

2013

COMPREHENSIVE ANNUAL FINANCIAL REPORT
YEAR ENDED JUNE 30, 2013



CITY OF MEMPHIS
TENNESSEE



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Government Finance Officers Association

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, 2012

A handwritten signature in black ink, appearing to read "Jeffrey R. Emer".

Executive Director/CEO

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, 2012. 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

Edmund Ford, Jr, Chairman (District 6)

William Boyd	District 2	Wanda Halbert.....	District 4
Joe W. Brown	District 8-1	Lee Harris.....	District 7
Harold Collins.....	District 3	Reid Hedgepath.....	District 9-3
Kemp Conrad	District 9-1	Myron Lowery.....	District 8-3
Shea Flinn, III	District 9-2	Bill Morrison.....	District 1
Janis Fullilove	District 8-2	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

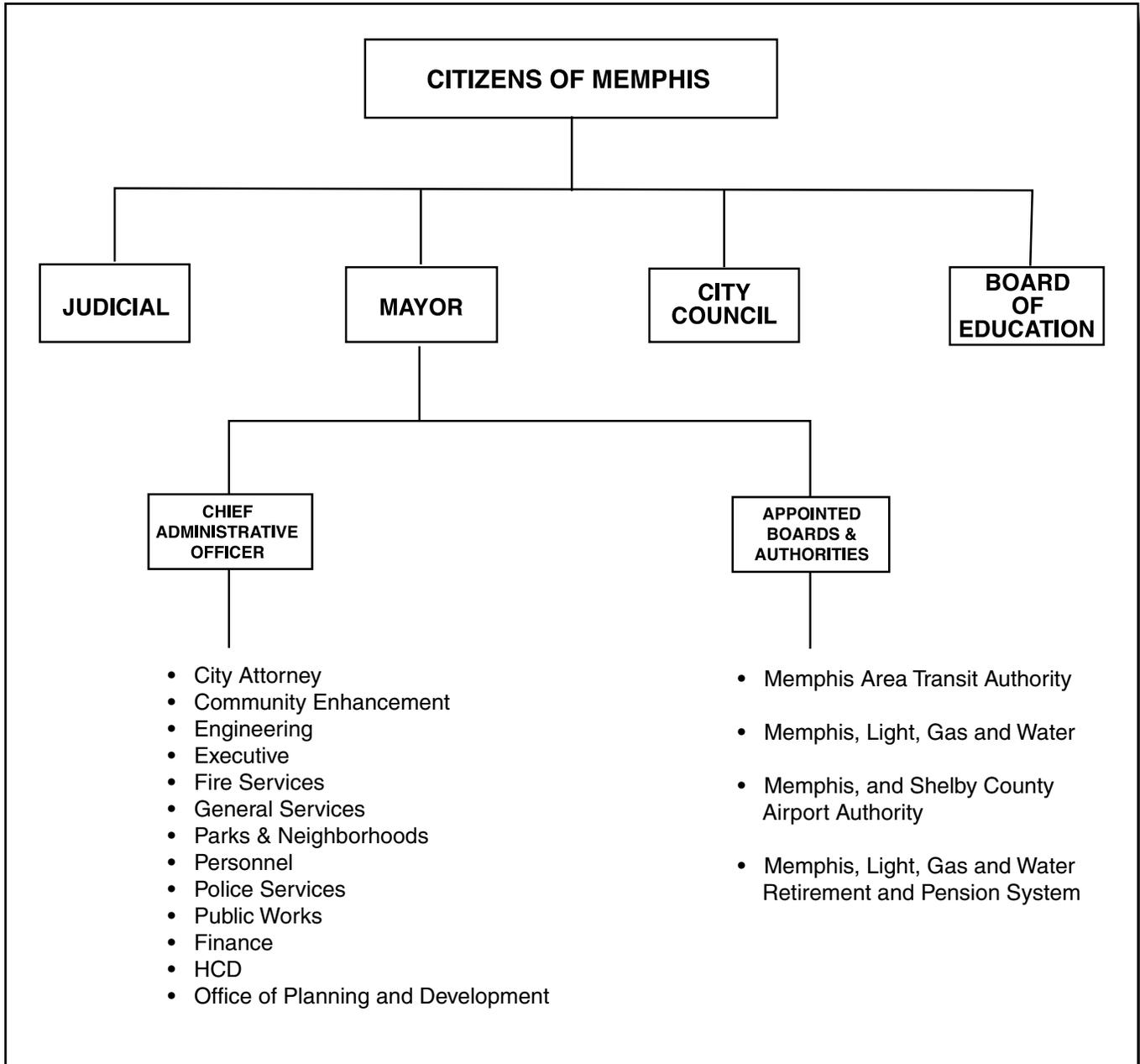
ADMINISTRATIVE

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
Quintin Robinson.....	Director, Human Resources
John E. Cameron.....	City Engineer
Toney Armstrong	Director, Police Services
Herman Morris.....	City Attorney
Dwan L. Gilliom	Director, Public Works
Janet P. Hooks	Director, Parks & Neighborhoods
Brian Collins	Director, Finance and Administration

City of Memphis, Tennessee

ORGANIZATION CHART

Primary Government and Discretely Presented Component Units



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

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COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED JUNE 30, 2013

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



A C WHARTON, JR.
MAYOR

December 15, 2013

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, 2013. This report documents our financial position and operations for the year, as well as the current economic climate of Memphis.

Responsible decisions, fierce determination, and critical investments are the tools the City of Memphis is using to combat the lingering impacts from the recent global recession. Our strong sense of purpose in moving Memphis ahead in these challenging times compels us to find innovative ways to deliver on our top priorities --- creating safe and vibrant neighborhoods, growing prosperity and opportunity for all, investing in our young people and advancing a culture of excellence in city government.

Thanks to an overwhelming response to our call to action by the business community, neighborhood groups and advocates for a livable Memphis, we were able to leverage our limited resources to accomplish much this year. Opportunities for safer neighborhoods and healthier lifestyles were realized this year. Thanks to involved citizens and strategically deployed City resources, we were able to rehabilitate various parks throughout the city, expand our Greenline bike trail system and, through our Safe Route to School projects, provide safety enhancements to school pedestrian routes.

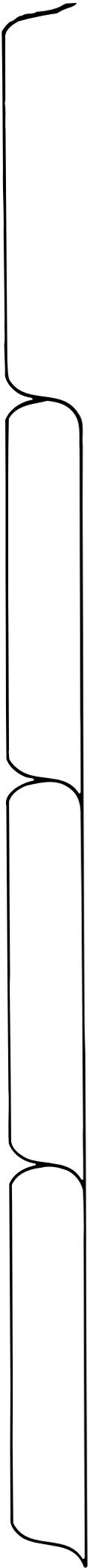
Our role as an economic leader in the region was nationally publicized through Memphis' recent recognition by the U.S. Chamber of Commerce as one of only seven cities cited for its public-private relationships focused on spurring innovation, revitalization and job creation. Further evidence of the City's progress towards increased economic development and job creation are the recent investments made in our City by corporate citizens. Valero, a leader in oil refinery is investing nearly \$300 million in its Memphis facility to expand its operations and to retain its current 557 employee workforce. Federal Express is investing \$90 million in a state-of-the-art pilot training facility at the Memphis International Airport. The shipping giant is expected to retain 333 jobs as a result of the investment. Bryce corporation which manufactures packaging for some of the world's largest retail brands is investing approximately \$21 million to expand their operations resulting in the creation and maintenance of 95 new jobs and 318 jobs, respectively.

Our accomplishments this year have contributed to a renewed belief in our future as One Memphis. It is with great honor and humility that I pledge to continue to lead the charge for an even brighter future for our 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

**INTRODUCTORY
SECTION**



December 31, 2013

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, 2013, 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 and Company, licensed certified public accountants. Banks, Finley, White & Co. has issued an unmodified ("clean") opinion on the City's financial statements for the year ended June 30, 2013. 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 657,457. 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 in part:





The National Economy

- On March 1, 2013 the “sequester”, a measure that triggered automatic across-the-board spending cuts in 2013 unless an alternate deal was reached to reduce the federal deficit by \$1.2 trillion over 10 years, went into effect. The sequester was part of a 2011 agreement to increase the nation’s debt limit agreed to by both parties in Congress.
- In October 2013, the US experienced a sixteen day government shutdown which curtailed most routine operations after Congress failed to enact legislation appropriating funds for fiscal year 2014 or a continuing resolution for an interim authorization of appropriations for fiscal year 2014. The government shutdown ended and the debt limit was suspended until February 7, 2014 after an interim appropriation bill was finally passed. It is still unclear how both parties in Congress will handle the need to increase the nation’s borrowing capacity in February.
- The sequester, the government shutdown and the phasing out of the 2009 American Recovery and Reinvestment Act (ARRA) continue to pose fiscal challenges to many states and local governments.
- Inflation-adjusted GDP is expected to yield annualized growth of 1.6 percent, well below the 2.8 percent rate of growth in 2012, as output growth is expected to slow as a result of the sequestration and slow export growth.
- U.S. payroll employment is expected to see 1.7 percent growth in 2013 and similar growth in 2014. The U.S. unemployment rate should average 7.6 percent this year, with slow, steady improvement expected in 2014 and 2015.
- Short-term and long-term interest rates remain at very low historical levels. While the 30-year mortgage is now trending up, there has been only a modest effect on housing affordability.
- Residential fixed investment should see growth of 13.5 percent this year, building upon a 12.9 percent gain last year.
- The consumer price index is expected to be up only 1.5 percent in 2013 and in 2014,

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.

State and local economic activity has slowed in 2013 as a result of the slowdown in the global and national economies.



Memphis' strong healthcare industry, 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 Sparks Bureau of Business and Economic Research at the University of Memphis, the tax burden in Memphis is lower than most cities that compete with Memphis for economic development opportunities. In addition, the absence of an earned income tax makes Tennessee and Memphis attractive for workers.

According to the Center for Regional Economics-8th District Federal Reserve Bank of St. Louis, Memphis' commercial real estate market continues to strengthen as vacancy rates continue to fall and selling prices are increasing. In addition, Memphians are continuing to improve their household balance sheets as loan delinquency rates and debt balances continue to fall. Between third quarter 2012 and third quarter 2013, Memphis and Tennessee both reported moderate job growth in manufacturing, over three times the national rate. However, overall slow employment growth has resulted in a noticeable uptick in the state and local unemployment rates.

Unemployment Rates (Seasonally Adjusted), 2012-2013

Region	Aug. 2012	Aug. 2013	Percent Change
Memphis MSA*	9.1%	9.4%	3.3%
Tennessee	8.1%	8.5%	4.9%
United States	8.1%	7.3%	-9.9%

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

The nation's unemployment rate decreased 9.9% year over year to 7.3% from 8.1%. Unlike the national trend, Tennessee's and the Memphis MSA unemployment rate increased in 2013. Tennessee's August unemployment rate reflects a 4.9 percent increase from August 2012. Memphis' unemployment rate increased to 9.4 percent in August 2013, up 3.3 percent from a year ago. 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 2003, the percentage of total revenues generated within the City from Property Taxes, Local Sales Taxes and State Shared Taxes remained constant until fiscal year 2006.

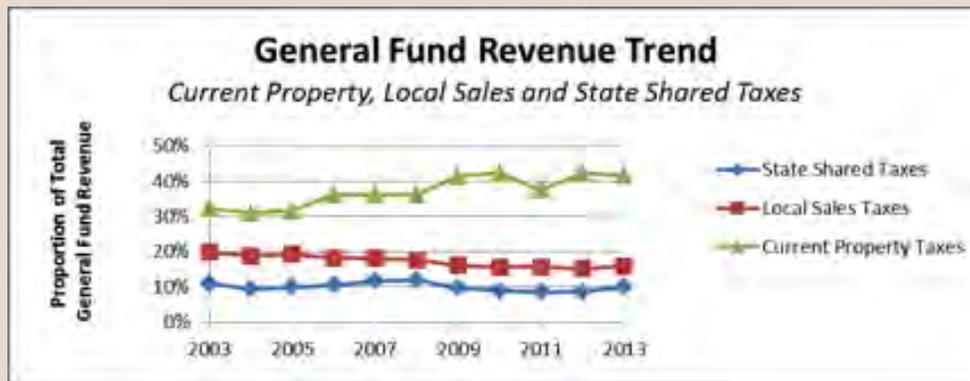
- During fiscal year 2006, the City realized a significant increase in property tax revenues as a result of a rate increase.
- During fiscal year 2007 and fiscal year 2008, the percentage of revenues from current Property Taxes, Local Sales Taxes and State Shared Taxes remained relatively constant year over year.
- Property Tax revenues in the general fund increased in total and as a percentage of total revenues due to an



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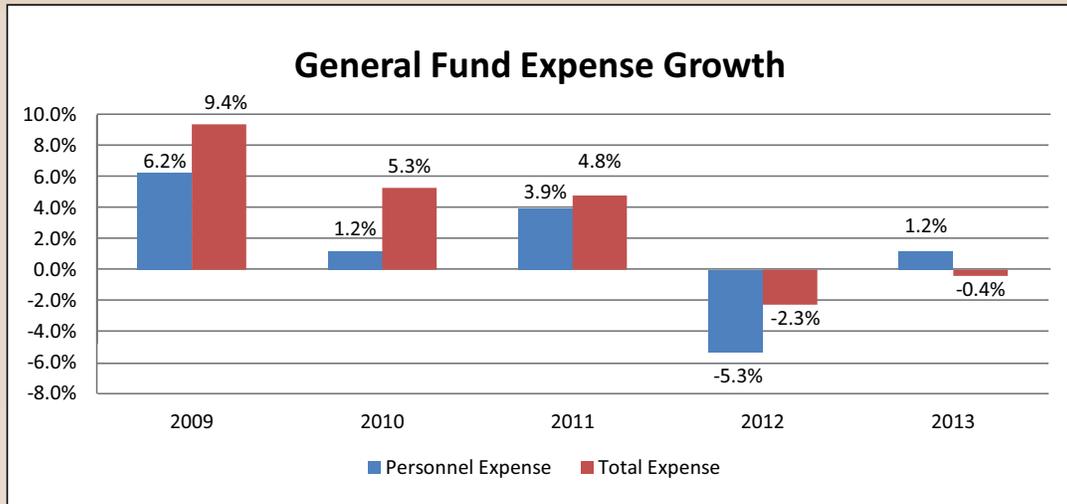
increase in the property tax rate allocation to the general fund during fiscal year 2009.

- 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 increased Debt Service Fund transfers 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, a one-time \$0.18 cents property tax rate allocation to the general fund to support disbursements to Memphis City Schools and an acceleration of current property tax collections due to the City executing a sale of tax receivables.
- Despite decreased collections from prior year, fiscal year's 2013 current property taxes remained constant as a percentage of total revenues year over year. The total current property tax revenue collections decreased in fiscal year 2013 due to the elimination of the one-time \$0.18 cents general fund property tax rate allocation levied in fiscal year 2012 and the reduction of the overall base property tax rate in fiscal year 2013 to \$3.11 from \$3.19. Total revenues were further reduced by a decrease in transfers in from the Debt Service Fund and the MLGW division. The MLGW transfer decrease was primarily the result of MLGW remitting amounts directly to Shelby County that historically had been transferred to the City as a pass-thru to Shelby County. State shared revenues and local sales taxes increased slightly as a percentage of revenues due to increased collections in State Hall income tax collections and as a function of the lower overall total revenue base, respectively.



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.





- 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.
- In fiscal year 2013, total expense was down (0.4%), although there was a slight increase of 1.2% in personnel expense. The increase in total personnel expense resulted from increased funding to the City's OPEB Trust





Fund and increased overtime. The reduction in total expenses was primarily driven by a reduction in current year retiree healthcare premium payments and decreased transfers out from the General Fund to the Schools Fund. The City also increased funding to the Memphis Area Transit Authority (MATA). There were also several non-budgeted inter-fund transfers to comply with Tennessee Code Annotated Title 9, Chapter 21 for the issuance and reporting of notes as required by the State Comptroller.

- In order to provide resources to fund Memphis City Schools in fiscal year 2013 (the final year the City was required to do so), \$20 million of OPEB Trust assets were used to cover current year retiree healthcare expenditures that would have ordinarily been paid by General Fund resources. In addition, less general fund resources were required to be transferred from the General fund to the Schools fund as a result of a dedicated property tax allocation of \$.10 cents that was deposited directly into School Fund in fiscal year 2013. The dedicated property tax allocation to the Schools fund was neither approved nor allocated in the previous year.

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 2013 is encouraging. Total home sales, median sales price, and average sales price increased by 1.0%, 25.7% and 8.4%, respectively year over year in September. However, active listings in September decreased to 6,678 from 7,392 or 9.7% from the prior year.

Home Sales in Memphis, Year-to-Date September 2012 - 2013

	2012	2013	Percent Change
Total Home Sales	1,296	1,309	1.0%
Median Sales Price	\$91,500	\$115,000	25.7%
Average Sales Price	\$132,671	\$143,828	8.4%
Active Listings (Sept.)	7,392	6,678	-9.7%

Source: Memphis Area Association of Realtors Multiple Listing Service.

Recent Developments:

- 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 was completed in fiscal year 2013.
- As a result the school merger completion, the City of Memphis is no longer required to fund the School's operations going forward. However, the City currently has an outstanding liability to the school for the 2008-2009 school year as a result of a legal judgment. The City of Memphis has a counterclaim that is still pending.
- In April 2013, the State of Tennessee notified the City of Memphis that certain interfund balances reported in the City's annual report were out of compliance with Tennessee Code Annotated Title 9, Chapter 21 for the





issuance and reporting of notes. The City became in compliance by filing the required documents with the State and/or executing transfers to eliminate the interfund balances.

- In September 2013, Memphis was named by the U.S. Chamber of Commerce as one of only seven cities cited for its public-private relationships focused on spurring innovation, revitalization and job creation.
- 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 scheduled to be completed in 2015.
- International Paper announced plans to invest approximately \$361 million to expand its operation. The new project includes \$90.2 million to construct a new office tower expected to house 101 new employees, \$25.5 million in upgrades to an existing office tower and \$245 million in additional aircraft and software investments.
- In January 2013, Electrolux opened a state-of-the-art cooking products manufacturing plant. The plant has hired over 460 employees and is expected to employ over 1,200 people over the course of the next five years. An estimated 3,600 more jobs are expected to be created by suppliers who will support the plant once it reaches full production.
- In June 2013, the Economic Development Growth Engine (EDGE) for Memphis and Shelby County received an award for excellence in innovation by the National Association of Counties.
- The \$113 million Bass Pro Shops economic development project is still progressing and has been modified to create a sky ride and an observation deck on the outside of the facility and a full service restaurant at the top of the Pyramid. The proposed project is expected to be completed in the Summer of 2014.
- Delta Airlines recently announced that it plans to reduce its flight count at Memphis International Airport by an additional 40 percent and announced the city will no longer be classified as one of the airlines' hub cities. Southwest Airlines is expected to continue to assume some of the airport's capacity through their recently acquired AirTran Airline operations.

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 finalizing a five-year strategic management and fiscal plan as a means of implementing new and more efficient methods of revenue generation, asset management and cost-effective service delivery. Fiscal Year 2015 will be the first year of what will become the City's rolling five year approach to planning and budgeting.

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.

A model city government based on proven business principles that support the facilitation and execution of the City's





fiscal and operational goals is envisioned.

Relevant Financial Policies

The City of Memphis implemented Governmental Accounting Standards Board (GASB) Statement No. 63, “Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position” and GASB Statement No. 65, “Items Previously Reported as Assets and Liabilities.” GASB Statement 63 establishes standards for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and also requires related disclosures. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2011

GASB Statement No. 65 specifies the items that were previously reported as assets and liabilities that should now be reported as deferred outflows of resources, deferred inflows of resources, outflows of resources, or inflows of resources. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2012.

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 2014-2018 are:

- The Fire Division’s budget includes funds to make repairs on all fire stations and funds to purchase nine ambulances, one truck and one engine.
- The Police Division will benefit from the purchase of 160 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. Also, included in the fiscal year 2014 budget are funds to support the City’s blight initiative.





- 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.
- Parks and Neighborhood's budget includes funding to rehabilitate the Pink Palace Planetarium/Museum and various other city parks and facilities.
- FY2014 CIP resources have also been allocated to the Memphis Area Transit Authority (MATA) for the purchase of new buses and to the Riverfront Development Corporation for repairs/replacement of cobblestones.

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 were deemed to be citizens of Memphis. Also, pursuant to Tennessee law, properties within the area became subject to City of Memphis taxes on January 1, 2012. The tax was assessed on January 1, 2013 but was billed and used to fund the fiscal year ended June 30, 2013.

Annexation of the Southwind and Windyke areas will become effective December 31, 2013. The City Council voted to annex Southwind and Windyke in November 1997. In December 1997, residents of Southwind and Windyke sued to stop the move, but in December 2005, they agreed to an annexation date of December 31, 2013. As part of that agreement, the commercial areas of Southwind and Windyke were annexed in 2006.

Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Memphis for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2012. This was the 36th 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, 2012, the 15th 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 & Co, 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

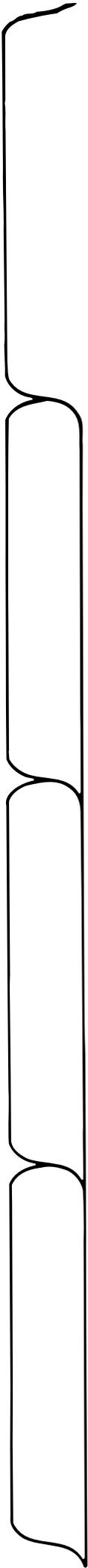




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FINANCIAL SECTION



INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, business-type activities, the aggregate discretely presented component units, each major fund, the aggregate remaining fund information, and the budgetary comparison for the general fund of the City of Memphis, Tennessee (the "City") as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 represents 94%, 92%, and 96%, respectively, of the assets, net position, 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 position, and revenues of the business-type activities of the primary government. Those statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, in so far as it relates to the amounts included for the aggregate discretely presented component units and the business-type activities of the primary government, is based solely on the report of the other auditors.





We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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, 2013, and the respective changes in financial position and, where applicable, cash flows thereof, and the budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 23-32 and other required supplementary information on pages 123-124 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 and other auditors 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.

Other Information

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, supplemental information section, and statistical and other information section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

The supplemental information section 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 basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, based on our audit, the procedures performed as described above, and the report of the other auditors, the supplemental information section and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory and statistical and other information sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 19, 2013 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City's internal control over financial reporting and compliance.


Memphis, Tennessee
December 19, 2013

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Management's Discussion and Analysis

As management of the City of Memphis, Tennessee (the City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2013. 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 and deferred outflow of resources exceeded its liabilities and deferred inflows of resources at June 30, 2013 by \$1,693,669 (net position). Total government-wide net position decreased by \$52,546 in fiscal year 2013.
- At June 30, 2013, the City's governmental activities reported ending net position of a negative \$545,686, a decrease of \$112,174 or 25.9% 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 \$2,239,355, an increase of \$59,628 or 2.7% from prior year.
- At June 30, 2013, the fund balance for the general fund was \$70,371, a decrease of \$25,699 or 36.5% from prior year's balance. The unassigned portion of the fund balance was \$56,149.
- The City's total general obligation and revenue bond debt decreased by \$57,797 or 2.6% during the current fiscal year. However, total liabilities which include, among other items, Pension/OPEB and related party debt obligations decreased by \$431,669 or 10.7%.

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 position presents information on all of the City's assets, liabilities and deferred outflows and inflows of resources. Net position is the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources. 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 position changed during the year ended June 30, 2013. All changes in net position 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. Effective for the Fiscal Year 2015 Budget, the City will adopt an annual appropriated budget for all 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 Position 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 position 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 position may serve over time as a useful indicator of a government's financial position. The City's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$1,693,669 at June 30, 2013.

Condensed Statement of Net Position

	Governmental activities		Business-type activities		Total	
	2013	2012	2013	2012	2013	2012
Current and other assets	\$ 962,471	959,339	1,533,075	1,631,836	2,495,546	2,591,175
Capital assets	1,360,194	1,287,997	1,957,761	1,906,743	3,317,955	3,194,740
Total assets	2,322,665	2,247,336	3,490,836	3,538,579	5,813,501	5,785,915
Deferred outflows of resources	-	-	1,439	-	1,439	-
Long-term liabilities outstanding	1,468,357	1,522,464	766,459	888,436	2,234,816	2,410,900
Other liabilities	865,505	1,136,590	485,916	470,416	1,351,421	1,607,006
Total liabilities	2,333,862	2,659,054	1,252,375	1,358,852	3,586,237	4,017,906
Deferred inflows of resources	534,489	-	545	-	535,034	-
Net positions:						
Net investment in capital assets	203,581	131,384	1,818,916	1,755,661	2,022,497	1,887,045
Restricted	65,316	181,192	69,689	68,846	135,005	250,038
Unrestricted	(814,583)	(724,294)	350,750	355,220	(463,833)	(369,074)
Total net positions	\$ (545,686)	(411,718)	2,239,355	2,179,727	1,693,669	1,768,009

MANAGEMENT DISCUSSION AND ANALYSIS
(Thousands of Dollars)
For the fiscal year ended June 30, 2013

CITY OF MEMPHIS, TENNESSEE

(Continued)

By far the largest portion of the City's net position (119.4%) 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.

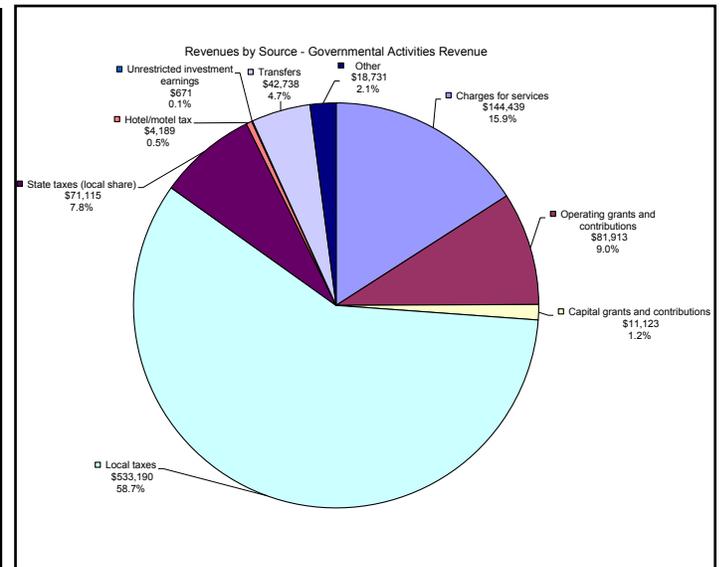
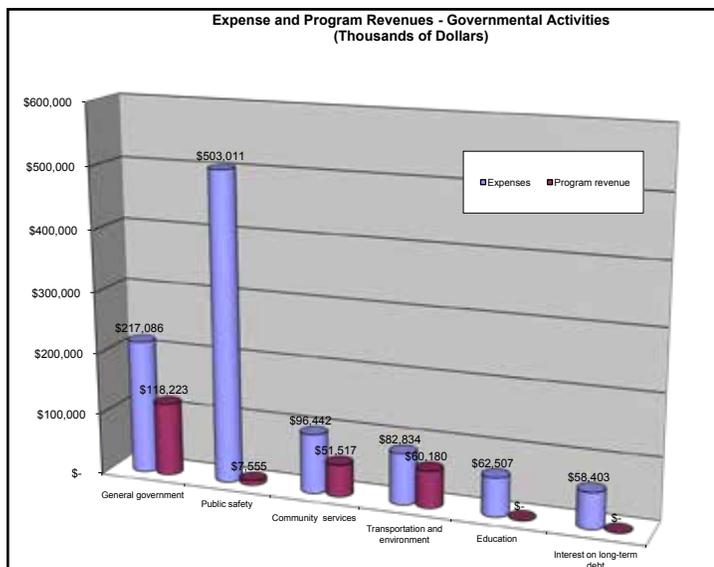
An additional portion of the City's net position (8.0%) represents resources that are subject to external restrictions on how they may be used. The balance remaining is negative unrestricted net position of 27.4%.

Condensed Statement of Changes in Net Positions

	Governmental activities		Business-type activities		Total	
	2013	2012	2013	2012	2013	2012
Revenues:						
Program Revenues:						
Charges for services	\$ 144,439	144,803	1,711,387	1,820,000	1,855,826	1,964,803
Operating grants and contributions	81,913	63,854	29,792	30,909	111,705	94,763
Capital grants and contributions	11,123	23,639	663	728	11,786	24,367
General revenues:						
Local taxes	533,190	528,219	-	-	533,190	528,219
State taxes (local share)	71,115	85,612	-	-	71,115	85,612
Hotel/motel tax	4,189	4,524	-	-	4,189	4,524
Sale of Capital Assets	1,481	8,947	-	-	1,481	8,947
Unrestricted investment earnings	671	761	32,883	40,324	33,554	41,085
Other	17,250	22,405	437	155	17,687	22,560
Total revenues	865,371	882,764	1,775,162	1,892,116	2,640,533	2,774,880
Expenses:						
General government	217,086	253,138	-	-	217,086	253,138
Public safety	503,011	500,082	-	-	503,011	500,082
Community services	96,442	118,406	-	-	96,442	118,406
Transportation and environment	82,834	87,665	-	-	82,834	87,665
Education	62,507	71,452	-	-	62,507	71,452
Interest on long-term debt	58,403	75,075	-	-	58,403	75,075
Sewer collection and treatment	-	-	65,921	62,915	65,921	62,915
Memphis Light, Gas and Water	-	-	1,593,211	1,669,887	1,593,211	1,669,887
Storm Water	-	-	15,464	15,623	15,464	15,623
Total expenses	1,020,283	1,105,818	1,674,596	1,748,425	2,694,879	2,854,243
Increase (decrease) in net position before transfers	(154,912)	(223,054)	100,566	143,691	(54,346)	(79,363)
Transfers	42,738	67,962	(40,938)	(67,962)	1,800	-
Increase (decrease) in net position	(112,174)	(155,092)	59,628	75,729	(52,546)	(79,363)
Net positions - July 1, as restated	(433,512)	(256,626)	2,179,727	2,103,998	1,746,215	1,847,372
Net positions - June 30	\$ (545,686)	(411,718)	2,239,355	2,179,727	1,693,669	1,768,009

Governmental activities. During fiscal year 2013, governmental activities decreased the City’s net position by \$112,174 and Business-Type activities increased net position by \$59,628, thereby resulting in a net decrease of \$52,546 or 3.0% in total primary government’s beginning net position. Key elements of the governmental activities are discussed below:

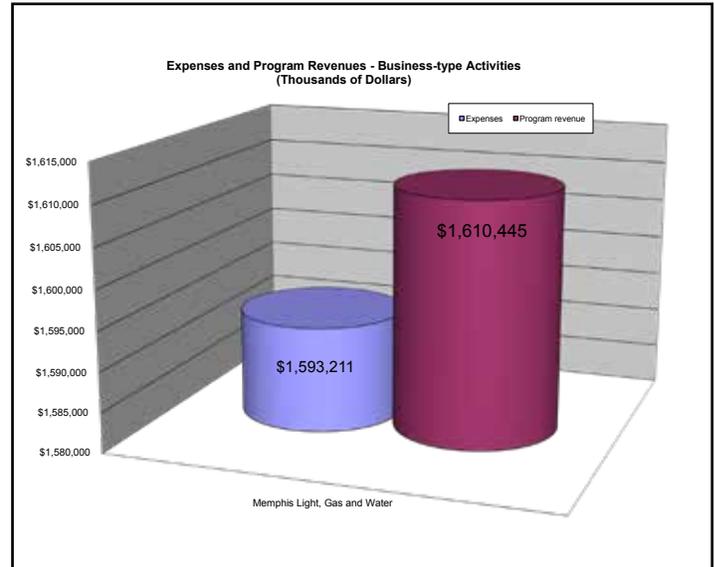
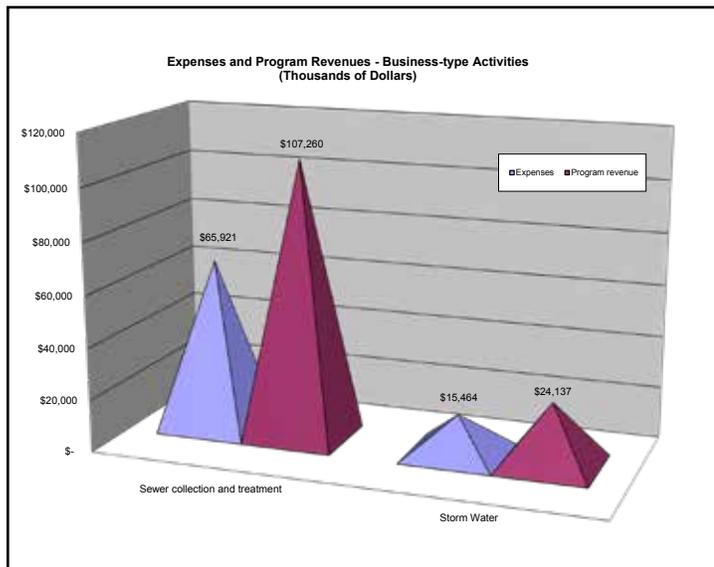
- Total expenses decreased by \$85,535 or 7.7% from last year. Total revenues decreased by \$17,393 or 2.0% over last year.
- The most significant decrease in expenditures from prior year occurred in Community Services, interest on long-term debt and General Government which decreased by \$21,964 or 18.5%, \$16,672 or 22.2% and \$36,052 or 14.2%, respectively.
- The decrease in Community Services resulted from certain activities within the Public Services and Community Enhancement divisions being restructured into the General Government and Transportation and Environment programs. The General Government decrease resulted from expenditures for retiree healthcare premiums being reduced by \$20 million due to use of OPEB Trust Fund assets for current year retiree health claims expense.
- The education program expenses decreased by \$8,945 or 12.5%. Fiscal Year 2013 funding for the schools was based on an agreed upon amount between Memphis City Schools and the City that was less than the fiscal year 2012 amount.
- These expenditure decreases were offset by increase in expenditures in all programs as a result of increased funding over prior year to the OPEB Trust and to the Memphis Area Transit Authority.
- During fiscal year 2013, revenues decreased by \$17,393 or 2.0%, primarily as a result of one-time revenue sources realized in fiscal year 2012 that were not realized in fiscal year 2013, including a gain on sale of a capital asset and settlement proceeds from a legal claim.
- Net Transfers decreased by \$25,224 or 37.1% as a result of reduced transfers Ins from MLGW and increased transfers out to business-type funds.



