

City of
Memphis



2012

TENNESSEE



COMPREHENSIVE ANNUAL FINANCIAL REPORT YEAR ENDED JUNE 30, 2012

TABLE OF CONTENTS

MAYOR'S LETTER OF TRANSMITTAL

INTRODUCTORY SECTION

Letter of Transmittal.....	1
GFOA Certificate of Achievement for Excellence in Financial Reporting.....	15
City Officials.....	16
Organizational Chart.....	17

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

Independent Auditors' Report	19
---	----

Management's Discussion and Analysis	23
---	----

Basic Financial Statements

Government-wide Financial Statements

Statement of Net Assets.....	A-1.....	35
Statement of Activities	A-2.....	37

Fund Financial Statements

Balance Sheet - Governmental Funds	A-3.....	39
Reconciliation of the Balance Sheet to the Statement of Net Assets	A-4.....	40
Statement of Revenues, Expenditures, & Changes in Fund Balances	A-5.....	41
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	A-6.....	42

General Fund

Schedule of Revenues and Other Sources - Budget and Actual on Basis of Budgeting	A-7.....	43
Schedule of Expenditures and Other Uses - Budget and Actual on Basis of Budgeting	A-8.....	45

Proprietary Funds

Statement of Net Assets - Proprietary Funds	A-9.....	49
Statement of Revenues, Expenses, and Changes in Fund Net Assets	A-10.....	51
Statement of Cash Flows - Proprietary Funds.....	A-11.....	52

Fiduciary Funds

Statement of Fiduciary Net Assets - Fiduciary Funds.....	A-12.....	53
Statement of Changes in Fiduciary Net Assets - Fiduciary Funds.....	A-13.....	54

Combining Statements of Component Units

Combining Statement of Net Assets.....	A-14.....	55
Combining Statement of Activities	A-15.....	57

Notes to the Financial Statements	59
--	----

TABLE OF CONTENTS

Other Supplementary Information

Combining Nonmajor Funds

Combining Balance Sheet	B-1.....	124
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance	B-2.....	126
Combining Schedule of Revenues and Expenditures - Budget and Actual on Basis of Budgeting (with annual budgets)	B-3.....	128
Combining Schedule of Revenues and Expenditures - Budget and Actual on Basis of Budgeting (with carryover budgets).....	B-4.....	133

Combining Enterprise Funds

Combining Statement of Net Assets.....	C-1.....	135
Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets	C-2.....	136
Combining Statement of Cash Flows - Enterprise Funds	C-3.....	137

Combining Internal Service Funds

Combining Statement of Net Assets.....	D-1.....	139
Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets	D-2.....	140
Combining Statement of Cash Flows - Internal Service Funds	D-3.....	141

Combining Fiduciary Funds

Combining Statement of Net Assets – Trust Funds.....	E-1.....	143
Combining Statement of Changes in Fund Net Assets – Trust Funds	E-2.....	144
Statement of Changes in Net Assets and Liabilities – Agency Fund	E-3.....	145

Supplementary Schedules

Schedule of Delinquent Property Taxes Receivable - All Funds.....	F-1.....	147
Schedule of Revenue Bonds - By Issue	F-2.....	148
Schedule of General Obligation Debt - By Issue	F-3.....	149
Schedule of General Obligation Debt - By Use	F-4.....	150
Long-term Debt - Principal and Interest Requirements - Proprietary Funds	F-5.....	151
Schedule of Interfund Balances.....	F-6.....	152
Schedule of Interfund Transfers	F-7.....	153
Schedule of Deposits and Investments Held Outside of the Cash and Investment Pool - Carrying Amount.....	F-8.....	154
Schedule of Additions and Retirements to Utility Plant	F-9.....	155
Schedule of Funding Progress - Other Postemployment Benefits (OPEB).....	F-10.....	156
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual on Basis of Budgeting - General Fund.....	F-11.....	157
Schedule of Revenues, Expenditures and Changes in Fund Balance Budget Actual.....	F-12.....	158
Schedule of Funding Progress – City Retirement System and Library Retirement System	F-13.....	159

STATISTICAL SECTION

Net Assets by Component.....	X-1.....	161
Changes in Net Assets.....	X-2.....	162

TABLE OF CONTENTS

Fund Balances of Governmental Funds	X-3.....	163
Changes in Fund Balances of Governmental Funds	X-4.....	164
General Fund Expenditures and Other Uses by Function.....	X-5.....	165
Assessed and Estimated Actual Value of Taxable Property	X-6.....	166
Property Tax Rates and Levies - All Direct and Overlapping Governments	X-7.....	167
Principal Taxpayers	X-8.....	168
Property Tax Levies and Collections	X-9.....	169
Special Assessment Collections.....	X-10.....	170
Ratio of Outstanding Debt by Type.....	X-11.....	171
Bonded Debt Outstanding.....	X-12.....	172
Direct and Overlapping Governmental Activities Debt	X-13.....	173
Legal Debt Margin Information.....	X-14.....	174
Pledged Revenue Coverage.....	X-15.....	175
Demographic and Economic Statistics	X-16.....	176
Principal Employers.....	X-17.....	177
Government Employees by Function	X-18.....	178
Operating Assets Function	X-19.....	179
Capital Assets by Function.....	X-20.....	180
General Fund Expenditures on State Street Aid	X-21.....	181

SINGLE AUDIT

Supplemental Schedule of Expenditures of Federal and State Awards.....	Y-1.....	183
Note to the Schedule of Expenditures of Federal and State Awards		190
Auditors' Report on Compliance and on Internal Control Over Financial Reporting.....		191
Auditors' Report on Compliance and Internal Control Over Compliance Applicable to Each Major Federal Award Program		193
Schedule of Findings and Questioned Costs.....		196
Schedule of Prior Year Audit Findings		209



COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED JUNE 30, 2012

City of Memphis

Tennessee

A C Wharton

Mayor

George M. Little

Chief Administrative Officer

PREPARED BY DIVISION OF FINANCE

Brian Collins

Director

City of Memphis



TENNESSEE

December 15, 2012

To Members of the City Council
And Fellow Memphians:

I respectfully submit The City of Memphis' Comprehensive Annual Financial Report for the fiscal year ended June 30, 2012. This report documents our financial position and operations for the year, as well as the current economic climate of Memphis.

With great resolve and skill, the City strategically and tactically maneuvered through the difficult economic conditions that currently exist in our wonderful city and nation. During this period of low interest rates and diminishing returns, the City of Memphis placed its available resources in high yield investments - its top priorities, which are to create safe and vibrant neighborhoods, grow prosperity and opportunity for all, invest in our young people and advance a culture of excellence in city government. Through prudent stewardship of the citizen's tax dollars, Memphis will continue to propel forward as an economic leader in the region and as one of the best cities in the nation in which to live, learn, work and recreate.

Even in these difficult financial times we have managed to make prudent and strategic investments to strengthen our ability to compete for high quality jobs and to enhance our attractiveness to tourists. Specifically through strategic infrastructure investments we have managed to attract leading industries such as Electrolux and Mitsubishi. Strategic investments have also been made in tourist and entertainment attractions such as the Overton Square area and Graceland. In addition to these large scale investments, we have deployed our Bloomberg resources to develop a culture of innovation and revitalization in the core areas of our city.

Bold goals were set and achieved this year despite tough economic realities. We are extremely proud of the progress made with our residential and mixed use development projects, including the Legends Park project and other Hope VI revitalization projects. These projects are bringing new life to Downtown Memphis and surrounding areas by replacing dilapidated public housing with beautiful single family homes, multifamily homes and commercial space. Aggressive anti-blight initiatives and the recent opening of the new Crump police station are sure to be impactful in making our city cleaner and safer.

We are extremely grateful to our corporate citizens who continue to invest in our city, including St. Jude Children's Research Hospital with over \$190 million in construction underway and Memphis Bioworks Foundation with approximately \$22 million in construction in progress -just to name a few. In the midst of financially lean operations, our accomplishments reveal the true nature of our City - resilient and purpose driven.

We are proud of this year's accomplishments. However, we are relentlessly optimistic about the coming years and confident in our ability to excel. This is our moment. This is our time to invest strategically in the priorities that will yield the highest returns for our great city. As such, we present this report as part of our commitment to inform all interested parties of our financial condition.

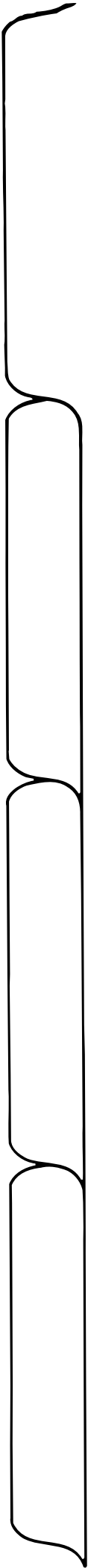
Respectfully submitted,

A C Wharton, Jr.
Mayor



A C WHARTON, JR.
MAYOR

INTRODUCTORY
SECTION





December 31, 2012

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, 2012, 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 the United States generally accepted accounting principles (GAAP) as set forth by the Governmental Accounting Standards Board (GASB) and have been audited in accordance with the United States 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 Banks, Finley, White & Co. licensed certified public accountants. Banks, Finley, White & Co. has issued an unqualified ("clean") opinion on the City's financial statements for the year ended June 30, 2012. 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 652,050. The City is empowered to levy a property tax on both real and personal property located within its boundaries. It also is empowered by state statute to extend its corporate limits by annexation, which occurs periodically when deemed





appropriate by the City Council.

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

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

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

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

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

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

- Memphis and Shelby County Port Commission
- New Memphis Arena Public Building Authority of Memphis and Shelby County
- Memphis and Shelby County Community Redevelopment Agency





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 Downtown Commission (formerly the 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
- Memphis and Shelby County Economic Development Growth Engine (EDGE) Industrial Development Board
- Memphis Convention Center

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

Economic Condition Assessment

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





The National Economy

- Economic growth slowed during the year as a result of Europe's delayed response in addressing the sovereign debt crises in Greece, Spain and Italy, anticipation of the U.S. presidential election and the looming fiscal cliff. Europe's slow growth impacted the global economy; therefore, causing downward pressure on exports from the U.S.
- The fiscal cliff, a combination of expiring tax cuts and across-the-board government spending cuts that are scheduled to become effective December 31, 2012 and are expected to have negative consequences on the U.S. economy if the cuts occur without modifications, resulted from lawmakers delaying to deal with the issues as a result of the 2012 presidential election.
- The year as a whole is expected to produce GDP growth of only 2.1 percent, with slow growth continuing through early 2013.
- The unemployment rate will average 8.2 percent for the year. Payroll employment is expected to see its strongest growth since 2006 at 1.4 percent growth.
- Light vehicle sales and the housing market are encouraging signs for the national economy. Pent up demand for vehicle sales has been showing up in sales in recent quarters, while housing prices are moving up.
- The most recent Federal Reserve initiatives are expected to have only a slight downward pressure on interest rates. The Consumer price index (CPI) is expected to be approximately 2 percent in the short-term forecast horizon.

Local Economy

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

A key contributor to the stability of the Memphis and Shelby County economy is its job diversity. Government, trade, healthcare services, hospitality 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.

The deceleration in global and national economic conditions has rippled across the Tennessee economy.





But similarly to the national economy, there have been some positive signals in terms of employment in the midst of the economic slowdowns. In addition, Memphis' strong healthcare system, low cost of living and position as a transportation hub leader will keep the city's economy relatively stable until the state and nation fully recover.

According to the Center for Regional Economics-8th District Federal Reserve Bank of St. Louis, between July 2011 and July 2012, nonfarm employment growth in the Memphis MSA was positive by 1.4 percent which was on par with the country, which saw a 1.4 percent increase in employment as well. The largest percentage job increases were in Education and Health (5.7 percent), while the largest percentage job losses were in the Trade, Transportation, and Utilities (TTU), which accounts for more than a quarter (26 percent) of all jobs in Memphis, with (-0.1 percent) in losses.

Unemployment Rates (Seasonally Adjusted), 2011-2012

Region	Aug. 2011	Aug. 2012	Percent Change
Memphis MSA*	10.2%	8.9%	-12.7%
Tennessee	9.2%	8.5%	-7.6%
United States	9.1%	8.1%	-11.0%

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

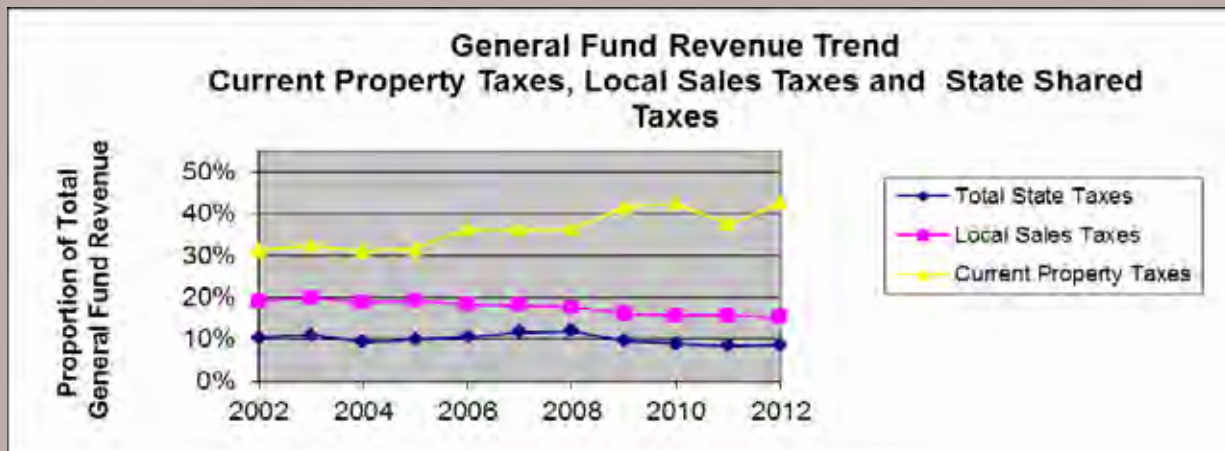
The nation's unemployment rate decreased 11.0% year over year to 8.1% from 9.1%. Tennessee's and the Memphis MSA unemployment rate followed a similar trend in 2012. Tennessee's August unemployment rate reflects a 7.6 percent decrease from August 2011. Memphis' unemployment rate decreased to 8.9 percent in August 2012, down 12.7 percent from a year ago. Despite the current national recession, the continuation of major local job creation initiatives should improve the Memphis unemployment situation in the future.





The chart below shows that since fiscal year 2002, the percentage of total revenues generated from Property Taxes, Local Sales Taxes and State Shared Taxes remained constant until fiscal year 2006.

- During fiscal year 2006, the City realized a significant increase in property tax revenues as a result of a rate increase.
- During fiscal year 2007 and fiscal year 2008, the percentage of revenues from current Property Taxes, Local Sales Taxes and State Shared Taxes remained relatively constant year over year.
- Property Tax revenues in the general fund increased in total and as a percentage of total revenues due to an increase in the property tax rate allocation to the general fund during fiscal year 2009.
- No noticeable change in the Property Tax, Local Sales Tax or State Shared Tax revenue source percentages occurred in fiscal year 2010.
- During fiscal year 2011, total revenues increased due to a significant transfer from the Debt Service Fund and increases in the Local Sales and State Shared Tax collections. The Debt Service Fund transfer provided funding for transfers made to Memphis City Schools from the General Fund. As such, during fiscal year 2011 Property Tax revenues decreased as a percentage of total revenues.
- In fiscal year 2012, Property tax revenues increased as a percentage of total revenues due to the transfers from the Debt Service fund in fiscal year 2012 being significantly less than the year before and an acceleration of current property tax collections due to the City executing a sale of tax receivables.



Nationally and locally, fiscal managers are continually faced with managing fluctuating energy prices,

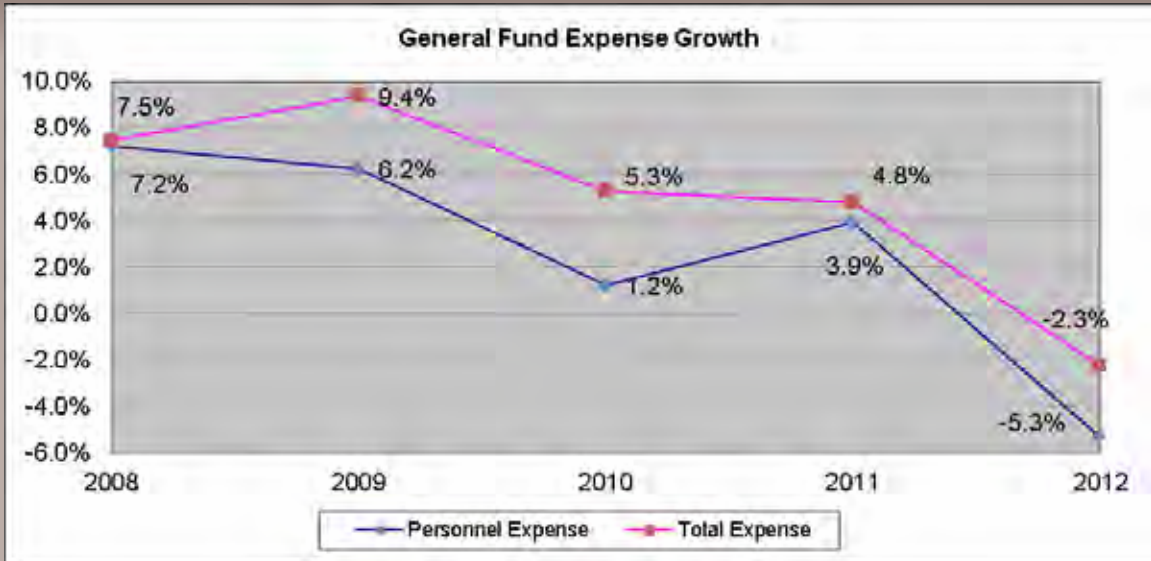




healthcare costs and employment costs. Policy makers are concerned with cost-push inflation as employment costs represent about two-thirds of total costs of production/service.

- Total General Fund expenses increased by more than 7 percent in fiscal year 2008 due primarily to an increase in personnel expense. Personnel expense increased as a result of a one-time one percent bonus granted to all employees, funding of the City's Other Post Employment Benefit (OPEB) Trust Fund and higher overtime and part-time salary expense to compensate for vacancies that resulted from a temporary layoff and hiring freeze that occurred a couple of years earlier.
- Personnel expenses grew by 6% in fiscal year 2009 as a result of a 5% general increase given to all employees, the filling of vacancies and an increase in funding to the OPEB Trust Fund. Total expenses increased by 9% as a result of the personnel expense increase, increased subsidies to the Memphis Area Transit Authority (MATA), increased retiree healthcare premium expense and prepayments of debt service for the Fire and Police divisions.
- Despite a 3% general increase in fiscal year 2010, total personnel expense only increased by 1.2%. The 3% general increase was offset by a reduction in overtime expense and part-time salaries expense, and reduced funding to the City's OPEB Trust Fund. Total expenses in fiscal year 2010 increased by 5.3% as a result of a transfer of general funds to Memphis City Schools in the amount of \$40 million offset by reduced spending in other non-core program.
- Total expenses in fiscal year 2011 increased by 4.8% primarily due to an increase in the transfer to Memphis City Schools and increased personnel expense. Personnel expense increased by 3.9% due to an increase in healthcare premiums, an increase in funding to the City's OPEB Trust Fund and increased staffing levels. The overall increases were offset by other personnel cost saving measures such as salary reductions for high income employees.
- Personnel expense decreased by 5.3% in fiscal year 2012 as a result of a 4.62% general decrease given to all employees who did not take a pay cut in fiscal year 2011 and reduced funding to the City's OPEB Trust Fund. However, total expenses only decreased by 2.3% due to increased transfer of general funds to Memphis City Schools.





The Memphis real estate market proved not to be immune to the downturn in the global economy and the U.S. recession. Sub-prime lending problems that plagued the rest of the nation impacted the Memphis residential market. However, real estate market activity in fiscal year 2012 is encouraging. Total home sales and average sales price increased by 17.1% and 2.1%, respectively year over year in September. However, the median sales price and active listings in September decreased 4.7% and 10.3%, respectively versus the prior year.

Home Sales in Memphis, Year-to-Date September 2011 - 2012

	<u>2011</u>	<u>2012</u>	<u>Percent Change</u>
Total Home Sales	1,099	1,287	17.1%
Median Sales Price	\$95,000	\$90,500	-4.7%
Average Sales Price	\$129,321	\$132,010	2.1%
Active Listings (Sept.)	8,242	7,392	-10.3%

Source: Memphis Area Association of Realtors Multiple Listing Service.

Recent Developments:

- In September 2012, Brian Collins was appointed as the City of Memphis' finance director after the previous finance director, Roland McElrath, retired in August 2012.
- In March 2011, the citizens of Memphis voted to surrender the Memphis City Schools charter; thereby, transferring administrative control of the city schools to Shelby County Government. The merger is expected to be completed in fiscal year 2013.





- St. Jude Children’s Research Hospital is building a \$190 million medical tower that will include replacement facilities for the hospital’s surgical departments and intensive care unit.
- The Memphis Bioworks foundation is constructing a \$22 million research laboratory in the UT-Baptist Research Park that will help researchers and biotechnology companies market their ideas.
- In 2012, Jabil Circuit, a supply chain management and electronic manufacturer for large technology firms such as Apple and Cisco Systems, nearly tripled its local employee base from approximately 1,000 to 2,790 employees.
- The Great American Steamboat Company, recently renamed the American Queen Steamboat Company, opened its new headquarters in downtown Memphis in the Fall of 2011. The company provides steamboat river cruises on the Mississippi, Ohio and Tennessee rivers.
- The Electrolux, Mitsubishi Electric and Bass Pro Shops economic development projects that began last fiscal year are progressing and are expected to result in hundreds of new jobs upon completion.
- The Memphis-Shelby County Airport Authority is making major capital improvements including the construction of a 7-level, 5,743 space parking garage and support facilities.
- Delta Airlines has reduced its flight count at Memphis International Airport by 25 percent. However, Southwest Airlines is expected to assume some of the airport’s capacity once their recently acquired AirTran Airline operation is fully integrated.

Long-term Financial Planning

The financial position of the City remains stable as a result of the City’s conservative budgeting methodology and its ability to maintain disciplined spending practices. To ensure the City’s financial position remains sound, the City is developing a five-year strategic management and fiscal plan as a means of exploring new and more efficient methods of revenue generation, asset management and cost-effective service delivery.

The City successfully executed a shared services arrangement or a joint purchasing agreement with the local public utility and the local public transit provider as a result of our planning initiative. In addition, several functional consolidation opportunities with Shelby County Government are being explored. Also, the City continues to work with the Memphis Regional Chamber and Memphis Tomorrow to create an economic development “Growth Strategy” that will ideally enhance the city’s overall growth, tax base and wages.

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





Relevant Financial Policies

The City of Memphis implemented Governmental Accounting Standards Board (GASB) Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions during fiscal year 2011. The statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds.

The Statement provides that fund balance reporting distinguish those amounts that are considered nonspendable, such as fund balance associated with inventories. The remaining fund balance is further classified and reported as restricted, committed, assigned and unassigned based on the relative strength of the constraints that control how specific amounts can be spent.

Major Initiatives

In addition to the annual operating budget, the City also adopts a Capital Improvement Program (CIP) that is a multi-year plan for capital expenditures to replace and expand the City's infrastructure, vehicles and equipment. The program is updated annually to reflect the latest priorities, updated cost estimates and available revenue sources. Various sources of revenue include general obligation bonds, federal grants, state grants, user fees and private funds. Projects are reviewed based on need, impact on the area, quality of life in our neighborhoods and the general economic climate of the City. Highlights of the CIP budget plan for 2013-2017 are:

- The Fire Division's budget includes funds to construct a new fire station and to purchase two "Quintuple Combination Pumpers" which will serve a dual purpose of engine and ladder truck resulting in lower operating costs for the department.
- The Police Division will benefit from the purchase of 150 police cars included in the General Services division's capital acquisition budget.
- The Memphis Area Transit Authority's capital improvement budget is heavily leveraged by Federal and State funding. This year's General Obligation Bond Funding will be used primarily on preventive maintenance.
- The Public Works Division's budget includes funds to pave over 400 lane miles of streets each year, ADA ramp improvements, and several road projects. The Stormwater Fund CIP budget will allow





the City to make major investments in drainage infrastructure throughout the City. The Sewer Fund projects are for the repair and replacement of sewer infrastructure, new sewer connections and improvements to the treatment plants.

- The General Services Division's budget includes major ADA improvements, minor improvements to various City buildings and equipment replacement. In addition, the budget includes City-wide vehicle purchases to achieve economies of scale.
- Housing and Community Development's budget includes funding for the Triangle Noir/Heritage Trails redevelopment project on the south side of downtown Memphis.
- The Engineering Division's budget includes funding for replacement of traffic signals and intelligent transportation improvements.
- The Information System Division's budget includes projects for a city-wide 311 system and a ChoiceStat system. The 311 system is a centralized customer service call center for the entire city government. The ChoiceStat system will track progress toward City initiatives.

Capital Planning Process

It is the role of the Finance Division to provide financing strategies to assist in developing a plan to fund the capital improvement needs of the City. A key element of this strategy includes a comprehensive review and assessment of the City's Capital Improvement Program (CIP) to ensure the coordination of the City's planning initiatives, financial capacity and environmental/physical development are in alignment. The City's CIP has a capital budget which includes a spending plan for the upcoming year and a capital program which includes a plan for capital expenditures that extend up to four (4) 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

The City annexed the South Cordova area on December 4, 2001. The residents of the area contested the annexation by a timely filed lawsuit. That lawsuit was finally concluded June 28, 2011 and pursuant to Tennessee law, South Cordova residents are citizens of Memphis. Also, pursuant to Tennessee law, properties within the area become subject to City of Memphis taxes on January 1, 2012. The tax was assessed that date but will be collected in and used for the fiscal year beginning July 1, 2012.

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, 2011. This was the 35th 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 the United States generally accepted accounting principles and applicable legal requirements.

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

The City also received GFOA's Distinguished Budget Presentation Award for its annual budget document for the fiscal year beginning July 1, 2011, the 14th 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, Banks, Finley, White and Company, CPAs. We wish to express our appreciation to both, with particular thanks to the City's Deputy Comptrollers, Sharon Cobbige and Janet Moore, and the entire Accounting staff.

Respectfully submitted,

Brian Collins
Director of Finance

Patrice Thomas, CPA, CMFO
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, 2011

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, 2011. 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.



**CITY OF MEMPHIS, TENNESSEE
CITY OFFICIALS**

A C Wharton, Mayor

CITY COUNCIL

Bill Morrison, Chairman (District 1)

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

COURTS

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

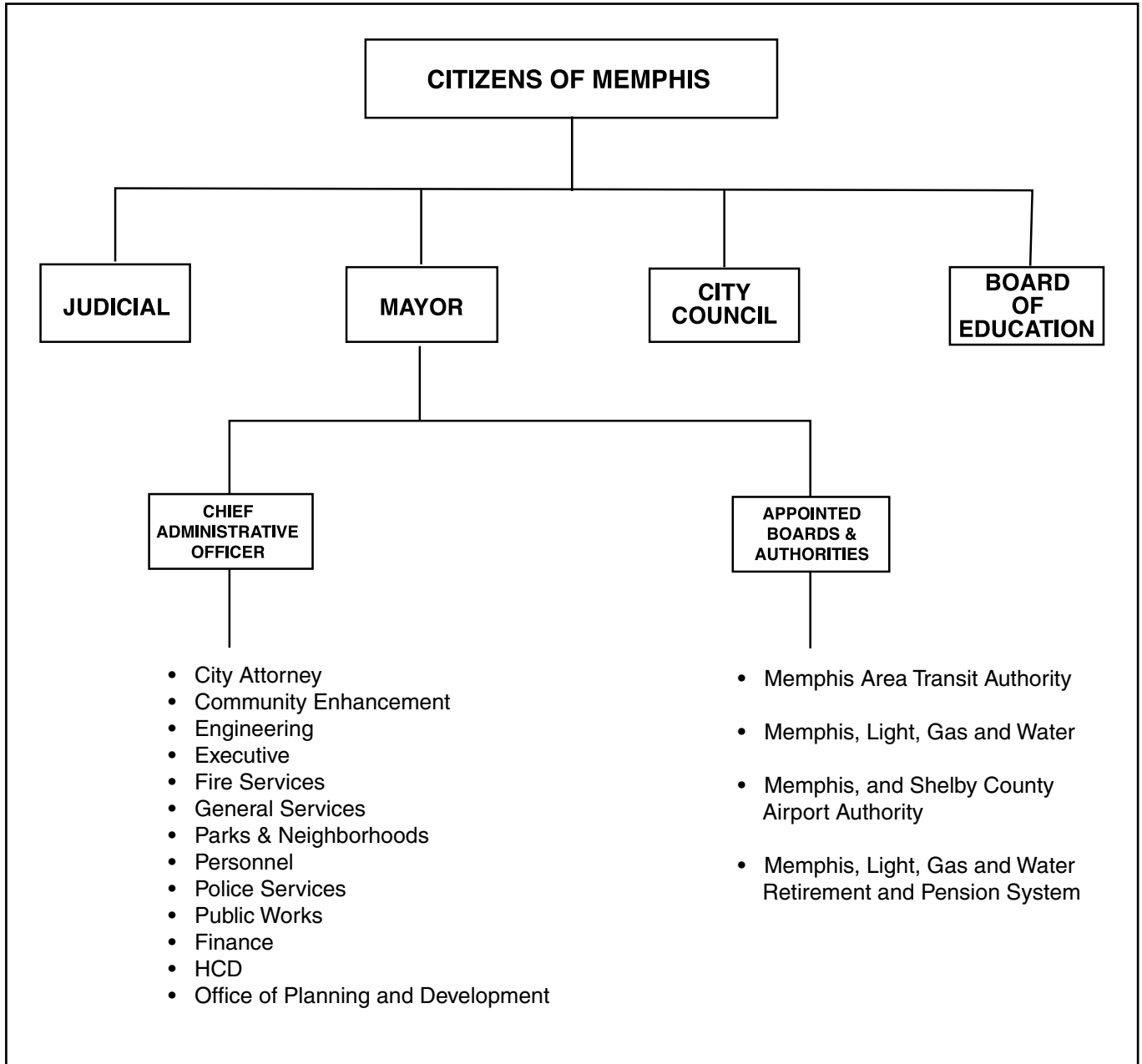
ADMINISTRATIVE

George M. Little.....	Chief Administrative Officer
Robert Lipscomb.....	Director, Housing and Community Development
Alvin Benson	Director, Fire Services
Martha Lott	Director, General Services
Jerry Collins.....	President, Memphis Light, Gas and Water Division
Richard Copeland.....	Director, Office of Planning and Development
Brenton Nair.....	Chief Information Officer
Vacant.....	Director, Community Enhancement
Quintin Robinson	Director, Human Resources
John Cameron	City Engineer
Toney Armstrong	Director, Police Services
Herman Morris.....	City Attorney
Dwan Gilliom.....	Director, Public Works
Janet Hooks.....	Director, Parks & Neighborhoods
Roland McElrath.....	Director, Finance and Administration

City of Memphis, Tennessee

ORGANIZATION CHART

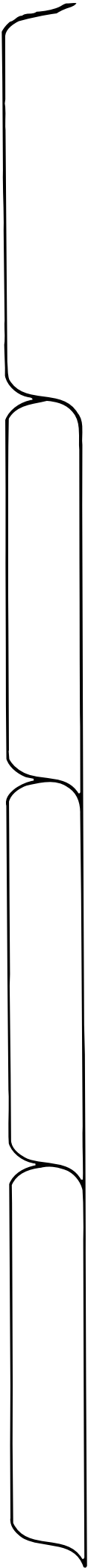
Primary Government and Discretely Presented Component Units



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

(This page left blank intentionally.)

FINANCIAL SECTION



INDEPENDENT AUDITOR'S 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, 2012, and the budgetary comparison for the general fund for the year ended June 30, 2012, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Board of Education of the Memphis City Schools, the Memphis-Shelby County Airport Authority and the Memphis Zoological Society, which represent 94%, 92%, and 96%, respectively, of the assets, net assets, and revenues of the aggregate discretely presented component units. We did not audit the financial statements of the Electric, Gas and Water Divisions of Memphis Light, Gas and Water Division, a major proprietary fund. The Electric, Gas and Water Divisions of Memphis, Light, Gas and Water Division represent 78%, 85%, and 94%, respectively, of the assets, net assets, and revenues of the business-type activities of the primary government. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the aforementioned entities is based on the reports of the other auditors.

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



In our opinion, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2012 and the respective changes in financial position and, where applicable cash flows thereof and the respective budgetary comparison for the general fund for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 26, 2012 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.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the schedule of funding progress for other post employment benefits as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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 non-major fund financial statements and schedules, supplementary schedules, and statistical section are presented for purposes of additional analysis and are not a required part of the 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 financial statements of the City. The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such



information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Banks, Finley, White & Co.

Memphis, Tennessee
December 26, 2012

(This page intentionally left blank.)

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, 2012. We encourage readers to consider the information presented here in conjunction with additional information that is furnished in the letter of transmittal and notes to the financial statements. All amounts, unless otherwise indicated, are expressed in thousands of dollars.

Financial Highlights

- The primary government's total assets exceeded its liabilities at June 30, 2012 by \$1,768,009 (net assets). Total government-wide net assets decreased by \$79,363 in fiscal year 2012.
- At June 30, 2012, the City's governmental activities reported ending net assets of a negative \$411,718, a decrease of \$155,092 or 60.4% from the prior year. The decrease resulted primarily due to increases in liabilities related to pension, other post-employment benefits (OPEB), and the issuance of long-term debt.
- The City's business-type activities reported ending net assets of \$2,179,727, an increase of \$75,729 or 3.6% from prior year. Prior year adjustments, totaling \$160, were also made for prior period revenue and/or expense adjustments in the Sewer Fund. In fiscal year 2012, the Printing and Mail Internal Service Fund was consolidated into the General Fund.
- At June 30, 2012, the fund balance for the general fund was \$96,070, an increase of \$5,009 or 5.2% from prior year's balance. The unassigned portion of the fund balance was \$61,667.
- The City's total general obligation and revenue bond debt decreased by \$123,984 or 5.3% during the current fiscal year. However, total long-term liabilities which include, among other items, Pension/OPEB and related party debt obligations increased by \$203,928 or 13.9%.

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, 2012. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flow in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. The City's assets exceeded liabilities by \$1,768,009 at June 30, 2012.

Condensed Statement of Net Assets

	Governmental activities		Business-type activities		Total	
	2012	2011	2012	2011	2012	2011
Current and other assets	\$ 959,339	883,847	1,631,836	1,725,763	2,591,175	2,609,610
Capital assets	1,287,997	1,179,072	1,906,743	1,862,290	3,194,740	3,041,362
Total assets	<u>2,247,336</u>	<u>2,062,919</u>	<u>3,538,579</u>	<u>3,588,053</u>	<u>5,785,915</u>	<u>5,650,972</u>
Long-term liabilities outstanding	1,522,464	1,353,490	888,436	954,849	2,410,900	2,308,339
Other liabilities	1,136,590	965,829	470,416	529,064	1,607,006	1,494,893
Total liabilities	<u>2,659,054</u>	<u>2,319,319</u>	<u>1,358,852</u>	<u>1,483,913</u>	<u>4,017,906</u>	<u>3,803,232</u>
Net assets:						
Invested in capital assets, net of related debt	131,384	6,912	1,755,661	1,705,138	1,887,045	1,712,050
Restricted	181,192	14,783	68,846	64,909	250,038	79,692
Unrestricted	(724,294)	(278,095)	355,220	334,093	(369,074)	55,998
Total net assets	<u>\$ (411,718)</u>	<u>(256,400)</u>	<u>2,179,727</u>	<u>2,104,140</u>	<u>1,768,009</u>	<u>1,847,740</u>

By far the largest portion of the City's net assets (106.7%) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided for by other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net assets (14.1%) represents resources that are subject to external restrictions on how they may be used. The balance remaining is negative unrestricted net assets of 20.9%.

MANAGEMENT DISCUSSION AND ANALYSIS
(Thousands of Dollars)
For the fiscal year ended June 30, 2012

CITY OF MEMPHIS, TENNESSEE

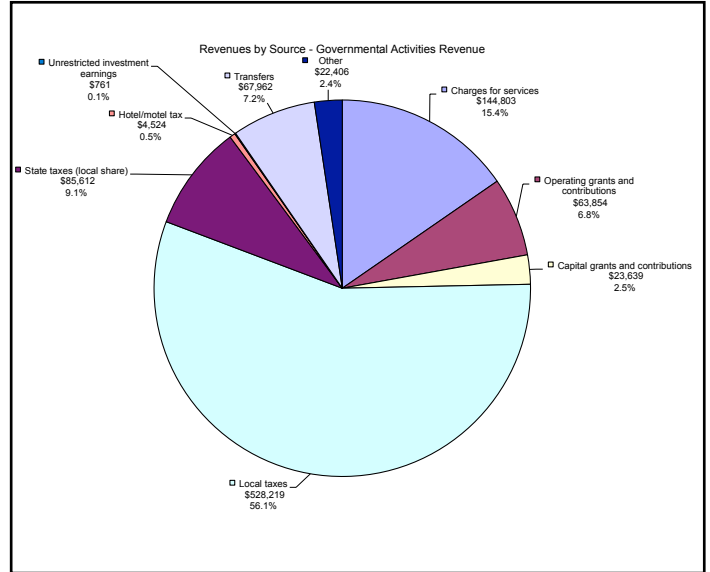
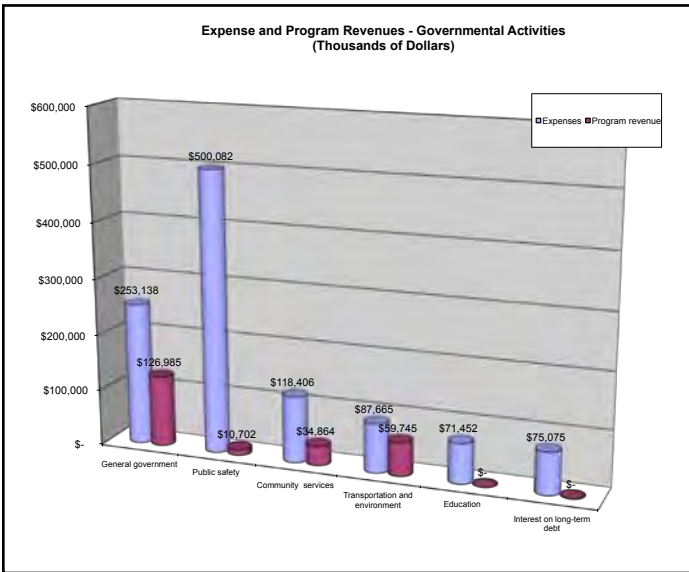
(Continued)

	Governmental activities		Business-type activities		Total	
	2012	2011	2012	2011	2012	2011
Revenues:						
Program Revenues:						
Charges for services	\$ 144,803	142,770	1,820,000	1,827,733	1,964,803	1,970,503
Operating grants and contributions	63,854	61,098	30,909	30,321	94,763	91,419
Capital grants and contributions	23,639	7,490	728	1,398	24,367	8,888
General revenues:						
Local taxes	528,219	540,150	-	-	528,219	540,150
State taxes (local share)	85,612	87,523	-	-	85,612	87,523
Hotel/motel tax	4,524	3,537	-	-	4,524	3,537
Sale of Capital Assets	8,947	-	-	-	8,947	-
Unrestricted investment earnings	761	861	40,324	41,520	41,085	42,381
Other	22,405	18,616	155	-	22,560	18,616
Total revenues	882,764	862,045	1,892,116	1,900,972	2,774,880	2,763,017
Expenses:						
General government	253,138	251,039	-	-	253,138	251,039
Public safety	500,082	510,529	-	-	500,082	510,529
Community services	118,406	121,927	-	-	118,406	121,927
Transportation and environment	87,665	82,546	-	-	87,665	82,546
Education	71,452	80,775	-	-	71,452	80,775
Interest on long-term debt	75,075	52,497	-	-	75,075	52,497
Sewer collection and treatment	-	-	62,915	61,401	62,915	61,401
Memphis Light, Gas and Water	-	-	1,669,887	1,658,638	1,669,887	1,658,638
Storm Water	-	-	15,623	13,160	15,623	13,160
Total expenses	1,105,818	1,099,313	1,748,425	1,733,199	2,854,243	2,832,512
Increase (decrease) in net assets before transfers	(223,054)	(237,268)	143,691	167,773	(79,363)	(69,495)
Transfers	67,962	66,929	(67,962)	(66,929)	-	-
Increase (decrease) in net assets	(155,092)	(170,339)	75,729	100,844	(79,363)	(69,495)
Net assets - July 1, as restated	(256,626)	(86,061)	2,103,998	2,003,296	1,847,372	1,917,235
Net assets - June 30	\$ (411,718)	(256,400)	2,179,727	2,104,140	1,768,009	1,847,740

Governmental activities. During fiscal year 2012, governmental activities decreased the City's net assets by \$155,092 and Business-Type activities increased net assets by \$75,729, thereby resulting in a net decrease of \$79,363 or 4.3% in total primary government's beginning net assets. Key elements of the governmental activities are discussed below:

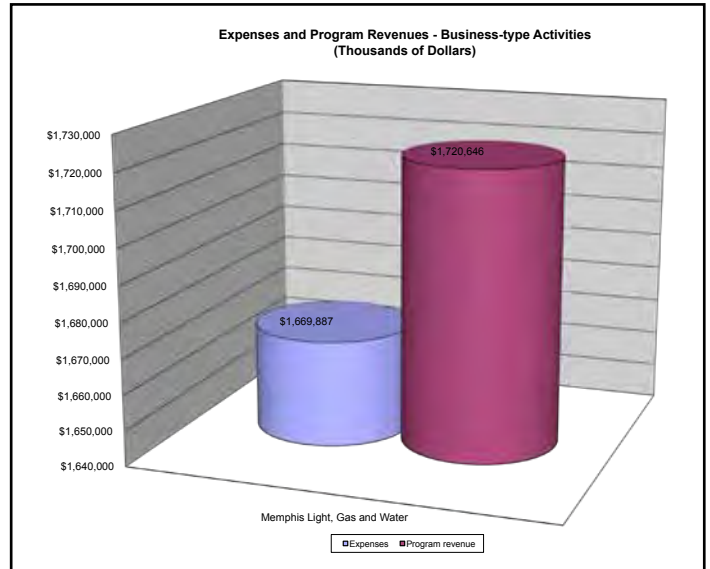
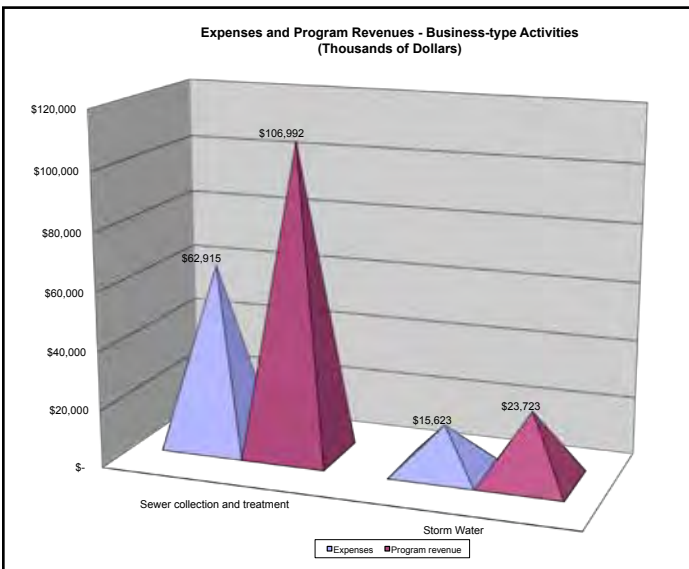
- Total expenses increased by \$6,505 or .6% from last year. Total revenues increased by \$20,719 or 2.4% over last year.
- The most significant increase in expenses from prior year was in interest on long-term debt and Transportation and environment which increased by \$22,578 or 43.0% and \$5,119 or 6.2%, respectively. The increase in interest was the result of increased debt service requirements resulting from prior years' debt restructuring executed to create cashflow capacity to fund the City's school funding obligations during those years. Whereas, the increase in transportation and environment resulted from an increased utility expense, an increase in asphalt product expense and a decrease in expense recoveries realized by the public works division. These increases were offset by decreases in all programs as a result of an average 4.62% general salary decrease given to all employees who did not receive a 5% decrease in fiscal year 2011
- The education program expenses decreased by \$9,323 or -11.5%. Fiscal Year 2012 funding for the schools were based on an agreed upon amount between Memphis City Schools and the City rather than the historical allocation of the property tax rate payable to the schools.
- During fiscal year 2012, revenues increased by \$20,719 or 2.4%, primarily as a result of the City's gain on sale of capital assets, settlement proceeds from Wells Fargo and increased capital grants and contributions used to

support economic development activities. These increases were offset by a decrease in local taxes as a result of a decrease in the property tax rate and reduced accrued revenue for MLGW in lieu of payments.



