



2014

COMPREHENSIVE ANNUAL FINANCIAL REPORT YEAR ENDED JUNE 30, 2014

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COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED JUNE 30, 2014

City of Memphis

Tennessee

A C Wharton

Mayor

George M. Little

Chief Administrative Officer

PREPARED BY DIVISION OF FINANCE

Brian Collins

Director





January 9, 2015

To Members of the City Council and Fellow Memphians:

I am pleased to submit the City of Memphis' Comprehensive Annual Financial Report for the fiscal year ended June 30, 2014. This report documents our financial position and operations for the year, as well as the current economic climate of Memphis.

This year was defined by the tough decisions that had to be made in order to preserve the City's financial health, spur economic growth and maintain adequate levels of police, fire, parks/recreation and public works services.

We accomplished this without raising taxes or cutting jobs. By achieving operational efficiencies, reforming employee and retiree benefits, and leveraging federal, state and philanthropic grants, we were able to invest in core city neighborhoods, significantly reduce crime and blight in targeted communities, fund clean and green initiatives and enhance parks and recreational facilities. All of our achievements this year reflect our continued focus on our strategic 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.

The City benefitted from 22 major expansions valued at \$3 billion in the greater Memphis area. These expansions represent a range of industries from healthcare and manufacturing to oil, paper and beverage. For example, the addition of the 1,000 new professional services jobs added by Conduit Global call center further diversifies our economy, and will help keep our local economy strong in tough times.

Electrolux continues to be a strong contributor to the local economy in terms of hiring and being a good corporate citizen of Memphis. The appliance manufacturer has already hired more than 550 employees in Memphis, with 95 percent of all hires being Memphians. Electrolux committed to spend more than 50 percent of their investment locally. Approximately \$100 million has been spent. Of that amount approximately 76 percent was awarded to local companies, the vast majority to companies in Shelby County. Also, approximately 30 percent was awarded to local minority and women-owned businesses.

Additionally, we are experiencing growth in exporting, and new small business developments are opportunities we can build on. Exports from Memphis have been growing by 6 percent a year.

Fortunately, with our renewed focus on inner city neighborhood redevelopment, there is growing demand for services, retail and entertainment in neighborhoods that have not seen significant activity in years. Places like Broad Avenue and Binghampton, Sears Crosstown and Midtown, and Elvis Presley Boulevard in Whitehaven are beginning to thrive with activity and excitement for projects that are currently underway and new plans on the drawing board.

We are doing more to help small businesses and plan for our economic future. Many small businesses are already benefitting from support and financing programs. We are partnering with the Small Business Administration's Emerging Leaders program to help businesses grow in historically challenged communities. We have started an Economic Gardening program that provides high-level technical assistance to small businesses so they can develop targeted growth strategies. Inner City Economic Development forgivable loans administered by EDGE have been approved for five businesses including a restaurant, a furniture manufacturer, a dry cleaner and a custom guitar shop.

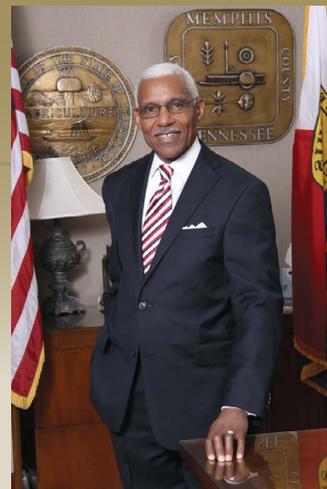
The Memphis & Shelby County Regional Economic Development Plan is being developed with a particular focus on workforce development and exporting. We want to link industry directly to training programs that lead to available jobs, and we want to be certain that schools are preparing people for the jobs of the future. We have been working to build support systems for local manufacturers that need exporting assistance in order to help existing businesses expand in the global economy.

We are focusing on creating transportation options to help people get to work. A team including MATA, transportation experts, urban planners and business representatives has been created to look into Transportation Management Systems for the Medical Center and other high-density employment concentrations.

Our accomplishments this year have put Memphis on a new trajectory towards solid fiscal management, more viable communities, and sustainable economic growth, and opportunities for all. I am inspired by the progress and humbled by the commitment and collaboration that led to our successes in the face of significant challenges.

Respectfully submitted,

A C Wharton, Jr.  
Mayor



**A C WHARTON, JR.**  
**MAYOR**





January 9, 2015

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, 2014, 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 assessing 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, 2014. 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 653,450. The City is empowered to levy a property tax on both real and personal property located within its boundaries.





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 parts 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:

- 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
- Sports Authority of Memphis and Shelby County Incorporated

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

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

- Memphis Housing Authority (related organization)

- Memphis and Shelby County 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
- Memphis and Shelby County Economic Development Growth Engine (EDGE) Industrial Development Board
- Memphis and Shelby County Community Redevelopment Agency

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*

- After a disappointing start to the year, with first quarter inflation-adjusted gross domestic product (GDP) falling by 2.1 percent due to an abnormally harsh winter, the Bureau of Economic Analysis reported evidence of a swift rebound with the U.S. economy growing at a seasonally-adjusted 4.2 percent rate in the second quarter.
- U.S. payroll employment was expected to see a 1.8 percent growth in 2014 and 2015.
- Robust job growth was reflected in the national unemployment rate, which fell by 1.2 percentage points and rested at 6.1.
- Signs of an improving housing market can also be seen in residential fixes investment growth, which after a 4.2 percent setback in the first quarter increased by 7.2 percent during the second quarter.
- After a first quarter slowdown, nonresidential investment continued its rebound, growing by 8.4 percent in the second quarter, with expectation of 7.5 percent growth in the third quarter.
- The Fed maintains that interest rates will remain low until a broad





range of labor market indicators show sufficient improvement. The current view is that the tapering process will be completed by the third quarter of 2015 and an interest rate hike will take place near the third quarter as well. The 30-year fixed mortgage rate has already encountered a slight increase and rates may begin to inch upwards in anticipation of an increase in the Federal Funds Rate.

- The outlook for 2015 is promising but is dependent on a number of domestic and international factors. Faster economic growth hinges on the assumptions of an improving labor market and the Federal Reserve making a smooth transition to tighter monetary policies. Internationally there are a number of risks to the forecast including the events in Ukraine and the Middle East as well as the economic slowdown in Europe, China and Japan.

### *Local Economy*

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

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

- The Tennessee economy has performed reasonably well in recent quarters, with both personal income and nonfarm employment experiencing gains during the first half of 2014.
- In Tennessee, personal income growth accelerated to 4.5 percent during the second quarter of 2014. This compares favorably to the 2.5 percent growth rate registered during the first quarter but is well below the national rate of 6.2 percent.
- The state unemployment rate continued its downward trend falling to 7.4 percent, compared to 8.5 percent for the same period in 2013. However, Memphis MSA and Tennessee's unemployment rate still rests above its national counterpart.
- During the second quarter, nominal and inflation-adjusted personal income grew at a slower rate in Tennessee than in the nation. This marks two consecutive quarters of national income growth outpacing state growth. (Tennessee personal income growth slowed sharply in 2013 due in large part to the elimination of the payroll tax holidays at the end of 2013.)

*Source: Tennessee Business and Economic Outlook*

Memphis' strong healthcare industry, low cost of living and position as a transportation hub leader will continue to contribute to the stability of the City's economy 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.

According to the Center for Regional Economics - 8<sup>th</sup> District Federal Reserve Bank of St. Louis, national delinquency rates have recovered more quickly than in the Memphis zone, revealing that even as the economy recovers, Memphis zone households face financial struggles likely more longer-lasting than those temporarily faced across the nation.

### Unemployment Rates (Seasonally Adjusted), 2013 – 2014

Region	Aug 2013	Aug 2014	Percent Change
Memphis MSA	9.4	8.5	- 9.6
Tennessee	8.5	7.4	-12.9
United States	7.3	6.1	-16.4

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

The nation’s unemployment rate decreased 16.4 percent year over year to 6.1 from 7.3. Finally following the national trend, the unemployment rate for Tennessee and the Memphis MSA also decreased in 2014. Tennessee’s August 2014 unemployment rate reflects a 12.9 percent decrease from August 2013. Memphis’ unemployment rate decreased to 8.5 in August 2014, down 9.6 percent from the same period a year ago. In 2013, the U.S. Chamber of Commerce recognized Memphis as a model for government focused on job creation, economic growth and crime reduction in its report, “Enterprising Cities”. The continuation of these initiatives should contribute to the improvement of the Memphis unemployment situation in the future.

The Memphis real estate market showed some improvement, and market activity continues to be encouraging. Total home sales, median sales price, and average sales price increased by 17.8%, 7.8% and 9.6%, respectively year over year in September. Active listings in September showed a modest increase from 6,678 to 6,710 from the prior year.

### Home Sales in Memphis, Year-to-Date September 2013 - 2014

	2013	2014	Percent Change
Total Home Sales	1,317	1,552	17.8%
Median Sales Price	\$116,000	\$125,000	7.8%
Average Sales Price	\$144,204	\$158,008	9.6%
Active Listings	6,678	6,710	.05%

Source: Memphis Area Association of Realtors Multiple Listing Service.