Business-type activities. Business-type activities increased the City’s net position by \$59,628, accounting for 2.7% growth in the government’s beginning net position. Key elements of the increase are as follows:

- MLGW’s Electric Division, Gas Division and Water Division contributed \$2.2 million, a negative \$2.0 million and a negative \$2.4 million of the total net position increase, respectively. The Electric division’s net change in net position was down year over year mainly due to a decrease in operating and non-operating revenues. The Gas division change in net position was decrease year over year as a result of a decrease in sales, service and other operating revenues. Finally, the Water division’s change in net assets increased year over year as a result of decreased operating revenues and an increase in other operating expenses.

- The Sewer and Storm Water funds also contributed \$35.6 million and \$26.1 million, respectively, towards the business-type total net position increase. The increases were driven by increased charges for services resulting from rate increases during fiscal year 2011.



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, 2013, the City's governmental funds reported combined ending fund balance of \$213,708, an decrease of \$25,013 in comparison with the prior year. Approximately 26.3% or \$56,149 of the fund balance constitutes unassigned fund balance, which is available for spending at the government's discretion. Approximately 30.6% or \$65,316 of the fund balance is considered restricted to indicate the amount is subject to external enforceable legal restrictions. Another \$80,109 or 37.5% 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 \$12,134 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, 2013, unassigned fund balance of the general fund was \$56,149, while total fund balance was \$70,371. 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 10.0% of total general fund expenditures, while total general fund balance represents 12.5% of the fund expenditures.

The fund balance of the City's general fund decreased by \$25,699 during the fiscal year ended June 30, 2013. Key factors resulting in this decrease are as follows:

- Total General Fund Revenues decreased by \$16,688 or 3.0% over prior year. The General Fund's property tax rate allocation decreased from \$2.4717 in fiscal year 2012 to \$2.2917 in fiscal year 2013. The allocation decrease was due to a \$0.08 cents reduction to the City's overall property tax rate which decreased from \$3.19 in fiscal year 2012 to \$3.11 in fiscal year 2013. Also, \$0.10 cents of the overall rate that was allocated to the General fund in fiscal year 2012 was allocated to the Schools fund in fiscal year 2013. The decreased property tax revenue was offset by increased collections in the State Hall Income tax and court fines/fees revenue sources.
- Transfers In decreased by \$9,064 or 15.8% due to MLGW remitting Pilot payments directly to the County that were previously transferred to the City as a pass-through to the County. Also, during fiscal year 2012, the Debt Service Fund transferred \$5 million to the General Fund. No transfers from the Debt Service fund occurred in fiscal year 2013.
- Total expenditures decreased by \$8,479 or 1.5% over prior year. The decrease was largely attributable to certain activities within the Community Services program (Public Services and Community Enhancement divisions) being restructured into the General Government program (within General Services and Parks division) and Transportation and Environment programs. Also, expenditures for retiree healthcare premiums decreased by \$20 million due to the use of OPEB Trust Fund assets to pay for current year retiree health claims expense. However, these decreases were offset by increases in Public Safety expenses due to the fiscal year 2013 funding to the OPEB trust.
- The general fund's operating transfers out remained relatively constant year over year.

The fund balance of the City's Debt Service fund decreased by \$7,292 to \$59,458 during the fiscal year ended June 30, 2013. Key factors resulting in this decrease are as follows:

- Total revenues decreased by \$8,276 or 7.3%. The \$8,276 decrease resulted primarily from a decrease in tax collections and final payoff of notes payable to the City by the Airport and Depot occurring in fiscal year 2012.
- Total expenditures increased by \$34,624 or 33.9% due to increased principal and interest payments.
- Transfers outs were down from \$5,000 in fiscal year 2012 to \$0 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 made to offset transfers out of the General Fund to the Education Fund.

The fund balance of the City's Capital Project fund decreased by \$3,053 to \$51,317 during the fiscal year ended June 30, 2013. Key factors resulting in this increase are as follows:

- Other Financing sources decreased significantly as a result of two related party transactions that were executed in fiscal year 2012 that did not take place in fiscal year 2013. The fiscal year 2012 related party transactions included \$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 decreased significantly as a result of the expenditures related to the Pyramid/Bass Pro economic development project and Electrolux projects being significantly more in fiscal year 2012 than fiscal year 2013.

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

- The New Memphis Arena Fund (FedEx Forum) fund deficit decreased from \$4,138 to \$21 as a result of a transfer in from the general fund in order to eliminate an interfund balance payable by the fund. The MLGW Water Division, through an agreement with the City, transfers a payment to this fund 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 \$10,368 to \$17,175 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 position of \$346,675 is comprised primarily of \$282,899 for Memphis Light, Gas and Water, which can be used for on-going operations of the public utility system and \$61,833 unrestricted net position 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 \$1,943 represents unrestricted net position of the non-major fund, Storm Water.

General Fund Budgetary Highlights

The original operating budget for fiscal year 2013 anticipated a use of fund balance of \$19,572. Differences between the original budget and the final amended budget can be briefly summarized as follows:

- Transfers Out were significantly increased by \$17,207 primarily as a result of required transfers to various funds needed to become compliant with TCA per the State Comptroller.

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

- General Fund actual revenues were below budget by \$4,999 primarily due to lower property tax and miscellaneous revenue collections offset by higher Hall State income tax collections. Total expenditures were under budget by \$32,385. All divisions within the City contributed to the budget surplus.

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, 2013 amounts to \$3,317,955 (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 \$123,214 or 3.9%. The governmental activities contributed \$72,197 towards the increase. The business-type activities contributed \$51,017.

Condensed Statement Capital Assets
(net of depreciation)

	Governmental activities		Business-type activities		Total	
	2013	2012	2013	2012	2013	2012
Land and buildings	\$ 349,767	362,323	35,660	37,762	385,427	400,085
Improvements other than buildings	541,302	557,136	290,422	296,820	831,724	853,956
Equipment	33,528	38,167	16,420	10,091	49,948	48,258
Construction in progress	435,597	330,371	74,340	52,446	509,937	382,817
Memphis Light, Gas and Water	-	-	1,540,919	1,509,625	1,540,919	1,509,625
Total	\$ 1,360,194	1,287,997	1,957,761	1,906,744	3,317,955	3,194,741

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

- Made progress on major capital improvements related to the Pyramid/Bass Pro economic project.
- Completed a major upgrade to the City's Oracle Computer System.
- Purchased several police vehicles.
- Acquired and installed Photo Enforcement equipment.
- Repavement of several streets and roads.
- 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, 2013, the City had total bonded debt outstanding of \$2,172,858. Of this amount, \$1,345,325 comprises debt backed by the full faith and credit of the government. The remaining balance of \$827,533 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 with total balances of \$216,543 outstanding at June 30, 2013 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	
	2013	2012	2013	2012	2013	2012
General obligation bonds	1,150,863	1,202,968	-	-	1,150,863	1,202,968
Bond anticipation notes	186,975	71,975	-	-	186,975	71,975
Capital lease obligations	7,487	11,286	-	-	7,487	11,286
Revenue bonds	-	-	827,533	944,426	827,533	944,426
Total	\$ 1,345,325	1,286,229	827,533	944,426	2,172,858	2,230,655

The City's total general obligation debt decreased by \$57,797 (2.6% percent) during fiscal year 2013. Total debt includes state loans, general obligation bonds, bond anticipation notes, capital lease obligations, and revenue bonds. Governmental activities' total debt increased by 4.6%, while business-type activities' debt decreased by 12.4%.

The City has long held a high grade bond rating on indebtedness from the major credit rating services. As of June 30, 2013, the City held ratings of Aa2 from Moody's, AA from Standard and Poor's and AA- 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 \$115,000 in bond anticipation notes.

In November 2012, Moody's Investors Service re-affirmed MLGW's Aa2 rating on the Electric Division's outstanding debt. Moody's rationale supporting the rating included MLGW's reliable and economical power supply from the Tennessee Valley Authority (TVA) and its well-established record of satisfactory finances and competitive retail rates. The Water Division bonds were retired in 2012. 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 2014 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 2014.
- The fiscal year 2014 General Fund Operating Budget Revenue and Transfers In of \$626.5 million represents a decrease of \$22.0 million or 3.4% from the fiscal year 2013 Adopted Budget.
- Significant 2014 Budget adjustments from the previous year's adopted budget include savings of approximately \$55 million resulting from the City no longer being obligated to fund Memphis City Schools, a 4.6% salary restoration for all employees who received the reduction in fiscal year 2011 and restoration of \$20 million general fund expenditure for retiree healthcare premiums.

At June 30, 2013, unassigned fund balance in the general fund was \$56,149. The City has approved an operating budget of \$613,402 in total expenditures for fiscal year 2014, with planned contribution of \$13,080 to unassigned fund balance. The City's tax rate for FY 2014 has been set at \$3.40 per \$100 of assessed value, an increase from last year's rate of \$3.11. The increase includes an equalization rate adjustment of \$0.25 based on property reappraisals and an additional \$0.04 cent tax revenue increase. The tax rate is allocated to General Fund, Debt Service 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 2014 Operating Budget and 5 Year Capital Improvement Program, and other general information about the City may be found on the City's website, www.memphistn.gov.

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Statement of Net Assets
(Thousands of Dollars)
June 30, 2013

CITY OF MEMPHIS, TENNESSEE
EXHIBIT A-1

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Cash and cash equivalents	\$ 555	166,809	167,364	224,767
Investments	11,676	149,784	161,460	38,316
Equity in cash and investment pool	165,884	76,434	242,318	-
Restricted funds	-	39,943	39,943	-
Receivables (net of allowance for uncollectibles):				
Property taxes	433,778	-	433,778	-
Sales and income taxes	41,410	-	41,410	-
Special assessments	3,313	-	3,313	-
Federal and state grants	58,021	-	58,021	4,161
Interest and dividends on investments	603	35	638	1
Notes and accounts receivable	12	146,243	146,255	-
Housing rehabilitation loans	65,768	-	65,768	-
Other	37,943	-	37,943	20,963
Internal Balances	(15,265)	15,265	-	-
Due from other funds	-	-	-	-
Due from other agencies and governments	141,865	-	141,865	131,130
Inventories	777	28,789	29,566	16,975
Unbilled Revenues	-	72,485	72,485	-
Prepaid expense	-	686,795	686,795	5,027
Collateral held in trust for securities on loan	-	94,857	94,857	-
Restricted assets:				
Cash and cash equivalents	-	-	-	84,926
Investments	-	46,213	46,213	56,930
Receivables				
Accrued interest	-	-	-	735
Special facilities	-	-	-	43,762
Other	-	-	-	9,689
Non-depreciable capital assets	499,961	246,189	746,150	235,418
Depreciable capital assets (net of accumulated depreciation)	860,233	1,711,572	2,571,805	1,891,947
Bond issue costs	-	-	-	1,686
Net Pension asset	-	-	-	-
Other assets	16,131	9,423	25,554	-
Total assets	\$ 2,322,665	3,490,836	5,813,501	2,766,433
DEFERRED OUTFLOWS OF RESOURCES	\$ -	1,439	1,439	5,792
Total assets and deferred outflows of resources	\$ 2,322,665	3,492,275	5,814,940	2,772,225

(Continued)

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
LIABILITIES				
Accounts payable and accrued liabilities	\$ 86,382	235,284	321,666	114,961
Accrued interest payable	15,961	-	15,961	-
Contract retainage	7	414	421	-
Insurance claims payable	10,697	-	10,697	13,227
Due to other agencies and governments	6,150	141	6,291	4,717
Refundable bonds and deposits	584	-	584	-
Unearned revenue	17,118	465	17,583	74,377
Collateral subject to return to borrowers	-	94,857	94,857	-
Other post employment benefits	247,818	3,050	250,868	16,719
Net Pension Obligations	212,940	-	212,940	-
Other liabilities	-	40,801	40,801	-
Noncurrent liabilities:				
Due within one year	267,848	110,904	378,752	28,785
Due in more than one year	1,468,357	766,459	2,234,816	442,255
Total liabilities	2,333,862	1,252,375	3,586,237	695,041
DEFERRED INFLOWS	534,489	545	535,034	-
Total liabilities and deferred inflows of resources	\$ 2,868,351	1,252,920	4,121,271	695,041
NET POSITION				
Net invested in capital assets	203,581	1,818,916	2,022,497	1,717,995
Restricted for:				
Debt service and construction	36,268	69,689	105,957	94,290
Solid Waste Management	17,175	-	17,175	-
Drug Enforcement	9,530	-	9,530	-
Donor/Statutory restrictions	2,343	-	2,343	56,119
Self insurance	-	-	-	500
Unrestricted:	(814,583)	350,750	(463,833)	208,280
Total net position	\$ (545,686)	2,239,355	1,693,669	2,077,184

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

STATEMENT OF ACTIVITIES
(Thousands of Dollars)

CITY OF MEMPHIS, TENNESSEE
Exhibit A-2

For the fiscal year ended June 30, 2013

	Program Revenues				Net (Expense) Revenue and Changes in Net Position			Component Units
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business-Type Activities	Total	
	\$	217,086	76,664	30,436	11,123	(98,863)	-	(98,863)
		503,011	7,456	99	-	(495,456)	-	(495,456)
		96,442	139	51,378	-	(44,925)	-	(44,925)
		82,834	60,180	-	-	(22,654)	-	(22,654)
		62,507	-	-	-	(62,507)	-	(62,507)
		58,403	-	-	-	(58,403)	-	(58,403)
		1,020,283	144,439	81,913	11,123	(782,808)	-	(782,808)
		65,921	106,007	619	634	-	41,339	41,339
		1,593,211	1,581,272	29,173	-	-	17,234	17,234
		15,464	24,108	-	29	-	8,673	8,673
		1,674,596	1,711,387	29,792	663	-	67,246	67,246
		2,694,879	1,855,826	111,705	11,786	(782,808)	67,246	(715,562)
	\$	1,177,591	13,295	695,019	30,003	-	-	(439,274)
		73,265	11,431	-	11,553	-	-	(50,281)
		17,094	16,211	619	3,336	-	-	3,072
		140,354	112,466	-	37,979	-	-	10,091
		1,408,304	153,403	695,638	82,871	-	-	(476,392)

Functions/Programs

Primary government:

- Governmental Activities:
- General government
- Public safety
- Community services
- Transportation and environment
- Education
- Interest on long-term debt

Total governmental activities

Business-type activities:

- Sewer collection and treatment
- Memphis Light, Gas and Water
- Storm water

Total business-type activities

Total primary government

Component units:

- Board of Education
- Memphis Area Transit Authority
- Memphis Zoological Society
- Airport Authority

Total component units

STATEMENT OF ACTIVITIES
(Thousands of Dollars)
For the fiscal year ended June 30, 2013

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

	Program Revenues			Net (Expense) Revenue and Changes in Net Position			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				11,502	-	11,502	-
Property taxes - levied for debt service				89,607	-	89,607	-
Property taxes - levied for capital projects				356	-	356	-
Property taxes - levied for general government				265,010	-	265,010	-
Interest, penalties and commission - property taxes				5,957	-	5,957	-
Sales tax, general				99,449	-	99,449	-
Sales tax, beer				16,596	-	16,596	-
Gross receipts tax				12,608	-	12,608	-
Franchise tax				6,885	-	6,885	-
Other local taxes				25,220	-	25,220	-
State taxes-unrestricted:							
Sales tax				56,887	-	56,887	-
Income tax				12,286	-	12,286	-
Beer tax				320	-	320	-
Alcoholic beverage tax				297	-	297	-
Petroleum products tax				1,325	-	1,325	-
Hotel/motel tax				4,189	-	4,189	-
Grants and contributions not restricted to specific programs				-	-	-	418,642
City of Memphis subsidy				-	-	-	22,006
Investment income				671	32,883	33,554	3,074
Federal grants and entitlements				-	-	-	21,724
State grants				-	-	-	-
Sale of Capital Assets				1,481	-	1,481	-
Other				17,250	437	17,687	434,379
Transfers				42,738	(40,938)	1,800	-
Total general revenues and transfers				670,634	(7,618)	663,016	899,825
Change in net position				(112,174)	59,628	(52,546)	423,433
Net position - beginning, as restated				(433,512)	2,179,727	1,746,215	1,653,751
Net position - ending				\$ (545,686)	2,239,355	1,693,669	2,077,184

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

**BALANCE SHEET
GOVERNMENTAL FUNDS
(Thousands of Dollars)
June 30, 2013**

**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	\$ 43	-	96	123	292	554
Investments	-	-	11,676	-	-	11,676
Equity in cash and investment pool	79,539	21,527	8,103	2,844	36,779	148,792
Receivables (net of allowance for uncollectibles):						
Property taxes:						
Current property taxes	289,036	105,661	384	-	-	395,081
Delinquent property taxes	27,054	8,571	37	-	3,035	38,697
Special assessments:						
Current special assessments	-	-	-	-	3,133	3,133
Delinquent special assessments	-	-	-	-	180	180
Sales and income taxes	40,165	1,245	-	-	-	41,410
Federal and state grants	6,336	-	301	38,791	12,593	58,021
Interest and dividends on investments	18	5	-	551	29	603
Housing rehabilitation loans	-	-	-	65,768	-	65,768
Other	26,231	-	8,682	89	2,941	37,943
Due from other funds	3,733	295	-	-	-	4,028
Due from other agencies and governments	500	37,998	55,905	-	14,558	108,961
Prepaid expense	-	16,131	-	-	-	16,131
Total assets	\$ 472,655	191,433	85,184	108,166	73,540	930,978
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable and accrued liabilities	\$ 60,528	342	11,350	1,701	8,847	82,768
Contract retainage	-	-	-	-	7	7
Due to other funds	-	-	-	11,200	4,028	15,228
Due to other agencies and governments	3,115	-	-	-	-	3,115
Refundable bonds and deposits	584	-	-	-	-	584
Unearned revenue	-	-	16,210	-	908	17,118
Total liabilities	64,227	342	27,560	12,901	13,790	118,820
Deferred inflows:						
Prepaid taxes	588	-	-	-	-	588
Uncollected property taxes	314,618	113,770	421	-	3,035	431,844
Uncollected anti-neglect fees	848	-	-	-	-	848
Uncollected traffic fines	12,381	-	-	-	-	12,381
Uncollected ambulance fees	4,307	-	-	-	-	4,307
Uncollected special assessments	-	-	-	-	3,313	3,313
Uncollected grant reimbursements	-	-	-	29,489	11,676	41,165
Uncollected intergovernmental revenue	-	-	-	-	9,172	9,172
Uncollected project loans receivable	-	-	-	65,768	-	65,768
Other deferred inflows	5,315	17,863	5,886	-	-	29,064
Total deferred inflows	338,057	131,633	6,307	95,257	27,196	598,450
Total liabilities and deferred inflows	402,284	131,975	33,867	108,158	40,986	717,270
Fund balances:						
Restricted	2,088	36,268	-	8	26,952	65,316
Committed	-	23,190	51,317	-	5,602	80,109
Assigned	12,134	-	-	-	-	12,134
Unassigned	56,149	-	-	-	-	56,149
Total fund balances	70,371	59,458	51,317	8	32,554	213,708
Total liabilities, deferred inflows and fund balances	\$ 472,655	191,433	85,184	108,166	73,540	930,978

See accompanying notes to financial statements.

**RECONCILIATION OF THE BALANCE SHEET TO
THE STATEMENT OF NET POSITION
(Thousands of Dollars)
June 30, 2013**

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

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

Total governmental fund balances:	\$ 213,708
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	1,360,194
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	98,119
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.	(212,940)
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.	(247,818)
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 position.	(4,783)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	<u>(1,752,166)</u>
Net position of governmental activities	<u>\$ (545,686)</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, 2013

	General	Debt Service	Capital Projects	Community Development	Other Governmental Funds	Total Governmental Funds
REVENUES						
Local taxes	\$ 421,677	89,607	356	-	21,262	532,902
State taxes (local share)	61,030	12,118	-	-	16,650	89,798
Hotel/motel tax	-	-	-	-	4,189	4,189
Licenses and permits	11,054	-	-	-	382	11,436
Fines and forfeitures	15,293	-	-	-	3,826	19,119
Charges for services	30,912	-	-	-	60,319	91,231
Investment income	330	190	114	-	18	652
Federal grants and entitlements	2,040	2,273	5,474	25,301	23,475	58,563
State grants	2,090	-	5,649	-	4,683	12,422
Intergovernmental revenues	4,136	-	-	-	-	4,136
Other	8,044	777	7,925	-	4,582	21,328
Total revenues	556,606	104,965	19,518	25,301	139,386	845,776
EXPENDITURES						
Current:						
General government	116,580	-	-	-	49,155	165,735
Public safety	379,549	-	-	-	3,632	383,181
Community services	46,900	-	-	25,301	7,361	79,562
Transportation and environment	19,068	-	-	-	51,607	70,675
Education	-	-	-	-	63,720	63,720
Capital outlay	-	-	123,544	-	-	123,544
Debt service:						
Redemption of serial bonds and notes	-	66,812	-	-	-	66,812
Lease payments	443	3,356	-	-	-	3,799
Interest	-	66,390	-	-	-	66,390
Bond issuance cost	-	7	-	-	-	7
Service charges	-	238	378	-	-	616
Total expenditures	562,540	136,803	123,922	25,301	175,475	1,024,041
Revenues over (under) expenditures	(5,934)	(31,838)	(104,404)	-	(36,089)	(178,265)
OTHER FINANCING SOURCES (USES)						
Sale of capital assets	1,481	-	-	-	-	1,481
Transfers in	57,486	24,546	8,011	-	62,133	152,176
Transfers out	(78,732)	-	(21,660)	-	(15,013)	(115,405)
Capital Leases	-	-	-	-	-	-
Issuance of debt	-	-	115,000	-	-	115,000
Total other financing sources (uses)	(19,765)	24,546	101,351	-	47,120	153,252
Net change in fund balances	(25,699)	(7,292)	(3,053)	-	11,031	(25,013)
Fund balances - beginning of year	96,070	66,750	54,370	8	21,523	238,721
Fund balances - end of year	\$ 70,371	59,458	51,317	8	32,554	213,708

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, 2013**

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

Net change in fund balances - total governmental funds	\$ (25,013)
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.	72,262
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(2,644)
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 position.. Also, governmental funds report the effect of 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.	(38,803)
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.	(5,927)
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.	(116,526)
Internal service funds are used by management to charge the costs of printing & mail, information systems, health insurance, unemployment compensation, and fleet management to individual funds. The net expenditure of certain activities of internal service funds is reported with governmental activities.	<u>4,477</u>
Change in net position of governmental activities	<u><u>\$ (112,174)</u></u>

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

GENERAL FUND
STATEMENT OF REVENUES AND OTHER SOURCES -
BUDGET AND ACTUAL ON BASIS OF BUDGETING
(Thousands of Dollars)
For the fiscal year ended June 30, 2013

CITY OF MEMPHIS, TENNESSEE
Exhibit A-7

	Budgeted Amounts		Actual Amounts	Variance with Final Budget-Positive (Negative)
	Original	Final		
REVENUES				
Local taxes:				
Property taxes	\$ 265,028	267,511	259,229	(8,282)
Interest, penalties and commission - property taxes	5,552	5,552	5,957	405
Receipts in lieu of taxes contractual	12,322	12,322	12,043	(279)
Sales tax general	100,495	100,495	98,275	(2,220)
Sales tax beer	16,200	16,200	16,596	396
Alcoholic beverage tax	4,200	4,200	4,563	363
Liquor by the drink tax	2,754	2,754	3,138	384
Gross receipts tax	11,059	11,114	12,608	1,494
Excise tax	155	155	260	105
Franchise tax	5,589	5,643	6,885	1,242
Other local taxes	2,846	2,846	2,123	(723)
Total local taxes	426,200	428,792	421,677	(7,115)
State taxes (local share):				
Sales tax	44,099	44,417	44,769	352
Income taxes	7,650	7,650	12,286	4,636
Beer taxes	340	342	320	(22)
Alcoholic beverage tax	276	276	297	21
State professional privilege tax	1,815	1,815	2,033	218
Petroleum special tax	1,480	1,490	1,325	(165)
Total state taxes (local share)	55,660	55,990	61,030	5,040
Licenses and permits:				
Auto licenses	9,519	9,630	10,057	427
Dog licenses	358	358	406	48
Liquor by the drink licenses	210	210	179	(31)
Other	395	395	412	17
Total licenses and permits	10,482	10,593	11,054	461
Fines and forfeitures:				
City courts	14,680	14,680	14,763	83
Library	500	500	530	30
Total fines and forfeitures	\$ 15,180	15,180	15,293	113

(Continued)

See accompanying notes to financial statements.

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, 2013

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	\$ 1,761	1,811	425	(1,386)
Park commission revenues	3,961	3,961	4,789	828
Parking meter revenues	795	795	395	(400)
Ambulance service fees	18,700	18,700	20,437	1,737
Rents	769	769	1,157	388
Tax sale attorney fees	600	600	594	(6)
Wrecker and storage fees	2,128	2,128	1,558	(570)
Police special events	850	850	652	(198)
Other	2,248	2,248	905	(1,343)
Total charges for services	31,812	31,862	30,912	(950)
Investment income:				
Interest on investments	394	394	211	(183)
Other	73	73	119	46
Total investment income	467	467	330	(137)
Federal grants	117	1,104	2,040	936
State grants	1,648	1,694	2,090	396
Intergovernmental revenues	4,130	4,130	4,136	6
Other:				
Auctions	1,800	1,800	2,151	351
Property damage reimbursement	100	100	143	43
Property insurance recoveries	-	-	1,024	1,024
Local shared revenue	2,734	2,734	1,814	(920)
Miscellaneous	2,245	7,159	2,912	(4,247)
Total other	6,879	11,793	8,044	(3,749)
Total revenues	\$ 552,575	561,605	556,606	(4,999)
Other sources and transfers in:				
Sale of capital assets	25	25	1,481	1,456
Transfers in:				
Solid waste management fund	\$ 1,031	1,031	-	(1,031)
Sewer collection and treatment fund	5,175	5,175	6,046	871
MLG&W fund	54,700	54,700	51,440	(3,260)
Total transfers in	60,906	60,906	57,486	(3,420)
Total other sources and transfers in	\$ 60,931	60,931	58,967	(1,964)

See accompanying notes to financial statements.

GENERAL FUND
STATEMENT OF EXPENDITURES AND OTHER USES -
BUDGET AND ACTUAL ON BASIS OF BUDGETING
(Thousands of Dollars)
For the fiscal year ended June 30, 2013

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	\$ 1,333	1,333	1,328	5
Materials and supplies	250	250	163	87
Total legislative	1,583	1,583	1,491	92
Judicial:				
Personnel services	550	550	545	5
Materials and supplies	51	46	39	7
Capital outlay	-	5	4	1
Total judicial	601	601	588	13
Court clerk:				
Personnel services	2,998	3,080	3,079	1
Materials and supplies	1,900	1,818	1,585	233
Total court clerk	4,898	4,898	4,664	234
Executive:				
Personnel services	2,974	2,875	2,772	103
Materials and supplies	1,678	2,127	1,474	653
Grants and subsidies	863	863	674	189
Expense reimbursement	(68)	(68)	-	(68)
Total executive	5,447	5,797	4,920	877
Finance and administration:				
Personnel services	4,741	4,733	4,657	76
Materials and supplies	1,296	1,294	854	440
Expense reimbursement	(1,002)	(1,002)	(974)	(28)
Total finance and administration	\$ 5,035	5,025	4,537	488

See accompanying notes to financial statements.

(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, 2013

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

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
City attorney:				
Personnel services	\$ 4,309	4,409	4,108	301
Materials and supplies	9,196	10,045	9,233	812
Expense reimbursement	(2,920)	(2,920)	(2,326)	(594)
Total city attorney	10,585	11,534	11,015	519
City engineer:				
Personnel services	7,563	7,563	7,164	399
Materials and supplies	1,995	2,050	1,314	736
Expense reimbursement	(3,082)	(3,929)	(2,865)	(1,064)
Total city engineer	6,476	5,684	5,613	71
Information systems:				
Personnel services	1,463	1,463	1,376	87
Materials and supplies	17,834	17,089	14,967	2,122
Expense reimbursement	(2,380)	(2,380)	(2,350)	(30)
Total information systems	16,917	16,172	13,993	2,179
Human resources:				
Personnel services	3,956	3,781	3,781	-
Materials and supplies	5,760	4,730	1,923	2,807
Grants and subsidies	-	1	1	-
Expense reimbursement	(753)	(753)	(846)	93
Total human resources	8,963	7,759	4,859	2,900
General services:				
Personnel services	14,583	14,588	14,354	234
Materials and supplies	8,528	9,034	8,089	945
Capital outlay	-	55	55	-
Inventory	144	4	(140)	144
Expense reimbursement	(234)	350	(1,102)	1,452
Total general services	23,021	24,031	21,256	2,775
Special appropriations:				
Personnel services	170	219	218	1
Materials and supplies	9	9	7	2
Grants and subsidies	47,439	50,183	46,328	3,855
Expense reimbursement	(4,803)	(3,893)	(4,803)	910
Total special appropriations	42,815	46,518	41,750	4,768
Total general government	\$ 126,341	129,602	114,686	14,916

(Continued)

See accompanying notes to financial statements.

GENERAL FUND
STATEMENT OF EXPENDITURES AND OTHER USES -
BUDGET AND ACTUAL ON BASIS OF BUDGETING
(Thousands of Dollars)
For the fiscal year ended June 30, 2013

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

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
Public safety:				
Police:				
Personnel services	\$ 208,608	207,290	205,195	2,095
Materials and supplies	27,150	27,274	22,805	4,469
Capital outlay	-	30	38	(8)
Expense reimbursement	(376)	(376)	(1,966)	1,590
Total police	235,382	234,218	226,072	8,146
Fire:				
Personnel services	137,488	139,755	137,688	2,067
Materials and supplies	17,521	18,055	17,122	933
Capital outlay	93	93	2	91
Inventory	-	141	141	-
Expense reimbursement	(200)	(200)	(368)	168
Total fire	154,902	157,844	154,585	3,259
Total public safety	390,284	392,062	380,657	11,405
Community services:				
Parks and recreation:				
Personnel services	25,322	25,677	24,797	880
Materials and supplies	17,459	18,603	17,603	1,000
Capital outlay	55	51	(4)	55
Grants & subsidies	731	772	670	102
Inventory	90	62	11	51
Expense reimbursement	(14)	(14)	-	(14)
Total parks and recreation	43,643	45,151	43,077	2,074

(Continued)

See accompanying notes to financial statements.

GENERAL FUND
STATEMENT OF EXPENDITURES AND OTHER USES -
BUDGET AND ACTUAL ON BASIS OF BUDGETING
(Thousands of Dollars)
For the fiscal year ended June 30, 2013

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

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
Community development:				
Personnel services	\$ 261	337	336	1
Materials and supplies	187	271	102	169
Grants and subsidies	4,532	7,032	3,738	3,294
Total community development	4,980	7,640	4,176	3,464
Total community services	48,623	52,791	47,253	5,538
Transportation and environment:				
Public works:				
Personnel services	10,485	10,878	10,878	-
Materials and supplies	23,130	25,038	23,019	2,019
Capital outlay	-	163	162	1
Expense reimbursement	(16,202)	(16,395)	(14,901)	(1,494)
Total public works	17,413	19,684	19,158	526
Total transportation and environment	17,413	19,684	19,158	526
Total expenditures	\$ 582,661	594,139	561,754	32,385
Other use - transfers out (primary):				
Miscellaneous grants fund	\$ 33	200	200	-
New Memphis Arena fund	-	3,105	2,964	141
Community redevelopment fund	2,339	2,172	1,903	269
Education fund	52,750	52,750	52,218	532
Debt service fund	8,115	7,469	7,469	-
Capital projects fund	-	8,012	8,011	1
Unemployment compensation fund	100	1,304	435	869
Fleet maintenance fund	-	5,532	5,532	-
Total transfers out	63,337	80,544	78,732	1,812
Total other uses	\$ 63,337	80,544	78,732	1,812

See accompanying notes to financial statements.