Business-type activities. Business-type activities increased the City’s net assets by \$75,729, accounting for 3.6% growth in the government’s beginning net assets. Key elements of the increase are as follows:

- MLGW’s Electric Division, Gas Division and Water Division account for \$23.2 million, \$9.0 million and \$1.0 million of the net asset increase, respectively. The Electric division’s net change in net assets was down year over year mainly due to an increase in purchased power costs and operation and maintenance expenses partially offset by increases in operating revenues. The Gas Division change in net assets decreased year over year as a result of a decrease in operating margin. Finally, the Water division’s change in net assets increased year over year as a result of increased operating revenues, partially offset by an increase in other operating expenses.
- The Sewer and Storm Water funds also contributed \$38.5 million and \$4.0 million, respectively, towards the business-type total net asset increase. The increases were driven by increased charges for services resulting from rate increases last fiscal 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, unassigned 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, 2012, the City's governmental funds reported combined ending fund balance of \$238,721, an increase of \$67,461 in comparison with the prior year. Approximately 24.1% or \$57,529 of the fund balance constitutes unassigned fund balance, which is available for spending at the government's discretion. Approximately 23.5% or \$56,215 of the fund balance is considered restricted to indicate the amount is subject to external enforceable legal restrictions. Another \$112,053 or 46.9% of the fund balance is reported as committed indicating amounts whose use is constrained by limitations that the City Council imposed. The remainder of fund balance \$12,924 has been assigned by the administration to indicate that it is not available for new spending primarily because it has already been committed to liquidate contracts and purchase orders of the prior period.

The general fund is the chief operating fund of the City. At June 30, 2012, unassigned fund balance of the general fund was \$61,667, while total fund balance was \$96,070. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 10.9% of total general fund expenditures, while total general fund balance represents 17.0% of the fund expenditures.

The fund balance of the City's general fund increased by \$5,009 during the fiscal year ended June 30, 2012. Key factors resulting in this increase are as follows:

- Total General Fund Revenues increased by \$9,903 or 1.8% over prior year. The increase was primarily due to a one-time tax rate allocation assessment to the general fund dedicated to pay amounts due to Memphis City Schools. Also, the amount realized from the sale of delinquent property tax receivables was higher in fiscal year 2012 than fiscal year 2011. However, these increases were offset by a decrease in local sales taxes due to seven percent of the local sales taxes being allocated to the Debt Service Fund in fiscal year 2012.
- Total expenditures decreased by \$29,878 or 5.0% over prior year. The decrease was largely attributable to a decrease in personnel expense across the board due to a general salary decrease of 4.62% given to all employees who did not receive a 5% decrease in fiscal year 2011. Personnel expenses were also lower due to \$3,000 in OPEB Trust contributions made by the General Fund in fiscal year 2011 that were not contributed in fiscal year 2012. However, these decreases were offset by a one-time bonus expense of \$4,434 given to employees and increase expense in transportation and environment (Public Works division).
- The Public Works division's increase resulted from a decrease in expense recoveries and increased utility and asphalt products expense.
- The general fund's operating transfers out increased by \$11,385 or 17.1% as a result of increased transfers to Memphis City Schools.
- The general fund's operating transfer in decreased by \$38,825 or 36.8% due to decreased transfers from the Debt Service Fund.
- During fiscal year 2012, the City realized \$8,947 from sale of the Memphis Depot Industrial Park.

The fund balance of the City's Debt Service fund increased by \$49,549 to \$66,750 during the fiscal year ended June 30, 2012. Key factors resulting in this increase are as follows:

- Total revenues increased by \$23,318 or 25.9%. A portion (\$8,719) of the increase resulted primarily from 7% of local sales tax collections being allocated to the fund this year. Also, certain Tourism Development Zone (TDZ) revenues were deposited into the fund this year as a result of a loan agreement between the City and the Center City Finance Revenue Corporation related to financing the Pyramid/Bass Pro economic development project. The loan agreement stipulates that the TDZ revenues are restricted for the debt service requirements of the loan. The TDZ revenues were previously recorded in the New Memphis Arena Fund.
- However, total expenditures increased by \$25,179 or 32.7% due to increased principal and interest payments.
- Transfers outs were down from \$45,000 in fiscal year 2011 to \$5,000 this year due to a decrease in transfers out to the General Fund. In the prior year, transfers from the Debt Service Funds to the General Fund were increased to offset increased transfers out of the General Fund to the Education Fund last year.
- During fiscal year 2012, an \$800 receivable and related deferred revenue recorded within the Debt service fund was written off in accordance with the guidance provided by the State of Tennessee Comptroller's Office of State and Local Finance. The receivable resulted from a 1992 resolution which provided funding to MATA for trolley renovations. The receivable was to be reimbursed from sponsorships that never materialized.

The fund balance of the City's Capital Project fund increased by \$7,188 to \$54,370 during the fiscal year ended June 30, 2012. Key factors resulting in this increase are as follows:

- Other Financing sources increased significantly as a result of \$170,191 of proceeds from a loan agreement with the Center City Revenue Finance Corporation used to pay closing cost expenses of the loan and to fund the Pyramid/Bass Pro economic development project. In addition, other financing sources were made available from and capital outlay expenditure returned to the Port Commission in the amount of \$20,397 to incentivize manufacturing company's (Electrolux) relocation to Memphis. The Port Commission issued \$40 revenue bonds. However, the City and County agreed to pay the debt service on the bonds.
- Capital Outlay expenditures increased significantly as a result of the expenditures related to the Pyramid/Bass Pro economic development project and Electrolux projects.

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

- The New Memphis Arena Fund (FedEx Forum) activity remained relatively constant year over year. As a result, the fund deficit decreased from \$5,086 to \$4,138. The MLGW Water Division, through an agreement with the City, transfers a payment in the amount of \$2,500 per year. The agreement is effective through the year 2028. This fund also reports the collection and disbursement of certain revenues related to the bonds issued by the Sports Authority for construction of the arena.
- Solid Waste Management Fund's fund balance increased from \$4,963 to \$10,368 due to a rate increase during fiscal year 2011.

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 \$350,998 is comprised primarily of \$318,593 for Memphis Light, Gas and Water, which can be used for on-going operations of the public utility system and \$47,211 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 \$14,806 represents unrestricted net assets of the non-major fund, Storm Water.

General Fund Budgetary Highlights

The original operating budget for fiscal year 2012 anticipated a contribution to fund balance of \$27,183. Differences between the original budget and the final amended budget can be briefly summarized as follows:

- Transfers Out were significantly increased by \$24,159 primarily as a result of a funding agreement executed between the City and Memphis City Schools after the original adopted budget was executed.

The most significant difference between the final budget and actual results were as follows:

- General Fund actual revenues were below budget by \$17,422 primarily due to lower property tax collections. Total expenditures were under budget by \$27,189. All divisions within the City contributed to the budget surplus. Transfer Ins were significantly lower than expected due to the actual transfer from Debt Service of \$5,500 being less than budgeted amount of \$20,000. Transfers Out were below budget due to less transfers to the Education and Capital Projects fund than originally anticipated. Finally, the City realized \$8,947 from sale of a capital asset.

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, 2012 amounts to \$3,194,741 (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 \$153,379 or 5.0%. The governmental activities contributed \$108,925 towards the increase. The business-type activities contributed \$44,454.

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

	Governmental activities		Business-type activities		Total	
	2012	2011	2012	2011	2012	2011
Land and buildings	\$ 362,323	369,347	37,762	39,945	400,085	409,292
Improvements other than buildings	557,136	550,442	296,820	275,635	853,956	826,077
Equipment	38,167	19,654	10,091	10,748	48,258	30,402
Construction in progress	330,371	239,629	52,446	52,545	382,817	292,174
Memphis Light, Gas and Water	-	-	1,509,625	1,483,417	1,509,625	1,483,417
Total	\$ 1,287,997	1,179,072	1,906,744	1,862,290	3,194,741	3,041,362

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

- Executed several transactions in support of the Pyramid/Bass Pro economic development project, including purchasing of the County’s interest in the Convention Center for \$71,490 and purchase of the Lone Star Industries property for \$12,995.
- Provided over \$20 million in funding towards the Electrolux economic development project expected to bring several jobs to the city.
- Began implementation of a major upgrade to the City’s Oracle Computer System.
- Purchased several police vehicles.
- Executed anti-blight initiatives.

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

Long-term debt. At June 30, 2012, the City had total bonded debt outstanding of \$2,230,655. Of this amount, \$1,286,229 comprises debt backed by the full faith and credit of the government, inclusive of self-supporting debt of the Board of Education. The remaining balance of \$944,426 consists of bonds secured solely by specified revenue sources (i.e., revenue bonds). During fiscal year 2012, the City entered into two related party debt transactions that are not considered general obligations of the City.

Condensed Statement of Outstanding Debt
 General Obligation and Revenue Bonds

	Governmental activities		Business-type activities		Total	
	2012	2011	2012	2011	2012	2011
General obligation bonds	1,202,968	1,218,444	-	-	1,202,968	1,218,444
Bond anticipation notes	71,975	75,400	-	-	71,975	75,400
Capital lease obligations	11,286	5,182	-	-	11,286	5,182
Revenue bonds	-	-	944,426	1,055,613	944,426	1,055,613
Total	\$ 1,286,229	1,299,026	944,426	1,055,613	2,230,655	2,354,639

The City’s total general obligation debt decreased by \$123,984 (5.3% percent) during fiscal year 2012. Total debt includes state loans, general obligation bonds, bond anticipation notes, capital lease obligations, and revenue bonds. Governmental activities’ total general obligation debt decreased by 1.0%, while business-type activities’ debt decreased by 10.5%.

The City has long held a high grade bond rating on indebtedness from the major credit rating services. As of June 30, 2012, the City held ratings of Aa2 from Moody’s, AA from Standard and Poor’s and AA- 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.

During the year, the City issued General Improvement and Refunding Bonds of \$98,740 and \$71,975 in bond anticipation notes. Also, the City entered into lease agreements as a lessee for financing the acquisition of equipment for the Solid Waste division. The city executed two related party debt obligation transactions, an \$196,935 loan agreement with the Center City Revenue Finance Corporation and an \$20,397 obligation to pay debt service on revenue bonds issued by the Port Commission. These related party debt transactions are not general obligations of the City.

In December 2011, Fitch Ratings downgraded the Electric Division's 2003A, 2008 and 2010 Series Bonds from AAA to AA+. The action was an attempt to align ratings for systems with similar financial metrics, which are in the AA+ category. The Water Division continues to hold the highest possible bond ratings, which are Aaa from Moody's Investor Service ("Moody's") and AAA from Standard & Poor's ("S&P"). The Gas Division currently has no debt that is credit rated. More information is available in MLGW's separately issued financial statements. 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 2013 fiscal year are discussed more fully in the Budget document and include:

- As national and local leading economic indicators improve slightly, the budget preparation was predicated on the continuing assumption that the Memphis MSA will have slow growth during fiscal year 2013.
- The fiscal year 2013 General Fund Operating Budget Revenue of \$648,479 represents a decrease of \$40.1 million or 5.8% from the fiscal year 2012 Adopted Budget. This decrease is primarily due to a one-time \$0.18 cents general fund property tax rate allocation to the General Fund to support Memphis City Schools in fiscal year 2012 that was not allocated to the general fund in fiscal year 2013. Also, the overall property rate was reduced from \$3.19 to \$3.11. Finally, there are no planned transfers in from the Debt Service Fund in fiscal year 2013.
- For the fourth year, the general fund expenditure budget includes over \$60,000 as "maintenance of effort" funding to Memphis City Schools. In support of funding the schools, the fiscal 2013 budget includes a planned use of \$20,000 of OPEB Trust assets to cover retiree healthcare expenditures that would have been paid by General Fund resources.

At June 30, 2012, unassigned fund balance in the general fund was \$61,667. The original approved operating budget of \$661,401 in total expenditures (net of program revenue) for fiscal year 2013 committed \$19,572 of the general fund's June 30, 2012 total fund balance of \$96,070. The City's tax rate for FY 2013 has been set at \$3.11 per \$100 of assessed value, a decrease from last year's rate of \$3.19. The tax rate is allocated to General Fund, Debt Service Fund, Education Fund and Capital Project Fund. The City continues to explore cost cutting measures and additional revenue sources.

Requests for Information

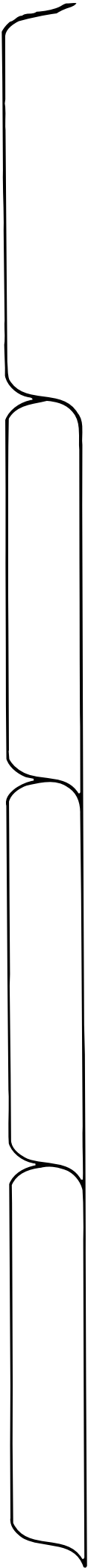
This financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or request for additional financial information may be addressed to the Office of the Director of Finance, Room 368, City of Memphis, 125 North Main, Memphis, Tennessee 38103. The Comprehensive Annual Financial Report, the 2013 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.

CITY OF MEMPHIS

T E N N E S S E E

BASIC FINANCIAL STATEMENTS

BASIC FINANCIAL
STATEMENTS



STATEMENT OF NET ASSETS
(Thousands of Dollars)
June 30, 2012

CITY OF MEMPHIS, TENNESSEE
Exhibit A-1

	<u>Primary Government</u>			Component Units
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Cash and cash equivalents	\$ 10,268	159,438	169,706	225,561
Investments	10,944	155,079	166,023	42,089
Equity in cash and investment pool	114,021	55,306	169,327	-
Restricted funds	-	42,966	42,966	-
Receivables (net of allowance for uncollectibles):				
Property taxes	410,172	-	410,172	-
Sales and income taxes	38,444	-	38,444	-
Federal and state grants	60,974	37	61,011	116
Interest and dividends on investments	545	46	591	16
Notes and accounts receivable	30	171,170	171,200	-
Housing rehabilitation loans	69,662	-	69,662	-
Other	51,611	-	51,611	20,740
Internal Balances	2,629	(2,629)	-	-
Due from other agencies and governments	178,708	-	178,708	175,159
Inventories	637	35,758	36,395	16,112
Unbilled Revenues	-	97,648	97,648	-
Deferred purchased power and gas costs	-	104,350	104,350	-
Collateral held in trust for securities on loan	-	66,555	66,555	-
Prepaid expenses	-	-	-	2,891
Restricted assets:				
Cash and cash equivalents	-	-	-	76,067
Investments	-	42,957	42,957	89,035
Receivables				
Accrued interest	-	-	-	759
Special facilities	-	-	-	41,512
Other	-	-	-	15,299
Non-depreciable capital assets	394,735	214,884	609,619	409,469
Depreciable capital assets (net of accumulated depreciation)	893,262	1,691,859	2,585,121	1,724,286
Bond issue costs	-	-	-	3,957
Net Pension asset	561	-	561	-
Other assets	10,133	703,155	713,288	1,488
Total assets	\$ 2,247,336	3,538,579	5,785,915	2,844,556

(Continued)

STATEMENT OF NET ASSETS
(Thousands of Dollars)
June 30, 2012

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

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
LIABILITIES				
Accounts payable and accrued liabilities	\$ 66,666	249,244	315,910	156,223
Accrued interest payable	16,270	-	16,270	-
Contract retainage	24	156	180	-
Insurance claims payable	10,153	-	10,153	13,188
Due to other agencies and governments	6,313	-	6,313	4,602
Refundable bonds and deposits	789	-	789	-
Unearned revenue	545,125	-	545,125	35,330
Collateral subject to return to borrowers	-	66,555	66,555	-
Other post employment benefits	201,805	5,737	207,542	-
Net Pension Obligations	142,125	-	142,125	-
Other liabilities	-	42,674	42,674	-
Noncurrent liabilities:				
Due within one year	147,320	106,050	253,370	26,450
Due in more than one year	1,522,464	888,436	2,410,900	951,459
Total liabilities	2,659,054	1,358,852	4,017,906	1,187,252
NET ASSETS				
Invested in capital assets, net of related debt	131,384	1,755,661	1,887,045	1,699,979
Restricted for:				
Debt service and construction	-	68,846	68,846	-
Capital acquisition	-	-	-	116,332
Contracted grant programs	-	-	-	8,159
Food service	-	-	-	20,392
Self insurance	-	-	-	500
Other	181,192	-	181,192	38,378
Unrestricted:				
Other	(724,294)	355,220	(369,074)	(226,436)
Total net assets	\$ (411,718)	2,179,727	1,768,009	1,657,304

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

STATEMENT OF ACTIVITIES
(Thousands of Dollars)

For the fiscal year ended June 30, 2012

CITY OF MEMPHIS, TENNESSEE
Exhibit A-2

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets			Component Units
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business-Type Activities	Total	
Functions/Programs								
Primary government:								
Governmental Activities:								
General government	\$ 253,138	77,154	26,192	23,639	(126,153)	-	(126,153)	-
Public safety	500,082	7,768	2,934	-	(489,380)	-	(489,380)	-
Community services	118,406	136	34,728	-	(83,542)	-	(83,542)	-
Transportation and environment	87,665	59,745	-	-	(27,920)	-	(27,920)	-
Education	71,452	-	-	-	(71,452)	-	(71,452)	-
Interest on long-term debt	75,075	-	-	-	(75,075)	-	(75,075)	-
Total governmental activities	1,105,818	144,803	63,854	23,639	(873,522)	-	(873,522)	-
Business-type activities:								
Sewer collection and treatment	62,915	104,031	2,509	452	-	44,077	44,077	-
Memphis Light, Gas and Water	1,669,887	1,692,246	28,400	-	-	50,759	50,759	-
Storm water	15,623	23,723	-	276	-	8,376	8,376	-
Total business-type activities	1,748,425	1,820,000	30,909	728	-	103,212	103,212	-
Total primary government	\$ 2,854,243	1,964,803	94,763	24,367	(873,522)	103,212	(770,310)	-
Component units:								
Board of Education	\$ 1,219,111	12,736	695,681	38,858	-	-	-	(471,836)
Memphis Area Transit Authority	70,053	10,683	-	8,353	-	-	-	(51,017)
Memphis Zoological Society	16,352	16,856	378	1,295	-	-	-	2,177
Airport Authority	137,860	110,807	-	49,831	-	-	-	22,778
Total component units	\$ 1,443,376	151,082	696,059	98,337	-	-	-	(497,898)

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

STATEMENT OF ACTIVITIES
(Thousands of Dollars)
For the fiscal year ended June 30, 2012

	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	
General revenues:							
Local taxes:							
Property taxes - levied for education					772	772	-
Property taxes - levied for debt service					91,961	91,961	-
Property taxes - levied for capital projects					358	358	-
Property taxes - levied for general government					269,363	269,363	-
Interest, penalties and commission - property taxes					5,801	5,801	-
Sales tax, general					98,728	98,728	-
Sales tax, beer					15,725	15,725	-
Gross receipts tax					11,544	11,544	-
Franchise tax					6,633	6,633	-
Other local taxes					27,334	27,334	-
State taxes:							
Sales tax					56,933	56,933	-
Income tax					8,821	8,821	-
Beer tax					318	318	-
Alcoholic beverage tax					291	291	-
Gasoline inspection tax					1,327	1,327	-
State professional privilege tax					1,152	1,152	-
State gas motor fuel tax					11,490	11,490	-
Three-cent tax					3,431	3,431	-
One-cent tax					1,849	1,849	-
Hotel/motel tax					4,524	4,524	-
Grants and contributions not restricted to specific programs					-	-	407,000
City of Memphis subsidy					761	41,085	23,082
Investment income					-	-	2,178
Federal grants and entitlements					-	-	13,504
State grants					-	-	8,340
Sale of Capital Assets					8,947	8,947	-
Other					22,405	22,560	6,798
Transfers					67,962	(67,962)	-
Total general revenues and transfers					718,430	690,947	460,902
Change in net assets					(155,092)	(79,363)	(36,996)
Net assets - beginning, as restated					(256,626)	1,847,372	1,694,300
Net assets - ending					(411,718)	1,768,009	1,657,304

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

**BALANCE SHEET
GOVERNMENTAL FUNDS
(Thousands of Dollars)
June 30, 2012**

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

	General	Debt Service	Capital Projects	Community Development	Other Governmental Funds	Total Governmental Funds
ASSETS						
Cash and cash equivalents	\$ 40	-	96	9,839	292	10,267
Investments	-	-	10,944	-	-	10,944
Equity in cash and investment pool	71,234	14,507	-	-	25,589	111,330
Receivables (net of allowance for uncollectibles):						
Property taxes:						
Current property taxes	270,828	84,521	366	-	14,509	370,224
Delinquent property taxes	26,944	8,672	39	-	4,293	39,948
Sales and income taxes	37,203	1,241	-	-	-	38,444
Federal and state grants	6,761	-	2,156	35,578	16,479	60,974
Interest and dividends on investments	35	-	-	504	6	545
Housing rehabilitation loans	-	-	-	69,662	-	69,662
Other	27,041	-	21,029	91	3,449	51,610
Due from other funds	32,663	16,357	-	-	10,117	59,137
Due from other agencies and governments	932	51,967	79,559	-	14,014	146,472
Prepaid Expense	-	10,133	-	-	-	10,133
Total assets	\$ 473,681	187,398	114,189	115,674	88,748	979,690
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable and accrued liabilities	\$ 49,548	188	4,106	1,285	6,948	62,075
Contract retainage	-	-	17	-	7	24
Due to other funds	-	-	35,035	10,170	17,967	63,172
Due to other agencies and governments	1,936	-	-	-	130	2,066
Refundable bonds and deposits	789	-	-	-	-	789
Deferred revenue	325,338	120,460	20,661	104,211	42,173	612,843
Total liabilities	377,611	120,648	59,819	115,666	67,225	740,969
Fund balances:						
Restricted	1,907	34,448	-	8	19,852	56,215
Committed	19,572	32,302	54,370	-	5,809	112,053
Assigned	12,924	-	-	-	-	12,924
Unassigned	61,667	-	-	-	(4,138)	57,529
Total fund balances	96,070	66,750	54,370	8	21,523	238,721
Total liabilities and fund balances	\$ 473,681	187,398	114,189	115,674	88,748	979,690

**RECONCILIATION OF THE BALANCE SHEET TO
THE STATEMENT OF NET ASSETS
(Thousands of Dollars)
June 30, 2012**

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

Total governmental fund balances:	\$ 238,721
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	1,287,895
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	100,763
Net pension assets should be reported as an asset in the government-wide statement of net assets. This is the cumulative amount by which the Library's Pension system has overfunded its pension obligations.	561
Net pension obligations should be reported as a liability in the government-wide statement of net assets. This is the cumulative amount by which the City has underfunded its pension obligations.	(142,125)
Other post employment benefits (OPEB) liabilities should be reported as a liability in the government-wide statement of net assets. This is the cumulative amount by which the City has underfunded its OPEB obligations.	(197,256)
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.	(16,240)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	<u>(1,684,037)</u>
Net assets of governmental activities	<u>\$ (411,718)</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, 2012

	General	Debt Service	Capital Projects	Community Development	Other Governmental Funds	Total Governmental Funds
REVENUES						
Local taxes	\$ 443,745	91,961	358	-	4,697	540,761
State taxes (local share)	55,828	13,014	-	-	16,770	85,612
Hotel/motel tax	-	804	-	-	3,720	4,524
Licenses and permits	10,517	-	-	-	469	10,986
Fines and forfeitures	12,728	-	-	-	4,138	16,866
Charges for services	31,537	-	-	-	59,884	91,421
Investment income	461	71	165	-	28	725
Federal grants and entitlements	1,540	2,273	12,584	26,916	22,859	66,172
State grants	1,622	-	11,055	-	2,744	15,421
Intergovernmental revenues	4,083	2,072	-	-	-	6,155
Other	11,233	3,046	6,028	1	2,268	22,576
Total revenues	573,294	113,241	30,190	26,917	117,577	861,219
EXPENDITURES						
Current:						
General government	121,200	-	-	-	29,162	150,362
Public safety	370,656	-	-	-	2,934	373,590
Community services	63,674	-	-	26,917	8,028	98,619
Transportation and environment	10,145	-	-	-	76,265	86,410
Education	-	-	-	-	72,526	72,526
Capital outlay	-	-	225,201	-	-	225,201
Debt service:						
Redemption of serial bonds and notes	-	36,874	-	-	-	36,874
Interest	-	64,709	-	-	-	64,709
Bond issuance cost	-	378	5,160	-	-	5,538
Service charges	-	218	11	-	-	229
Total expenditures	565,675	102,179	230,372	26,917	188,915	1,114,058
Revenues over (under) expenditures	7,619	11,062	(200,182)	-	(71,338)	(252,839)
OTHER FINANCING SOURCES (USES)						
Sale of capital assets	8,947	-	-	-	-	8,947
Transfers in	66,550	16,929	-	-	78,926	162,405
Transfers out	(78,107)	(5,500)	-	-	(10,836)	(94,443)
Capital Leases	-	-	-	-	8,963	8,963
Issuance of debt	-	-	71,975	-	-	71,975
Issuance of refunding debt	-	85,579	13,161	-	-	98,740
Proceeds from related party debt	-	-	20,397	-	-	20,397
Related party loan	-	26,745	170,191	-	-	196,936
Retirement of general obligation bonds	-	(98,096)	-	-	-	(98,096)
Retirement of bond anticipation notes	-	-	(75,400)	-	-	(75,400)
Premium on debt issue	-	12,830	7,046	-	-	19,876
Total other financing sources (uses)	(2,610)	38,487	207,370	-	77,053	320,300
Net change in fund balances	5,009	49,549	7,188	-	5,715	67,461
Fund balances - beginning of year	91,061	17,201	47,182	8	15,808	171,260
Fund balances - end of year	\$ 96,070	66,750	54,370	8	21,523	238,721

See accompanying notes to financial statements.

**RECONCILIATION OF THE STATEMENT OF REVENUES
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
(Thousands of Dollars)
For the fiscal year ended June 30, 2012**

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

Net change in fund balances - total governmental funds	\$ 67,461
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	109,331
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(5,407)
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.	(199,916)
Changes in general liabilities 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.	(4,577)
Changes in pension and Other post employment benefits (OPEB) liabilities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	(123,881)
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>1,897</u>
Change in net assets of governmental activities	<u>\$ (155,092)</u>

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, 2012

CITY OF MEMPHIS, TENNESSEE
Exhibit A-7

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget- Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Local taxes:				
Property taxes	\$ 279,414	299,414	281,905	(17,509)
Interest, penalties and commission - property taxes	1,370	1,370	5,801	4,431
Receipts in lieu of taxes contractual	13,021	13,021	13,156	135
Sales tax general	99,000	99,000	98,728	(272)
Sales tax beer	15,100	15,100	15,725	625
Alcoholic beverage tax	4,100	4,100	4,504	404
Liquor by the drink tax	2,600	2,600	2,843	243
Gross receipts tax	12,900	12,900	11,544	(1,356)
Excise tax	793	793	155	(638)
Franchise tax	5,516	5,516	6,633	1,117
Other local taxes	2,846	2,846	2,751	(95)
Total local taxes	436,660	456,660	443,745	(12,915)
State taxes (local share):				
Sales tax	46,913	46,913	43,919	(2,994)
Income taxes	6,000	6,000	8,821	2,821
Beer taxes	340	340	318	(22)
Alcoholic beverage tax	271	271	291	20
State professional privilege tax	1,545	1,545	1,152	(393)
Gasoline inspection fees	1,480	1,480	1,327	(153)
Total state taxes (local share)	56,549	56,549	55,828	(721)
Licenses and permits:				
Auto licenses	9,200	9,200	9,457	257
Dog licenses	359	359	439	80
Liquor by the drink licenses	250	250	203	(47)
Other	413	413	418	5
Total licenses and permits	10,222	10,222	10,517	295
Fines and forfeitures:				
City courts	20,418	20,418	12,145	(8,273)
Library	700	700	583	(117)
Total fines and forfeitures	\$ 21,118	21,118	12,728	(8,390)

(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, 2012

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

	Budgeted Amounts		Actual Amounts	Variance with Final Budget-Positive (Negative)
	Original	Final		
Charges for services:				
Building and other inspection fees	\$ 1,095	1,295	526	(769)
Park commission revenues	4,521	4,521	5,433	912
Parking meter revenues	-	795	470	(325)
Ambulance service fees	18,500	18,500	20,131	1,631
Rents	662	662	1,189	527
Tax sale attorney fees	700	700	784	84
Wrecker and storage fees	2,128	2,128	1,655	(473)
Police special events	1,917	1,917	532	(1,385)
Other	2,112	2,112	817	(1,295)
Total charges for services	31,635	32,630	31,537	(1,093)
Investment income:				
Interest on investments	600	600	333	(267)
Other	73	73	128	55
Total investment income	673	673	461	(212)
Federal grants	350	350	1,540	1,190
State grants	1,443	1,495	1,622	127
Intergovernmental revenues	4,602	4,602	4,083	(519)
Other:				
Auctions	1,825	1,825	2,366	541
Property damage reimbursement	100	100	239	139
Property insurance recoveries	-	-	885	885
Local shared revenue	2,325	2,325	1,955	(370)
Miscellaneous	22,595	2,167	5,788	3,621
Total other	26,845	6,417	11,233	4,816
Total revenues	\$ 590,097	590,716	573,294	(17,422)
Other sources and transfers in:				
Sale of capital assets	25	25	8,947	8,922
Transfers in:				
Life Insurance fund	\$ -	194	-	(194)
Solid waste management fund	2,031	2,031	-	(2,031)
Debt service fund	20,000	20,000	5,500	(14,500)
Capital projects fund	-	229	-	(229)
Sewer collection and treatment fund	5,175	5,175	5,945	770
MLG&W fund	54,470	54,470	55,105	635
Total transfers in	81,676	82,099	66,550	(15,549)
Total other sources and transfers in	\$ 81,701	82,124	75,497	(6,627)

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, 2012

CITY OF MEMPHIS, TENNESSEE
Exhibit A-8

	Budgeted Amounts		Actual Amounts	variance with Final Budget- Positive (Negative)
	Original	Final		
EXPENDITURES				
General government:				
Legislative:				
Personnel services	\$ 1,274	1,284	1,296	(12)
Materials and supplies	332	332	222	110
Total legislative	1,606	1,616	1,518	98
Judicial:				
Personnel services	559	559	557	2
Materials and supplies	52	52	27	25
Total judicial	611	611	584	27
Court clerk:				
Personnel services	3,071	3,121	3,063	58
Materials and supplies	1,725	1,725	1,504	221
Capital outlay	8	-	-	-
Total court clerk	4,804	4,846	4,567	279
Executive:				
Personnel services	2,690	2,883	2,883	-
Materials and supplies	2,034	1,884	885	999
Capital outlay	29	-	-	-
Grants and subsidies	1,141	1,141	769	372
Expense reimbursement	-	-	(15)	15
Total executive	5,894	5,908	4,522	1,386
Finance and administration:				
Personnel services	4,639	4,701	4,625	76
Materials and supplies	1,314	1,305	998	307
Capital outlay	-	4	4	-
Expense reimbursement	(852)	(852)	(882)	30
Total finance and administration	\$ 5,101	5,158	4,745	413

(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, 2012

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

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget- Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
City attorney:				
Personnel services	\$ 4,837	4,553	4,333	220
Materials and supplies	12,794	12,590	12,503	87
Expense reimbursement	(4,008)	(3,423)	(2,301)	(1,122)
Total city attorney	13,623	13,720	14,535	(815)
City engineer:				
Personnel services	7,639	7,850	7,301	549
Materials and supplies	2,012	2,241	1,889	352
Capital outlay	31	-	-	-
Expense reimbursement	(5,080)	(5,123)	(3,521)	(1,602)
Total city engineer	4,602	4,968	5,669	(701)
Information systems:				
Personnel services	1,383	1,393	1,281	112
Materials and supplies	18,688	18,687	17,765	922
Capital outlay	8	8	(8)	16
Expense reimbursement	(2,660)	(2,660)	(2,146)	(514)
Total information systems	17,419	17,428	16,892	536
Human resources:				
Personnel services	3,935	4,250	3,778	472
Materials and supplies	3,772	5,026	3,360	1,666
Grants and subsidies	-	423	275	148
Expense reimbursement	(418)	(1,003)	(1,034)	31
Total human resources	7,289	8,696	6,379	2,317
General services:				
Personnel services	8,177	8,270	8,003	267
Materials and supplies	6,469	6,307	5,324	983
Inventory	150	312	311	1
Expense reimbursement	(3,196)	(3,196)	(1,655)	(1,541)
Total general services	11,600	11,693	11,983	(290)
Special appropriations:				
Personnel services	165	167	143	24
Materials and supplies	11	11	(8)	19
Grants and subsidies	69,504	68,867	57,479	11,388
Expense reimbursement	(3,762)	(3,762)	(3,762)	-
Total special appropriations	65,918	65,283	53,852	11,431
Total general government	\$ 138,467	139,927	125,246	14,681

(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, 2012

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

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget-Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Public safety:				
Police:				
Personnel services	\$ 201,844	203,524	199,604	3,920
Materials and supplies	21,775	21,774	21,011	763
Capital outlay	68	83	83	-
Expense reimbursement	(495)	(496)	(595)	99
Total police	<u>223,192</u>	<u>224,885</u>	<u>220,103</u>	<u>4,782</u>
Fire:				
Personnel services	136,961	138,389	136,303	2,086
Materials and supplies	16,307	16,307	15,157	1,150
Capital outlay	653	525	397	128
Expense reimbursement	(200)	(200)	(317)	117
Total fire	<u>153,721</u>	<u>155,021</u>	<u>151,540</u>	<u>3,481</u>
Total public safety	<u>376,913</u>	<u>379,906</u>	<u>371,643</u>	<u>8,263</u>
Community services:				
Parks and recreation:				
Personnel services	14,667	15,169	15,169	-
Materials and supplies	12,206	13,724	13,723	1
Capital outlay	60	50	50	-
Inventory	75	109	109	-
Expense reimbursement	(129)	(129)	-	(129)
Total parks and recreation	<u>26,879</u>	<u>28,923</u>	<u>29,051</u>	<u>(128)</u>
Public Service:				
Personnel services	17,372	17,540	16,354	1,186
Materials and supplies	6,020	6,069	5,265	804
Capital outlay	3	163	122	41
Grants & subsidies	1,140	1,161	1,161	-
Total public service	<u>\$ 24,535</u>	<u>24,933</u>	<u>22,902</u>	<u>2,031</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, 2012

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

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
Community development:				
Personnel services	\$ 267	338	269	69
Materials and supplies	157	157	118	39
Grants and subsidies	6,072	6,038	4,715	1,323
Total community development	6,496	6,533	5,102	1,431
Community enhancement:				
Personnel services	5,642	5,728	5,681	47
Materials and supplies	3,060	2,560	1,933	627
Capital outlay	276	190	-	190
Expense reimbursement	(2,261)	(2,261)	(1,924)	(337)
Total community enhancement	6,717	6,217	5,690	527
Total community services	64,627	66,606	62,745	3,861
Transportation and environment:				
Public works:				
Personnel services	6,390	6,535	6,535	-
Materials and supplies	19,428	19,373	18,462	911
Capital outlay	2	-	-	-
Expense reimbursement	(14,925)	(14,925)	(14,398)	(527)
Total public works	10,895	10,983	10,599	384
Total transportation and environment	10,895	10,983	10,599	384
Total expenditures	\$ 590,902	597,422	570,233	27,189
Other use - transfers out (primary):				
Miscellaneous grants fund	\$ 33	159	-	159
Community redevelopment fund	2,103	2,310	2,310	-
Education fund	55,204	74,237	71,755	2,482
Debt service fund	4,043	4,043	4,042	1
Capital projects fund	-	4,793	-	4,793
Storm water fund	233	233	-	233
Unemployment compensation fund	400	400	-	400
Total transfers out	62,016	86,175	78,107	8,068
Total other uses	\$ 62,016	86,175	78,107	8,068

**STATEMENT OF NET ASSETS
PRORIETARY FUNDS
(Thousands of Dollars)
June 30, 2012**

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

	Business Type Activities - Enterprise Funds						Governmental Activities- Internal Service Funds
	Major Funds					Total	
	Sewer Col- lection and Treatment	MLGW Electric Division	MLGW Gas Division	MLGW Water Division	Non - Major Fund		
ASSETS							
Current assets:							
Cash and cash equivalents	\$ 1	89,780	62,551	7,105	1	159,438	1
Investments	23,028	75,288	50,797	5,966	-	155,079	-
Equity in cash and investment pool	55,306	-	-	-	-	55,306	2,691
Restricted funds - current	-	28,703	6,111	8,152	-	42,966	-
Receivables:							
Notes and accounts	11,579	93,494	49,318	14,740	2,039	171,170	30
Interest on investments	46	-	-	-	-	46	-
Federal and state grants	-	-	-	-	37	37	-
Due from other funds	4,000	-	-	-	593	4,593	15,623
Due from other agencies	-	-	-	-	-	-	(264)
Unbilled revenues	-	67,979	25,935	3,734	-	97,648	-
Prepaid power cost	-	104,350	-	-	-	104,350	-
Inventories of materials and supplies	-	17,814	15,889	2,055	-	35,758	637
Collateral held in trust for securities on loan	-	37,677	23,474	5,404	-	66,555	-
Other current assets	-	414	8,065	1,039	-	9,518	-
Total current assets	93,960	515,499	242,140	48,195	2,670	902,464	18,718
Non-current assets:							
Restricted assets:							
Investments, less current portion	-	26,208	7,210	9,539	-	42,957	-
Total restricted assets	-	26,208	7,210	9,539	-	42,957	-
Capital assets:							
Land	13,692	-	-	-	37	13,729	-
Buildings	106,102	-	-	-	-	106,102	-
Utility plant	-	1,550,338	570,333	451,680	-	2,572,351	-
Improvements other than buildings	529,984	-	-	-	40,298	570,282	-
Machinery and equipment	27,411	-	-	-	10,010	37,421	3,285
Less accumulated depreciation and amortization	(366,313)	(602,179)	(264,078)	(196,469)	(16,548)	(1,445,587)	(3,183)
Total capital assets	310,876	948,159	306,255	255,211	33,797	1,854,298	102
Construction in progress	28,065	-	-	-	24,380	52,445	-
Net capital assets	338,941	948,159	306,255	255,211	58,177	1,906,743	102
Other noncurrent assets:							
Notes receivable	-	-	4,917	1,470	-	6,387	-
Prepaid power cost - long term	-	680,894	-	-	-	680,894	-
Prepayments In Lieu of Taxes	-	1,872	43	-	-	1,915	-
Unamortized debt expense	-	3,192	-	-	-	3,192	-
Other assets	-	717	320	212	-	1,249	-
Total other noncurrent assets	-	686,675	5,280	1,682	-	693,637	-
Total noncurrent assets	338,941	1,661,042	318,745	266,432	58,177	2,643,337	102
Total assets	\$ 432,901	2,176,541	560,885	314,627	60,847	3,545,801	18,820

**STATEMENT OF NET ASSETS
PRORIETARY FUNDS
(Thousands of Dollars)
June 30, 2012**

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

Business Type Activities - Enterprise Funds							
Major Funds							Governmental Activities- Internal Service Funds
Sewer Col- lection and Treatment	MLGW Electric Division	MLGW Gas Division	MLGW Water Division	Non - Major Fund	Total		
LIABILITIES							
Current liabilities:							
Accounts payable and accrued expenses	\$ 2,312	120,816	22,271	-	812	146,211	3,341
Bonds and notes payable	-	87,257	-	-	-	87,257	-
Accrued liabilities	1,953	48,415	39,338	13,327	-	103,033	-
Derivative financial instruments	-	-	2,366	-	-	2,366	-
Payables due from restricted assets	-	28,703	5,162	6,390	-	40,255	-
Insurance claims payable	-	-	-	-	-	-	10,153
Contract retainage	156	-	-	-	-	156	-
Due to other funds	-	-	-	-	11,444	11,444	4,736
Deferred revenue	53	-	-	-	-	53	6,042
Current installment of revenue							
bonds payable	10,480	-	-	-	-	10,480	-
Collateral subject to return to borrowers	-	37,677	23,474	5,404	-	66,555	-
Other post employment benefits	1,938	-	-	-	3,799	5,737	4,549
Vacation, sick and other leave benefits	3,210	-	-	-	1,421	4,631	2,017
Total current liabilities paid from current assets	20,102	322,868	92,611	25,121	17,476	478,178	30,838
Long-term (net of current maturities):							
Revenue bonds payable	135,095	701,531	-	-	-	836,626	-
State loans payable	3,881	-	-	-	-	3,881	-
Customer common deposits	-	18,537	3,630	638	-	22,805	-
Other	773	16,675	4,436	6,922	-	28,806	-
Total long-term liabilities	139,749	736,743	8,066	7,560	-	892,118	-
Total liabilities	159,851	1,059,611	100,677	32,681	17,476	1,370,296	30,838
NET ASSETS (DEFICIT)							
Invested in capital assets, net of related debt	189,485	948,159	306,255	253,585	58,177	1,755,661	102
Restricted for debt service and construction	36,354	16,206	5,623	10,663	-	68,846	-
Unrestricted (deficit)	47,211	152,565	148,330	17,698	(14,806)	350,998	(12,120)
TOTAL NET ASSETS (DEFICIT)	\$ 273,050	1,116,930	460,208	281,946	43,371	2,175,505	(12,018)
Adjustment to reflect the consolidation of internal service funds related to enterprise funds						<u>4,222</u>	
Net assets of business-type activities						<u>\$ 2,179,727</u>	

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, 2012**

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

	Business Type Activities - Enterprise Funds						Governmental Activities- Internal Service Funds
	Major Funds					Total	
	Sewer Col- lection and Treatment	MLGW Electric Division	MLGW Gas Division	MLGW Water Division	Non - Major Fund		
Charges for services	\$ 104,031	1,319,030	286,834	86,382	23,729	1,820,006	101,909
Operating revenues	104,031	1,319,030	286,834	86,382	23,729	1,820,006	101,909
Operating expenses other than depreciation and amortization:							
Personnel services	18,080	-	-	-	9,252	27,332	10,745
Materials, supplies, services, and other	24,164	-	-	-	3,712	27,876	6,865
Capital outlay	-	-	-	-	33	33	(31)
Purchased power and gas for resale	-	1,073,538	168,189	-	-	1,241,727	-
Production	-	-	-	16,791	-	16,791	-
Operation	-	127,604	69,399	46,585	-	243,588	-
Maintenance	-	45,708	13,017	8,653	-	67,378	-
In Lieu of Taxes	-	680	207	-	-	887	-
Inventories	-	-	-	-	-	-	20,083
Claims incurred	-	-	-	-	-	-	63,107
Total operating expenses other than depreciation and amortization	42,244	1,247,530	250,812	72,029	12,997	1,625,612	100,769
Operating income before depreciation and amortization	61,787	71,500	36,022	14,353	10,732	194,394	1,140
Depreciation and amortization: On assets acquired with own funds	13,756	43,833	12,709	11,274	2,626	84,198	111
Total depreciation	13,756	43,833	12,709	11,274	2,626	84,198	111
Operating income	48,031	27,667	23,313	3,079	8,106	110,196	1,029
Non-operating revenues:							
Transmission credits	-	28,400	-	-	-	28,400	-
Investment income	241	38,003	1,575	505	-	40,324	36
Federal grants	2,509	-	-	-	-	2,509	-
ERRP revenue	-	-	-	-	-	-	1,573
Other	129	-	-	-	20	149	-
Total non-operating revenues	2,879	66,403	1,575	505	20	71,382	1,609
Non-operating expenses:							
Interest on bonded indebtedness	6,814	31,405	197	98	-	38,514	-
Interest on state loan	101	-	-	-	-	101	-
Loss on disposal of asset	-	-	-	-	-	-	231
Total non-operating expenses	6,915	31,405	197	98	-	38,615	231
Income (loss) before capital contributions and transfers	43,995	62,665	24,691	3,486	8,126	142,963	2,407
Transfers in	-	-	-	-	-	-	-
Transfers out	(5,945)	(39,439)	(15,666)	(2,500)	(4,412)	(67,962)	(492)
Capital contributions	452	-	-	-	276	728	-
Change in net assets (deficit)	38,502	23,226	9,025	986	3,990	75,729	1,915
Total net assets (deficit) - beginning of year, as restated	234,548	1,093,704	451,183	280,960	39,381		(13,933)
Total net assets (deficit) - end of year	\$ 273,050	1,116,930	460,208	281,946	43,371		(12,018)
Adjustment to reflect the consolidation of internal service funds related to enterprise funds						18	
Change in net assets of business-type activities						\$ 75,747	

See accompanying notes to financial statements.

**STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS
 (Thousands of Dollars)
 For the fiscal year ended June 30, 2012**

	Sewer Col- lection and Treatment	MLGW Electric Division	MLGW Gas Division	MLGW Water Division	Non-Major Funds	Total	Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES:							
Receipts from customers and users	\$ 102,694	1,317,033	286,350	79,666	23,677	1,809,420	127
Receipts from other division funds	-	-	-	-	-	-	22,892
Receipts from other agency funds	-	-	-	-	-	-	261
Employee contributions	-	-	-	-	-	-	16,483
Employer contributions	-	-	-	-	-	-	51,370
Payments to suppliers	(24,810)	(945,393)	(205,284)	(23,045)	(4,067)	(1,202,599)	(7,892)
Payments to employees	(22,233)	(119,696)	(59,915)	(43,626)	(8,152)	(253,622)	(10,126)
Payments from other division funds	4,915	(86)	3,132	1,465	-	9,426	1,704
Payments for taxes	-	(987)	(809)	-	-	(1,796)	-
Payments for inventory	-	-	-	-	-	-	(20,163)
Payments for claims incurred	-	-	-	-	-	-	(61,227)
Net cash provided (used) by operating activities	60,566	250,871	23,474	14,460	11,458	360,829	(6,571)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:							
Transfers to City	-	(39,439)	(15,666)	(2,500)	-	(57,605)	-
Receipt of miscellaneous revenue	129	-	-	-	-	129	-
Principal payments on long-term debt	-	(90,420)	-	-	-	(90,420)	-
Interest expense on bonds	-	(41,199)	-	-	-	(41,199)	-
Interest expense on notes payable	-	-	(197)	-	-	(197)	-
Repayment of advances from other funds	(4,612)	-	-	-	1,662	(2,950)	-
Transfers to other funds	(5,945)	-	-	-	(4,412)	(10,357)	(492)
Other Revenue	-	-	-	-	-	-	1,573
Net cash (used) provided by noncapital financing activities	(10,428)	(171,058)	(15,863)	(2,500)	(2,750)	(202,599)	1,081
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:							
Bond issue costs	19	-	-	-	-	19	-
Loss on disposal of capital asset	-	-	-	-	-	-	(230)
Acquisition and construction of capital assets	(25,799)	(73,511)	(20,173)	(14,045)	(8,984)	(142,512)	189
Contributions in aid of construction	-	10,817	406	1,736	-	12,959	-
Receipts from state grants	-	-	-	-	276	276	-
Receipts from federal grants	2,509	-	-	-	-	2,509	-
Principal payments on capital debt	(9,965)	-	-	-	-	(9,965)	-
Interest payments on capital debt	(6,958)	-	-	(43)	-	(7,001)	-
Capital contributions	452	-	-	-	-	452	-
Net cash used by capital and related financing activities	(39,742)	(62,694)	(19,767)	(12,352)	(8,708)	(143,263)	(41)
CASH FLOWS FROM INVESTING ACTIVITIES:							
Sales and maturities of investments	20,981	83,602	3,478	1,984	-	110,045	-
Purchase of investments	(1,399)	(96,437)	(4,013)	(1,751)	-	(103,600)	-
Payments received on notes receivable	-	-	1,712	-	-	1,712	-
Issuance of notes receivable	-	-	-	(18)	-	(18)	-
Investment income earned on investments	246	1,496	610	191	-	2,543	39
Net cash provided (used) by investing activities	19,828	(11,339)	1,787	406	-	10,682	39
Net increase (decrease) in cash and cash equivalents	30,224	5,780	(10,369)	14	-	25,649	(5,492)
Cash and cash equivalents, beginning of year	25,083	128,593	83,357	19,522	1	256,556	8,184
Cash and cash equivalents, end of year	\$ 55,307	134,373	72,988	19,536	1	282,205	2,692
Reconciliation of operating income to net cash provided (used) by operating activities							
Operating income	48,031	27,667	23,313	3,079	8,106	110,196	1,029
Adjustments to reconcile operating income to net cash provided by operating activities:							
Depreciation expense	13,756	43,936	13,199	11,427	2,626	84,944	111
Transmission credits	-	28,400	-	-	-	28,400	-
Prepay power credits	-	31,404	-	-	-	31,404	-
Other income	-	5,103	100	314	-	5,517	-
(Increase) decrease in assets:							
Accounts receivable	3,521	17,200	4,412	1,008	(52)	26,089	(10,374)
Unbilled revenues	-	(5,173)	15,934	(1,289)	-	9,472	-
Prepaid power cost	-	100,504	-	-	-	100,504	-
Prepayments - in lieu of taxes	-	33	1	-	-	34	-
Deferred purchased power and gas cost	-	-	433	-	-	433	-
Inventories	-	500	1,281	(145)	-	1,636	(80)
Other assets	-	1,515	(384)	(631)	-	500	-
(Increase) decrease in liabilities:							
Accounts payable	(1,097)	(1,130)	(15,628)	-	-	(17,855)	-
Other accounts payable and accrued expenses	(3,645)	1,620	(18,242)	608	778	(18,881)	2,743
Customer deposits	-	284	(553)	8	-	(261)	-
Insurance reserves	-	(330)	(865)	(183)	-	(1,378)	-
Medical benefit accrual	-	594	266	176	-	1,036	-
Other	-	(1,256)	207	88	-	(961)	-
Total adjustments	12,535	223,204	161	11,381	3,352	250,633	(7,600)
Net cash provided (used) by operating activities	\$ 60,566	250,871	23,474	14,460	11,458	360,829	(6,571)
Reconciliation of cash and cash equivalents per statements of cash flows to the balance sheets:							
Restricted funds	\$ -	54,911	13,321	17,691	-	85,923	-
Less investments included in restricted funds	-	(10,318)	(2,884)	(5,260)	-	(18,462)	-
Cash and cash equivalents included in restricted funds	-	44,593	10,437	12,431	-	67,461	-
Current assets - cash and cash equivalents	1	89,780	62,551	7,105	1	159,438	1
Current assets - equity in cash and investment pool	55,306	-	-	-	-	55,306	2,691
Total cash and cash equivalents	\$ 55,307	134,373	72,988	19,536	1	282,205	2,692

During the year, the Sewer Fund received \$451 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, 2012

CITY OF MEMPHIS, TENNESSEE
Exhibit A-12

	Pension and OPEB Trust Funds	Sold Property Tax Receivable Agency Fund
ASSETS		
Cash and cash equivalents	\$ 121,805	-
Investments, at fair value:		
U.S. government securities - long-term	134,930	-
Common stock - domestic	979,885	-
Common stock - foreign	239,247	-
Preferred stock - domestic	18,637	-
Preferred stock - foreign	1,534	-
Corporate bonds - domestic	469,581	-
Corporate bonds - foreign	65,379	-
Mutual funds and money market funds	142,415	-
Investment in corporate bond mutual funds	33,453	-
Collateralized mortgage obligations	37,389	-
Asset-backed pooled securities	1,898	-
Mortgage-backed pooled securities	174,019	-
Investments in index funds	292,080	-
Investment in real estate	301,326	-
Investment in high yield bond fund	10,486	-
Investment in private equities	1,352	-
Investment in international equity fund	232,250	-
Investment in international bond fund	32,958	-
Distressed debt funds - domestic	8,401	-
Distressed debt funds - foreign	5,515	-
Total investments	<u>3,182,735</u>	<u>-</u>
Equity in cash and investment pool	9,366	1,430
Interest and dividend receivables	12,137	-
Receivable for securities sold	105,790	-
Property tax receivable - current	-	7,655
Property tax receivable - delinquent	-	3,352
Due from other funds	484	-
Due from other agencies and governments	162	-
Employer and employee contributions receivable	1,305	-
Collateral held in trust for securities on loan	<u>155,947</u>	<u>-</u>
Total assets	<u><u>3,589,731</u></u>	<u><u>12,437</u></u>
LIABILITIES		
Accounts payable and other liabilities	330,915	1,430
Due to other funds	484	-
Deferred revenue	<u>-</u>	<u>11,007</u>
Total liabilities	<u><u>331,399</u></u>	<u><u>12,437</u></u>
NET ASSETS		
Held in trust for pension benefits, pool participants, and OPEB	<u><u>\$ 3,258,332</u></u>	

**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
(Thousands of Dollars)
For the fiscal year ended June 30, 2012**

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

	Pension and OPEB Trust Funds
ADDITIONS	
Contributions:	
Employer	\$ 122,150
ERRP revenue	3,671
Medicare Part D	2,012
Plan members	52,671
Total contributions	<u>180,504</u>
Transfer from other fund	492
Investment income:	
Interest and dividend income	86,490
Securities lending income	464
Other investment income	1,266
Gain on real estate investments	3,189
Net (depreciation)/appreciation in the fair value of investments	<u>(614)</u>
Total investment income	<u>90,795</u>
Total Additions	<u>271,791</u>
DEDUCTIONS	
Benefits	302,120
Administrative expenses	18,497
Refunds of contributions	<u>13,015</u>
Total Deductions	<u>333,632</u>
Net (decrease)/increase	(61,841)
Net assets - beginning of year, as restated	<u>3,320,173</u>
Net assets - end of year	<u>\$ 3,258,332</u>

See accompanying notes to financial statements.

**COMBINING STATEMENT OF NET ASSETS
COMPONENT UNITS
(Thousands of Dollars)
June 30, 2012**

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

	Board of Education	Memphis Area Transit Authority	Airport Authority	Memphis Zoological Society	Total
ASSETS					
Current unrestricted assets:					
Cash and cash equivalents	\$ 182,054	2,075	27,360	8,608	220,097
Investments	30,157	-	5,534	6,398	42,089
Receivables:					
Federal and state grants	-	5,240	116	-	5,356
Accrued interest	-	-	16	-	16
Accounts	-	-	9,271	-	9,271
Other	8,715	222	-	2,752	11,689
Due from other agencies and governments	174,995	-	-	165	175,160
Inventories of materials and supplies	11,529	2,224	1,863	496	16,112
Prepaid expenses	15	162	2,715	-	2,892
Total current unrestricted assets	407,465	9,923	46,875	18,419	482,682
Current restricted assets:					
Cash and cash equivalents	-	-	76,067	-	76,067
Investments	-	496	50,777	-	51,273
Receivables:					
Federal and state grants	-	-	15,299	-	15,299
Accrued interest	-	-	759	-	759
Total current restricted assets	-	496	142,902	-	143,398
Total current assets	407,465	10,419	189,777	18,419	626,080
Non-current restricted assets:					
Investments	-	-	37,762	-	37,762
Receivables:					
Special facilities rent	-	-	41,512	-	41,512
Total non-current restricted assets	-	-	79,274	-	79,274
Capital Assets:					
Land	35,058	2,731	160,780	-	198,569
Buildings	1,353,531	151,606	374,856	-	1,879,993
Improvements other than buildings	-	-	924,281	-	924,281
Machinery, buses and equipment	187,540	90,678	97,273	99	375,590
Less accumulated depreciation and amortization	(621,218)	(128,073)	(706,256)	(31)	(1,455,578)
Total capital assets, net	954,911	116,942	850,934	68	1,922,855
Construction in progress	52,011	28,503	130,386	-	210,900
Net capital assets	1,006,922	145,445	981,320	68	2,133,755
Bond issue costs	-	-	3,957	-	3,957
Other assets	-	711	-	777	1,488
Total assets	\$ 1,414,387	156,575	1,254,328	19,264	2,844,554

**COMBINING STATEMENT OF NET ASSETS
COMPONENT UNITS
(Thousands of Dollars)
June 30, 2012**

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

	Board of Education	Memphis Area Transit Authority	Airport Authority	Memphis Zoological Society	Total
LIABILITIES					
Current:					
Notes and accounts payable	\$ 92,102	2,371	14,851	461	109,785
Due to other agencies and governments	547	-	-	-	547
Accrued liabilities	2,972	5,846	14,554	670	24,042
Insurance claims payable	13,188	-	-	-	13,188
Deferred revenue	33,292	282	-	1,756	35,330
Current installment of revenue bonds payable	-	-	26,450	-	26,450
Total current liabilities	142,101	8,499	55,855	2,887	209,342
Long-term (net of current maturities):					
Other post employment benefits	428,665	11,300	-	-	439,965
General obligation bonds payable	-	-	-	-	-
Revenue bonds payable	-	-	455,983	-	455,983
Due to other agencies and governments	2,407	-	-	-	2,407
Deferred lease revenue	-	-	71,747	-	71,747
Other long term obligations	6,413	-	1,394	-	7,807
Total long-term liabilities	437,485	11,300	529,124	-	977,909
Total liabilities	579,586	19,799	584,979	2,887	1,187,251
NET ASSETS					
Invested in capital assets, net of related debt	1,004,516	145,432	550,032	68	1,700,048
Restricted for:					
Capital acquisition	22,875	-	93,457	5,184	121,516
Contracted grant programs	8,159	-	-	-	8,159
Food service	20,392	-	-	-	20,392
Self insurance	-	500	-	-	500
Education	27,751	-	-	-	27,751
Other	-	-	-	5,443	5,443
Unrestricted	(248,891)	(9,156)	25,860	5,683	(226,504)
TOTAL NET ASSETS	\$ 834,802	136,776	669,349	16,378	1,657,305

See accompanying notes to financial statements.

**COMBINING STATEMENT OF ACTIVITIES
 COMPONENT UNITS
 (Thousands of Dollars)
 For the fiscal year ended June 30, 2012**

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

Functions/Programs Component units:	Program Revenues			Net (Expense) Revenue and Changes in Net Assets					
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Board of Education	Memphis Area Transit Authority	Airport Authority	Memphis Zoological Society	Total
Board of Education	\$ 1,219,111	12,736	695,681	38,858	(471,836)	-	-	-	(471,836)
Memphis Area Transit Authority	70,053	10,683	-	8,353	-	(51,017)	-	-	(51,017)
Memphis Zoological Society	16,352	16,856	378	1,295	-	-	-	2,177	2,177
Airport Authority	137,860	110,807	-	49,831	-	-	22,778	-	22,778
Total component units	\$ 1,443,376	151,082	696,059	98,337	(471,836)	(51,017)	22,778	2,177	(497,898)
General revenues:									
Grants and contributions not restricted to specific programs									
City of Memphis subsidy					406,884	-	116	-	407,000
Investment income (loss)					-	23,082	-	-	23,082
Federal grants and entitlements					241	-	2,261	(324)	2,178
State grants					-	13,504	-	-	13,504
Other					-	8,340	-	-	8,340
Total general revenues and special items					407,125	45,086	6,539	99	460,902
Changes in net assets					(64,711)	(5,931)	31,694	1,952	(36,996)
Net assets - beginning					899,512	142,708	637,655	14,425	1,694,300
Net assets - ending					\$ 834,801	136,777	669,349	16,377	1,657,304

(This page left blank intentionally.)

Note	Page
I. Summary of Significant Accounting Policies	
A. Reporting entity	60
B. Government-wide and fund financial statements.....	62
C. Measurement focus, basis of accounting, and financial statement presentation.....	63
D. Assets, liabilities, and net assets or equity	65
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.....	69
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.....	69
III. Stewardship, Compliance, and Accountability	
A. Budgetary information.....	70
B. Excess of expenditures over appropriations.....	71
C. Deficit fund equity	71
IV. Detailed Notes on all Funds	
A. Deposits and investments.....	72
B. Receivables	82
C. Property taxes.....	82
D. Capital assets.....	83
E. Interfund receivables, payables, and transfers.....	89
F. Leases.....	90
G. Long-term debt	91
H. Restricted assets	95
I. Fund Balances by Purpose	96
V. Other Information	
A. Risk management.....	96
B. Subsequent events	97
C. Contingent liabilities and commitments	97
D. Joint ventures	98
E. Other postemployment benefits	100
F. Pension and retirement plans	110
G. Component units	121

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting entity

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

Fiscal Year-End

Memphis Light, Gas and Water (MLGW), a division of the primary government, has a fiscal year-end of December 31. Thus, the amounts and disclosures for the MLGW Enterprise Fund, the MLGW Other Post Employment Benefits Trust Fund and the MLGW Retirement System Fund are as of December 31, 2011. 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. In February 2011 the City Council passed a resolution accepting the BOE's surrender of the Memphis City Schools Charter. Furthermore, in March 2011, the citizens of Memphis voted to surrender the Memphis City Schools charter. These actions transferred administrative control of the city schools to Shelby County Government. However, in accordance with State of Tennessee Statue the merger will not be completed until fiscal year 2013. Until the merger is completed the City remains responsible for partial funding of Memphis City Schools.

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

Memphis-Shelby County Airport Authority (MSCAA) - MSCAA was established by City resolution on September 30, 1969. The City Mayor has the right to appoint six of seven Board members (seven year terms) of MSCAA. MSCAA's Board selects management staff, sets user charges, establishes budgets and controls all aspects of general aviation, airport

management and development. However, the City has issued general obligation bonds on behalf of MSCAA and is contingently liable for such. The debt service for City bonds issued on behalf of MSCAA is funded by MSCAA's revenues. MSCAA's fiscal year-end is June 30.

Memphis Zoological Society (MZS) – MZS was created as a not-for-profit in April 1951 by Charter to manage and support the Memphis Zoo and Aquarium in its efforts to preserve wildlife through education, conservation and research. All land, buildings, exhibits and other physical assets used by the society are the property of the City of Memphis. MZS operates on a 52-53 week fiscal year ending on the last Sunday in the month of June. The year ended June 24, 2012, contained 52 weeks.

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

BOE	MATA	MSCAA	MZS
2597 Avery Avenue Memphis, TN 38112 (901) 416-5300	1370 Levee Road Memphis, TN 38108 (901) 722-7162	2491 Winchester Rd., Ste. 113 Memphis, TN 38116 (901) 922-8000	2000 Prentiss Place Memphis, TN 38112 (901) 333-6500

Related Organization

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

Joint Ventures

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

- Memphis and Shelby County Port Commission
- New Memphis Arena Public Building Authority of Memphis and Shelby County, Tennessee
- Memphis and Shelby County Community Redevelopment Agency
- Sports Authority of Memphis and Shelby County Incorporated

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 Downtown Memphis Development 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 downtown area which are remitted annually to the Commission for such activities. Prior to July 1, 2011, the Commission's official name was the Center City Commission.

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

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

Economic Growth Development Engine Industrial Development Board (EDGE) - In January 2011, Shelby County Commissioners and the Memphis City Council approved a resolution establishing the authorization and formation of the Economic Growth Development Engine Industrial Development Board of the City of Memphis and County of Shelby, TN (“EDGE”). The resolution approved and directed the Industrial Development Board (IDB), the Depot Redevelopment Corporation of Memphis and Shelby County and the Memphis and Shelby County Port Commission to take all actions appropriate to effectuate coordination and consolidate operations where possible within EDGE. EDGE operates as a nonprofit corporation for the purpose of acting as the leading and coordinating entity of Memphis and Shelby County, Tennessee, for all economic, developmental, and growth initiatives among other development organizations.

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. A resolution approving and directing the IDB to consolidate within the Economic Growth Development Industrial Development Board (EDGE) was passed in January 2011 by the Memphis City Council and Shelby County Commission.

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. A resolution approving and directing the Depot Redevelopment Corporation to consolidate within the Economic Growth Development Industrial Development Board (EDGE) was passed in January 2011 by the Memphis City Council and Shelby County Commission.

B. Government-wide and fund financial statements

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

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

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary and agency 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.

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.

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.

The City reports the following major proprietary funds:

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

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

Additionally, the City reports the following fund types:

Internal Service Funds – The City's Internal Service Funds account for the financing of goods or services provided by

one department to other departments or agencies of the City on a cost reimbursement basis. The City reports the following Internal Service Funds:

Health Insurance Internal Service Fund

Unemployment Compensation Internal Service Fund

Fleet Management Internal Service Fund

Fiduciary Funds – The City’s Fiduciary Funds account for the activities of the following pension and other post-employment benefit plans, which accumulate resources for payments to qualified participants and investments held for external organizations. Fiduciary funds include the City’s Agency Fund which accounts for the assets and the related liability held by the City for purchasers of the City’s delinquent property tax receivables. The City reports the following fiduciary funds:

City Retirement System Fund

Library Retirement System Fund

City Other Postemployment Benefits Trust Fund

Memphis Light, Gas and Water Retirement System Fund

Memphis Light Gas and Water Other Postemployment Benefits Trust Fund

Sold Property Tax Receivable Agency Fund

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

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

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

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

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

D. Assets, liabilities, and net assets or equity

Cash and cash equivalents and investments

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

Property taxes receivable

Property taxes are recorded as receivables when levied, net of estimated uncollectibles. The receivables collected during the current fiscal year and those collected by August 31, 2012, related to tax levies for fiscal year 2012 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, 2012, are recorded as deferred revenue at June 30, 2012.

Interfund receivables and payables

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

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

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

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

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

Inventories and prepaid expenses

Inventories in the Proprietary Funds are stated at cost determined principally by the first-in/first-out (FIFO) method. General Fund inventories are recorded as expenditures when purchased, and there were no significant inventories on hand at June 30, 2012. All other inventories are recorded as expenditures when consumed rather than when purchased (Consumption Method).

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

Capital assets

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

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. The total interest expense incurred by the Sewer Fund during the current fiscal year was \$6,915. Of this amount, none was included as part of the cost of capital assets constructed with bond proceeds.

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

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

Compensated absences

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

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

Deferred Compensation Plan

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

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

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

Long-term obligations

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

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

Use of estimates

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

Fund equity - Net Assets

Fund equity is generally the difference between assets and liabilities. Government-wide and proprietary fund statements report fund equity as net assets. Fund equity for governmental fund statements are reported as fund balance (see Note IV (I)).

Government-wide and proprietary funds' net assets are classified into three components. "Invested in capital assets, net of related debt" consists of capital assets net of accumulated depreciation and reduced by outstanding debt used to finance purchase or construction of those assets. "Restricted" net assets are noncapital net assets that must be used for a particular purpose as specified creditors, grantors, or contributors external to the City. "Unrestricted" net assets are remaining net assets that do not meet the definition of the other two categories.

The City of Memphis implemented Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* during fiscal year 2011. The statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds.

The Statement provides that fund balance be reported and classified in the following manner based on the relative strength of the constraints that control how specific amounts can be spent:

Non-spendable Fund balance includes amounts that cannot be spent because they are either (a) not in spendable form (e.g. inventories, prepaids) or (b) legally or contractually required to remain intact (e.g. endowments).

Restricted Fund balance includes amounts constrained for a specific purpose by external parties, constitutional provision, or enabling legislation. (e.g. State and Federal Grant Funds). Effectively, restrictions may only be changed or lifted with the consent of the resource provider.

Committed Fund balance includes amounts formally constrained for a specific purpose by a government using its highest level of decision making authority. The commitment of these funds can only be changed by the government taking the same formal action that imposed the constraint originally. As such, the City Council, the highest level of decision making authority for the City of Memphis, can adopt an ordinance prior to the end of the fiscal year to commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until an adoption of another ordinance to remove or revise the limitation is passed.

Assigned Fund balance includes amounts a government intends to use for a particular purpose. Intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority. The City of Memphis' Finance Director was delegated the authority by a City Council resolution to assign fund balance upon the Mayor's approval. With the exception of the General Fund, this is the residual fund balance of the classification of all government funds with positive balances.

Unassigned Fund balance represents general fund amounts not classified elsewhere.

City Council, the City's highest level of decision making authority, passed a resolution establishing fund balance policies as required by GASB 54. The policies stipulate that (1) when it is appropriate for fund balance to be assigned, the authority to do so has been delegated to the Director of Finance upon approval of the Mayor, (2) in circumstances where an expenditure is to be made for a purpose for which amounts are available in multiple fund balance classifications, the order in which resources will be expended is as follows: restricted fund balance, followed by committed fund balance, assigned fund balance, and lastly, unassigned fund balance and (3) the city shall strive to maintain a yearly fund balance in the general operating fund in which the unassigned fund balance is ten (10) percent of the total operating expenditures.

Reclassification of Funds and Restatement of Fund Balance/Net Assets

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

	<u>Sewer Collection and Treatment</u>
Net assets at June 30, 2011	\$ 234,708
Reduction of prior period revenue	<u>(160)</u>
Restated net assets at June 30, 2012	<u>\$ 234,548</u>

	<u>Fleet Maintenance Fund</u>
Net assets at June 30, 2011	\$ (9,058)
Reduction of prior period revenue	<u>(143)</u>
Restated net assets at June 30, 2012	<u>\$ (9,201)</u>

	<u>City Retirement System Fund</u>
Net assets (deficit) at June 30, 2011	\$ 1,986,445
Recognition of prior period expense	<u>23</u>
Restated net assets (deficit) at June 30, 2012	<u>\$ 1,986,468</u>

Prior year fund balance for the following internal service fund has been adjusted as stated below:

	<u>Printing and Mail</u>
Net assets at June 30, 2011	\$ 83
Printing and Mail fund reclassification to General Fund	22
Transfer of capital assets to Governmental activities	<u>(105)</u>
Restated net assets at June 30, 2011	<u>\$ -</u>

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

The governmental fund balance sheet includes a reconciliation between fund balance – total governmental funds and net assets – governmental activities as reported in the government-wide statement of net assets. One element of that reconciliation explains that “long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.” The details of the \$1,684,037 difference are as follows:

Bonds payable	\$ 1,157,802
Bond anticipation notes payable	71,975
Unamortized loan costs	45,166
Capital lease obligations	11,286
Related party loan	196,935
Related party loan premium	2,010
Related party debt obligation	20,115
Accrued interest payable	16,270
Claims and judgments liability	79,106
Compensated absences	<u>83,372</u>
Net adjustment to reduce-fund balance-total governmental funds to arrive at net assets-governmental activities	<u>\$ 1,684,037</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 \$109,331 difference are as follows:

Capital outlay	\$ 225,201
Depreciation expense	<u>(115,870)</u>
Net adjustment to increase net changes in fund balances-total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ 109,331</u>

NOTES TO FINANCIAL STATEMENTS
(Thousands of Dollars)
For the fiscal year ended June 30, 2012

CITY OF MEMPHIS, TENNESSEE
(Continued)

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 (199,916) difference are as follows:

Debt issued or incurred:	
Issuance of general obligation bonds	\$ (71,975)
Capital lease	(8,963)
Proceeds from refunded debt	(98,740)
Related party loan proceeds	(196,936)
Proceeds from related party debt	(20,397)
Bond issue costs	5,538
Premium on debt issue	(19,876)
Principal repayments:	
General obligation debt	36,874
Retirement of bond anticipation notes	75,400
Payment to escrow agent for refunding	98,096
Accrued interest payable	(10,137)
Vacation, sick, and other leave benefits	<u>11,200</u>
Net adjustment to decrease net changes in fund balances- total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ (199,916)</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 (\$128,458) difference are as follows:

Liability Changes:	
Claims and judgments liability	(4,577)
City Net Pension Obligation	(68,183)
Library Net Pension Asset	(843)
Other Post Employment Benefit Obligation	<u>(54,855)</u>
Net adjustment to decrease net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities	<u>\$(128,458)</u>

III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary information

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

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

For Workforce Investment Act and the Community Development Special Revenue Funds, budgets are approved annually upon the availability of the grants from the federal government. The lives of most 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 typically designated by the Finance Director with the approval of the Mayor as an assignment of fund balances and do not constitute expenditures or liabilities because the commitments will be re-appropriated and honored during the subsequent year. The basis of accounting applied to budgetary data presented is not consistent with generally accepted accounting principles for governmental funds, as actual expenditures are increased by current year encumbrances in order to be consistent with the basis of budgeting used.

B. Excess of expenditures over appropriations

In demonstrating compliance with the City's legally prescribed budgetary requirements, expenditures at June 30, 2012, 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 2012.

C. Deficit fund equity

The New Memphis Arena Special Revenue Fund has a deficit fund balance of \$4,138 as of June 30, 2012. 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 Healthcare 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 4 years by using proceeds from the hotel/motel funding source. This fund also reports the pass-through of certain revenues related to Sports Authority bonds issued for the construction of the Arena.

The Unemployment Compensation Internal Service Fund deficit fund balance of \$1,267 as of June 30, 2012, decreased by \$426 from prior year due to reduced unemployment costs. The Health Insurance Fund's prior year deficit fund balance was reduced from \$3,039 to \$510 primarily as a result of a premium increase implemented in fiscal year 2011. Reduced unemployment costs and healthcare administration costs are expected to eliminate the deficits over time. The Fleet Management Internal Service Fund deficit fund balance of \$10,241 increased from prior year by \$1040. Management is continuing a review of these funds' operations and charges to ensure the funds' cost and charge structure are in alignment. As a result, a strategy will be developed to eliminate the current fund deficits over time.

IV. DETAILED NOTES ON ALL FUNDS

A. Deposits and investments

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

City ordinances, as interpreted by opinions of the City Attorney, authorize the City to enter into stock and bonds borrowed/cash or bond pledged securities lending agreements that are a transfer of securities with a simultaneous receipt of securities. The securities received in the transfer are the type which the City is legally authorized to hold. The market value of the securities received in the agreement is 102 percent of the value of the securities transferred in the case of the securities of United States issuers and 105 percent in the case of securities of non-United States issuers. The securities transferred are a part of the total investments reported below. The securities being held are not reported as a part of the total investments. The City retains the interest income on the securities being transferred and earned \$285 during the year ended June 30, 2012, which was applied to a collateral insufficiency liability. On June 30, 2012, the market value of the securities transferred was \$68,131 and the market value of the securities the City was holding was \$70,024. The monitoring procedures in the securities lending programs are the same as those requirements in regard to the repurchase agreements. At year end, the City has no credit risk exposure to borrowers because the amounts the City owes the borrowers exceed the amounts the borrowers owe the City.

Cash and Investment Pool

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

Interest Rate Risk

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

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation. It is the City's policy to limit its investments to prime commercial paper which shall be rated at least A1 or equivalent by at least two (2) nationally recognized rating services. Proceeds of bonds, notes and other obligations issued by the city, reserves held in connection therewith and the investment income there from, may be invested in obligations which (a) are rated in either of the two highest rated categories by a nationally recognized rating agency; (b) are direct general obligations of a state of the United States, or a political subdivision or instrumentally thereof, having general taxing powers; and (c) have a final maturity on the date of investment not to exceed twenty-four (24) months or which may be tendered by the holder to the issuer thereof, or an agent of the issuer, at not less than twenty-four (24) month intervals unless approved by the State Director of Local Finance. As of June 30, 2012, the government's investments in general obligation bonds were rated Aa2 by Moody's Investor Service, AA by Standard & Poor's, and AA- by Fitch Ratings.

Concentration of Credit Risk

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

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

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

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

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

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure the government's deposits may not be returned. At June 30, 2012 all deposits were insured or collateralized as required by policy. The City's investment policy provides that all securities purchased by the City or held as collateral on either deposits or investments shall be held in third-party safekeeping at a financial institution.

Deposits held by the pool at June 30, 2012, were as follows:

Description	Carrying Amount	Bank Balance
Cash deposits	\$ 4,386	17,689

NOTES TO FINANCIAL STATEMENTS
(Thousands of Dollars)
For the fiscal year ended June 30, 2012

CITY OF MEMPHIS, TENNESSEE
(Continued)

The investments held by the pool consist of the following at June 30, 2012:

	<u>Maturity Dates</u>	<u>Interest Rates</u>	<u>Fair Value</u>	<u>Description Duration</u>
U.S. Government agencies	Jun 2012 - Aug 2016	.0% - 5.25%	\$ 121,808	.12 - 1.21
Commercial paper	Jul 2012 - Dec 2012		18,639	.06 - .09
Certificate of Deposit	Jun 2012 - Jan 2013	.15% - 1.00%	11,500	.03 - .12
U.S. Treasury Obligations	May 2013 - Nov 2016	.25% - 2.5%	23,622	.24 - .60
Corporate and foreign bonds	June 2012 - Dec 2012	.50% - 1.75%	<u>1,624</u>	.24 - .48
Total			177,193	
Investments not subject to Categorization - Money market funds			<u>94</u>	
Total investments			<u>\$ 177,287</u>	

The Pool does not issue separate financial statements. Condensed financial information as of June 30, 2012 is as follows (dollar amounts and share amounts are the same):

Condensed Statement of Net Assets

Investments	\$ 177,287
Bank overdraft	<u>4,386</u>
Net assets	<u>\$ 181,673</u>

Net assets held in trust for pool participants:

Internal participants	<u>181,673</u>
Total net assets held in trust for pool participants	<u>\$ 181,673</u>

Condensed Statement of Changes in Net Assets

Additions:	
Investment income	\$ 560
Purchase of units	<u>1,187,047</u>
Total Additions	1,187,607
Deduction:	
Redemption of units	<u>1,143,484</u>
Net decrease	44,123
Net assets held in trust for pool participants:	
Beginning of Year	<u>137,550</u>
End of Year	<u>\$ 181,673</u>

Investments Outside of the Pool

In addition to the cash and investment pool, several funds in the primary government own investments outside of the Pool. The Capital Project Fund's investments were purchased from the unexpended portion of general obligation bond issues which require the City to maintain separate investments for arbitrage purposes. The Sewer Collection and Treatment Fund's investments were purchased to set aside funds to satisfy certain revenue bond covenants. Investments in these funds are generally of the same type as in the Pool with the addition of collateralized certificates of deposit. These funds also are required to hold funds relating to certain construction projects in the State of Tennessee Treasurer's Local Government Investment Pool ("LGIP"). Deposits with the LGIP may be withdrawn with a maximum of one day's notice, are classified

NOTES TO FINANCIAL STATEMENTS
(Thousands of Dollars)
For the fiscal year ended June 30, 2012

CITY OF MEMPHIS, TENNESSEE
(Continued)

as cash equivalents and are valued at cost. The LGIP is not registered with the SEC as an investment company, however, the LGIP has a policy that it will-and does-operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. Rule 2a7 allows SEC-registered mutual funds to use amortized cost rather than fair value to report net assets to compute share prices if certain conditions are met. State statutes require the State Treasurer to administer the LGIP under the same terms and conditions, including collateral requirements, as required for other funds invested by the Treasurer. The reported value of the pool is the same as the fair value of the pool shares. Although the LGIP itself is unrated, its types of investments and maturities provide a level of credit risk similar to that detailed in the aforementioned credit risk section. All of MLGW Fund's investments are outside of the City's investment pool. MLGW's investments are invested under a cash management program which provides for the investment of excess cash balances in short-term investments and the investment of debt service funds in instruments maturing as the related debt matures. These investments are similar to those described above with the addition of commercial paper and mutual funds. Investments in the City Retirement Fund, the Library Retirement Fund, and the MLGW Retirement and Pension System include stocks, corporate and government bonds, mortgage-backed securities, mutual funds, limited partnerships, real estate investments and commercial paper in addition to the money market securities mentioned above. As of June 30, 2012, the City's investments in general obligation bonds were rated Aa2 by Moody's Investor Service, AA by Standard & Poor's, and AA- 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, 2012, were as follows:

Description	<u>Carrying Amount</u>	<u>Bank Balance</u>
Cash deposits	\$ 27,280	<u>\$ 26,827</u>
Cash on hand	<u>295</u>	
Total Deposits and cash on hand	<u>\$ 27,575</u>	

The investments held by the primary government outside the Pool consist of the following at June 30, 2012:

Description	<u>Fair Value</u>
Short-term investments	\$228,364
U.S. Government securities	116,362
Municipal bonds	1,218
Corporate bonds – domestic	13,613
Asset-backed pool securities	<u>30,129</u>
Total	389,686

Investments not subject to categorization:

NOTES TO FINANCIAL STATEMENTS
(Thousands of Dollars)
For the fiscal year ended June 30, 2012

CITY OF MEMPHIS, TENNESSEE
(Continued)

State of Tennessee LGIP	4,386
Purchased interest	<u>5</u>
Total	<u>4,391</u>
Total Investments	<u>\$ 394,077</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	\$ 4,386
Pool investments	177,287
Other deposits and cash on hand	27,575
Other investments	<u>394,077</u>
Total	603,325
Equity in cash and investment pool – Port Commission	(1,550)
Equity in cash and investment pool – Sold Tax receivable agency fund	(1,430)
Equity in cash and investment pool – City OPEB Trust	<u>(9,366)</u>
Total	<u>\$ 590,979</u>

Cash and cash equivalents	\$ 169,706
Investments	166,023
Equity in cash and investment pool	169,327
Restricted special fund-customer deposits	42,966
Restricted investments	<u>42,957</u>
Total	<u>\$ 590,979</u>

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

BOE Deposits - Deposits by type at June 30, 2012, were as follows:

Description	Carrying Amount	Bank Balance
Cash deposits	\$ 33,839	<u>\$43,555</u>
State of Tennessee local government investment pool	<u>148,215</u>	
Total Deposits	<u>\$182,054</u>	

BOE Investments - Investments by type at June 30, 2012, were as follows:

Description	Fair Value
Government backed securities	\$ 6,741
Short-term investments	<u>23,416</u>
Total Investments	<u>\$ 30,157</u>

NOTES TO FINANCIAL STATEMENTS
(Thousands of Dollars)
For the fiscal year ended June 30, 2012

CITY OF MEMPHIS, TENNESSEE
(Continued)

MATA Deposits - Deposits by type at June 30, 2012, were as follows:

Description	Carrying Amount	Bank Balance
Cash deposits	\$ 2,074	<u>\$ 4,475</u>
Cash on hand	<u>1</u>	
Total Deposits and cash on hand	<u>\$ 2,075</u>	

MATA Investments - Investments by type at June 30, 2012, were as follows:

Description	Fair Value
Federal Home Loan Mortgage Debt security	<u>\$ 496</u>
Total Investments	<u>\$ 496</u>

MSCAA Deposits - Deposits by type at June 30, 2012, were as follows:

Description	Carrying Amount
Cash deposits	\$ 103,424
Cash on hand	<u>3</u>
Total Deposits, cash equivalents and cash on hand	<u>\$ 103,427</u>

MSCAA Investments - Investments by type at June 30, 2012, were as follows:

Description	Fair Value
U.S. Government agencies	\$ 69,187
Investments not subject to categorization:	
Mutual Funds	1,046
Forward Purchase Agreement	<u>23,840</u>
Total Investments	<u>\$ 94,073</u>

MZS Deposits – Deposits by type at June 30, 2012 were as follows:

Description	Carrying Amount
Cash deposits	\$8,609
Cash on hand	<u>-</u>
Total deposits	<u>\$8,609</u>

MZS Investments – Investments by type at June 30, 2012, were as follows:

Description	Fair Value
Money market mutual funds	\$ 2,408
CFGM funds	3,965
Common stocks	<u>25</u>
Total Investments	<u>\$6,398</u>

City of Memphis Retirement System – Deposits and Investments

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

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

	<u>Minimum</u>	<u>Maximum</u>
Cash equivalents	0%	2%
Real estate	0%	5%
Domestic equities	24%	44%
International equities	12%	22%
Emerging markets	0%	10%
Fixed income	24%	34%
High yield	5%	15%

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, 2012, are as follows:

Current to one year	\$	28,137
One to two years		37,818
Two to three years		30,871
Three to four years		33,396
Four to five years		37,339
Five or more years		442,534
		<u>610,095</u>
Funds with indeterminable maturities		977
	\$	<u>611,072</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, 2012, is presented below by investment category as rated by Standard and Poor's rating service.

Type of Investment	Fair Value	Ratings	Percentage of Fixed Income
Government bonds	\$ 2,575	AAA	0.42%
	71,894	AA+	11.77%
Non-government-backed CMOs	2,699	AAA	0.44%
	3,722	AA+	0.61%
	1,201	A+	0.20%
	1,012	NR	0.17%
Asset-backed securities	1,001	AAA	0.16%
	897	NR	0.15%
Corporate bonds and index funds	10,331	AAA	1.69%
	68,682	AA+	11.24%
	8,212	AA	1.34%
	3,993	AA-	0.65%
	12,038	A+	1.97%
	18,056	A	2.95%
	40,091	A-	6.57%
	18,579	BBB+	3.04%
	34,874	BBB	5.71%
	20,372	BBB-	3.33%
	23,172	BB+	3.79%
	26,884	BB	4.40%
	23,085	BB-	3.78%
	29,157	B+	4.77%
	31,222	B	5.11%
	26,905	B-	4.40%
10,220	CCC+	1.67%	
1,578	CCC	0.26%	
588	CCC-	0.10%	
32,099	NR	5.25%	
Government mortgage-backed securities	85,933	AA+	14.06%
Total Fixed Income	\$ 611,072		100.00%

NOTES TO FINANCIAL STATEMENTS
(Thousands of Dollars)
For the fiscal year ended June 30, 2012

CITY OF MEMPHIS, TENNESSEE
(Continued)

Foreign currency risk

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

The City Plan's exposure to foreign currency risk – in U.S. Dollars – as of June 30, 2012, is as follows:

Currency	Equities	Corporate Bonds	Total
Arab Emirate Dirham (Dubai)	\$ -	\$ 381	\$ 381
Australian dollar	14,490	5,291	19,781
Barbadian dollar	-	116	116
Bermudian dollar	673	519	1,192
Brazilian real	-	2,140	2,140
British pound sterling	86,745	9,514	96,259
Canadian dollar	9,041	11,773	20,814
Cayman Islands dollar	-	2,793	2,793
Chinese yuan (renminbi)	1,127	19	1,146
Danish krone	2,451	3,832	6,283
Euro	24,044	20,697	44,741
Hong Kong dollar	1,030	-	1,030
Indian rupee	-	496	496
Indonesian rupiah	27	-	27
Israeli shekel	627	-	627
Japanese yen	17,052	-	17,052
Mexican peso	130	2,154	2,284
New Zealand dollar	268	-	268
Norwegian krone	2,203	-	2,203
Panamanian balboa	2,310	-	2,310
Polish zloty	120	-	120
Qatari riyal	-	1,229	1,229
Russian ruble	-	1,293	1,293
Singapore dollar	1,161	-	1,161
South African rand	102	-	102
South Korean won	-	665	665
Swedish krona	2,860	-	2,860
Swiss franc	8,348	2,468	10,816
Total securities subject to foreign credit risk	\$ 174,809	\$ 65,380	\$ 240,189
International portfolio in U.S. dollars	210,660	-	210,660
	\$ 385,469	\$ 65,380	\$ 450,849

City OPEB Trust-Deposits and Investments

City OPEB Trust Investments at June 30, 2012, were as follows:

<u>Description</u>	<u>Fair Value</u>
Mutual Funds	\$22,596

B. Receivables

Receivables as of year end for the City's individual major funds and non-major governmental funds, in the aggregate, including the applicable allowances for the uncollectible accounts, are as follows:

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Sewer Collection and Treatment</u>	<u>Memphis Light, Gas and Water</u>	<u>Community Development</u>	<u>Nonmajor and Other Funds</u>	<u>Total</u>
Receivables:								
Property taxes	\$ 308,942	96,767	369	-	-	-	20,348	426,426
Sales and income taxes	37,203	1,241	51	-	-	-	-	38,495
Federal and state grants	6,761	-	2,156	-	-	35,578	16,479	60,974
Interest and dividends on investments	35	-	-	46	-	504	6	591
Notes and accounts receivable	-	-	-	11,691	168,686	-	-	180,377
Housing and rehabilitation loans	-	-	-	-	-	87,077	-	87,077
Other	172,676	-	21,030	-	-	91	3,659	197,456
Gross receivables	525,617	98,008	23,606	11,737	168,686	123,250	40,492	991,396
Less allowance for uncollectibles	(156,801)	(3,574)	(15)	(112)	(11,134)	(17,415)	(1,756)	(190,807)
Net total receivables	\$ 368,816	94,434	23,591	11,625	157,552	105,835	38,736	800,589

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, 2012, 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%

NOTES TO FINANCIAL STATEMENTS
(Thousands of Dollars)
For the fiscal year ended June 30, 2012

CITY OF MEMPHIS, TENNESSEE
(Continued)

The assessed value upon which the fiscal 2012 levy was based was approximately \$11.7 billion. The market value was approximately \$37.8 billion making the overall assessed value 31.04 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, 2012, were 94.88 percent of the tax levy.

At June 30, 2012 the allowance for uncollectibles by fund was as follows:

General Fund	\$ 11,176
Debt Service Fund	3,574
Capital Projects Fund	<u>16</u>
Total	<u>\$ 14,766</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, 2012, as follows:

General Fund	\$2.4717
Debt Service Fund	.7141
Capital Projects Fund	<u>.0031</u>
Total	<u>\$3.1889</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 contributes a portion of the MLGW electric payments to Shelby County. The amount was calculated based on City Council resolutions and City Charter provisions governing the PILOT sharing arrangement with Shelby County.