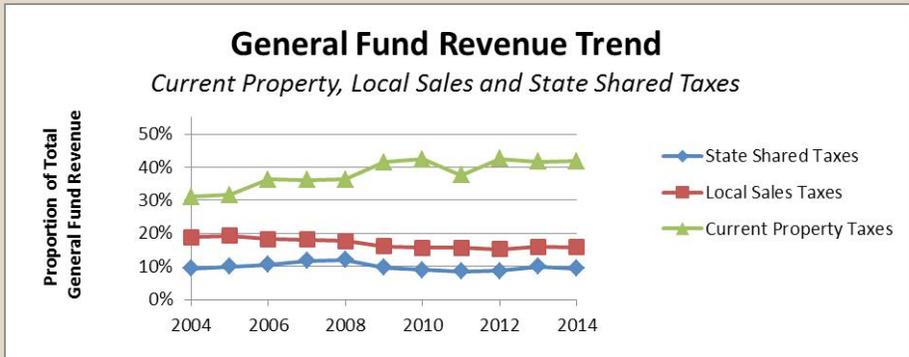
The chart below shows that since fiscal year 2004, the percentage of total revenues generated within the City from Property Taxes, Local Sales Taxes and State Shared Taxes remained constant until fiscal year 2006.

- 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 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.
- While 2014 revenue increased slightly over 2013 in current property tax and local sales tax collections, both categories remained constant as a percentage of total revenue year over year. State shared revenue for 2014 decreased slightly from 2013 due to lower collections in both the Hall income and the professional athletes privilege taxes. However, state shared revenue collections still accounted for the same relative percentage of total revenue.



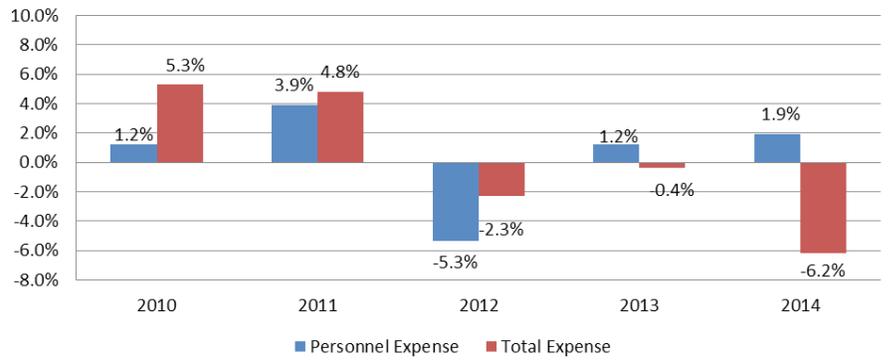
With 64.5% of the City's expense budget dedicated to base salary for the provision of city services, employment, healthcare, and retirement costs are a constant source of concern. When fluctuating energy prices are added to the equation, managing the competing needs for scarce resources creates significant challenges and concerns.

- 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 programs.
- 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 an 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 School Fund as a result of a dedicated property tax allocation of \$.10 cent that was deposited directly into School Fund in fiscal year 2013. The dedicated property tax allocation to the School Fund was neither approved nor allocated in the previous year.
- FY14 total expense decreased 5.8% over FY13, marking the third consecutive year of decreases. Total personnel expense increased 6% over prior year, with the increase primarily contributed to the realignment of personnel from the Fleet Fund to the General Fund. The overall decrease in expense was driven by a reduction in total transfers out of the General Fund due in large part to the elimination of the transfer of approximately \$51 million to Memphis City Schools.





## General Fund Expense Growth



### 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 of 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 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. The fundraising and awareness arm of St. Jude is planning to spend nearly \$2.4 million renovating the historic Memphis Artesian Water Department building for a new events center on its downtown campus.
- 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 550 employees, as part of the 1,200 new employee hires expected over the course of the next four 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 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 mid-year 2015.

- Memphis completed the acquisition of the AutoZone Park sports stadium where the Memphis Redbirds AAA baseball team plays.

## Long-term Financial Planning

The FY2015 Operating Budget brought many budgeting challenges to the City in its goal of restoring and maintaining financial stability while addressing some of its biggest financial issues. While these difficult financial times forced the City to prioritize and cut operating expenditures, the City has strategically funded its budget to place emphasis on its essential priorities: to create safe and vibrant neighborhoods, grow prosperity and opportunity for its citizens, invest in the youth of the city, and advance a culture of excellence in government.

As the City focuses on reprioritizing and economizing its Operating Budget, it is also continually planning for the future and developing means of continued growth to its economy through strategic and visionary capital investments. Its goal in the years ahead will be to continue to evaluate our service delivery model to ensure the most efficient and effective service possible, and direct all savings to priority obligations and the enhancement of core services.

Emerging and recovering from one of the worst financial crises in recent history, the City will strive to become a model city government based on proven business principles that support the facilitation and execution of its fiscal and operational goals.

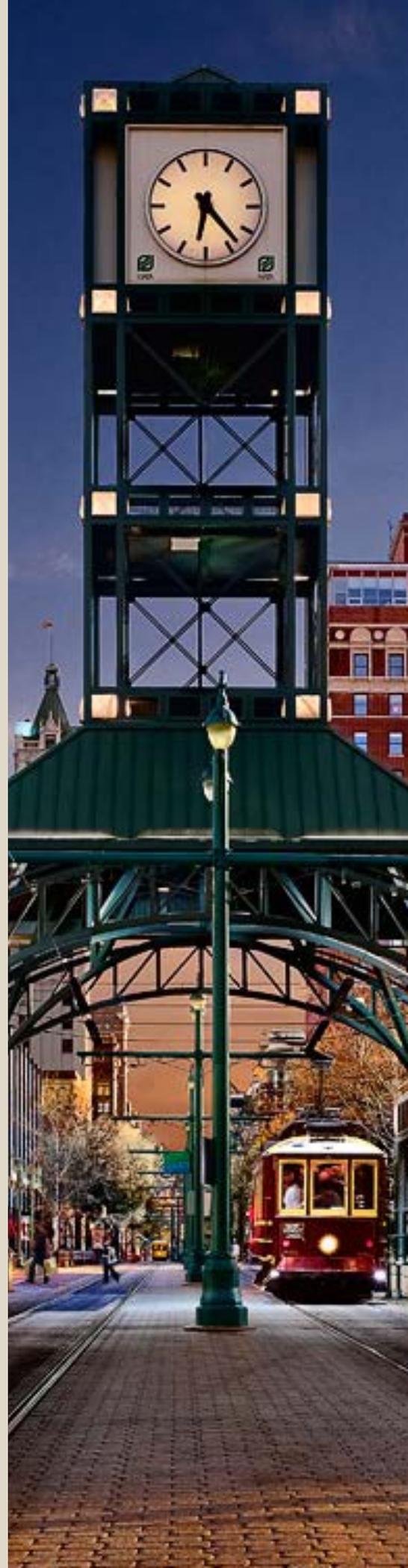
## Relevant Financial Policies

The City of Memphis implemented Governmental Accounting Standards Board (GASB) Statement No. 67 which specifies the disclosure and supplemental information requirements for Pension Plan Financials for fiscal years beginning after June 15, 2013, which requires disclosure of the Total Pension Liability and Net Pension Liability a year before required in employer financial statements.

GASB Statement No. 68 which requires inclusion of Net Pension Liability on the employer balance sheet and pension expense in the employer income statement becomes effective for fiscal years beginning after June 15, 2014.

## 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 2015-2019 are:





- The Fire Division budget includes funds to make construction repairs on all fire stations, purchase personal prevention equipment, and funds to purchase five ambulances, one rehab truck, two engines and 10 SUVs.
- The Police Division General Services Area's capital acquisition budget provides for the purchase of 134 police cars and in-car videos.
- The budget of the Public Works Division includes funds to pave more than 400 lane miles of streets each year. ADA ramp improvements and several road projects are also included in the budget.
- The Stormwater Fund CIP budget will allow the City to make major investments in drainage infrastructure throughout the City. The Sewer Fund projects are for the repair and replacement of sewer infrastructure, new sewer connections and improvements to the treatment plants.
- The General Services Division includes funding for major ADA improvements and minor improvements to various City buildings. This budget also reflects \$7.0 million for City-wide vehicle purchases.
- The budget for Housing and Community Development includes funding for Heritage Foote Homes, Cleaborn Hope IV, and redevelopment of the Raleigh Springs Mall.
- The Engineering Division budget includes funding for replacement of traffic signals and intelligent transportation improvements.
- Riverfront Development FY 2015 budget includes reprogrammed funding from FY2014 for the repair and replacement of historic cobblestone paving.
- The Memphis Area Transit Authority's capital improvement budget is heavily leveraged by Federal and State funding. This year's budget includes repairs to the trolley system and infrastructure.
- The budget of the Executive Division includes funding for major modifications to the Cook Convention Center which is now 100% owned by the City of Memphis as opposed to previously being governed jointly with Shelby County.
- The Parks and Neighborhoods budget includes funding to rehabilitate the Pink Palace Planetarium and Museum in addition to various other city parks and facilities.