**STATEMENT OF NET POSITION
PROPRIETARY FUNDS
(Thousands of Dollars)
June 30, 2013**

**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	85,317	73,368	8,122	1	166,809	1
Investments	17,182	69,149	56,856	6,597		149,784	-
Equity in cash and investment pool	72,221	-	-	-	4,213	76,434	17,092
Restricted funds - current	-	29,987	6,021	3,935	-	39,943	-
Receivables:							
Notes and accounts	11,388	82,761	35,494	14,576	2,024	146,243	12
Interest on investments	35	-	-	-	-	35	-
Due from other funds	11,200	-	-	-	-	11,200	-
Due from other agencies	-	-	-	-	-	-	404
Unbilled revenues	-	53,650	15,764	3,071	-	72,485	-
Prepaid power cost	-	107,778	-	-	-	107,778	-
Inventories of materials and supplies	-	20,284	6,441	2,064	-	28,789	777
Collateral held in trust for securities on loan	-	49,715	38,483	6,659	-	94,857	-
Other current assets	-	894	3,312	920	-	5,126	-
Total current assets	112,027	499,535	235,739	45,944	6,238	899,483	18,286
Non-current assets:							
Restricted assets:							
Investments, less current portion	-	27,550	10,879	7,784	-	46,213	-
Total restricted assets	-	27,550	10,879	7,784	-	46,213	-
Capital assets:							
Land	13,695	-	-	-	37	13,732	-
Buildings	106,102	-	-	-	-	106,102	-
Utility plant	-	1,615,571	585,176	459,512	-	2,660,259	-
Improvements other than buildings	533,325	-	-	-	41,636	574,961	-
Machinery and equipment	31,675	-	-	-	14,936	46,611	3,285
Less accumulated depreciation and amortization	(379,943)	(638,232)	(278,308)	(202,800)	(18,961)	(1,518,244)	(3,248)
Total capital assets	304,854	977,339	306,868	256,712	37,648	1,883,421	37
Construction in progress	44,437	-	-	-	29,903	74,340	-
Net capital assets	349,291	977,339	306,868	256,712	67,551	1,957,761	37
Other noncurrent assets:							
Prepaid power cost - long term	-	573,115	3,807	2,095	-	579,017	-
Prepayments In Lieu of Taxes	-	1,835	43	-	-	1,878	-
Unamortized debt expense	-	2,419	-	-	-	2,419	-
Total other noncurrent assets	-	577,369	3,850	2,095	-	583,314	-
Total noncurrent assets	349,291	1,582,258	321,597	266,591	67,551	2,587,288	37
Total assets	461,318	2,081,793	557,336	312,535	73,789	3,486,771	18,323
DEFERRED OUTFLOWS OF RESOURCES							
Accumulated decrease in fair value of hedging derivatives	-	-	1,439	-	-	1,439	-
Total assets and deferred outflows of resources	\$ 461,318	2,081,793	558,775	312,535	73,789	3,488,210	18,323

**STATEMENT OF NET POSITION
 PROPRIETARY FUNDS
 (Thousands of Dollars)
 June 30, 2013**

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

	Major Funds					Total	Governmental Activities- Internal Service Funds
	Sewer Col- lection and Treatment	MLGW Electric Division	MLGW Gas Division	MLGW Water Division	Non - Major Fund		
LIABILITIES							
Current liabilities:							
Accounts payable and accrued expenses	\$ 4,346	116,896	24,725	-	915	146,882	2,364
Bonds and notes payable	-	91,391	-	-	-	91,391	-
Accrued liabilities	1,995	49,259	22,712	14,436	-	88,402	-
Derivative financial instruments	-	-	1,439	-	-	1,439	-
Payables due from restricted assets	-	29,987	5,440	3,935	-	39,362	-
Insurance claims payable	-	-	-	-	-	-	10,697
Contract retainage	416	-	-	-	(2)	414	-
Unearned revenue	-	-	-	-	465	465	-
Current installment of revenue bonds payable	10,895	-	-	-	-	10,895	-
Collateral subject to return to borrowers	-	49,715	38,483	6,659	-	94,857	-
State loan payable - current	141	-	-	-	-	141	-
Other post employment benefits	1,958	-	-	-	1,092	3,050	5,412
Vacation, sick and other leave benefits	3,262	-	-	-	1,384	4,646	1,605
Total current liabilities paid from current assets	23,013	337,248	92,799	25,030	3,854	481,944	20,078
Long-term (net of current maturities):							
Revenue bonds payable	124,200	592,272	-	-	-	716,472	-
State loans payable	3,740	-	-	-	-	3,740	-
Customer common deposits	-	19,555	3,156	684	-	23,395	-
Other	1,394	13,544	4,623	7,263	-	26,824	-
Total long-term liabilities	129,334	625,371	7,779	7,947	-	770,431	-
Total liabilities	152,347	962,619	100,578	32,977	3,854	1,252,375	20,078
DEFERRED INFLOWS OF RESOURCES							
Revenue received in advance of expense	104	-	-	-	441	545	5,943
Total liabilities and deferred inflows of resources	152,451	962,619	100,578	32,977	4,295	1,252,920	26,021
NET POSITION							
Net Investment in capital assets	210,456	977,339	306,868	256,712	67,551	1,818,926	37
Restricted for debt service and construction	36,578	16,665	9,346	7,100	-	69,689	-
Unrestricted (deficit)	61,833	125,170	141,983	15,746	1,943	346,675	(7,735)
Total net position (deficit)	\$ 308,867	1,119,174	458,197	279,558	69,494	2,235,290	(7,698)
Adjustment to reflect the consolidation of internal service funds related to enterprise funds						4,065	
Net position of business-type activities						\$ 2,239,355	

See accompanying notes to financial statements.

**STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN NET POSITION / PROPRIETARY FUNDS
(Thousands of Dollars)
For the fiscal year ended June 30, 2013**

**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	\$ 106,007	1,270,566	225,806	84,900	24,108	1,711,387	102,876
Operating revenues	106,007	1,270,566	225,806	84,900	24,108	1,711,387	102,876
Operating expenses other than depreciation and amortization:							
Personnel services	18,429	-	-	-	8,618	27,047	8,656
Materials, supplies, services, and other	26,117	-	-	-	4,207	30,324	6,525
Capital outlay	-	-	-	-	-	-	33
Purchased power and gas for resale	-	1,045,362	112,051	-	-	1,157,413	-
Production	-	-	-	18,596	-	18,596	-
Operation	-	127,447	76,873	47,341	-	251,661	-
Maintenance	-	43,354	10,558	8,458	-	62,370	-
In Lieu of Taxes	-	5,606	1,001	-	-	6,607	-
Inventories	-	-	-	-	-	-	16,655
Claims incurred	-	-	-	-	-	-	71,354
Total operating expenses other than depreciation and amortization	44,546	1,221,769	200,483	74,395	12,825	1,554,018	103,223
Operating income before depreciation and amortization	61,461	48,797	25,323	10,505	11,283	157,369	(347)
Depreciation and amortization	14,037	44,698	13,261	10,758	2,639	85,393	65
Operating income (loss)	47,424	4,099	12,062	(253)	8,644	71,976	(412)
Non-operating revenues:							
Transmission credits	-	29,173	-	-	-	29,173	-
Investment income	133	31,797	589	365	(1)	32,883	19
Federal grants	619	-	-	-	-	619	-
Other	234	-	-	-	203	437	471
Total non-operating revenues	986	60,970	589	365	202	63,112	490
Non-operating expenses:							
Bond sale expense	855	-	-	-	-	855	-
Interest on bonded indebtedness	6,223	27,847	-	-	-	34,070	-
Interest on state loan	103	-	-	-	-	103	-
Total non-operating expenses	7,181	27,847	-	-	-	35,028	-
Income (loss) before capital contributions and transfers	41,229	37,222	12,651	112	8,846	100,060	78
Transfers in	-	-	-	-	21,660	21,660	5,967
Transfers out	(6,046)	(34,978)	(14,662)	(2,500)	(4,412)	(62,598)	(1,725)
Capital contributions	634	-	-	-	29	663	-
Change in net position (deficit)	35,817	2,244	(2,011)	(2,388)	26,123	59,785	4,320
Total net position (deficit) - beginning of year	273,050	1,116,930	460,208	281,946	43,371		(12,018)
Total net position (deficit) - end of year	\$ 308,867	1,119,174	458,197	279,558	69,494		(7,698)
Adjustment to reflect the consolidation of internal service funds related to enterprise funds						(157)	
Change in net position of business-type activities						\$ 59,628	

See accompanying notes to financial statements.

**STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS
 (Thousands of Dollars)
 For the fiscal year ended June 30, 2013**

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

	Sewer Col- lection and Treatment	MLGW Electric Division	MLGW Gas Division	MLGW Water Division	Non-Major Funds	Total	Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES:							
Receipts from customers and users	\$ 106,247	1,292,752	229,105	80,805	25,065	1,733,974	213
Receipts from other division funds	-	-	-	1,395	-	1,395	42,397
Receipts from other agency funds	-	-	-	-	-	-	(668)
Miscellaneous revenue	-	-	-	-	-	-	510
Employee contributions	-	-	-	-	-	-	21,542
Employer contributions	-	-	-	-	-	-	53,020
Payments to suppliers	(23,824)	(940,873)	(118,349)	(27,172)	(4,181)	(1,114,399)	(7,517)
Payments to employees	(18,200)	(113,694)	(59,854)	(42,151)	(11,286)	(245,185)	(8,197)
Payments to other division funds	(7,200)	(23)	(1,581)	-	-	(8,804)	(3,531)
Payments for taxes	-	(5,793)	(1,001)	-	-	(6,794)	-
Payments for inventory	-	-	-	-	-	-	(16,795)
Payments for claims incurred	-	-	-	-	-	-	(70,834)
Net cash provided (used) by operating activities	57,023	232,369	48,320	12,877	9,598	360,187	10,140
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:							
Transfers to City	-	(34,978)	(14,662)	(2,500)	-	(52,140)	-
Receipt of miscellaneous revenue	234	-	-	-	4	238	-
Principal payments on long-term debt	-	(95,190)	-	-	-	(95,190)	-
Interest expense on bonds	-	(37,027)	-	-	-	(37,027)	-
Transfer from other funds	-	-	-	-	21,660	21,660	5,967
Local shared revenue	-	-	-	-	199	199	-
Repayment of advances from other funds	-	-	-	-	(10,851)	(10,851)	-
Transfers to other funds	(6,046)	-	-	-	(4,412)	(10,458)	(1,725)
Net cash (used) provided by noncapital financing activities	(5,812)	(167,195)	(14,662)	(2,500)	6,600	(183,569)	4,242
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:							
Bond issue costs	(234)	-	-	-	-	(234)	-
Acquisition and construction of capital assets	(24,388)	(87,852)	(15,309)	(15,984)	(12,013)	(155,546)	-
Contributions in aid of construction	-	14,033	542	3,499	-	18,074	-
Receipts from federal grants	619	-	-	-	-	619	-
Principal payments on capital debt	(10,480)	-	-	(1,625)	-	(12,105)	-
Interest payments on capital debt	(6,438)	-	-	(43)	-	(6,481)	-
Capital contributions	634	-	-	-	29	663	-
Net cash used by capital and related financing activities	(40,287)	(73,819)	(14,767)	(14,153)	(11,984)	(155,010)	-
CASH FLOWS FROM INVESTING ACTIVITIES:							
Sales and maturities of investments	10,945	41,322	40,621	3,872	-	96,760	-
Purchase of investments	(5,099)	(35,459)	(48,667)	(3,322)	-	(92,547)	-
Payments received on notes receivable	-	-	1,712	-	-	1,712	-
Issuance of notes receivable	-	-	-	(626)	-	(626)	-
Investment income earned on investments	145	669	(147)	78	(1)	744	20
Net cash provided (used) by investing activities	5,991	6,532	(6,481)	2	(1)	6,043	20
Net increase (decrease) in cash and cash equivalents	16,915	(2,113)	12,410	(3,774)	4,213	27,651	14,401
Cash and cash equivalents, beginning of year	55,307	134,373	72,988	19,536	1	282,205	2,692
Cash and cash equivalents, end of year	\$ 72,222	132,260	85,398	15,762	4,214	309,856	17,093
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:							
Operating income (loss)	47,424	4,099	12,062	(253)	8,644	71,976	60
Adjustments to reconcile operating income to net cash provided by operating activities:							
Depreciation expense	14,037	44,640	14,154	10,982	2,639	86,452	65
Transmission credits	-	29,173	-	-	-	29,173	-
Prepay power credits	-	27,847	-	-	-	27,847	-
Other income	-	3,280	(7)	288	-	3,561	-
(Increase) decrease in assets:							
Accounts receivable	(7,010)	11,451	13,825	166	52	18,484	14,972
Unbilled revenues	-	14,330	10,171	663	-	25,164	-
Prepaid power cost	-	104,349	-	-	-	104,349	-
Prepayments - in lieu of taxes	-	37	1	-	-	38	-
Inventories	-	(2,470)	9,448	(10)	-	6,968	(139)
Other assets	-	(480)	3,774	332	-	3,626	-
Increase (decrease) in liabilities:							
Accounts payable	2,190	(3,920)	2,454	-	(1,737)	(1,013)	-
Other accounts payable and accrued expenses	382	843	(16,626)	1,250	-	(14,151)	(4,818)
Customer deposits	-	1,448	(673)	75	-	850	-
Insurance reserves	-	574	457	624	-	1,655	-
Medical benefit accrual	-	164	73	49	-	286	-
Other	-	(2,996)	(793)	(1,289)	-	(5,078)	-
Total adjustments	9,599	228,270	36,258	13,130	954	288,211	10,080
Net cash provided (used) by operating activities	\$ 57,023	232,369	48,320	12,877	9,598	360,187	10,140
Reconciliation of cash and cash equivalents per statements of cash flows to the balance sheets:							
Restricted funds	\$ -	57,537	16,900	11,719	-	86,156	-
Less investments included in restricted funds	-	(10,594)	(4,870)	(4,079)	-	(19,543)	-
Cash and cash equivalents included in restricted funds	-	46,943	12,030	7,640	-	66,613	-
Current assets - cash and cash equivalents	1	85,317	73,368	8,122	1	166,809	1
Current assets - equity in cash and investment pool	72,221	-	-	-	4,213	76,434	17,092
Total cash and cash equivalents	\$ 72,222	132,260	85,398	15,762	4,214	309,856	17,093

See accompanying notes to financial statements.

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
(Thousands of Dollars)
June 30, 2013

CITY OF MEMPHIS, TENNESSEE
Exhibit A-12

	<u>Pension and OPEB Trust Funds</u>	<u>Sold Property Tax Receivable Agency Fund</u>
ASSETS		
Cash and cash equivalents	\$ 127,434	-
Investments, at fair value:		
U.S. government securities - long-term	176,156	-
Common stock - domestic	1,144,018	-
Common stock - foreign	205,334	-
Preferred stock - domestic	18,557	-
Preferred stock - foreign	1,071	-
Corporate bonds - domestic	410,366	-
Corporate bonds - foreign	70,226	-
Mutual funds and money market funds	50,124	-
Corporate bond mutual funds - domestic	71,558	-
Corporate bond mutual funds - international	14,159	-
Collateralized mortgage obligations	43,579	-
Asset-backed pooled securities	13,683	-
Mortgage-backed pooled securities	112,471	-
Investments in index funds	349,979	-
Investment in real estate	313,435	-
Investment in high yield bond fund	6,869	-
Investment in private equities	18,206	-
Investment in international equity fund	315,048	-
Investment in international multi-class fund	11,141	-
Investment in international bond fund	33,420	-
Hedge funds	41,154	-
Distressed debt funds - domestic	10,692	-
Distressed debt funds - foreign	8,310	-
Total investments	<u>3,439,556</u>	<u>-</u>
Equity in cash and investment pool	21,798	1,657
Interest and dividend receivables	12,872	-
Receivable for securities sold	60,865	-
Property tax receivable - delinquent	-	11,865
Employer and employee contributions receivable	2,719	-
Collateral held in trust for securities on loan	<u>184,409</u>	<u>-</u>
Total assets	<u>3,849,653</u>	<u>13,522</u>
LIABILITIES		
Accounts payable and other liabilities	141,934	13,522
Collateral subject to return to borrowers	<u>184,409</u>	<u>-</u>
Total liabilities	<u>326,343</u>	<u>13,522</u>
DEFERRED INFLOWS OF RESOURCES		
Revenue collected in advance	<u>3,662</u>	
Total deferred inflows of resources	<u>3,662</u>	
NET POSITION		
Held in trust for pension benefits, pool participants, and OPEB	<u>\$ 3,519,648</u>	

See accompanying notes to financial statements.

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
(Thousands of Dollars)
For the fiscal year ended June 30, 2013

CITY OF MEMPHIS, TENNESSEE
Exhibit A-13

	Pension and OPEB Trust Funds
ADDITIONS	
Contributions	
Employer	\$ 112,536
Medicare Part D	2,228
Plan members	52,165
Total contributions	<u>166,929</u>
Transfer from other fund	1,725
Investment income	
Interest and dividend income	87,747
Securities lending income	542
Other investment income	1,194
Gain on real estate investments	3,598
Net (depreciation)/appreciation in the fair value of investments	<u>344,229</u>
Total investment income	<u>437,310</u>
Total additions	<u>605,964</u>
DEDUCTIONS	
Benefits	302,789
Administrative expenses	19,186
Refunds of contributions	<u>22,673</u>
Total deductions	<u>344,648</u>
Net (decrease)/increase	261,316
Net position - beginning of year	<u>3,258,332</u>
Net position - end of year	<u>\$ 3,519,648</u>

See accompanying notes to financial statements.

**COMBINING STATEMENT OF NET POSITION
COMPONENT UNITS
(Thousands of Dollars)
June 30, 2013**

**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	\$ 177,414	2,363	34,584	10,406	224,767
Investments	30,166	-	750	7,400	38,316
Receivables:					
Federal and state grants	-	4,142	19	-	4,161
Accrued interest	-	-	1	-	1
Accounts	-	-	6,353	-	6,353
Other	9,868	434	-	4,308	14,610
Due from other agencies and governments	131,130	-	-	-	131,130
Inventories of materials and supplies	12,479	2,216	1,755	525	16,975
Prepaid expenses	2,152	302	2,573	-	5,027
Total current unrestricted assets	363,209	9,457	46,035	22,639	441,340
Current restricted assets:					
Cash and cash equivalents	-	-	84,926	-	84,926
Investments	-	500	21,146	-	21,646
Receivables:					
Federal and state grants	-	-	9,689	-	9,689
Accrued interest	-	-	735	-	735
Total current restricted assets	-	500	116,496	-	116,996
Total current assets	363,209	9,957	162,531	22,639	558,336
Non-current restricted assets:					
Investments	-	-	35,284	-	35,284
Receivables:					
Special facilities rent	-	-	43,762	-	43,762
Total non-current restricted assets	-	-	79,046	-	79,046
Capital Assets:					
Land	35,058	2,731	160,780	-	198,569
Buildings	1,417,167	171,003	521,857	-	2,110,027
Improvements other than buildings	-	-	933,369	-	933,369
Machinery, buses and equipment	205,989	104,763	107,754	98	418,604
Less accumulated depreciation and amortization	(669,547)	(135,138)	(765,334)	(34)	(1,570,053)
Total capital assets, net	988,667	143,359	958,426	64	2,090,516
Construction in progress	3,506	-	33,343	-	36,849
Net capital assets	992,173	143,359	991,769	64	2,127,365
Bond issue costs	-	-	-	-	-
Other assets	-	711	-	975	1,686
DEFERRED OUTFLOWS	-	-	5,792	-	5,792
Total assets and deferred outflows	\$ 1,355,382	154,027	1,239,138	23,678	2,772,225

**COMBINING STATEMENT OF NET POSITION
COMPONENT UNITS
(Thousands of Dollars)
June 30, 2013**

**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	\$ 85,049	2,372	9,185	595	97,201
Due to other agencies and governments	547	3,825	-	345	4,717
Accrued liabilities	3,117	-	14,081	562	17,760
Insurance claims payable	13,227	-	-	-	13,227
Unearned revenue	2,126	283	-	1,761	4,170
Current installment of revenue bonds payable	-	-	28,785	-	28,785
Total current liabilities	104,066	6,480	52,051	3,263	165,860
Long-term (net of current maturities):					
Other post employment benefits	-	16,719	-	-	16,719
General obligation bonds payable	-	-	-	-	-
Revenue bonds payable	-	-	432,752	-	432,752
Due to other agencies and governments	1,859	-	-	-	1,859
Deferred lease revenue	-	-	70,207	-	70,207
Other long term obligations	6,468	-	1,176	-	7,644
Total long-term liabilities	8,327	16,719	504,135	-	529,181
Total liabilities	112,393	23,199	556,186	3,263	695,041
NET POSITION					
Net invested in capital assets	990,315	139,501	588,115	64	1,717,995
Restricted for:					
Capital acquisition	17,318	-	69,153	7,819	94,290
Contracted grant programs	7,202	-	-	-	7,202
Food service	17,909	-	-	-	17,909
Self insurance	-	500	-	-	500
Education	24,763	-	-	-	24,763
Other	-	-	-	6,245	6,245
Unrestricted	185,482	(9,173)	25,684	6,287	208,280
Total net position	1,242,989	130,828	682,952	20,415	2,077,184
Total liabilities and net position	\$ 1,355,382	154,027	1,239,138	23,678	2,772,225

See accompanying notes to financial statements.

**COMBINING STATEMENT OF ACTIVITIES
 COMPONENT UNITS
 (Thousands of Dollars)
 For the fiscal year ended June 30, 2013**

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

Functions/Programs Component units:	Program Revenues			Net (Expense) Revenue and Changes in Net Position					
	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	\$ 1,177,591	13,295	695,019	30,003	(439,274)	-	-	-	(439,274)
Memphis Area Transit Authority	73,265	11,431	-	11,553	-	(50,281)	-	-	(50,281)
Memphis Zoological Society	17,094	16,211	619	3,336	-	-	-	3,072	3,072
Airport Authority	140,354	112,466	-	37,979	-	-	10,091	-	10,091
Total component units	\$ 1,408,304	153,403	695,638	82,871	(439,274)	(50,281)	10,091	3,072	(476,392)
General revenues:									
Grants and contributions not restricted to specific programs									
City of Memphis subsidy	418,594								
Investment income (loss)	203								
Federal grants and entitlements	2,012								
State grants	21,724								
Other	428,665								
Total general revenues and special items	847,462								
Changes in net assets	408,188								
Net position - beginning	834,801								
Net position - ending	\$ 1,242,989								
	130,828								
	682,952								
	20,415								
	2,077,184								

See accompanying notes to financial statements.

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I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting entity

The City of Memphis, Tennessee (the City), incorporated in 1826, operates under an elected Mayor-Council form of government and is organized into the following divisions: Executive, Finance and Administration, Fire, Police, Parks and Neighborhoods, Public Works, Human Resources, 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, 2012. 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 Statutes the merger was not completed until fiscal year 2013. The City remained partially responsible for funding of Memphis City Schools until the merger was complete.

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 30, 2013, contained 53 weeks.

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

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

Related Organization

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

Joint Ventures

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

- Memphis and Shelby County 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 position 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 Funds – 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

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.

New Accounting Standards Adopted

In fiscal year 2013, the City was required to adopt four new statements of financial accounting standards issued by the Governmental Accounting Standards Board:

--Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*

--Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements.*

--Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*

--Statement No. 65, *Items Previously Reported as Assets and Liabilities*

--Statement No. 66, *Technical Corrections- 2012 – an amendment of GASB Statements No. 10 and No. 62*

Statement No. 60, establishes recognition, measurement and disclosure requirements for Service Concession Arrangement for both transferors and governmental operators. A Service Concession Arrangement is an arrangement between a transferor (government) and an operator (governmental or nongovernmental entity) in which the transferor conveys to an operator the right and related obligation to provide services through the use of infrastructure or another public asset (a facility) in exchange for significant consideration and the operator collects and is compensated by fees from third parties.

A transferor reports the facility subject to a Service Concession Arrangement as its Capital Asset. New Capital Assets constructed or acquired by the operator or improvements to existing Capital Assets made by the operator are reported at fair value by the transferor. A liability is recognized, for the present value of significant contractual obligations to sacrifice financial resources imposed on the transferor, along with a corresponding deferred inflow of resources. Revenues are recognized by the transferor on a systematic and rational manner over the term of the arrangement. A governmental operator reports an intangible asset at cost for its right to access the facility and collect third-party fees and amortizes the intangible asset over the term of the arrangement. For revenue sharing arrangements, operators must report all revenues and expense and transferors must report their portion of the shared revenues.

Effective for fiscal year 2013, the City adopted the provisions of GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements.* The objective of this Statement is to incorporate into the GASB's authoritative literature certain FASB and American Institute of Certified Public Accountants' ("AICPA") accounting and financial reporting guidance issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements.

GASB Statement No. 62 also supersedes Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, thereby eliminating the election provided in that Statement for enterprise funds and business-type activities to apply post-November 30, 1989 FASB Statements and Interpretations that do not conflict with or contradict GASB pronouncements. However, those entities can continue to apply, as other accounting literature, post-November 30, 1989 FASB pronouncements that do not conflict with or contradict GASB pronouncements, including this Statement.

In June of 2011, GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position.* The statement provides financial reporting guidance for deferred outflows of resources, which are consumptions of net position by the government that is applicable to a future reporting period, and deferred inflows of resources, which are acquisitions of net position by the government that is applicable to a future reporting period.

Statement No. 63 amends the net asset reporting requirements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets.

The adoption of Statement No. 63 resulted in a change in the presentation of the Statement of Net Assets to what is now referred to as the Statement of Net Position, and the term “net assets” is changed to “net position” throughout the financial statements. Statement No. 63 also amends the reporting of the “net investments in capital assets” component of the net position. This component consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are now required to be included in this component of net position.

In March 2012, GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*. The Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.

Concepts Statement No. 4, *Elements of Financial Statements*, introduced and defined the elements included in financial statements, including deferred outflows of resources and deferred inflows of resources. In addition, Concepts Statement No. 4 provides that reporting a deferred outflow of resources and deferred inflow of resources should be limited to those instances identified by the Government Accounting Standards Board in authoritative pronouncements that are established after applicable due process. This Statement amends the financial statement element classification of certain items previously reported as assets and liabilities to be consistent with the definitions in Concepts Statement No. 4.

This Statement also provides other financial reporting guidance related to the impact of the financial statement elements deferred outflows of resources and deferred inflows of resources, such as changes in the determination of the major fund calculations and limiting the use of the term deferred in financial statement presentations.

At transition, the impact of Statement No. 65 was as follows:

Imposed Non-exchange Revenue Transactions – Real estate tax collections received or reported as a receivable prior to the period for which the property tax was levied or before the period when the resources were required to be used or first permitted are presented as deferred inflows of resources. These real estate collections were previously reported as deferred revenue.

Government-mandated non-exchange transaction (Grant Advances) – Resources received before the time requirements are met, but after all other eligibility requirements have been met, are reported as a deferred inflow of resources by the recipient. These resources were previously reported as deferred revenues.

Debt Issuance Costs—Required to be recognized as an expense in the period incurred. The City recognized debt issuance costs of \$21,794 which had previously been deferred.

Refunding of Debt – The difference between the reacquisition price and the net carrying amount of the old debt is now required to be presented as a deferred inflow or deferred outflow of resources. The City did not issue any refunding debt during fiscal year 2013.

D. Assets, liabilities, and net position 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, 2013, related to tax levies for fiscal year 2013 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, 2013, are recorded as deferred inflows at June 30, 2013.

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." Interfund loan agreements in the form of bond anticipation notes or grant anticipation notes are executed in accordance with the provisions of Title 9, Chapter 21 of the Tennessee Code Annotated for interfund balances that are not related to timing differences. 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, 2013. 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 \$6,326. 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 position. Bond premiums and discounts 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 recognized as an expense in the period incurred.

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 Position

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

Government-wide and proprietary funds' net positions are classified into three components. "Net investments in capital assets" consists of capital assets net of accumulated depreciation and reduced by outstanding debt used to finance purchase or construction of those assets. "Restricted" net positions are noncapital net assets that must be used for a particular purpose as specified by creditors, grantors, or contributors external to the City. "Unrestricted" net positions 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 Position

Prior year net position of the government activities has been adjusted as stated below:

Net position as of June 30, 2012	\$ (411,718)
Adjustment for GASB 65 implementation	<u>(21,794)</u>
Restated net position at June 30, 2012	<u>\$ (433,512)</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 position

The governmental fund balance sheet includes a reconciliation between fund balance as reflected on the total governmental funds balance sheet and net position of governmental activities as reported in the government-wide statement of net position. 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 \$1,752,166 difference are as follows:

Bonds payable	\$ 1091,780
Bond anticipation notes payable	186,975
Unamortized loan costs	59,083
Capital lease obligations	7,487
Related party loan	196,935
Related party loan premium	1,900
Related party debt obligation	19,608
Accrued interest payable	15,961
Claims and judgments liability	85,033
Compensated absences	<u>87,404</u>

Net adjustment to reduce-fund balance-total governmental funds to arrive at net position-governmental activities	<u>\$ 1,752,166</u>
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B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances as reflected on the total governmental funds balance sheet and changes in net position 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 \$72,197 difference are as follows:

Capital outlay	\$ 123,544
Depreciation expense	(51,282)
Capital adjustments	<u>(65)</u>
Net adjustment to increase net changes in fund balances-total governmental funds to arrive at changes in net position of governmental activities	<u>\$ 72,197</u>

Another element of that reconciliation states that “the issuance of long-term debt (e.g. bond, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.” The details of this (38,803) difference are as follows:

Debt issued or incurred:	
Issuance of bond anticipation notes	\$ (115,000)
Principal repayments:	
General obligation debt	66,022
Capital Lease payments	3,799
Related party debt obligation	507
Premium Amortization	7,987
Accrued Interest payable	309
Vacation, sick, and other leave benefits	<u>(2,427)</u>
Net adjustment to decrease net changes in fund balances-total governmental funds to arrive at changes in net position of governmental activities	<u>\$ (38,803)</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 (\$122,453) difference are as follows:

Liability Changes:

Claims and judgments liability	(5,927)
City Net Pension Obligation	(70,020)
Library Net Pension Asset	(1,356)
Other Post Employment Benefit Obligation	<u>(45,150)</u>
Net adjustment to decrease net changes in fund balances - total governmental funds to arrive at changes in net position of governmental activities	<u><u>\$(122,453)</u></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, 2013, 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 2013. As of July 1, 2013, no budget to actual balances will be adjusted.

C. Deficit net position

The Health Insurance Fund's deficit net position increased from \$510 to \$2,685 primarily as a result of increased claims expense in fiscal year 2013. Various healthcare reform initiatives that are currently being considered and increased premiums are expected to eliminate the deficit over the next two fiscal years. The Fleet Management Internal Service Fund net position deficit of \$4,927 decreased from the prior year's deficit of \$10,241. The remaining Fleet Management Internal Service Fund net deficit position primarily results from unfunded OPEB liabilities. Management is continuing a review of the fund's operation and expects to implement a strategy that will eliminate the current deficit in fiscal year 2014.

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 maturities of the investments made with cash collateral do not necessarily match the maturities of the securities on loan. There are no restrictions on the amount of securities that can be lent at one time or to one borrower. The borrower is required to deliver additional collateral when necessary so that the total collateral held by the Agent for all loans to the borrower will at least equal the market value of the securities loaned. The City retains the interest income on the securities being transferred and earned \$471 during the year ended June 30, 2013, which was applied to a collateral insufficiency liability. On June 30, 2013, the market value of the securities transferred was \$60,279 and the market value of the securities the City was holding was \$61,865. 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, 2013, 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, 2013 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, 2013, were as follows:

Description	Carrying Amount	Bank Balance
Cash deposits	<u>\$ 20,881</u>	<u>20,616</u>

The investments held by the pool consist of the following at June 30, 2013:

	Maturity Dates	Interest Rates	Fair Value	Description Duration
U.S. Government agencies	Sep 2013-Aug 2016	.0% - 5.25%	\$ 214,572	.12 - .60
Cash equivalents	Jul 2013 - Dec 2013		20,537	.06-.09
Mortgage backed securities	February 2014	Zero coupon	2,498	.12
Certificate of Deposit	Dec 2013 - Mar 2014	.15% - 1.00%	9,775	.03 - .12
Corporate bonds	June 2015	.55-1.4%	<u>112</u>	.24
Total investments			<u>247,494</u>	

The Pool does not issue separate financial statements. Condensed financial information as of June 30, 2013 is as follows (dollar amounts and share amounts are the same):

Condensed Statement of Net Position

Investments	\$ 247,494
Cash deposits	<u>20,881</u>
Net position	<u>\$ 268,375</u>

Net assets held in trust for pool participants:

Internal participants	<u>268,375</u>
Total net assets held in trust for pool participants	<u>\$ 268,375</u>

Condensed Statement of Changes in Net Position

Additions:	
Investment income	\$ 339
Purchase of units	<u>17,365,602</u>
Total Additions	17,365,941
Deduction:	
Redemption of units	<u>17,279,239</u>
Net decrease	86,702
Net assets held in trust for pool participants:	
Beginning of Year	<u>181,673</u>
End of Year	<u>\$ 268,375</u>

Investments Outside of the Pool

In addition to the cash and investment pool, several funds in the primary government own investments outside of the Pool. The Capital Project Fund's investments were purchased from the unexpended portion of general obligation bond issues which require the City to maintain separate investments for arbitrage purposes. The Sewer Collection and Treatment Fund's investments were purchased to set aside funds to satisfy certain revenue bond covenants. Investments in these funds are generally of the same type as in the Pool with the addition of collateralized certificates of deposit. These funds also are required to hold funds relating to certain construction projects in the State of Tennessee Treasurer's Local Government Investment Pool ("LGIP"). Deposits with the LGIP may be withdrawn with a maximum of one day's notice, are classified as cash equivalents and are valued at cost. The LGIP is not registered with the SEC as an investment company, however, the LGIP has a policy that it will-and does-operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. Rule 2a7 allows SEC-registered mutual funds to use amortized cost rather than fair value to report net assets to compute share prices if certain conditions are met. State statutes require the State Treasurer to administer the LGIP under the same terms and conditions, including collateral requirements, as required for other funds invested by the Treasurer. The reported value of the pool is the same as the fair value of the pool shares. Although the LGIP itself is unrated, its types of investments and maturities provide a level of credit risk similar to that detailed in the aforementioned credit risk section. All of MLGW Fund's investments are outside of the City's investment pool. MLGW's investments are invested under a cash management program which provides for the investment of excess cash balances in short-term investments and the investment of debt service funds in instruments maturing as the related debt matures. These investments are similar to those described above with the addition of commercial paper and mutual funds. Investments in the City Retirement Fund, the Library Retirement Fund, and the MLGW Retirement and Pension System include stocks, corporate and government bonds, mortgage-backed securities, mutual funds, limited partnerships, real estate investments and commercial paper in addition to the money market securities mentioned above. As of June 30, 2013, 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.