D. Capital assets

Capital asset activity for the year ended June 30, 2012, was as follows:

Primary Government

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>Ending Balance</u>
Governmental Activities:					
Capital assets not being depreciated:					
Land	\$ 62,344	\$ 2,020	\$ -	\$ -	\$ 64,364
Construction in progress	239,629	163,681	(72,939)	-	330,371
Total capital assets not being depreciated	<u>301,973</u>	<u>165,701</u>	<u>(72,939)</u>	<u>-</u>	<u>394,735</u>
Capital assets being depreciated:					
Buildings	534,222	3,551	-	-	537,773
Improvements other than buildings	783,622	27,728	(300)	-	811,050
Machinery and equipment	353,098	42,862	(9,500)	-	386,460
Total capital assets being depreciated	<u>1,670,942</u>	<u>74,141</u>	<u>(9,800)</u>	<u>-</u>	<u>1,735,283</u>
Less accumulated depreciation for:					
Buildings	(227,219)	(12,595)	-	-	(239,814)
Improvements other than buildings	(233,180)	(20,800)	66	-	(253,914)
Machinery and equipment	(333,444)	(24,339)	9,490	-	(348,293)
Total accumulated depreciation	<u>(793,843)</u>	<u>(57,734)</u>	<u>9,556</u>	<u>-</u>	<u>(842,021)</u>
Total capital assets being depreciated, net	<u>877,099</u>	<u>16,407</u>	<u>(244)</u>	<u>-</u>	<u>893,262</u>
Governmental activities capital assets, net	<u>\$ 1,179,072</u>	<u>\$ 182,108</u>	<u>\$ (73,183)</u>	<u>\$ -</u>	<u>\$ 1,287,997</u>

NOTES TO FINANCIAL STATEMENTS
(Thousands of Dollars)
For the fiscal year ended June 30, 2012

CITY OF MEMPHIS, TENNESSEE
(Continued)

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Business-type Activities:					
Capital assets not being depreciated:					
Land	\$ 13,654	\$ 76	\$ -	\$ -	13,730
Construction in progress	52,545	34,870	(34,969)	-	52,446
Memphis Light, Gas and Water assets	140,776	93,958	(86,026)	-	148,708
Total capital assets not being depreciated	<u>206,975</u>	<u>128,904</u>	<u>(120,995)</u>	<u>-</u>	<u>214,884</u>
Capital assets being depreciated:					
Buildings	106,090	12	-	-	106,102
Improvements other than buildings	538,050	32,851	(619)	-	570,282
Machinery and equipment	37,643	5,609	(5,831)	-	37,421
Memphis Light, Gas and Water assets	2,355,097	86,013	(17,467)	-	2,423,643
Total capital assets being depreciated	<u>3,036,880</u>	<u>124,485</u>	<u>(23,917)</u>	<u>-</u>	<u>3,137,448</u>
Less accumulated depreciation for:					
Buildings	(79,799)	(2,271)	-	-	(82,070)
Improvements other than buildings	(262,415)	(11,122)	75	-	(273,462)
Machinery and equipment	(26,895)	(4,644)	4,209	-	(27,330)
Memphis Light, Gas and Water depreciation	(1,012,456)	(74,581)	24,311	-	(1,062,726)
Total accumulated depreciation	<u>(1,381,565)</u>	<u>(92,618)</u>	<u>28,595</u>	<u>-</u>	<u>(1,445,588)</u>
Total capital assets being depreciated, net	<u>1,655,315</u>	<u>31,867</u>	<u>4,678</u>	<u>-</u>	<u>1,691,860</u>
Business-type activities capital assets, net	<u>\$ 1,862,290</u>	<u>\$ 160,771</u>	<u>\$ (116,317)</u>	<u>\$ -</u>	<u>1,906,744</u>

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

Governmental activities:	
Executive	\$ 155
Finance	3,816
General services	4,272
Information services	4,297
Fire services	6,508
Police services	11,117
Park services	7,505
Public services	4,783
Housing and Community Development	323
Public works	14,298
Engineering	507
Community enhancement	35
City Court Clerk	1
Capital assets held by the government's internal service funds that are charged to the various functions based on their usage of the assets	<u>117</u>
Total depreciation expense - Governmental activities	<u>\$ 57,734</u>
Business-type activities:	
Sewer	\$ 13,779
Storm Water	4,258
Memphis Light, Gas and Water	74,581
Total depreciation expense - Business-type activities	<u>\$ 92,618</u>

NOTES TO FINANCIAL STATEMENTS
(Thousands of Dollars)
For the fiscal year ended June 30, 2012

CITY OF MEMPHIS, TENNESSEE
(Continued)

The reported Sewer and Storm Water numbers show differences between depreciation expense in the Statement of Revenues, Expenses and Changes in Fund Net Assets / Proprietary Funds and the increases to accumulated depreciation noted in the above Business-type Activities table. This difference is due to the re-capitalization of assets acquired via prior period Construction-in-Progress (CIP) projects. Upon their initial capitalization, the CIP projects were capitalized as single assets. However, upon subsequent review, it was determined that the projects applied to multiple assets with varying useful lives and depreciation periods; as a result, the original amounts were “retired” (reversed) and the assets were then “re-capitalized” at their correct individual amounts. Offsetting adjustments were made to Capital outlay to prevent this activity from being reflected as Fiscal Year 2012 activity. The \$33K Capital outlay expense shown in the Non-Major Fund (Storm Water) column of the Statement of Revenues, Expenses and Changes in Fund Net Assets / Proprietary Funds represents true Fiscal Year 2012 purchases.

	MLGW Electric Division	MLGW Gas Division	MLGW Water Division	Total
Statement of Revenues, Expenses and Changes in Net Assets:				
Depreciation expense	\$ 43,833	\$ 12,709	\$ 11,274	\$ 67,816
Transportation costs	-	489	153	642
Salvage returns	2,386	336	71	2,793
Retirements	(2,283)	(335)	(71)	(2,689)
Statement of Cash Flows, Depreciation Expense:	\$ 43,936	\$ 13,199	\$ 11,427	\$ 68,562
Retirements	2,283	335	71	2,689
Salvage	1,993	322	51	2,366
Shelby County Board of Public Utilities Acquisition - annual amortization	-	-	964	964
	<u>\$ 48,212</u>	<u>\$ 13,856</u>	<u>\$ 12,513</u>	<u>\$ 74,581</u>

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

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

NOTES TO FINANCIAL STATEMENTS
(Thousands of Dollars)
For the fiscal year ended June 30, 2012

CITY OF MEMPHIS, TENNESSEE
(Continued)

Construction Commitments

The government had active construction projects as of June 30, 2012. At year-end the government's commitments with contractors were as follows:

Construction Commitments

The government had active construction projects as of June 30, 2012. At year-end the government's commitments with contractors were as follows:

<u>Function/Activity</u>	<u>Commitment</u>
Executive	\$ 2,073
Fire services	2,886
Police services	629
Park services	9,039
Public works	13,914
Port Commission	87
Public services	2,182
General services	3,024
Housing and Community Development	17,145
Engineering	11,474
Information systems	4,150
Library services	191
Sewer	19,090
Community Enhancement	1,090
	<u>\$ 86,974</u>

Discretely Presented Component Units

Activity for the Board of Education for the year ended June 30, 2012, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>Ending Balance</u>
Capital assets not being depreciated:					
Land	\$ 34,700	\$ -	\$ -	\$ 358	\$ 35,058
Construction in progress	64,002	58,962	-	(70,953)	52,011
Total capital assets not being depreciated	<u>98,702</u>	<u>58,962</u>	<u>-</u>	<u>(70,595)</u>	<u>87,069</u>
Capital assets being depreciated:					
Buildings and improvements	1,307,213	-	(24,277)	70,595	1,353,531
Machinery and equipment	173,506	18,177	(4,143)	-	187,540
Total capital assets being depreciated	<u>1,480,719</u>	<u>18,177</u>	<u>(28,420)</u>	<u>70,595</u>	<u>1,541,071</u>
Less accumulated depreciation for:					
Buildings and improvements	(466,530)	(39,970)	17,001	-	(489,499)
Machinery and equipment	(116,545)	(18,432)	3,258	-	(131,719)
Total accumulated depreciation	<u>(583,075)</u>	<u>(58,402)</u>	<u>20,259</u>	<u>-</u>	<u>(621,218)</u>
Total capital assets being depreciated, net	<u>897,644</u>	<u>(40,225)</u>	<u>(8,161)</u>	<u>70,595</u>	<u>919,853</u>
Capital assets, net	<u>\$ 996,346</u>	<u>\$ 18,737</u>	<u>\$ (8,161)</u>	<u>\$ -</u>	<u>\$ 1,006,922</u>

NOTES TO FINANCIAL STATEMENTS
(Thousands of Dollars)
For the fiscal year ended June 30, 2012

CITY OF MEMPHIS, TENNESSEE
(Continued)

Activity for the Memphis Area Transit Authority for the year ended June 30, 2012, was as follows:

	Beginning Balance (restated)	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	\$ 2,731	\$ -	\$ -	\$ 2,731
Construction in progress	22,054	6,449	-	28,503
Total capital assets not being depreciated	<u>24,785</u>	<u>6,449</u>	<u>-</u>	<u>31,234</u>
Capital assets being depreciated:				
Buildings and improvements	151,434	287	(115)	151,606
Buses and other revenue vehicles	78,546	1,293	(3,620)	76,219
Machinery and equipment	18,107	1,080	(4,728)	14,459
Total capital assets being depreciated	<u>248,087</u>	<u>2,660</u>	<u>(8,463)</u>	<u>242,284</u>
Less accumulated depreciation for:				
Buildings and improvements	(60,868)	(5,346)	68	(66,146)
Buses and other revenue vehicles	(49,111)	(5,815)	3,568	(51,358)
Machinery and equipment	(14,318)	(931)	4,680	(10,569)
Total accumulated depreciation	<u>(124,297)</u>	<u>(12,092)</u>	<u>8,316</u>	<u>(128,073)</u>
Total capital assets being depreciated, net	<u>123,790</u>	<u>(9,432)</u>	<u>(147)</u>	<u>114,211</u>
Capital assets, net	<u>\$ 148,575</u>	<u>\$ (2,983)</u>	<u>\$ (147)</u>	<u>\$ 145,445</u>

NOTES TO FINANCIAL STATEMENTS
(Thousands of Dollars)
For the fiscal year ended June 30, 2012

CITY OF MEMPHIS, TENNESSEE
(Continued)

Activity for the Memphis-Shelby County Airport Authority for the year ended June 30, 2012, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	\$ 160,772	\$ 8	\$ -	\$ 160,780
Avigation easements	43,703	-	-	43,703
Construction in progress	78,768	93,065	(41,447)	130,386
Total capital assets not being depreciated	<u>283,243</u>	<u>93,073</u>	<u>(41,447)</u>	<u>334,869</u>
Capital assets being depreciated:				
Runways, taxiways, aprons and airfield lighting	694,060	17,769	-	711,829
Buildings	347,454	27,402	-	374,856
Facilities constructed for tenants	104,077	-	-	104,077
Roads, bridges and fences	60,229	4,443	-	64,672
Equipment and utility systems	94,461	3,231	(419)	97,273
Total capital assets being depreciated	<u>1,300,281</u>	<u>52,845</u>	<u>(419)</u>	<u>1,352,707</u>
Less accumulated depreciation for:				
Runways, taxiways, aprons and airfield lighting	(298,092)	(31,718)	-	(329,810)
Buildings	(223,009)	(14,620)	-	(237,629)
Facilities constructed for tenants	(33,860)	(2,800)	-	(36,660)
Roads, bridges and fences	(24,846)	(3,133)	-	(27,979)
Equipment and utility systems	(69,164)	(5,433)	419	(74,178)
Total accumulated depreciation	<u>(648,971)</u>	<u>(57,704)</u>	<u>419</u>	<u>(706,256)</u>
Total capital assets being depreciated, net	<u>651,310</u>	<u>(4,859)</u>	<u>-</u>	<u>646,451</u>
Capital assets, net	<u>\$ 934,553</u>	<u>\$ 88,214</u>	<u>\$ (41,447)</u>	<u>\$ 981,320</u>

NOTES TO FINANCIAL STATEMENTS
(Thousands of Dollars)
For the fiscal year ended June 30, 2012

CITY OF MEMPHIS, TENNESSEE
(Continued)

E. Interfund receivables, payables, and transfers.

The composition of interfund balances as of June 30, 2012 is as follows:

Due to/from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
GOVERNMENTAL FUND TYPES		
General	Community Development	\$ 86
	State Street Aid	2,683
	Board of Education	37
	Unemployment Compensation	1,204
	Capital Projects	<u>28,652</u>
		<u>32,662</u>
Debt Service	State Street Aid	295
	Capital Projects	6,383
	Solid Waste	<u>9,679</u>
		<u>16,357</u>
Solid Waste	Workforce Investment Act	1,156
	Fleet Management	<u>3,532</u>
		<u>4,688</u>
Special Revenue:		
Drug Enforcement	Community Development	<u>5,429</u>
		<u>5,429</u>
PROPRIETARY FUND TYPES		
Internal Service:		
Health Insurance	New Memphis Arena	4,117
Health Insurance	Storm Water	11,444
Fleet Management	Community Development	<u>62</u>
		<u>15,623</u>
ENTERPRISE FUND TYPES		
Sewer	Community Development	4,000
Storm Water	Community Development	<u>593</u>
		<u>4,593</u>
FIDUCIARY FUND TYPES		
Pension Trust:		
City OPEB Trust	Library Retirement	291
City OPEB Trust	City Retirement	<u>193</u>
		<u>484</u>
Total		<u>\$ 79,836</u>

NOTES TO FINANCIAL STATEMENTS
(Thousands of Dollars)
For the fiscal year ended June 30, 2012

CITY OF MEMPHIS, TENNESSEE
(Continued)

The composition of interfund transfers for the year ended June 30, 2012, is as follows:

	Transfers in:									
	General Fund	Debt Service	Miscellaneous Grants	Hotel/Motel Tax	New Memphis Arena	Community Redevelopment	Education Fund	Total Nonmajor Special Revenue	OPEB Trust Fund	Totals
Transfers out:										
General fund	\$ -	4,042	-	-	-	2,310	71,755	74,065	-	78,107
Debt service	5,500	-	-	-	-	-	-	-	-	5,500
Nonmajor special revenue:										
State Street Aid	-	1,768	-	-	-	-	-	-	-	1,768
Miscellaneous grants	-	194	-	-	-	-	-	-	-	194
Solid waste	-	2,589	-	-	-	-	-	-	-	2,589
Hotel/Motel tax	-	1,336	-	-	969	-	-	969	-	2,305
New Memphis arena	-	-	-	969	-	-	-	969	-	969
Community Redevelopment	-	2,586	424	-	-	-	-	424	-	3,010
Total nonmajor special revenue	-	8,473	424	969	969	-	-	2,362	-	10,835
Enterprise fund:										
Sewer	5,945	-	-	-	-	-	-	-	-	5,945
Memphis light, gas and water	55,105	-	-	-	2,500	-	-	2,500	-	57,605
Storm water	-	4,412	-	-	-	-	-	-	-	4,412
Internal Service:										
Health insurance	-	-	-	-	-	-	-	-	492	492
	\$ 66,550	16,927	424	969	3,469	2,310	71,755	78,927	492	162,896

Interfund Balances:

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

Transfers:

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

F. Leases

Operating Leases

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

Capital Leases

The City has entered into lease agreements as a lessee for financing the acquisition of equipment for the Solid Waste and City Court Clerk Divisions. The lease agreements qualified as capital leases for accounting purposes and, therefore, were recorded at the present value of future minimum lease payments as of the inception dates.

The assets acquired through capital leases are as follows:

Assets:	
Equipment	\$ 18,723
Accumulated Depreciation	<u>(7,437)</u>
Total	<u>\$ 11,286</u>

The remaining debt service requirement for capital lease obligations for the City at June 30, 2012, is as follows:

Fiscal Year	
2013	3,998
2014	2,336
2015	2,336
2016	2,095
2017	927
Less Interest	<u>(406)</u>
Present Value of Payments	<u>\$ 11,286</u>

G. Long-term debt

General Obligation Bonds

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

In March 2012, the City issued \$10,000 of General Improvement Bonds, Series 2012A and \$4,000 of General Improvement Bonds, Series 2012B. The proceeds and issue cost of these debt instruments were recorded in the City's Capital Projects Fund as other sources and debt issue cost.

In March 2012, the City issued \$83,595 of General Improvement Refunding Bonds, Series 2012A and \$1,145 of General Improvement Refunding Bonds, Series 2012B to refund \$85,960 in General Improvement Bonds, Series 2004 Ref and General Improvement Bonds, Series 2006A Ref. The net proceeds of \$98,097 (after the payment of \$357 in underwriter's discount and \$380 cost of issuance) were used to purchase U.S. Government, State, and Local Series Securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for future debt service payments on the above-mentioned bonds. As a result, this Series' bonds are considered defeased. The proceeds and extinguishment of debt as well as the issue costs paid by the City were recorded in the Debt Service Fund for the refunding issue.

Commercial Paper Program

The City issued \$71,975 in bond anticipation notes in April 2012. The issue resulted in net proceeds of \$75,403 (after the net issue premium of \$3,640, payment of \$36 in underwriter's discount, and \$212 cost of issuance). The purpose of the bond anticipation notes is to provide interim financing of various capital projects. The debt is classified as long-term debt and is reflected in the City's Statement of Net Assets. The proceeds and issue cost of these debt instruments were recorded in the City's Capital Projects Fund as other source and debt issue cost.

Revenue Bonds

No Revenue Bond issues occurred in fiscal year 2012.

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, 2012, a total of approximately \$163,070 bonds outstanding are considered defeased.

Related Party Debt Obligations

Center City Revenue Finance Corporation

Pursuant to a Trust Indenture dated as of September 1, 2011 (the "Indenture"), the Memphis Center City Revenue Finance Corporation of Memphis, Tennessee (the "Corporation") issued its \$40,540,000 Federally Taxable Senior Revenue Bonds, Series 2011A (Pyramid and Pinch District Redevelopment Project) ("Series 2011A CCRFC Bonds"), its \$100,245,000 Tax Exempt Subordinate Revenue Bonds, Series 2011B (Pyramid and Pinch District Redevelopment Project), and its \$56,150,000 Federally Taxable Subordinate Revenue Bonds, Series 2011C (Pyramid and Pinch District Redevelopment Project) (collectively, the "Series 2011 CCRFC Subordinate Bonds," and together with the Series 2011A CCRFC Bonds, the "Series 2011 CCRFC Bonds"). The Series 2011 CCRFC Bonds are payable principally from distributions of state and local sales and use taxes in a tourist development zone which includes the Pyramid Arena, the Pinch District of the City and the Memphis Cook Convention Center.

Pursuant to the Indenture, the proceeds of the Series 2011 CCRFC Bonds were used to, among other things, provide funds to make a loan (the "Series 2011 Loan") to the City pursuant to that certain Loan Agreement dated as of September 1, 2011 (the "Loan Agreement") between the Corporation and the City. The City used the proceeds of the Series 2011 Loan to: (a) finance or reimburse the City for costs associated with the redevelopment of the Pyramid Arena, the acquisition and renovation of certain properties in the center city area of the City adjacent to the Pyramid Arena and the acquisition of the County's interest in the Memphis Cook Convention Center; (b) fund capitalized interest on the Series 2011 CCRFC Bonds; (c) fund a Debt Service Reserve Fund which is established with the Trustee pursuant to the Indenture; and (d) pay the costs of issuance with respect to the Series 2011 CCRFC Bonds.

Port Commission Electrolux Bonds

The Memphis and Shelby County Port Commission (the "Port Commission"), the State, the County, the City, and the Memphis and Shelby County Industrial Development Board entered into a Site Location and Development Agreement dated December 15, 2010, whereby each committed to support the development of the appliance manufacturing and assembly facility, warehouse and distribution facility, and regional headquarters facility for Electrolux Home Products, Inc. (the "Electrolux Development") located in the City and the County, within the Port Commission's boundaries and jurisdiction. The City and the County agreed to match funds of the State to subsidize or assist in the Electrolux Development. The Port Commission issued its \$40,795,000 Development Revenue Bonds, Series 2011 (the "Port Commission Electrolux Bonds") on September 7, 2011 pursuant to Chapters 500 and 529 of the Private Acts of 1947 of the State of Tennessee (collectively, the "1947 Act"). The Port Commission Electrolux Bonds are secured in part by all of the Port Commission's right, title and interest in an interlocal agreement by and among the Port Commission, the City and the County, under which the City and the County, pursuant to the provisions of the 1947 Act, have covenanted to timely appropriate from legally available non-ad valorem revenues sufficient moneys to pay scheduled debt service on the Port Commission Electrolux Bonds.

The obligation of the City and the County to support the payment of debt service on the Port Commission Electrolux Bonds is apportioned on an equal basis (i.e., 50 percent by the City and 50 percent by the County). The obligation of the City and the County to support the payment of debt service on the Port Commission Electrolux Bonds is not a general obligation of the City or the County.

NOTES TO FINANCIAL STATEMENTS
(Thousands of Dollars)
For the fiscal year ended June 30, 2012

CITY OF MEMPHIS, TENNESSEE
(Continued)

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 general obligation debt by fund at June 30, 2012:

	General Obligation Bonds	Bond Anticipation Notes	Capital Lease Obligations	Revenue Bonds	Total
Governmental Funds	\$ 1,202,968	71,975	11,286	-	1,286,229
Enterprise Funds	-	-	-	944,426	944,426
Total long-term debt	\$ 1,202,968	71,975	11,286	944,426	2,230,655

Long-term liability activity for the year ended June 30, 2012, was as follows:

	Balance June 30, 2011	Additions	Reductions	Balance June 30, 2012	Due Within One Year
Governmental activities:					
General obligation bonds payable	\$ 1,179,469	98,740	(120,407)	1,157,802	70,168
Premium on general obligation bonds	36,976	16,785	(8,595)	45,166	-
Bond anticipation notes payable	75,400	71,975	(75,400)	71,975	71,975
Capital lease agreements	5,182	8,963	(2,859)	11,286	3,799
Related party loan	-	196,935	-	196,935	-
Related party loan premium	-	2,101	(91)	2,010	-
Related party debt obligation	-	20,397	(282)	20,115	507
Accreted value on bonds	1,999	-	(1,999)	-	-
Legal Claims and Judgments	74,529	4,577	-	79,106	-
Vacation, sick and other leave benefits	92,301	101	(7,013)	85,389	871
	\$ 1,465,856	420,574	(216,646)	1,669,784	147,320

Business-type activities:

Revenue bonds	\$ 155,540	-	(9,965)	145,575	10,480
Net premium/discount on revenue bonds	754	334	(585)	503	-
MLGW revenue bonds	849,930	-	(90,420)	759,510	95,190
Premium on MLGW revenue bonds	70,963	2	(14,375)	56,590	-
Less deferred amounts:					
For issuance discounts and on refunding	(21,574)	-	3,822	(17,752)	-
MLGW notes payable	-	-	-	-	-
MLGW anticipation note payable	-	-	-	-	-
Vacation, sick and other leave benefits	4,411	302	(82)	4,631	380
	\$ 1,060,024	638	(111,605)	949,057	106,050

NOTES TO FINANCIAL STATEMENTS
(Thousands of Dollars)
For the fiscal year ended June 30, 2012

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, 2012 follows:

Description	Interest Rates(%)	Original Issue	Balance Outstanding at Year End
General Obligation Debt:			
General City Government Serial Bonds	.500 - 6.15	\$ 2,170,691	\$ 1,157,802
Bond Anticipation Notes	3.00	71,975	71,975
Net Premium/(Discount) on General Obligation Debt			45,166
Capital Lease Obligations	3.75-4.32	18,723	11,286
Total General Obligation Debt		<u>\$ 2,261,389</u>	<u>1,286,229</u>
Revenue Bonds:			
Sanitary Sewerage System	2.00-6.30	\$ 222,435	145,575
Electric Division, MLG&W (1), (2)	2.50-5.00	1,902,585	757,885
Water Division, MLG&W (1)	5.25	12,575	1,625
Net Premium/(Discount) on revenue bonds			57,093
Unamortized deferred amount on bond refundings			(17,752)
Total Revenue Bonds		<u>\$ 2,137,595</u>	<u>944,426</u>
Total			<u>\$ 2,230,655</u>

(1) All MLG&W bonds reflect amounts outstanding at December 31, 2011.

(2) MLG&W's outstanding Electric System debt is not related to the acquisition of capital assets. The proceeds from the 2003 Electric System bond issue were used to prepay the cost of future power purchases from TVA.

NOTES TO FINANCIAL STATEMENTS
(Thousands of Dollars)
For the fiscal year ended June 30, 2012

CITY OF MEMPHIS, TENNESSEE
(Continued)

Debt service requirements to maturity for general obligation and revenue bond long-term indebtedness at June 30, 2012 are as follows:

Fiscal Year	Total Long-term Indebtedness										Total
	General Obligation				Revenue						
	City		Capital Lease		Sewer System		MLG&W(2)		Total Requirements		
	Principal	Interest(1)	Principal	Interest	Principal	Interest(1)	Principal	Interest	Principal	Interest	
2012							96,815	37,071	96,815	37,071	133,886
2013	66,022	57,768	3,799	199	10,480	6,673	99,700	32,291	180,001	96,931	276,932
2014	148,575	53,341	2,233	113	10,895	6,143	102,765	27,431	264,468	87,028	351,496
2015	74,300	47,548	2,270	66	11,155	5,707	107,775	22,417	195,500	75,738	271,238
2016	77,725	44,033	2,063	32	10,940	5,254	112,935	17,151	203,663	66,470	270,133
2017	81,320	40,362	921	6	11,435	4,834	117,195	11,554	210,871	56,756	267,627
2018	85,065	36,561	-	-	11,305	4,331	122,325	5,777	218,695	46,669	265,364
2019	89,045	32,534	-	-	9,030	3,822	-	-	98,075	36,356	134,431
2020	92,990	28,535	-	-	10,010	3,404	-	-	103,000	31,939	134,939
2021	96,915	24,559	-	-	8,890	2,926	-	-	105,805	27,485	133,290
2022	101,670	19,758	-	-	9,305	2,475	-	-	110,975	22,233	133,208
2023	90,190	14,450	-	-	7,245	2,056	-	-	97,435	16,506	113,941
2024	68,505	10,415	-	-	7,575	1,681	-	-	76,080	12,096	88,176
2025	25,725	7,935	-	-	7,910	1,289	-	-	33,635	9,224	42,859
2026	18,515	6,701	-	-	5,900	938	-	-	24,415	7,639	32,054
2027	11,617	5,890	-	-	3,655	687	-	-	15,272	6,577	21,849
2028	12,085	5,209	-	-	3,805	480	-	-	15,890	5,689	21,579
2029	12,577	4,483	-	-	2,430	298	-	-	15,007	4,781	19,788
2030	17,785	3,718	-	-	2,525	144	-	-	20,310	3,862	24,172
2031	8,260	2,915	-	-	1,085	33	-	-	9,345	2,948	12,293
2032	8,592	2,431	-	-	-	-	-	-	8,592	2,431	11,023
2033	8,927	1,919	-	-	-	-	-	-	8,927	1,919	10,846
2034	8,957	1,392	-	-	-	-	-	-	8,957	1,392	10,349
2035	15,117	829	-	-	-	-	-	-	15,117	829	15,946
2036	5,155	420	-	-	-	-	-	-	5,155	420	5,575
2037	625	170	-	-	-	-	-	-	625	170	795
2038	650	145	-	-	-	-	-	-	650	145	795
2039	675	118	-	-	-	-	-	-	675	118	793
2040	700	90	-	-	-	-	-	-	700	90	790
2041	730	61	-	-	-	-	-	-	730	61	791
2042	760	31	-	-	-	-	-	-	760	31	791
TOTAL	\$ 1,229,774	454,322	11,286	416	145,575	53,175	759,510	153,692	2,146,145	661,605	2,807,750

(1) Interest on variable general obligation bonds is estimated.
(2) At 12-31-11

H. Restricted assets

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

Futures margin deposits	\$ 950
Construction	3,251
Insurance reserves – injuries and damages	9,422
Insurance reserves – casualties and general	27,773
Medical benefit	8,519
Customer deposits	21,314
Bond reserve and debt service	14,694
Total	\$85,923

NOTES TO FINANCIAL STATEMENTS
(Thousands of Dollars)
For the fiscal year ended June 30, 2012

CITY OF MEMPHIS, TENNESSEE
(Continued)

I. Fund Balance by Purpose

Following is more detailed information on the governmental fund balances.

	General	Debt Service	Capital Projects	Non-major	Total Governmental Funds
Equity - Fund Balances:					
Restricted					
Parks Special Services	1,868	-	-	-	1,868
Seized Funds	39	-	-	-	39
Debt Service - Related Party Loan	-	34,448	-	-	34,448
Solid Waste Management	-	-	-	10,368	10,368
Miscellaneous Grants	-	-	-	247	247
Drug Enforcement	-	-	-	9,237	9,237
Community Development	-	-	-	8	8
Committed					
Planned Use of Fund Balance	19,572	-	-	-	19,572
Debt Service Requirements	-	32,302	-	-	32,302
Midtown Corridor	-	-	-	1,792	1,792
MLK Park Improvements	-	-	-	94	94
Community Redevelopment	-	-	-	1,886	1,886
Metro Alarms	-	-	-	2,031	2,031
Casino Gaming Commission	-	-	-	6	6
Capital Projects	-	-	54,370	-	54,370
Assigned					
Encumbrances	12,924	-	-	-	12,924
Unassigned					
	61,667	-	-	(4,138)	57,529
Total Fund Balances	<u>96,070</u>	<u>66,750</u>	<u>54,370</u>	<u>21,531</u>	<u>238,721</u>

V. OTHER INFORMATION

A. Risk management

The City is self-insured for health and medical benefits as well as on the job injury claims. The Health Insurance - Internal Service Fund charges premiums to other funds (primarily to the General Fund) which are used to pay claims and to fund the accrual for "incurred but not reported" (i.e. IBNR) claims and administrative costs of its health and medical benefits program. Additionally, on the job injury claims payable of \$5,207 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, 2011 and 2012 are as follows:

	On the Job Injury					
	Health	OPEB	Sewer Collection and Treatment Fund	Fleet Management Fund	Storm Water Fund	Governmental Funds
Balance - June 30, 2010	\$ 7,953	5,999	41	52	16	3,170
Current year provision	61,075	41,215	499	126	149	9,535
Payments	(60,780)	(40,992)	(351)	(89)	(96)	(4,346)
Balance - June 30, 2011	8,248	6,222	189	89	69	8,359
Current year provision	(60,246)	(41,056)	(113)	(45)	(87)	(7,277)
Payments	62,151	40,301	(31)	(26)	99	4,125
Balance - June 30, 2012	\$ 10,153	5,467	45	18	81	5,207

The City received insurance recoveries during the year in compensation for damage during a 2010 storm to the sign shop in the amount of \$126,729. The City also received insurance recoveries during the year in compensation for damage to the Harbor patrol boat in the amount of \$90,000.

B. Subsequent events

In July 2012, the city entered agreements to issue tax-exempt and federally taxable General Obligation Commercial Paper in an amount not to exceed \$150,000. The purpose of the Commercial Paper is to provide interim financing of various public capital projects and the payment of the principal of any then Outstanding Commercial Paper Notes. The Commercial Paper has varying maturities of not more than 270 days from their respective dates of issuance. The City has also entered a Revolving Credit Agreement, which expires on July 31, 2015 or some other date as specified in the terms of the agreement, to provide liquidity support for this Commercial Paper Program.

The City entered into agreements with a vendor to sell a portion the City's 2012 delinquent property tax receivables in December 2012. The total proceeds were \$18,812.

C. Contingent liabilities and commitments

The City is a defendant in a number of various lawsuits filed in the ordinary course of its operations. The City believes that \$24,045 is a reasonable measure of the ultimate settlement of these matters. However, the City's Statement of Net Assets reflects a total liability of \$79,106 which includes the \$24,045 plus \$55,061 related to an extraordinary lawsuit discussed in more detail below. The \$55,061 consisted of the \$57,461 referenced below offset by a mutually agreed upon reduction for a \$2,400 grant provided by the City.

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

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

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.

Pursuant to an interlocal agreement by and among The Memphis and Shelby County Sports Authority, Inc. (the "Sports Authority"), Shelby County (the "County") and the City, in the event the revenues pledged to the support of certain senior lien bonds issued by the Sports Authority (the "Senior Lien Bonds") prove to be insufficient to pay debt service on the Senior Lien Bonds in any bond year (ending on October 31), the City and the County, pursuant to the provisions of Section 7-67-116 of the Tennessee Code Annotated, have covenanted to timely appropriate from legally available non-ad valorem revenues, not later than October 31 of the fiscal year ending June 30 following the date of such deficit, sufficient moneys to replenish draws from the debt service reserve fund used to make scheduled debt service on the Senior Lien Bonds in the prior year.

As of June 30, 2012, the Senior Lien Bonds were outstanding in an aggregate principal amount of \$203,610,000. The obligation of the City and the County to replenish draws on the debt service reserve fund relating to the Senior Lien Bonds is apportioned on the following basis: 50% from the City, and 50% from the County but is not a joint obligation. The obligation to replenish the debt service reserve fund relating to the Senior Lien Bonds is not a general obligation of the City.

The City has commitments at June 30, 2012, for outstanding purchase orders and outstanding contracts reported as assigned fund balance for encumbrances in the General Fund of \$12,924. The City had additional commitments totaling \$86,974 for certain infrastructure and sewer construction projects.

D. Joint ventures

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. Net operating revenues of the Port Commission are distributed to EDGE based on the January 2011 joint resolution between the City of Memphis and Shelby County.

The Port Commission entered into an agreement between Shelby County, the City of Memphis, and Electrolux to fund the construction of the Electrolux facility with the use of debt issued by the Port Commission. The County and the City each guarantee the debt, which is payable solely from the County's and City's covenants to timely appropriate from legally available non-ad valorem revenues, although the debt is in the name of the Port Commission and is being held on the financial statements of the Port. The Port is under no obligation to pay the debt principal or interest. Receivables from the City and County have been booked for the principal and will be booked for the interest as it becomes due. Coupon rates on the 24 year, 7 month bonds range from 2.0% to 5.25% over the lives of the bonds.

NOTES TO FINANCIAL STATEMENTS
(Thousands of Dollars)
For the fiscal year ended June 30, 2012

CITY OF MEMPHIS, TENNESSEE
(Continued)

As of and for its year ended June 30, 2012, the Port Commission reported the following derived from its audited financial statements:

Assets	\$110,818
Liabilities	44,711
Net assets	66,107
Operating revenues	2,784
Other expense	2,170
Operating expenses	1,825
Capital contribution	42,140
Change in net assets	\$ 40,930

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

Memphis and Shelby County Community Redevelopment Agency

Memphis and Shelby County Community Redevelopment Agency (CRA) is a joint operation of the City and County and is managed by a seven member board. Three members are appointed by the City Mayor with approval by the City /Council and three members are appointed by the County Mayor with the approval of the County Commission. One member is jointly approved by the City and County. The CRA's purpose is to ameliorate the slum and blight conditions within the City of Memphis and unincorporated areas of Shelby County. Efforts thus far have been to utilize tax increment financing to redevelop the Uptown and Highland Row areas of Memphis. As of and for its year ended June 30, 2009 (its most recent financial statements), the CRA reported the following from its audited financial statements:

Assets	\$12,160
Liabilities	14,066
Net assets	(1,906)
Operating revenues	4, 899
Operating expenses	598
Other expense	218
Change in net assets	\$ 4,083

Financial Statements for the CRA may be obtained from the City of Memphis Division of Planning and Development, 125 N. Main, suite 468, Memphis, TN 38103.

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

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

The New Arena PBA did not have any financial activity for the current fiscal year and only has ownership rights to the FedEx Forum as assets. The Tennessee Comptroller of the Treasury has granted an exemption from an annual audit. As such, no audited financial statements are presented.

Sports Authority of Memphis and Shelby County Incorporated

The Sports Authority of Memphis and Shelby County Incorporated (the Sports Authority) is a nonprofit corporation established jointly by the City and County under the provisions of the Sports Authority Act of 1993 (State of Tennessee). The purpose of the Sports 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. The Sports Authority has issued bonds in connection with the financing of a multipurpose sports and entertainment facility (FedEx Forum). The bonds are payable from city and county hotel/motel taxes, MLGW in lieu of tax payments, seat license fees, car rental taxes, and certain taxes generated by the Memphis Grizzlies.

As of and for its year ended June 30, 2012, the Sports Authority reported the following derived from its audited financial statements:

Assets	\$58,102
Liabilities	210,962
Net assets	(152,860)
Total revenues	19,290
Total expenses	13,470
Change in net assets	\$ 5,820

Financial statements for the Sports Authority may be obtained from the Sports Authority of Memphis and Shelby County, 1365 Germantown Road South, Germantown, TN 38138.

E. Other postemployment benefits

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

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

NOTES TO FINANCIAL STATEMENTS
(Thousands of Dollars)
For the fiscal year ended June 30, 2012

CITY OF MEMPHIS, TENNESSEE
(Continued)

ASSETS

Investments, at fair value:

Mutual funds and money market funds	\$ 22,596
Total investments	<u>22,596</u>

Equity in cash and investment pool	9,850
Interest and dividend receivables	19
Due from other funds	<u>-</u>

Total assets	<u>32,465</u>
---------------------	---------------

LIABILITIES

Accounts payable and other	<u>9,325</u>
----------------------------	--------------

Total liabilities	<u>9,325</u>
--------------------------	--------------

NET ASSETS

Held in trust for OPEB	<u><u>\$ 23,140</u></u>
------------------------	-------------------------

NOTES TO FINANCIAL STATEMENTS
(Thousands of Dollars)
For the fiscal year ended June 30, 2012

CITY OF MEMPHIS, TENNESSEE
(Continued)

ADDITIONS

Contributions:

Employer	\$ 32,074
ERRP revenue	3,671
Medicare Part D	2,012
Plan members	11,098
Total contributions	<u>48,855</u>

Transfer from other fund 492

Investment income:

Interest and dividend income	423
Net appreciation in the fair value of investments	<u>577</u>
Total investment income	<u>1,000</u>

Total Additions 50,347

DEDUCTIONS

Benefits	40,301
Administrative expenses	<u>3,643</u>

Total Deductions 43,944

Net increase 6,403

Net assets - beginning of year 16,737

Net assets - end of year \$ 23,140

City of Memphis Other Post Employment Benefits (OPEB) Plan

Plan Description. The City's OPEB plan provides medical and life insurance benefits to eligible retired City of Memphis General, Police, Fire and Airport Authority employees and their dependents based on firmly-established past practices. The primary benefit for eligible retirees is postretirement medical coverage through either a Preferred Provider Organization (PPO/Basic) or a Point of Service Plan (POS/Premier). Of premiums paid for retiree health and medical benefits and life insurance, 70 percent is paid by the General Fund (with the remaining 30 percent paid by the retirees) and is recognized as an expenditure, which totaled \$26,249 for 2012. At June 30, 2012, the number of retirees eligible for health and medical benefits is 3,817. The City also provides two life insurance benefits: the first is a self-insured death benefit and the second is a continuation of active life insurance. The authority to conduct the general operation and administration of the single employer plan is vested with the City. Separate financial statements for the plan are not issued.

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

Funding Policy – The contribution requirements of the plan members and the City are established and may be amended by the City. OPEB eligible members receiving benefits contribute \$152.27 to \$172.23 per month for retiree-only coverage and \$319.44 to \$341.57 per month for retiree and family coverage depending on the medical plan coverage selected. The City pays for medical costs in excess of required retiree premiums and may elect through adoption of the City’s annual budget ordinance to contribute an amount in excess of the total annual benefit payments to a qualified trust for the purpose of funding future OPEB benefits. In fiscal year 2009, the City adopted and established an OPEB Trust for the exclusive purpose of pre-funding and providing for payment of OPEB benefits under the plan. The City’s receipt of Medicare Part D prescription drug subsidies is included in operating income.

Funded Status and Funding Progress – The funded status of the plan as of July 1, 2012, was as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (AL) (b)	Unfunded/ (Overfunded) AL (UAL) (c) = (b) - (a)	Funded Ratio (a) / (b)	Covered Payroll (d)	UAAL as a Percentage of Covered Payroll * (c) / (d)
7/1/2010	\$2,566	\$1,167,930	\$1,165,364	0.2%	\$313,285	372.0%
7/1/2011	\$10,297	\$1,345,355	\$1,335,058	0.8%	\$337,200	395.9%
7/1/2012	\$12,524	\$1,267,515	\$1,254,991	1.0%	\$352,184	356.3%

* Covered payroll includes all active plan participants.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the health care cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as required supplementary information following the Notes to the Financial Statements (Exhibit F-10), presents multi-year trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

In the July 1, 2011 actuarial valuation, the Entry Age Normal Actuarial Cost Method was used. The actuarial assumptions included a 5.5 percent investment rate of return (net of administrative expenses) and an annual pre-Medicare health care cost trend rate of 8.99% percent initially, reduced by decrements to an ultimate rate of 4.5 percent in fiscal year 2027 and after. The actuarial annual post-Medicare health care cost trend rate is 9.31% and is to be reduced by decrements to an ultimate rate of 4.5% in fiscal year 2027 and after. All rates assume a 5.0 percent salary scale. The City’s OPEB unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2012, was 30 years.

Listed below is a summary of significant changes that occurred between the July 1, 2010 and July 1, 2011 actuarial valuations:

- The discount rate (investment rate of return) assumption was changed from 5.2% to 5.5%. This is a blended rate reflecting assets expected to be used and is based upon the spread between the ARC and the annual “pay as you go” amount. For the 2011 valuation year, the City of Memphis contributed the “pay as you go” amount, an additional contribution to the fund beyond plan expenses, ERRP revenue, and Medicare Part D reimbursements.
- The mortality assumption for healthy participants for General employees changed from the RP-2000 Combined Mortality Table (without projection) for males and females to the Fully Generational RP-2000 Combined Mortality Table for males and females. The same is true for Police & Fire employees, using the Blue Collar adjustment.
- City of Memphis employees hired prior to April 1, 1986 were not required to participate in the Medicare Insurance Program. During the last valuation year, the City offered these employees an opportunity to participate in the Medicare Insurance Program via a “Medicare Buy-back” program in which the City paid \$1.8 million for six years of Medicare insurance premiums and employees purchased the remaining four years of Medicare insurance premiums.

Schedule of Employer Contributions – The schedule of employer contributions for the four years ended June 30, 2012 is as follows:

Year Ended June 30	Annual Required Contributions	Actual Contributions	Percentage Contributed
2009	\$ 66,273	\$ 38,159 ¹	57.6%
2010	\$ 80,477	\$ 35,674 ²	44.3%
2011	\$ 95,376	\$ 36,089 ³	37.8%
2012	\$ 86,304	\$ 35,813 ⁴	41.5%

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

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

³ Includes a \$3,541 contribution in excess of the net employer benefit payments

⁴ Includes a \$5,825 contribution in excess of the net employer benefit payments and does not include additional sources of funding that the City received from ERRP revenue of \$3,671 and Medicare Part D reimbursements of \$2,012.

Annual OPEB Cost and Net OPEB Obligation – For fiscal year 2012, the City contributed 40.2 percent or \$35,813 of its annual OPEB cost of \$88,984. The annual OPEB cost consisted of the following:

Annual Required Contribution (ARC)	\$ 86,304
Interest on beginning of year accrual	8,493
Amortization of beginning of year accrual	(5,510)
Interest on the amortization	<u>(303)</u>
Annual OPEB cost (AOC)	\$ 88,984
Contributions made	<u>(35,813)</u>
Change in net OPEB Obligation	53,171
Net OPEB Obligation – beginning of year	<u>154,418</u>
Net OPEB Obligation – end of year	<u>\$207,589</u>

Three-year trend information is as follows:

Year Ended June 30	Annual OPEB Cost	Percentage of AOC Contributed	Net OPEB Obligation
2010	\$81,222	43.9%	\$93,678
2011	96,870	37.3	154,418
2012	88,984	40.2	207,589

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

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

The Plan provides post-employment health care, prescription drugs, life insurance and accident/death and dismemberment (AD&D) to retirees. Eligible dependents are provided life insurance, health care and prescription drugs. Benefits are payable to a retiree and his/her spouse for their lifetime. Qualified dependents will continue to receive benefits as long as they are qualified under the MLGW Plan. Dental, dependent life insurance, cancer, accident and long-term care benefits are available but are 100 percent paid by the retiree.