### *Capital Planning Process*

The Finance Division provides financing strategies to assist in developing a plan to fund the capital improvement needs of the City. One element of this strategy includes an annual comprehensive review and assessment of the City's Capital Improvement Program (CIP) to ensure the coordination and alignment of the City's planning initiatives, financial capacity, and environmental/physical development. The City's CIP has a budget which includes a spending plan for the upcoming year and 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, cooperation, and coordination of the City's divisions and quasi city agencies. The CIP is linked to and impacts the City's operating budget.

The benefits of a successfully managed CIP include preservation of capital assets, improvement of infrastructure, coordination of capital needs and operating budgets, stabilization of debt costs and improvement of the City's credit rating. With the objective of developing

an effective capital improvement program, a CIP Committee was established during fiscal year 2006 for planning and oversight. 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*

The reviews 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:

- Critical Maintenance
- Major Development/New Construction Initiatives
- Infrastructure
- Vehicle and Equipment Acquisition

Capital Improvement Projects are also 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*

Annexation of the Southwind and Windyke areas became 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. The Southwind and Windyke parcels were added to the City tax base as of January 1, 2014 and taxes were billed in July 2014 with proceeds as part of the 2015 revenue.

### **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, 2013. This was the 37<sup>th</sup> consecutive year that the City has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must





publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both 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, 2013, the 16<sup>th</sup> consecutive year for this award.

The preparation of this report could not have been accomplished without the dedicated efforts of the staff of the City's Finance Division and the City's independent public accountants, Banks, Finley, White & Co, CPAs. We wish to express our appreciation to both, with particular thanks to City Deputy Comptroller, Sharon Cobbige and the entire accounting staff.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "B Collins".

Brian Collins  
Director of Finance

A handwritten signature in black ink, appearing to read "Margaret L. Coleman".

Margaret L. Coleman, CPA (Retired)  
Deputy Director  
Interim Comptroller



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, 2013**

A handwritten signature in black ink, reading "Jeffrey R. Emer".

Executive Director/CEO

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**CITY OF MEMPHIS, TENNESSEE  
CITY OFFICIALS**

A C Wharton, Mayor

**CITY COUNCIL**  
Jim Strickland (District 5)

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	Edmund Ford, Jr. ....	District 6

**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

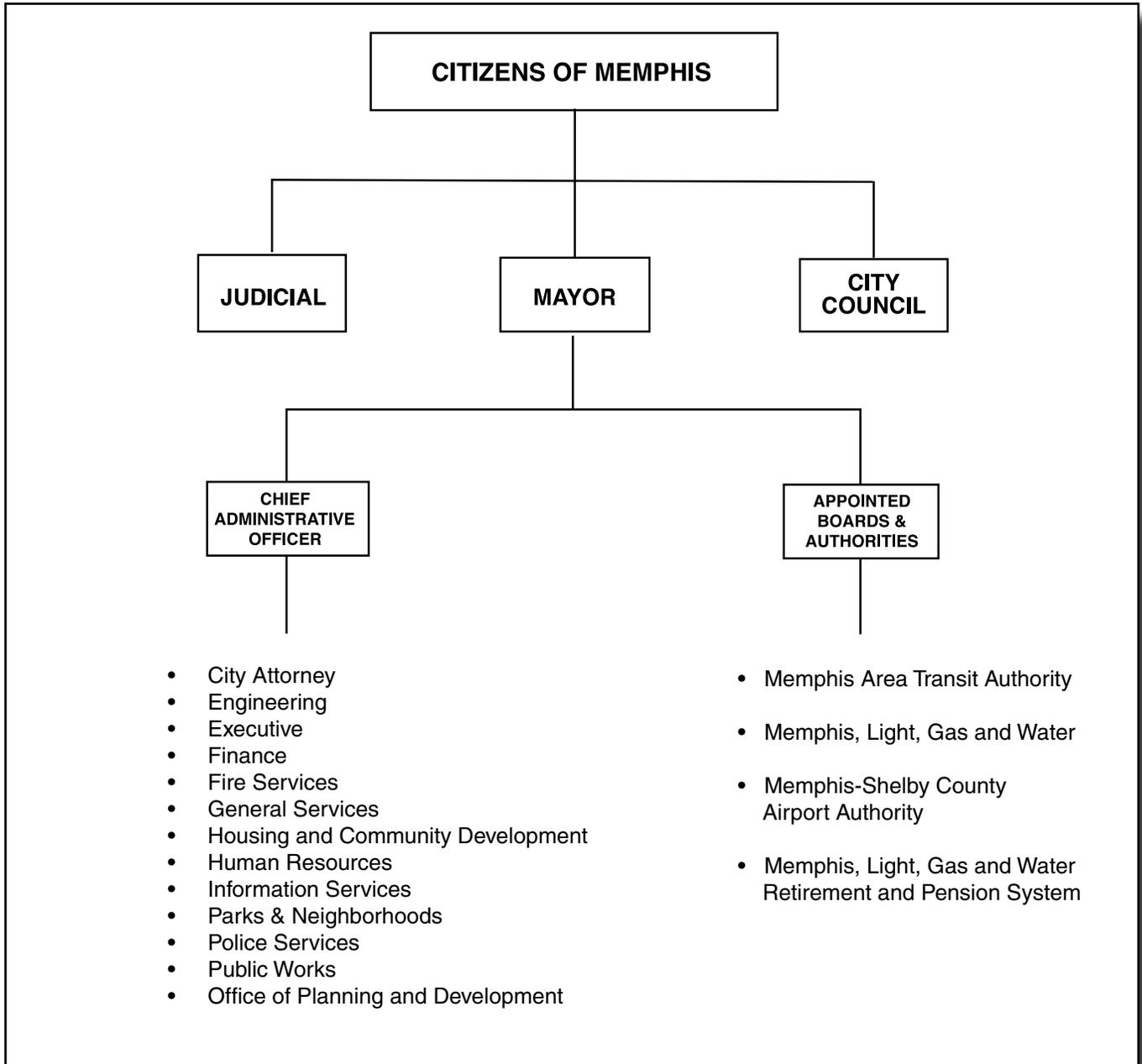
**ADMINISTRATIVE**

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

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## INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Memphis, Tennessee (the "City") as of and for the year ended June 30, 2014, 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 Memphis-Shelby County Airport Authority and the Memphis Zoological Society, which represent 89%, 85% and 87%, 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 91%, 81% and 93%, 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 has been furnished to us, and our opinion, insofar 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 entity'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 report of 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, 2014, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the general fund for the year then ended in 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 21 and 29 and other required supplementary information on pages 117 and 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*

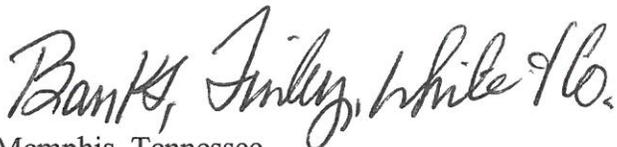
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, other supplementary information, and statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal and state awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, and is also not a required part of the basic financial statements of the City.

The other supplementary information 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, the other supplemental information 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 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 January 9, 2015 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 the City's internal control over financial reporting and compliance.



Memphis, Tennessee  
January 9, 2015

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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, 2014. 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 outflows of resources exceeded its liabilities and deferred inflows of resources at June 30, 2014 by \$1,783,903 (net position). Total government-wide net position increased by \$83,415 in fiscal year 2014.
- At June 30, 2014, the City's governmental activities reported ending net position of a negative \$530,369, compared to a negative \$538,868 as restated from the prior year, resulting in a change of \$8,499 or 1.6% from the restated ending net position for the prior year.
- The City's business-type activities reported ending net position of \$2,314,272, an increase of \$74,917 or 3.3% from prior year.
- At June 30, 2014, the fund balance for the general fund was \$108,338, an increase of \$37,967 or 53.9% from prior year's balance. The unassigned portion of the fund balance was \$82,230.
- The City's total general obligation, other debt, and revenue bond debt decreased by \$83,509 or 3.8% during the current fiscal year. Total liabilities (\$3,530,915) which include, among other items, pension and other post-employment benefits obligations decreased \$55,322 or 1.5% from prior year (\$3,586,237).

**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, 2014. 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 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

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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 2016 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. They are presented on the budget basis (encumbrances included with expenditures). 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 \$1,783,903 at June 30, 2014.

	Governmental activities		Business-type activities		Total	
	2014	2013	2014	2013	2014	2013
Current and other assets	\$ 957,978	962,471	1,404,117	1,533,075	2,362,095	2,495,546
Capital assets	1,432,049	1,360,194	2,029,927	1,957,761	3,461,976	3,317,955
Total assets	2,390,027	2,322,665	3,434,044	3,490,836	5,824,071	5,813,501
Deferred outflows of resources	-	-	10,738	1,439	10,738	1,439
Long-term liabilities outstanding	1,616,833	1,468,357	607,644	766,459	2,224,477	2,234,816
Other liabilities	784,415	865,505	522,023	485,916	1,306,438	1,351,421
Total liabilities	2,401,248	2,333,862	1,129,667	1,252,375	3,530,915	3,586,237
Deferred inflows of resources	519,148	534,489	843	545	519,991	535,034
Net positions:						
Net investment in capital assets	121,045	203,581	1,902,835	1,818,916	2,023,880	2,022,497
Restricted	91,004	65,316	71,021	69,689	162,025	135,005
Unrestricted	(742,418)	(814,583)	340,416	350,750	(402,002)	(463,833)
Total net positions	\$ (530,369)	(545,686)	2,314,272	2,239,355	1,783,903	1,693,669
Total net positions as restated	\$ (530,369)	(538,868)	2,314,272	2,239,355	1,783,903	1,700,487

By far the largest portion of the City's net position (113.5%) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided for by other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

**MANAGEMENT DISCUSSION AND ANALYSIS**  
**(Thousands of Dollars)**  
**For the fiscal year ended June 30, 2014**

**CITY OF MEMPHIS, TENNESSEE**

**(Continued)**

An additional portion of the City's net position (9.0%) represents resources that are subject to external restrictions on how they may be used. The balance remaining is negative unrestricted net position of 22.5%.