The MLGW Statement of Investment Policy has been adopted and approved by the MLGW Board of Commissioners. This policy sets forth the investment and operational policies for the management of the public funds of MLGW. The Board of Commissioners has the power to invest and reinvest MLGW funds in accordance with the prudent investor rule. The Board members exercise authority and control over MLGW's investment portfolio by setting policies which MLGW's investment staff executes either internally or through the use of external prudent experts.

Deposits held by the primary government outside of the Pool at June 30, 2013, were as follows:

Description	<u>Carrying Amount</u>	<u>Bank Balance</u>
Cash deposits	\$ 15,783	<u>23,923</u>
Cash on hand	<u>415</u>	
Total Deposits and cash on hand	<u>\$ 16,198</u>	

NOTES TO FINANCIAL STATEMENTS
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CITY OF MEMPHIS, TENNESSEE
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The investments held by the primary government outside the Pool consist of the following at June 30, 2013:

Description	<u>Fair Value</u>
Short-term investments	\$ 233,910
U.S. Government securities	120,561
Municipal bonds	2,463
Corporate bonds – domestic	16,423
Asset-backed pool securities	<u>21,188</u>
Total	394,545
Investments not subject to categorization:	
State of Tennessee LGIP	4,232
Purchased interest	<u>5</u>
Total	<u>4,237</u>
Total Investments	<u>\$ 398,782</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	\$ 20,881
Pool investments	247,494
Other deposits and cash on hand	16,198
Other investments	<u>398,782</u>
Total	683,355
Equity in cash and investment pool – Port Commission	(2,602)
Equity in cash and investment pool – Sold Tax receivable agency fund	(1,657)
Equity in cash and investment pool – Pension Fund	(1)
Equity in cash and investment pool – City OPEB Trust	<u>(21,797)</u>
Total	<u>\$ 657,298</u>
Cash and cash equivalents	\$ 167,364
Investments	161,460
Equity in cash and investment pool	242,318
Restricted special fund-customer deposits	39,943
Restricted investments	<u>46,213</u>
Total	<u>\$ 657,298</u>

NOTES TO FINANCIAL STATEMENTS
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CITY OF MEMPHIS, TENNESSEE
(Continued)

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, 2013, were as follows:

Description	<u>Carrying Amount</u>
Cash deposits	\$ 39,645
State of Tennessee local government investment pool	<u>137,769</u>
Total Deposits	<u>\$177,414</u>

BOE Investments - Investments by type at June 30, 2013, were as follows:

Description	<u>Fair Value</u>
Short term investments	<u>30,166</u>
Total Investments	<u>\$ 30,166</u>

MATA Deposits - Deposits by type at June 30, 2013, were as follows:

Description	<u>Carrying Amount</u>	<u>Bank Balance</u>
Cash deposits	\$ 2,362	<u>\$ 2,451</u>
Cash on hand	<u>1</u>	
Total Deposits and cash on hand	<u>\$ 2,363</u>	

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

Description	<u>Fair Value</u>
Federal Home Loan Mortgage Debt security	<u>\$ 500</u>
Total Investments	<u>\$ 500</u>

NOTES TO FINANCIAL STATEMENTS
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CITY OF MEMPHIS, TENNESSEE
(Continued)

MSCAA Deposits - Deposits by type at June 30, 2013, were as follows:

Description	<u>Carrying Amount</u>
Cash deposits	\$ 119,507
Cash on hand	<u>3</u>
Total Deposits, cash equivalents and cash on hand	<u>\$ 119,510</u>

MSCAA Investments - Investments by type at June 30, 2013, were as follows:

Description	<u>Fair Value</u>
U.S. Government agencies	\$ 32,125
Investments not subject to categorization:	
Mutual Funds	1,215
Forward Purchase Agreement	<u>23,840</u>
Total Investments	<u>\$ 57,180</u>

MZS Deposits – Deposits by type at June 30, 2013 were as follows:

Description	<u>Carrying Amount</u>
Cash deposits	\$10,406
Cash on hand	<u>-</u>
Total deposits	<u>\$10,406</u>

MZS Investments – Investments by type at June 30, 2013, were as follows:

Description	<u>Fair Value</u>
Money market mutual funds	\$ 2,404
CFGF funds	<u>4,996</u>
Total Investments	<u>\$7,400</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, 2013, are as follows:

Current to one year	\$ 65,508
One to two years	34,867
Two to three years	32,274
Three to four years	56,488
Four to five years	79,166
Five or more years	<u>400,928</u>
	669,231
Funds with indeterminable maturities	<u>15</u>
	<u>\$ 669,246</u>

NOTES TO FINANCIAL STATEMENTS
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CITY OF MEMPHIS, TENNESSEE
(Continued)

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, 2013, is presented below by investment category as rated by Standard and Poor's rating service.

<u>Type of Investment</u>	<u>Fair Value</u>	<u>Ratings</u>	<u>Percentage of Fixed Income</u>
Government bonds	\$ 138,905	AA+	20.81%
Non-government-backed CMOs	10,502	AAA	1.57%
	2,505	AA+	0.37%
	1,702	AA	0.25%
	630	AA-	0.09%
	1,632	NR	0.24%
Asset-backed securities	7,230	AAA	1.08%
	501	A	0.07%
	2,775	BBB	0.41%
	3,177	NR	0.47%
Corporate bonds and index funds	116,145	AAA	17.35%
	5,032	AA+	0.75%
	11,529	AA	1.72%
	1,728	AA-	0.26%
	1,961	A+	0.29%
	34,868	A	5.21%
	18,063	A-	2.70%
	8,422	BBB+	1.26%
	39,887	BBB	5.96%
	11,631	BBB-	1.74%
	21,075	BB+	3.15%
	26,966	BB	4.03%
	25,396	BB-	3.79%
	31,543	B+	4.71%
	36,360	B	5.43%
	26,723	B-	3.99%
	5,696	CCC+	0.85%
	1,942	CCC	0.29%
	955	CCC-	0.14%
	665	CC	0.10%
	936	D	0.14%
	7,765	NR	1.16%
Government mortgage-backed securities	13,749	AAA	2.05%
	50,333	AA+	7.52%
	317	NR	0.05%
Total Fixed Income	\$ 669,246		100.00%

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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, 2013, is as follows:

Currency	Equities	Corporate Bonds	Total
Australian dollar	\$ 7,247	\$ 2,019	\$ 9,266
Bermudian dollar	211	-	211
Brazilian real	180	1,914	2,094
British pound sterling	24,501	1,312	25,813
Canadian dollar	11,549	11,281	22,830
Cayman Islands dollar	-	4,704	4,704
Chinese yuan (renminbi)	-	22	22
Danish krone	2,937	-	2,937
Euro	29,962	16,219	46,181
Hong Kong dollar	811	-	811
Indian rupee	-	513	513
Indonesian rupiah	89	221	310
Israeli shekel	1,141	-	1,141
Japanese yen	25,700	-	25,700
Korean won	1,615	634	2,249
Mexican peso	256	1,920	2,176
Norwegian krone	1,307	-	1,307
Panamanian balboa	1,665	-	1,665
Qatari riyal	-	1,200	1,200
Russian ruble	55	1,402	1,457
Singapore dollar	231	-	231
South African rand	263	-	263
Swedish krona	2,800	-	2,800
Swiss franc	15,435	493	15,928
Total securities subject to foreign credit risk	\$ 127,955	\$ 43,854	\$ 171,809
International portfolio in U.S. dollars	313,003	-	313,003
	\$ 440,958	\$ 43,854	\$ 484,812

City OPEB Trust-Deposits and Investments

City OPEB Trust Investments at June 30, 2013, were as follows:

<u>Description</u>	<u>Fair Value</u>
Mutual Funds	\$ 4,865

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	\$ 327,439	117,941	437	-	-	-	4,046	449,863
Special assessments	-	-	-	-	-	-	3,397	3,397
Sales and income taxes	40,165	1,245	-	-	-	-	-	41,410
Federal and state grants	6,336	-	301	-	-	23,302	14,541	44,480
Interest and dividends on investments	18	5	-	35	-	551	3	612
Notes and accounts receivable	-	-	-	11,500	144,551	-	-	156,051
Housing and rehabilitation loans	-	-	-	-	-	82,210	-	82,210
Other	184,805	-	8,682	-	-	15,578	1,254	210,319
Gross receivables	558,763	119,191	9,420	11,535	144,551	121,641	23,241	988,342
Less allowance for uncollectibles	(169,923)	(3,709)	(16)	(112)	(11,720)	(16,442)	(1,330)	(203,252)
Net total receivables	\$ 388,840	115,482	9,404	11,423	132,831	105,199	21,911	785,090

Governmental funds report deferred inflows 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 inflows principally represents: (1) amounts received for various capital projects upon which revenues will not be recognized until such projects have started; (2) amounts relating to property taxes as described above; (3) operating subsidies received in advance; (4) uncollected principal on Housing Rehabilitation Loans; and (5) long-term receivables due from agencies.

C. Property taxes

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

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

The assessed value upon which the fiscal 2013 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, 2013, were 95.02 percent of the tax levy.

NOTES TO FINANCIAL STATEMENTS
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CITY OF MEMPHIS, TENNESSEE
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At June 30, 2013, the allowance for uncollectible property taxes by fund was as follows:

General Fund	\$ 11,349
Debt Service Fund	3,709
Capital Projects Fund	<u>16</u>
Total	<u>\$ 15,074</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, 2013, as follows:

General Fund	\$2.2917
Debt Service Fund	.7152
Education Fund	.1000
Capital Projects Fund	<u>.0031</u>
Total	<u>\$3.1100</u>

The Sewer Fund and MLGW are assessed a payment in-lieu-of-tax (PILOT) with all proceeds from this source allocated to the General Fund. The amounts remitted by MLGW to the City and Shelby County were 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, 2013, was as follows:

Primary Government

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Governmental Activities:					
Capital assets not being depreciated:					
Land	\$ 64,364	\$ -	\$ -	\$ -	\$ 64,364
Construction in progress	330,371	114,570		(9,344)	435,597
Total capital assets not being depreciated	<u>394,735</u>	<u>114,570</u>	<u>-</u>	<u>(9,344)</u>	<u>499,961</u>
Capital assets being depreciated:					
Buildings	537,773	-	-	51	537,824
Improvements other than buildings	811,050	-	(2)	5,872	816,920
Machinery and equipment	386,460	3,831	(13,597)	3,421	380,115
Total capital assets being depreciated	<u>1,735,283</u>	<u>3,831</u>	<u>(13,599)</u>	<u>9,344</u>	<u>1,734,859</u>
Less accumulated depreciation for:					
Buildings	(239,814)	(12,607)	-	-	(252,421)
Improvements other than buildings	(253,914)	(21,704)	-	-	(275,618)
Machinery and equipment	(348,293)	(11,801)	13,507	-	(346,587)
Total accumulated depreciation	<u>(842,021)</u>	<u>(46,112)</u>	<u>13,507</u>	<u>-</u>	<u>(874,626)</u>
Total capital assets being depreciated, net	<u>893,262</u>	<u>(42,281)</u>	<u>(92)</u>	<u>9,344</u>	<u>860,233</u>
Governmental activities capital assets, net	<u>\$ 1,287,997</u>	<u>\$ 72,289</u>	<u>\$ (92)</u>	<u>\$ -</u>	<u>\$ 1,360,194</u>

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CITY OF MEMPHIS, TENNESSEE
(Continued)

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Business-type Activities:					
Capital assets not being depreciated:					
Land	\$ 13,730	\$ -	\$ (1)	\$ 3	\$ 13,732
Construction in progress	52,446	28,859	-	(6,965)	74,340
Memphis Light, Gas and Water assets	148,708	108,788	(99,379)	-	158,117
Total capital assets not being depreciated	<u>214,884</u>	<u>137,647</u>	<u>(99,380)</u>	<u>(6,962)</u>	<u>246,189</u>
Capital assets being depreciated:					
Buildings	106,102	-	-	-	106,102
Improvements other than buildings	570,282	634	-	4,045	574,961
Machinery and equipment	37,421	6,918	(645)	2,917	46,611
Memphis Light, Gas and Water assets	2,423,643	92,469	(13,970)	-	2,502,142
Total capital assets being depreciated	<u>3,137,448</u>	<u>100,021</u>	<u>(14,615)</u>	<u>6,962</u>	<u>3,229,816</u>
Less accumulated depreciation for:					
Buildings	(82,070)	(2,104)	-	-	(84,174)
Improvements other than buildings	(273,462)	(11,077)	-	-	(284,539)
Machinery and equipment	(27,330)	(3,495)	634	-	(30,191)
Memphis Light, Gas and Water depreciation*	(1,062,726)	(77,809)	21,195	-	(1,119,340)
Total accumulated depreciation	<u>(1,445,588)</u>	<u>(94,485)</u>	<u>21,829</u>	<u>-</u>	<u>(1,518,244)</u>
Total capital assets being depreciated, net	<u>1,691,860</u>	<u>5,536</u>	<u>7,214</u>	<u>6,962</u>	<u>1,711,572</u>
Business-type activities capital assets, net	<u>\$ 1,906,744</u>	<u>\$ 143,183</u>	<u>\$ (92,166)</u>	<u>\$ -</u>	<u>\$ 1,957,761</u>

*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 and the increase in accumulated depreciation may not balance to the depreciation expense for the period.

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

Executive	\$ 150
Finance	3,814
General services	1,657
Information services	2,875
Fire services	3,573
Police services	5,503
Park services	7,508
Public services	4,758
Housing and Community Development	344
Public works	15,179
Engineering	550
Community enhancement	135
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>65</u>

Total depreciation expense - Governmental activities \$ 46,112

NOTES TO FINANCIAL STATEMENTS
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CITY OF MEMPHIS, TENNESSEE
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Business-type activities:		
Sewer	\$	14,037
Storm Water		2,639
Memphis Light, Gas and Water		<u>77,809</u>
Total depreciation expense - Business-type activities	\$	<u>94,485</u>

	MLGW Electric Division	MLGW Gas Division	MLGW Water Division	Total
Statement of Revenues, Expenses and Changes in Net Position:				
Depreciation expense	\$ 44,698	\$ 13,261	\$ 10,758	\$ 68,717
Transportation costs		894	274	1,168
Salvage returns	2,051	1,360	126	3,537
Retirements	(2,110)	(1,361)	(176)	(3,647)
Statement of Cash Flows, Depreciation Expense:	\$ 44,639	\$ 14,154	\$ 10,982	\$ 69,775
Retirements	2,110	1,361	176	3,647
Salvage	1,973	1,338	112	3,423
Shelby County Board of Public Utilities Acquisition - annual amortization	-	-	964	964
	<u>\$ 48,722</u>	<u>\$ 16,853</u>	<u>\$ 12,234</u>	<u>\$ 77,809</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 and the increase in accumulated depreciation may not balance to the depreciation expense for the period.

Construction Commitments

The government had active construction projects as of June 30, 2013. At year-end the government's commitments with contractors were as follows:

Function/Activity	Commitment
Executive	\$ 5,422
Fire services	2,579
Police services	466
Park services	8,699
Public works	30,397
Port Commission	87
Public services	2,225
General services	3,741
Housing and Community Development	13,235
Engineering	11,985
Information systems	4,211
Library services	87
Sewer	<u>11,518</u>
	<u>\$ 94,652</u>

Discretely Presented Component Units

Activity for the Board of Education for the year ended June 30, 2013, was as follows:

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Capital assets not being depreciated:					
Land	\$ 35,058	\$ -	\$ -	\$ -	\$ 35,058
Construction in progress	52,011	33,116	-	(81,621)	3,506
Total capital assets not being depreciated	<u>87,069</u>	<u>33,116</u>	<u>-</u>	<u>(81,621)</u>	<u>38,564</u>
Capital assets being depreciated:					
Buildings and improvements	1,353,531	399	(18,062)	81,299	1,417,167
Machinery and equipment	187,540	20,262	(2,135)	322	205,989
Total capital assets being depreciated	<u>1,541,071</u>	<u>20,661</u>	<u>(20,197)</u>	<u>81,621</u>	<u>1,623,156</u>
Less accumulated depreciation for:					
Buildings and improvements	(489,499)	(42,701)	10,795	-	(521,405)
Machinery and equipment	(131,719)	(18,118)	1,696	-	(148,141)
Total accumulated depreciation	<u>(621,218)</u>	<u>(60,819)</u>	<u>12,491</u>	<u>-</u>	<u>(669,546)</u>
Total capital assets being depreciated, net	<u>919,853</u>	<u>(40,158)</u>	<u>(7,706)</u>	<u>81,621</u>	<u>953,610</u>
Capital assets, net	<u>\$ 1,006,922</u>	<u>\$ (7,042)</u>	<u>\$ (7,706)</u>	<u>\$ -</u>	<u>\$ 992,174</u>

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CITY OF MEMPHIS, TENNESSEE
(Continued)

Activity for the Memphis Area Transit Authority for the year ended June 30, 2013, was as follows:

	Beginning Balance (restated)	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	\$ 2,731	\$ -	\$ -	\$ 2,731
Construction in progress	28,547	-	(28,547)	-
Total capital assets not being depreciated	<u>31,278</u>	<u>-</u>	<u>(28,547)</u>	<u>2,731</u>
Capital assets being depreciated:				
Buildings and improvements	151,606	19,397	-	171,003
Buses and other revenue vehicles	76,219	8,276	(6,941)	77,554
Machinery and equipment	14,820	12,538	(149)	27,209
Total capital assets being depreciated	<u>242,645</u>	<u>40,211</u>	<u>(7,090)</u>	<u>275,766</u>
Less accumulated depreciation for:				
Buildings and improvements	(66,146)	(5,556)		(71,702)
Buses and other revenue vehicles	(51,367)	1,975		(49,392)
Machinery and equipment	(10,560)	(3,484)		(14,044)
Total accumulated depreciation	<u>(128,073)</u>	<u>(7,065)</u>	<u>-</u>	<u>(135,138)</u>
Total capital assets being depreciated, net	<u>114,572</u>	<u>33,146</u>	<u>(7,090)</u>	<u>140,628</u>
Capital assets, net	<u>\$ 145,850</u>	<u>\$ 33,146</u>	<u>\$ (35,637)</u>	<u>\$ 143,359</u>

NOTES TO FINANCIAL STATEMENTS
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CITY OF MEMPHIS, TENNESSEE
(Continued)

Activity for the Memphis-Shelby County Airport Authority for the year ended June 30, 2013, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated				
Land	\$ 160,780	\$ -	\$ -	\$ 160,780
Avigation easements	43,703	-	-	43,703
Construction in progress	130,386	69,592	(166,635)	33,343
Total capital assets not being depreciated	<u>334,869</u>	<u>69,592</u>	<u>(166,635)</u>	<u>237,826</u>
Capital assets being depreciated				
Runways, taxiways, aprons and airfield lighting	711,829	8,687	-	720,516
Buildings	374,856	147,003	-	521,859
Facilities constructed for tenants	104,077	-	-	104,077
Roads, bridges and fences	64,672	399	-	65,071
Equipment and utility systems	97,273	11,003	(522)	107,754
Total capital assets being depreciated	<u>1,352,707</u>	<u>167,092</u>	<u>(522)</u>	<u>1,519,277</u>
Less accumulated depreciation for				
Runways, taxiways, aprons and airfield lighting	(329,810)	(32,831)	-	(362,641)
Buildings	(237,629)	(15,113)	-	(252,742)
Facilities constructed for tenants	(36,660)	(2,801)	-	(39,461)
Roads, bridges and fences	(27,979)	(3,423)	-	(31,402)
Equipment and utility systems	(74,178)	(5,432)	522	(79,088)
Total accumulated depreciation	<u>(706,256)</u>	<u>(59,600)</u>	<u>522</u>	<u>(765,334)</u>
Total capital assets being depreciated, net	<u>646,451</u>	<u>107,492</u>	<u>-</u>	<u>753,943</u>
Capital assets, net	<u>\$ 981,320</u>	<u>\$ 177,084</u>	<u>\$ (166,635)</u>	<u>\$ 991,769</u>

NOTES TO FINANCIAL STATEMENTS
(Thousands of Dollars)
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CITY OF MEMPHIS, TENNESSEE
(Continued)

E. Interfund receivables, payables, and transfers.

The composition of interfund balances as of June 30, 2013 is as follows:

Due to/from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
GOVERNMENTAL FUND TYPES		
General	State Street Aid	\$ 2,733
	Workforce Investment Act	1,000
		<u>3,733</u>
Debt Service	State Street Aid	295
		<u>295</u>
ENTERPRISE FUND TYPES		
Sewer	Community Development	11,200
		<u>11,200</u>
Total		<u>\$ 15,228</u>

The composition of interfund transfers for the year ended June 30, 2013, is as follows:

	Transfers In													Totals
	General Fund	Debt Service	Capital Projects	Miscellaneous Grants	Hotel/Motel Tax	New Memphis Arena	Community Redevelopment	Education Fund	Total Nonmajor Special Revenue	Enterprise Storm Water	Internal Service Vehicle Maintenance	Internal Service Unemployment Fund	Fiduciary OPEB Trust Fund	
Transfers out														
General fund	\$ -	7,469	8,011	200	-	2,964	1,903	52,218	57,285	-	5,532	435	-	78,732
Capital projects fund	-	-	-	-	-	-	-	-	-	21,660	-	-	-	21,660
Nonmajor special revenue														
State Street Aid	-	1,768	-	-	-	-	-	-	-	-	-	-	-	1,768
Miscellaneous grants	-	195	-	-	-	-	-	-	-	-	-	-	-	195
Solid waste	-	3,516	-	-	-	-	-	-	-	-	-	-	-	3,516
Hotel/Motel tax	-	1,333	-	-	-	1,174	-	-	1,174	-	-	-	-	2,507
New Memphis arena	-	-	-	-	1,174	-	-	-	1,174	-	-	-	-	1,174
Community Redevelopment	-	5,853	-	-	-	-	-	-	-	-	-	-	-	5,853
Total nonmajor special revenue	-	12,665	-	-	1,174	1,174	-	-	2,348	-	-	-	-	15,013
Enterprise funds														
Sewer	6,046	-	-	-	-	-	-	-	-	-	-	-	-	6,046
Memphis light, gas and water	51,440	-	-	-	-	2,500	-	-	2,500	-	-	-	-	53,940
Storm water	-	4,412	-	-	-	-	-	-	-	-	-	-	-	4,412
Internal service fund														
Health insurance	-	-	-	-	-	-	-	-	-	-	-	-	1,725	1,725
	\$ 57,486	24,546	8,011	200	1,174	6,638	1,903	52,218	62,133	21,660	5,532	435	1,725	181,528

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.

A discrepancy exists between the amount reported as transfers from MLGW by the General Fund and transfers to the General Fund by MLGW due to a transaction occurring subsequent to MLGW's December 31st year end and prior to the City's June 30th year end.

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>(11,236)</u>
Total	<u>\$ 7,487</u>

The remaining debt service requirement for capital lease obligations for the City at June 30, 2013, is as follows:

Fiscal Year	
2014	2,336
2015	2,336
2016	2,095
2017	927
Less Interest	<u>(207)</u>
Present Value of Payments	<u>\$ 7,487</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. The City did not issue any general obligation bonds during fiscal year 2013.

Commercial Paper Program

In July 2012, the City entered agreements to sell tax exempt and federally taxable bond anticipation notes in the form of General Obligation Commercial Paper. The Commercial Paper is issued under the State of Tennessee Commercial Paper Program in an amount not to exceed \$150,000. The purpose of the Commercial Paper is to provide interim financing of various capital projects. The Commercial Paper notes have varying maturities of not more than 270 days from their

respective dates of issuance. The City has entered into a line of credit agreement, which expires on July 31, 2015, to provide liquidity support for this Commercial Paper Program. The debt is classified as long-term debt and is reflected in the City's Statement of Net Position and the City's Capital Improvement Projects Fund based on the City's ability to refinance the debt under the line of credit agreement.

Revenue Bonds

No Revenue Bond issues occurred in fiscal year 2013.

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, 2013, a total of approximately \$164,205 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.

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, 2013:

	General Obligation Bonds	Bond Anticipation Notes	Capital Lease Obligations	Revenue Bonds	Total
Governmental Funds	\$ 1,150,863	186,975	7,487	-	1,345,325
Enterprise Funds	-	-	-	827,533	827,533
Total long-term debt	\$ 1,150,863	186,975	7,487	827,533	2,172,858

NOTES TO FINANCIAL STATEMENTS
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CITY OF MEMPHIS, TENNESSEE
(Continued)

Long-term liability activity for the year ended June 30, 2013, was as follows:

	Balance June 30, 2012	Additions	Reductions	Balance June 30, 2013	Due Within One Year
Governmental activities:					
General obligation bonds payable	\$ 1,157,802	-	(66,022)	1,091,780	76,600
Premium on general obligation bonds (1)	66,960	-	(7,877)	59,083	-
Bond anticipation notes payable	71,975	115,000	-	186,975	186,975
Capital lease agreements	11,286	-	(3,799)	7,487	2,233
Related party loan	196,935	-	-	196,935	-
Related party debt obligation premium	2,010	-	(110)	1,900	-
Related party debt obligation	20,115	-	(507)	19,608	525
Legal Claims and Judgments	79,106	5,927	-	85,033	1,000
Vacation, sick and other leave benefits	85,389	3,163	(1,148)	87,404	515
	<u>\$ 1,691,578</u>	<u>124,090</u>	<u>(79,463)</u>	<u>1,736,205</u>	<u>267,848</u>
Business-type activities:					
Revenue bonds	\$ 145,575	-	(10,480)	135,095	10,895
Net premium/discount on revenue bonds	503	392	(429)	466	-
MLGW revenue bonds	759,510	-	(96,815)	662,695	99,700
Premium on MLGW revenue bonds	56,590	-	(13,368)	43,222	-
Less deferred amounts: (2)					
For issuance discounts and on refunding	(17,752)	-	3,807	(13,945)	-
MLGW notes payable	-	-	-	-	-
MLGW anticipation note payable	-	-	-	-	-
Vacation, sick and other leave benefits	4,631	51	(37)	4,645	309
	<u>\$ 949,057</u>	<u>443</u>	<u>(117,322)</u>	<u>832,178</u>	<u>110,904</u>

(1) The beginning balance was restated by \$21,794 as a result of implementing GASB 65.

(2) MLGW had not adopted GASB 65 at December 31, 2012.

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, 2013 follows:

NOTES TO FINANCIAL STATEMENTS
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CITY OF MEMPHIS, TENNESSEE
(Continued)

Description	Interest Rates(%)	Original Issue	Balance Outstanding at Year End
General Obligation Debt:			
General City Government Serial Bonds	.500 - 6.15	\$ 2,170,691	\$ 1,091,780
Bond Anticipation Notes	3.00	71,975	71,975
Bond Anticipation Notes-Commercial Paper	variable	115,000	115,000
Net Premium/(Discount) on General Obligation Debt			59,083
Capital Lease Obligations	3.75-4.32	18,723	7,487
Total General Obligation Debt		<u>\$ 2,376,389</u>	<u>1,345,325</u>
Revenue Bonds:			
Sanitary Sewerage System	2.00-6.30	\$ 222,435	135,095
Electric Division, MLG&W (1), (2)	2.50-5.00	1,902,585	662,695
Water Division, MLG&W (1)	5.25	12,575	-
Net Premium/(Discount) on revenue bonds			43,688
Unamortized deferred amount on bond refundings (3)			(13,945)
Total Revenue Bonds		<u>\$ 2,137,595</u>	<u>827,533</u>
Total			<u>\$ 2,172,858</u>

(1) All MLG&W bonds reflect amounts outstanding at December 31, 2012.

(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)
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CITY OF MEMPHIS, TENNESSEE
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Debt service requirements to maturity for general obligation and revenue bond long-term indebtedness at June 30, 2013 are as follows:

Fiscal Year	Total Long-term Indebtedness										
	General Obligation				Revenue						
	City		Capital Lease		Sewer System		MLG&W(3)		Total Requirements		
	Principal(1)	Interest(2)	Principal	Interest	Principal	Interest(2)	Principal	Interest	Principal	Interest	Total
2013	-	-	-	-	-	-	99,700	32,291	99,700	32,291	131,991
2014	263,575	53,238	2,233	103	10,895	6,143	102,765	27,431	379,468	86,915	466,383
2015	74,300	47,480	2,270	67	11,155	5,707	107,775	22,417	195,500	75,671	271,171
2016	77,725	44,001	2,063	32	10,940	5,254	112,935	17,151	203,663	66,438	270,101
2017	81,320	40,357	921	6	11,435	4,834	117,195	11,554	210,871	56,751	267,622
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	19,757	-	-	9,305	2,475	-	-	110,975	22,232	133,207
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	7,936	-	-	7,910	1,289	-	-	33,635	9,225	42,860
2026	19,380	6,701	-	-	5,900	938	-	-	25,280	7,639	32,919
2027	12,515	5,890	-	-	3,655	687	-	-	16,170	6,577	22,747
2028	13,020	5,210	-	-	3,805	480	-	-	16,825	5,690	22,515
2029	13,550	4,483	-	-	2,430	298	-	-	15,980	4,781	20,761
2030	14,115	3,719	-	-	2,525	144	-	-	16,640	3,863	20,503
2031	9,310	2,914	-	-	1,085	33	-	-	10,395	2,947	13,342
2032	9,695	2,431	-	-	-	-	-	-	9,695	2,431	12,126
2033	10,085	1,920	-	-	-	-	-	-	10,085	1,920	12,005
2034	10,175	1,393	-	-	-	-	-	-	10,175	1,393	11,568
2035	10,590	829	-	-	-	-	-	-	10,590	829	11,419
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	\$ 1,278,755	396,348	7,487	208	135,095	46,502	662,695	116,621	2,084,032	559,679	2,643,711

(1) Excludes related party loan and related party debt obligation.

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

(3) At 12-31-12

H. Restricted assets

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

Futures margin deposits	\$ 580
Insurance reserves – injuries and damages	11,077
Insurance reserves – casualties and general	32,530
Medical benefit	8,805
Customer deposits	22,164
Bond reserve and debt service	11,000
Total	<u>\$86,156</u>

NOTES TO FINANCIAL STATEMENTS
(Thousands of Dollars)
For the fiscal year ended June 30, 2013

CITY OF MEMPHIS, TENNESSEE
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I. Fund Balance by Purpose

Following is more detailed information on the governmental fund balances.

	General	Debt Service	Capital Projects	Community Development	Non-major	Total Governmental Funds
Equity - Fund Balances:						
Restricted						
Parks Special Services	2,030	-	-	-	-	2,030
Seized Funds	58	-	-	-	-	58
Debt Service - Related Party Loan	-	36,258	-	-	-	36,258
Solid Waste Management	-	-	-	-	17,175	17,175
Miscellaneous Grants	-	-	-	-	247	247
Drug Enforcement	-	-	-	-	9,530	9,530
Community Development	-	-	-	8	-	8
Committed						
Planned Use of Fund Balance	-	-	-	-	-	-
Debt Service Requirements	-	23,200	-	-	-	23,200
Midtown Corridor	-	-	-	-	1,794	1,794
MLK Park Improvements	-	-	-	-	88	88
Community Redevelopment	-	-	-	-	1,828	1,828
Metro Alarms	-	-	-	-	1,865	1,865
Casino Gaming Commission	-	-	-	-	6	6
New Memphis Arena	-	-	-	-	21	21
Capital Projects	-	-	51,317	-	-	51,317
Assigned						
Encumbrances	12,134	-	-	-	-	12,134
Unassigned						
	56,149	-	-	-	-	56,149
Total Fund Balances	<u>70,371</u>	<u>59,458</u>	<u>51,317</u>	<u>8</u>	<u>32,554</u>	<u>213,708</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 \$4,544 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.

NOTES TO FINANCIAL STATEMENTS
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CITY OF MEMPHIS, TENNESSEE
(Continued)

The changes in the insurance claims payable for the years ended June 30, 2012 and 2013 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, 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
Current year provision	(69,820)	(44,734)	(45)	(18)	(81)	(5,207)
Payments	70,364	45,027	152	230	117	4,544
Balance - June 30, 2013	\$ 10,697	5,760	152	230	117	4,544

The City received insurance recoveries during the year in compensation for damage to some sewage pumps and a sewage knife valve at the Stiles sewer treatment plant in the amount of \$195,235. The City also received insurance recoveries during the year in compensation for damage to the Harbor patrol boat in the amount of \$6,000.

B. Subsequent events

In October 2013, the City issued \$21,410,000 of Sanitary Sewage System Revenue Refunding Bonds, Series 2013. Proceeds from the bonds were used to refund Sanitary Sewerage System Revenue Refunding Bonds, Series 2002 and to advance refund Sanitary Sewerage System Revenue Bonds, Series 2004.

In November 2013, the City entered into agreements with a vendor to sell a portion the City's tax year 2013 delinquent property tax receivables. The total proceeds from the sale of receivables were \$23,324. The City also entered into a lease agreement as a lessee for financing the acquisition of parking meter equipment. The total amount financed was \$1,573 with rent payments due semi-annually for 5 years.