Employees retired under the MLGW Retirement and Pension Plan, or disabled with five years of service at any age, or disabled in the line of duty at any age with no years of service restriction, are eligible for OPEB benefits. Health care benefits are also offered to qualifying survivors of deceased retired members and deceased active employees who were eligible to retire at the time of death. Currently, 4,182 retirees and beneficiaries are receiving post-employment benefits.

NOTES TO FINANCIAL STATEMENTS
(Thousands of Dollars)
For the fiscal year ended June 30, 2012

CITY OF MEMPHIS, TENNESSEE
(Continued)

ASSETS

Cash and cash equivalents	\$	17,233
Investments, at fair value:		
Common stock - domestic		47,878
Common stock - foreign		15,611
Preferred stock - domestic		426
Investment in corporate bond mutual funds		33,453
Investment in real estate		5,102
Investment in international equity fund		14,717
Investment in international bond fund		32,958
Distressed debt funds - domestic		8,401
Distressed debt funds - foreign		5,515
Total investments		<u>164,061</u>
Employer receivable		377
Interest and dividend receivables		172
Receivable for securities sold		4
Collateral held in trust for securities on loan		<u>14,901</u>
Total assets		<u>196,748</u>

LIABILITIES

Accounts payable and other		<u>15,508</u>
Total liabilities		<u>15,508</u>

NET ASSETS

Held in trust for OPEB	\$	<u><u>181,240</u></u>
------------------------	----	-----------------------

NOTES TO FINANCIAL STATEMENTS
(Thousands of Dollars)
For the fiscal year ended June 30, 2012

CITY OF MEMPHIS, TENNESSEE
(Continued)

ADDITIONS

Contributions:

Employer	\$	43,554
Plan members		5,718
Total contributions		<u>49,272</u>

Investment income:

Interest and dividend income		3,203
Securities lending income		41
Other investment income		6
Net depreciation in the fair value of investments		<u>(575)</u>
Total investment income		<u>2,675</u>

Total Additions 51,947

DEDUCTIONS

Benefits		29,346
Administrative expenses		<u>1,730</u>

Total Deductions 31,076

Net increase 20,871

Net assets - beginning of year 160,369

Net assets - end of year \$ 181,240

Funding Policy

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

The Board of Commissioners has set the employer contribution rate based on the annual required contribution ("ARC"), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs for each year and amortize any unfunded actuarial liabilities of the plan over a period not to exceed thirty years. For fiscal year 2011, employer contributions were

NOTES TO FINANCIAL STATEMENTS
(Thousands of Dollars)
For the fiscal year ended June 30, 2012

CITY OF MEMPHIS, TENNESSEE
(Continued)

\$43,554 to the Plan. Plan members receiving benefits contributed \$5,718 through their required contributions of \$62.70 to \$566.18 (dollars) per month, depending on the coverage (retiree only, retiree and spouse, or family) and the health plan selected.

Annual OPEB Cost and Net OPEB Obligation

An actuarial valuation of MLGW's post-employment welfare benefit program was performed for the Plan as of December 31, 2009. During 2012, an updated actuarial valuation was performed. The actuarial valuation of MLGW's post-employment welfare benefit program as of December 31, 2009, was updated based on the revised valuation. MLGW's annual other post-employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution (ARC). The following table presents the OPEB cost for the year, the amount contributed to the Plan, and changes in the net OPEB obligation for fiscal year 2011:

Annual Required Contribution (ARC)	\$ 44,666
Interest on net OPEB obligation	(174)
Adjustment to ARC	<u>138</u>
Annual OPEB cost	44,630
Contributions made	<u>(43,554)</u>
Change in net OPEB asset	1,076
Net OPEB asset – beginning of fiscal year	<u>(2,325)</u>
Net OPEB asset – end of fiscal year	<u>\$ (1,249)</u>

MLGW's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for fiscal years 2011, 2010 and 2009 were as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Employer Contributions</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation (Asset)</u>
December 31, 2011	\$44,630	\$43,554	97.5%	\$ (1,249)
December 31, 2010	43,651	43,476	99.6%	(2,325)
December 31, 2009	55,340	55,688	100.6%	(2,500)

Funded Status and Funding Progress *spreadsheet*

<u>Actuarial Valuation Date *</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) (b)</u>	<u>Unfunded/ (Overfunded) AAL (UAAL) (c) = (b) - (a)</u>	<u>Funded Ratio (a) / (b)</u>	<u>Covered Payroll (d)</u>	<u>UAAL as a Percentage of Covered Payroll (c) / (d)</u>
December 31, 2009	\$ 125,234	\$ 591,528	\$ 466,294	21.2%	\$ 153,117	304.5%
December 31, 2007 ***	\$ 15,097	\$ 674,002	\$ 658,905	2.2%	\$ 144,756	455.2%
December 31, 2006 **	\$ 0	\$ 743,484	\$ 743,484	0.0%	\$ 148,219 ***	501.6%

* The actuarial valuation is done biennially. The next actuarial valuation will be performed with the reporting date of December 31, 2011.

** Projected from 12/31/05 valuation

*** Projected from 2006 payroll

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the health care cost trend. Actuarially determined amounts are subject to continual revisions as actual results are compared with past expectations and new estimates are made about the future. The above schedule of funding progress, as presented as “required supplementary information” following the notes to MLGW’s OPEB Trust’s financial statements, provides additional multi-year trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions

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

Valuation Date	December 31, 2009
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percent of pay, 30 years
Remaining Amortization Period	27 years as of December 31, 2009
Asset Valuation Method	Market Value
Actuarial Assumptions:	
Investment Rate of Return (discount rate)	7.50%
Inflation Rate	3.25%
Projected Salary Increases	Ultimately 7.60% at age 24 graded to 3.25% at age 60 and older
Medical Cost Trend Rate for PPO, POS and HMO (starting 1/1/2010)	9.25% graded to 5.00% over 9 years
Medical Cost Trend Rate for POS and HMO	9.00% graded to 5.00% over 8 years
Drug Cost Trend Rate	8.50% graded to 5.00% over 7 years

F. Pension and retirement plans

City of Memphis Retirement System

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

As of and for its year ended June 30, 2012, the City Retirement System reported the following net assets:

ASSETS

Cash and cash equivalents	\$ 71,999
Investments, at fair value:	
U.S. government securities - long-term	74,468
Common stock - domestic	674,947
Common stock - foreign	174,810
Corporate bonds - domestic	257,941
Corporate bonds - foreign	65,379
Mutual funds and money market funds	106,108
Collateralized mortgage obligations	8,634
Asset-backed pooled securities	1,898
Mortgage-backed pooled securities	85,933
Investment in index fund	116,818
Investment in real estate	101,419
Investment in international equity fund	210,660
Total investments	<u>1,879,015</u>
Interest and dividend receivables	6,528
Receivable for securities sold	102,961
Due from other agencies and governments	<u>162</u>
Total assets	<u><u>2,060,665</u></u>

LIABILITIES

Accounts payable and other	157,660
Due to other funds	<u>193</u>
Total liabilities	<u><u>157,853</u></u>

NET ASSETS

Held in trust for pension benefits	<u><u>\$ 1,902,812</u></u>
------------------------------------	----------------------------

NOTES TO FINANCIAL STATEMENTS
(Thousands of Dollars)
For the fiscal year ended June 30, 2012

CITY OF MEMPHIS, TENNESSEE
(Continued)

As of and for its year ended June 30, 2012, the City Retirement System reported the following changes in net assets:

ADDITIONS

Contributions:

Employer	\$ 20,107
Plan members	23,723
Total contributions	<u>43,830</u>

Investment income:

Interest and dividend income	51,642
Other investment income	1,093
Gain on real estate investments	3,189
Net depreciation in the fair value of investments	<u>(17,900)</u>
Total investment income	<u>38,024</u>

Total Additions 81,854

DEDUCTIONS

Benefits	144,470
Administrative expenses	9,160
Refunds of contributions	<u>11,880</u>

Total Deductions 165,510

Net decrease (83,656)

Net assets - beginning of year, as restated 1,986,468

Net assets - end of year \$ 1,902,812

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, 2012, the Retirement System membership consisted of:

Retirees and beneficiaries currently receiving benefits and Terminated employees entitled to benefits but not yet receiving them	4,913
Active employees:	
Fully vested	3,185
Non-vested	<u>2,908</u>
Total	<u>11,006</u>

The Plans provide retirement benefits as well as death and disability benefits. Retirement benefits vest after ten years of service. General Employees in the 1948 Plan must contribute 5% of compensation. Under the 1948 Plan, General Employees may retire after completion of 25 years of service or, if earlier, after age 60 and the completion of 10 years of service. General Employees in the 1978 Plan must contribute 8% of compensation. 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.

Fire and Police Employee contributions range from 5% to 8%, depending on the plan and date of hire. 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 the completion of 10 years of service. Elected and Appointed participants hired prior to November 1, 2004 may retire after 12 years of service.

Benefits amounting to 2.25 percent (for credited service prior to January 1, 1990) and 2.50 percent (for credited service January 1, 1990 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. The City of Memphis Retirement System had no individual investments in excess of 5 percent of plan net assets.

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

The employer contribution is 6% of compensation, as determined by the Pension Ordinance. Any difference in the actual employer contribution and the actuarially determined annual required contribution affects the unfunded liability, which is amortized over future years.

For its year ended June 30, 2012, the City of Memphis Retirement System reported total employer and plan member contributions of \$20,107 and \$23,723, respectively. Benefits paid to plan members totaled \$144,470.

Actuarial Methods and Assumptions – The City obtains annually an actuarial valuation of the Retirement System for the purpose of calculating the necessary information for accounting and reporting requirements in accordance with Governmental Accounting Standards. The actuarial asset valuation method is the Entry Age Normal Actuarial Cost Method with level-dollar open amortization of the unfunded accrued liability. The amortization period is 30 years. The method divides the cost of funding into two parts; normal cost and actuarial accrued liability. Significant actuarial assumptions include: (a) a rate of return on the investment of present and future assets of 7.5 percent a year compounded annually; (b) projected salary increases of 5 percent a year compounded annually, attributable to inflation; (c) no additional projected salary increases for seniority or merit; and (d) no post-retirement benefit increases.

Schedule of Funding Progress - The normal cost method is the level annual payment that would be required to fund the pension if paid from the date each employee was hired to the date of his retirement. Actuarial accrued liability is the amount of assets that would have been accumulated had the plan been established on the date the employee with the longest period of service was hired. If the actuarial accrued liability were fully funded, the total annual cost would be the normal cost. The schedule of funding progress for the six years ended June 30, 2012 is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (AL) -- Entry Age (b)	Unfunded Actuarial Liability (UAL) (c) = (b) - (a)	Funded Ratio (a) / (b)	Covered Payroll (d)	UAL as a Percentage of Covered Payroll (c) / (d)
7/1/2007 *	\$2,121,919	\$2,063,051	\$0	102.9%	\$264,966	0.0%
7/1/2008	\$2,184,255	\$2,090,088	\$0	104.5%	\$281,040	0.0%
7/1/2009	\$1,773,457	\$2,222,984	\$449,527	79.8%	\$296,134	151.8%
7/1/2010	\$1,805,071	\$2,336,075	\$531,004	77.3%	\$308,889	171.9%
7/1/2011	\$1,838,424	\$2,447,974	\$609,550	75.1%	\$316,434	192.6%
7/1/2012	\$1,867,934	\$2,509,930	\$641,996	74.4%	\$298,250	215.3%

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

Schedule of Employer Contributions - The schedule of employer contributions for the six years ended June 30, 2012 is as follows:

Year Ended June 30	Annual Required Contribution	Percentage Contributed
2007	\$22,674	61.9%
2008	24,072	60.6
2009	21,208	76.3
2010	71,447	24.4
2011	80,021	25.2
2012	89,006	22.6

NOTES TO FINANCIAL STATEMENTS
(Thousands of Dollars)
For the fiscal year ended June 30, 2012

CITY OF MEMPHIS, TENNESSEE
(Continued)

Annual Pension Cost and Net Pension Asset – The City Retirement System’s annual pension cost and net pension asset for the year ended June 30, 2012 were as follows:

Annual required contribution	\$ 89,006
Interest on net pension obligation	5,546
Adjustment to annual required contribution	<u>(6,261)</u>
Annual pension cost	88,291
Contribution made	<u>(20,108)</u>
Increase in net pension obligation	68,183
Net pension obligation at beginning of year	<u>73,942</u>
Net pension obligation at end of year	<u>\$142,125</u>

Three-year trend information is as follows:

Year Ended June 30	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2010	\$71,836	24.2%	\$14,191
2011	79,883	25.2	73,942
2012	88,291	22.8	142,125

Library Retirement System

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

As of and for its year ended June 30, 2012, the Library Retirement System reported the following net assets:

ASSETS

Cash and cash equivalents	\$ 15
Investments, at fair value:	
Common stock - domestic	29,449
Mutual funds and money market funds	42
Investment in index funds	19,525
Investment in international equity fund	<u>6,873</u>
Total investments	55,889
Receivable for securities sold	<u>156</u>
Total assets	<u>56,060</u>

LIABILITIES

Due to other funds	<u>291</u>
Total liabilities	<u>291</u>

NET ASSETS

Held in trust for pension benefits	<u>\$ 55,769</u>
------------------------------------	------------------

NOTES TO FINANCIAL STATEMENTS
(Thousands of Dollars)
For the fiscal year ended June 30, 2012

CITY OF MEMPHIS, TENNESSEE
(Continued)

As of and for its year ended June 30, 2012, the Library Retirement System reported the following changes in net assets:

ADDITIONS

Contributions:

Employer	\$ 202
Plan members	202
Total contributions	<u>404</u>

Investment income:

Other investment income	146
Net appreciation in the fair value of investments	<u>318</u>
Total investment income	<u>464</u>

Total Additions 868

DEDUCTIONS

Benefits	3,123
Administrative expenses	<u>115</u>

Total Deductions 3,238

Net decrease (2,370)

Net assets - beginning of year 58,139

Net assets - end of year \$ 55,769

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, 2012, the Library Retirement System membership consisted of:

Retirees and beneficiaries currently receiving benefits and Terminated employees entitled to benefits but not yet receiving them	149
Active employees:	
Vested	154
Nonvested	<u>25</u>
Total	<u>328</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 criteria:

- (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 criteria:

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

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

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

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

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

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

Actuarial Methods and Assumptions - The actuarial asset valuation method is the Aggregate Entry Age Normal Actuarial Cost Method with a closed amortization period of 27 years (based on 30 years as of June 30, 2007). The method divides the cost of funding into two parts – normal cost and actuarial accrued liability. Significant actuarial assumptions include: (a) a rate of return on the investment of present and future assets of 7.5 percent a year compounded annually; (b) projected salary increases of 3.5 percent a year compounded annually, attributable to inflation; and (c) post-retirement benefit increases of 3 percent a year.

The mortality assumption for healthy participants changed from the RP-2000 Combined Mortality Table projected to 2011 for males and females to the Fully Generational RP-2000 Combined Mortality Table for males and females. In addition, potential sick leave accrual an additional 0.05 years of creditable service time was assumed for every year of credited service.

Schedule of Funding Progress – The normal cost method is the level annual payment that would be required to fund the pension if paid from the date each employee was hired to the date of his retirement. Actuarial liability is the amount of assets that would have been accumulated had the plan been established on the date the employee with the longest period of service was hired. If the actuarial liability were fully funded, the total annual cost would be the normal cost. The schedule of funding progress for the six years ended January 1, 2012 is as follows:

(in thousands of dollars)

Actuarial Valuation Date *	Actuarial Value of Assets (a)	Actuarial Liability (AL) -- Entry Age (b)	Unfunded Actuarial Liability (UAL) (c) = (b) - (a)	Funded Ratio (a) / (b)	Covered Payroll (d)	UAL as a Percentage of Covered Payroll (c) / (d)
1/1/06	61,017	54,855	0	111.0%	10,190	0.0%
1/1/07	66,572	59,007	0	113.0%	9,230	0.0%
1/1/08	69,025	62,704	0	110.0%	8,768	0.0%
1/1/09	49,765	61,049	11,284	82.0%	7,648	148.0%
1/1/11	57,907	64,638	6,731	89.6%	6,832	98.5%
1/1/12	54,598	67,051	12,453	86.4%	6,088	204.5%

* January 1, 2010, participant counts are not available.

Schedule of Employer Contributions - The schedule of employer contributions for the six years ended June 30, 2012, is as follows:

Year Ended June 30	Annual Required Contribution	Percentage Contributed
2006	0	N/A
2007	0	N/A
2008	0	N/A
2009	0	N/A
2010	0	N/A
2011	1,332	17.1
2012	1,027	19.9

NOTES TO FINANCIAL STATEMENTS
(Thousands of Dollars)
For the fiscal year ended June 30, 2012

CITY OF MEMPHIS, TENNESSEE
(Continued)

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, 2012, were as follows:

Annual required contribution	\$ 1,027
Interest on net pension asset	(105)
Adjustment to annual required contribution	<u>126</u>
Annual pension cost	1,048
Contribution made	<u>(205)</u>
Increase in net pension obligation	843
Net pension asset at beginning of year	<u>(1,404)</u>
Net pension asset at end of year	<u>\$ (561)</u>

Three-year trend information is as follows:

Year Ended June 30	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Asset
2010	\$ 18	1,261.1%	\$(2,543)
2011	1,366	16.6	(1,404)
2012	1,048	19.6	(561)

MLGW Retirement System

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

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 two 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 and Pension System. The MLGW Pension Plan was amended and restated effective January 1, 2009. Participants in the 1948 Plan (which includes those employees hired before July 1, 1978) are entitled to the greater of their retirement benefit determined under the 1948 Plan or their retirement benefit under the MLGW Pension Plan.

At December 31, 2011, the MLGW Retirement System membership consisted of:

Retirees and beneficiaries currently receiving benefits and Terminated employees entitled to benefits but not yet receiving them	2,567
Active employees	<u>2,584</u>
Total	<u>5,151</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 of 56 for retired members and surviving spouses, and at any age for disabled members on a graded scale up to 5 percent per annum based on the National Consumer Price 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 values except for real estate investments, which are appraised by independent appraisals, and certain limited partnership investments. 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 8.0 percent of the benefit compensation to the MLGW Retirement System. As of December 31, 2011, MLGW's current required contribution is 19.52 percent of pensionable earnings of all active participants. Investment costs of the MLGW Retirement System are financed through investment earnings. Other administrative costs are included in the annual required contribution amount.

Actuarial Methods and Assumptions - The annual required contribution for the current year was determined as part of the January 1, 2012 actuarial valuation using the Entry Age Normal Cost Method. The information about funded status and funding progress has also been prepared using the Entry Age Normal Actuarial Cost Method.

Schedule of Funding Progress - As of January 1, 2012, the most recent actuarial valuation date, the MLGW Pension Plan was 84.2 percent funded. The actuarial accrued liability ("AAL") for benefits was \$1,350,812, and the actuarial value of assets was \$1,137,615, resulting in an unfunded actuarial accrued liability ("UAAL") of \$213,197. The covered payroll (annual payroll of active employees covered by the pension plan) was \$154,036, and the ratio of the UAAL to the covered payroll was 138.4 percent.

(in thousands of dollars)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) * (b)	Unfunded Actuarial Accrued Liability (UAAL) (b) - (a)	Funded Ratio (a) / (b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b) - (a)] / (c)
1/1/2010	\$1,191,027	\$1,292,791	\$101,764	92.1%	\$154,057	66.1%
1/1/2011	\$1,171,383	\$1,324,410	\$153,027	88.5%	\$153,509	99.7%
1/1/2012	\$1,137,615	\$1,350,812	\$213,197	84.2%	\$154,036	138.4%

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

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

<u>Year Ended December 31</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>
2006	\$19,512	100.6%
2007	17,217	100.1
2008	10,541	175.2
2009	22,401	95.5
2010	27,381	100.0
2011	26,208	100.0

Annual Pension Cost and Net Pension Asset – The MLGW Retirement System’s annual pension cost and net pension asset for the year ended December 31, 2011, were as follows:

Annual required contribution	\$ 26,208
Interest on net pension asset	(1,206)
Adjustment to annual required contribution	<u>942</u>
Annual pension cost	25,944
Contribution made	<u>(26,213)</u>
Increase in net pension asset	(269)
Net pension asset at beginning of year	<u>(16,079)</u>
Net pension asset at end of year	<u>\$ (16,348)</u>

Three-year trend information is as follows:

<u>Year Ended December 31</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation (Asset)</u>
2009	\$ 22,984	93.1%	\$ (16,641)
2010	27,947	98.0	(16,079)
2011	25,944	101.0	(16,348)

NOTES TO FINANCIAL STATEMENTS
(Thousands of Dollars)
For the fiscal year ended June 30, 2012

CITY OF MEMPHIS, TENNESSEE
(Continued)

G. Component units

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

	GOVERNMENTAL TYPE	PROPRIETARY TYPE			ZOO	COMPONENT UNITS TOTAL
	BOE	MATA	MSCAA	TOTAL		
Current Assets	\$ 407,465	10,419	189,777	200,196	18,419	626,080
Property, plant and equipment (net of accumulated depreciation)	1,006,922	145,445	981,320	1,126,765	68	2,133,755
Other assets	-	713	83,231	83,944	777	84,721
Total assets	<u>\$ 1,414,387</u>	<u>156,577</u>	<u>1,254,328</u>	<u>1,410,905</u>	<u>19,264</u>	<u>2,844,556</u>
Current liabilities	\$ 142,102	8,500	55,855	64,355	2,887	209,344
Long-term liabilities	437,485	11,300	529,124	540,424	-	977,909
Net assets	834,801	136,777	669,349	806,126	16,377	1,657,304
Total liabilities and net assets	<u>\$ 1,414,387</u>	<u>156,577</u>	<u>1,254,328</u>	<u>1,410,905</u>	<u>19,264</u>	<u>2,844,556</u>
Operating revenues	\$ 747,275	19,036	110,807	129,843	16,856	893,974
Operating expenses	1,219,111	57,962	55,177	113,139	17,758	1,350,008
Operating income (loss) before depreciation and amortization	<u>\$ (471,836)</u>	<u>(38,926)</u>	<u>55,630</u>	<u>16,704</u>	<u>(902)</u>	<u>(456,034)</u>
Depreciation and amortization	\$ -	(12,091)	(58,398)	(70,489)	(3)	(70,492)
Grants and contributions not restricted	406,884	-	49,831	49,831	125	456,840
City of Memphis subsidy	-	23,082	-	23,082	-	23,082
Federal and State grant revenues	-	21,844	-	21,844	253	22,097
Interest and investment income (loss)	241	-	2,261	2,261	(324)	2,178
Interest expense	-	-	(23,536)	(23,536)	-	(23,536)
Other revenue (expense)	-	160	5,906	6,066	2,803	8,869
Change in net assets	(64,711)	(5,931)	31,694	25,763	1,952	(36,996)
Net assets - beginning of year, as restated	899,512	142,708	637,655	780,363	14,425	1,694,300
Net assets - end of year	<u>\$ 834,801</u>	<u>136,777</u>	<u>669,349</u>	<u>806,126</u>	<u>16,377</u>	<u>1,657,304</u>

(This page left blank intentionally.)

COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES

CITY OF MEMPHIS

T E N N E S S E E

COMBINING NONMAJOR FUNDS

SPECIAL REVENUE

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

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

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

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

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

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

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

Hotel / Motel Tax – The Hotel Motel Tax Fund accounts for proceeds of the hotel/motel occupancy tax. Funds are used to repay outstanding bond indebtedness relating to the Cook Convention Center. Excesses are provided to the Memphis Convention and Visitors Bureau.

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

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

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

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

Central Business Improvement District – The Central Business Improvement District Fund accounts for the special assessments distributed to the Center City Commission.

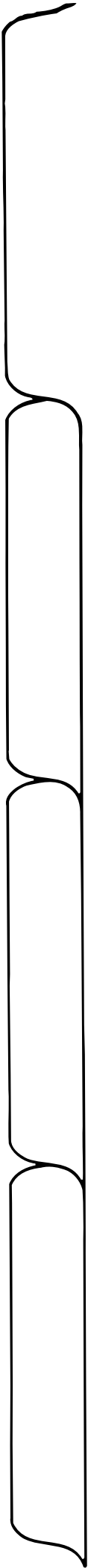
Community Redevelopment Fund – The Community Redevelopment Fund accounts for the use of tax increment financing for improvements in the Uptown Area.

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

CAPITAL PROJECTS

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

COMBINING
NONMAJOR FUNDS



(This page left blank intentionally.)

**NON MAJOR FUNDS
COMBINING BALANCE SHEET
(Thousands of Dollars)
June 30, 2012**

	Drug Enforcement	State Street Aid	Workforce Investment Act	Miscellaneous Grants	Midtown Corridor	Solid Waste Management	Hotel/ Motel Tax
ASSETS							
Cash and cash equivalents	\$ 291	-	-	1	-	-	-
Equity in cash and investment pool	4,490	-	-	705	1,791	12,476	2,024
Receivables (net of allowance for uncollectibles):							
Property taxes:							
Current property taxes	-	-	-	-	-	-	-
Delinquent property taxes	-	-	-	-	-	-	-
Federal grants and entitlements	-	-	2,526	7,052	-	2,044	-
State grants and entitlements	-	2,978	-	1,537	-	342	-
Interest on investments	4	-	-	-	1	-	-
Other	7	-	-	3,396	-	24	7
Due from other funds	5,429	-	-	-	-	4,688	-
Due from other agencies and governments	-	-	-	-	-	5,003	352
Total assets	\$ 10,221	2,978	2,526	12,691	1,792	24,577	2,383
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts payable	\$ 116	-	1,353	874	-	2,073	2,383
Accrued liabilities	-	-	-	-	-	49	-
Contract retainage	-	-	-	7	-	-	-
Due to other funds	-	2,978	1,156	-	-	9,679	-
Due to other agencies and governments	-	-	-	-	-	-	-
Deferred revenue	868	-	17	11,563	-	2,408	-
Total liabilities	984	2,978	2,526	12,444	-	14,209	2,383
Fund balances:							
Restricted	9,237	-	-	247	-	10,368	-
Committed	-	-	-	-	1,792	-	-
Unassigned	-	-	-	-	-	-	-
Total fund balances	9,237	-	-	247	1,792	10,368	-
Total liabilities and fund balances	\$ 10,221	2,978	2,526	12,691	1,792	24,577	2,383

**NON MAJOR FUNDS
COMBINING BALANCE SHEET
(Thousands of Dollars)
June 30, 2012**

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

New Memphis Arena	MLK Park	Metro Alarm	Community Services	Central Business Improvement District	Community Redevelopment	Education	Total	
								ASSETS
-	-	-	-	-	-	-	292	Cash and cash equivalents
-	156	2,016	6	27	1,898	-	25,589	Equity in cash and investment pool
								Receivables (net of allowance for uncollectibles):
								Property taxes:
-	-	-	-	2,690	-	11,819	14,509	Current property taxes
-	-	-	-	215	-	4,078	4,293	Delinquent property taxes
								Federal grants and entitlements
-	-	-	-	-	-	-	11,622	Federal grants and entitlements
-	-	-	-	-	-	-	4,857	State grants and entitlements
-	-	1	-	-	-	-	6	Interest on investments
-	-	15	-	-	-	-	3,449	Other
-	-	-	-	-	-	-	10,117	Due from other funds
-	-	-	-	-	8,554	105	14,014	Due from other agencies and governments
-	156	2,032	6	2,932	10,452	16,002	88,748	Total assets
								LIABILITIES AND FUND BALANCES
								Liabilities:
21	-	1	-	26	12	40	6,899	Accounts payable
-	-	-	-	-	-	-	49	Accrued liabilities
-	-	-	-	-	-	-	7	Contract retainage
4,117	-	-	-	-	-	37	17,967	Due to other funds
-	-	-	-	-	-	130	130	Due to other agencies and governments
-	62	-	-	2,906	8,554	15,795	42,173	Deferred revenue
4,138	62	1	-	2,932	8,566	16,002	67,225	Total liabilities
								Fund balances:
-	-	-	-	-	-	-	19,852	Restricted
-	94	2,031	6	-	1,886	-	5,809	Committed
(4,138)	-	-	-	-	-	-	(4,138)	Unassigned
(4,138)	94	2,031	6	-	1,886	-	21,523	Total fund balances
-	156	2,032	6	2,932	10,452	16,002	88,748	Total liabilities and fund balances

**NON MAJOR FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
(Thousands of Dollars) June 30, 2012**

	Drug Enforcement	State Street Aid	Workforce Investment Act	Miscellaneous Grants	Midtown Corridor	Solid Waste Management	Hotel/ Motel Tax
REVENUES							
Local taxes:							
Property taxes	\$ -	-	-	-	-	-	-
Special assessments - current	-	-	-	-	-	-	-
Special assessments - prior	-	-	-	-	-	-	-
Sales tax general	-	-	-	-	-	-	-
Other local taxes	-	-	-	-	-	99	-
Total local taxes	-	-	-	-	-	99	-
State taxes (local share)	-	16,770	-	-	-	-	-
Hotel/motel tax	-	-	-	-	-	-	3,720
Licenses and Permits	-	-	-	-	-	-	-
Fines and forfeitures	4,138	-	-	-	-	-	-
Charges for services	-	-	-	-	-	59,745	-
Investment income	20	-	-	-	4	-	-
Federal grants and entitlements	-	-	7,812	14,973	-	74	-
State grants	-	-	-	2,733	-	11	-
Other	136	-	-	1,746	-	365	-
Total revenues	4,294	16,770	7,812	19,452	4	60,294	3,720
EXPENDITURES							
General government	-	-	-	19,686	-	-	2,384
Public safety	2,934	-	-	-	-	-	-
Community service	-	-	7,812	-	-	-	-
Transportation and environment	-	15,002	-	-	-	61,263	-
Education	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-
Bond issuance cost	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-
Total expenditures	2,934	15,002	7,812	19,686	-	61,263	2,384
Revenues over (under) expenditures	1,360	1,768	-	(234)	4	(969)	1,336
OTHER FINANCING SOURCES (USES)							
Transfers in	-	-	-	424	-	-	969
Transfers out	-	(1,768)	-	(194)	-	(2,589)	(2,305)
Capital Leases	-	-	-	-	-	8,963	-
Issuance of debt	-	-	-	-	-	-	-
Loan Proceeds other than bonds	-	-	-	-	-	-	-
Issuance of refunding debt	-	-	-	-	-	-	-
Retirement of refunded debt obligation	-	-	-	-	-	-	-
Premium on debt issuance	-	-	-	-	-	-	-
Total other financing sources and uses	-	(1,768)	-	230	-	6,374	(1,336)
Net change in fund balances	1,360	-	-	(4)	4	5,405	-
Fund balances - beginning of year	7,877	-	-	251	1,788	4,963	-
Fund balances - end of year	\$ 9,237	-	-	247	1,792	10,368	-

**NON MAJOR FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
(Thousands of Dollars) June 30, 2012**

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

New Memphis Arena	MLK Park	Metro Alarm	Community Services	Central Business Improvement District	Community Redevelopment	Education	Total	
								REVENUES
								Local taxes:
-	-	-	-	-	-	772	772	Property taxes
-	-	-	-	2,622	-	-	2,622	Special assessments - current
-	-	-	-	122	-	-	122	Special assessments - prior
969	-	-	-	-	-	-	969	Sales tax general
-	-	-	-	113	-	-	212	Other local taxes
969	-	-	-	2,857	-	772	4,697	Total local taxes
								State taxes (local share)
-	-	-	-	-	-	-	16,770	State taxes (local share)
-	-	-	-	-	-	-	3,720	Hotel/motel tax
-	-	469	-	-	-	-	469	Licenses and Permits
-	-	-	-	-	-	-	4,138	Fines and forfeitures
-	139	-	-	-	-	-	59,884	Charges for services
-	-	4	-	-	-	-	28	Investment income
								Federal grants and entitlements
-	-	-	-	-	-	-	22,859	Federal grants and entitlements
-	-	-	-	-	-	-	2,744	State grants
-	-	10	-	-	11	-	2,268	Other
969	139	483	-	2,857	11	772	117,577	Total revenues
								EXPENDITURES
2,521	-	423	-	2,857	1,291	-	29,162	General government
-	-	-	-	-	-	-	2,934	Public safety
-	216	-	-	-	-	-	8,028	Community service
-	-	-	-	-	-	-	76,265	Transportation and environment
-	-	-	-	-	-	72,526	72,526	Education
-	-	-	-	-	-	-	-	Capital outlay
-	-	-	-	-	-	-	-	Bond issuance cost
-	-	-	-	-	-	-	-	Other
2,521	216	423	-	2,857	1,291	72,526	188,915	Total expenditures
(1,552)	(77)	60	-	-	(1,280)	(71,754)	(71,338)	Revenues over (under) expenditures
								OTHER FINANCING SOURCES (USES)
3,469	-	-	-	-	2,310	71,754	78,926	Transfers in
(969)	-	-	-	-	(3,011)	-	(10,836)	Transfers out
-	-	-	-	-	-	-	8,963	Capital Leases
-	-	-	-	-	-	-	-	Issuance of debt
-	-	-	-	-	-	-	-	Loan Proceeds other than bonds
-	-	-	-	-	-	-	-	Issuance of refunding debt
-	-	-	-	-	-	-	-	Retirement of refunded debt obligation
-	-	-	-	-	-	-	-	Premium on debt issuance
2,500	-	-	-	-	(701)	71,754	77,053	Total other financing sources and uses
948	(77)	60	-	-	(1,981)	-	5,715	Net change in fund balances
(5,086)	171	1,971	6	-	3,867	-	15,808	Fund balances - beginning of year
(4,138)	94	2,031	6	-	1,886	-	21,523	Fund balances - end of year

**NON MAJOR SPECIAL REVENUE FUNDS
 COMBINING SCHEDULE OF REVENUES AND EXPENDITURES -
 BUDGET AND ACTUAL ON BASIS OF BUDGETING
 (WITH ANNUAL BUDGETS)
 (Thousands of Dollars)
 For the fiscal year ended June 30, 2012**

	Budget Amounts			Variance with Final Budget- Positive (Negative)
	Original	Final	Actual	
DRUG ENFORCEMENT FUND				
Revenues:				
Investment income	\$ -	-	20	20
Fines and forfeitures	3,886	3,886	4,138	252
Other	65	65	136	71
Total revenues	3,951	3,951	4,294	343
Expenditures:				
Public safety	4,794	4,794	2,934	1,860
Total expenditures	4,794	4,794	2,934	1,860
Revenues over (under) expenditures	\$ (843)	(843)	1,360	2,203
STATE STREET AID FUND				
Revenues:				
State gasoline tax (local share)	\$ 18,579	18,579	16,770	(1,809)
Total revenues	18,579	18,579	16,770	(1,809)
Expenditures:				
Transportation & environment	16,811	16,811	15,002	1,809
Total expenditures	16,811	16,811	15,002	1,809
Other financing uses:				
Transfers out	(1,768)	(1,768)	(1,768)	-
Total other financing uses	(1,768)	(1,768)	(1,768)	-
Revenues over (under) expenditures and other financing uses	\$ -	-	-	-

**NON MAJOR SPECIAL REVENUE FUNDS
 COMBINING SCHEDULE OF REVENUES AND EXPENDITURES -
 BUDGET AND ACTUAL ON BASIS OF BUDGETING
 (WITH ANNUAL BUDGETS)
 (Thousands of Dollars)
 For the fiscal year ended June 30, 2012**

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

	Budget Amounts			Variance with Final Budget- Positive(Negative)
	Original	Final	Actual	
WORKFORCE INVESTMENT ACT				
Revenues:				
Federal grants	\$ 9,420	9,420	7,812	(1,608)
Total revenues	9,420	9,420	7,812	(1,608)
Expenditures:				
Community service	9,420	9,420	7,812	1,608
Total expenditures	9,420	9,420	7,812	1,608
Revenues over (under) expenditures	\$ -	-	-	-
MISCELLANEOUS GRANTS				
Revenues:				
Federal grants	\$ 56,782	56,782	14,973	(41,809)
State grants	9,420	9,420	2,733	(6,687)
Other	607	607	1,746	1,139
Total revenues	66,809	66,809	19,452	(47,357)
Expenditures:				
General government	66,809	66,809	19,686	47,123
Total expenditures	66,809	66,809	19,686	47,123
Other financing sources (uses):				
Transfers in	-	-	424	424
Transfers out			(194)	(194)
Total other financing sources (uses)	-	-	230	230
Revenues over (under) expenditures and other financing sources (uses)	\$ -	-	(4)	(4)
SOLID WASTE MANAGEMENT FUND				
Revenues:				
Other local taxes	\$ -	-	99	99
Charges for services	59,152	59,152	59,745	593
Federal grants	-	-	74	74
State grants	73	73	11	(62)
Other	100	100	365	265
Total revenues	59,325	59,325	60,294	969
Expenditures:				
Transportation and environment	52,902	53,891	61,263	(7,372)
Total expenditures	52,902	53,891	61,263	(7,372)
Other financing sources (uses):				
Transfers out	(5,093)	(5,093)	(2,589)	2,504
Capital Leases	-	-	8,963	8,963
Total other financing sources (uses)	(5,093)	(5,093)	6,374	11,467
Revenues over (under) expenditures and other financing sources (uses)	\$ 1,330	341	5,405	5,064

**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, 2012**

	Budget Amounts			Variance with Final Budget- Positive(Negative)
	Original	Final	Actual	
HOTEL/MOTEL TAX				
Revenues:				
Hotel/motel tax	\$ 3,400	3,400	3,720	320
Total revenues	3,400	3,400	3,720	320
Expenditures:				
General government	2,214	2,214	2,384	(170)
Total expenditures	2,214	2,214	2,384	(170)
Other financing sources (uses):				
Transfers in	965	965	969	4
Transfers out	(2,151)	(2,151)	(2,305)	(154)
Total other financing sources (uses)	(1,186)	(1,186)	(1,336)	(150)
Revenues over (under) expenditures and other financing sources (uses)	\$ -	-	-	-
NEW MEMPHIS ARENA				
Revenues:				
Sales tax general	\$ 965	965	969	4
State taxes (local share)	12,000	12,000	-	(12,000)
Total revenues	12,965	12,965	969	(11,996)
Expenditures:				
General government	14,500	14,500	2,521	11,979
Total expenditures	14,500	14,500	2,521	11,979
Other financing sources (uses):				
Transfers in	3,465	3,465	3,469	4
Transfers out	(965)	(965)	(969)	(4)
Total other financing sources (uses)	2,500	2,500	2,500	-
Revenues over (under) expenditures and other financing sources (uses)	\$ 965	965	948	(17)
MLK PARK				
Revenues:				
Charges for services	\$ 141	140	139	(1)
Investment income	-	-	-	-
Total revenues	141	140	139	(1)
Expenditures:				
Community service	265	267	216	51
Total expenditures	265	267	216	51
Revenues over (under) expenditures and other financing sources (uses)	\$ (124)	(127)	(77)	50

**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, 2012**

	<u>Budget Amounts</u>			Variance with Final Budget- Positive(Negative)
	Original	Final	Actual	
METRO ALARM				
Revenues:				
Charges for services	\$ 402	397	469	72
Investment income	-	-	4	4
Other	-	5	10	5
Total revenues	402	402	483	81
Expenditures:				
General government	402	496	423	73
Total expenditures	402	496	423	73
Revenues over (under) expenditures	\$ -	(94)	60	154
COMMUNITY REDEVELOPMENT				
Revenues:				
Local taxes	\$ -	-	-	-
State grants	-	(4)	-	4
Other	-	-	10	10
Total revenues	-	(4)	10	14
Expenditures:				
General government	-	43	1,291	(1,248)
Total expenditures	-	43	1,291	(1,248)
Other financing sources (uses):				
Transfers in	-	-	2,310	2,310
Transfers out	-	-	(3,011)	(3,011)
Total other financing sources (uses)	-	-	(701)	(701)
Revenues over (under) expenditures and other financing sources (uses)	\$ -	(47)	(1,982)	(1,935)

**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, 2012**

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

	Budget Amounts		Actual	Variance with Final Budget- Positive(Negative)
	Original	Final		
TOTAL NONMAJOR SPECIAL REVENUE FUNDS				
Revenues:				
Local taxes	-	-	99	99
Sales tax general	965	965	969	4
State taxes (local share)	30,579	30,579	16,770	(13,809)
Charges for services	59,695	59,689	60,353	664
Investment income	-	5	24	19
Federal grants and entitlements	66,202	66,202	22,859	(43,343)
State grants	9,493	9,489	2,744	(6,745)
Fines and forfeitures	3,886	3,886	4,138	252
Hotel/motel tax	3,400	3,400	3,720	320
Other	772	777	2,267	1,490
Total revenues	174,992	174,992	113,943	(61,049)
Expenditures:				
General government	83,925	84,062	26,305	57,757
Public safety	4,794	4,794	2,934	1,860
Community services	9,685	9,687	8,028	1,659
Transportation and environment	69,713	70,702	76,265	(5,563)
Total expenditures	168,117	169,245	113,532	55,713
Other financing sources (uses)				
Transfers in	4,430	4,430	7,172	2,742
Transfers out	(15,070)	(15,070)	(13,001)	2,069
Capital Leases			8,963	8,963
Total other financing sources (uses)	(10,640)	(10,640)	3,134	13,774
Revenues over (under) expenditures and other financing sources (uses)	\$ (3,765)	(4,893)	3,545	8,438

ALL SPECIAL FUNDS (WITH CARRYOVER BUDGETS)
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL
(Thousands of Dollars)
For the fiscal year ended June 30, 2012

CITY OF MEMPHIS, TENNESSEE
Exhibit B-4

	Budget	Recognized thru June 30, 2011	Recognized Current Year	Recognized thru June 30, 2012	Variance
MIDTOWN CORRIDOR FUND					
Revenues:					
Investment income	\$ -	427	4	431	431
Other	-	25	-	25	25
Sale of land	2,932	4,080	-	4,080	1,148
Total revenues	2,932	4,532	4	4,536	1,604
Expenditures:					
Personal services	122	91	-	91	31
Materials and supplies	776	685	-	685	91
Capital outlay	5	4	-	4	1
Land acquisition	1,764	1,764	-	1,764	-
Grants and subsidies	-	200	-	200	(200)
Total expenditures	2,667	2,744	-	2,744	(77)
Revenues over expenditures	\$ 265	1,788	4	1,792	1,527

(This page left blank intentionally.)

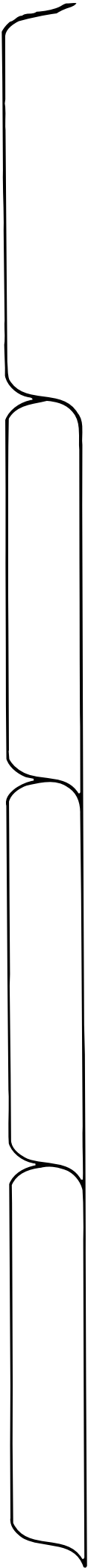
CITY OF MEMPHIS

T E N N E S S E E

ENTERPRISE FUNDS

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

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



ENTERPRISE FUNDS
STATEMENT OF NET ASSETS
(Thousands of Dollars)
June 30, 2012

CITY OF MEMPHIS, TENNESSEE
Exhibit C-1

	<u>Storm Water</u>
ASSETS	
Current assets:	
Cash	\$ 1
Receivables:	
Accounts receivable	2,039
Federal and state grants	37
Due from other funds	<u>593</u>
Total current assets	2,670
Capital assets:	
Land	37
Improvements other than buildings	40,298
Machinery and equipment	10,010
Less accumulated depreciation and amortization	<u>(16,548)</u>
Total capital assets	33,797
Construction in progress	<u>24,380</u>
Net capital assets	<u>58,177</u>
Total assets	<u>60,847</u>
LIABILITIES	
Current liabilities:	
Accounts payable and accrued expenses	812
Due to other funds	11,444
Other post employment benefits	3,799
Vacation, sick and other leave benefits	<u>1,421</u>
Total current liabilities	<u>17,476</u>
Total liabilities	<u>17,476</u>
NET ASSETS	
Invested in capital assets	58,177
Unrestricted	<u>(14,806)</u>
Total net assets	<u>\$ 43,371</u>

**ENTERPRISE FUNDS
STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN FUND NET ASSETS
(Thousands of Dollars)
For the fiscal year ended June 30, 2012**

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

	<u>Storm Water</u>
Operating revenues-charges for services	\$ 23,729
Operating expenses other than depreciation and amortization:	
Personnel services	9,252
Materials, supplies, services, and other	3,712
Capital outlay	<u>33</u>
Total operating expenses other than depreciation and amortization	<u>12,997</u>
Operating income before depreciation and amortization	<u>10,732</u>
Depreciation and amortization: On assets acquired with own funds	<u>2,626</u>
Operating income	<u>8,106</u>
Non-operating revenue:	
Other Revenue	<u>20</u>
Total non-operating revenue	<u>20</u>
Income before capital contributions and transfers	<u>8,126</u>
Transfers in	-
Transfers out	(4,412)
Capital contribution - state	<u>276</u>
Change in net assets	3,990
Total net assets - beginning of year	<u>39,381</u>
Total net assets - end of year	<u>\$ 43,371</u>

**ENTERPRISE FUNDS
STATEMENT OF CASH FLOWS
(Thousands of Dollars)
For the fiscal year ended June 30, 2012**

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

	<u>Storm Water</u>
CASH FLOWS FROM OPERATING ACTIVITIES:	
Receipts from customers and users	\$ 23,677
Payments to suppliers	(4,067)
Payments to employees	<u>(8,152)</u>
Net cash provided by (used for) operating activities	<u>11,458</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:	
Repayment of advances from other funds	1,662
Transfers to other funds	<u>(4,412)</u>
Net cash provided by (used for) noncapital and related financing	<u>(2,750)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Acquisition and construction of capital assets	(8,984)
Capital contribution - state	<u>276</u>
Net cash provided by (used for) capital and related financing activities	<u>(8,708)</u>
Net increase (decrease) in cash	-
Cash, beginning of year	<u>1</u>
Cash, end of year	<u>\$ 1</u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities	
Operating Income (loss)	\$ 8,106
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation expense	2,626
Decrease in assets:	
Accounts Receivable	(52)
Decrease in liabilities:	
Other accounts payable and accrued expenses	<u>778</u>
Total adjustments	<u>3,352</u>
Net cash provided by (used for) operating activities	<u>\$ 11,458</u>

(This page left blank intentionally.)