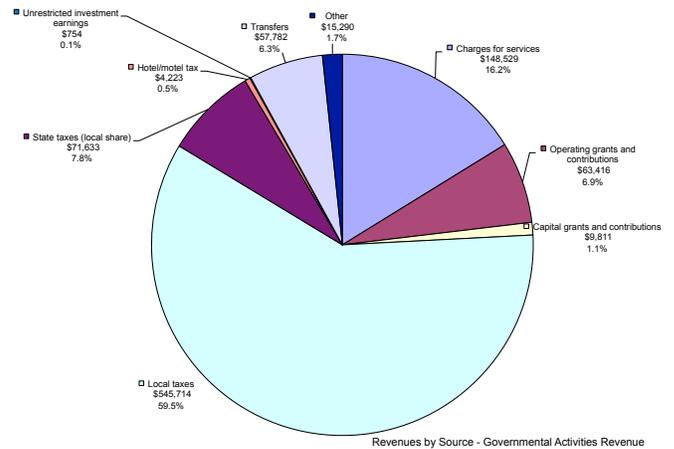
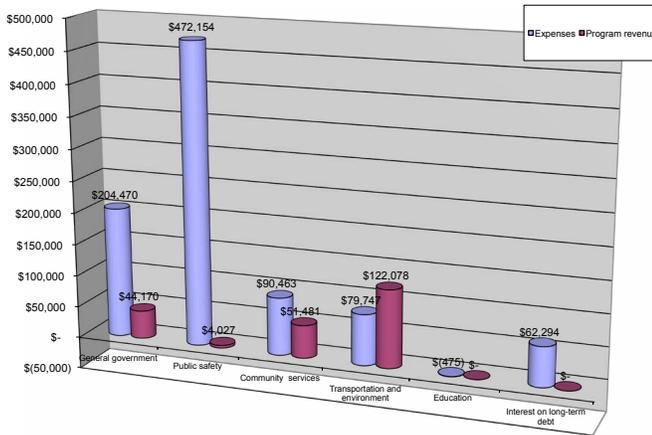
**Condensed Statement of Changes in Net Positions**

	Governmental activities		Business-type activities		Total	
	2014	2013	2014	2013	2014	2013
Revenues:						
Program Revenues:						
Charges for services	\$ 148,529	144,439	1,743,709	1,711,387	1,892,238	1,855,826
Operating grants and contributions	63,416	81,913	31,330	29,792	94,746	111,705
Capital grants and contributions	9,811	11,123	2,950	663	12,761	11,786
General revenues:						
Local taxes	545,714	533,190	-	-	545,714	533,190
State taxes (local share)	71,633	71,115	-	-	71,633	71,115
Hotel/motel tax	4,223	4,189	-	-	4,223	4,189
Sale of Capital Assets	-	1,481	-	-	-	1,481
Unrestricted investment earnings	754	671	27,055	32,883	27,809	33,554
Other	15,290	17,250	1,350	437	16,640	17,687
Total revenues	859,370	865,371	1,806,394	1,775,162	2,665,764	2,640,533
Expenses:						
General government	204,470	217,086	-	-	204,470	217,086
Public safety	472,154	503,011	-	-	472,154	503,011
Community services	90,463	96,442	-	-	90,463	96,442
Transportation and environment	79,747	82,834	-	-	79,747	82,834
Education	(475)	62,507	-	-	(475)	62,507
Interest on long-term debt	62,294	58,403	-	-	62,294	58,403
Sewer collection and treatment	-	-	62,556	65,921	62,556	65,921
Memphis Light, Gas and Water	-	-	1,596,091	1,593,211	1,596,091	1,593,211
Storm Water	-	-	15,048	15,464	15,048	15,464
Total expenses	908,653	1,020,283	1,673,695	1,674,596	2,582,348	2,694,879
Increase (decrease) in net position before transfers	(49,283)	(154,912)	132,699	100,566	83,416	(54,346)
Transfers	57,782	42,738	(57,782)	(40,938)	-	1,800
Increase (decrease) in net position	8,499	(112,174)	74,917	59,628	83,416	(52,546)
Net positions - July 1, as restated	(538,868)	(433,512)	2,239,355	2,179,727	1,700,487	1,746,215
Prior Period Adjustment		6,818				6,818
Net positions - June 30	\$ (530,369)	(538,868)	2,314,272	2,239,355	1,783,903	1,700,487

**Governmental activities.** During fiscal year 2014, governmental activities increased the City's net position by \$8,499 and Business-Type activities increased net position by \$74,917, thereby resulting in a net increase of \$83,416 in total primary government's beginning net position. Key elements of the governmental activities are discussed below:

- Total expenses decreased by \$111,630 or 10.9% from last year. Total revenues decreased by \$6,001 or 0.7% over last year.
- The most significant decrease in expenditures from prior year occurred in Education and Public Safety which decreased by \$62,982 and \$30,857 respectively.
- The education program expenses decrease of \$62,982 or 100.8% was attributed to the fact that beginning in Fiscal Year 2014, the City of Memphis was no longer required to fund education since the Memphis City School System became a part of the Shelby County School System.
- Interest on long-term debt increased by \$3,891 (6.7%) and general government expenses decreased by \$12,616 (5.8%) from prior year.
- During fiscal year 2014, revenues decreased by \$6,001 primarily as a result of less grants awarded to the City. This was partially offset by better than expected revenue from local taxes.

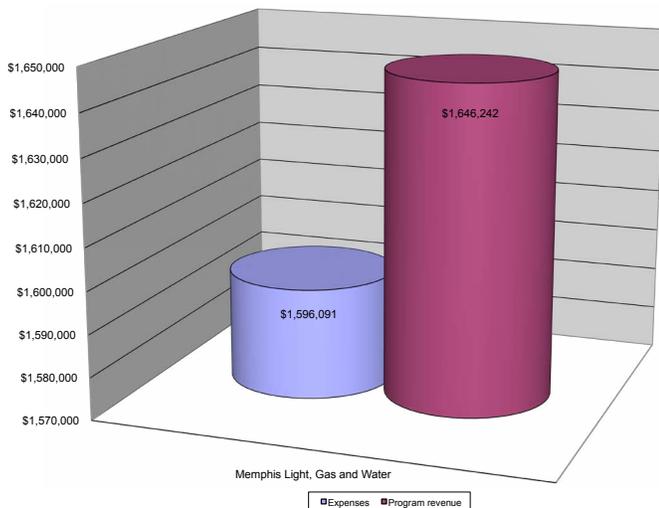
**Expense and Program Revenues - Governmental Activities**  
 (Thousands of Dollars)



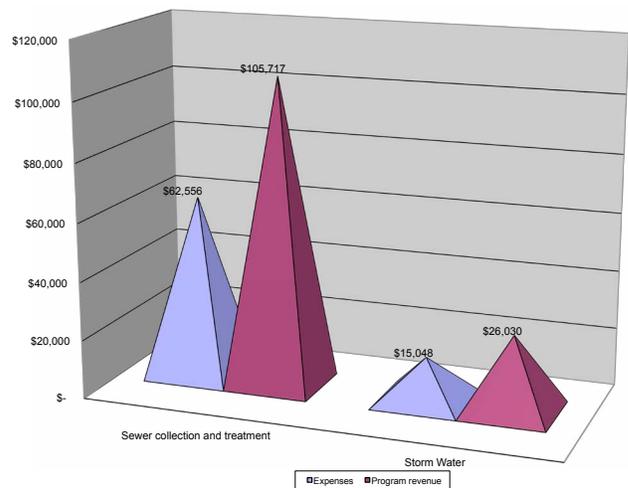
**Business-type activities.** Business-type activities increased the City’s net position by \$74,917, accounting for 3.3% growth in the government’s beginning net position. Key elements of the increase are as follows:

- MLGW’s Electric Division, Gas Division and Water Division contributed \$14.7 million, a negative \$399 thousand and \$4.2 million of the total net position increase, respectively.
- The Sewer Collection and Treatment also contributed \$37.4 million toward the business-type total net position increase.