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 \$29,972 is a reasonable measure of the ultimate settlement of these matters. However, the City's Statement of Net Position reflects a total liability of \$85,033, which includes the \$29,972 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, 2013, the Senior Lien Bonds were outstanding in an aggregate principal amount of \$199,685. 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, 2013, for outstanding purchase orders and outstanding contracts reported as assigned fund balance for encumbrances in the General Fund of \$12,134. The City had additional commitments totaling \$94,652 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
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CITY OF MEMPHIS, TENNESSEE
(Continued)

As of and for its year ended June 30, 2013, the Port Commission reported the following derived from its audited financial statements:

Assets	\$110,158
Liabilities	44,063
Net position	66,095
Operating revenues	2,533
Other expense	2,820
Operating expenses	1,500
Capital contribution	1,775
Change in net position	\$ (12)

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, 2012 (its most recent financial statements), the CRA reported the following from its audited financial statements:

Assets	\$19,448
Liabilities	10,620
Net position	8,828
Operating revenues	5,211
Operating expenses	2,424
Change in net position	\$ 2,787

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 December 31, 2012, the Sports Authority reported the following derived from its audited financial statements:

Assets	\$55,833
Liabilities	208,064
Net position	(152,231)
Total revenues	13,680
Total expenses	13,051
Change in net position	\$ 629

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.

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

NOTES TO FINANCIAL STATEMENTS
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CITY OF MEMPHIS, TENNESSEE
(Continued)

ASSETS	
Investments, at fair value	
Mutual funds and money market funds	\$ 4,865
Total investments	<u>4,865</u>
Equity in cash and investment pool	21,797
Interest receivable	<u>5</u>
Total assets	<u>26,667</u>
LIABILITIES	
Accounts payable and other	<u>6,760</u>
Total liabilities	<u>6,760</u>
DEFERRED INFLOWS OF RESOURCES	
Revenue collected in advance	<u>3,662</u>
Total deferred inflows of resources	<u>3,662</u>
NET POSITION	
Held in trust for OPEB	\$ <u><u>16,245</u></u>
ADDITIONS	
Contributions	
Employer	\$ 22,166
Medicare Part D	2,228
Plan members	<u>11,589</u>
Total contributions	35,983
Transfer from other fund	1,725
Investment income	
Interest and dividend income	384
Net appreciation in the fair value of investments	<u>1,871</u>
Total investment income	<u>2,255</u>
Total additions	<u>39,963</u>
DEDUCTIONS	
Benefits	45,027
Administrative expenses	<u>1,831</u>
Total deductions	<u>46,858</u>
Net (decrease)	(6,895)
Net position - beginning of year	<u>23,140</u>
Net position - end of year	\$ <u><u>16,245</u></u>

City of Memphis Other Post Employment Benefits (OPEB) Plan

Plan Description. The City's OPEB plan provides medical and life insurance benefits to eligible retired City of Memphis General, Police, Fire and Airport Authority employees and their dependents based on firmly-established past practices. The primary benefit for eligible retirees is postretirement medical coverage through either a Preferred Provider Organization (PPO/Basic) or a Point of Service Plan (POS/Premier). Of premiums paid for retiree health and medical benefits and life insurance, 70 percent is paid by the General Fund (with the remaining 30 percent paid by the retirees) and is recognized as

an expenditure, which totaled \$22,166 for 2013. At June 30, 2013, the number of retirees eligible for health and medical benefits is 3,975. 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 \$138.60 to \$167.08 per month for retiree-only coverage and \$290.77 to \$331.37 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. At June 30, 2013, the value of the trust assets within the OPEB Fund was \$4,865. 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, 2013, was as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (AL) (b)	Unfunded AL (UAL) (b) - (a)	Funded Ratio (a) / (b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll * ((b) - (a)) / (c)
7/1/11	10,297	1,345,355	1,335,058	0.8%	337,200	395.9%
7/1/12	12,524	1,267,515	1,254,991	1.0%	352,184	356.3%
7/1/13	22,616	1,316,182	1,293,566	1.7%	327,738	394.7%

* 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 RSI-1), 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, 2012 actuarial valuation, the Entry Age Normal Actuarial Cost Method was used. The actuarial assumptions included a 6.1 percent investment rate of return (net of administrative expenses) and an annual pre-Medicare health care cost trend rate of 8.5% 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 8.76% 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

NOTES TO FINANCIAL STATEMENTS
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CITY OF MEMPHIS, TENNESSEE
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accrued liability is being amortized as a level percentage of projected payroll on an open basis. The inflation rate assumption is 2.1% based on the CPI-W. The remaining amortization period at June 30, 2013, was 30 years.

Listed below is a summary of significant changes that occurred between the July 1, 2011 and July 1, 2012 actuarial valuations:

- The discount rate (investment rate of return) assumption was changed from 5.5% to 6.1%. 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 2012 valuation year, the City of Memphis contributed the “pay as you go” amount, an additional contribution to the fund beyond plan expenses and Medicare Part D reimbursements.
- Effective January 1, 2012, the City implemented a spousal surcharge of \$25 bi-weekly for employees whose spouses are available for coverage elsewhere. As established by the City, there is an assumption that 15% of participating spouses have available coverage elsewhere.

Schedule of Employer Contributions – The schedule of employer contributions for the four years ended June 30, 2013 is as follows:

Fiscal Year Ended	Annual Required Contributions	Actual Contributions	Percentage Contributed
June 30, 2009	\$66,273	\$38,159	1 57.6%
June 30, 2010	80,477	35,674	2 44.3%
June 30, 2011	95,376	36,089	3 37.8%
June 30, 2012	86,304	35,813	4 41.5%
June 30, 2013	84,826	45,705	5 53.9%

- 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.
⁵ Includes an \$11,233 contribution in excess of the net employer benefit payments

Annual OPEB Cost and Net OPEB Obligation – For fiscal year 2013, the City contributed 51.4 percent or \$45,705 of its annual OPEB cost of \$88,984. The annual OPEB cost consisted of the following:

Annual Required Contribution (ARC)	\$ 84,826
Interest on beginning of year accrual	12,663
Amortization of beginning of year accrual	(8,016)
Interest on the amortization	<u>(489)</u>
Annual OPEB cost (AOC)	\$ 88,984
Contributions made	<u>(45,705)</u>
Change in net OPEB Obligation	43,279
Net OPEB Obligation – beginning of year	<u>207,589</u>
Net OPEB Obligation – end of year	<u>\$250,868</u>

Three-year trend information is as follows:

Year Ended June 30	Annual OPEB Cost	Percentage of AOC Contributed	Net OPEB Obligation
2011	\$ 96,870	37.3%	\$ 154,418
2012	88,984	40.2	207,589
2013	88,984	51.4	250,568

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, PO 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, 3,507 retirees and beneficiaries are receiving post-employment benefits.

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CITY OF MEMPHIS, TENNESSEE
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ASSETS

Cash and cash equivalents	\$	15,303
Investments, at fair value		
Common stock - domestic		71,994
Common stock - foreign		20,630
Preferred stock - domestic		139
Corporate bond mutual funds - domestic		24,395
Corporate bond mutual funds - international		14,159
Investment in real estate		6,606
Investment in private equities		249
Investment in international equity fund		2,045
Investment in international multi-class fund		11,141
Investment in international bond fund		33,420
Distressed debt funds - domestic		10,692
Distressed debt funds - foreign		8,310
Total investments		<u>203,780</u>
Employer and employee receivable		1,795
Interest and dividend receivables		282
Receivable for securities sold		42
Collateral held in trust for securities on loan		<u>19,111</u>
Total assets		<u><u>240,313</u></u>
LIABILITIES		
Accounts payable and other		686
Collateral subject to return to borrowers		<u>19,111</u>
Total liabilities		<u>19,797</u>
NET POSITION		
Held in trust for OPEB	\$	<u><u>220,516</u></u>

NOTES TO FINANCIAL STATEMENTS
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ADDITIONS

Contributions	
Employer	\$ 41,162
Plan members	5,912
Total contributions	<u>47,074</u>
Investment income	
Interest and dividend income	3,993
Securities lending income	73
Other investment income	10
Net appreciation in the fair value of investments	18,999
Total investment income	<u>23,075</u>
Total additions	<u>70,149</u>
DEDUCTIONS	
Benefits	29,539
Administrative expenses	1,334
Total deductions	<u>30,873</u>
Net increase	39,276
Net position - beginning of year	<u>181,240</u>
Net position - end of year	<u>\$ 220,516</u>

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 2012, employer contributions were \$41,162 to the Plan. Plan members receiving benefits contributed \$5,912 through their required contributions of \$67.46 to \$620.54 (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, 2011. 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 2012:

Annual Required Contribution (ARC)	\$ 42,427
Interest on net OPEB obligation	(94)
Adjustment to ARC	<u>78</u>
Annual OPEB cost	42,411
Contributions made	<u>(41,162)</u>
Change in net OPEB asset	1,249
Net OPEB asset – beginning of fiscal year	<u>(1,249)</u>
Net OPEB asset – end of fiscal year	<u>\$ 0</u>

MLGW's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for fiscal year 2012 and the two preceding years 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, 2010	\$43,651	\$43,476	99.6%	\$ (2,325)
December 31, 2011	44,630	43,554	97.5	(1,249)
December 31, 2012	42,411	41,162	93.7	0

Funded Status and Funding Progress

<u>Actuarial Valuation Date *</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) (b)</u>	<u>Unfunded AAL (UAAL) (b) - (a)</u>	<u>Funded Ratio (a) / (b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a Percentage of Covered Payroll ((b - a) / c)</u>
December 31, 2006 **	\$ -	\$ 743,484	\$ 743,484	0.0%	\$ 148,219 ***	501.6%
December 31, 2007 ***	15,097	674,002	658,905	2.2%	144,756	455.2%
December 31, 2009	125,234	591,528	466,294	21.2%	153,117	304.5%
December 31, 2011	181,211	602,175	420,964	30.1%	154,036	273.3%

* The actuarial valuation is done biennially. The next actuarial valuation will be performed with the reporting date of December 31, 2013.

** 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, 2011
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percent of pay, 30 years
Remaining Amortization Period	25 years as of December 31, 2011, Open
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 (starting 1/1/2010)	8.50% graded to 5.00% over 7 years
Medical Cost Trend Rate for POS	7.75% graded to 5.00% over 6 years
Medical Cost Trend Rate for HMO	8.25% graded to 5.00% over 7 years
Drug Cost Trend Rate	6.50% graded to 5.00% over 3 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.

NOTES TO FINANCIAL STATEMENTS
(Thousands of Dollars)
For the fiscal year ended June 30, 2013

CITY OF MEMPHIS, TENNESSEE
(Continued)

As of and for its year ended June 30, 2013, the City Retirement System reported the following net position:

ASSETS

Cash and cash equivalents	\$ 61,270
Investments, at fair value	
U.S. government securities - long-term	138,905
Common stock - domestic	759,716
Common stock - foreign	127,955
Corporate bonds - domestic	226,662
Corporate bonds - foreign	43,854
Mutual funds and money market funds	43,112
Collateralized mortgage obligations	16,971
Asset-backed pooled securities	13,683
Mortgage-backed pooled securities	64,398
Investment in index fund	164,772
Investment in real estate	104,918
Investment in international equity fund	313,003
Total investments	<u>2,017,949</u>
Equity in cash and investment pool	1
Interest and dividend receivables	7,734
Receivable for securities sold	55,427
Collateral held in trust for securities on loan	<u>60,279</u>
Total assets	<u>2,202,660</u>
LIABILITIES	
Accounts payable and other	124,783
Collateral subject to return to borrowers	<u>60,279</u>
Total liabilities	<u>185,062</u>
NET POSITION	
Held in trust for pension benefits	<u><u>\$ 2,017,598</u></u>

NOTES TO FINANCIAL STATEMENTS
(Thousands of Dollars)
For the fiscal year ended June 30, 2013

CITY OF MEMPHIS, TENNESSEE
(Continued)

As of and for its year ended June 30, 2013, the City Retirement System reported the following changes in net position:

ADDITIONS

Contributions		
Employer	\$	18,968
Plan members		22,564
Total contributions		<u>41,532</u>
Investment income		
Interest and dividend income		51,861
Other investment income		1,150
Gain on real estate investments		3,598
Net depreciation in the fair value of investments		188,261
Total investment income		<u>244,870</u>
Total additions		<u>286,402</u>
DEDUCTIONS		
Benefits		141,244
Administrative expenses		10,333
Refunds of contributions		20,039
Total deductions		<u>171,616</u>
Net increase		114,786
Net position - beginning of year		<u>1,902,812</u>
Net position - end of year	\$	<u><u>2,017,598</u></u>

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

Effective July 1, 2012, an ordinance was adopted to change benefit levels for participant's hired after July 1, 2012. Changes in benefit levels include a reduction in the accrual rate, introduction of early commencement factors for early retirement, and the averaging period in determining average compensation. In addition, the employee contribution rate for Police and Fire was increased to 8.0%.

At June 30, 2013, the Retirement System membership consisted of:

Retirees and beneficiaries currently receiving benefits and Terminated employees entitled to benefits but not yet receiving them	4,950
Active employees:	
Fully vested	3,241
Non-vested	<u>2,779</u>
Total	<u>10,970</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, 2013, the City of Memphis Retirement System reported total employer and plan member contributions of \$18,968 and \$22,564, respectively. Benefits paid to plan members totaled \$141,244.

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

NOTES TO FINANCIAL STATEMENTS
(Thousands of Dollars)
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CITY OF MEMPHIS, TENNESSEE
(Continued)

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, 2013 is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (AL) -- Entry Age (b)	Unfunded Actuarial Liability (UAL) (b) - (a)	Funded Ratio (a) / (b)	Covered Payroll (c)	UAL as a Percentage of Covered Payroll ((b) - (a)) / (c)
7/1/2008	\$ 2,184,255	\$ 2,090,088	\$ -	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%
7/1/2013	1,883,786	2,592,987	709,201	72.6%	304,686	232.8%

Schedule of Employer Contributions - The schedule of employer contributions for the six years ended June 30, 2013 is as follows:

Year Ended June 30	Annual Required Contribution	Percentage Contributed
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
2013	90,363	21.0

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, 2013 were as follows:

Annual required contribution	\$ 90,363
Interest on net pension obligation	10,659
Adjustment to annual required contribution	<u>(12,034)</u>
Annual pension cost	88,988
Contribution made	<u>(18,968)</u>
Increase in net pension obligation	70,020
Net pension obligation at beginning of year	<u>142,125</u>
Net pension obligation at end of year	<u>\$212,145</u>

NOTES TO FINANCIAL STATEMENTS
(Thousands of Dollars)
For the fiscal year ended June 30, 2013

CITY OF MEMPHIS, TENNESSEE
(Continued)

Three-year trend information is as follows:

Year Ended <u>June 30</u>	Annual Pension <u>Cost (APC)</u>	Percentage of APC <u>Contributed</u>	Net Pension <u>Obligation</u>
2011	\$79,883	25.2%	\$73,942
2012	88,291	22.8	142,125
2013	88,988	21.3	212,145

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, 2013, the Library Retirement System reported the following net position:

ASSETS

Cash and cash equivalents	\$ 14,446
Investments, at fair value	
Common stock - domestic	43,202
Mutual funds and money market funds	<u>522</u>
Total investments	43,724
Interest and dividend receivables	<u>28</u>
Total assets	<u>58,198</u>
NET POSITION	
Held in trust for pension benefits	<u><u>\$ 58,198</u></u>

NOTES TO FINANCIAL STATEMENTS
(Thousands of Dollars)
For the fiscal year ended June 30, 2013

CITY OF MEMPHIS, TENNESSEE
(Continued)

As of and for its year ended June 30, 2013, the Library Retirement System reported the following changes in net position:

ADDITIONS

Contributions		
Employer	\$	177
Plan members		188
Total contributions		<u>365</u>
Investment income		
Interest and dividend income		478
Other investment income		13
Net appreciation in the fair value of investments		<u>4,902</u>
Total investment income		<u>5,393</u>
Total additions		<u>5,758</u>
DEDUCTIONS		
Benefits		3,153
Administrative expenses		<u>176</u>
Total deductions		<u>3,329</u>
Net increase		2,429
Net position - beginning of year		<u>55,769</u>
Net position - end of year	\$	<u><u>58,198</u></u>

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

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

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

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

NOTES TO FINANCIAL STATEMENTS
(Thousands of Dollars)
For the fiscal year ended June 30, 2013

At January 1, 2013, the Library Retirement System membership consisted of:

Retirees and beneficiaries currently receiving benefits and Terminated employees entitled to benefits but not yet receiving them	147
Active employees:	
Vested	162
Non-vested	<u>9</u>
Total	<u>318</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 Plans.

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 Entry Age Normal Actuarial Cost Method with a closed amortization period of 23 years (based on 30 years as of June 30, 2006). The method divides the cost

NOTES TO FINANCIAL STATEMENTS
(Thousands of Dollars)
For the fiscal year ended June 30, 2013

CITY OF MEMPHIS, TENNESSEE
(Continued)

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, 2013 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) (b) - (a)	Funded Ratio (a) / (b)	Covered Payroll (c)	UAL as a Percentage of Covered Payroll ((b) - (a)) / (c)
1/1/07	\$ 66,572	\$ 59,007	\$ -	113.0%	\$ 9,230	0.0%
1/1/08	69,025	62,704	-	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%
1/1/13	57,330	66,666	9,336	86.0%	5,532	168.8%

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

Schedule of Employer Contributions - The schedule of employer contributions for the six years ended June 30, 2013, is as follows:

Year Ended June 30	Annual Required Contribution	Percentage Contributed
2008	0	N/A
2009	0	N/A
2010	0	N/A
2011	\$1,332	17.1%
2012	1,027	19.9
2013	1,531	12.0

NOTES TO FINANCIAL STATEMENTS
(Thousands of Dollars)
For the fiscal year ended June 30, 2013

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, 2013, were as follows:

Annual required contribution	\$ 1,531
Interest on net pension asset	(42)
Adjustment to annual required contribution	<u>51</u>
Annual pension cost	1,540
Contribution made	<u>(183)</u>
Increase in net pension obligation	1,357
Net pension asset at beginning of year	<u>(561)</u>
Net pension obligation at end of year	<u>\$ 796</u>

Three-year trend information is as follows:

Year Ended June 30	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation (Asset)
2011	\$1,366	16.6%	\$(1,404)
2012	1,048	19.6	(561)
2013	1,540	11.9	796

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, 2012, the MLGW Retirement System membership consisted of:

Retirees and beneficiaries currently receiving benefits and Terminated employees entitled to benefits but not yet receiving them	2,591
Active employees	<u>2,590</u>
Total	<u>5,181</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

NOTES TO FINANCIAL STATEMENTS
(Thousands of Dollars)
For the fiscal year ended June 30, 2013

CITY OF MEMPHIS, TENNESSEE
(Continued)

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, 2012, MLGW's current required contribution is 19.89 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, 2013 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, 2013, the most recent actuarial valuation date, the MLGW Pension Plan was 79.6 percent funded. The actuarial accrued liability ("AAL") for benefits was \$1,415, and the actuarial value of assets was \$1,126, resulting in an unfunded actuarial accrued liability ("UAAL") of \$289. The covered payroll (annual payroll of active employees covered by the pension plan) was \$155, and the ratio of the UAAL to the covered payroll was 186.8 percent.

(in thousands of dollars)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) * (b)	Unfunded/ AAL (b) - (a)	Funded Ratio (a) / (b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a) / c)
1/1/10	\$ 1,191,027	\$ 1,292,791	\$ 101,764	92.1%	\$ 154,057	66.1%
1/1/11	1,171,383	1,324,410	153,026	88.5%	153,509	99.7%
1/1/12	1,137,615	1,350,812	213,197	84.2%	154,036	138.4%
1/1/13	1,126,309	1,414,641	288,332	79.6%	154,347	186.8%

* 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>
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
2012	30,067	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, 2012, were as follows:

Annual required contribution	\$30,067
Interest on net pension asset	(1,226)
Adjustment to annual required contribution	<u>975</u>
Annual pension cost	29,816
Contribution made	<u>(30,063)</u>
Increase in net pension asset	(247)
Net pension asset at beginning of year	<u>(16,348)</u>
Net pension asset at end of year	<u>\$ (16,595)</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>
2010	\$27,947	98.0%	\$(16,079)
2011	25,944	101.0	(16,348)
2012	29,816	100.8	(16,595)

NOTES TO FINANCIAL STATEMENTS
(Thousands of Dollars)
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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	\$ 363,209	9,957	162,531	172,488	22,639	558,336
Property, plant and equipment (net of accumulated depreciation)	992,173	143,359	991,769	1,135,128	64	2,127,365
Other assets	-	711	79,046	79,757	975	80,732
Total current asset	<u>\$ 1,355,382</u>	<u>154,027</u>	<u>1,233,346</u>	<u>1,387,373</u>	<u>23,678</u>	<u>2,766,433</u>
Deferred outflows	-	-	5,792	5,792	-	5,792
Current liabilities	\$ 104,066	6,480	52,051	58,531	3,263	165,860
Long-term liabilities	8,327	16,719	504,135	520,854	-	529,181
Total liabilities	<u>\$ 112,393</u>	<u>23,199</u>	<u>556,186</u>	<u>579,385</u>	<u>3,263</u>	<u>695,041</u>
Net position	<u>1,242,989</u>	<u>130,828</u>	<u>682,952</u>	<u>813,780</u>	<u>20,415</u>	<u>2,077,184</u>
Total liabilities and net position	<u>\$ 1,355,382</u>	<u>154,027</u>	<u>1,239,138</u>	<u>1,393,165</u>	<u>23,678</u>	<u>2,772,225</u>
Operating revenues	\$ 738,317	22,984	112,466	135,450	16,211	889,978
Operating expenses	<u>1,177,591</u>	<u>59,130</u>	<u>58,049</u>	<u>117,179</u>	<u>17,094</u>	<u>1,311,864</u>
Operating income (loss) before depreciation and amortization	<u>\$ (439,274)</u>	<u>(36,146)</u>	<u>54,417</u>	<u>18,271</u>	<u>(883)</u>	<u>(421,886)</u>
Depreciation and amortization	\$ -	(14,135)	(59,600)	(73,735)	(3)	(73,738)
Grants and contributions not restricted	418,594	-	37,979	37,979	152	456,725
City of Memphis subsidy	-	22,006	-	22,006	-	22,006
Federal and State grant revenues	-	21,724	-	21,724	467	22,191
Interest and investment income (loss)	203	-	2,012	2,012	859	3,074
Interest expense	-	-	(22,705)	(22,705)	-	(22,705)
Other revenue (expense)	<u>428,665</u>	<u>198</u>	<u>5,457</u>	<u>5,655</u>	<u>3,446</u>	<u>437,766</u>
Change in net assets	<u>408,188</u>	<u>(6,353)</u>	<u>17,560</u>	<u>11,207</u>	<u>4,038</u>	<u>423,433</u>
Net assets - beginning of year, as restated	<u>834,801</u>	<u>137,181</u>	<u>665,392</u>	<u>802,573</u>	<u>16,377</u>	<u>1,653,751</u>
Net assets - end of year	<u>\$ 1,242,989</u>	<u>130,828</u>	<u>682,952</u>	<u>813,780</u>	<u>20,415</u>	<u>2,077,184</u>

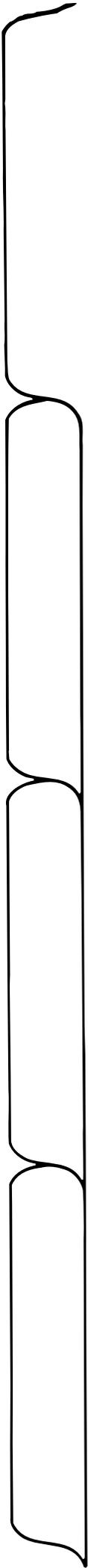
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CITY OF MEMPHIS

T E N N E S S E E

REQUIRED SUPPLEMENTARY INFORMATION

**REQUIRED SUPPLEMENTARY
INFORMATION**



**SCHEDULE OF FUNDING PROGRESS
CITY RETIREMENT SYSTEM AND LIBRARY RETIREMENT SYSTEM
(Thousands of Dollars)
For the fiscal year ended June 30, 2013**

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)
7/1/2008	\$ 2,184,255	\$ 2,090,088	\$ -	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%
7/1/2013	1,883,786	2,592,987	709,201	72.6%	304,686	232.8%

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)
1/1/2007	\$ 66,572	\$ 59,007	\$ -	113.0%	\$ 9,230	0.0%
1/1/2008	69,025	62,704	-	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%
1/1/2013	57,330	66,666	9,336	86.0%	5,532	168.8%

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

CITY RETIREMENT SYSTEM

<u>Year Ended</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>
2008	\$24,072	60.60%
2009	21,208	76.3
2010	71,447	24.4
2011	80,021	25.2
2012	89,006	22.6
2013	90,363	21

LIBRARY RETIREMENT SYSTEM

<u>Year Ended</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>
2008	0	N/A
2009	0	N/A
2010	0	N/A
2011	\$1,332	17.10%
2012	1,027	19.9
2013	1,531	12

**SCHEDULE OF FUNDING PROGRESS
OTHER POSTEMPLOYMENT BENEFITS (OPEB)
(Thousands of Dollars)
For the fiscal year ended June 30, 2013**

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

CITY OF MEMPHIS

Fiscal Year Ending	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded/ (Over-funded) AAL (UAAL) (b) – (a)	Funded Ratio (a) ÷ (b)	Covered Payroll ¹ (c)	UAAL as a Percentage of Covered Payroll ¹ [(b) – (a)] ÷ (c)
June 30, 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%
June 30, 2013	\$22,616	\$1,316,182	\$1,293,566	1.7%	\$327,738	394.7%

¹ Covered Payroll includes all active plan participants.

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

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COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES

CITY OF MEMPHIS

T E N N E S S E E

COMBINING NONMAJOR FUNDS

SPECIAL REVENUE

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

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

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

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

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

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

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

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

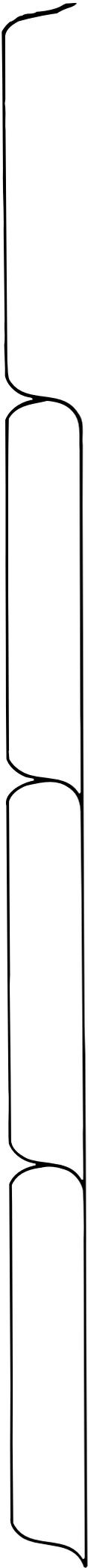
Community Redevelopment Fund – The Community Redevelopment Fund accounts for the use of tax increment financing for improvements in the Uptown Area.

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



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**NON MAJOR FUNDS
COMBINING BALANCE SHEET
(Thousands of Dollars)
June 30, 2013**

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

	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	10,498	-	544	2,600	1,794	14,614	2,473
Receivables (net of allowance for uncollectibles):							
Property taxes:							
Delinquent property taxes	-	-	-	-	-	-	-
Special assessments:							
Current special assessments	-	-	-	-	-	-	-
Delinquent special assessments	-	-	-	-	-	-	-
Federal grants and entitlements	-	-	2,007	5,302	-	805	-
State grants and entitlements	-	3,028	-	1,328	-	123	-
Interest on investments	2	-	-	-	-	26	-
Other	5	-	-	2,913	-	-	7
Due from other agencies and governments	-	-	-	-	-	5,009	377
Total assets	\$ 10,796	3,028	2,551	12,144	1,794	20,577	2,857
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts payable	\$ 420	-	1,467	940	-	2,451	2,857
Accrued liabilities	-	-	84	225	-	-	-
Contract retainage	-	-	-	7	-	-	-
Due to other funds	-	3,028	1,000	-	-	-	-
Unearned revenue	846	-	-	-	-	-	-
Total liabilities	1,266	3,028	2,551	1,172	-	2,451	2,857
Deferred Inflows:							
Uncollected property taxes	-	-	-	-	-	-	-
Uncollected special assessments	-	-	-	-	-	-	-
Uncollected grant reimbursements	-	-	-	10,725	-	951	-
Uncollected intergovernmental receivables	-	-	-	-	-	-	-
Total deferred inflows	-	-	-	10,725	-	951	-
Fund balances:							
Restricted	9,530	-	-	247	-	17,175	-
Committed	-	-	-	-	1,794	-	-
Total fund balances	9,530	-	-	247	1,794	17,175	-
Total liabilities, deferred inflows, and fund balances	\$ 10,796	3,028	2,551	12,144	1,794	20,577	2,857

**NON MAJOR FUNDS
COMBINING BALANCE SHEET
(Thousands of Dollars)
June 30, 2013**

**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	
-	-	-	-	-	-	-	292	ASSETS Cash and cash equivalents
21	151	1,930	6	18	2,041	89	36,779	Equity in cash and investment pool
-	-	-	-	-	-	3,035	3,035	Receivables (net of allowance for uncollectibles): Property taxes:
-	-	-	-	3,133	-	-	3,133	Delinquent property taxes
-	-	-	-	180	-	-	180	Special assessments: Current special assessments
-	-	-	-	-	-	-	8,114	Delinquent special assessments
-	-	-	-	-	-	-	4,479	Federal grants and entitlements
-	-	1	-	-	-	-	29	State grants and entitlements
-	-	16	-	-	-	-	2,941	Interest on investments
-	-	-	-	-	9,172	-	14,558	Other Due from other agencies and governments
21	151	1,947	6	3,331	11,213	3,124	73,540	Total assets
-	1	82	-	18	213	89	8,538	LIABILITIES AND FUND BALANCES Liabilities:
-	-	-	-	-	-	-	309	Accounts payable
-	-	-	-	-	-	-	7	Accrued liabilities
-	-	-	-	-	-	-	4,028	Contract retainage
-	62	-	-	-	-	-	908	Due to other funds
-	63	82	-	18	213	89	13,790	Unearned revenue
-	-	-	-	-	-	3,035	3,035	Total liabilities
-	-	-	-	-	-	-	3,313	Deferred Inflows:
-	-	-	-	3,313	-	-	3,313	Uncollected property taxes
-	-	-	-	-	-	-	11,676	Uncollected special assessments
-	-	-	-	-	9,172	-	9,172	Uncollected grant reimbursements Uncollected intergovernmental receivables
-	-	-	-	3,313	9,172	3,035	27,196	Total deferred inflows
-	-	-	-	-	-	-	26,952	Fund balances:
21	88	1,865	6	-	1,828	-	5,602	Restricted
21	88	1,865	6	-	1,828	-	32,554	Committed
21	151	1,947	6	3,331	11,213	3,124	73,540	Total fund balances
21	151	1,947	6	3,331	11,213	3,124	73,540	Total liabilities and fund balances

**NON MAJOR FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
(Thousands of Dollars) June 30, 2013**

	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	-	-	-	-	-	116	-
Total local taxes	-	-	-	-	-	116	-
State taxes (local share):	-	-	-	-	-	-	-
Gas and motor fuel tax	-	11,390	-	-	-	-	-
Gas 3 cent	-	3,418	-	-	-	-	-
Gas 1989	-	1,842	-	-	-	-	-
Hotel/motel tax	-	-	-	-	-	-	4,189
Licenses and Permits	-	-	-	-	-	-	-
Fines and forfeitures	3,826	-	-	-	-	-	-
Charges for services	-	-	-	-	-	60,180	-
Investment income	13	-	-	-	2	-	-
Federal grants and entitlements	-	-	7,216	14,945	-	1,314	-
State grants	-	-	-	4,539	-	144	-
Other	86	-	-	4,292	-	176	-
Total revenues	3,925	16,650	7,216	23,776	2	61,930	4,189
EXPENDITURES							
General government	-	14,882	-	23,781	-	-	2,856
Public safety	3,632	-	-	-	-	-	-
Community service	-	-	7,216	-	-	-	-
Transportation & environment	-	-	-	-	-	51,607	-
Education	-	-	-	-	-	-	-
Total expenditures	3,632	14,882	7,216	23,781	-	51,607	2,856
Revenues over (under) expenditures	293	1,768	-	(5)	2	10,323	1,333
OTHER FINANCING SOURCES (USES)							
Transfers in	-	-	-	200	-	-	1,174
Transfers out	-	(1,768)	-	(195)	-	(3,516)	(2,507)
Total other financing sources and uses	-	(1,768)	-	5	-	(3,516)	(1,333)
Net change in fund balances	293	-	-	-	2	6,807	-
Fund balances - beginning of year	9,237	-	-	247	1,792	10,368	-
Fund balances - end of year	\$ 9,530	-	-	247	1,794	17,175	-

NON MAJOR FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
(Thousands of Dollars) June 30, 2013

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:
-	-	-	-	-	5,781	11,502	17,283	Property taxes
-	-	-	-	2,532	-	-	2,532	Special assessments - current
-	-	-	-	100	-	-	100	Special assessments - prior
1,174	-	-	-	-	-	-	1,174	Sales tax general
-	-	-	-	57	-	-	173	Other local taxes
1,174	-	-	-	2,689	5,781	11,502	21,262	Total local taxes
								State taxes (local share):
-	-	-	-	-	-	-	-	Gas and motor fuel tax
-	-	-	-	-	-	-	11,390	Gas 3 cent
-	-	-	-	-	-	-	3,418	Gas 1989
-	-	-	-	-	-	-	1,842	Hotel/motel tax
-	-	382	-	-	-	-	4,189	Licenses and Permits
-	-	-	-	-	-	-	382	Fines and forfeitures
-	139	-	-	-	-	-	3,826	Charges for services
-	-	3	-	-	-	-	60,319	Investment income
-	-	-	-	-	-	-	18	Federal grants and entitlements
-	-	-	-	-	-	-	23,475	State grants
21	-	7	-	-	-	-	4,683	Other
1,195	139	392	-	2,689	5,781	11,502	4,582	Total revenues
								EXPENDITURES
2,500	-	558	-	2,689	1,889	-	49,155	General government
-	-	-	-	-	-	-	3,632	Public safety
-	145	-	-	-	-	-	7,361	Community service
-	-	-	-	-	-	-	51,607	Transportation & environment
-	-	-	-	-	-	63,720	63,720	Education
2,500	145	558	-	2,689	1,889	63,720	175,475	Total expenditures
								Revenues over (under) expenditures
(1,305)	(6)	(166)	-	-	3,892	(52,218)	(36,089)	
								OTHER FINANCING SOURCES (USES)
6,638	-	-	-	-	1,903	52,218	62,133	Transfers in
(1,174)	-	-	-	-	(5,853)	-	(15,013)	Transfers out
5,464	-	-	-	-	(3,950)	52,218	47,120	Total other financing sources and uses
4,159	(6)	(166)	-	-	(58)	-	11,031	Net change in fund balances
(4,138)	94	2,031	6	-	1,886	-	21,523	Fund balances - beginning of year
21	88	1,865	6	-	1,828	-	32,554	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, 2013**