CITY OF MEMPHIS

T E N N E S S E E

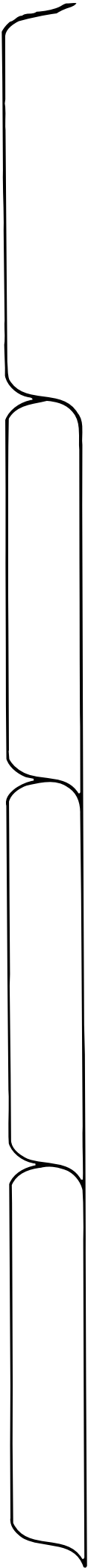
INTERNAL SERVICE FUNDS

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.

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

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

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



INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF NET ASSETS
(Thousands of Dollars)
June 30, 2012

CITY OF MEMPHIS, TENNESSEE
Exhibit D-1

	Health Insurance	Unemployment Compensation	Fleet Management	Total
ASSETS				
Current assets:				
Cash and cash equivalents	\$ -	-	1	1
Equity in cash and investment pool	2,691	-	-	2,691
Receivables	14	-	16	30
Due from other funds	15,561	-	62	15,623
Due from other agencies	(264)	-	-	(264)
Inventories	-	-	637	637
Total current assets	18,002	-	716	18,718
Furniture and equipment	11	-	3,274	3,285
Less accumulated depreciation	(11)	-	(3,172)	(3,183)
Net capital assets	-	-	102	102
Total assets	18,002	-	818	18,820
LIABILITIES				
Current liabilities:				
Accounts payable and accrued expenses	2,142	63	1,136	3,341
Insurance claims payable	10,153	-	-	10,153
Due to other funds	-	1,204	3,532	4,736
Deferred revenues	6,042	-	-	6,042
Other post employment benefits	76	-	4,473	4,549
Vacation, sick and other leave benefits	99	-	1,918	2,017
Total current liabilities	18,512	1,267	11,059	30,838
NET ASSETS (DEFICIT)				
Invested in capital assets	-	-	102	102
Unrestricted	(510)	(1,267)	(10,343)	(12,120)
Total net assets (deficit)	\$ (510)	(1,267)	(10,241)	(12,018)

**INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET ASSETS
(Thousands of Dollars)
For the fiscal year ended June 30, 2012**

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

	Health Insurance	Unemployment Compensation	Fleet Management	Total
Operating revenues:				
Charges for services	\$ -	-	32,672	32,672
Employee contributions	16,483	-	-	16,483
Employer contributions	51,372	1,382	-	52,754
Total operating revenues	67,855	1,382	32,672	101,909
Operating expenses other than depreciation:				
Personnel services	517	-	10,228	10,745
Materials and supplies	3,775	-	3,090	6,865
Capital outlay	-	-	(31)	(31)
Inventories	-	-	20,083	20,083
Claims incurred	62,151	956	-	63,107
Total operating expenses other than depreciation	66,443	956	33,370	100,769
Operating income before depreciation	1,412	426	(698)	1,140
Depreciation:				
On assets acquired with own funds	-	-	111	111
Total depreciation	-	-	111	111
Operating income	1,412	426	(809)	1,029
Non-operating revenues:				
ERRP revenue	1,573	-	-	1,573
Investment income	36	-	-	36
Total non-operating revenues	1,609	-	-	1,609
Non-operating expenses:				
Loss on disposal of asset	-	-	231	231
Total non-operating expenses	-	-	231	231
Income before transfers	3,021	426	(1,040)	2,407
Transfers out	(492)	-	-	(492)
Change in net assets	2,529	426	(1,040)	1,915
Total net assets (deficit) - beginning of year, restated	(3,039)	(1,693)	(9,201)	(13,933)
Total net assets (deficit) - end of year	\$ (510)	(1,267)	(10,241)	(12,018)

**INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
(Thousands of Dollars)
For the fiscal year ended June 30, 2012**

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

	Health Insurance	Unemployment Compensation	Fleet Management	Total
CASH FLOWS FROM OPERATING ACTIVITIES:				
Receipts from customers and users	\$ (2)	-	129	127
Receipts from other division funds	(10,475)	982	32,385	22,892
Receipts from other agency funds	261	-	-	261
Employee contributions	16,483	-	-	16,483
Employer contributions	51,370	-	-	51,370
Payments to suppliers	(3,754)	-	(4,138)	(7,892)
Payments to employees	(250)	-	(9,876)	(10,126)
Payments from other division funds	-	-	1,704	1,704
Payments for inventory	-	-	(20,163)	(20,163)
Payments for claims incurred	(60,245)	(982)	-	(61,227)
Net cash (used in) provided by operating activities	<u>(6,612)</u>	<u>-</u>	<u>41</u>	<u>(6,571)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Transfers to other funds	(492)	-	-	(492)
Other revenue	1,573	-	-	1,573
Net cash used in noncapital financing activities	<u>1,081</u>	<u>-</u>	<u>-</u>	<u>1,081</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Loss on disposal of capital asset	-	-	(230)	(230)
Acquisition and construction of capital assets	-	-	189	189
Net cash used in capital and related financing activities	<u>-</u>	<u>-</u>	<u>(41)</u>	<u>(41)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:				
Investing income earned on investments	39	-	-	39
Net cash provided by investing activities	<u>39</u>	<u>-</u>	<u>-</u>	<u>39</u>
Net increase (decrease) in cash and cash equivalents	(5,492)	-	-	(5,492)
Cash and cash equivalents, beginning of year	8,183	-	1	8,184
Cash and cash equivalents, end of year	<u>\$ 2,691</u>	<u>-</u>	<u>1</u>	<u>2,692</u>
Reconciliation of operating income to net cash provided by operating activities:				
Operating income	\$ 1,412	426	(809)	1,029
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation expense	-	-	111	111
(Increase) decrease in assets:				
Inventories	-	-	(80)	(80)
Accounts receivable	(10,216)	-	(158)	(10,374)
Increase (decrease) in liabilities:				
Other accounts payable and accrued expenses	2,192	(426)	977	2,743
Total adjustments	<u>(8,024)</u>	<u>(426)</u>	<u>850</u>	<u>(7,600)</u>
Net cash (used in) provided by operating activities	<u>\$ (6,612)</u>	<u>-</u>	<u>41</u>	<u>(6,571)</u>

(This page left blank intentionally.)

CITY OF MEMPHIS

T E N N E S S E E

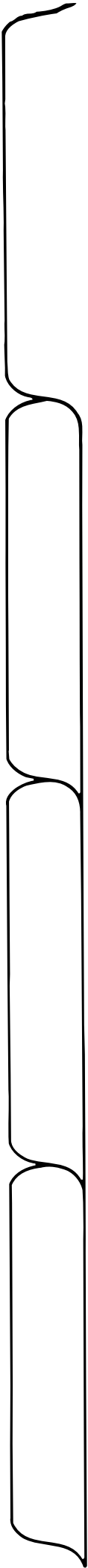
FIDUCIARY FUNDS

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

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

City OPEB Trust – Included in this fund are reserves for retiree benefits for post-retirement major medical and life insurance benefits.

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



**STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY TRUST FUNDS (Thousands of Dollars)
For the fiscal year ended June 30, 2012**

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

	Pension Trust			City OPEB Trust	Memphis Light, Gas and Water OPEB Trust	Total Pension and OPEB Trust Funds
	City Retirement System	Library Retirement System	Memphis Light, Gas and Water Retirement System			
ASSETS						
Cash and cash equivalents	\$ 71,999	15	32,558	-	17,233	121,805
Investments, at fair value:						
U.S. government securities - long-term	74,468	-	60,462	-	-	134,930
Common stock - domestic	674,947	29,449	227,611	-	47,878	979,885
Common stock - foreign	174,810	-	48,826	-	15,611	239,247
Preferred stock - domestic	-	-	18,211	-	426	18,637
Preferred stock - foreign	-	-	1,534	-	-	1,534
Corporate bonds - domestic	257,941	-	211,640	-	-	469,581
Corporate bonds - foreign	65,379	-	-	-	-	65,379
Mutual funds and money market funds	106,108	42	13,669	22,596	-	142,415
Investment in corporate bond mutual funds	-	-	-	-	33,453	33,453
Collateralized mortgage obligations	8,634	-	28,755	-	-	37,389
Asset-backed pooled securities	1,898	-	-	-	-	1,898
Mortgage-backed pooled securities	85,933	-	88,086	-	-	174,019
Investment in index funds	116,818	19,525	155,737	-	-	292,080
Investment in real estate	101,419	-	194,805	-	5,102	301,326
Investment in high yield bond fund	-	-	10,486	-	-	10,486
Investment in private equities	-	-	1,352	-	-	1,352
Investment in international equity fund	210,660	6,873	-	-	14,717	232,250
Investment in international bond fund	-	-	-	-	32,958	32,958
Distressed debt funds - domestic	-	-	-	-	8,401	8,401
Distressed debt funds - foreign	-	-	-	-	5,515	5,515
Total investments	1,879,015	55,889	1,061,174	22,596	164,061	3,182,735
Equity in cash and investment pool	-	-	-	9,366	-	9,366
Interest and dividend receivables	6,528	-	5,418	19	172	12,137
Receivable for securities sold	102,961	156	2,669	-	4	105,790
Due from other funds	-	-	-	484	-	484
Due from other agencies and governments	162	-	-	-	-	162
Employer and employee contributions receivable	-	-	928	-	377	1,305
Collateral held in trust for securities on loan	-	-	141,046	-	14,901	155,947
Total assets	2,060,665	56,060	1,243,793	32,465	196,748	3,589,731
LIABILITIES						
Accounts payable and other	157,660	-	148,422	9,325	15,508	330,915
Due to other funds	193	291	-	-	-	484
Total liabilities	157,853	291	148,422	9,325	15,508	331,399
NET ASSETS						
Held in trust for pension benefits, pool participants and OPEB	\$ 1,902,812	55,769	1,095,371	23,140	181,240	3,258,332

See accompanying notes to financial statements.

**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY TRUST FUNDS (Thousands of Dollars)
For the fiscal year ended June 30, 2012**

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

	<u>Pension Trust</u>					Total Pension and OPEB Trust Funds
	City Retirement System	Library Retirement System	Memphis Light, Gas and Water Retirement System	City OPEB Trust	Memphis Light, Gas and Water OPEB Trust	
ADDITIONS						
Contributions:						
Employer	\$ 20,107	202	26,213	32,074	43,554	122,150
ERRP revenue	-	-	-	3,671	-	3,671
Medicare Part D	-	-	-	2,012	-	2,012
Plan members	23,723	202	11,930	11,098	5,718	52,671
Total contributions	43,830	404	38,143	48,855	49,272	180,504
Transfer from other fund	-	-	-	492	-	492
Investment income:						
Interest and dividend income	51,642	-	31,222	423	3,203	86,490
Securities lending income	-	-	423	-	41	464
Other investment income	1,093	146	21	-	6	1,266
Gain on real estate investments	3,189	-	-	-	-	3,189
Net (depreciation)/appreciation in the fair value of investments	(17,900)	318	16,966	577	(575)	(614)
Total investment income	38,024	464	48,632	1,000	2,675	90,795
Total Additions	81,854	868	86,775	50,347	51,947	271,791
DEDUCTIONS						
Benefits	144,470	3,123	84,880	40,301	29,346	302,120
Administrative expenses	9,160	115	3,849	3,643	1,730	18,497
Refunds of contributions	11,880	-	1,135	-	-	13,015
Total Deductions	165,510	3,238	89,864	43,944	31,076	333,632
Net (decrease)/increase	(83,656)	(2,370)	(3,089)	6,403	20,871	(61,841)
Net assets - beginning of year, as restated	1,986,468	58,139	1,098,460	16,737	160,369	3,320,173
Net assets - end of year	\$ 1,902,812	55,769	1,095,371	23,140	181,240	3,258,332

See accompanying notes to financial statements.

STATEMENT OF CHANGES IN NET ASSETS AND LIABILITIES
FIDUCIARY AGENCY FUND
(Thousands of Dollars)
For the fiscal year ended June 30, 2012

CITY OF MEMPHIS, TENNESSEE
Exhibit E-3

	Sold Property Tax Receivable Agency Fund			
	Beginning Balance	Additions	Deductions	Ending Balance
ASSETS				
Equity in cash and investment pool	\$ 2,262	20,822	21,654	1,430
Property tax receivable - current	-	24,693	17,038	7,655
Property tax receivable - delinquent	10,357	555	7,560	3,352
Total assets	\$ 12,619	46,070	46,252	12,437
LIABILITIES				
Accounts payable & other liabilities	\$ 2,262	1,999	2,831	1,430
Deferred revenue	10,357	25,248	24,598	11,007
Total liabilities	\$ 12,619	27,247	27,429	12,437

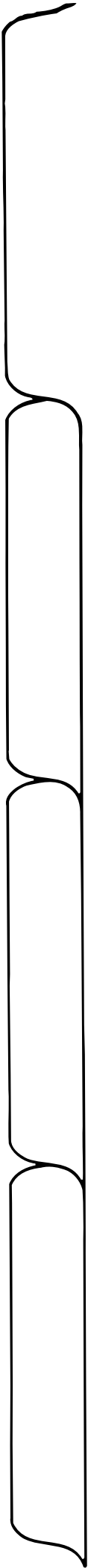
(This page intentionally left blank.)

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, 2012**

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

Tax Year	General	Debt Service	Capital Projects	Education	Total (1)
2002	\$ 1,095	454	2	561	2,112
2003	998	413	2	511	1,924
2004	1,455	603	3	745	2,806
2005	1,669	607	3	723	3,002
2006	1,400	509	3	607	2,519
2007	2,370	861	4	1,025	4,260
2008	4,053	1,238	6	344	5,641
2009	4,635	1,443	6	378	6,462
2010	7,168	2,074	9	543	9,794
2011	11,082	3,361	14	-	14,457
Total delinquent property taxes receivable	35,925	11,563	52	5,437	52,977
Allowance for uncollectibles	8,981	2,891	13	1,359	13,244
Net delinquent property taxes receivable	\$ 26,944	8,672	39	4,078	39,733
Special assessment tax, net of allowance					215
Total tax, net of allowance					\$ 39,948

(1) As of June 30, 2011, \$23,819 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, 2012

CITY OF MEMPHIS, TENNESSEE
Exhibit F-2

Description, Issue and Final Maturity Dates	Interest Rates (%)	Original Issue	Redemptions	Balance Outstanding At Year End
SEWER COLLECTION AND TREATMENT FUND				
Sanitary Sewerage System Revenue Bonds				
January 2001 to 2014	5.00-5.25	20,795	14,835	5,960
March 2002 to 2021	4.50	25,000	23,840	1,160
August 2002 to 2016	3.80-4.30	22,805	16,215	6,590
June 2004 to 2024	3.75-5.25	30,000	7,750	22,250
December 2005 to 2025	3.75-5.00	32,000	6,870	25,130
September 2006 to 2020	4.00-5.00	20,220	3,315	16,905
December 2007 to 2028	4.00-4.50	20,000	2,620	17,380
November 2009 to 2030	3.00-6.30	20,000	740	19,260
October 2011 to 2030	1.65-6.10	16,450	675	15,775
October 2011 to 2021	3.00-5.00	15,165	-	15,165
Total sewer collection and treatment fund		222,435	76,860	145,575
MEMPHIS LIGHT, GAS AND WATER DIVISION (1)				
Electric Division				
Electric System Revenue Refunding Bonds:				
November 2008 to 2018	3.00-5.00	1,292,170	1,091,265	200,905
July 2017 to 2018	4.00-5.00	96,930	-	96,930
December 2014 to 2018	2.50-5.00	460,050	-	460,050
Total electric division		1,849,150	1,091,265	757,885
Water Division				
Southeast Memphis Suburban Utility District Waterworks Revenue Bonds				
December 2009 to 2012	5.25	12,575	10,950	1,625
Total water division		12,575	10,950	1,625
Total MLG&W		1,861,725	1,102,215	759,510
Total revenue bonds		\$ 2,084,160	\$ 1,179,075	\$ 905,085

(1) All MLG&W bonds reflect amounts outstanding at December 31, 2011

SCHEDULE OF GENERAL OBLIGATION DEBT - BY ISSUE
(Thousands of Dollars)
For the fiscal year ended June 30, 2012

CITY OF MEMPHIS, TENNESSEE
Exhibit F-3

Description, Issue and Final Maturity Dates	Interest Rates (%)	Original Issue	Redemptions	Balance Outstanding At Year End
GENERAL OBLIGATION BONDS				
Government Serial Bonds				
General City Government Serial Bonds				
General improvement:				
December 1993 to 2011	3.25-5.00	48,996	48,996	-
April 1998 to 2011	5.50-5.70	19,290	19,290	-
January 1999 to 2012	5.25	42,290	39,065	3,225
November 2001 to 2016	5.00-5.25	92,985	43,380	49,605
February 2004 to 2017	3.20-5.00	34,160	18,545	15,615
November 2004 to 2023	4.25-5.00	125,000	102,790	22,210
March 2005 to 2019	5.00-5.25	166,880	24,165	142,715
June 2005 to 2018	5.00-5.25	115,635	18,755	96,880
February 2006 to 2025	4.25-5.00	115,115	43,930	71,185
December 2006 to 2022	4.00-5.00	89,385	20,335	69,050
May 2007 to 2027	5.00	94,935	27,235	67,700
April 2008 to 2028	3.25-5.00	99,735	28,845	70,890
May 2009 to 2029	4.00-5.00	76,025	29,985	46,040
May 2010 to 2030	3.00-6.15	67,830	-	67,830
June 2010 to 2035	2.49-6.04	250,210	-	250,210
June 2011 to 2036	4.00-5.00	86,190	-	86,190
April 2012 to 2042	3.25-4.13	93,595	-	93,595
April 2013 to 2024	.500-3.70	5,145	-	5,145
Total general government serial bonds		1,623,401	465,316	1,158,085
OTHER RELATED PARTY OBLIGATIONS				
Loans				
August 2011	2.00-5.25	20,115	-	20,115
September 2011	1.89-5.25	196,935	-	196,935
		217,050	-	217,050
BOND ANTICIPATION NOTES				
City Direct Issue	3.00	71,975	-	71,975
CAPITAL LEASE OBLIGATIONS:				
November 2007 to August 2012	3.83	7,510	5,909	1,601
September 2011 to August 2016	1.30	8,963	885	8,078
December 2010 to December 2015	2.77	2,250	643	1,607
Total capital lease obligations		18,723	7,437	11,286
TOTAL GENERAL OBLIGATION DEBT		\$ 1,931,149	\$ 472,753	\$ 1,458,396

SCHEDULE OF GENERAL OBLIGATION DEBT - BY ISSUE
(Thousands of Dollars)
For the fiscal year ended June 30, 2012

CITY OF MEMPHIS, TENNESSEE
Exhibit F-4

Use	Balance Outstanding At Year End
<hr/>	
GENERAL OBLIGATION BONDS	
General Improvement	\$ 1,145,610
Schools	12,475
Total general obligation bonds	1,158,085
RELATED PARTY LOAN	196,935
RELATED PARTY DEBT OBLIGATION	20,115
BOND ANTICIPATION NOTES	71,975
CAPITAL LEASE OBLIGATIONS	11,286
TOTAL GENERAL OBLIGATION DEBT	<u>\$ 1,458,396</u>

**LONG TERM DEBT PRINCIPAL AND INTEREST REQUIREMENTS
 PROPRIETARY FUNDS
 (Thousands of Dollars)
 For the fiscal year ended June 30, 2012**

**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		
2012	-	-	96,815	37,071	96,815	37,071
2013	10,480	6,569	99,700	32,291	110,180	38,860
2014	10,895	6,143	102,765	27,431	113,660	33,574
2015	11,155	5,707	107,775	22,417	118,930	28,124
2016	10,940	5,254	112,935	17,150	123,875	22,404
2017	11,435	4,834	117,195	11,554	128,630	16,388
2018	11,305	4,331	122,325	5,777	133,630	10,108
2019	9,030	3,822	-	-	9,030	3,822
2020	10,010	3,404	-	-	10,010	3,404
2021	8,890	2,926	-	-	8,890	2,926
2022	9,305	2,475	-	-	9,305	2,475
2023	7,245	2,056	-	-	7,245	2,056
2024	7,575	1,681	-	-	7,575	1,681
2025	7,910	1,289	-	-	7,910	1,289
2026	5,900	938	-	-	5,900	938
2027	3,655	687	-	-	3,655	687
2028	3,805	480	-	-	3,805	480
2029	2,430	298	-	-	2,430	298
2030	2,525	144	-	-	2,525	144
2031	1,085	33	-	-	1,085	33
Total	\$ 145,575	53,071	759,510	153,691	905,085	206,762

SCHEDULE OF INTERFUND BALANCES
 (Thousands of Dollars)
 June 30, 2012

CITY OF MEMPHIS, TENNESSEE
 Exhibit F-6

Primary Government

	Governmental Fund Types										Proprietary Funds			Business Type			Fiduciary	
	General Fund	Drug Enforcement	Solid Waste	Debt Service	Health Insurance	Fleet Management	Storm water	Sewer	Internal Service			Enterprise Funds			City OPEB Trust	Total Payables - Reporting Entity.		
GOVERNMENTAL FUND TYPES																		
Special Revenue:																		
Community development	86	5,429				62	593	4,000									10,170	
State street aid	2,683			295													2,978	
Workforce investment act			1,156	9,679													1,156	
Solid Waste																	9,679	
Board of Education	37								4,117								37	
New Memphis arena																	4,117	
Capital Projects	28,652			6,383													35,035	
PROPRIETARY FUND TYPES																		
Enterprise:																		
Storm water					11,444												11,444	
Internal Service:																		
Fleet Management			3,532														3,532	
Unemployment compensation	1,204																1,204	
FIDUCIARY FUND TYPES																		
Pension Trust:																		
City retirement																	193	
Library retirement																	291	
Total receivables - primary govt.	32,662	5,429	4,688	16,357	15,561	62	593	4,000							484		79,836	
Total receivables - reporting entity	\$ 32,662	5,429	4,688	16,357	15,561	62	593	4,000						484			79,836	

SCHEDULE OF INTERFUND TRANSFERS
 (Thousands of Dollars)
 For the fiscal year ended June 30, 2012

CITY OF MEMPHIS, TENNESSEE
 Exhibit F-7

		Primary Government									
		Governmental Fund Types					Fiduciary				
		Nonmajor Special Revenue		Education fund		Community Redevelopment		OPEB Trust Fund		Total Transfers Out	
General Fund	Debt Service	Miscellaneous Grants	Hotel/Motel Tax	New Memphis Arena	Community Redevelopment	Education fund	OPEB Trust Fund	Total Transfers Out			
GOVERNMENTAL FUND TYPES											
General Fund	\$	4,042		2,310	71,755			78,107			
Debt Service	5,500							5,500			
Special Revenue:											
State street aid		1,768						1,768			
Miscellaneous Grants		194						194			
Solid Waste		2,589						2,589			
Hotel/Motel tax		1,336		969				2,305			
New Memphis arena			969					969			
CRA		2,586	424					3,010			
PROPRIETARY FUND TYPES											
Enterprise:											
Sewer collection and treatment	5,945							5,945			
Memphis light, gas and water	55,105			2,500				57,605			
Storm water	4,412							4,412			
Internal Service:											
Health insurance							492	492			
Total transfers in	\$	66,550	16,927	424	969	3,469	2,310	71,755	492	162,896	

**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, 2012**

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

	Governmental Fund Types				Proprietary Funds				Internal Service Funds		Fiduciary Fund Types				
	General	Special Revenue	Capital Projects	Sewer	MLGW	Non-Major Funds	Fleet Maintenance	Total	City OPEB Trust	Memphis Light, Gas and Water OPEB Trust	City Retirement System	Library Retirement System	MLGW Retirement System	Total	
															Trust and Agency
Investments:															
Short-term investments			6,624	12,145	209,595	-	-	228,364	-	-	-	-	-	-	
U.S. government securities - long-term				10,812	105,550	-	-	116,362	-	-	74,468	-	-	60,462	
Municipal bonds					1,218	-	-	1,218	-	-	-	-	-	-	
Common stock - domestic										47,878	29,449	227,610	227,610	979,884	
Common stock - foreign										15,611	174,810	48,826	48,826	239,247	
Preferred stock - domestic										426	-	18,211	18,211	18,637	
Preferred stock - foreign												1,534	1,534	1,534	
Corporate bonds - domestic					13,613			13,613			257,941	211,640	469,581	469,581	
Corporate bonds - foreign										65,379	1,898	65,379	65,379	65,379	
Asset-backed pooled securities					30,129			30,129			8,634	28,765	37,389	37,389	
Collateralized mortgage obligations											85,933	88,086	174,019	174,019	
Mortgage-backed pooled securities												10,486	10,486	10,486	
Investment in high yield bond fund										14,717	210,660	6,873	232,250	232,250	
Investment in international equity fund										116,818	19,525	155,737	292,080	292,080	
Investment in index funds										32,958			32,958	32,958	
Investment in international bond fund										5,102	101,419	194,805	301,326	301,326	
Investment in real estate												1,352	1,352	1,352	
Investment in private equities												42	42	42	
Bond and equity mutual fund									22,596						
Investment in corporate bond mutual fund										33,453					
Distressed debt funds - domestic										8,401					
Distressed debt funds - foreign										5,515					
Purchased interest				5				5							
State of Tennessee local government investment pool			4,320	66				4,386							
Total investments	-	-	10,944	23,028	360,105	-	-	394,077	22,596	164,061	1,879,015	55,889	1,061,173	3,182,734	
Deposits:															
Cash deposits	40	10,131	96	1	17,305	1	1	27,575	-	17,233	71,999	15	32,558	121,805	
Total deposits	40	10,131	96	1	17,305	1	1	27,575	-	17,233	71,999	15	32,558	121,805	
Total investments and deposits	40	10,131	11,040	23,029	377,410	1	1	421,652	22,596	181,294	1,951,014	55,904	1,093,731	3,304,539	

**SCHEDULE OF ADDITIONS AND RETIREMENTS
TO UTILITY PLANT
(Thousands of Dollars)
For the fiscal year ended June 30, 2012**

MEMPHIS LIGHT, GAS AND WATER DIVISION ¹

	Balance January 1, 2011	Additions	Deletions	Transfers	Balance December 31, 2011
Electric Division	\$ 1,418,105	55,249	(12,148)	-	1,461,206
Gas Division	540,703	22,706	(3,753)	-	559,656
Water Division	428,619	9,035	(1,566)	-	436,088
Total	\$ 2,387,427	86,990	(17,467)	-	2,456,950

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

SEWER COLLECTION AND TREATMENT FUND ²

	Balance July 1, 2011	Additions	Deletions	Transfers	Balance June 30, 2012
Land and buildings	\$ 119,707	88	-	-	119,795
Improvements other than buildings	505,234	24,901	(151)	-	529,984
Equipment and furniture	27,222	2,080	(1,942)	51	27,411
Construction work in progress	29,357	23,426	(24,718)	-	28,065
	\$ 681,520	50,495	(26,811)	51	705,255

¹ MLGW is presented for the year ended December 31.

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

**SCHEDULE OF FUNDING PROGRESS
OTHER POSTEMPLOYMENT BENEFITS (OPEB)
(Thousands of Dollars)
For the fiscal year ended June 30, 2012**

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

Fiscal Year Ending	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded/ (Over-funded) AAL (UAAL) (b) – (a)	Funded Ratio (a) ÷ (b)	Covered Payroll ¹ (c)	UAAL as a Percentage of Covered Payroll ¹ [(b) – (a)] ÷ (c)
June 30, 2010	\$2,566	\$1,167,930	\$1,165,364	0.2%	\$313,285	372.0%
June 30, 2011	\$10,297	\$1,345,355	\$1,335,058	0.8%	\$337,200	395.9%
June 30, 2012	\$12,524	\$1,267,515	\$1,254,991	1.0%	\$352,184	356.3%

¹ Covered Payroll includes all active plan participants.

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

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL ON BASIS OF BUDGETING
(Thousands of Dollars)
For the fiscal year ended June 30, 2012

CITY OF MEMPHIS, TENNESSEE
Exhibit F-11

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
REVENUES				
Local taxes	\$ 436,660	456,660	443,745	(12,915)
State taxes (local share)	56,549	56,549	55,828	(721)
Licenses and permits	10,222	10,222	10,517	295
Fines and forfeitures	21,118	21,118	12,728	(8,390)
Charges for services	31,635	32,630	31,537	(1,093)
Investment income	673	673	461	(212)
Federal grants	350	350	1,540	1,190
State grants	1,443	1,495	1,622	127
Intergovernmental revenues	4,602	4,602	4,083	(519)
Other	26,845	6,417	11,233	4,816
Total revenues	<u>590,097</u>	<u>590,716</u>	<u>573,294</u>	<u>(17,422)</u>
EXPENDITURES				
General government	138,467	139,927	125,246	14,681
Public safety	376,913	379,906	371,643	8,263
Community services	64,627	66,606	62,745	3,861
Transportation and environment	10,895	10,983	10,599	384
Total expenditures	<u>590,902</u>	<u>597,422</u>	<u>570,233</u>	<u>27,189</u>
Revenues under expenditures	(805)	(6,706)	3,061	9,767
OTHER FINANCING SOURCES (USES)				
Sale of capital assets	25	25	8,947	8,922
Transfers in	81,676	82,099	66,550	(15,549)
Transfers out	(62,016)	(86,175)	(78,107)	8,068
Total other financing sources and uses	<u>\$ 19,685</u>	<u>(4,051)</u>	<u>(2,610)</u>	<u>(7,481)</u>
Adjustment for encumbrances - prior year			(8,362)	
Adjustment for encumbrances - current year			<u>12,920</u>	
Revenues over expenditures (GAAP basis)			<u>\$ 5,009</u>	

**DEBT SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE BUDGET AND ACTUAL
(Thousands of Dollars)
For the fiscal year ended June 30, 2012**

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

	Original Budget	Final Budget	Actual	Variance with Final Budget- Positive (Negative)
REVENUES				
Local taxes	\$ 87,266	87,266	91,962	4,696
State taxes (local share)	-	-	13,014	13,014
Hotel/motel tax	402	402	804	402
Investment income	65	65	71	6
Federal grants	-	-	2,273	2,273
Intergovernmental revenue:				-
Memphis-Shelby County Airport Authority	2,072	2,072	2,072	-
MHA	2,586	2,586	-	(2,586)
Total intergovernmental revenue	4,658	4,658	2,072	(2,586)
Other	1,303	1,303	3,047	1,744
Total revenues	93,694	93,694	113,243	19,549
EXPENDITURES				
Redemption of serial bonds and notes	36,475	36,475	36,874	(399)
Interest	58,777	58,777	64,710	(5,933)
Other	315	332	933	(601)
Total expenditures	95,567	95,584	102,517	(6,933)
Revenues over expenditures	(1,873)	(1,890)	10,726	12,616
OTHER FINANCING SOURCES (USES)				
Transfers in	15,472	15,472	16,929	1,457
Transfers out	(22,022)	(22,022)	(5,500)	16,522
Proceeds from Loan	-	-	26,745	26,745
Proceeds from Refunded Debt	75,400	75,400	98,746	23,346
Retirement of Refunded Debt	(75,400)	(75,400)	(98,097)	(22,697)
Total other financing sources and uses	(6,550)	(6,550)	38,823	45,373
Net change in fund balances	\$ (8,423)	(8,440)	49,549	57,989
Fund balance - beginning of year			17,201	
Fund balance - end of year			\$ 66,750	

**SCHEDULE OF FUNDING PROGRESS
CITY RETIREMENT SYSTEM AND LIBRARY RETIREMENT SYSTEM
(Thousands of Dollars)
For the fiscal year ended June 30, 2012**

CITY RETIREMENT SYSTEM

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (AL) -- Entry Age (b)	Unfunded Actuarial Liability (UAL) (c) = (b) - (a)	Funded Ratio (a) / (b)	Covered Payroll (d)	UAL as a Percentage of Covered Payroll (c) / (d)
7/1/2007 *	\$2,121,919	\$2,063,051	\$0	102.9%	\$264,966	0.0%
7/1/2008	\$2,184,255	\$2,090,088	\$0	104.5%	\$281,040	0.0%
7/1/2009	\$1,773,457	\$2,222,984	\$449,527	79.8%	\$296,134	151.8%
7/1/2010	\$1,805,071	\$2,336,075	\$531,004	77.3%	\$308,889	171.9%
7/1/2011	\$1,838,424	\$2,447,974	\$609,550	75.1%	\$316,434	192.6%
7/1/2012	\$1,867,934	\$2,509,930	\$641,996	74.4%	\$298,250	215.3%

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

LIBRARY RETIREMENT SYSTEM

Actuarial Valuation Date *	Actuarial Value of Assets (a)	Actuarial Liability (AL) -- Entry Age (b)	Unfunded Actuarial Liability (UAL) (c) = (b) - (a)	Funded Ratio (a) / (b)	Covered Payroll (d)	UAL as a Percentage of Covered Payroll (c) / (d)
1/1/2006	61,017	54,855	0	111.0%	10,190	0.0%
1/1/2007	66,572	59,007	0	113.0%	9,230	0.0%
1/1/2008	69,025	62,704	0	110.0%	8,768	0.0%
1/1/2009	49,765	61,049	11,284	82.0%	7,648	148.0%
1/1/2011	57,907	64,638	6,731	89.6%	6,832	98.5%
1/1/2012	54,598	67,051	12,453	86.4%	6,088	204.5%

* January 1, 2010, participant counts are not available.

(This page left blank intentionally.)

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.

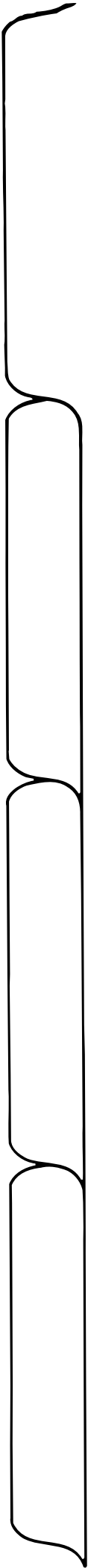
Revenue Capacity Information assists in understanding and assessing the factors affecting the City’s ability to generate its own-source revenues.

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.

STATISTICAL SECTION



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

CITY OF MEMPHIS, TENNESSEE
Exhibit X-1

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Governmental activities:										
Invested in capital assets, net of related debt	\$ 24,716	\$ 272,199	\$ 269,490	\$ 239,334	\$ 162,807	\$ 98,113	\$ 103,451	\$ 24,027	\$ 6,912	\$ 131,384
Restricted for:										
Debt service and construction	30,874	42,297	-	-	-	-	-	-	-	-
Contracted grant programs	5,068	3,718	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	14,783	181,192
Unrestricted:										
Net pension asset	67,847	74,893	81,491	78,238	64,471	50,825	42,560	-	-	-
Unrestricted, other	(54,319)	(174,983)	(175,783)	(134,764)	(8,886)	(4,974)	(52,761)	(110,079)	(278,095)	(724,294)
Total governmental activities net assets	74,186	218,124	175,198	182,808	218,392	143,964	93,250	(86,052)	(256,400)	(411,718)
Business-type activities:										
Invested in capital assets, net of related debt	1,310,278	1,388,651	1,434,661	1,467,373	1,512,730	1,587,881	1,633,163	1,664,684	1,705,138	1,755,661
Restricted for debt service and construction	161,117	89,222	90,115	89,905	118,799	88,703	91,215	75,615	64,909	68,846
Unrestricted	114,184	151,995	156,991	209,677	215,600	232,880	208,828	253,616	334,093	355,220
Total business-type activities net assets	1,585,579	1,629,868	1,681,767	1,766,955	1,847,129	1,909,464	1,933,206	1,993,915	2,104,140	2,179,727
Primary government:										
Invested in capital assets, net of related debt	1,334,994	1,660,850	1,704,151	1,725,518	1,675,537	1,685,994	1,736,614	1,688,711	1,712,050	1,887,045
Restricted for:										
Debt service and construction	191,991	131,519	90,115	89,905	118,799	88,703	91,215	75,615	64,909	68,846
Contracted grant programs	5,068	3,718	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	14,783	181,192
Unrestricted	59,865	(22,988)	(18,792)	56,102	271,185	278,731	198,627	143,537	55,998	(369,074)
Total primary government net assets	\$ 1,591,918	\$ 1,773,099	\$ 1,775,474	\$ 1,871,525	\$ 2,065,521	\$ 2,053,428	\$ 2,026,456	\$ 1,907,863	\$ 1,847,740	\$ 1,768,009

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

CITY OF MEMPHIS, TENNESSEE
Exhibit X-2

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Program Revenues										
Governmental activities:										
Charges for services:										
General government	\$ 43,604	\$ 45,016	\$ 33,781	\$ 45,500	\$ 71,939	\$ 71,398	\$ 67,880	\$ 73,768	\$ 79,691	\$ 77,154
Public Safety	2,673	1,725	2,459	3,785	4,584	5,203	6,420	4,230	3,637	7,768
Community services	125	125	125	125	125	147	137	137	174	136
Transportation and environment	22,325	22,011	21,942	46,097	47,937	47,790	50,391	50,438	59,268	59,745
Operating grants and contributions	60,476	89,832	57,424	56,472	49,415	49,822	56,402	69,135	61,098	63,854
Capital grants and contributions	5,195	1,598	3,785	1,494	1,201	3,217	3,217	3,217	7,490	23,639
Total governmental activities program revenues	134,398	160,307	119,516	153,473	175,201	177,577	184,447	200,925	211,358	232,296
Business-type activities:										
Charges for services:										
Sewer collection and treatment	34,773	35,722	46,909	48,670	52,543	52,510	53,778	56,162	98,559	104,031
Memphis Light, Gas and Water	1,158,345	1,257,141	1,367,644	1,553,537	1,603,383	1,649,378	1,818,104	1,648,194	1,705,513	1,692,246
Golf	3,395	3,204	3,079	2,934	2,963	-	-	-	-	-
Storm water	-	-	-	927	12,988	16,983	19,680	21,897	23,661	23,723
Operating grants and contributions	21,675	22,268	22,675	23,205	24,117	25,185	26,705	28,377	30,321	30,909
Capital grants and contributions	4,032	7,344	4,544	5,805	6,306	1,766	524	800	1,398	728
Total business-type activities program revenues	1,222,220	1,325,679	1,444,851	1,635,078	1,702,300	1,745,822	1,918,791	1,755,430	1,859,452	1,851,637
Total primary government program revenues	1,356,618	1,485,986	1,564,367	1,788,551	1,877,501	1,923,399	2,103,238	1,956,355	2,070,810	2,083,933
Expenses										
Governmental Activities:										
General government	170,815	159,005	187,105	190,796	200,184	271,906	249,707	223,773	251,039	253,138
Public safety	308,308	310,624	318,106	340,621	362,050	394,476	410,303	482,281	510,529	500,082
Community services	102,013	154,950	107,129	101,488	108,341	96,130	114,776	129,722	121,927	118,406
Transportation and environment	75,753	71,821	59,523	66,262	72,106	81,492	79,396	81,539	82,546	87,665
Education	89,192	84,465	85,144	91,225	91,405	91,392	21,846	117,118	80,775	71,452
Interest on long term debt	38,604	42,443	37,142	43,583	44,772	50,250	48,046	58,472	52,497	75,075
Total governmental activities expenses	784,685	823,308	794,149	833,975	878,858	985,646	924,074	1,092,905	1,099,313	1,105,818
Business-type activities:										
Sewer collection and treatment	50,391	45,201	50,512	48,991	47,852	51,507	57,802	55,584	61,401	62,915
Memphis Light, Gas and Water	1,155,423	1,265,411	1,398,375	1,507,661	1,577,503	1,629,803	1,790,499	1,621,840	1,658,638	1,669,887
Golf	4,683	4,589	4,270	4,153	3,893	-	-	-	-	-
Storm water	-	-	-	1,343	7,223	13,480	13,419	12,571	13,160	15,623
Total business-type activities expenses	1,210,497	1,315,201	1,453,157	1,562,148	1,636,471	1,694,790	1,861,720	1,689,995	1,733,199	1,748,425
Total primary government expenses	1,995,182	2,138,509	2,247,306	2,396,123	2,515,329	2,680,436	2,785,794	2,782,900	2,832,512	2,854,243
Net (expense)/revenue										
Governmental activities	(650,287)	(663,001)	(674,633)	(680,502)	(703,657)	(808,069)	(739,627)	(891,980)	(887,955)	(873,522)
Business-type activities	11,723	10,478	(8,306)	72,930	65,829	51,032	57,071	65,435	126,253	103,212
Total primary government net expense	(638,564)	(652,523)	(682,939)	(607,572)	(637,828)	(757,037)	(682,556)	(826,545)	(761,702)	(770,310)
General Revenues and Other Changes in Net Assets										
Governmental activities										
Taxes										
Local taxes	488,805	526,433	527,453	536,715	541,795	549,149	531,339	540,970	540,150	528,219
State taxes (local share)	71,561	68,806	75,441	83,602	92,554	96,193	88,203	87,751	87,523	85,612
Hotel/motel tax	3,599	3,706	3,936	4,399	4,607	4,740	4,244	4,017	3,537	4,524
Unrestricted investment earnings	2,230	1,236	-	3,596	7,907	7,367	5,614	1,402	861	761
Federal grants and entitlements	-	-	909	-	-	-	-	-	-	-
Intergovernmental revenues	12,942	8,746	10,227	-	14,171	9,315	4,163	4,944	6,492	-
Decreases in net pension obligation	8,774	25,584	6,598	-	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-	-	-	-	8,947
Other	10,673	-	15,608	15,871	11,569	13,140	8,315	8,597	12,124	22,405
Transfers	1,300	1,588	1,587	43,929	59,966	59,113	46,998	64,997	66,929	67,962
Total governmental activities	599,884	636,099	641,759	688,112	732,569	739,017	688,876	712,678	717,616	718,430
Business-type activities:										
Investment earnings	16,112	17,840	61,792	63,619	69,910	74,064	62,356	50,516	41,520	40,324
Gain on sale of capital assets	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	155
Transfers	(1,300)	(1,588)	(1,587)	(43,929)	(59,966)	(61,759)	(59,437)	(64,997)	(66,929)	(67,962)
Total business-type activities	14,812	16,252	60,205	19,690	9,944	12,305	2,919	(14,481)	(25,409)	(27,483)
Total primary government	614,696	652,351	701,964	707,802	742,513	751,322	691,795	698,197	692,207	690,947
Change in Net Assets										
Government activities	(50,403)	(26,902)	(32,874)	7,610	28,912	(69,052)	(50,751)	(179,302)	(170,339)	(155,092)
Business-type activities	26,535	26,730	51,899	92,620	75,773	63,337	59,990	50,944	100,844	75,729
Total primary government	\$ (23,868)	\$ (172)	\$ 19,025	\$ 100,230	\$ 104,685	\$ (5,715)	\$ 9,239	\$ (128,358)	\$ (69,495)	\$ (79,363)

