood that a misstatement of the City's financial statements that is more than inconsequential will not be prevented or detected.

## CITY OF MEMPHIS

### Schedule of Findings and Questioned Costs (Continued) For the Year Ended June 30, 2007

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

##### Significant Deficiencies (continued) 2007-2 Travel Expenses (continued)

Recommendation: We recommend that management strongly enforce City policies concerning expense reports for travel. Furthermore, we suggest that the travel and advance list be reviewed on a monthly basis by appropriate personnel with the goal of settling expense reports in a timely manner.

Response: Our priority for correcting this deficiency is immediate. Our corrective action plan includes developing on a monthly basis a listing of outstanding expense reports by employee by City division. The Deputy Comptroller of Accounts Payable and Records routinely performs follow-up to enforce the City policy and on a monthly basis, reports the status of the follow-up to the Comptroller for any additional actions until all expense reports are closed in accordance with City policy.

##### 2007-3 Library Retirement System Accounting

Condition: Key positions in the Comptroller's office became open after year end. As a result of these unfilled accounting positions, a significant portion of the annual activity pertaining to the Library Retirement System was not recorded in the general ledger prior to audit fieldwork.

Criteria: Timely recording of significant activity is essential to ensure accounting information is meaningful and reliable.

Effect: Without timely accounting of the Library Retirement System transactions, there is more than a remote likelihood that a misstatement of the City's financial statements that is more than inconsequential will not be prevented or detected.

Recommendation: We recommend establishing procedures that ensure accounting records for the Library Retirement System are kept current. We also suggest that a regular review procedure of the Library Retirement System's monthly financial records be established.

Response: Our priority for correcting this deficiency is immediate. Our corrective action plan includes filling key open positions within the Comptroller's office. In the interim, the Comptroller's office is utilizing temporary staffing to bring all bookkeeping for the Library Retirement System current. On a monthly basis, the Comptroller reviews the status of the Library Retirement accounts as part of the monthly closing checklist. All outstanding issues are promptly resolved.

**CITY OF MEMPHIS**

Schedule of Findings and Questioned Costs (Continued)  
For the Year Ended June 30, 2007

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

Significant Deficiencies (continued)

2007-4 Cash Receipts: Segregation of Duties

Condition: It is our understanding that certain types of cash receipts are not processed by the Treasurer's office but are initially processed by accounting personnel. These areas include cash receipts pertaining to certain Sewer Fund invoices and charges by the Engineering Department. One accountant is responsible for invoicing, collecting receipts, issuing credits, writing up deposits, taking receipts to the Treasurer's office, and keying the related accounting data into the general ledger.

Criteria: For the proper segregation of duties and strong internal controls, employees independent of the accounting department should receive and restrictively endorse all incoming checks.

Effect: Due to inadequate segregation of duties in the cash receipts area, there is more than a remote likelihood that a misstatement of the City's financial statements that is more than inconsequential will not be prevented or detected.

Recommendation: We suggest the cash receipt or check handling function be separated from the function of recording transactions in the general ledger. Also, to the extent possible, all cash receipts should be centralized in the Treasury department.

Response: Our priority for correcting this deficiency is immediate. In the interim, we will strengthen controls over cash receipts by routinely reviewing a sample of cash receipts and agreeing recorded cash receipts back to source documents to determine the accuracy, timeliness and completeness of amounts recorded. Longer-term, we will investigate the cost benefit of centralizing accounting for all cash receipts in the Treasury department.

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

NONE

**CITY OF MEMPHIS**

Summary Schedule of Prior Year Audit Findings  
June 30, 2007

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There were no prior year audit findings.

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