	Budget Amounts			Variance with Final Budget- Positive (Negative)
	Original	Final	Actual	
DRUG ENFORCEMENT FUND				
Revenues:				
Investment income	\$ -	-	13	13
Fines and forfeitures	4,236	4,236	3,826	(410)
Other	90	90	86	(4)
Total revenues	4,326	4,326	3,925	(401)
Expenditures:				
Public safety	4,537	4,537	3,632	905
Total expenditures	4,537	4,537	3,632	905
Revenues over (under) expenditures	\$ (211)	(211)	293	504
STATE STREET AID FUND				
Revenues:				
State gasoline tax (local share):				
Gas and motor fuel tax	\$ 11,757	11,757	11,390	(367)
Gas 3 cent	3,511	3,511	3,418	(93)
Gas 1989	1,900	1,900	1,842	(58)
Total revenues	17,168	17,168	16,650	(518)
Expenditures:				
General government	15,400	15,400	14,882	518
Total expenditures	15,400	15,400	14,882	518
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, 2013**

	Budget Amounts			Variance with Final Budget- Positive(Negative)
	Original	Final	Actual	
WORKFORCE INVESTMENT ACT				
Revenues:				
Federal grants	\$ 11,738	11,738	7,216	(4,522)
Total revenues	11,738	11,738	7,216	(4,522)
Expenditures:				
Community service	11,738	11,738	7,216	4,522
Total expenditures	11,738	11,738	7,216	4,522
Revenues over (under) expenditures	\$ -	-	-	-
MISCELLANEOUS GRANTS				
Revenues:				
Federal grants	\$ 66,849	66,849	14,945	(51,904)
State grants	8,959	8,959	4,539	(4,420)
Other	22,456	22,456	4,292	(18,164)
Total revenues	98,264	98,264	23,776	(74,488)
Expenditures:				
General government	66,809	66,809	23,781	43,028
Total expenditures	66,809	66,809	23,781	43,028
Other financing sources (uses):				
Transfers in	-	-	200	200
Transfers out	-	-	(195)	(195)
Total other financing sources (uses)	-	-	5	5
Revenues over (under) expenditures and other financing sources (uses)	\$ 31,455	31,455	-	(31,455)
SOLID WASTE MANAGEMENT FUND				
Revenues:				
Other local taxes	\$ -	-	116	116
Charges for services	58,559	58,972	60,180	1,208
Federal grants	-	-	1,314	1,314
State grants	73	73	144	71
Other	100	100	176	76
Total revenues	58,732	59,145	61,930	2,785
Expenditures:				
Transportation & environment	59,570	60,025	51,607	(8,418)
Total expenditures	59,570	60,025	51,607	(8,418)
Other financing sources (uses):				
Transfers out	(3,947)	(3,947)	(3,516)	431
Total other financing sources (uses)	(3,947)	(3,947)	(3,516)	431
Revenues over (under) expenditures and other financing sources (uses)	\$ (4,785)	(4,827)	6,807	(5,202)

**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, 2013**

	Budget Amounts			Variance with Final Budget- Positive(Negative)
	Original	Final	Actual	
HOTEL/MOTEL TAX				
Revenues:				
Hotel/motel tax	\$ 3,500	3,800	4,189	389
Total revenues	3,500	3,800	4,189	389
Expenditures:				
General government	2,317	2,467	2,856	(389)
Total expenditures	2,317	2,467	2,856	(389)
Other financing sources (uses):				
Transfers in	970	1,174	1,174	-
Transfers out	(2,153)	(2,507)	(2,507)	-
Total other financing sources (uses)	(1,183)	(1,333)	(1,333)	-
Revenues over (under) expenditures and other financing sources (uses)	\$ -	-	-	-
NEW MEMPHIS ARENA				
Revenues:				
Sales tax general	\$ 970	1,174	1,174	-
Other revenues	-	-	21	21
Total revenues	970	1,174	1,195	21
Expenditures:				
General government	2,500	2,500	2,500	-
Total expenditures	2,500	2,500	2,500	-
Other financing sources (uses):				
Transfers in	2,500	7,791	6,638	(1,153)
Transfers out	(970)	(1,174)	(1,174)	-
Total other financing sources (uses)	1,530	6,617	5,464	(1,153)
Revenues over (under) expenditures and other financing sources (uses)	\$ -	5,291	4,159	(1,132)
MLK PARK				
Revenues:				
Charges for services	\$ 140	140	139	(1)
Total revenues	140	140	139	(1)
Expenditures:				
Community service	258	258	145	113
Total expenditures	258	258	145	113
Revenues over (under) expenditures and other financing sources (uses)	\$ (118)	(118)	(6)	112

**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, 2013**

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

	<u>Budget Amounts</u>			Variance with Final Budget- Positive(Negative)
	Original	Final	Actual	
METRO ALARM				
Revenues:				
Licenses and permits	\$ 526	509	382	(127)
Investment income	-	-	3	3
Other	-	4	7	3
Total revenues	526	513	392	(121)
Expenditures:				
General government	580	578	558	20
Total expenditures	580	578	558	20
Revenues over (under) expenditures	\$ (54)	(65)	(166)	(101)
COMMUNITY REDEVELOPMENT				
Revenues:				
Local taxes	\$ -	-	5,781	5,781
State grants	-	-	-	-
Other	-	-	-	-
Total revenues	-	-	5,781	5,781
Expenditures:				
General government	-	-	1,890	(1,890)
Total expenditures	-	-	1,890	(1,890)
Other financing sources (uses):				
Transfers in	-	-	1,903	1,903
Transfers out	-	-	(5,853)	(5,853)
Total other financing sources (uses)	-	-	(3,950)	(3,950)
Revenues over (under) expenditures and other financing sources (uses)	\$ -	-	(59)	(59)

**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, 2013**

**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	-	-	5,897	5,897
Sales tax general	970	1,174	1,174	-
State taxes (local share)	-	-	21	21
Charges for services	59,225	59,621	60,701	1,080
Investment income	-	4	16	12
Federal grants and entitlements	78,587	78,587	23,475	(55,112)
State grants	9,032	9,032	4,683	(4,349)
Fines and forfeitures	4,236	4,236	3,826	(410)
Hotel/motel tax	3,500	3,800	4,189	389
Other	22,646	22,650	4,561	(18,089)
Total revenues	178,196	179,104	108,543	(70,561)
Expenditures:				
General government	72,206	72,354	31,585	40,769
Public safety	4,537	4,537	3,632	905
Community services	11,996	11,996	7,361	4,635
Transportation and environment	15,400	15,400	14,882	518
Total expenditures	104,139	104,287	57,460	46,827
Other financing sources (uses)				
Transfers in	3,470	8,965	9,915	950
Transfers out	(12,785)	(13,343)	(18,329)	(4,986)
Total other financing sources (uses)	(9,315)	(4,378)	(8,414)	(4,036)
Revenues over (under) expenditures and other financing sources (uses)	\$ 64,742	70,439	42,669	(27,770)

ALL SPECIAL FUNDS (WITH CARRYOVER BUDGETS)
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL
(Thousands of Dollars)
For the fiscal year ended June 30, 2013

CITY OF MEMPHIS, TENNESSEE
Exhibit B-4

	Budget	Recognized thru June 30, 2012	Recognized Current Year	Recognized thru June 30, 2013	Variance
MIDTOWN CORRIDOR FUND					
Revenues:					
Investment income	\$ -	431	2	433	433
Other	-	25	-	25	25
Sale of land	2,932	4,080	-	4,080	1,148
Total revenues	2,932	4,536	2	4,538	1,606
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	1,792	2	1,794	1,529

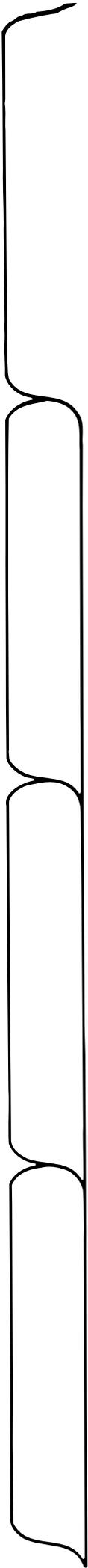
CITY OF MEMPHIS

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 POSITION
(Thousands of Dollars)
June 30, 2013**

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

	<u>Storm Water</u>
ASSETS	
Current assets:	
Cash	\$ 1
Equity in cash and investment pool	4,213
Accounts receivable	<u>2,024</u>
Total current assets	6,238
Capital assets:	
Land	37
Improvements other than buildings	41,636
Machinery and equipment	14,936
Less accumulated depreciation and amortization	<u>(18,961)</u>
Total capital assets	37,648
Construction in progress	<u>29,903</u>
Net capital assets	<u>67,551</u>
Total assets	<u>73,789</u>
LIABILITIES	
Current liabilities:	
Accounts payable and accrued expenses	915
Contract retainage	(2)
Other post employment benefits	1,092
Unearned revenue	465
Vacation, sick and other leave benefits	<u>1,384</u>
Total current liabilities	<u>3,854</u>
Total liabilities	<u>3,854</u>
DEFERRED INFLOWS OF RESOURCES	
Revenue received in advance of expense	<u>441</u>
Total deferred inflows of resources	<u>441</u>
NET POSITION	
Net investment in capital assets	67,551
Unrestricted	<u>1,943</u>
Total net position	<u>\$ 69,494</u>

**ENTERPRISE FUNDS
STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN NET POSITION
(Thousands of Dollars)
For the fiscal year ended June 30, 2013**

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

	<u>Storm Water</u>
Operating revenues-charges for services	\$ 24,108
Operating expenses other than depreciation and amortization:	
Personnel services	8,618
Materials, supplies, services, and other	<u>4,207</u>
Total operating expenses other than depreciation and amortization	<u>12,825</u>
Operating income before depreciation and amortization	<u>11,283</u>
Depreciation and amortization	<u>2,639</u>
Operating income	<u>8,644</u>
Non-operating revenue:	
Investment income	(1)
Other revenue	<u>203</u>
Total non-operating revenue	<u>202</u>
Income before capital contributions and transfers	<u>8,846</u>
Transfers in	21,660
Transfers out	(4,412)
Capital contribution - state	<u>29</u>
Change in net position	26,123
Total net position - beginning of year	<u>43,371</u>
Total net position - end of year	<u>\$ 69,494</u>

ENTERPRISE FUNDS
STATEMENT OF CASH FLOWS
(Thousands of Dollars)
For the fiscal year ended June 30, 2013

	<u>Storm Water</u>
CASH FLOWS FROM OPERATING ACTIVITIES:	
Receipts from customers and users	\$ 25,065
Payments to suppliers	(4,181)
Payments to employees	(11,286)
Net cash provided by operating activities	<u>9,598</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:	
Local shared revenue	199
Receipt of miscellaneous income	4
Transfer from other funds	21,660
Repayment of advances from other funds	(10,851)
Transfers to other funds	(4,412)
Net cash provided by noncapital financing activities	<u>6,600</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Acquisition and construction of capital assets	(12,013)
Capital contribution - state	29
Net cash used for capital and related financing activities	<u>(11,984)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Investing income earned on investments	<u>(1)</u>
Net cash used for investing activities	<u>(1)</u>
Net increase in cash	4,213
Cash, beginning of year	1
Cash, end of year	<u>\$ 4,214</u>
Reconciliation of operating income to net cash provided by (used for) operating activities:	
Operating income	\$ 8,644
Adjustments to reconcile operating income to net cash provided by operating activities	
Depreciation expense	2,639
Decrease in assets:	
Accounts receivable	52
Decrease in liabilities:	
Other accounts payable and accrued expenses	(1,737)
Total adjustments	<u>954</u>
Net cash provided by operating activities	<u>\$ 9,598</u>

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CITY OF MEMPHIS

T E N N E S S E E

INTERNAL SERVICE FUNDS

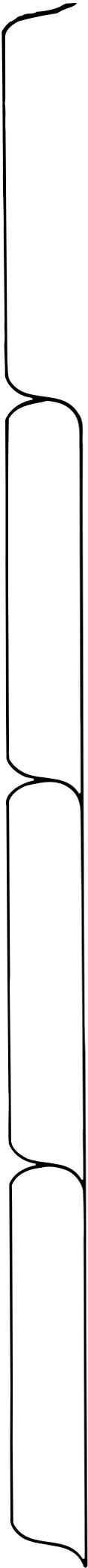
Internal Service Funds are used to account for the financing of goods or services provided by one department to other departments of the City on a cost reimbursement basis.

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



**INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF NET POSITION
(Thousands of Dollars)
June 30, 2013**

**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	14,686	41	2,365	17,092
Receivables	11	-	1	12
Due from other agencies	404	-	-	404
Inventories	-	-	777	777
Total current assets	15,101	41	3,144	18,286
Furniture and equipment	11	-	3,274	3,285
Less accumulated depreciation	(11)	-	(3,237)	(3,248)
Net capital assets	-	-	37	37
Total assets	15,101	41	3,181	18,323
LIABILITIES				
Current liabilities:				
Accounts payable and accrued expenses	947	40	1,377	2,364
Insurance claims payable	10,697	-	-	10,697
Other post employment benefits	96	-	5,316	5,412
Vacation, sick and other leave benefits	103	-	1,502	1,605
Total current liabilities	11,843	40	8,195	20,078
DEFERRED INFLOWS OF RESOURCES				
Revenue collected in advance	5,943	-	-	5,943
Total deferred inflows of resources	5,943	-	-	5,943
NET POSITION				
Net Investment in capital assets	-	-	37	37
Unrestricted (deficit)	(2,685)	1	(5,051)	(7,735)
Total net position (deficit)	\$ (2,685)	1	(5,014)	(7,698)

INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET POSITION
(Thousands of Dollars)
For the fiscal year ended June 30, 2013

CITY OF MEMPHIS, TENNESSEE
Exhibit D-2

	Health Insurance	Unemployment Compensation	Fleet Management	Total
Operating revenues:				
Charges for services	\$ -	-	26,876	26,876
Miscellaneous income	-	1	38	39
Employee contributions	21,542	-	-	21,542
Employer contributions	53,119	1,300	-	54,419
Total operating revenues	74,661	1,301	26,914	102,876
Operating expenses other than depreciation:				
Personnel services	667	-	7,989	8,656
Materials and supplies	4,027	-	2,498	6,525
Capital outlay	22	-	11	33
Death benefits	522	-	-	522
Inventories	-	-	16,655	16,655
Claims incurred	70,364	468	-	70,832
Total operating expenses other than depreciation	75,602	468	27,153	103,223
Operating income (loss) before depreciation	(941)	833	(239)	(347)
Depreciation	-	-	65	65
Operating income (loss)	(941)	833	(304)	(412)
Non-operating revenues:				
Class action litigation	471	-	-	471
Investment income	20	-	(1)	19
Total non-operating revenues	491	-	(1)	490
Income before transfers	(450)	833	(305)	78
Transfers in/(out)	(1,725)	435	5,532	4,242
Change in net position	(2,175)	1,268	5,227	4,320
Total net position (deficit) - beginning of year	(510)	(1,267)	(10,241)	(12,018)
Total net position (deficit) - end of year	\$ (2,685)	1	(5,014)	(7,698)

**INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
(Thousands of Dollars)
For the fiscal year ended June 30, 2013**

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

	Health Insurance	Unemployment Compensation	Fleet Management	Total
CASH FLOWS FROM OPERATING ACTIVITIES:				
Receipts from customers and users	-	-	213	213
Receipts from other division funds	15,561	96	26,740	42,397
Receipts from other agency funds	(668)	-	-	(668)
Miscellaneous revenue	471	1	38	510
Employee contributions	21,542	-	-	21,542
Employer contributions	53,020	-	-	53,020
Payments to suppliers	(5,054)	-	(2,463)	(7,517)
Payments to employees	(831)	-	(7,366)	(8,197)
Payments to other division funds	-	-	(3,531)	(3,531)
Payments for inventory	-	-	(16,795)	(16,795)
Payments for death benefits	(522)	-	-	(522)
Payments for claims incurred	(69,821)	(491)	-	(70,312)
Net cash (used in) provided by operating activities	<u>13,698</u>	<u>(394)</u>	<u>(3,164)</u>	<u>10,140</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Transfers to other funds	(1,725)	-	-	(1,725)
Transfers from other funds	-	435	5,532	5,967
Net cash (used in) provided noncapital financing activities	<u>(1,725)</u>	<u>435</u>	<u>5,532</u>	<u>4,242</u>
CASH FLOWS FROM INVESTING ACTIVITIES:				
Investment income earned on investments	22	-	(2)	20
Net cash (used in) provided by investing activities	<u>22</u>	<u>-</u>	<u>(2)</u>	<u>20</u>
Net increase in cash and cash equivalents	11,995	41	2,365	14,401
Cash and cash equivalents, beginning of year	2,691	-	1	2,692
Cash and cash equivalents, end of year	<u>\$ 14,686</u>	<u>41</u>	<u>2,366</u>	<u>17,093</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:				
Operating income (loss)	\$ (469)	833	(304)	60
Adjustments to reconcile operating income to net cash provided by operating activities				
Depreciation expense	-	-	65	65
(Increase) decrease in assets:				
Inventories	-	-	(139)	(139)
Accounts receivable	14,894	-	78	14,972
Increase (decrease) in liabilities:				
Other accounts payable and accrued expenses	(727)	(1,227)	(2,864)	(4,818)
Total adjustments	<u>14,167</u>	<u>(1,227)</u>	<u>(2,860)</u>	<u>10,080</u>
Net cash (used in) provided by operating activities	<u>\$ 13,698</u>	<u>(394)</u>	<u>(3,164)</u>	<u>10,140</u>

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CITY OF MEMPHIS

T E N N E S S E E

FIDUCIARY FUNDS

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

Pension (and other employee benefit) Trust Funds:

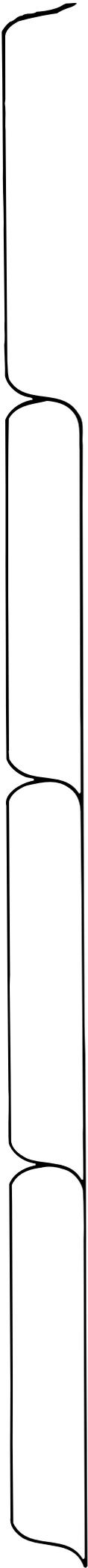
Retirement Systems – Included are the retirement systems for the City of Memphis, the Library, and Memphis Light, Gas and Water.

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

Agency Funds:

Sold Property Tax Receivables Fund – Accounts for the assets and liabilities held by the City for the purchaser of delinquent property tax receivables.



STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY TRUST FUNDS (Thousands of Dollars)
For the fiscal year ended June 30, 2013

CITY OF MEMPHIS, TENNESSEE
Exhibit E-1

	Pension Trust			City OPEB Fund	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	\$ 61,270	14,446	36,415	-	15,303	127,434
Investments, at fair value:						
U.S. government securities - long-term	138,905	-	37,251	-	-	176,156
Common stock - domestic	759,716	43,202	269,106	-	71,994	1,144,018
Common stock - foreign	127,955	-	56,749	-	20,630	205,334
Preferred stock - domestic	-	-	18,418	-	139	18,557
Preferred stock - foreign	-	-	1,071	-	-	1,071
Corporate bonds - domestic	226,662	-	183,704	-	-	410,366
Corporate bonds - foreign	43,854	-	26,372	-	-	70,226
Mutual funds and money market funds	43,112	522	1,625	4,865	-	50,124
Corporate bond mutual funds - domestic	-	-	47,163	-	24,395	71,558
Corporate bond mutual funds - international	-	-	-	-	14,159	14,159
Collateralized mortgage obligations	16,971	-	26,608	-	-	43,579
Asset-backed pooled securities	13,683	-	-	-	-	13,683
Mortgage-backed pooled securities	64,398	-	48,073	-	-	112,471
Investment in index funds	164,772	-	185,207	-	-	349,979
Investment in real estate	104,918	-	201,911	-	6,606	313,435
Investment in high yield bond fund	-	-	6,869	-	-	6,869
Investment in private equities	-	-	17,957	-	249	18,206
Investment in international equity fund	313,003	-	-	-	2,045	315,048
Investment in international multi-class fund	-	-	-	-	11,141	11,141
Investment in international bond fund	-	-	-	-	33,420	33,420
Hedge funds	-	-	41,154	-	-	41,154
Distressed debt funds - domestic	-	-	-	-	10,692	10,692
Distressed debt funds - foreign	-	-	-	-	8,310	8,310
Total investments	2,017,949	43,724	1,169,238	4,865	203,780	3,439,556
Equity in cash and investment pool	1	-	-	21,797	-	21,798
Interest and dividend receivables	7,734	28	4,823	5	282	12,872
Receivable for securities sold	55,427	-	5,396	-	42	60,865
Employer and employee contributions receivable	-	-	924	-	1,795	2,719
Collateral held in trust for securities on loan	60,279	-	105,019	-	19,111	184,409
Total assets	2,202,660	58,198	1,321,815	26,667	240,313	3,849,653
LIABILITIES						
Accounts payable and other	124,783	-	9,705	6,760	686	141,934
Collateral subject to return to borrowers	60,279	-	105,019	-	19,111	184,409
Total liabilities	185,062	-	114,724	6,760	19,797	326,343
DEFERRED INFLOWS OF RESOURCES						
Revenue collected in advance	-	-	-	3,662	-	3,662
Total deferred inflows of resources	-	-	-	3,662	-	3,662
NET POSITION						
Held in trust for pension benefits, pool participants and OPEB	\$ 2,017,598	58,198	1,207,091	16,245	220,516	3,519,648

See accompanying notes to financial statements.

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY TRUST FUNDS (Thousands of Dollars)
For the fiscal year ended June 30, 2013**

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

	Pension Trust					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	\$ 18,968	177	30,063	22,166	41,162	112,536
Medicare Part D	-	-	-	2,228	-	2,228
Plan members	22,564	188	11,912	11,589	5,912	52,165
Total contributions	41,532	365	41,975	35,983	47,074	166,929
Transfer from other fund	-	-	-	1,725	-	1,725
Investment income:						
Interest and dividend income	51,861	478	31,031	384	3,993	87,747
Securities lending income	-	-	469	-	73	542
Other investment income	1,150	13	21	-	10	1,194
Gain on real estate investments	3,598	-	-	-	-	3,598
Net appreciation in the fair value of investments	188,261	4,902	130,196	1,871	18,999	344,229
Total investment income	244,870	5,393	161,717	2,255	23,075	437,310
Total additions	286,402	5,758	203,692	39,963	70,149	605,964
DEDUCTIONS						
Benefits	141,244	3,153	83,826	45,027	29,539	302,789
Administrative expenses	10,333	176	5,512	1,831	1,334	19,186
Refunds of contributions	20,039	-	2,634	-	-	22,673
Total deductions	171,616	3,329	91,972	46,858	30,873	344,648
Net (decrease)/increase	114,786	2,429	111,720	(6,895)	39,276	261,316
Net position - beginning of year	1,902,812	55,769	1,095,371	23,140	181,240	3,258,332
Net position - end of year	\$ 2,017,598	58,198	1,207,091	16,245	220,516	3,519,648

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, 2013

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	\$ 1,430	18,534	18,307	1,657
Property tax receivable - current	7,655	24,783	32,438	-
Property tax receivable - delinquent	3,352	14,631	6,118	11,865
Total assets	\$ 12,437	57,948	56,863	13,522
LIABILITIES				
Accounts payable & other liabilities	\$ 12,437	75,393	74,308	13,522
Total liabilities	\$ 12,437	75,393	74,308	13,522

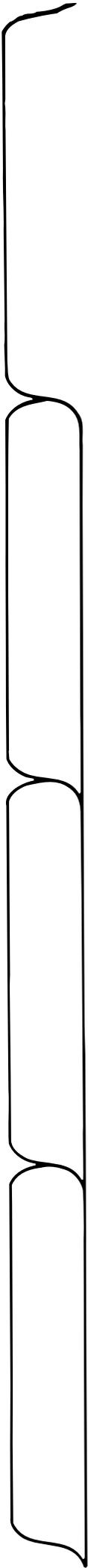
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CITY OF MEMPHIS

T E N N E S S E E

SUPPLEMENTARY SCHEDULES

SUPPLEMENTARY
SCHEDULES



**ALL FUNDS
COMBINED SCHEDULE OF DELINQUENT
PROPERTY TAXES RECEIVABLE
(Thousands of Dollars)
June 30, 2013**

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

<u>Tax Year</u>	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Education</u>	<u>Total (1)</u>
2003	\$ 859	356	2	440	1,657
2004	1,049	434	2	537	2,022
2005	1,094	398	2	474	1,968
2006	1,175	427	2	509	2,113
2007	1,543	561	3	668	2,775
2008	2,710	829	3	235	3,777
2009	3,607	1,123	4	294	5,028
2010	5,438	1,693	7	443	7,581
2011	8,524	2,463	11	-	10,998
2012	10,073	3,144	14	446	13,677
Total delinquent property taxes receivable	36,072	11,428	50	4,046	51,596
Allowance for uncollectibles	9,018	2,857	13	1,011	12,899
Net delinquent property taxes receivable	\$ 27,054	8,571	37	3,035	38,697
Special assessment tax, net of allowance					180
Total tax, net of allowance					\$ 38,877

(1) As of June 30, 2013, \$29,051 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, 2013

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	5.25	20,795	16,980	3,815
March 2002 to 2021	4.50	25,000	25,000	-
August 2002 to 2016	3.95-4.30	22,805	17,515	5,290
June 2004 to 2024	4.00-5.25	30,000	9,020	20,980
December 2005 to 2025	4.00-5.00	32,000	8,190	23,810
September 2006 to 2020	4.00-5.00	20,220	4,400	15,820
December 2007 to 2028	4.00-4.50	20,000	3,405	16,595
November 2009 to 2030	3.00-6.30	20,000	1,505	18,495
October 2011 to 2030	2.13-6.10	16,450	1,210	15,240
October 2011 to 2021	3.00-5.00	15,165	115	15,050
Total sewer collection and treatment fund		222,435	87,340	135,095
MEMPHIS LIGHT, GAS AND WATER DIVISION (1)				
Electric Division				
Electric System Revenue Refunding Bonds:				
November 2008 to 2018	3.12-5.00	1,292,170	1,186,455	105,715
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	1,186,455	662,695
Water Division				
Southeast Memphis Suburban Utility District Waterworks Revenue Bonds				
December 2009 to 2012	5.25	12,575	12,575	-
Total water division		12,575	12,575	-
Total MLG&W		1,861,725	1,199,030	662,695
Total revenue bonds		\$ 2,084,160	\$ 1,286,370	\$ 797,790

(1) All MLG&W bonds reflect amounts outstanding at December 31, 2012

SCHEDULE OF GENERAL OBLIGATION DEBT - BY ISSUE
(Thousands of Dollars)
For the fiscal year ended June 30, 2013

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:				
January 1999 to 2012	5.25	42,290	42,290	-
November 2001 to 2016	5.00-5.25	92,985	57,745	35,240
February 2004 to 2017	3.20-5.00	34,160	18,565	15,595
November 2004 to 2023	4.25-5.00	125,000	102,790	22,210
March 2005 to 2019	5.00-5.25	166,880	31,700	135,180
June 2005 to 2018	5.00-5.25	115,635	34,685	80,950
February 2006 to 2025	4.25-5.00	115,115	49,385	65,730
December 2006 to 2022	4.00-5.00	89,385	30,490	58,895
May 2007 to 2027	5.00	94,935	27,235	67,700
April 2008 to 2028	3.25-5.00	99,735	33,125	66,610
May 2009 to 2029	4.00-5.00	76,025	32,990	43,035
May 2010 to 2030	3.00-6.15	67,830	2,030	65,800
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	.650-3.70	5,145	305	4,840
Total general government serial bonds		1,555,115	463,335	1,091,780
OTHER RELATED PARTY OBLIGATIONS				
Loans				
August 2011	2.00-5.25	20,115	507	19,608
September 2011	3.87	196,935	-	196,935
Total other related party obligations		217,050	507	216,543
BOND ANTICIPATION NOTES				
City Direct Issue	3.00	71,975	-	71,975
Commercial Paper	variable	115,000	-	115,000
Total bond anticipation notes		186,975	-	186,975
CAPITAL LEASE OBLIGATIONS:				
November 2007 to August 2012	3.83	7,510	7,510	-
September 2011 to August 2016	1.30	8,963	2,640	6,323
December 2010 to December 2015	2.77	2,250	1,086	1,164
Total capital lease obligations		18,723	11,236	7,487
TOTAL GENERAL OBLIGATION DEBT		\$ 1,977,863	\$ 475,078	\$ 1,502,785

SCHEDULE OF GENERAL OBLIGATION DEBT - BY ISSUE
(Thousands of Dollars)
For the fiscal year ended June 30, 2013

CITY OF MEMPHIS, TENNESSEE
Exhibit F-4

Use	Balance Outstanding At Year End
<hr/>	
GENERAL OBLIGATION BONDS	
General Improvement	\$ 1,079,305
Schools	12,475
Total general obligation bonds	1,091,780
RELATED PARTY LOAN	196,935
RELATED PARTY DEBT OBLIGATION	19,608
BOND ANTICIPATION NOTES	71,975
BOND ANTICIPATION NOTES-COMMERCIAL PAPER	115,000
CAPITAL LEASE OBLIGATIONS	7,487
TOTAL GENERAL OBLIGATION DEBT	<u><u>\$ 1,502,785</u></u>

**LONG TERM DEBT PRINCIPAL AND INTEREST REQUIREMENTS
 PROPRIETARY FUNDS
 (Thousands of Dollars)
 For the fiscal year ended June 30, 2013**

**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
2013	-	-	99,700	32,291	99,700	32,291
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 \$	135,095	46,502	662,695	116,620	797,790	163,122

SCHEDULE OF INTERFUND BALANCES
(Thousands of Dollars)
June 30, 2013

CITY OF MEMPHIS, TENNESSEE
Exhibit F-6

	<u>Primary Government</u>			
	<u>Governmental Fund Types</u>		<u>Enterprise Funds</u>	
	<u>General Fund</u>	<u>Debt Service</u>	<u>Sewer</u>	<u>Total Payables - Reporting Entity</u>
GOVERNMENTAL FUND TYPES				
Special Revenue:				
Community development	\$ -	-	11,200	11,200
State street aid	2,733	295	-	3,028
Workforce investment act	1,000	-	-	1,000
Total receivables - primary government	3,733	295	11,200	15,228
Total receivables - reporting entity	\$ 3,733	295	11,200	15,228

SCHEDULE OF INTERFUND TRANSFERS
(Thousands of Dollars)
For the fiscal year ended June 30, 2013

CITY OF MEMPHIS, TENNESSEE
Exhibit F-7

	Primary Government											Total Transfers Out	
	Governmental Fund Types						Business Type Activities						
	General Fund	Debt Service	Capital Projects	Miscellaneous Grants	Hotel/Motel Tax	New Memphis Arena	Community Redevelopment	Education Fund	Enterprise Storm Water	Internal Service Vehicle Maintenance	Unemployment Fund		Fiduciary OPEB Trust Fund
GOVERNMENTAL FUND TYPES													
General Fund	\$ -	7,469	8,011	200	-	2,964	1,903	52,218	-	5,532	435	-	78,732
Capital Projects Fund	-	-	-	-	-	-	-	-	21,660	-	-	-	21,660
Special Revenue:													
State Street Aid	-	1,768	-	-	-	-	-	-	-	-	-	-	1,768
Miscellaneous Grants	-	195	-	-	-	-	-	-	-	-	-	-	195
Solid Waste	-	3,516	-	-	-	-	-	-	-	-	-	-	3,516
Community Redevelopment	-	5,853	-	-	-	-	-	-	-	-	-	-	5,853
Hotel/Motel Tax	-	1,333	-	-	-	1,174	-	-	-	-	-	-	2,507
New Memphis Arena	-	-	-	-	1,174	-	-	-	-	-	-	-	1,174
PROPRIETARY FUND TYPES													
Enterprise:													
Sewer Collection and Treatment	6,046	-	-	-	-	-	-	-	-	-	-	-	6,046
Memphis Light, Gas and Water	51,440	-	-	-	2,500	-	-	-	-	-	-	-	53,940
Storm Water	-	4,412	-	-	-	-	-	-	-	-	-	-	4,412
Internal Service:													
Health Insurance	-	-	-	-	-	-	-	-	-	-	-	-	-
Total transfers in	\$ 57,486	24,546	8,011	200	1,174	6,538	1,903	52,218	21,660	5,532	435	1,725	181,528

A discrepancy of \$1,800 exists between the amount reported as transfers by the General fund and transfers to the General Fund by MLGW due to a transaction occurring subsequent to MLGW's year end and prior to the City's June 30th year end.