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

CITY OF MEMPHIS, TENNESSEE
Exhibit X-3

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
General fund										
Restricted	-	-	-	-	-	-	-	-	1,684	1,907
Committed	-	-	-	-	-	-	-	-	0	19,572
Assigned	-	-	-	-	-	-	-	-	8,252	12,924
Unassigned	-	-	-	-	-	-	-	-	81,125	61,667
Reserved	8,595	6,804	5,312	4,194	6,747	8,945	9,691	8,299	-	-
Unreserved	53,189	19,598	(4,100)	29,746	72,093	89,613	96,912	76,271	-	-
Total general fund	61,784	26,402	1,212	33,940	78,840	98,558	106,603	84,570	91,061	96,070
All other governmental funds										
Restricted	-	-	-	-	-	-	-	-	13,099	54,308
Committed	-	-	-	-	-	-	-	-	72,186	92,481
Unassigned	-	-	-	-	-	-	-	-	(5,086)	(4,138)
Reserved	-	477	-	-	-	-	-	-	-	-
Unreserved, reported in:										
Debt service fund	13,277	13,918	8,042	30,418	53,793	58,716	46,488	34,680	-	-
Capital projects fund	8,660	19,407	303	(27,577)	(32,527)	12,673	67,239	74,030	-	-
Special revenue funds	(6,542)	(5,235)	(4,208)	(2,275)	6,602	6,305	4,888	6,179	-	-
Total all other governmental funds	15,395	28,567	4,137	566	27,868	77,694	118,615	114,889	80,199	142,651
Total governmental funds	\$ 77,179	\$ 54,969	\$ 5,349	\$ 34,506	\$ 106,708	\$ 176,252	\$ 225,218	\$ 199,459	\$ 171,260	\$ 238,721

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

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

CITY OF MEMPHIS, TENNESSEE
Exhibit X-4

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Revenues										
Local taxes	\$ 493,984	516,952	522,876	533,045	540,282	548,095	525,468	534,141	546,446	540,761
State taxes (local share)	71,561	68,806	75,441	83,602	92,554	96,193	88,203	87,751	87,523	85,612
Hotel/motel tax	3,599	3,706	3,936	4,399	4,607	4,740	4,244	4,017	3,537	4,524
Licenses and permits	11,921	12,257	12,059	12,478	11,918	11,934	11,427	11,119	11,393	10,986
Fines and forfeitures	13,118	12,574	13,639	13,009	13,422	15,243	16,657	16,392	16,961	16,866
Charges for services	40,105	41,269	41,139	66,941	72,307	76,788	78,339	82,851	89,388	91,421
Investment income	2,180	1,221	855	3,076	7,411	7,367	5,183	1,301	798	725
Federal grants and entitlements	41,042	46,757	41,559	35,212	41,673	37,359	40,175	58,123	59,398	66,172
State grants	9,723	29,202	10,506	4,202	4,449	7,908	12,456	5,929	6,359	15,421
Intergovernmental revenues	15,723	14,145	16,370	15,948	14,705	11,207	6,055	6,836	6,492	6,155
Other	22,987	28,321	18,562	18,457	14,548	18,420	13,430	13,696	14,016	22,576
Total revenues	725,943	775,210	756,942	790,369	817,876	835,254	801,637	822,156	842,311	861,219
Expenditures										
General government	149,055	158,736	148,520	141,436	141,541	167,215	185,741	177,049	179,292	150,362
Public safety	286,251	297,205	309,341	320,190	323,691	347,366	367,366	374,182	368,071	373,590
Instruction and administration	-	-	-	80,029	-	-	-	-	-	-
Community services	77,709	104,584	91,668	65,189	91,404	91,945	97,700	109,092	101,360	98,619
Transportation and environment	61,886	71,126	60,190	-	66,199	74,256	76,725	73,687	74,042	86,410
Education	79,590	83,974	85,446	90,946	91,952	92,438	23,919	62,825	82,400	72,526
Capital outlay	98,019	91,161	146,723	98,737	62,416	79,089	91,800	86,656	100,550	225,201
Debt service:										
Redemption of serial bonds and notes	43,341	50,792	52,385	46,046	36,528	42,925	58,565	61,803	24,100	36,874
Interest	37,258	40,310	37,065	43,338	46,738	49,015	52,451	53,866	52,303	64,709
Bond issuance cost	-	207	3,495	416	940	1,932	1,399	2,783	1,012	5,538
Service charges	303	1,221	405	624	1,308	581	523	196	194	229
Total expenditures	833,412	893,316	935,238	886,951	864,717	946,762	956,189	1,002,139	1,003,324	1,114,058
Excess of revenues over (under) expenditures	(107,469)	(124,106)	(178,296)	(96,582)	(46,841)	(111,508)	(154,552)	(179,983)	(161,013)	(252,839)
Other financing sources (uses)										
Sale of capital assets	-	-	-	-	-	-	-	-	-	8,947
Transfers in	54,571	62,037	54,981	93,393	82,184	70,310	87,226	120,557	187,613	162,405
Transfers out	(53,271)	(60,449)	(53,394)	(37,073)	(22,218)	(11,197)	(25,143)	(55,560)	(120,684)	(94,443)
Proceeds from issuance of debt	125,176	134,160	507,515	188,030	220,712	189,735	284,495	393,440	60,824	-
Capital leases	-	-	-	-	-	-	-	-	-	8,963
Issuance of debt	-	-	-	-	-	-	-	-	-	71,975
Issuance of refunding debt	-	-	-	-	-	-	-	-	25,366	98,740
Related party loan	-	-	-	-	-	-	-	-	-	20,397
Proceeds from related party debt	-	-	-	-	-	-	-	-	-	196,936
Retirement of refunded debt obligation	(24,257)	(36,343)	(410,290)	(120,385)	(175,172)	(70,000)	(150,000)	(322,487)	(27,108)	(173,496)
Bond issuance cost	-	-	-	(839)	(788)	-	-	-	-	-
Premium on debt issue	-	2,491	39,916	2,615	12,855	2,204	6,903	18,274	6,803	19,876
Other financing source-capital lease/capital outlay	4,310	-	-	-	-	-	-	-	-	-
Other	(1,093)	-	-	-	-	-	-	-	-	-
Total other financing sources	105,436	101,896	138,728	125,741	117,573	181,062	203,481	154,224	132,814	320,300
Net change in fund balances/(deficit)	\$(2,033)	\$(22,210)	\$(39,568)	29,159	70,732	69,544	48,929	\$(25,759)	\$(28,199)	67,461
Debt service as a percentage of noncapital expenditures	11.0%	11.4%	11.8%	11.5%	10.7%	10.9%	13.1%	13.0%	8.6%	12.1%

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

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

For the Fiscal Years Ended June 30

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
General Government										
Legislative	1,419	1,487	1,411	1,368	1,541	1,598	1,560	1,515	1,572	1,498
Judicial	503	511	513	525	523	623	587	576	606	586
Court clerk	2,513	2,686	2,901	2,886	2,796	3,393	3,378	4,042	4,675	4,551
Executive	1,868	2,120	2,442	2,475	2,862	8,257	7,688	6,545	6,390	4,785
Finance and administration	5,249	6,035	4,952	4,560	4,004	4,627	5,141	5,018	5,196	4,656
City attorney	5,646	7,164	11,180	9,783	13,040	13,945	17,789	14,506	14,978	14,126
City engineer	8,226	9,924	8,279	8,785	4,980	5,146	6,224	5,327	5,981	5,674
Information systems	10,026	15,747	11,897	13,315	13,983	17,224	17,699	18,850	19,158	15,449
Human resources	3,353	3,448	2,920	2,786	4,708	6,188	8,116	7,787	5,367	5,055
General services	13,871	14,203	12,302	11,288	10,365	10,834	12,348	11,730	12,941	11,724
Special appropriations	54,517	58,618	59,600	58,842	56,554	61,039	73,116	66,797	64,989	53,096
Total general government	107,191	121,943	118,397	116,613	115,356	132,874	153,646	142,693	141,853	121,200
Public Safety										
Police	162,299	173,972	178,632	181,979	181,512	193,024	206,326	212,492	224,752	218,643
Fire	117,259	119,639	128,336	135,586	138,394	149,747	156,772	157,063	159,488	152,013
Total public safety	279,558	293,611	306,968	317,565	319,906	342,771	363,098	369,555	384,240	370,656
Community Services										
Library	21,096	21,126	19,854	18,574	-	-	-	-	-	-
Parks and recreation	24,455	26,033	22,068	21,268	23,307	31,017	29,678	29,992	28,593	29,033
Public Service	11,985	12,382	8,712	7,070	24,687	21,627	22,557	21,821	22,661	22,944
Community development	4,805	4,718	6,936	4,640	5,763	4,743	4,717	5,093	4,498	5,385
Community enhancement	-	-	-	-	-	2,684	6,860	7,280	7,387	6,312
Total community services	62,341	64,259	57,570	51,552	53,757	60,071	63,812	64,186	63,139	63,674
Transportation and Environment										
Public works	18,857	19,614	17,143	18,197	5,769	6,676	8,460	6,458	6,321	10,145
Total transportation and environment	18,857	19,614	17,143	18,197	5,769	6,676	8,460	6,458	6,321	10,145
Transfers out - primary	23,052	34,814	22,134	10,476	13,177	3,448	8,383	45,662	66,722	78,107
Total	490,999	534,241	522,212	514,403	507,965	545,840	597,399	628,554	662,275	643,782

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)		Privately Owned						
	Assessed Value	Estimated Actual Value		Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value	Assessed Value				
2003	\$4,196,715,250	\$16,786,861,000	\$4,105,623,644	\$10,437,117,200	\$1,051,851,210	\$3,501,707,400	\$846,729,349	\$1,539,507,907	\$10,200,919,453	\$32,265,193,507	31.62%	3.2304
2004	4,239,551,575	16,958,206,300	3,971,880,085	10,096,505,900	997,752,815	3,321,838,600	783,769,116	1,425,034,756	9,992,953,591	31,801,585,556	31.42%	3.2304
2005	4,869,679,825	19,478,719,300	4,371,575,300	11,119,490,800	1,030,040,160	3,429,662,300	837,348,675	1,522,452,136	11,108,643,960	35,550,324,536	31.25%	3.2304
2006	4,911,984,475	19,647,937,900	4,279,098,355	10,884,205,500	1,043,440,480	3,475,008,700	921,568,343	1,675,578,805	11,156,091,653	35,682,730,905	31.26%	3.4332
2007	5,135,189,100	20,540,756,400	4,291,102,795	10,921,043,300	1,031,524,225	3,434,824,100	911,976,305	1,658,138,736	11,369,792,425	36,554,762,536	31.10%	3.4332
2008	5,199,303,925	20,797,215,700	4,320,668,495	11,005,511,900	1,037,557,855	3,455,649,100	835,038,281	1,518,251,420	11,392,568,556	36,776,628,120	30.98%	3.4332
2009	5,476,099,925	21,904,399,700	4,893,771,265	12,450,961,410	1,196,861,700	3,986,490,000	775,027,935	1,409,141,700	12,341,760,825	39,750,992,810	31.05%	3.2500
2010	5,359,781,600	21,439,126,400	4,743,781,550	12,089,810,000	1,133,365,185	3,774,783,400	816,425,195	1,484,409,445	12,053,353,530	38,788,129,245	31.07%	3.1957
2011	5,301,771,500	21,207,086,000	4,507,983,385	11,506,347,200	1,128,790,635	3,760,225,200	877,932,058	1,596,240,105	11,816,477,578	38,069,898,505	31.04%	3.1957
2012	5,248,101,650	20,992,408,600	4,371,602,915	11,161,458,700	1,178,853,370	3,927,663,000	922,004,864	1,676,372,480	11,720,562,799	37,757,900,780	31.04%	3.1889

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

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

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

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

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

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

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
City Direct Rates										
General Fund	\$ 1,6753	\$ 1,6753	\$ 1,6753	\$ 1,9088	\$ 1,9088	\$ 1,9088	\$ 2,3427	\$ 2,2917	\$ 2,2917	\$ 2,2917
Debt Service	0.6941	0.6941	0.6941	0.6941	0.6941	0.6941	0.7141	0.7141	0.7141	0.7141
CJP	0.0032	0.0032	0.0032	0.0032	0.0032	0.0032	0.0032	0.0031	0.0031	0.0031
Education	0.8578	0.8578	0.8578	0.8271	0.8271	0.8271	0.1900	0.1868	0.1868	0.1800
Total City Direct Rate	3.2304	3.2304	3.2304	3.4332	3.4332	3.4332	3.2500	3.1957	3.1957	3.1889
County Direct Rates										
General Fund	1.25	1.43	1.43	1.31	1.22	1.22	1.22	1.23	1.33	1.36
Debt Service	0.51	0.58	0.58	0.70	0.80	0.80	0.80	0.81	0.79	0.75
Education	2.03	2.03	2.03	2.03	2.02	2.02	2.02	1.98	1.90	1.91
Total County Direct Rate	3.79	4.04	4.04	4.04	4.04	4.04	4.04	4.02	4.02	4.02
Total Overlapping Rate	7.0204	7.2704	7.2704	7.4732	7.4732	7.4732	7.2900	7.2157	7.2157	7.2089
Tax Levies										
City	\$ 309,292,650	\$ 325,695,529	\$ 324,340,510	\$ 380,947,344	\$ 384,877,389	\$ 392,477,211	\$ 375,803,751	\$ 389,347,038	\$ 380,172,801	\$ 376,723,118
County	555,311,765	596,378,594	606,615,294	681,245,173	704,279,575	717,010,251	730,042,595	768,641,959	756,936,983	754,262,345
Total Tax Levies	864,604,415	922,074,123	930,955,804	1,062,192,517	1,089,156,964	1,109,487,462	1,105,846,346	1,157,988,997	1,137,109,784	1,130,985,463

Taxes are assessed as of January 1 and are due on June 1 for City and October 1 for Shelby County.
No tax rate limits exist. Tax must be assessed sufficiently to pay debt service.
Tax rates are per \$100 of assessed value.

Source of County information: Shelby County Finance Department

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

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

	2012		2003	
	Taxable Assessed Value	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Percentage of Total Taxable Assessed Value
Name of Taxpayer				
Federal Express	\$ 541,192,891	4.62	\$ 363,687,286	3.57
Bell South Telecommunications	91,848,406	0.78	142,766,395	1.40
Wolfchase Galleria, LTD	55,867,560	0.48	53,200,000	0.52
Premcor Refining Group	37,485,210	0.32	40,229,224	0.39
AMISUB (St. Francis Hospital)	34,642,640	0.29	32,400,000	0.32
BNSF Railway Company	32,646,840	0.28	30,002,713	0.29
Archer Daniels Midland Co.	22,871,140	0.20	23,858,810	0.23
Kellogg USA, Inc.	20,901,085	0.18	23,164,120	0.23
AT & T Mobility LLC	20,664,963	0.17	22,550,880	0.22
Shopping Center Associates	19,993,160	0.17	20,932,820	0.21
Total Assessed Valuation of Top 10 Taxpayers	878,113,895	7.49	752,792,248	7.38
Balance of Assessed Valuation	10,842,448,904	92.51	9,448,127,205	92.62
	<u>\$ 11,720,562,799</u>	<u>100.00</u>	<u>\$ 10,200,919,453</u>	<u>100.00</u>

Source: City of Memphis Tax System

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

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

Fiscal Year	Adjusted 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
2003	\$ 309,292,650	\$ 286,509,335	92.63	\$ 14,156,364	\$ 300,665,699	97.21	\$ 26,939,877	8.71
2004	325,695,529	296,247,065	90.96	16,494,982	312,742,047	96.02	29,109,210	8.94
2005	324,340,510	300,716,889	92.72	15,066,930	315,783,819	97.36	30,283,302	9.34
2006	380,947,344	356,886,796	93.68	15,835,849	372,722,645	97.84	30,367,032	7.97
2007	384,877,389	361,358,644	93.89	16,264,065	377,622,709	98.12	30,620,012	7.96
2008	392,477,211	368,298,361	93.84	15,852,825	384,151,186	97.88	32,281,474	8.23
2009	375,803,751	352,497,179	93.80	14,750,644	367,247,823	97.72	34,538,869	9.19
2010	389,347,038	363,573,869	93.38	13,566,861	377,140,730	96.86	38,682,060	9.94
2011 (A)	380,186,210	359,918,827	94.67	17,476,145	377,394,972	99.27	37,327,820	9.82
2012 (B)	376,723,118	357,439,955	94.88	7,157,948	364,597,903	96.78	38,518,840	10.22

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.

(A) FY2011 was corrected to include collections of current receivables (tax year 2010 that funds FY2011) and collections of delinquent receivables (tax years 2008 & 2009) resulting from a sale of real property tax receivables to an outside party in May 2011. The sale generated property tax revenue and a reduction of the property tax receivable balances of \$6,717,420 for 2010 tax year, which is reflected in current tax amount collections, and \$3,507,581 for 2008 and 2009 tax years, which is reflected in delinquent collections.

(B) In November 2011, the government sold the majority of the 2011 tax year (which funds fiscal year 2012) real property taxes outstanding to an outside party. The sale generated property tax revenue and a reduction of the property tax receivable balance of \$17,737,009 for fiscal year 2012, which is reflected in current tax collections.

Source: City of Memphis Tax System

Fiscal Year	Collections			
	Construction	Interest	Promotional Costs	Total
2003	\$ 78	\$ 4	\$ 2,438	\$ 2,520
2004	389	217	47	653
2005	344	192	3,072	3,608
2006	7,218	4,032	11,100	22,350
2007	2,533	1,415	838	4,786
2008	2,533	1,415	-	3,948
2009	9,281	1,436	-	10,717
2010	-	-	-	-
2011	-	-	-	-
2012	-	-	-	-

NOTE: The special assessment fund was established in fiscal year 1979 to account for the financing of the downtown merchant's share of the cost of the Mid - America Mall, plus the yearly cost of promotional events for the Mall and downtown area. In accordance with GASB 6, the Special Assessment Fund was eliminated in 1987. In fiscal year 2010 the special assessment was fully collected and/or written off as uncollectible.

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

CITY OF MEMPHIS, TENNESSEE
Exhibit X-11

Fiscal Year	Governmental Activities					Business-Type Activities							Total Primary Government	Percentage of Personal Income	Per Capita
	General Obligation Bonds	Bond Anticipation Notes	State Loans	Loans Payable	Notes Payable	Capital Leases	Sewer Revenue Bonds	Sewer State Loans (1)	Electric Revenue Bonds	Gas Bond Anticipation Notes	Water Revenue Bonds				
2003	863,161	25,000	2,302	-	3,143	10,053	101,435	1,109	101,513	-	-	40,960	1,148,676	2.98%	1,707
2004	814,360	125,000	1,108	-	2,357	4,215	124,835	189	1,463,252	-	-	34,230	2,559,546	6.26%	3,809
2005	882,312	125,000	189	-	1,571	2,626	117,790	-	1,364,214	-	-	27,150	2,520,852	5.90%	3,751
2006	915,315	114,000	-	-	786	970	142,410	-	1,290,175	-	-	19,770	2,483,366	5.55%	3,668
2007	971,679	70,000	-	-	-	-	133,700	-	1,212,702	-	-	13,940	2,402,021	5.33%	3,564
2008	1,030,302	90,000	-	-	-	7,510	145,410	-	1,131,360	40,000	-	10,965	2,455,547	5.44%	3,643
2009	1,047,274	148,470	-	-	-	6,058	137,125	-	1,043,030	35,000	-	7,865	2,424,822	5.10%	3,625
2010	1,144,493	75,400	-	-	-	4,628	148,270	3,881	953,664	15,000	-	3,165	2,348,501	4.69%	3,489
2011	1,181,468	75,400	-	-	-	5,182	155,540	3,881	848,305	-	-	1,625	2,271,401	4.49%	3,511
2012	1,158,085	71,975	-	217,050	-	11,286	145,575	3,881	757,885	-	-	1,625	2,367,362	4.78%	3,631

Sources: Bureau of Economic Analysis and Memphis Regional Chamber

Note (1): 2003 State Loan balance unavailable at the time of publication.

**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

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Estimated population (3)	673,120	671,929	672,277	677,345	674,028	674,028	669,651	676,640	646,889	652,050
Appraised property valuation (2) (4)	\$ 32,265,194	\$ 31,801,586	\$ 35,550,325	\$ 35,682,731	\$ 36,554,763	\$ 36,776,628	\$ 39,750,993	\$ 38,788,129	\$ 38,069,899	\$ 37,757,901
Assessed valuation (2) (4)	\$ 10,200,919	\$ 9,992,954	\$ 11,108,644	\$ 11,156,092	\$ 11,369,792	\$ 11,392,569	\$ 12,341,761	\$ 12,053,354	\$ 11,816,478	\$ 11,720,563
Total general obligation debt (1) (2)	\$ 903,659	\$ 947,040	\$ 1,011,698	\$ 1,031,071	\$ 1,042,744	\$ 1,127,812	\$ 1,201,802	\$ 1,224,521	\$ 1,262,050	\$ 1,458,396
Other debt (2)	\$ 34,259	\$ 29,656	\$ 25,386	\$ 21,539	\$ 17,663	\$ 13,565	\$ 11,137	\$ 8,575	\$ 2,752	\$ 217,050
Net Debt (2)	\$ 869,400	\$ 917,384	\$ 986,312	\$ 1,009,532	\$ 1,025,081	\$ 1,114,247	\$ 1,190,665	\$ 1,215,946	\$ 1,259,298	\$ 1,241,346
Bonded debt per capita - total debt	\$ 1,342	\$ 1,409	\$ 1,505	\$ 1,522	\$ 1,547	\$ 1,673	\$ 1,795	\$ 1,810	\$ 1,951	\$ 2,237
Bonded debt per capita - net debt	\$ 1,292	\$ 1,365	\$ 1,467	\$ 1,490	\$ 1,521	\$ 1,653	\$ 1,778	\$ 1,797	\$ 1,947	\$ 1,904
Bonded debt to appraised valuation -total debt	2.80%	2.98%	2.85%	2.89%	2.85%	3.07%	3.02%	3.16%	3.32%	3.86%
Bonded debt to appraised valuation -net debt	2.69%	2.88%	2.77%	2.83%	2.80%	3.03%	3.00%	3.13%	3.31%	3.29%
Bonded debt to assessed valuation -total debt	8.86%	9.48%	9.11%	9.24%	9.17%	9.90%	9.74%	10.16%	10.68%	12.44%
Bonded debt to assessed valuation -net debt	8.52%	9.18%	8.88%	9.05%	9.02%	9.78%	9.65%	10.09%	10.66%	10.59%

(1) Debt includes City general obligation bonds and capital lease obligations (2003-2012).

(2) In thousands of dollars.

(3) Source-U.S. Census Bureau

(4) Sources: Shelby County Assessor and State of Tennessee Office of State Assessed Property

DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
(Thousands of Dollars)
As of June 30, 2012

CITY OF MEMPHIS, TENNESSEE
Exhibit X-13

	Debt Outstanding	Estimated Percentage Applicable(1)	Estimated Share of Overlapping Debt(2)
<u>Direct Governmental Indebtedness:</u>			
Memphis Board of Education (Primary Government Obligation)	\$ 12,475	100%	12,475
Memphis-Shelby County Airport Authority (Primary Government Obligation)	-	100%	0
City of Memphis (5)	<u>1,145,610</u>	100%	<u>1,145,610</u>
	1,158,085		1,158,085
Bond anticipation notes	71,975	100%	71,975
Notes payable	-	100%	-
Capital lease obligations	<u>-</u>	100%	<u>-</u>
Total direct government indebtedness (3)	1,230,060		1,230,060
<u>Overlapping bonded indebtedness:</u>			
Shelby County debt	<u>1,493,946</u>	62.3%	<u>930,728</u>
Total overlapping bonded indebtedness	1,493,946		930,728
Total direct and overlapping debt (4)	<u>\$ 2,724,006</u>		<u>2,160,788</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 \$32,302 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									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Debt capacity limit	\$ 1,224,110	1,199,154	1,333,037	1,338,731	1,364,375	1,367,108	1,481,011	1,446,402	1,417,977	1,406,468
Total net debt applicable to limit	869,400	917,384	986,312	1,009,532	1,033,129	1,114,247	1,190,665	1,213,947	1,259,298	1,230,060
Legal debt capacity margin balance	\$ 354,710	281,770	346,725	329,199	331,246	252,861	290,346	232,455	158,679	176,408
Total net debt applicable to the limit as a percentage of debt limit	71.02%	76.50%	73.99%	75.41%	75.72%	81.50%	80.40%	83.93%	88.81%	87.46%

Legal Debt Margin Calculation for Fiscal Year 2012

Total assessed value (1)	\$ 11,720,563
Debt capacity limit (12% of total assessed value)	1,406,468
Debt applicable to limit:	
Total bonded debt	\$ 1,230,060
Less self-supporting debt	-
Total net debt applicable to limit	1,230,060
Legal debt capacity margin balance	\$ 176,408

(1) Sources: Shelby County Assessor and State of Tennessee Office of State Assessed Property

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

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

Last ten fiscal years
(Thousands of Dollars)

<u>Year</u>	<u>Total Income</u>	<u>Operating and Maintenance Expenses</u>	<u>Net Revenue Available for Debt Service</u>	<u>Total Debt Service</u>	<u>Debt Service Coverage</u>
ELECTRIC DIVISION (1)					
2002	865,160	811,969	53,191	72,244	0.74
2003	871,138	822,527	48,611	60,028	0.81
2004	952,976	869,830	83,146	22,961	3.62
2005	1,076,882	886,428	190,454	138,202	1.38
2006	1,180,252	990,437	189,815	138,796	1.37
2007	1,217,396	1,025,267	192,129	140,301	1.37
2008	1,296,758	1,144,136	152,622	140,820 ³	1.08
2009	1,284,863	1,134,821	150,042	140,796	1.07
2010	1,348,346	1,193,617	154,729	610,778	0.25
2011	1,385,433	1,247,530	137,903	131,619	1.05
GAS DIVISION (1)					
2002	261,799	243,950	17,849	-	N/A
2003	356,076	334,113	21,963	-	N/A
2004	368,318	361,357	6,961	-	N/A
2005	486,503	450,367	36,136	-	N/A
2006	435,679	417,510	18,169	-	N/A
2007	448,258	430,325	17,933	-	N/A
2008	527,102	470,593	56,509	6,255 ⁴	9.03
2009	361,271	314,213	47,058	20,674	2.28
2010	341,350	292,481	48,869	15,126	3.23
2011	288,409	250,812	37,597	-	N/A
WATER DIVISION (1)					
2002	56,447	43,568	12,879	6,641	1.94
2003	56,432	47,720	8,712	8,427	1.03
2004	69,605	54,789	14,816	8,596	1.72
2005	75,279	55,158	20,121	6,565	3.06
2006	79,559	58,606	20,953	3,554	5.90
2007	81,175	63,471	17,704	3,546	4.99
2008	82,433	65,470	16,963	3,545	4.79
2009	80,295	65,676	14,619	5,133	2.85
2010	84,957	71,908	13,049	1,706	7.65
2011	86,887	72,029	14,858	43	345.53
SEWER COLLECTION AND TREATMENT FUND (2)					
2003	39,749	33,690	6,059	11,174	0.54
2004	35,935	31,038	4,897	12,354	0.40
2005	47,652	33,495	14,157	12,693	1.12
2006	50,278	30,782	19,496	14,920	1.31
2007	54,218	31,210	23,008	14,216	1.62
2008	54,123	32,774	21,349	14,927	1.43
2009	54,443	38,646	15,797	14,899	1.06
2010	56,810	35,972	20,838	15,587	1.34
2011	100,931	39,919	61,012	17,384	3.51
2012	106,910	42,244	64,666	16,880	3.83

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

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

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

(4) Restated - amount represents total debt service net of \$35,000 in proceeds from issuance of long-term debt.

DEMOGRAPHIC AND ECONOMICS STATISTICS
Last ten fiscal years

CITY OF MEMPHIS, TENNESSEE
Exhibit X-16

Year	Population	Personal Income (amounts expressed in thousands)	Per Capita Personal Income	Median Age	School Enrollment	Unemployment Rate
2002	674,478	37,395,712	30,557	Not available	118,122	5.2
2003	673,120	38,592,109	31,677	33.4	118,000	6.2
2004	671,929	40,876,802	32,741	Not available	118,000	5.6
2005	672,277	42,720,000	33,880	33.4	119,021	5.7
2006	677,345	44,758,000	35,113	33.6	120,162	6.2
2007	674,028	45,107,701	35,470	33.4	120,275	6.4
2008	669,651	47,515,739	37,147	33.4	117,349	5.2
2009	676,640	50,093,990	38,577	33.8	107,041	10.0
2010	646,889	50,613,401	35,775	33.5	106,656	10.9
2011	652,050	49,519,474	37,569	34.5	102,798	9.9

Source - Bureau of Economic Analysis, State of Tennessee, and Memphis Regional Chamber

2012

2003

Name of Employer	2012		2003	
	Employees	Percentage of Total City Employment	Employees	Percentage of Total City Employment
Federal Express Corporation	30,000	5.33%	30,000	6.09%
Memphis City Schools	16,119	2.86%	15,240	3.09%
United States Government	15,375	2.73%	14,800	3.01%
Methodist Le Bonheur Healthcare	8,700	1.55%	7,258	1.47%
Tennessee State Government	8,600	1.53%	6,976	1.42%
Memphis City Government	7,274	1.29%	6,792	1.38%
Wal-Mart Stores, Inc.	6,000	1.07%	6,698	1.36%
Shelby County Government	5,971	1.06%	5,200	1.06%
Shelby County Schools	5,200	0.92%	5,030	1.02%
Naval Support Activity Mid-South	4,076	0.72%	5,000	1.02%
Total	107,315	19.06%	102,994	20.91%

Source - Memphis Regional Chamber

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

CITY OF MEMPHIS, TENNESSEE
Exhibit X-18

Function and Activity	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
General government	857	857	874	859	828	1,231	1,340	1,261	1,147	1,147
Public safety										
Police										
Officers	2,015	1,996	2,147	2,024	2,018	2,385	2,273	2,444	2,550	2,550
Civilians	690	670	598	578	667	483	482	447	478	478
Fire										
Firefighters and officers	1,603	1,629	1,639	1,668	1,553	1,721	1,729	1,758	1,678	1,740
Civilians	76	144	157	140	255	168	147	116	184	122
Highways and streets										
Engineering	181	189	191	186	186	186	152	146	124	124
Maintenance	272	274	275	277	301	311	309	287	274	274
Sanitation	658	652	653	654	653	653	653	611	604	604
Culture and recreation	397	417	422	326	318	346	264	261	240	240
Sewer	287	289	290	293	289	290	290	290	289	289

Source - City of Memphis Operating Budget Book FY 2012

OPERATING INDICATORS BY FUNCTION
Last ten fiscal years

CITY OF MEMPHIS, TENNESSEE
Exhibit X-19

Function	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Police										
Physical arrests	78,368	88,076	79,586	51,871	48,746	57,304	65,734	61,322	82,003	48,357
Parking violations	128,225	122,004	136,057	119,017	90,005	86,497	97,554	92,433	89,374	77,398
Traffic violations	257,849	229,222	245,512	233,961	222,745	217,766	250,284	224,647	222,435	215,658
Fire										
Number of calls answered	65,571	64,691	62,153	66,357	27,597	24,974	24,974	24,974	23,892	24,522
Inspections	165,303	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	206,142
Highways and streets										
Street resurfacing (miles)	236.32	216.13	300.12	193.93	101.00	144.88	123.25	99.12	137.93	147.04
Potholes repaired	1,945	1,735	1,896	1,052	993	1,499	1,230	946	982	973.00
Sanitation										
Refuse collected (tons/day)	1,278	1,329	1,214	1,295	1,174	1,086	1,005	1,121	1,161	1,131.00
Recyclables collected (tons/day)	399	380	415	464	466	377	488	435	374	429.00
Culture and recreation										
Athletic field permits issued	294	97	168	1,527	892	1,054	1,093	1,465	1,786	999
Community center admissions	1,264,776	1,401,897	793,029	392,125	1,561,281	1,725,798	1,419,032	1,472,891	1,653,610	1,798,532
Water										
Average daily consumption (thousands of gallons)	113,851	119,386	121,456	124,676	128,149	125,972	122,267	115,519	118,768	115,295
Wastewater										
Average daily sewage treatment (thousands of gallons)	160,500	149,700	167,200	155,400	151,000	172,400	154,000	169,000	172,950	175,900

Source: City of Memphis Operating Budget Book FY 2012 and /or Internal Division Operating Reports

CAPITAL ASSET STATISTICS BY FUNCTION
Last ten fiscal years

CITY OF MEMPHIS, TENNESSEE
Exhibit X-20

Function and Activity	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Public Safety:										
Police:										
Stations	8	8	8	9	9	10	10	10	10	10
Community policing offices	15	15	15	15	15	14	14	14	14	14
Patrol units	2,776	800	800	800	800	800	825	800	1,056	877
Fire:										
Stations	54	54	59	59	55	56	56	56	57	57
Trucks (ladder)	26	27	27	27	26	27	27	27	27	27
Solid Waste Management:										
Collection trucks	296	296	296	296	296	296	296	253	253	227
Solid waste disposed (tons)	436,001	446,071	425,170	451,472	420,306	396,606	389,762	406,191	424,025	405,686
Streets and Highways:										
Streets (miles)	4,662	4,662	6,750	6,750	6,750	6,750	6,750	6,750	6,750	6,750
Curb & gutter (miles)	3,590	3,590	3,590	3,590	3,590	3,590	3,590	3,950	3,950	3,950
Streetlights	71,287	71,376	71,376	73,684	77,689	80,570	81,900	82,640	82,706	82,774
Traffic signals	800	800	800	830	821	825	825	830	770	769
Roadside ditches	574	580	580	580	580	580	580	580	580	580
Community Services:										
Parks acreage	5,387	5,387	5,387	5,387	5,387	5,387	5,387	5,387	5,387	5,387
Parks	187	187	187	187	187	187	187	187	187	187
Golf courses	7	7	7	8	8	8	8	8	8	8
Community centers	28	28	28	28	28	24	24	24	24	24
Tennis courts	7	7	7	7	7	7	7	7	7	7
Swimming pools	17	17	17	17	18	18	18	18	17	17
Water:										
Water mains (miles)	4,650	4,650	6,680	6,680	3,672	3,700	3,710	3,716	3,716	3,716
Fire hydrants	22,000	22,000	22,000	22,000	29,665	29,050	30,221	30,423	30,423	30,423
Daily storage capacity (millions of gallons)	437.5	437.5	437.5	437.5	437.5	437.5	437.5	437.5	437.5	438
Sanitary Sewer and Storm:										
Miles of sewer lines	3,600	3,600	3,605	3,605	3,610	3,615	3,620	3,625	3,630	3,635
Miles of storm drainage	3,929	3,929	3,988	3,988	3,988	3,988	3,988	3,988	3,988	3,995

Source - City of Memphis Operating Budget Book FY 2012 and/or Internal Division Operating Reports.

GENERAL FUND EXPENDITURES ON STATE STREET AID
For the fiscal year ended June 30, 2011
(Thousands of Dollars)

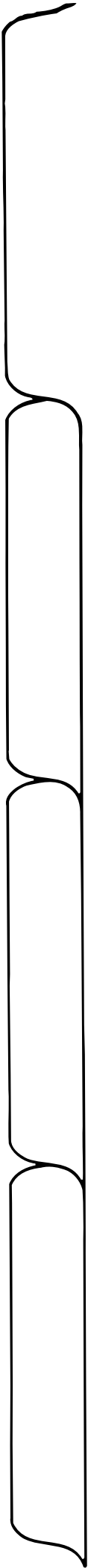
CITY OF MEMPHIS, TENNESSEE
Exhibit X-21

	<u>2012</u>
Revenues	
State taxes (local share)	\$ 15,002
Total revenues	<u>15,002</u>
Expenditures	
Traffic engineering	968
Street signs and markings	2,567
Mass transit	16,930
Traffic signal maintenance	2,387
Street maintenance	4,609
Street lighting	11,645
Grounds maintenance	<u>4,525</u>
Total expenditures	<u>43,631</u>
Excess of expenditures over revenues	<u>\$ 28,629</u>

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

(This page left blank intentionally.)

SINGLE AUDIT



**SUPPLEMENTAL SCHEDULE OF EXPENDITURES
OF FEDERAL AND STATE AWARDS
For the fiscal year ended June 30, 2012**

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

Federal CFDA Number	Grant Number	Receivable (Deferral) June 30, 2011	Receipts FY' 12	Expenditures FY' 12	Receivable (Deferral) June 30, 2012
FEDERAL GOVERNMENT AWARDS					
DEPARTMENT OF AGRICULTURE					
Passed through Tennessee Department of Human Services					
10.559	DA0300050,DA0400069,DA020	\$ 140,893	\$ -	\$ -	140,893
10.675	Z0401525300	(20,596)	-	-	(20,596)
		120,297	-	-	120,297
TOTAL DEPARTMENT OF AGRICULTURE					
DEPARTMENT OF HOMELAND SECURITY					
Urban Search and Rescue Task Force					
97.025	EMW2001CA0131,WK0303660	14,399	-	-	14,399
97.025	W2004CA622271,EMW2005CA	(2,508)	-	-	(2,508)
97.025	EMW-2006-CA0230	49,013	-	-	49,013
97.025	EMW-2007-CA-0178	(177,959)	-	-	(177,959)
97.025	2009-SR-24-K021	154,136	127,435	17,946	44,647
97.025	2010-SR-24-K044	632,673	649,921	455,102	437,854
97.025	2010-SR-24-K044,EMW-2011-C	-	430,500	445,835	15,335
	Subtotal (97.025)	669,754	1,207,856	918,883	380,781
Passed through Tennessee Department of Military					
97.036	Z0821284100	311,842	313,159	1,317	-
97.036	34101-0000003054	844,489	468,950	-	375,539
97.036	34101-0000006297	736,680	-	-	736,680
97.036	34101-0000008732	-	50,510	1,056,651	1,006,141
97.036	34101-00000010457	-	482,046	4,566,986	4,084,940
97.036	34101-0000009230	-	103,983	1,263,816	1,159,833
	EMAC-AL-DR1971-1	-	24,257	24,257	-
	Subtotal (97.036)	1,893,011	1,442,906	6,913,028	7,363,133
Community Emergency Response Team Training					
97.053	Z0301551500	12,012	-	-	12,012
97.044	EMW-2008-FO-07116	(3,942)	-	3,942	-
97.056	2005-GB-T5-0108	(127,091)	-	-	(127,091)
97.071	EMW-2004-GR-0655,233-03-00	260,039	-	-	260,039
97.071		22,661	40,000	3,474	(13,865)
	Subtotal (97.071)	282,700	40,000	3,474	246,175
Buffer Zone Protection					
97.078	Z-05-03-1018-01,Z-05-03-1018-	273	-	-	273
97.067	MMRS 2009, MMRS 2010	-	318,842	329,026	10,184
	Subtotal	2,726,718	3,009,604	8,168,353	7,885,467
TOTAL DEPARTMENT OF HOMELAND SECURITY					
DEPARTMENT OF HEALTH AND HUMAN SERVICES					
Passed through Tennessee Department of Health					
93.136	GG-05-11592, GR-06-17324,G	58,418	-	-	58,418
	Subtotal	58,418	-	-	58,418
TOTAL DEPARTMENT OF HEALTH AND HUMAN SERVICES					

**SUPPLEMENTAL SCHEDULE OF EXPENDITURES
OF FEDERAL AND STATE AWARDS
For the fiscal year ended June 30, 2012**

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

Federal CFDA Number	Grant Number	Receivable (Deferral) June 30, 2011	Receipts FY 12	Expenditures FY 12	Receivable (Deferral) June 30, 2012
DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT					
Entitlement Grants Cluster:					
14.218	B01MC470006,B03MC470006,E	\$ 8,449,262	\$ 15,171,805	\$ 12,547,870	\$ 5,825,327
14.218	B08MN470003	755,379	1,301,501	1,792,832	1,246,710
14.253	B-09-MY-47-0006	628,108	1,055,410	427,302	-
	Total Entitlement Grants Cluster	9,832,749	17,528,716	14,768,004	7,072,037
14.900	TNLHB017200,TNLHD000603,1	76,771	1,564,374	1,447,357	(40,246)
14.905	TNLHD0227-0227-11	0	32,655	73,297	40,642
14.231	S02.03MC4-70002,S04MC4700	220,632	317,501	329,516	332,647
14.239	M02.03MC470202,M98MC4702	3,783,386	6,187,988	5,729,952	3,325,350
14.241	TN37H9-7F040,8F001,TNH04F	327,837	1,819,328	2,003,436	511,945
14.238	TN37C970105,TN37C101001,T	261,004	464,256	672,422	469,170
14.408	FH400G01028,FH400G03058	(84,731)	-	-	(84,731)
14.246	B-98-BD-47-0009	326,437	2,182,287	-	(1,855,850)
14.248	B-98-BD-47-0009,B-10-MC4700	-	9,870,433	912,798	(8,957,635)
14.257	S09MY470002	190,625	1,072,578	1,094,802	212,849
14.225	B08MN470003,B-10-MF-0001	-	23,696	188,117	164,421
14.256	B-11-MN-47-0003	-	-	193,128	193,128
14.704	CCPTN0023-10	-	14,714	146,096	131,382
	TOTAL DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT	14,934,710	41,078,526	27,558,926	1,415,110
DEPARTMENT OF JUSTICE					
16.000	Equitable Sharing Forfeitures	(2,004,383)	864,397	422,707	(2,446,073)
16.590	Encourage Arrest Policies	(6,480)	273,866	-	(280,346)
16.753	OCS: COOR Le Initiative	597,527	730,853	82,777	(50,549)
16.753	OCS: COOR Le Initiative	15,532	-	22,905	38,437
	Subtotal (16.753)	613,059	730,853	105,682	(12,112)
16.592	Local Law Enforcement	3,766	-	-	3,766
16.592	Local Law Enforcement	8,903	-	-	8,903
	Subtotal (16.592)	12,669	-	-	12,669
16.710	COPS Technology Program FY05	532,134	602,757	21,914	(48,709)
16.710	COPS Technology Program FY06	(38,223)	-	47,267	9,045
16.710	COPS Technology Program FY06	(331,060)	-	-	(331,060)
16.710	ARRA COPS Hiring Recovery	35,328	1,162,632	2,362,564	1,235,260
16.710	COPS Interoperable	4,897,539	4,575,514	577,913	899,938
16.710	ARRA COPS Hiring Recovery	122,605	491,898	494,782	125,519
	Subtotal (16.710)	5,218,323	6,832,771	3,504,440	1,889,992
16.609	Project Safe Neighborhood Housing Demo	(17,608)	81,463	-	63,855
16.609	Economic Crimes Task Force	-	157,573	157,573	-
	Subtotal (16.609)	(17,608)	157,573	239,036	63,855
16.737	GREAT FY07	4,722	-	-	4,722
16.751	Safeways: Old Allen	7,750	500,000	253,792	(238,458)

(Continued)

**SUPPLEMENTAL SCHEDULE OF EXPENDITURES
OF FEDERAL AND STATE AWARDS
For the fiscal year ended June 30, 2012**

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

Federal CFDA Number	Grant Number	Receivable (Deferral) June 30, 2011	Receipts FY' 12	Expenditures FY' 12	Receivable (Deferral) June 30, 2012
DEPARTMENT OF JUSTICE (continued)					
JAG Program Cluster:					
JAG 07-11	2007-F2834-TN-DJ	\$ (186,804)	-	-	\$(186,804)
JAG 08	2008-D-J-BX-0465	(82,597)	-	77,287	(5,310)
JAG 09	2009-G9418-TN-DJ	(630,183)	-	249,574	(380,609)
JAG	2010-DJ-BX-1563	-	691,222	160,925	(530,297)
Passed through Shelby County State of Tennessee					
ARRA JAG FY09 RECOVERY	2009-F2956-TN-SU,2009-SB-B	(2,281,869)	-	463,405	(1,818,464)
Total JAG Program Cluster		(3,181,452.82)	691,222.00	951,190.91	(2,921,483.91)
Second Chance Act BJA					
Gang Resistance Education	2009-CZ-2010,2009-CZ-BX-004	3,656	214,879	287,880	76,657
GREAT FY06	96689071,ATC010132,STC0301	63,184	-	-	63,184
Subtotal (21.053)	2006-JV-FX-0031	(11,084)	-	-	(11,084)
		52,100	-	-	52,100
Police Athletic League					
16.54		3,893	-	-	3,893
Passed through Tennessee Department of Human Services					
16.575	Z00004855	98,120	-	-	98,120
		804,369	10,265,561	5,764,727	(3,696,465)
TOTAL DEPARTMENT OF JUSTICE					
DEPARTMENT OF LABOR					
ARRA COBRA Stimulus					
17.151		182	-	-	182
Passed through Public Private Ventures					
Ready for Work					
16.202		(189,238)	-	-	(189,238)
Passed through Tennessee Department of Labor					
WIA Cluster:					
17.258	DA0400062,07-13-PY6-113-ADI	(114,318)	1,742,073	2,268,412	412,020
17.258	DA0400062,LW13ST91ADULT	41,578	1,737	-	39,841
17.259	DA0400062,08-13-PY7-113-YO	3,141,124	3,700,842	3,004,702	2,444,984
17.259	DA0400062,LW13ST91YOUTH	(1,055,817)	317,970	-	(1,373,787)
17.278	DA0400062,06-13-FY6-413-DSI	369,292	1,449,480	1,859,722	779,534
17.278	DA0400062,LW13ST91DSLWK	(115,361)	7,607	110,290	(12,678)
17.278	DA0400062	85,814	85,814	-	-
		2,352,312	7,305,523	7,243,126	2,289,914
Total WIA Cluster					
17.261	DA0400062	(7,160)	-	-	(7,160)
17.261	EA-18574-09-60-A-47	(47,136)	-	-	(47,136)
17.261	EA-20266-10-60-A-47	(131,363)	-	(6,380)	(137,743)
		(185,659)	0	(6,380)	(192,039)
		22,246	-	-	22,246
17.269	DA0400062	170,947	181,629	53,402	42,720
17.207	DA0400062,33710-74012,LW13F	-	259,199	259,199	-
17.277	DA0400062,LW13F111DWNNEG1	-	-	-	-