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



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



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**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, 2014, the City's total governmental funds reported combined ending fund balance of \$240,316, an increase of \$26,608 in comparison with the prior year. Approximately 34.2% or \$82,230 of the fund balance constitutes unassigned fund balance, which is available for spending at the government's discretion. Approximately 26.9% or \$64,759 of the fund balance is considered restricted to indicate the amount is subject to external enforceable legal restrictions. Another \$72,943 or 30.4% 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 \$20,384 or 8.5% 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, 2014, unassigned fund balance of the general fund was \$82,230, while total fund balance was \$108,338. 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 14.2% of total general fund expenditures, while total general fund balance represents 18.7% of the fund expenditures.

The fund balance of the City's general fund increased by \$37,967 during the fiscal year ended June 30, 2014. Key factors resulting in this increase are as follows:

- Total General Fund Revenues increased by \$16,537 or 3% over prior year. Property tax revenue accounted for the biggest part of the increase due to the increase in the new properties added to the tax digest during the 2014 reappraisal year. Fines and forfeitures increase was driven by enhanced traffic enforcement activities.
- Transfers In increased by \$8,502 or 14.8% represented by a slight increase in transfers in from MLG&W and the sewer collection and treatment fund, along with new transfers in from the Midtown Corridor Fund and the New Memphis Arena Fund.
- Total expenditures increased by \$16,591 or 2.9% over prior year. The increase was largely attributable to certain activities within the general government category driven by the funding to the restoration of approximately \$18 million for pensioners insurance.
- The general fund's operating Transfers Out decreased \$56,269 or 71.5% year over year. The decrease was largely attributed to the elimination of a transfer to Education.

The fund balance of the City's Debt Service fund decreased by \$8,855 to \$50,603 during the fiscal year ended June 30, 2014. Key factors resulting in this decrease are as follows:

- Total revenues increased by \$18,575 or 17.7%. The increase resulted primarily from increased property tax allocation to debt service from \$0.71 to \$0.91. 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 \$4,296 or 3.14% primarily due to bond issuance cost.
- Total other financing sources and uses decreased \$15,842. Activities included a decrease of Transfers In, an increase in Transfers Out, and the balance of the retirement of general obligation bonds and the new issuance of debt.

The fund balance of the City's Capital Project fund remained unchanged for fiscal year ended June 30, 2014.

- Continuation of funding for the Pyramid/Bass Pro economic development project.
- Capital Outlay expenditures were in line with 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. Year over year, fund balances for these funds did not change significantly.

**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 \$336,484 is comprised primarily of \$246,319 for Memphis Light, Gas and Water, which can be used for on-going operations of the public utility system and \$80,119 unrestricted net position for the Sewer Collection and Treatment Fund. The remaining \$10,046 represents unrestricted net position of the non-major fund, Storm Water.

**General Fund Budgetary Highlights**

The original operating budget for fiscal year 2014 anticipated a contribution to fund balance of \$946. Differences between the original budget and the final amended budget can be briefly summarized as follows:

- Transfers Out increased by \$11,691 to support the Health Fund (\$7m) and Debt service (\$4m).

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

- General Fund actual revenues were above budget by \$11,917 primarily due to better than expected tax collections. Total expenditures were under budget by \$41,557 due to the control of hiring and material and supplies spending controls.

**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, 2014, amounts to \$3,461,978 (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 capital assets for the current fiscal year was \$144,023 or 4.3%. The governmental activities contributed \$71,855 towards the increase. The business-type activities contributed \$72,168.

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

	<b>Governmental activities</b>		<b>Business-type activities</b>		<b>Total</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
Land and buildings	\$ 338,301	349,767	34,043	35,660	372,344	385,427
Improvements other than buildings	528,423	541,302	296,933	290,422	825,356	831,724
Equipment	28,979	33,528	14,881	16,420	43,860	49,948
Construction in progress	536,346	435,597	89,499	74,340	625,845	509,937
Memphis Light, Gas and Water	-	-	1,594,573	1,540,919	1,594,573	1,540,919
<b>Total</b>	<b>\$ 1,432,049</b>	<b>1,360,194</b>	<b>2,029,929</b>	<b>1,957,761</b>	<b>3,461,978</b>	<b>3,317,955</b>

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

- Progress continues on major capital improvements related to the Pyramid/Bass Pro project.
- Continued replacement of City's Fleet.
- Acquired 100% ownership of the AutoZone / Redbirds Ballpark.
- Continued and increased the City's anti-blight initiatives.

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

**Long-term debt.** At June 30, 2014, the City had total bonded debt outstanding of \$2,089,349. Of this amount, \$1,371,420 comprises debt backed by the full faith and credit of the government. The remaining balance of \$717,929 consists of bonds secured solely by specified revenue sources (i.e., revenue bonds).

**Condensed Statement of Outstanding Debt**  
 General Obligation and Revenue Bonds

	Governmental activities		Business-type activities		Total	
	2014	2013	2014	2013	2014	2013
General obligation bonds	1,291,101	1,150,863	-	-	1,291,101	1,150,863
Bond anticipation notes	50,000	186,975	-	-	50,000	186,975
Capital lease obligations	30,319	7,487	-	-	30,319	7,487
Revenue bonds	-	-	717,929	827,533	717,929	827,533
<b>Total</b>	<b>\$ 1,371,420</b>	<b>1,345,325</b>	<b>717,929</b>	<b>827,533</b>	<b>2,089,349</b>	<b>2,172,858</b>

The City's total general obligation debt decreased by \$83,509 (3.8%) during fiscal year 2014. Total debt includes state loans, general obligation bonds, bond anticipation notes, capital lease obligations, and revenue bonds. Governmental activities' total debt increased by 1.9%, while business-type activities' debt decreased by 13.2%.

The City has long held a high grade bond rating on indebtedness from the major credit rating services. As of June 30, 2014, 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.

In April 2014, the city entered agreements to sell tax-exempt and federally taxable bond anticipation notes in the form of General Obligation Commercial Paper.

Fitch Ratings re-affirmed MLGW's AA+ rating on the Electric Division's outstanding debt. Fitch's rationale supporting the rating included MLGW's highly reliable source of power from TVA, a prepay agreement with TVA, stable financial metrics, and affordable rates. 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 or via mlgw.com.

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

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

Factors considered in preparing the City's budget for the 2015 fiscal year are discussed more fully in the Budget document and include:

- The budget reflects challenging times and as a result, contains prioritized cuts in operating expenditures. This is the second year in a row of a planned decrease in spending. The proposed FY 2015 Budget is designed to restore the City's fiscal stability by rebalancing priorities.
- The FY 2015 General Fund Revenue Budget is approximately \$617. While there is planned growth in planned property tax revenue, that growth is being absorbed by the increased need in the Debt Service Fund to match the increased cost of debt service.
- In order to ensure the solvency of the pension system, difficult cuts have been made to employee and retiree health care plans. The savings realized in health care will be reallocated to shore up the pension system.
- The FY 2015 budget adds \$26 for the initiation of efforts to fully fund the pension annual required contribution (ARC) and to reduce the unfunded liability of health insurance or other post-employment benefits.

**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 2015 Operating Budget and 5 Year Capital Improvement Program, and other general information about the City may be found on the City's website, [www.memphistn.gov](http://www.memphistn.gov).

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**STATEMENT OF NET POSITION**  
**(Thousands of Dollars)**  
**June 30, 2014**

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

	<u>Primary Government</u>			Component Units
	Governmental Activities	Business-type Activities	Total	
<b>ASSETS</b>				
Cash and cash equivalents	\$ 3,807	113,073	116,880	59,157
Investments	18,974	144,201	163,175	8,801
Equity in cash and investment pool	196,886	104,241	301,127	-
Restricted funds	-	39,826	39,826	-
Receivables (net of allowance for uncollectibles):				
Property taxes	419,024	-	419,024	-
Sales, income, and other taxes	41,511	-	41,511	-
Special assessments	3,247	-	3,247	-
Federal and state grants	56,608	-	56,608	3,916
Interest and dividends on investments	449	26	475	-
Notes and accounts receivable	-	162,408	162,408	-
Housing rehabilitation loans	54,217	-	54,217	-
Other	35,206	-	35,206	9,440
Internal balances	(15,234)	15,234	-	-
Due from other agencies and governments	132,264	-	132,264	78
Inventories	768	29,196	29,964	4,565
Unbilled revenues	-	81,564	81,564	-
Prepaid expense	-	573,115	573,115	2,796
Collateral held in trust for securities on loan	-	84,800	84,800	-
Restricted assets:				
Cash and cash equivalents	-	-	-	82,095
Investments	-	48,948	48,948	49,982
Receivables				
Accrued interest	-	-	-	572
Other	-	-	-	59,741
Non-depreciable capital assets	600,710	103,231	703,941	194,086
Depreciable capital assets (net of accumulated depreciation)	831,339	1,926,696	2,758,035	905,362
Other assets	10,251	7,485	17,736	911
<b>Total Assets</b>	<b>\$ 2,390,027</b>	<b>3,434,044</b>	<b>5,824,071</b>	<b>1,381,502</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
	\$ -	10,738	10,738	4,491
<b>Total assets and deferred outflows of resources</b>	<b>\$ 2,390,027</b>	<b>3,444,782</b>	<b>5,834,809</b>	<b>1,385,993</b>

(Continued)