**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, 2013**

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

	Governmental Fund Types					Proprietary Funds			Internal Service Funds		Fiduciary Fund Types					Total	
	General	Special Revenue	Community Development	Capital Projects	Sewer	MLGW	Non-Major Funds	Fleet Maintenance	Total	City OPEB Trust	Trust and Agency						
											Memphis Light, Gas and Water OPEB Trust	City Retirement System	Library Retirement System	MLGW Retirement System			
Investments:																	
Short-term investments	-	-	-	7,488	9,051	217,371	-	-	233,910	-	-	-	-	-	-	-	1,625
U.S. government securities - long-term	-	-	-	-	8,082	112,479	-	-	120,561	-	-	-	-	-	-	-	37,251
Municipal bonds	-	-	-	-	-	2,463	-	-	2,463	-	-	-	-	-	-	-	-
Common stock - domestic	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Common stock - foreign	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Preferred stock - domestic	-	-	-	-	-	-	-	-	-	71,994	759,716	43,202	289,106	-	-	-	1,144,018
Preferred stock - foreign	-	-	-	-	-	-	-	-	-	20,630	127,955	-	56,749	-	-	-	205,334
Corporate bonds - domestic	-	-	-	-	-	-	-	-	-	139	-	-	18,418	-	-	-	18,557
Corporate bonds - foreign	-	-	-	-	-	-	-	-	-	-	-	-	1,071	-	-	-	1,071
Asset-backed pooled securities	-	-	-	-	-	16,423	-	-	16,423	-	226,662	-	183,704	-	-	-	410,366
Collateralized mortgage obligations	-	-	-	-	-	-	-	-	-	-	43,854	-	26,372	-	-	-	70,226
Mortgage-backed pooled securities	-	-	-	-	-	21,188	-	-	21,188	-	13,663	-	13,663	-	-	-	43,663
Investment in high yield bond fund	-	-	-	-	-	-	-	-	-	-	16,971	-	26,608	-	-	-	43,579
Investment in international equity fund	-	-	-	-	-	-	-	-	-	-	64,398	-	48,073	-	-	-	112,471
Investment in index funds	-	-	-	-	-	-	-	-	-	2,045	313,003	-	6,869	-	-	-	315,048
Investment in international bond fund	-	-	-	-	-	-	-	-	-	33,420	164,772	-	185,207	-	-	-	349,979
Investment in international multi-class fund	-	-	-	-	-	-	-	-	-	11,141	-	-	-	-	-	-	33,420
Investment in real estate	-	-	-	-	-	-	-	-	-	6,606	104,918	-	201,911	-	-	-	11,141
Investment in private equities	-	-	-	-	-	-	-	-	-	249	-	-	17,957	-	-	-	313,435
Bond and equity mutual fund	-	-	-	-	-	-	-	-	-	4,865	43,112	522	17,957	-	-	-	18,206
Investment in corporate bond mutual fund	-	-	-	-	-	-	-	-	-	38,554	-	-	47,163	-	-	-	48,499
Hedge funds	-	-	-	-	-	-	-	-	-	-	-	-	41,154	-	-	-	85,717
Distressed debt funds - domestic	-	-	-	-	-	-	-	-	-	10,692	-	-	41,154	-	-	-	41,154
Distressed debt funds - foreign	-	-	-	-	-	-	-	-	-	8,310	-	-	-	-	-	-	10,692
Purchased interest	-	-	-	-	5	-	-	5	5	-	-	-	-	-	-	-	8,310
State of Tennessee local government investment pool	-	-	-	4,188	44	-	-	4,232	4,232	-	-	-	-	-	-	-	-
Total investments	-	-	-	11,676	17,182	369,924	-	-	386,782	4,865	203,780	2,017,949	43,724	1,169,238	-	-	3,439,556
Deposits:																	
Cash deposits	43	292	123	96	1	15,641	1	1	16,198	-	15,303	61,270	14,446	36,415	-	-	127,434
Total deposits	43	292	123	96	1	15,641	1	1	16,198	-	15,303	61,270	14,446	36,415	-	-	127,434
Total investments and deposits	43	292	123	11,772	17,183	385,565	1	1	414,980	4,865	219,083	2,079,219	58,170	1,205,653	-	-	3,566,990

**SCHEDULE OF ADDITIONS AND RETIREMENTS
TO UTILITY PLANT
(Thousands of Dollars)
For the fiscal year ended June 30, 2013**

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

MEMPHIS LIGHT, GAS AND WATER DIVISION ¹

	Balance				Balance
	January 1, 2012	Additions	Deletions	Transfers	December 31, 2012
Electric Division	\$ 1,461,206	72,870	(7,207)	-	1,526,869
Gas Division	559,656	14,071	(1,406)	-	572,321
Water Division	436,088	13,615	(5,357)	-	444,346
Total	\$ 2,456,950	100,556	(13,970)	-	2,543,536

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				Balance
	July 1, 2012	Additions	Deletions	Transfers	June 30, 2013
Land and buildings	\$ 119,795	2	-	-	119,797
Improvements other than buildings	529,984	3,341	-	-	533,325
Equipment and furniture	27,411	4,683	(419)	-	31,675
Construction work in progress	28,065	19,082	(2,710)	-	44,437
	\$ 705,255	27,108	(3,129)	-	729,234

¹ MLGW is presented for the year ended December 31.

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

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, 2013

CITY OF MEMPHIS, TENNESSEE
Exhibit F-10

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
REVENUES				
Local taxes	\$ 426,200	428,792	421,677	(7,115)
State taxes (local share)	55,660	55,990	61,030	5,040
Licenses and permits	10,482	10,593	11,054	461
Fines and forfeitures	15,180	15,180	15,293	113
Charges for services	31,812	31,862	30,912	(950)
Investment income	467	467	330	(137)
Federal grants	117	1,104	2,040	936
State grants	1,648	1,694	2,090	396
Intergovernmental revenues	4,130	4,130	4,136	6
Other	6,879	11,793	8,044	(3,749)
Total revenues	<u>552,575</u>	<u>561,605</u>	<u>556,606</u>	<u>(4,999)</u>
EXPENDITURES				
General government	126,341	129,602	114,686	14,916
Public safety	390,284	392,062	380,657	11,405
Community services	48,623	52,791	47,253	5,538
Transportation and environment	17,413	19,684	19,158	526
Total expenditures	<u>582,661</u>	<u>594,139</u>	<u>561,754</u>	<u>32,385</u>
Revenues under expenditures	<u>(30,086)</u>	<u>(32,534)</u>	<u>(5,148)</u>	<u>27,386</u>
OTHER FINANCING SOURCES (USES)				
Sale of capital assets	25	25	1,481	1,456
Transfers in	60,906	60,906	57,486	(3,420)
Transfers out	<u>(63,337)</u>	<u>(80,544)</u>	<u>(78,732)</u>	<u>1,812</u>
Total other financing sources and uses	<u>\$ (2,406)</u>	<u>(19,613)</u>	<u>(19,765)</u>	<u>(152)</u>
Adjustment for encumbrances - prior year			(12,920)	
Adjustment for encumbrances - current year			<u>12,134</u>	
Revenues over expenditures (GAAP basis)			<u>\$ (25,699)</u>	

See accompanying notes to financial statements.

**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, 2013**

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

	Original Budget	Final Budget	Actual	Variance with Final Budget- Positive (Negative)
REVENUES				
Local taxes	\$ 87,678	88,452	89,607	1,155
State taxes (local share)	-	-	12,118	12,118
Hotel/motel tax	-	-	-	-
Investment income	66	66	190	124
Federal grants	2,273	2,273	2,273	-
Intergovernmental revenue:				
Memphis-Shelby County Airport Authority	-	-	-	-
MHA	-	-	-	-
Total intergovernmental revenue	-	-	-	-
Other	777	777	777	-
Total revenues	90,794	91,568	104,965	13,397
EXPENDITURES				
Redemption of serial bonds and notes	70,168	70,168	70,168	-
Interest	59,071	59,071	66,390	(7,319)
Other	355	361	245	116
Total expenditures	129,594	129,600	136,803	(7,203)
Revenues over expenditures	(38,800)	(38,032)	(31,838)	6,194
OTHER FINANCING SOURCES (USES)				
Transfers in	21,786	21,935	24,546	2,611
Transfers out	-	-	-	-
Issuance of refunding debt	-	-	-	-
Related party loan	-	-	-	-
Retirement of general obligation bonds	-	-	-	-
Premium on debt issue	-	-	-	-
Total other financing sources and uses	21,786	21,935	24,546	2,611
Net change in fund balances	\$ (17,014)	(16,097)	(7,292)	8,805
Fund balance - beginning of year			66,750	
Fund balance - end of year			\$ 59,458	

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CITY OF MEMPHIS

T E N N E S S E E

STATISTICAL SECTION

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

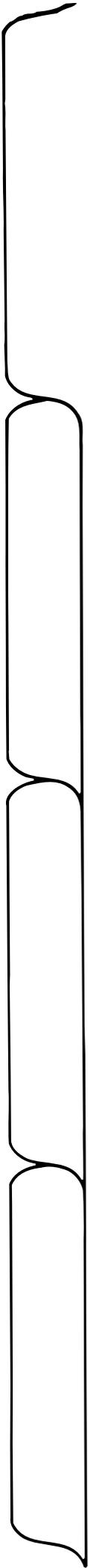
Financial Trends Information assists in understanding and assessing how the City's financial position has changed over time.

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

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

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

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



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

CITY OF MEMPHIS, TENNESSEE
Exhibit X-1

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Governmental activities:										
Invested in capital assets, net of related debt	\$ 272,199	\$ 269,490	\$ 239,334	\$ 162,807	\$ 98,113	\$ 103,451	\$ 24,027	\$ 6,912	\$ 131,384	\$ 203,581
Restricted for:										
Debt service and construction	42,297	-	-	-	-	-	-	-	-	36,268
Solid Waste Management	-	-	-	-	-	-	-	-	-	17,175
Drug enforcement	3,718	-	-	-	-	-	-	-	-	9,530
Donor/Statutory restrictions	-	-	-	-	-	-	-	-	-	2,343
Other	-	-	-	-	-	-	-	14,783	181,192	-
Unrestricted:										
Net pension asset	74,893	81,491	78,238	64,471	50,825	42,560	-	-	-	-
Unrestricted, other	(174,983)	(175,783)	(134,764)	(8,886)	(4,974)	(52,761)	(110,079)	(278,095)	(724,294)	(814,583)
Total governmental activities net assets	218,124	175,198	182,808	218,392	143,964	93,250	(86,052)	(256,400)	(411,718)	(545,686)
Business-type activities:										
Invested in capital assets, net of related debt	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	1,818,916
Restricted for debt service and construction	89,222	90,115	89,905	118,799	88,703	91,215	75,615	64,909	68,846	69,689
Unrestricted	151,995	156,991	209,677	215,600	232,880	208,828	253,616	334,093	355,220	350,750
Total business-type activities net assets	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	2,239,355
Primary government:										
Invested in capital assets, net of related debt	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	2,022,497
Restricted for:										
Debt service and construction	131,519	90,115	89,905	118,799	88,703	91,215	75,615	64,909	68,846	105,957
Solid waste management	-	-	-	-	-	-	-	-	-	17,175
Drug enforcement	3,718	-	-	-	-	-	-	-	-	9,530
Donor/Statutory restrictions	-	-	-	-	-	-	-	-	-	2,343
Other	-	-	-	-	-	-	-	14,783	181,192	-
Unrestricted	(22,988)	(18,792)	56,102	271,185	278,731	198,627	143,537	55,998	(369,074)	(463,833)
Total primary government net assets	\$ 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	\$ 1,693,669

CHANGES IN NET POSITION
Last Ten Fiscal Years
(Thousands of Dollars)

CITY OF MEMPHIS, TENNESSEE
Exhibit X-2

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Program Revenues										
Governmental activities:										
Charges for services:										
General government	\$ 45,016	\$ 33,781	\$ 45,500	\$ 71,939	\$ 71,398	\$ 67,880	\$ 73,768	\$ 79,691	\$ 77,154	76,664
Public Safety	1,725	2,459	3,785	4,584	5,203	6,420	4,230	3,637	7,768	7,456
Community services	125	125	125	125	147	137	137	174	136	139
Transportation and environment	22,011	21,942	46,097	47,937	47,790	50,391	50,438	59,268	59,745	60,180
Operating grants and contributions	89,832	57,424	56,472	49,415	49,822	56,402	69,135	61,098	63,854	81,913
Capital grants and contributions	1,598	3,785	1,494	1,201	3,217	3,217	3,217	7,490	23,639	11,123
Total governmental activities program revenues	160,307	119,516	153,473	175,201	177,577	184,447	200,925	211,358	232,296	237,475
Business-type activities:										
Charges for services:										
Sewer collection and treatment	35,722	46,909	48,670	52,543	52,510	53,778	56,162	98,559	104,031	106,007
Memphis Light, Gas and Water	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	1,581,272
Golf	3,204	3,079	2,934	2,963	-	-	-	-	-	-
Storm water	-	-	927	12,988	16,983	19,680	21,897	23,661	23,723	24,108
Operating grants and contributions	22,268	22,675	23,205	24,117	25,185	26,705	28,377	30,321	30,909	29,792
Capital grants and contributions	7,344	4,544	5,805	6,306	1,766	524	800	1,398	728	663
Total business-type activities program revenues	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	1,741,842
Total primary government program revenues	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	1,979,317
Expenses										
Governmental Activities:										
General government	159,005	187,105	190,796	200,184	271,906	249,707	223,773	251,039	253,138	217,086
Public safety	310,624	318,106	340,621	362,050	394,476	410,303	482,281	510,529	500,082	503,011
Community services	154,950	107,129	101,488	108,341	96,130	114,776	129,722	121,927	118,406	96,442
Transportation and environment	71,821	59,523	66,262	72,106	81,492	79,396	81,539	82,546	87,665	82,834
Education	84,465	85,144	91,225	91,405	91,392	21,846	117,118	80,775	71,452	62,507
Interest on long term debt	42,443	37,142	43,583	44,772	50,250	48,046	58,472	52,497	75,075	58,403
Total governmental activities expenses	823,308	794,149	833,975	878,858	985,646	924,074	1,092,905	1,099,313	1,105,818	1,020,283
Business-type activities:										
Sewer collection and treatment	45,201	50,512	48,991	47,852	51,507	57,802	55,584	61,401	62,915	65,921
Memphis Light, Gas and Water	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	1,593,211
Golf	4,589	4,270	4,153	3,893	-	-	-	-	-	0
Storm water	-	-	1,343	7,223	13,480	13,419	12,571	13,160	15,623	15,464
Total business-type activities expenses	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	1,674,596
Total primary government expenses	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	2,694,879
Net (expense)/revenue										
Governmental activities	(663,001)	(674,633)	(680,502)	(703,657)	(808,069)	(739,627)	(891,980)	(887,955)	(873,522)	(782,808)
Business-type activities	10,478	(8,306)	72,930	65,829	51,032	57,071	65,435	126,253	103,212	67,246
Total primary government net expense	(652,523)	(682,939)	(607,572)	(637,828)	(757,037)	(682,556)	(826,545)	(761,702)	(770,310)	(715,562)
General Revenues and Other Changes in Net Position										
Governmental activities										
Taxes										
Local taxes	526,433	527,453	536,715	541,795	549,149	531,339	540,970	540,150	528,219	533,190
State taxes (local share)	68,806	75,441	83,602	92,554	96,193	88,203	87,751	87,523	85,612	71,115
Hotel/motel tax	3,706	3,936	4,399	4,607	4,740	4,244	4,017	3,537	4,524	4,189
Unrestricted investment earnings	1,236	-	3,596	7,907	7,367	5,614	1,402	861	761	671
Federal grants and entitlements	-	909	-	-	-	-	-	-	-	0
Intergovernmental revenues	8,746	10,227	-	14,171	9,315	4,163	4,944	6,492	-	0
Decreases in net pension obligation	25,584	6,598	-	-	-	-	-	-	-	0
Sale of capital assets	-	-	-	-	-	-	-	-	8,947	1,481
Other	-	15,608	15,871	11,569	13,140	8,315	8,597	12,124	22,405	17,250
Transfers	1,588	1,587	43,929	59,966	59,113	46,998	64,997	66,929	67,962	42,738
Total governmental activities	636,099	641,759	688,112	732,569	739,017	688,876	712,678	717,616	718,430	670,634
Business-type activities:										
Investment earnings	17,840	61,792	63,619	69,910	74,064	62,356	50,516	41,520	40,324	32,883
Gain on sale of capital assets	-	-	-	-	-	-	-	-	-	0
Other	-	-	-	-	-	-	-	-	155	437
Transfers	(1,588)	(1,587)	(43,929)	(59,966)	(61,759)	(59,437)	(64,997)	(66,929)	(67,962)	(40,938)
Total business-type activities	16,252	60,205	19,690	9,944	12,305	2,919	(14,481)	(25,409)	(27,483)	(7,618)
Total primary government	652,351	701,964	707,802	742,513	751,322	691,795	698,197	692,207	690,947	663,016
Change in Net Position										
Government activities	(26,902)	(32,874)	7,610	28,912	(69,052)	(50,751)	(179,302)	(170,339)	(155,092)	(112,174)
Business-type activities	26,730	51,899	92,620	75,773	63,337	59,990	50,944	100,844	75,729	59,628
Total primary government	\$ (172)	\$ 19,025	\$ 100,230	\$ 104,685	\$ (5,715)	\$ 9,239	\$ (128,358)	\$ (69,495)	\$ (79,363)	\$ (52,546)

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

CITY OF MEMPHIS, TENNESSEE
Exhibit X-3

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
General fund										
Restricted	-	-	-	-	-	-	-	1,684	1,907	2,088
Committed	-	-	-	-	-	-	-	-	19,572	12,134
Assigned	-	-	-	-	-	-	-	8,252	12,924	-
Unassigned	-	-	-	-	-	-	-	81,125	61,667	56,149
Reserved	6,804	5,312	4,194	6,747	8,945	9,691	8,299	-	-	-
Unreserved	19,598	(4,100)	29,746	72,093	89,613	96,912	76,271	-	-	-
Total general fund	26,402	1,212	33,940	78,840	98,558	106,603	84,570	91,061	96,070	70,371
All other governmental funds										
Restricted	-	-	-	-	-	-	-	13,099	54,308	63,228
Committed	-	-	-	-	-	-	-	72,186	92,481	80,109
Unassigned	-	-	-	-	-	-	-	(5,086)	(4,138)	-
Reserved	477	-	-	-	-	-	-	-	-	-
Unreserved, reported in:										
Debt service fund	13,918	8,042	30,418	53,793	56,716	46,488	34,680	-	-	-
Capital projects fund	19,407	303	(27,577)	(32,527)	12,673	67,239	74,030	-	-	-
Special revenue funds	(5,235)	(4,208)	(2,275)	6,602	6,305	4,888	6,179	-	-	-
Total all other governmental funds	28,567	4,137	566	27,868	77,694	118,615	114,889	80,199	142,651	143,337
Total governmental funds	\$ 54,969	5,349	34,506	106,708	176,252	225,218	199,459	171,260	238,721	213,708

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									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Revenues										
Local taxes	\$ 516,952	522,876	533,045	540,282	548,095	525,468	534,141	546,446	540,761	532,902
State taxes (local share)	68,806	76,441	83,602	92,554	96,193	88,203	87,751	87,523	85,612	89,798
Hotel/motel tax	3,706	3,936	4,399	4,607	4,244	4,244	4,537	4,017	4,524	4,189
Licenses and permits	12,257	12,059	12,478	11,918	11,934	11,427	11,119	11,393	10,986	11,436
Fines and forfeitures	12,574	13,639	13,009	13,422	15,243	16,657	16,382	16,981	16,866	19,119
Charges for services	41,269	41,139	66,941	72,307	76,788	78,339	82,851	89,388	91,421	91,231
Investment income	1,221	855	3,076	7,411	7,367	5,183	1,301	798	725	652
Federal grants and entitlements	46,757	41,559	35,212	41,673	37,359	40,175	58,123	59,398	66,172	58,563
State grants	29,202	10,506	4,202	4,449	7,908	12,456	5,929	6,359	15,421	12,422
Intergovernmental revenues	14,145	16,370	15,948	14,705	11,207	6,055	6,836	6,492	6,155	4,136
Other	28,321	18,562	18,457	14,548	18,420	13,430	13,696	14,016	22,576	21,328
Total revenues	775,210	756,942	790,369	817,876	835,254	801,637	822,156	842,311	861,219	845,776
Expenditures										
General government	158,736	148,520	141,436	141,541	167,215	185,741	177,049	179,292	150,362	165,735
Public safety	297,205	309,341	320,190	323,691	347,366	367,366	374,182	388,071	373,590	383,181
Instruction and administration	-	-	80,029	-	-	-	-	-	-	-
Community services	104,584	91,668	65,189	91,404	91,945	97,700	109,092	101,360	98,619	79,562
Transportation and environment	71,126	60,190	-	68,199	74,256	76,725	73,687	74,042	86,410	70,675
Education	83,974	85,446	90,946	91,952	92,438	23,919	62,825	82,400	72,526	63,720
Capital outlay	91,161	146,723	98,737	62,416	79,089	91,800	86,656	100,550	225,201	123,544
Debt service:										
Redemption of serial bonds and notes	50,792	52,385	46,046	36,528	42,925	58,565	61,803	24,100	36,874	66,812
Lease payments	-	-	-	-	-	-	-	-	-	3,799
Interest	40,310	37,065	43,338	46,738	49,015	52,451	53,866	52,303	64,709	66,390
Bond issuance cost	207	3,495	416	940	1,932	1,399	2,783	1,012	5,538	7
Service charges	1,221	405	624	1,308	581	523	196	194	229	616
Total expenditures	899,316	935,238	886,951	864,717	946,762	956,189	1,002,139	1,003,324	1,114,058	1,024,041
Excess of revenues over (under) expenditures	(124,106)	(178,296)	(96,582)	(46,841)	(111,508)	(154,552)	(179,983)	(161,013)	(252,839)	(178,265)
Other financing sources (uses)										
Sale of capital assets	-	-	-	-	-	-	-	-	8,947	1,481
Transfers in	62,037	54,981	99,393	82,184	70,310	87,226	120,567	187,613	162,405	152,176
Transfers out	(60,449)	(53,394)	(37,073)	(22,218)	(11,197)	(25,143)	(55,560)	(120,684)	(94,443)	(115,405)
Proceeds from issuance of debt	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	115,000
Issuance of refunding debt	-	-	-	-	-	-	-	25,366	98,740	-
Related party loan	-	-	-	-	-	-	-	-	20,387	-
Proceeds from related party debt	-	-	-	-	-	-	-	-	196,936	-
Retirement of refunded debt obligation	(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	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-
Total other financing sources	101,896	138,728	125,741	117,573	181,052	203,481	154,224	132,814	320,300	153,252
Net change in fund balances/(deficit)	\$(22,210)	\$(39,568)	29,159	70,732	69,544	48,929	(25,759)	(28,199)	67,461	(25,013)
Debt service as a percentage of noncapital expenditures	11.3%	11.3%	11.3%	10.4%	10.6%	12.8%	12.6%	8.5%	11.4%	15.2%

**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

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
General Government										
Legislative	\$ 1,487	1,411	1,368	1,541	1,598	1,560	1,515	1,572	1,498	1,502
Judicial	511	513	525	523	623	587	576	606	586	588
Court clerk	2,686	2,901	2,886	2,796	3,393	3,378	4,042	4,675	4,551	4,508
Executive	2,120	2,442	2,475	2,862	8,257	7,688	6,545	6,390	4,785	4,835
Finance and administration	6,035	4,952	4,560	4,004	4,627	5,141	5,018	5,196	4,656	4,557
City attorney	7,164	11,180	9,783	13,040	13,945	17,789	14,506	14,978	14,126	11,158
City engineer	9,924	8,279	8,785	4,980	5,146	6,224	5,327	5,981	5,674	5,773
Information systems	15,747	11,897	13,315	13,983	17,224	17,699	18,850	19,158	15,449	14,587
Human resources	3,448	2,920	2,786	4,708	6,188	8,116	7,787	5,367	5,055	5,554
General services	14,203	12,302	11,288	10,365	10,834	12,348	11,730	12,941	11,724	21,156
Special appropriations	58,618	59,600	58,842	56,554	61,039	73,116	66,797	64,989	53,096	42,362
Total general government	121,943	118,397	116,613	115,356	132,874	153,646	142,693	141,853	121,200	116,580
Public Safety										
Police	173,972	178,632	181,979	181,512	193,024	206,326	212,492	224,752	218,643	226,569
Fire	119,639	128,336	135,586	138,394	149,747	156,772	157,063	159,488	152,013	153,423
Total public safety	293,611	306,968	317,565	319,906	342,771	363,098	369,555	384,240	370,656	379,992
Community Services										
Library	21,126	19,854	18,574	-	-	-	-	-	-	-
Parks and recreation	26,033	22,068	21,268	23,307	31,017	29,678	29,992	28,593	29,033	42,706
Public Service	12,382	8,712	7,070	24,687	21,627	22,557	21,821	22,661	22,944	-
Community development	4,718	6,936	4,640	5,763	4,743	4,717	5,093	4,498	5,385	4,194
Community enhancement	-	-	-	-	2,684	6,860	7,280	7,387	6,312	-
Total community services	64,259	57,570	51,552	53,757	60,071	63,812	64,186	63,139	63,674	46,900
Transportation and Environment										
Public works	19,614	17,143	18,197	5,769	6,676	8,460	6,458	6,321	10,145	19,068
Total transportation and environment	19,614	17,143	18,197	5,769	6,676	8,460	6,458	6,321	10,145	19,068
Transfers out - primary	34,814	22,134	10,476	13,177	3,448	8,383	45,662	66,722	78,107	78,732
Total	\$ 534,241	522,212	514,403	507,965	545,840	597,399	628,554	662,275	643,782	641,272

ASSESSED AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY

Last ten fiscal years

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

Tax Year	Fiscal Year	Utilities and Carriers (55%) (Real and Personal) (1)										Total Assessed to Total Market Value	Total Direct Tax Rate
		Real Property		Personal Property		Privately Owned		Total		Assessed Value	Estimated Actual Value		
		Farm and Residential(25%)	Commercial and Industrial(40%)(3)	Commercial and Industrial(30%)(2)	Commercial and Industrial(30%)(2)	Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value				
2003	2004	\$ 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	2005	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	2006	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%	3.4332
2006	2007	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	2008	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	1,668,138,736	11,369,792,425	36,554,762,536	31.10%	3.4332
2008	2009	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%	3.2500
2009	2010	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%	3.1957
2010	2011	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	2012	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%	3.1889
2012	2013	5,248,101,650	20,992,406,600	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%	3.1100

(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

Tax Year	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Fiscal Year	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	
City Direct Rates											
General Fund	\$ 1.6753	\$ 1.6753	\$ 1.9088	\$ 1.9088	\$ 1.9088	\$ 2.3427	\$ 2.2917	\$ 2.2917	\$ 2.2917	\$ 2.2917	2.2917
Debt Service	0.6941	0.6941	0.6941	0.6941	0.6941	0.7141	0.7141	0.7141	0.7141	0.7141	0.7152
CIP	0.0032	0.0032	0.0032	0.0032	0.0032	0.0032	0.0031	0.0031	0.0031	0.0031	0.0031
Education	0.8578	0.8578	0.8271	0.8271	0.8271	0.1900	0.1868	0.1868	0.1800	0.1800	0.1000
Total City Direct Rate	3.2304	3.2304	3.4332	3.4332	3.4332	3.2500	3.1957	3.1957	3.1889	3.1889	3.1100
County Direct Rates											
General Fund	1.43	1.43	1.31	1.22	1.22	1.22	1.23	1.33	1.36	1.36	1.36
Debt Service	0.58	0.58	0.70	0.80	0.80	0.80	0.81	0.79	0.75	0.75	0.75
Education	2.03	2.03	2.03	2.02	2.02	2.02	1.98	1.90	1.91	1.91	1.91
Total County Direct Rate	4.04	4.04	4.04	4.04	4.04	4.04	4.02	4.02	4.02	4.02	4.02
Total Overlapping Rate	7.2704	7.2704	7.4732	7.4732	7.4732	7.2900	7.2157	7.2157	7.2089	7.2089	7.1300
Tax Levies											
City	\$ 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	\$ 369,997,811	\$ 369,997,811
County	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	750,562,710	750,562,710
Total Tax Levies	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	1,120,560,521	1,120,560,521

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**

Name of Taxpayer	Fiscal Year 2013		Fiscal Year 2004	
	Taxable Assessed Value	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Percentage of Total Taxable Assessed Value
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
	\$ 11,720,562,799	100.00	\$ 10,200,919,453	100.00

Source: City of Memphis Tax System

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

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

Tax Year	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	2004	\$ 325,695,529	\$ 296,247,065	90.96	\$ 16,494,982	\$ 312,742,047	96.02	\$ 29,109,210	8.94
2004	2005	324,340,510	300,716,889	92.72	15,066,930	315,783,819	97.36	30,283,302	9.34
2005	2006	380,947,344	356,886,796	93.68	15,835,849	372,722,645	97.84	30,367,032	7.97
2006	2007	384,877,389	361,358,644	93.89	16,264,065	377,622,709	98.12	30,620,012	7.96
2007	2008	392,477,211	368,298,361	93.84	15,852,825	384,151,186	97.88	32,281,474	8.23
2008	2009	375,803,751	352,497,179	93.80	14,750,644	367,247,823	97.72	34,538,869	9.19
2009	2010	389,347,038	363,573,869	93.38	13,566,861	377,140,730	96.86	38,682,060	9.94
2010	2011 (A)	380,186,210	359,918,827	94.67	17,476,145	377,394,972	99.27	37,327,820	9.82
2011	2012 (B)	376,723,118	357,439,955	94.88	7,157,948	364,597,903	96.78	38,518,840	10.22
2012	2013 (C)	369,997,811	351,568,012	95.02	4,609,428	356,177,440	96.26	37,920,407	10.25

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.

(C) In November 2012, the government sold the majority of the 2012 tax year (which funds fiscal year 2013) real property taxes outstanding to an outside party. The sale generated property tax revenue and a reduction of the property tax receivable balance of \$17,353,001 for fiscal year 2013, which is reflected in current tax collections.

Fiscal Year	Collections			
	Construction	Interest	Promotional Costs	Total
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	-	-	-	-
2013	-	-	-	-

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	General				Governmental Activities				Business-Type Activities				Total Primary Government	Percentage of Personal Income	Per Capita
	Obligation Bonds	Bond Anticipation Notes	State Loans	Loans Payable	Notes Payable	Capital Leases	Sewer Revenue Bonds	Sewer State Loans	Electric Revenue Bonds	Gas Bond Anticipation Notes	Water Revenue Bonds				
2004	814,360	125,000	1,108	-	2,357	4,215	124,635	189	1,453,252	-	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	-	19,710	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%	3,469	
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	
2013	1,091,780	71,975	-	216,543	-	7,487	135,095	3,881	662,695	-	-	2,189,456	5.74%	3,333	

Sources: Bureau of Economic Analysis and Memphis Regional Chamber

**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

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Estimated population (3)	671,929	672,277	677,345	674,028	674,028	669,651	676,640	646,889	652,050	657,457
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)	\$ 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	1,387,785
Other debt (2)	\$ 29,656	25,386	21,539	17,663	13,565	11,137	8,575	2,752	217,050	216,543
Net Debt (2)	\$ 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	1,171,242
Bonded debt per capita - total debt	\$ 1,409	1,505	1,522	1,547	1,673	1,795	1,810	1,951	2,237	2,111
Bonded debt per capita - net debt	\$ 1,365	1,467	1,490	1,521	1,653	1,778	1,797	1,947	1,904	1,781
Bonded debt to appraised valuation -total debt	2.94%	3.18%	2.90%	2.92%	3.09%	3.27%	3.08%	3.25%	3.83%	3.68%
Bonded debt to appraised valuation -net debt	2.84%	3.10%	2.84%	2.87%	3.05%	3.24%	3.06%	3.25%	3.26%	3.10%
Bonded debt to assessed valuation -total debt	9.28%	10.12%	9.28%	9.35%	9.92%	10.55%	9.92%	10.47%	12.34%	11.84%
Bonded debt to assessed valuation -net debt	8.99%	9.87%	9.09%	9.19%	9.80%	10.45%	9.85%	10.45%	10.51%	9.99%

(1) Debt includes City general obligation bonds and capital lease obligations (2004-2013).

(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, 2013

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%	-
City of Memphis (5)	<u>1,079,305</u>	100%	<u>1,079,305</u>
	1,091,780		1,091,780
Bond anticipation notes	71,975	100%	71,975
Notes payable	-	100%	-
Capital lease obligations	<u>7,487</u>	100%	<u>7,487</u>
Total direct government indebtedness (3)	<u>1,171,242</u>		<u>1,171,242</u>
<u>Overlapping bonded indebtedness:</u>			
Shelby County debt	<u>1,394,977</u>	64.6%	<u>901,366</u>
Total overlapping bonded indebtedness	1,394,977		901,366
Total direct and overlapping debt (4)	<u><u>\$ 2,566,219</u></u>		<u><u>2,072,608</u></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 \$23,190 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									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Debt capacity limit	\$ 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	1,406,468
Total net debt applicable to limit	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	1,163,755
Legal debt capacity margin balance	\$ 281,770	346,725	329,199	331,246	252,861	290,346	232,455	158,679	176,408	242,713
Total net debt applicable to the limit as a percentage of debt limit	76.50%	73.99%	75.41%	75.72%	81.50%	80.40%	83.93%	88.81%	87.46%	82.74%

Legal Debt Margin Calculation for Fiscal Year 2013

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	\$ 1,163,755
Less self-supporting debt	-
Total net debt applicable to limit	1,163,755
Legal debt capacity margin balance	\$ 242,713

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

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

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

Last ten fiscal years
(Thousands of Dollars)

<u>Year</u>	<u>Total Income</u>	<u>Operating and Maintenance Expenses</u>	<u>Net Revenue Available for Debt Service</u>	<u>Total Debt Service</u>	<u>Debt Service Coverage</u>
ELECTRIC DIVISION (1)					
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
2012	1,331,536	1,221,769	109,767	132,217	0.83
GAS DIVISION (1)					
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
2012	226,395	200,483	25,912	-	N/A
WATER DIVISION (1)					
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
2012	85,265	74,395	10,870	1,668	6.52
SEWER COLLECTION AND TREATMENT FUND (2)					
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
2013	106,993	44,546	62,447	16,806	3.72

(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.