(Continued)

**SUPPLEMENTAL SCHEDULE OF EXPENDITURES
OF FEDERAL AND STATE AWARDS
For the fiscal year ended June 30, 2012**

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

Federal CFDA Number	Grant Number	Receivable (Deferral) June 30, 2011	Receipts FY 12	Expenditures FY 12	Receivable (Deferral) June 30, 2012
DEPARTMENT OF LABOR (continued)					
Passed through Tennessee Department of Labor (continued)					
17.267	DA040062,LW13P091NCNTV1((10,347) \$	41,309 \$	257,815 \$	206,158
17.266	DA040062	(31,042)	-	-	(31,042)
		2,129,399	7,787,660	7,807,162	2,148,901
TOTAL DEPARTMENT OF LABOR					
DEPARTMENT OF TRANSPORTATION					
Passed through Tennessee Department of Transportation					
Highway Planning and Construction Cluster:					
20.205	PIN 070149,HPP-9409(103),PIL	118,497	153,080	23,765	(10,818)
20.205	STP-M-9409,CM-STP-9409(54)	3,481,012	3,340,630	292,228	432,610
20.205	CM-ITS-9547(601)	66,416	-	-	66,416
20.205	CM-STP-9409-44(040716)	61,737	-	-	61,737
20.205	CM-STP-9409-59(040723)	224,710	1,028,099	3,306,379	2,502,989
20.205	CM-STP-9409(49),CM-STP-940	32,663	-	-	32,663
20.205	CM-STP-9409(42),(47),CM-STF	298,333	362,317	707,224	643,239
20.205	PIN-102617-00,STP-EN-9409(62,698	1,438,513	2,989,030	1,613,215
20.205	CM-STP-9409(41)-040713,(48)-	(103,503)	486,861	2,103,706	1,513,342
20.205	STP-M-9409(128,132,133),STP	(16,022)	2,444,859	3,628,569	1,167,688
20.205	STP-M-9409(124)-112613	(3,539)	0	0	(3,539)
20.205	STP-M-9409(144)-112843	223,521	913,683	1,207,625	517,463
20.205	STP-EN-09TN(003)-113028	1,416	2,250	406	(428)
20.205	STP-M-2813(9)-112836	352,387	503,333	21,432	(129,514)
20.205	STP-M-4032(7)	134,805	156,838	148,921	126,888
20.205	STP-M-9409(150)	170,000	176,378	8,458	2,080
20.205	STP-M-9409(149)	2,517,604	7,234,555	5,852,009	1,135,058
20.205	STP-M-9409(96,36)	45,380	28,629	4,557	21,307
20.205	STP-M-9409(98)-010620	-	1,250	51,490	50,240
20.205	STP-M-9409(97)	96,359	100,434	96,491	92,416
20.205	PIN-108701-00,STP-M-9409(99	8,819	66,748	64,655	6,726
20.205	STP-M-9409(90)	(1,992)	3,428	-	(5,420)
20.205	PIN-110296-00,STP-M-NHE-57	106,791	58,952	22,113	69,951
20.205	STP-EN-9409(62)	40,744	-	-	40,744
20.219	EN-STP-7900(16)	(2,728)	-	-	(2,728)
20.219	EN-STP-7900(13)	19,920	-	-	19,920
		7,936,027	18,500,837	20,529,056	9,984,246
20.600	Z07035691	(1,466)	-	-	(1,466)
20.600	Z09214633	19,435	-	-	19,435
20.600	PT-10-31	3,510	-	(1,380)	2,130
20.600	Z11GHS265	227	3,485	-	(3,258)
		21,706	3,485	(1,380)	16,841
Subtotal (20.600)					
Total Highway Planning and Construction Cluster					
	GHSO FY07 Multiple Violation				
	GHSO FY09 CARD				
	Governor Highway Network FY10				
	GHSO Network Coordinator Law FY11				

(Continued)

**SUPPLEMENTAL SCHEDULE OF EXPENDITURES
OF FEDERAL AND STATE AWARDS
For the fiscal year ended June 30, 2012**

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

		Federal CFDA Number	Grant Number	Receivable (Deferral) June 30, 2011	Receipts FY 12	Expenditures FY 12	Receivable (Deferral) June 30, 2012
DEPARTMENT OF TRANSPORTATION (continued)							
Passed through Tennessee Department of Transportation (continued)							
Governor Highway Network	20.601		Z0802398600	\$ 1,067	\$ -	\$ -	1,067
GHSO FY09 Network Law	20.601		Z09214366	4,990	-	-	4,990
GHSO FY10 CARD	20.601		K8-10-80	4,852	-	-	4,852
Subtotal (20.601)				10,909	0	0	10,909
Governor Highway Network	20.607		Z-08-024037-00	3,915	-	-	3,915
GHSO FY09 Multiple Violation	20.607		Z09214367	2,253	-	-	2,253
GHSO Alcohol Saturation FY10	20.607		154AL-10-29	41,036	-	-	41,036
GHSO Alcohol Saturation	20.607		Z11GHS004,Z12GHS197,Z12G	18,260	328,060	313,141	3,341
Subtotal (20.607)				65,464	328,060	313,141	50,545
Governor Highway Network	20.600,20.607		Z0802367600	(731)	-	-	(731)
GHSO FY09 Alcohol Saturation	20.600,20.607		Z09214632	10,639	-	-	10,639
Subtotal (20.600, 20.607)				9,908	-	-	9,908
Governor Highway Safety	20.605,20.600		Z03011860,154AL-03-16,Z-06-C	935	-	-	935
Governor Highway Network FY06	20.605,20.600		Z-06-027348-00	1,523	-	-	1,523
GHSO FY07 Network Coord	20.605,20.600		Z07035678,15AL-07-69	305	-	-	305
GHSO FY07 Alcohol Saturation	20.605,20.600		Z0703609600,15AL-07-16	34,931	-	-	34,931
Subtotal (20.605, 20.600)				37,694	-	-	37,694
Governor Highway Network	20.600,20.601		Z-08-023692-00	(1,264)	44,814	-	(46,078)
Governor Highway Network	20.606		Z12GHS196	-	344	4,146	3,802
TOTAL DEPARTMENT OF TRANSPORTATION				8,080,443	18,877,540	20,844,963	10,047,867
DEPARTMENT OF INTERIOR NATIONAL PARK SERVICE							
Aquatic Facilities Major Maintenance	15.406		47-CTY-1620-0101	(43,940)	-	-	(43,940)
TOTAL DEPARTMENT OF INTERIOR				(43,940)	-	-	(43,940)
DEPARTMENT OF ENERGY							
ARRA Energy Efficiency & Conservation Block	81.128		DE-EE0000955	-	3,322,249	3,449,455	127,206
TOTAL DEPARTMENT OF ENERGY				-	3,322,249	3,449,455	127,206
INSTITUTE OF MUSEUM AND LIBRARY SERVICES							
Library State Grant	45.310		30504-00812	-	4,614	-	(4,614)
Library State Grant	45.310		GG1237581	-	6,376	6,376	-
Library State Grant	45.310		GG1133671	-	7,201	7,201	-
TOTAL INSTITUTE OF MUSEUM AND LIBRARY SERVICES				-	13,577	13,577	-
DEPARTMENT OF COMMERCE							
ARRA BTOP Recovery	11.557		47-41-B10627	(14,984)	-	14,984	-
TOTAL DEPARTMENT OF COMMERCE				(14,984)	-	14,984	-

(Continued)

**SUPPLEMENTAL SCHEDULE OF EXPENDITURES
OF FEDERAL AND STATE AWARDS
For the fiscal year ended June 30, 2012**

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

Federal CFDA Number	Grant Number	Receivable (Deferral) June 30, 2011	Receipts FY' 12	Expenditures FY' 12	Receivable (Deferral) June 30, 2012
95.001	G-10GC0005A,G11GC0005A	\$ -	\$ 24,137	\$ 29,306	\$ 5,169
		-	24,137	29,306	5,169
		28,795,431	84,378,854	73,651,452	18,068,029
EXECUTIVE OFFICE OF THE PRESIDENT					
HIDTA					
TOTAL EXECUTIVE OFFICE OF THE PRESIDENT					
TOTAL FEDERAL GRANTS					
STATE GOVERNMENT GRANTS					
Memphis Fire Division In-service Training Supplement	NONE	\$ 63,306	\$ -	\$ -	\$ 63,306
Memphis Fire Division In-service Training Supplement 05	NONE	(9,450)	-	-	(9,450)
Memphis Fire Division In-service Training Supplement 06	NONE	(1,409)	-	-	(1,409)
Memphis Fire Division In-service Training Supplement	NONE	(2,570)	-	-	(2,570)
Memphis Fire Division In-service Training Supplement	NONE	(987,600)	909,600	994,800	(902,400)
Memphis Fire Division In-service Training Supplement	NONE	(7,800)	-	-	(7,800)
Memphis Police Division In-service Training Supplement	NONE	(35,306)	-	-	(35,306)
Memphis Police Division In-service Training Supplement	NONE	-	1,307,400	1,307,400	-
Local Emergency Planning Committee	GG0209756	212,825	-	-	212,825
Stop Violence Against Women	Z00001451,Z00001432-01	23,797	-	-	23,797
State Highway Maintenance Grant	CMA1340	67,481	67,481	-	-
State Highway Maintenance Grant	CMA1303	203,772	741,741	601,601	63,632
State Highway Maintenance Grant	CMA1282	186	-	(186)	-
State Highway Maintenance Grant	CMA1402	-	646,141	956,585	-
Landmarks Commission Training - Historic Zoning	GG0511346	(3,600)	-	-	310,444
Landmarks Commission Training - Historic Zoning	GG11309	2,235	-	-	(3,600)
Landmarks Commission Training - Historic Zoning	GG-09-26765-00	3,388	-	-	2,235
Memphis Landmarks Commission Training	GG0712649	1,728	-	-	3,388
Enterprise Zone	GG000860300	27,474	-	-	1,728
Help Care	Z03010557,Z04015720,Z05020:	(58,707)	-	-	27,474
TIIP Project - Cleveland Track Material	Z-02-008520-00	(569)	-	-	(58,707)
Planning Grant	FHWA-PL-112	179,458	48,476	83,786	(569)
Memphis Survey Grant	GG0209746	53,267	-	-	214,767
Memphis Survey Grant FY06	GG0612176	(27,716)	-	-	53,267
Plough Boulevard	STP-EN-9409(61)	(182,286)	46,268	-	(27,716)
Plough Blvd Landscape Phase I	STP-EN-7900(21)	(92,228)	-	-	(228,554)
Raleigh Lagrange-Sycamore	BR-STP-2878(2,1)	(345,881)	-	-	(92,228)
Cobblestone Walkway	SBC5290000296	(710,637)	-	-	(345,881)
Martys Park Riverwalk Improvement	STP-EN-9409(63)	(97,745)	-	-	(710,637)
Parkways Maintenance/Renovation	STP-EN-7900(20,79)-41798	232,993	-	-	(97,745)
Bicycling Network Phase I	STP-EN-9409(73)	33,485	-	-	232,993
Juvenile Accountability Block	GG-04-10637-00	928	-	-	33,485
Deploy Traffic Signal Systems FY07	010764.00	3,311	-	-	928

**SUPPLEMENTAL SCHEDULE OF EXPENDITURES
OF FEDERAL AND STATE AWARDS
For the fiscal year ended June 30, 2012**

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

	Federal CFDA Number	Grant Number	Receivable (Deferral) June 30, 2011	Receipts FY' 12	Expenditures FY' 12	Receivable (Deferral) June 30, 2012
STATE GOVERNMENT GRANTS (continued)						
Backyard Wildlife		Z02005120	\$ 363	\$ -	\$ -	363
Highway Safety		Z05024096,154AL-05-03	(56)	-	-	(56)
Highway Safety		Z04016777	(245)	-	-	(245)
Storm Water Program		GG0511351	13,350	-	-	13,350
Victims of Crime FY06-FY09		Z07033198	119,156	-	-	119,156
STOP FY06-FY09		Z07033057	(20,067)	-	-	(20,067)
Household Hazardous Waste		GG0712743,GG-09-25326-00	73,369	86,320	60,501	47,549
Enhancement Grant Program		STP-EN-7900(24)	41,067	-	-	41,067
Internet Crimes Against Children		GG082393100	37,661	181,418	180,683	36,926
SYEP & EMIT Training		NONE	2,623	-	-	2,623
Workforce Development MOU		GG0712740	(4,050)	-	-	(4,050)
Workforce Development MOU		GR0822660	1,170	-	-	1,170
Rape Prevention and Education Proj		RFS 343.52-893-09	(1,471)	-	-	(1,471)
Severe Storms, Tornados, Straight-Line Winds		Z0821284100	51,974	52,194	220	67,249
Severe Storms, Tornados, Straight-Line Winds	97.036-State	34101-0000003054	150,005	82,756	-	72,053
Severe Storms, Tornados, Straight-Line Winds	97.036-State	34101-0000006297	72,053	-	-	72,053
Severe Storms, Tornados, Straight-Line Winds	97.036-State	34101-0000008732	-	6,314	176,109	169,795
Severe Storms, Tornados, Straight-Line Winds	97.036-State	34101-0000010457	-	60,256	761,164	700,909
Severe Storms, Tornados, Straight-Line Winds	97.036-State	34101-0000009230	-	12,998	210,636	197,638
Library Services, Library Materials for the Disadvantaged	45.310-State	GG1237581	-	45,500	45,500	-
Library Services, Library Materials for the Disadvantaged	45.310-State	GG1133671	-	91,000	91,000	-
Riviana Foods Fast Track		GG-09-27651	(1,437,723)	340,016	-	(1,777,739)
Nucor Steel Memphis Fast Track		GG-08-24188-00	20,175	\$ -	\$ -	20,175
Illinois Central Fast Track Infrastructure		GG-07-21564-00	(340,739)	-	-	(340,739)
Walnut Grove		STP-M-9409(98)-010620	8,739	-	-	8,739
Parks Community Enhancement		NONE	178,725	1,250	-	177,475
FY08 Project Safe Neighborhoods		2008-GP-CX-0056	4,928	-	52,416	57,344
Fast Track Mitsubishi		GG1136259	-	-	11,388,385	11,388,385
St Jude Children Research Hospital		Z-01-000837-00	-	353,122	353,122	-
TOTAL STATE GRANTS			(2,482,865)	4,727,129	5,522,215	(1,687,779)
TOTAL GRANTS			\$ 26,312,566	\$ 89,105,984	\$ 79,173,668	\$ 16,380,250

**City of Memphis
Notes to the Schedule of Expenditures of Federal and State Awards
For the Year Ended June 30, 2012**

NOTE 1 - 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.

NOTE 2 - Prior Year Restatement of Schedule of Expenditures of Federal and State Awards

During the year, it was determined that expenditures relating to the Motor Vehicle Inspection Station (MVIS) from the Department of Transportation passed through Tennessee Department of Transportation had not been reported on prior years Schedules Expenditures of Federal and State Awards ("SEFA") for fiscal years 2005 through 2011. The City of Memphis has assessed the impact of this item and determined that the June 30, 2011 receivable balances should be restated. The Motor Vehicle Inspection Station receivable balance increased by \$3,338,562. There were other insignificant decreases in grants receivable. Total grants receivable as of June 30, 2011 were restated from \$23,040,269 to \$26,312,566.

NOTE 3 - Sub Recipients

Of the federal expenditures presented in the schedule, the City of Memphis provided federal awards to sub-recipients as follows:

<u>Program Title</u>	<u>Federal CFDA No.</u>	<u>Amount Provided To Sub-recipients</u>
Community Development Block Grant Entitlement Grants	14.218	5,724,934.00
Home Investment Partnership Program	14.239	1,746,432.00
Housing Opportunities for Persons with Aids	14.241	1,344,952.00
Shelter Plus Care	14.238	425,664.00
Section 108 Loan Program	14.248	898,011.00
Workforce Investment Act - Youth	17.259	783,185.00
Workforce Investment Act - Adult	17.258	488,700.00
Workforce Investment Act - Dislocated Worker	17.278	126,900.00

**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, 2012, and the budgetary comparison for the general fund for the year ended June 30, 2012, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 26, 2012. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Other auditors audited the financial statements of the Board of Education of the Memphis City Schools, the Memphis-Shelby County Airport Authority, and the Electric, Gas and Water Divisions of Memphis, Light, Gas and Water Division as described in our report on the City's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting and on compliance and other matters that are reported on separately by other auditors. This report also does not include the results of our testing of internal control over financial reporting and on compliance and other matters for Memphis Area Transit Authority as we reported those results separately.

Internal Control Over Financial Reporting

Management of the City of Memphis is responsible for establishing and maintaining effective 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.



A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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

We noted certain other matters that we reported to management of the City in a separate letter dated December 26, 2012.

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

Banks, Finley, White & Co.

Memphis, Tennessee
December 26, 2012

**REPORT ON COMPLIANCE WITH REQUIREMENTS
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT
ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

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

We have audited the compliance of the City of Memphis (the "City") with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2012. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

The City's basic financial statements include the operations of the Board of Education of the Memphis City Schools, the Memphis-Shelby County Airport Authority and the Electric, Gas and Water Divisions of Memphis, Light, Gas and Water Division which expended federal awards which are not included in the accompanying schedule of expenditures of federal awards during the year ended June 30, 2012. Our audit, described below, did not include the operations of these entities because the entities engaged other auditors to perform audits in accordance with OMB Circular A-133. The City's basic financial statements also include operations of Memphis Area Transit Authority. We performed an audit in accordance with OMB Circular A-133 for this entity. The schedule of expenditures of federal awards for the year ended June 30, 2012 does not include these operations as we reported on them separately.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards; 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 compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 2012-1 through 2012-4.

Internal Control Over Compliance

The management of the City is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance, and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

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



The purpose of this report is solely to describe the scope of our testing of compliance with the types of compliance requirements applicable to each of the Project's major programs and our testing of internal control over compliance and the results of our testing, and to provide an opinion on compliance but not to provide an opinion on the effectiveness of internal control over compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Project's compliance with requirements applicable to each major program and its internal control over compliance. Accordingly, this report is not suitable for any other purpose.

Banks, Finley, White & Co.

Memphis, Tennessee
December 26, 2012

CITY OF MEMPHIS

Schedule of Findings and Questioned Costs For the Year Ended June 30, 2012

A. Summary of Auditor's Results

Financial Statements

- | | |
|---|-------------|
| 1. Type of auditor's report issued on the basic financial statements. | Unqualified |
| 2. Material noncompliance relating to the financial statements. | None |
| 3. Internal control over financial reporting: | |
| a. Material weaknesses identified? | No |
| b. Significant deficiencies identified that are not considered to be material weaknesses? | No |

Federal Awards:

- | | |
|---|-------------|
| 4. Type of auditor's report issued on the basic financial statements. | Unqualified |
| 5. Internal control over major programs: | |
| a. Material weaknesses identified? | No |
| b. Significant deficiencies identified that are not considered to be material weaknesses? | Yes |
| 6. Any audit findings reported as required by Section __.510(a) of OMB Circular A-133? | Yes |

CITY OF MEMPHIS

Schedule of Findings and Questioned Costs For the Year Ended June 30, 2012

7. The programs tested as major programs included:

Community Development Block Grants/Entitlement Cluster

14.218 Community Development Block Grants/Entitlement Grants

14.218 Community Development Block Grants/Neighborhood
Stabilization Program HERA

14.253 ARRA - Community Development Block Grants ARRA
Entitlement Grants (CDBG-R) Recovery Act Funded

Workforce Investment Act Cluster

17.258 Workforce Investment Act - Adult Program

17.259 Workforce Investment Act - Youth Activities

17.278 Workforce Investment Act - Dislocated Workers

17.258 ARRA – Workforce Investment Act – Adult Program

17.259 ARRA – Workforce Investment Act – Youth Activities

17.278 ARRA – Workforce Investment Act – Dislocated Workers

Other programs

11.557 ARRA - Broadband Technology Opportunities Program

14.239 HOME Investment Partnerships Program

14.257 Homelessness Prevention and Rapid Re-Housing Program (HPRP)
(Recovery Act Funded)

16.710 ARRA - Public Safety Partnership and Community Policing Grants

16.804 ARRA – Edward Byrne Memorial Justice Assistance Grant (JAG)
Program/Grant to Units of Local Government

20.205 ARRA – Highway Planning and Construction

81.128 ARRA - Energy Efficiency and Conservation Block Grant
Program

97.036 Disaster Grants – Public Assistance (Presidentially Declared
Disasters)

8. The threshold for distinguishing Type A and B programs was \$2,209,544.

9. City of Memphis, Tennessee was not determined to be a low risk auditee.

CITY OF MEMPHIS

Schedule of Findings and Questioned Costs For the Year Ended June 30, 2012

B. Findings – Financial Statement Audit

None

C. Findings – Major Federal Awards Audit

Significant Deficiency

Department of Housing and Urban Development

2012-1 Sub-recipient Monitoring

- a. CFDA No.: 14.239 Home Investment Partnership- Program.: M06-MC-47-0202, M07-MC-47-0202, M08-MC-47-0202, M10-MC-47-0202, M11-MC-47-0202; Grant Period: All open grants during fiscal year ended June 30, 2012.

Condition: During our review of Sub-recipient Monitoring, we noted that the City did not ensure that two sub-recipients' audit report was received in a timely manner or performed in accordance with OMB Circular A-133.

Criteria: OMB Circular A-133 Compliance Supplement, the City is "responsible for ensuring that sub-recipients expending \$500,000 or more in Federal awards during the sub-recipient's fiscal year for fiscal years ending after December 31, 2003 as provided in OMB Circular A-133 have met the audit requirements of OMB Circular A-133 and that the required audits are completed within 9 months of the end of the sub-recipient's audit period.

Cause of Condition: The City did not properly inquire of the sub-recipients to ensure that the sub-recipients expended \$500,000 or more in Federal awards during the sub-recipient's fiscal year.

Effect of Condition: The City will not be in compliance with OMB Circular A-133 Compliance.

Recommendation: We recommend that the City strengthen internal administrative control procedures to ensure that sub-recipients submit audit reports within the prescribed time period and ensure that all reports are thoroughly reviewed and any deficiencies noted are communicated to the sub-recipient in a timely manner.

CITY OF MEMPHIS

Schedule of Findings and Questioned Costs For the Year Ended June 30, 2012

Response: Priority for correcting this deficiency is immediate. The corrective action plan includes developing within the administering division appropriate procedures to ensure that all aspects of sub-recipient monitoring are performed in a timely and comprehensive manner. The administrative procedures will include checklists and other methods to ensure timely completion and submission of sub-recipient audit reports, and the appropriate initiatives to resolve deficiencies through corrective actions. In addition, the sub-recipient monitoring reports will be received, reviewed and have appropriate action taken in a timely manner and be consistent with the requirements of OMB Circular A-133.

- b. CFDA No.: 14.218 Community Development Block Grants/Entitlement Grants (CDBG) Federal Award No.: B06-MC-47-0006, B07-MC-47-0006, B08-MC-47-0006, B09-MC-47-0006, B10-MC-47-0006, and B11-MC-47-0006 Grant Period: All open grants during fiscal year ended June 30, 2012.

Condition: During our review of Sub-recipient Monitoring, we noted the following: there was no monitoring report available for review for two sub-recipients and the City did not ensure that three sub-recipients required a Single Audit performed.

Criteria: Per the OMB Circular A-133 Compliance Supplement, the City is “responsible for ensuring that sub-recipients expending \$500,000 or more in Federal awards during the sub-recipient’s fiscal year for fiscal years ending after December 31, 2003 as provided in OMB Circular A-133 have met the audit requirements of OMB Circular A-133 and that the required audits are completed within 9 months of the end of the sub-recipient’s audit period

Cause of Condition: The City did not properly inquire of the sub-recipients to ensure that the sub-recipients expended \$500,000 or more in Federal awards during the sub-recipient’s fiscal year.

Effect of Condition: The City will not be in compliance with OMB Circular A-133 Compliance.

Recommendation: We recommend that the City strengthen internal administrative control procedures to ensure that sub-recipients submit audit reports within the prescribed time period and ensure that all reports are thoroughly reviewed and any deficiencies noted are communicated to the sub-recipient in a timely manner.

CITY OF MEMPHIS

Schedule of Findings and Questioned Costs For the Year Ended June 30, 2012

Response: Priority for correcting this deficiency is immediate. The corrective action plan includes developing within the administering division appropriate procedures to ensure that all aspects of sub-recipient monitoring are performed in a timely and comprehensive manner. The administrative procedures will include checklists and other methods to ensure timely completion and submission of sub-recipient audit reports, and the appropriate initiatives to resolve deficiencies through corrective actions. In addition, the sub-recipient monitoring reports will be received, reviewed and have appropriate action taken in a timely manner and be consistent with the requirements of OMB Circular A-133.

- c. CFDA No.: 14.257: Homelessness Prevention and Rapid Re-Housing Program (HPRP) Federal Award No.:S09-MY-47-0002; Grant Period: All open grants during fiscal year ended June 30, 2012.

Condition: During our review of Sub-recipient Monitoring, we noted the following: there was no monitoring report available for review for two sub-recipients and the City did not ensure that three sub-recipients required a Single Audit performed.

Criteria: OMB Circular A-133 Compliance Supplement, the City is “responsible for ensuring that sub-recipients expending \$500,000 or more in Federal awards during the sub-recipient’s fiscal year for fiscal years ending after December 31, 2003 as provided in OMB Circular A-133 have met the audit requirements of OMB Circular A-133 and that the required audits are completed within 9 months of the end of the sub-recipient’s audit period.

Cause of Condition: The City did not did properly inquire of the sub-recipients to ensure that the sub-recipients expended \$500,000 or more in Federal awards during the sub-recipient’s fiscal year.

Effect of Condition: The City will not be in compliance with OMB Circular A-133 Compliance.

Recommendation: We recommend that the City strengthen internal administrative control procedures to ensure that sub-recipients submit audit reports within the prescribed time period and ensure that all reports are thoroughly reviewed and any deficiencies noted are communicated to the sub-recipient in a timely manner.

CITY OF MEMPHIS

Schedule of Findings and Questioned Costs For the Year Ended June 30, 2012

Response: Priority for correcting this deficiency is immediate. The corrective action plan includes developing within the administering division appropriate procedures to ensure that all aspects of sub-recipient monitoring are performed in a timely and comprehensive manner. The administrative procedures will include checklists and other methods to ensure timely completion and submission of sub-recipient audit reports, and the appropriate initiatives to resolve deficiencies through corrective actions. In addition, the sub-recipient monitoring reports will be received, reviewed and have appropriate action taken in a timely manner and be consistent with the requirements of OMB Circular A-133.

2012-2 Reporting

- a. CFDA No.: 14.239 Federal Award No.: B11-MC-47-0002 Grant Period: All open grants during fiscal year ended June 30, 2012.

Condition: During our review of the Section 3 Summary Report, we noted that the City did not prepare the appropriate report for the fiscal year.

Criteria: Per Section 3 of the Housing and Urban Development Act of 1968c as amended, 12 U.S.C. 1701u, the City is required to complete the form "for each grant over \$200,000 that involves housing rehabilitation, housing construction, or other public construction, and contracts and subcontracts awards in excess of \$100,000".

Cause of Condition: Unknown

Effect of Condition: Noncompliance with Section 3 of the Housing and Urban Development Act of 1968c as amended, 12 U.S.C. 1701u.

Recommendation: We recommend that the City strengthen internal administrative control procedures to ensure that the Section 3 Summary Report is completed and submitted in a timely manner.

Response: Priority for correcting this deficiency is immediate. The corrective action plan includes developing within the administering division appropriate procedures to ensure that all aspects of sub-recipient reporting are performed in a timely manner. The administrative procedures will include checklists and other methods to ensure timely completion and submission of sub-recipient periodic and annual reports. In addition, the sub-recipient performance reports will be received, reviewed and have

CITY OF MEMPHIS

Schedule of Findings and Questioned Costs For the Year Ended June 30, 2012

appropriate corrective action taken in a timely manner and be consistent with the requirements of OMB Circular A-133.

- b. CFDA No.: 14.218 Federal Award No.: B11-MC-47-0006 and B08-MN-47-0003
Grant Period: All open grants during fiscal year ended June 30, 2012.

Condition: During our review of the Section 3 Summary Report, we noted that the City did not prepare the appropriate report for the fiscal year.

Criteria: Per Section 3 of the Housing and Urban Development Act of 1968c as amended, 12 U.S.C. 1701u, the City is required to complete the form "for each grant over \$200,000 that involves housing rehabilitation, housing construction, or other public construction, and contracts and subcontracts awards in excess of \$100,000".

Cause of Condition: Unknown.

Effect of Condition: Noncompliance with Section 3 of the Housing and Urban Development Act of 1968c as amended, 12 U.S.C. 1701u.

Recommendation: We recommend that the City strengthen internal administrative control procedures to ensure that the Section 3 Summary Report is completed and submitted in a timely manner.

Response: Priority for correcting this deficiency is immediate. The corrective action plan includes developing within the administering division appropriate procedures to ensure that all aspects of sub-recipient reporting are performed in a timely manner. The administrative procedures will include checklists and other methods to ensure timely completion and submission of sub-recipient periodic and annual reports. In addition, the sub-recipient performance reports will be received, reviewed and have appropriate corrective action taken in a timely manner and be consistent with the requirements of OMB Circular A-133.

- c. CFDA No.: 14.253 Federal Award No.: B11-MY-47-0006 Grant Period: All open grants during fiscal year ended June 30, 2012.

Condition: During our review of the Financial Reporting, we noted that no quarterly Federal Financial Reports (SF-425) were submitted.

CITY OF MEMPHIS

Schedule of Findings and Questioned Costs For the Year Ended June 30, 2012

Criteria: OMB Compliance Supplement requirement.

Cause of Condition: Unknown

Effect of Condition: Noncompliance with OMB Circular Reporting Requirements

Recommendation: We recommend that the City strengthen internal administrative control procedures to ensure that all required financial reports are completed and submitted in a timely manner.

Response: Priority for correcting this deficiency is immediate. The corrective action plan includes developing within the administering division appropriate procedures to ensure that all aspects of sub-recipient reporting are performed in a timely manner. The administrative procedures will include checklists and other methods to ensure timely completion and submission of sub-recipient periodic and annual reports. In addition, the sub-recipient performance reports will be received, reviewed and have appropriate corrective action taken in a timely manner and be consistent with the requirements of OMB Circular A-133.

CITY OF MEMPHIS

Schedule of Findings and Questioned Costs For the Year Ended June 30, 2012

2012-3 Suspension and Debarment

- a. CFDA No.: 14.239 Federal Award No.: M06-MC-47-0202, M07-MC-47-0202, M08-MC-47-0202, M10-MC-47-0202, M11-MC-47-0202 Grant Period: All open grants during fiscal year ended June 30, 2012.

Condition: During the suspension and debarment testing, we noted that the City entered into contracts for goods and/or services for an amount equal to or exceeding \$25,000 in which no documentation was maintained to support the fact that the contractor/organization had not been suspended or debarred or otherwise excluded from receiving the contract.

Criteria: The OMB Circular A-133 Compliance Supplement states that entities are prohibited from contracting with or making sub-awards under covered transactions involving federal funds to parties that are suspended or debarred or whose principals are suspended or debarred. Covered transactions include procurement contracts for goods or services equal to or in excess of \$100,000 and all non-procurement transactions (e.g., sub-awards to sub recipients).

Cause of Condition: Failure to document that a search was performed to ascertain that the contractor/organization was not suspended or debarred.

Effect of Condition: Non-compliance with grant requirements.

Recommendation: We recommend that the City strengthen internal administrative controls as it relates to the testing for suspension and debarment on contracts involving federal funds by requiring the retention of documentation verifying that a search for suspension and debarment was performed.

Response: Priority for correcting this deficiency is immediate. The corrective action plan includes developing within the administering division appropriate policies and procedures to ensure that all contract awards are made to sub-recipients and/or contractors that have been adequately screened for suspension and/or debarment. The administrative procedures will include checklists and other methods to ensure timely completion of screening steps. Specific steps will include a search on the HUD website for contractors and organizations that have been suspended or debarred from federal projects. In addition, all documentation supporting the search and screening process will be documented in the appropriate files in accordance with the requirements of OMB Circular A-133.

CITY OF MEMPHIS

Schedule of Findings and Questioned Costs For the Year Ended June 30, 2012

- b. CFDA No.: 14.218 Federal Award No.: B06-MC-47-0006, B07-MC-47-0006, B08-MC-47-0006, B09-MC-47-0006, B10-MC-47-0006, B11-MC-47-0006 Grant Period: All open grants during fiscal year ended June 30, 2012.

Condition: During the suspension and debarment testing, we noted that the City entered into contracts for goods and/or services for an amount equal to or exceeding \$25,000 in which no documentation was maintained to support the fact that the contractor/organization had not been suspended or debarred or otherwise excluded from receiving the contract.

Criteria: The OMB Circular A-133 Compliance Supplement states that entities are prohibited from contracting with or making sub-awards under covered transactions involving federal funds to parties that are suspended or debarred or whose principals are suspended or debarred. Covered transactions include procurement contracts for goods or services equal to or in excess of \$100,000 and all non-procurement transactions (e.g., sub-awards to sub recipients).

Cause of Condition: Failure to document that a search was performed to ascertain that the contractor/organization was not suspended or debarred.

Effect of Condition: Non-compliance with grant requirements.

Recommendation: We recommend that the City strengthen internal administrative controls as it relates to the testing for suspension and debarment on contracts involving federal funds by requiring the retention of documentation verifying that a search for suspension and debarment was performed.

Response: Priority for correcting this deficiency is immediate. The corrective action plan includes developing within the administering division appropriate policies and procedures to ensure that all contract awards are made to sub-recipients and/or contractors that have been adequately screened for suspension and/or debarment. The administrative procedures will include checklists and other methods to ensure timely completion of screening steps. Specific steps will include a search on the HUD website for contractors and organizations that have been suspended or debarred from federal projects. In addition, all documentation supporting the search and screening process will be documented in the appropriate files in accordance with the requirements of OMB Circular A-133.

CITY OF MEMPHIS

Schedule of Findings and Questioned Costs For the Year Ended June 30, 2012

- c. CFDA No.: 14.257 Federal Award No: S09-MY-47-0002 Grant Period: All open grants during fiscal year ended June 30, 2012.

Condition: During the suspension and debarment testing, we noted that the City entered into contracts for goods and/or services for an amount equal to or exceeding \$25,000 in which no documentation was maintained to support the fact that the contractor/organization had not been suspended or debarred or otherwise excluded from receiving the contract.

Criteria: The OMB Circular A-133 Compliance Supplement states that entities are prohibited from contracting with or making sub-awards under covered transactions involving federal funds to parties that are suspended or debarred or whose principals are suspended or debarred. Covered transactions include procurement contracts for goods or services equal to or in excess of \$100,000 and all non-procurement transactions (e.g., sub-awards to sub recipients).

Cause of Condition: Failure to document that a search was performed to ascertain that the contractor/organization was not suspended or debarred.

Effect of Condition: Non-compliance with grant requirements.

Recommendation: We recommend that the City strengthen internal administrative controls as it relates to the testing for suspension and debarment on contracts involving federal funds by requiring the retention of documentation verifying that a search for suspension and debarment was performed.

Response: Priority for correcting this deficiency is immediate. The corrective action plan includes developing within the administering division appropriate policies and procedures to ensure that all contract awards are made to sub-recipients and/or contractors that have been adequately screened for suspension and/or debarment. The administrative procedures will include checklists and other methods to ensure timely completion of screening steps. Specific steps will include a search on the HUD website for contractors and organizations that have been suspended or debarred from federal projects. In addition, all documentation supporting the search and screening process will be documented in the appropriate files in accordance with the requirements of OMB Circular A-133.

CITY OF MEMPHIS

Schedule of Findings and Questioned Costs For the Year Ended June 30, 2012

Department of Labor

2012-4 Eligibility

- a. CFDA No.:17.258 Workforce Investment Act –Adult; Federal Award No.: 12233, 12264, 12326, 12383, 12407, 12412, 12422, 12446, 12448, 12481, 12489, 12512, 12528 and 12540; Grant Period: All open grants during fiscal year ended June 30, 2012.

Condition: During our review of files to test eligibility, documentation was not found in selected files to support the requirement that participants, who received training services, were unable to obtain grant assistance for other sources, including other Federal program, to pay the costs of the training. WIN refers to this document as “Student Need Assessment and Financial Aid Award.”

Criteria: Before receiving training services, an adult or dislocated worker must have received at least one intensive service, been determined to be unable to obtain or retain employment through intensive services, and met all of the following requirements (20 CFR sections 663.240 and 663.310); (a) Had an interview, evaluation, or assessment and determined to be in need of training services and have the skills and qualifications to successfully complete the successful training program; (b) Selected a training service linked to the employment opportunities; and (c) Was unable to obtain grant assistance from other sources, including other Federal programs, to pay the costs of the training.

Cause of Condition: Unknown

Effect of Condition: The City will not be in compliance with OMB Circular A-133 compliance.

Recommendation: We recommend that the compliance checklist that is presently included in each participant file be thoroughly reviewed by management to ensure that all necessary documentation is present in each participant’s file.

Response: Priority for correcting this deficiency is immediate. The corrective action plan includes ensuring that each participant is thoroughly screened for all eligibility requirements before being allowed to participate in the program. All documentation, including checklists evidencing the screening procedures will be maintained as part of the participant’s file documentation.

CITY OF MEMPHIS

Schedule of Findings and Questioned Costs For the Year Ended June 30, 2012

- b. CFDA No.:17.278 (Formerly 17.260) Workforce Investment Act – Dislocated; Federal Award No.: 12232, 12362, 12382, 12423, 12535, 12426, 12447, 12465, 12480, 12490, 12510, 12529 and 12541; Grant Period: All open grants during fiscal year ended June 30, 2012.

Condition: During our review of files to test eligibility, documentation was not found in selected files to support the requirement that participants, who received training services, were unable to obtain grant assistance for other sources, including other Federal program, to pay the costs of the training. WIN refers to this document as “Student Need Assessment and Financial Aid Award.”

Criteria: Before receiving training services, an adult or dislocated worker must have received at least one intensive service, been determined to be unable to obtain or retain employment through intensive services, and met all of the following requirements (20 CFR sections 663.240 and 663.310); (a) Had an interview, evaluation, or assessment and determined to be in need of training services and have the skills and qualifications to successfully complete the successful training program; (b) Selected a training service linked to the employment opportunities; and (c) Was unable to obtain grant assistance from other sources, including other Federal programs, to pay the costs of the training.

Cause of Condition: Unknown

Effect of Condition: The City will not be in compliance with OMB Circular A-133 compliance.

Recommendation: We recommend that the compliance checklist that is presently included in each participant file be thoroughly reviewed by management to ensure that all necessary documentation is present in each participant’s file.

Response: Priority for correcting this deficiency is immediate. The corrective action plan includes ensuring that each participant is thoroughly screened for all eligibility requirements before being allowed to participate in the program. All documentation, including checklists evidencing the screening procedures will be maintained as part of the participant’s file documentation.

CITY OF MEMPHIS
Summary Schedule of Prior Years Audit Findings
June 30, 2012

2011-1 *Material Weakness*
Federal and State Grants Receivable

Condition: We noted that federal grant receivables and related revenues for the Beale Street Landing grants in the Capital Projects Fund were overstated by approximately \$6,000,000. It was determined that errors had been made in posting the grant receipts which resulted in the overstatement and audit adjustments.

Also, in connection with our testing of accounts receivable for Fund 221 - Community Development Fund, we noted that receipts are not consistently matched to the related expenditure. Through inquiry of management, it was discovered frequently receipts were charged to one grant award, while the expenditures were charged to a different grant award. As a result, we found that the deferred revenue account consists of various receipts that have not been appropriately applied to the related expenditures. As a result, accounts receivable net of deferred revenue may be overstated.

Current Status: Implemented. The City and HCD executed its plan by establishing procedures and a process to ensure that all state and federal receipts are recorded timely and accurately. The processes and procedures were dramatically enhanced through the work of a cross-functional team that included HCD personnel, the Comptroller's Office, the Grants Compliance Office and Internal Audit. Through monthly and quarterly reviews, HCD grants discrepancies are routinely investigated and resolved through coordination with the HCD internal compliance function and the Grant Compliance Office monitoring activities.

2011 -2 *Significant Deficiencies*
Reconciliation of Bank Statements

Condition: We noted certain significant reconciling items on the concentration and general funding account reconciliations, resulting from a failure to match transactions recorded in the general ledger to transactions clearing the bank statement. We noted management has made significant improvements in the bank reconciliation process, but we believe the remaining unreconciled items represent a significant deficiency.

Current Status: Implemented. The City executed its plan to fill the open position with an experienced and credentialed staff. In addition, the City dedicated an even higher level of resources to mitigate this weakness. All bank accounts were reconciled timely and all stale reconciling items were written off or reconciled sufficiently to be eliminated from the reconciliation analysis.

CITY OF MEMPHIS
Summary Schedule of Prior Years Audit Findings
June 30, 2012

2011-3 *Preparation of Schedule of Expenditures of Federal and State Awards (SEFA)*

Condition: The SEFA preparation process has improved over the past year. However, the City continues to only perform a complete update of the SEFA schedule once at fiscal year end. As disclosed in the notes to the SEFA schedule, the prior year receivable balances have been restated. Additionally, SEFA schedule preparation was delayed with several revisions occurring late into our audit process.

Current Status: Substantially implemented. The City substantially executed its plan by working closely with the Grants Compliance Office to develop and maintain centralized data and reporting repository. The Grants Accountant routinely reviewed with the Grants Compliance Office and fiscal directors the schedule of federal and state awards to resolve any issues. The plan for a higher level of automation will be available to the City once the Hyperion financial reporting modules are fully implemented in FY 2014.

2011-4 *CFDA 17.258-17.260 Workforce Investment Act Cluster*
Department of Labor
Grant Awards: All open grants during fiscal year ended June 30, 2011

Condition: We selected 18 monthly reports for review. Of these reports, three were not submitted timely. Each monthly report that was not submitted timely was submitted within three days of the requirement. We also tested four close-out reports, all of which were not submitted timely. Each of these reports was submitted within two days of the requirement.

Current Status: Implemented. The City and the Workforce Investment Network (WIN) executed its plan to fill the open positions with an experienced and credentialed staff. Substantial enhancements were made toward the elimination of this deficiency. The enhancements included timely and accurate expense reporting followed by timely and accurate drawdown requests.

CITY OF MEMPHIS
Summary Schedule of Prior Years Audit Findings
June 30, 2012

2011-5 *CFDA 17.259 Workforce Investment Act Youth Program*
Department of Labor
Grant Awards: DA0400062

Condition: We examined a sample of timesheets for youth who participated in the Summer Youth Program. We noted that actual hours paid for 7 of the 25 participants selected did not agree to the recalculated hours according to the timesheets. It appears the third-party service provider did not recompute the total hours listed on the timesheets.

Current Status: Implemented. The City and the Workforce Investment Network (WIN) executed its plan by establishing procedures to ensure that all paid time is supported by properly approved time sheets. The WIN finance director improved the internal control environment to address and eliminate instances of non-compliance.

(This page left blank intentionally.)