**STATEMENT OF NET POSITION**  
**(Thousands of Dollars)**  
**June 30, 2014**

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

	<b>Primary Government</b>			<b>Component Units</b>
	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>	
<b>LIABILITIES</b>				
Accounts payable and accrued liabilities	\$ 68,595	280,010	348,605	23,320
Accrued interest payable	16,660	-	16,660	-
Contract retainage	101	47	148	-
Insurance claims payable	9,445	-	9,445	-
Due to other agencies and governments	5,716	3,847	9,563	4,873
Refundable bonds and deposits	691	22,486	23,177	-
Unearned revenue	17,120	-	17,120	1,782
Collateral subject to return to borrowers	-	84,800	84,800	-
Other post employment benefits	244,517	2,998	247,515	23,104
Net pension obligations	288,201	-	288,201	-
Other liabilities	80	22,115	22,195	-
Noncurrent liabilities:				
Due within one year	133,289	105,720	239,009	86,764
Due in more than one year	1,616,833	607,644	2,224,477	345,441
<b>Total Liabilities</b>	<b>2,401,248</b>	<b>1,129,667</b>	<b>3,530,915</b>	<b>485,284</b>
<b>DEFERRED INFLOWS</b>	<b>519,148</b>	<b>843</b>	<b>519,991</b>	<b>68,667</b>
<b>Total liabilities and deferred inflows of resources</b>	<b>\$ 2,920,396</b>	<b>1,130,510</b>	<b>4,050,906</b>	<b>553,951</b>
<b>NET POSITION</b>				
Net investment in capital assets	121,045	1,902,835	2,023,880	736,162
Restricted for:				
Debt service	50,603	41,902	92,505	68,662
Construction	-	29,119	29,119	-
Solid waste management	15,222	-	15,222	-
Drug enforcement	9,676	-	9,676	-
Donor/Statutory restrictions	15,503	-	15,503	7,429
Self insurance	-	-	-	501
Unrestricted:	(742,418)	340,416	(402,002)	19,288
<b>Total Net Position</b>	<b>\$ (530,369)</b>	<b>2,314,272</b>	<b>1,783,903</b>	<b>832,042</b>

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

**STATEMENT OF ACTIVITIES**  
**(Thousands of Dollars)**

For the fiscal year ended June 30, 2014

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

	Program Revenues				Net (Expense) Revenue and Changes in Net Position			Component Units
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total	
<b>Functions/Programs</b>								
<b>Primary government:</b>								
Governmental Activities:								
General government	\$ 204,470	22,420	11,939	9,811	(160,300)	-	(160,300)	-
Public safety	472,154	3,928	99	-	(468,127)	-	(468,127)	-
Community services	90,463	103	51,378	-	(38,982)	-	(38,982)	-
Transportation and environment	79,747	122,078	-	-	42,331	-	42,331	-
Education	(475)	-	-	-	475	-	475	-
Interest on long-term debt	62,294	-	-	-	(62,294)	-	(62,294)	-
Total governmental activities	908,653	148,529	63,416	9,811	(686,897)	-	(686,897)	-
<b>Business-type activities:</b>								
Sewer collection and treatment	62,556	103,900	565	1,252	-	43,161	43,161	-
Memphis Light, Gas and Water	1,596,091	1,615,477	30,765	-	-	50,151	50,151	-
Storm water	15,048	24,332	-	1,698	-	10,982	10,982	-
Total business-type activities	1,673,695	1,743,709	31,330	2,950	-	104,294	104,294	-
<b>Total primary government</b>	<b>\$ 2,582,348</b>	<b>1,892,238</b>	<b>94,746</b>	<b>12,761</b>	<b>(686,897)</b>	<b>104,294</b>	<b>(582,603)</b>	<b>-</b>
<b>Component units:</b>								
Memphis Area Transit Authority	74,725	10,181	-	13,948	-	-	-	(50,596)
Memphis Zoological Society	17,838	16,676	584	950	-	-	-	372
Airport Authority	143,437	113,452	-	24,919	-	-	-	(5,066)
<b>Total component units</b>	<b>\$ 236,000</b>	<b>140,309</b>	<b>584</b>	<b>39,817</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(55,290)</b>

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

**STATEMENT OF ACTIVITIES**  
**(Thousands of Dollars)**  
**For the fiscal year ended June 30, 2014**

	Program Revenues			Net (Expense) Revenue and Changes in Net Position			Component Units
	Expenses for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
				Governmental Activities	Business-Type Activities	Total	
General revenues:							
Local taxes:							
Property taxes - levied for education				276	-	276	-
Property taxes - levied for debt service				107,337	-	107,337	-
Property taxes - levied for capital projects				364	-	364	-
Property taxes - levied for general government				271,489	-	271,489	-
Interest, penalties and commission - property taxes				6,291	-	6,291	-
Sales tax, general				103,143	-	103,143	-
Sales tax, beer				17,497	-	17,497	-
Gross receipts tax				11,579	-	11,579	-
Franchise tax				7,287	-	7,287	-
Other local taxes				20,450	-	20,450	-
State taxes-unrestricted:							
Sales tax				59,011	-	59,011	-
Income tax				10,675	-	10,675	-
Beer tax				306	-	306	-
Alcoholic beverage tax				317	-	317	-
Petroleum products tax				1,324	-	1,324	-
Hotel/motel tax				4,223	-	4,223	-
Grants and contributions not restricted to specific programs				-	-	-	48
City of Memphis subsidy				-	-	-	20,952
Investment income				754	27,055	27,809	3,743
Federal grants and entitlements				-	-	-	12,968
State grants				-	-	-	7,463
Capital lease				-	-	-	-
Sale of capital assets				-	-	-	-
Other				15,290	1,350	16,640	7,962
Transfers				57,782	(57,782)	-	-
Total general revenues and transfers				695,395	(29,377)	666,018	53,137
Change in net position				8,499	74,917	83,416	(2,153)
Net position - beginning, as restated				(538,868)	2,239,355	1,700,487	834,195
Net position - ending				\$ (530,369)	2,314,272	1,783,903	832,042

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

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
(Thousands of Dollars)  
June 30, 2014**

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

	General	Debt Service	Capital Projects	Community Development	Nonmajor Funds	Total Governmental Funds
<b>ASSETS</b>						
Cash and cash equivalents	\$ 43	-	-	3,471	292	3,806
Investments	-	-	18,974	-	-	18,974
Equity in cash and investment pool	105,309	20,427	9,659	2,201	36,996	174,592
Receivables (net of allowance for uncollectibles):						
Property taxes:						
Current property taxes	259,638	121,728	372	-	-	381,738
Delinquent property taxes	26,385	8,583	34	-	2,284	37,286
Special assessments:						
Current special assessments	-	-	-	-	3,024	3,024
Delinquent special assessments	-	-	-	-	223	223
Sales, income, and other taxes	40,198	1,313	-	-	-	41,511
Federal and state grants	5,433	-	728	40,363	10,084	56,608
Interest and dividends on investments	18	5	-	418	4	445
Housing rehabilitation loans	-	-	-	54,217	-	54,217
Other	28,180	-	4,359	96	2,571	35,206
Due from other funds	4,964	295	-	-	-	5,259
Due from other agencies and governments	411	41,459	42,906	-	15,016	99,792
Prepaid expenditures	-	9,974	-	-	-	9,974
<b>Total assets</b>	<b>\$ 470,579</b>	<b>203,784</b>	<b>77,032</b>	<b>100,766</b>	<b>70,494</b>	<b>922,655</b>
<b>LIABILITIES AND FUND BALANCES</b>						
<b>Liabilities:</b>						
Accounts payable and accrued liabilities	\$ 47,598	769	7,234	522	8,072	64,195
Contract retainage	-	-	104	1	(4)	101
Due to other funds	-	-	-	11,528	5,033	16,561
Due to other agencies and governments	3,432	-	-	-	-	3,432
Refundable bonds and deposits	691	-	-	-	-	691
Unearned revenue	-	-	16,070	-	1,050	17,120
<b>Total liabilities</b>	<b>51,721</b>	<b>769</b>	<b>23,408</b>	<b>12,051</b>	<b>14,151</b>	<b>102,100</b>
<b>Deferred inflows:</b>						
Prepaid taxes	671	-	-	-	-	671
Uncollected property taxes	284,258	130,035	405	-	2,284	416,982
Uncollected anti-neglect fees	663	-	-	-	-	663
Uncollected traffic fines	14,564	-	-	-	-	14,564
Uncollected ambulance fees	4,908	-	-	-	-	4,908
Uncollected special assessments	-	-	-	-	3,248	3,248
Uncollected grant reimbursements	-	-	-	34,490	10,808	45,298
Uncollected intergovernmental revenue	-	-	-	-	9,953	9,953
Uncollected project loans receivable	-	-	-	54,217	-	54,217
Other deferred inflows	5,456	22,377	1,902	-	-	29,735
<b>Total deferred inflows</b>	<b>310,520</b>	<b>152,412</b>	<b>2,307</b>	<b>88,707</b>	<b>26,293</b>	<b>580,239</b>
<b>Total liabilities and deferred inflows</b>	<b>362,241</b>	<b>153,181</b>	<b>25,715</b>	<b>100,758</b>	<b>40,444</b>	<b>682,339</b>
<b>Fund balances:</b>						
Restricted	5,724	33,856	-	8	25,171	64,759
Committed	-	16,747	51,317	-	4,879	72,943
Assigned	20,384	-	-	-	-	20,384
Unassigned	82,230	-	-	-	-	82,230
<b>Total fund balances</b>	<b>108,338</b>	<b>50,603</b>	<b>51,317</b>	<b>8</b>	<b>30,050</b>	<b>240,316</b>
<b>Total liabilities, deferred inflows and fund balances</b>	<b>\$ 470,579</b>	<b>203,784</b>	<b>77,032</b>	<b>100,766</b>	<b>70,494</b>	<b>922,655</b>

See accompanying notes to financial statements.