Year	Population	Personal Income (amounts expressed in thousands)	Per Capita Personal Income	Median Age	School Enrollment	Unemployment Rate
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
2012	657,457	38,116,646	37,546	33.4	101,696	9.5

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

2013

2004

Name of Employer	2013		Name of Employer	2004	
	Employees	Percentage of Total City Employment		Employees	Percentage of Total City Employment
Federal Express Corporation	31,000	5.52%	Federal Express Corporation	30,000	4.87%
Shelby County Schools	15,969	2.84%	Memphis City Schools	15,240	2.47%
United States Government	13,900	2.48%	United States Government	14,800	2.40%
Tennessee State Government	13,100	2.33%	Methodist Healthcare	7,258	1.18%
Methodist Le Bonheur Healthcare	9,250	1.65%	Shelby County Government	6,976	1.13%
Baptist Memorial Healthcare	7,286	1.30%	Baptist Memorial Health Care Corp	6,792	1.10%
Memphis City Government	7,152	1.27%	Memphis City Government	6,698	1.09%
Wal-Mart Stores, Inc.	6,000	1.07%	Tennessee State Government	5,200	0.84%
Shelby County Government	5,704	1.02%	Wal-Mart Stores, Inc.	5,030	0.82%
Naval Support Activity Mid-South	4,076	0.73%	Shelby County Schools	5,000	0.81%
Total	113,437	20.20%	Total	102,994	16.70%

Source - Memphis Regional Chamber

FULL-TIME EQUIVALENT GOVERNMENT EMPLOYEES BY FUNCTION

Last ten fiscal years

Function and Activity	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
General government	857	874	859	828	1,231	1,340	1,261	1,147	1,147	724
Public safety										
Police										
Officers	1,996	2,147	2,024	2,018	2,385	2,273	2,444	2,550	2,550	2,554
Civilians	670	598	578	667	483	482	447	478	478	478
Fire										
Firefighters and officers	1,629	1,639	1,668	1,553	1,721	1,729	1,758	1,678	1,740	1,709
Civilians	144	157	140	255	168	147	116	184	122	122
Highways and streets										
Engineering	189	191	186	186	186	152	146	124	124	120
Maintenance	274	275	277	301	311	309	287	274	274	389
Sanitation	652	653	654	653	653	653	611	604	604	621
Culture and recreation	417	422	326	318	346	264	261	240	240	510
Sewer	289	290	293	289	290	290	290	289	289	299

Source - City of Memphis Operating Budget Book FY 2013

OPERATING INDICATORS BY FUNCTION
Last ten fiscal years

CITY OF MEMPHIS, TENNESSEE
Exhibit X-19

Function	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Police										
Physical arrests	88,076	79,586	51,871	48,746	57,304	65,734	61,322	82,003	48,357	46,116
Parking violations	122,004	136,057	119,017	90,005	86,497	97,554	92,433	89,374	77,398	87,536
Traffic violations	229,222	245,512	233,961	222,745	217,766	250,284	224,647	222,435	215,658	178,934
Fire										
Number of calls answered	64,691	62,153	66,357	27,597	24,974	24,974	24,974	23,892	24,522	126,789
Inspections	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	206,142	206,881
Highways and streets										
Street resurfacing (miles)	216.13	300.12	193.93	101.00	144.88	123.25	99.12	137.93	147.04	131.60
Potholes repaired	1,735	1,896	1,052	993	1,499	1,230	946	982	973.00	39,280.00
Sanitation										
Refuse collected (tons/day)	1,329	1,214	1,295	1,174	1,086	1,005	1,121	1,161	1,131	1,117
Recyclables collected (tons/day)	380	415	464	466	377	488	435	374	429	407
Culture and recreation										
Athletic field permits issued	97	168	1,527	892	1,054	1,093	1,465	1,786	999	982
Community center admissions	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	1,929,348
Water										
Average daily consumption (thousands of gallons)	119,386	121,456	124,676	128,149	125,972	122,267	115,519	118,768	115,295	112,216
Wastewater										
Average daily sewage treatment (thousands of gallons)	149,700	167,200	155,400	151,000	172,400	154,000	169,000	172,950	175,900	150,000

Source: City of Memphis Operating Budget Book FY 2013 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									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Public Safety:										
Police:										
Stations	8	8	9	9	10	10	10	10	10	9
Community policing offices	15	15	15	15	14	14	14	14	14	14
Patrol units	800	800	800	800	800	825	800	1,056	877	730
Fire:										
Stations	54	59	59	55	56	56	56	57	57	57
Trucks (ladder)	27	27	27	26	27	27	27	27	27	27
Solid Waste Management:										
Collection trucks	296	296	296	296	296	296	253	253	227	227
Solid waste disposed (tons)	446,071	425,170	451,472	420,306	396,606	389,762	406,191	424,025	405,686	396,309
Streets and Highways:										
Streets (miles)	4,662	6,750	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	3,950	3,950	3,950	3,590
Streetslights	71,376	71,376	73,684	77,689	80,570	81,900	82,640	82,706	82,774	83,750
Traffic signals	800	800	830	821	825	825	830	770	769	771
Roadside ditches	580	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	3,219
Parks	187	187	187	187	187	187	187	187	187	166
Golf courses	7	7	8	8	8	8	8	8	8	8
Community centers	28	28	28	28	24	24	24	24	24	24
Tennis courts	7	7	7	7	7	7	7	7	7	7
Swimming pools	17	17	17	18	18	18	18	17	17	17
Water:										
Water mains (miles)	4,650	6,660	6,680	3,672	3,700	3,710	3,716	3,716	3,716	3,716
Fire hydrants	22,000	22,000	22,000	29,665	29,050	30,221	30,423	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	437.5
Sanitary Sewer and Storm:										
Miles of sewer lines	3,600	3,605	3,605	3,610	3,615	3,620	3,625	3,630	3,635	2,400
Miles of storm drainage	3,929	3,988	3,988	3,988	3,988	3,988	3,988	3,988	3,995	3,900

Source - City of Memphis Operating Budget Book FY 2013 and/or Internal Division Operating Reports.

GENERAL FUND EXPENDITURES ON STATE STREET AID
For the fiscal year ended June 30, 2012
(Thousands of Dollars)

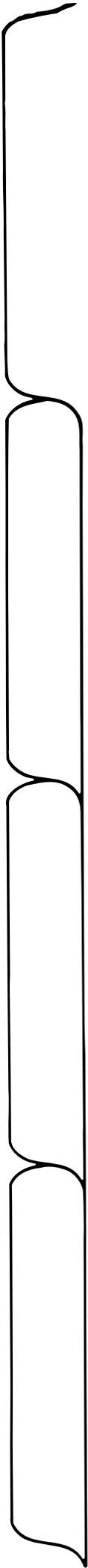
CITY OF MEMPHIS, TENNESSEE
Exhibit X-21

	<u>2013</u>
Revenues	
State taxes (local share)	\$ 14,882
Total revenues	<u>14,882</u>
Expenditures	
Traffic engineering	990
Street signs and markings	2,313
Mass transit	21,616
Traffic signal maintenance	2,228
Street maintenance	6,374
Street lighting	11,773
Grounds maintenance	<u>4,902</u>
Total expenditures	<u>50,196</u>
Excess of expenditures over revenues	<u>\$ 35,314</u>

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

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SINGLE AUDIT



SUPPLEMENTAL SCHEDULE OF EXPENDITURES
OF FEDERAL AND STATE AWARDS
For the fiscal year ended June 30, 2013

Federal CFDA Number	Grant Number	Receivable (Deferral) June 30, 2012	Receipts FY 13	Expenditures FY 13	Receivable (Deferral) June 30, 2013
FEDERAL GOVERNMENT AWARDS					
DEPARTMENT OF AGRICULTURE					
Passed through Tennessee Department of Human Services					
10.559	DA0300050.DA0400069.DA0200010	\$ 140,893	\$ -	\$ -	140,893
10.675	Z0401525300	(20,596)	-	-	(20,596)
		120,297	-	-	120,297
TOTAL DEPARTMENT OF AGRICULTURE					
DEPARTMENT OF HOMELAND SECURITY					
97.025	EMW2001CA0131.WK03036603.EMW2003CA0265	14,399	-	-	14,399
97.025	W2004CA62271.EMW2005CA0274.EMW-2005-CA-0452.EMW-CA	(2,508)	-	-	(2,508)
97.025	EMW-2006-CA0230	49,013	-	-	49,013
97.025	EMW-2007-CA-0178	(177,969)	-	-	(177,969)
97.025	2009-SR-24-K021	44,647	-	-	44,647
97.025	Urban Search and Rescue Ta	437,854	123,750	39,454	363,557
97.025	2010-SR-24-K044	15,335	790,469	1,173,666	398,532
97.025	2010-SR-24-K044.EMW-2011-CA-APP-00060.EMW-2012-CAK0002	380,781	914,220	1,213,120	679,661
	Subtotal (97.025)	12,012	-	-	12,012
97.053	Z0301551500	-	-	-	-
97.044	EMW-2008-FO-07116	-	-	-	-
97.056	2005-GB-T5-0108.2008-GB-T8-5074.2009-PU-T9-K045.2008-GB-T8	(127,091)	2,220,637	2,377,759	30,031
97.071	EMW-2004-GR-0655.233-03-0059.2004-TU-T4-0005	260,039	-	-	260,039
97.071	2007HSGP. 21GN-00TRNG	(13,865)	-	-	(13,865)
	Subtotal (97.071)	246,175	-	-	246,175
97.078	Z-05-03-10-18-01.Z-05-03-10-18-00.2006-BZ-T6-00222010-BF-T0-00	273	-	98,272	98,545
97.067	MMRS 2009. MMRS 2010	10,184	318,842	296,913	(11,745)
	2009-PUR-R10285	-	2,359,229	2,359,229	-
Passed through Tennessee Department of Military					
97.036	Z0821284100	-	-	-	-
97.036	34101-000003054	375,539	-	-	375,539
97.036	34101-000006297	736,680	-	-	736,680
97.036	34101-000008732	1,006,141	499,565	-	506,576
97.036	34101-0000010457	4,084,940	976,321	-	3,108,619
97.036	34101-0000099230	1,159,833	697,700	-	462,133
97.036	EMW-2008-C-1511	-	607,923	969,466	361,543
	Subtotal (97.036)	7,363,133	2,781,510	969,466	5,551,090
		7,885,466	8,594,437	7,314,759	6,605,789
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. GG-04-10336. RFS 343.52-010-06	58,418	-	-	58,418
	Rape Services and Prevention	58,418	-	-	58,418
TOTAL DEPARTMENT OF HEALTH AND HUMAN SERVICES					
DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT					
Entitlement Grants Cluster:					
14.218	B01MC470006.B03MC470006.B05MC470006.B06MC470006.B07M(5,825,327	10,480,104	13,070,216	8,415,439
14.218	B08MN470003	1,246,710	1,833,283	2,660,829	2,074,256
14.253	B-09-MY-47-0006	-	259,371	248,531	(10,840)
	Total Entitlement Grants Cluster	7,072,037	12,572,758	15,979,576	10,478,855
14.900	TNLHB017200.TNLHD000603.TNLHD0135-05.TNLHD0191-08	(40,246)	-	(8,090)	(48,336)
14.905	TNLHD0227-0227-11	40,642	1,381,457	1,091,495	(249,320)
14.231	S02.03MC4-70002.S04MC470002.S05MC470002.S08MC470002.S0	232,647	301,642	535,810	466,816
14.239	M02.03MC470202.M09MC470202.M09MC470202.M00MC470202.M	3,325,350	4,160,275	3,704,288	2,869,362
14.241	TN37H9-7F040.8F001.TNH04F001.TNH05F001.TNH06F001.TNH07	511,945	1,761,421	1,705,546	456,070
14.238	TN37C970105.TN37C101001.TN37C301001.TN37C701021.TN0016	469,170	715,021	388,391	142,539
14.408	FH400G01028.FH400G03056	(84,731)	-	-	(84,731)
14.246	B-98-BD-47-0009	(1,855,850)	-	1,000	(1,854,850)
14.248	B-98-BD-47-0009.B-10-MC470006-108	(8,957,635)	-	5,195,826	(3,761,809)
14.257	S09MY470002	212,849	376,828	126,045	(37,935)

(Continued)

**SUPPLEMENTAL SCHEDULE OF EXPENDITURES
OF FEDERAL AND STATE AWARDS
For the fiscal year ended June 30, 2013**

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

	Federal CFDA Number	Grant Number	Receipts FY 13	Expenditures FY 13	Receivable (Deferral) June 30, 2012	Receivable (Deferral) June 30, 2013
DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT (continued)						
CDBG Supplemental Disaster	14.225	B08MN470003,B-10-MF-0001	7,309,923	2,509,699	\$	(4,635,602)
NSP-3	14.256	B-11-MN-47-0003	667,798	3,380,177		2,905,508
Community Challenge Grant F	14.704	CCPTN0023-10	131,382	602,352		171,495
		TOTAL DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT	29,809,363	35,212,115		6,817,863
DEPARTMENT OF JUSTICE						
Equitable Sharing Forfeitures	16.000	TNMPD0000	453,272	705,762		(2,193,584)
Encourage Arrest Policies	16.590	2004-WE-AX-0031,2008-WE-AX-0037	328,109	2,149		(606,306)
OCS: COOR Le Initiative	16.753	2008-D-BX-0282	-	-		(50,549)
OCS: COOR Le Initiative	16.753	2009-D1-BX-0178	38,437	170,199		208,636
Subtotal (16.753)			(12,112)	170,199		158,086
Local Law Enforcement	16.592	2003LBBX2211	3,766	-		3,766
Local Law Enforcement	16.592	2004LBBX0674	8,903	-		8,903
Subtotal (16.592)			12,669	-		12,669
COPS Technology Program F	16.710	2005CKWX0430	-	48,709		-
COPS Technology Program F	16.710	2006CKWX0684	9,045	235,357		(606,306)
COPS Technology Program F	16.710	2006CKWX0280	-	331,060		-
ARRA COPS Hiring Recovery	16.710	2009RJWX0079	1,235,260	82,293		-
COPS Interoperable	16.710	2005INWX0019	1,310,889	410,951		-
ARRA COPS Hiring Recovery	16.710	2010RKWX0007	125,519	662,044		-
Subtotal (16.710)			1,889,953	1,644,895		-
Project Safe Neighborhood Ho	16.609	2004-GP-CX-0704,2003-GP-CX-0515,Z-04-015253,00,2009-GP-BX-1	63,855	43,849		10,612
Economic Crimes Task Force	16.609		129,901	129,901		-
Subtotal (16.609)			63,855	173,751		10,612
GREAT FY07	16.737	2007-JV-FX-0255	4,722	-		4,722
Safeways: Old Allen	16.751	2009-DG-BX-0033	(238,458)	-		(238,458)
JAG Program Cluster:						
JAG 07-11	16.738	2007-F2834-TN-DJ	(186,804)	-		(186,804)
JAG 08	16.738	2008-D-JBX-0465	(5,310)	-		(5,310)
JAG 09	16.738	2009-G9418-TN-DJ	(380,609)	368,505		(12,104)
JAG	16.738	2010-DJ-BX-1563	(530,297)	230,313		(851,420)
Subtotal (16.738)			(1,103,020)	598,818		(1,055,637)
Passed through Shelby County State of Tennessee						
ARRA JAG FY09 RECOVERY	16.804	2009-F2956-TN-SU,2009-SB-B9-2466	(1,818,464)	1,560,679		(257,785)
Total JAG Program Cluster			(2,927,483.91)	2,159,497.65		(1,313,422.26)
Second Chance Act BJA						
Gang Resistance Education	16.812	2009-CZ-2010,2009-CZ-BX-0044	76,657	168,814		2,500
GREAT FY06	21.053	96689071,ATC010132,STC03000171,2004-IV-FX-0113	63,184	63,184		-
Subtotal (21.053)			(11,084)	-		(11,084)
Juvenile Justice and Delinquency	16.541	2012-NY-FX-0024	52,100	-		52,100
Police Athletic League	16.540		3,893	12,400		12,400
Passed through Tennessee Department of Human Services			98,120	-		98,120
Victims of Crime	16.575	Z00004855	98,120	-		98,120
Subtotal (16.575)			(3,696,484)	4,910,066		(3,996,668)
TOTAL DEPARTMENT OF JUSTICE						
ARRA COBRA Stimulus	17.151		182	-		-

(Continued)

**SUPPLEMENTAL SCHEDULE OF EXPENDITURES
OF FEDERAL AND STATE AWARDS
For the fiscal year ended June 30, 2013**

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

	Federal CFDA Number	Grant Number	Receivable (Deferral) June 30, 2012	Receipts FY '13	Expenditures FY '13	Receivable (Deferral) June 30, 2013
Passed through Tennessee Department of Transportation (continued)						
Governor Highway Network I	20.600	PT-10-31	2,130 \$	- \$	- \$	2,130
GHSO Network Coordinator	20.600	Z11GHS285,Z13GHS209	(3,288)	3,652	-	(6,910)
Subtotal (20.600)			16,841	22,951	-	(6,110)
Governor Highway Network	20.601	Z0802398600	1,067	-	-	1,067
GHSO FY09 Network Law	20.601	Z0802398600	4,990	4,244	-	746
GHSO FY10 CARD	20.601	K8-10-80,Z13GHS209	4,852	3,652	-	1,200
Subtotal (20.601)			10,909	7,896	-	3,013
Governor Highway Network	20.607	Z-08-024037-00	3,915	-	-	3,915
GHSO FY09 Multiple Violator	20.607	Z09214367	2,253	-	-	2,253
GHSO Alcohol Saturation FY	20.607	154AL-10-29	41,036	-	-	41,036
GHSO Alcohol Saturation	20.607	Z11GHS004,Z12GHS197,Z12GHS198,2012-Z13GHS208	3,341	477,559	209,200	(265,018)
Subtotal (20.607)			50,545	477,559	209,200	(217,814)
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-06-027294-00	935	-	-	935
Governor Highway Network F	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	(46,078)	-	-	(46,078)
Governor Highway Network	20.606	Z12GHS196	3,802	14,191	719	(9,670)
TOTAL DEPARTMENT OF TRANSPORTATION			10,047,867	19,393,945	14,984,091	5,638,013
DEPARTMENT OF INTERIOR NATIONAL PARK SERVICE						
Aquatic Facilities Major Mair		47-CITY-1620-0101	(43,940)	-	-	(43,940)
TOTAL DEPARTMENT OF INTERIOR			(43,940)	-	-	(43,940)
DEPARTMENT OF ENERGY						
ARRA Energy Efficiency & C	81.128	DE-EE0000955	127,206	479,192	351,986	-
TOTAL DEPARTMENT OF ENERGY			127,206	479,192	351,986	-
INSTITUTE OF MUSEUM AND LIBRARY SERVICES						
Library State Grant	45.310	30504-00812	(4,614)	-	-	-
Library State Grant	45.310	35743	-	6,400	6,400	-
Library State Grant	45.310	0	-	-	-	-
TOTAL INSTITUTE OF MUSEUM AND LIBRARY SERVICES			(4,614)	6,400	11,014	-
NATIONAL ENDOWMENT FOR THE ARTS						
National Endowment for the	45.024	11-4292-7095	-	100,000	100,000	-
TOTAL NATIONAL ENDOWMENT FOR THE ARTS			-	100,000	100,000	-
EXECUTIVE OFFICE OF THE PRESIDENT						
HIDA	95.001	G10GC0005A,G11GC0005A	5,169 \$	96,266 \$	18,835 \$	(72,262)
TOTAL EXECUTIVE OFFICE OF THE PRESIDENT			5,169	96,266	18,835	(72,262)
TOTAL FEDERAL GRANTS			18,063,416	71,255,491	70,207,746	17,015,671

(Continued)

**SUPPLEMENTAL SCHEDULE OF EXPENDITURES
OF FEDERAL AND STATE AWARDS
For the fiscal year ended June 30, 2013**

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

Federal CFDA Number	Grant Number	Receivable (Deferral) June 30, 2012	Receipts FY 13	Expenditures FY 13	Receivable (Deferral) June 30, 2013
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	(902,400)	888,000	909,000	(881,400)
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	NONE	-	2,739,000	2,734,800	(4,200)
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	-	-	-	-
State Highway Maintenance Grant	CMA1303	63,632	-	-	63,632
State Highway Maintenance Grant	CMA1282	-	-	-	-
State Highway Maintenance Grant	CMA1402	-	-	-	-
Landmarks Commission Training - Historic Zoning	GG0511346	310,444	310,444	-	-
Landmarks Commission Training - Historic Zoning	GG11309	(3,600)	-	-	(3,600)
Landmarks Commission Training - Historic Zoning	GG-09-26765-00	2,235	-	-	2,235
Memphis Landmarks Commission Training	GG0712649	3,388	-	-	3,388
Enterprise Zone	GG000860300	1,728	-	-	1,728
Help Care	Z03010557.Z04015720.Z05020309	27,474	-	-	27,474
TIP Project - Cleveland Track Material	Z-02-008520-00	(58,707)	-	-	(58,707)
Planning Grant	FHWA-PL-112	(669)	-	-	(669)
Memphis Survey Grant	GG0209746	214,767	55,466	45,159	204,460
Memphis Survey Grant FY06	GG0612176	53,267	-	-	53,267
Plough Boulevard	STP-EN-9409(61)	(27,716)	-	-	(27,716)
Plough Blvd Landscape Phase I	STP-EN-7900(21)	(228,554)	-	-	(228,554)
Raleigh Lagrange-Sycamore	BR-STP-2878(2.1)	(92,228)	-	-	(92,228)
Cobblesone Walkway	SBC5290000296	(345,881)	-	-	(345,881)
Martyrs Park Riverwalk Improvement	STP-EN-9409(63)	(710,637)	-	-	(710,637)
Parkways Maintenance/Renovation	STP-EN-7900(20,79)-41798	(97,745)	-	-	(97,745)
Bicycling Network Phase I	STP-EN-7900(20,79)-41798	232,993	-	-	232,993
Fast Track - KTG Substation	STP-EN-9409(73)	33,485	-	-	33,485
Juvenile Accountability Block	GG-04-10637-00	928	-	2,000,000	2,000,000
Deploy Traffic Signal Systems FY07	010764.00	3,311	-	-	3,311
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	GG0712743.GG-09-25326-00.GG1339302	(20,067)	-	-	(20,067)
Household Hazardous Waste	GG0712743.GG-09-25326-00.GG1339302	47,549	154,580	59,947	(47,083)
Enhancement Grant Program	STP-EN-7900(24)	41,067	-	-	41,067
Internet Crimes Against Children	GG082393100	36,926	-	-	36,926
SYEP & EMT Training	NONE	2,623	270,758	166,689	(67,142)
Workforce Development MOU	GG0712740	(4,050)	-	-	2,623
Rape Prevention and Education Proj	GR0822860	1,170	-	-	(4,050)
Severe Storms, Tornados, Straight-Line Winds	RFS 343.52-893-09	(1,471)	-	-	(1,471)
Severe Storms, Tornados, Straic	Z0821284100	-	-	-	-
Severe Storms, Tornados, Straic	34101-0000003054	67,249	-	-	67,249
Severe Storms, Tornados, Straic	34101-0000006297	72,053	-	-	72,053
Severe Storms, Tornados, Straic	34101-0000008732	169,795	88,159	-	81,636
Severe Storms, Tornados, Straic	34101-0000010457	700,909	172,292	-	528,617
Severe Storms, Tornados, Straic	34101-0000009230	197,638	123,123	-	74,515
Library Services, Library Matera	GG1237581	-	-	-	-
Library Services, Library Matera	GG1133671	-	-	-	-
Riviana Foods Fast Track	45.310.35743	(1,777,739)	45,500	45,500	(1,777,739)
Nucor Steel Memphis Fast Track	GG-09-27651	20,175	1,484,151	-	(1,463,976)
	GG-08-24188-00	-	-	-	-

(Continued)

**SUPPLEMENTAL SCHEDULE OF EXPENDITURES
OF FEDERAL AND STATE AWARDS
For the fiscal year ended June 30, 2013**

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

	Federal CFDA Number	Grant Number	Receivable (Deferral) June 30, 2012	Receipts FY 13	Expenditures FY 13	Receivable (Deferral) June 30, 2013
STATE GOVERNMENT GRANTS (continued)						
Illinois Central Fast Track Infrastructure		GG-07-21564-00	(340,739) \$	-	-	(340,739)
Walnut Grove		STP-M-9409(88)-010620	8,739	-	-	8,739
Parks Community Enhancement		NONE	177,475	-	-	177,475
FY08 Project Safe Neighborhoods		2008-GP-CX-0056	57,344	-	-	57,344
Fast Track Mitsubishi		GG1136259	11,388,385	6,081,419	(388,385)	4,918,581
St Jude Children Research Hospital		Z-01-000837-00	-	-	-	-
TOTAL STATE GRANTS			9,700,606	12,412,892	5,572,711	2,860,425
TOTAL GRANTS			27,764,022 \$	83,688,382 \$	75,780,457 \$	19,876,096

**City of Memphis
Notes to the Schedule of Expenditures of Federal and State Awards
For the Year Ended June 30, 2013**

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 - 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	3,503,097
Home Investment Partnership Program	14.239	135,976
Housing Opportunities for Persons with Aids	14.241	908,169
Shelter Plus Care	14.238	665,900
NSP 1 & 3	14.256	4,827,514
Workforce Investment Act - Youth	17.259	627,222
Juvenile Justice and Delinquency Program	16.541	124,995
Justice Assistance Grant	16.738	150,000

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**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED
ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS***

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, 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, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 19, 2013. Our report includes a reference to other auditors who audited the financial statements of the Board of Education of the Memphis City Schools, the Memphis-Shelby County Airport Authority, the Memphis Zoological Society, 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 or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

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 City's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.





Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be a significant deficiency #2013-1.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from 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 other matters involving internal control and its operation that we have reported to management of the City in a separate letter dated December 19, 2013.

The City's Response to Findings

The City's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.


Memphis, Tennessee
December 19, 2013

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

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

Report on Compliance for Each Major Federal Program

We have audited City of Memphis' (the "City") compliance with the types of compliance requirements described in the *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, 2013. 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.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City's compliance.



Opinion on Each Major Federal Program

In our opinion, the City complied, in all material respects, with the types of 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, 2013.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, 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 item #2013-2. Our opinion on each major federal program is not modified with respect to these matters.

The City's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.



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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Banks, Finley White Co.

Memphis, Tennessee
December 19, 2013

CITY OF MEMPHIS

Schedule of Findings and Questioned Cost
For the Year Ended June 30, 2013

Section I: Summary of Auditor's Results

Financial Statements:

- | | |
|---|------------|
| 1. Type of auditor's report issued on the financial statements. | Unmodified |
| 2. Material noncompliance relating to the financial statements. | No |
| 3. Internal control over financial reporting: | |
| a. Material weaknesses identified? | No |
| b. Significant deficiencies identified that are not considered to be material weaknesses? | Yes |

Federal Awards:

- | | |
|---|------------|
| 4. Type of auditor's report issued on compliance for major federal programs | Unmodified |
| 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 Circular A-133? | Yes |
| 7. Federal programs identified as major programs: | |

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 |

Other Programs

- | | |
|--------|--|
| 14.239 | HOME Investment Partnerships Program |
| 14.248 | Section 108 Loans |
| 14.253 | ARRA – Community Development Block Grants ARRA Entitlement Grants (CDBG-R) Recovery Act Funded |

- | | | |
|--------|---|--|
| 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 Bryne 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 | |
| 97.116 | ARRA – Port Security Grant | |
-
8. The dollar threshold used to distinguish between type A and type B programs: \$1,950,358

 9. Auditee qualified as a low-risk auditee? No

 10. Prior fiscal year audit findings and questioned costs relative to federal awards which would require auditee to prepare a summary schedule of prior audit findings as discussed in Section ____ .315(b) of OMB Circular A-133? Yes

Section II: Findings - Financial Statement Audit

Significant Deficiency

2013-1 Grant Monitoring

Condition: As part of our audit procedures performed around the Housing Community Development (HCD) grant program, we noted that management failed to provide a detailed review and monitoring of the HCD grants recorded in the accounting records against the information provided by the HCD accounting department. The control failure was considered a system implementation control failure due to inadequate controls designed to properly detect and prevent functional reporting errors in the new system which could cause a material misstatement in overall financial reporting.

Criteria: Management should be performing a detailed review of and monitor grant expenditures and receipts recorded in the accounting records against information provided to them by HCD to identify any unreconciled or unusual items.

Cause of Condition: The system implementation control failure was due to the inadequate testing and functional validation of a critical management report used in the HCD reconciliation process. The City converted from Oracle version R11 to Oracle version R12, which was considered a major system implementation in May 2013. Management did not have a detailed review process in place to validate all critical reports to ensure that reports were accurate, complete and reliable in the Oracle R12 version. Based on our audit procedures, we concluded that the critical report, after correction, provided accurate, complete, and reliable information for the HCD reconciliation process.

Effect of Condition: The effect of the condition caused there to be a cumulative un-reconciled material difference in the amount of approximately \$1M from the HCD records and accounting records (Finance Division). Such un-reconciled difference did not have an impact on the financial statement records as management accounting records were complete and recorded all expenditures and receipts related to the HCD program. This un-reconciled difference arose because the data provided to HCD from management to compare against their data was not completed.

Furthermore, the potential magnitude of this error could have caused a material effect on the financial statements as the cause of the condition related to management not having proper controls in place around system changes and implementation. We are aware of future system changes going into effect in fiscal year 2014 and beyond and similar deficiencies are more than likely to occur.

Recommendation: We recommend information technology management, in close partnership with functional departments such as HCD, establish system implementation controls to verify functional reporting accuracy and completeness in the new system prior go-live. Such controls should include but not are limited to, controls total checks of report information, functional validation of reports, and the use of controlled data to verify reports. Lastly, the controls should include functional sign-off by functional departments and maintaining testing and validation documentation.

We also recommend that all departments and appropriate personnel (i.e., down to those responsible for doing the day-to-day implementation) within the Finance Division be involved in the planning and implementation of any new system what would affect the accounting records and financial statements.

Response: The City IS division will establish system implementation controls to verify functional reporting accuracy and completeness in the new system prior to go-live and work with each business unit and division to ensure test scripts, including reports, are created and implemented to ensure all functionality, used by each division, is tested. Finally, prior to implementation go-live each functional division will be required to sign-off and document they have completed system, including reports, testing and validation.

Section III: Findings and Questioned Costs - Major Federal Awards Programs

Significant Deficiency

2013-2 Reporting

a. CFDA Number 14.248 Community Development Block Grants – Section 108 Loan Guarantees

Condition: Section 108 Loan expenditures were excluded from the FY13 Consolidated Annual Performance Evaluation Report (CAPER).

Criteria: Per Section 570.507 of Subpart J of 24 CFR Part 570, recipients are required to submit reports on balances, receipts and disbursements of guaranteed loan funds and pledged amounts.

Cause of Condition: Section 108 loan monies were transferred from one fund to another fund; lack of communication and follow-up after transfer.

Effect of Condition: Noncompliance with Section 570.507 of Subpart J of 24 CFR Part 570.

Recommendation: We recommend that the City develop an alternative procedure when creating their CAPER. Funds should be tracked by grant award number and/or grant contract number instead of solely using the fund because of the possibility that funds may be moved around at the City's discretion.

Response: Due to the City's one time re-classing of the Section 108 Federal Award in the City's Financial System from the assigned federal fund code "221" to a Capital Improvement Project fund code "400", the expenditures for FY 2013 were inadvertently omitted.

CITY OF MEMPHIS
Summary Schedule of Prior Years Audit Findings
June 30, 2013

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-I 33.

Current Status: Implemented

- 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.

Current Status: Implemented

- 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.

Current Status: Implemented

CITY OF MEMPHIS
Summary Schedule of Prior Years Audit Findings
June 30, 2013

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.

Current Status: Implemented

- 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.

Current Status: Implemented

- 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.

Current Status: Implemented

CITY OF MEMPHIS
Summary Schedule of Prior Years Audit Findings
June 30, 2013

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.

Current Status: Implemented

- 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.

Current Status: Implemented

- 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.

Current Status: Implemented

CITY OF MEMPHIS
Summary Schedule of Prior Years Audit Findings
June 30, 2013

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 from other sources, including other Federal programs, to pay the costs of the training. WIN refers to this document as "Student Need Assessment and Financial Aid Award."

Current Status: Implemented

- 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 from other sources, including other Federal programs, to pay the costs of the training. WIN refers to this document as "Student Need Assessment and Financial Aid Award."

Current Status: Implemented

CITY OF MEMPHIS
Summary Schedule of Prior Years Audit Findings
June 30, 2013

2011-3 Preparation of Schedule of Expenditures a/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 FY2014.