**RECONCILIATION OF THE BALANCE SHEET TO  
THE STATEMENT OF NET POSITION  
(Thousands of Dollars)  
June 30, 2014**

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

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

Total governmental fund balances:	\$ 240,316
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	1,432,049
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	95,849
Net pension obligations should be reported as a liability in the government-wide statement of net position. This is the cumulative amount by which the City has underfunded its pension obligations.	(288,201)
Other post employment benefits (OPEB) liabilities should be reported as a liability in the government-wide statement of net position. This is the cumulative amount by which the City has underfunded its OPEB obligations.	(244,422)
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.	822
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	<u>(1,766,782)</u>
Net position of governmental activities	<u>\$ (530,369)</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, 2014

	General	Debt Service	Capital Projects	Community Development	Nonmajor Funds	Total Governmental Funds
<b>REVENUES</b>						
Local taxes	\$ 435,819	107,337	364	-	7,140	550,660
State taxes (local share)	60,303	12,728	-	-	16,736	89,767
Hotel/motel tax	-	-	-	-	4,223	4,223
Licenses and permits	12,039	-	-	-	450	12,489
Fines and forfeitures	17,522	-	-	-	3,074	20,596
Charges for services	30,877	-	-	-	56,395	87,272
Investment income	406	170	84	-	61	721
Federal grants and entitlements	1,666	2,092	7,916	17,723	20,501	49,898
State grants	1,763	-	1,895	-	670	4,328
Intergovernmental revenues	3,928	-	-	-	-	3,928
Other	8,820	1,213	4,926	-	2,041	17,000
<b>Total revenues</b>	<b>573,143</b>	<b>123,540</b>	<b>15,185</b>	<b>17,723</b>	<b>111,291</b>	<b>840,882</b>
<b>EXPENDITURES</b>						
Current:						
General government	134,950	-	-	-	42,059	177,009
Public safety	381,471	-	-	-	3,123	384,594
Community services	49,825	-	-	17,723	7,859	75,407
Transportation and environment	12,277	-	-	-	55,033	67,310
Education	-	-	-	-	276	276
Capital outlay	-	-	124,566	-	-	124,566
Debt service:						
Redemption of serial bonds and notes	-	74,099	-	-	-	74,099
Lease payments	608	1,778	-	-	-	2,386
Interest	-	61,595	-	-	-	61,595
Bond issuance cost	-	3,303	-	-	-	3,303
Service charges	-	324	1,003	-	-	1,327
<b>Total expenditures</b>	<b>579,131</b>	<b>141,099</b>	<b>125,569</b>	<b>17,723</b>	<b>108,350</b>	<b>971,872</b>
Revenues over (under) expenditures	(5,988)	(17,559)	(110,384)	-	2,941	(130,990)
<b>OTHER FINANCING SOURCES (USES)</b>						
Sale of capital assets	431	-	-	-	-	431
Transfers in	65,988	18,311	12,066	-	8,180	104,545
Transfers out	(22,464)	(12,000)	(10,282)	-	(13,625)	(58,371)
Capital leases	-	-	23,600	-	-	23,600
Payment to refunded bond escrow agent	-	(343,259)	-	-	-	(343,259)
Refunding bonds/issuance of debt	-	345,652	85,000	-	-	430,652
<b>Total other financing sources (uses)</b>	<b>43,955</b>	<b>8,704</b>	<b>110,384</b>	<b>-</b>	<b>(5,445)</b>	<b>157,598</b>
Net change in fund balances	37,967	(8,855)	-	-	(2,504)	26,608
Fund balances - beginning of year	70,371	59,458	51,317	8	32,554	213,708
<b>Fund balances - end of year</b>	<b>\$ 108,338</b>	<b>50,603</b>	<b>51,317</b>	<b>8</b>	<b>30,050</b>	<b>240,316</b>

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, 2014**

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

Net change in fund balances - total governmental funds	\$ 26,608
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.	71,877
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(2,254)
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.	(25,080)
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.	9,158
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.	(77,577)
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>5,767</u>
Change in net position of governmental activities	<u>\$ 8,499</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, 2014

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

	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>	<b>Variance with Final Budget-Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>REVENUES</b>				
<b>Local taxes:</b>				
Property taxes	\$ 259,973	264,974	269,489	4,515
Interest, penalties and commission - property taxes	5,762	5,762	6,291	529
Receipts in lieu of taxes contractual	12,500	12,500	12,230	(270)
Sales tax general	100,000	100,000	101,479	1,479
Sales tax beer	16,500	17,500	17,497	(3)
Alcoholic beverage tax	4,200	4,200	4,753	553
Liquor by the drink tax	2,800	2,800	3,077	277
Gross receipts tax	11,500	11,500	11,579	79
Excise tax	200	200	695	495
Franchise tax	6,395	6,395	7,287	892
Other local taxes	1,298	1,298	1,442	144
<b>Total local taxes</b>	<b>421,128</b>	<b>427,129</b>	<b>435,819</b>	<b>8,690</b>
<b>State taxes (local share):</b>				
Sales tax	44,440	45,940	46,283	343
Income taxes	7,700	7,700	10,675	2,975
Beer taxes	315	315	306	(9)
Alcoholic beverage tax	290	290	317	27
State professional privilege tax	1,815	1,815	1,398	(417)
Petroleum special tax	1,325	1,325	1,324	(1)
<b>Total state taxes (local share)</b>	<b>55,885</b>	<b>57,385</b>	<b>60,303</b>	<b>2,918</b>
<b>Licenses and permits:</b>				
Auto licenses	9,700	10,700	11,040	340
Dog licenses	359	359	427	68
Liquor by the drink licenses	204	204	154	(50)
Other	406	406	418	12
<b>Total licenses and permits</b>	<b>10,669</b>	<b>11,669</b>	<b>12,039</b>	<b>370</b>
<b>Fines and forfeitures:</b>				
City courts	16,469	16,469	17,086	617
Library	500	500	436	(64)
<b>Total fines and forfeitures</b>	<b>\$ 16,969</b>	<b>16,969</b>	<b>17,522</b>	<b>553</b>

(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, 2014

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

	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>	<b>Variance with Final Budget- Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>Charges for services:</b>				
Building and other inspection fees	\$ 190	190	451	261
Park commission revenues	4,128	4,128	4,725	597
Parking meter revenues	800	1,151	531	(620)
Ambulance service fees	20,100	20,100	20,272	172
Rents	758	758	1,325	567
Tax sale attorney fees	248	248	687	439
Wrecker and storage fees	1,698	1,698	1,367	(331)
Police special events	701	701	663	(38)
Other	2,251	2,251	856	(1,395)
<b>Total charges for services</b>	<b>30,874</b>	<b>31,225</b>	<b>30,877</b>	<b>(348)</b>
<b>Investment income:</b>				
Interest on investments	234	234	282	48
Other	115	115	124	9
<b>Total investment income</b>	<b>349</b>	<b>349</b>	<b>406</b>	<b>57</b>
<b>Federal grants</b>	<b>117</b>	<b>127</b>	<b>1,666</b>	<b>1,539</b>
<b>State grants</b>	<b>1,848</b>	<b>1,848</b>	<b>1,763</b>	<b>(85)</b>
<b>Intergovernmental revenues</b>	<b>3,680</b>	<b>3,680</b>	<b>3,928</b>	<b>248</b>
<b>Other:</b>				
Auctions	2,000	2,000	1,523	(477)
Property damage reimbursement	100	100	272	172
Property insurance recoveries	-	495	1,115	620
Local shared revenue	2,760	2,760	1,756	(1,004)
Miscellaneous	7,990	5,490	4,154	(1,336)
<b>Total other</b>	<b>12,850</b>	<b>10,845</b>	<b>8,820</b>	<b>(2,025)</b>
<b>Total revenues</b>	<b>\$ 554,369</b>	<b>561,226</b>	<b>573,143</b>	<b>11,917</b>
<b>Other sources and transfers in:</b>				
Sale of capital assets	-	-	431	431
<b>Transfers in:</b>				
Miscellaneous Grants fund	\$ -	-	11	11
State Street Aid fund	14,800	14,800	-	(14,800)
Midtown Corridor fund	-	1,792	1,792	-
New Memphis Arena fund	-	1,621	1,621	-
Sewer collection and treatment fund	5,174	6,174	6,545	371
MLG&W fund	52,139	53,139	55,923	2,784
Capital Projects fund	-	-	96	96
Community services fund	-	100	-	(100)
<b>Total transfers in</b>	<b>72,113</b>	<b>77,626</b>	<b>65,988</b>	<b>(11,638)</b>
<b>Total other sources and transfers in</b>	<b>\$ 72,113</b>	<b>77,626</b>	<b>66,419</b>	<b>(11,207)</b>
<b>Total Revenues, Other Sources &amp; Transfers In</b>	<b>626,482</b>	<b>638,852</b>	<b>639,562</b>	<b>709</b>

See accompanying notes to financial statements.

**GENERAL FUND  
STATEMENT OF EXPENDITURES AND OTHER USES -  
BUDGET AND ACTUAL ON BASIS OF BUDGETING  
(Thousands of Dollars)  
For the fiscal year ended June 30, 2014**

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

	Budgeted Amounts		Actual Amounts	variance with Final Budget- Positive (Negative)
	Original	Final		
<b>EXPENDITURES</b>				
<b>General government:</b>				
Legislative:				
Personnel services	\$ 1,378	1,378	1,352	26
Materials and supplies	224	224	61	163
Total legislative	1,602	1,602	1,413	189
Judicial:				
Personnel services	563	563	565	(2)
Materials and supplies	54	54	54	-
Total judicial	617	617	619	(2)
Court clerk:				
Personnel services	3,132	3,132	3,051	81
Materials and supplies	2,251	2,251	1,631	620
Capital outlay	150	150	-	150
Total court clerk	5,533	5,533	4,682	851
Executive:				
Personnel services	2,767	2,882	2,923	(41)
Materials and supplies	2,197	2,147	1,518	629
Grants and subsidies	1,066	1,001	987	14
Expense reimbursement	-	-	(5)	5
Total executive	6,030	6,030	5,423	607
Finance and administration:				
Personnel services	4,787	4,624	4,544	80
Materials and supplies	1,183	1,488	1,036	452
Capital outlay	1	1	-	1
Expense reimbursement	(1,023)	(1,023)	(982)	(41)
Total finance and administration	\$ 4,948	5,090	4,598	492

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, 2014

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

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget-Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
City attorney:				
Personnel services	\$ 4,437	4,437	4,420	17
Materials and supplies	8,772	9,722	8,947	775
Expense reimbursement	(2,864)	(2,864)	(2,694)	(170)
<b>Total city attorney</b>	<b>10,345</b>	<b>11,295</b>	<b>10,673</b>	<b>622</b>
City engineer:				
Personnel services	7,648	7,648	7,347	301
Materials and supplies	1,835	2,186	2,190	(4)
Expense reimbursement	(1,031)	(1,031)	(4,171)	3,140
<b>Total city engineer</b>	<b>8,452</b>	<b>8,803</b>	<b>5,366</b>	<b>3,437</b>
Information systems:				
Personnel services	1,528	1,528	1,475	53
Materials and supplies	17,325	17,325	15,893	1,432
Expense reimbursement	(2,482)	(2,482)	(2,309)	(173)
<b>Total information systems</b>	<b>16,371</b>	<b>16,371</b>	<b>15,059</b>	<b>1,312</b>
Human resources:				
Personnel services	4,293	4,293	3,678	615
Materials and supplies	4,022	4,022	1,559	2,463
Expense reimbursement	(853)	(853)	(759)	(94)
<b>Total human resources</b>	<b>7,462</b>	<b>7,462</b>	<b>4,478</b>	<b>2,984</b>
General services:				
Personnel services	12,697	22,799	20,246	2,553
Materials and supplies	8,359	8,534	7,902	632
Capital outlay	35	35	31	4
Expense reimbursement	(180)	(10,457)	(8,563)	(1,894)
<b>Total general services</b>	<b>20,911</b>	<b>20,911</b>	<b>19,616</b>	<b>1,295</b>
Special appropriations:				
Personnel services	292	292	211	81
Materials and supplies	9	9	5	4
Grants and subsidies	64,045	74,849	67,789	7,060
Expense reimbursement	-	-	(4,153)	4,153
<b>Total special appropriations</b>	<b>64,346</b>	<b>75,150</b>	<b>63,852</b>	<b>11,298</b>
<b>Total general government</b>	<b>\$ 146,617</b>	<b>158,864</b>	<b>135,779</b>	<b>23,085</b>

(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, 2014

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

	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>	<b>Variance with Final Budget-Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>Public safety:</b>				
Police:				
Personnel services	\$ 203,803	203,528	206,269	(2,741)
Materials and supplies	28,880	30,155	25,063	5,092
Capital outlay	10	10	-	10
Expense reimbursement	(1,455)	(1,455)	(1,757)	302
<b>Total police</b>	<b>231,238</b>	<b>232,238</b>	<b>229,575</b>	<b>2,663</b>
Fire:				
Personnel services	138,791	138,801	138,823	(22)
Materials and supplies	19,194	19,194	16,313	2,881
Capital outlay	124	124	9	115
Expense reimbursement	(200)	(200)	(215)	15
<b>Total fire</b>	<b>157,909</b>	<b>157,919</b>	<b>154,930</b>	<b>2,989</b>
<b>Total public safety</b>	<b>389,147</b>	<b>390,157</b>	<b>384,505</b>	<b>5,652</b>
<b>Community services:</b>				
Parks and recreation:				
Personnel services	27,708	27,705	25,267	2,438
Materials and supplies	19,705	19,721	19,758	(37)
Capital outlay	83	83	(4)	87
Grants & subsidies	880	860	639	221
Inventory	346	346	400	(54)
Expense reimbursement	(357)	(357)	(4)	(353)
<b>Total parks and recreation</b>	<b>48,365</b>	<b>48,358</b>	<b>46,056</b>	<b>2,302</b>

(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, 2014

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

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
Community development:				
Personnel services	\$ 273	273	310	(37)
Materials and supplies	180	180	114	66
Grants and subsidies	6,781	4,106	3,232	874
<b>Total community development</b>	<b>7,234</b>	<b>4,559</b>	<b>3,656</b>	<b>903</b>
<b>Total community services</b>	<b>55,599</b>	<b>52,917</b>	<b>49,712</b>	<b>3,205</b>
<b>Transportation and environment:</b>				
Public works:				
Personnel services	10,928	10,738	9,960	778
Materials and supplies	19,599	23,796	22,498	1,298
Capital outlay	123	123	123	-
Expense reimbursement	(7,656)	(7,656)	(15,195)	7,539
<b>Total public works</b>	<b>22,994</b>	<b>27,001</b>	<b>17,386</b>	<b>9,615</b>
<b>Total transportation and environment</b>	<b>22,994</b>	<b>27,001</b>	<b>17,386</b>	<b>9,615</b>
<b>Total expenditures</b>	<b>\$ 614,357</b>	<b>628,939</b>	<b>587,382</b>	<b>41,557</b>
<b>Other use - transfers out (primary):</b>				
Miscellaneous grants fund	\$ 33	24	3	21
Community redevelopment fund	2,339	2,739	2,349	390
Debt service fund	4,499	8,499	8,504	(5)
Healthcare fund	4,208	11,608	11,608	-
Unemployment compensation fund	100	-	-	-
<b>Total transfers out</b>	<b>11,179</b>	<b>22,870</b>	<b>22,464</b>	<b>406</b>
<b>Total other uses</b>	<b>\$ 11,179</b>	<b>22,870</b>	<b>22,464</b>	<b>406</b>
<b>Total Expenditures and Other Uses</b>	<b>625,536</b>	<b>651,809</b>	<b>609,846</b>	<b>41,963</b>
<b>Net Change in Fund Balances (Budgetary)</b>	<b>946</b>	<b>(12,957)</b>	<b>29,716</b>	<b>(41,254)</b>
Adjustment for Encumbrances			8,251	
Revenues over Expenditures GAAP Basis			37,967	
Fund Balance - Beginning			70,371	
Fund Balance - Ending			<u>108,338</u>	

See accompanying notes to financial statements.

**STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
(Thousands of Dollars)  
June 30, 2014**

**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		
<b>ASSETS</b>							
Current assets:							
Cash and cash equivalents	\$ 1	64,402	42,959	5,710	1	113,073	1
Investments	17,189	74,093	45,843	6,582	-	143,707	-
Equity in cash and investment pool	93,620	-	-	-	10,621	104,241	22,294
Derivative financial instruments	-	-	494	-	-	494	-
Restricted funds - current	-	30,008	5,891	3,927	-	39,826	-
Receivables:							
Notes and accounts	9,141	86,260	43,258	15,210	4,206	158,075	1
Interest on investments	24	-	-	-	2	26	4
Due from other funds	11,200	-	-	-	-	11,200	103
Due from other agencies	-	-	-	-	-	-	(28)
Unbilled revenues	-	51,604	26,837	3,123	-	81,564	-
Prepaid power cost	-	109,982	-	-	-	109,982	-
Prepaid expenses	-	-	-	-	-	-	277
Inventories of materials and supplies	-	19,835	6,798	2,563	-	29,196	768
Collateral held in trust for securities on loan	-	48,947	29,383	6,470	-	84,800	-
Other current assets	-	911	3,481	-	-	4,392	-
<b>Total current assets</b>	<b>131,175</b>	<b>486,042</b>	<b>204,944</b>	<b>43,585</b>	<b>14,830</b>	<b>880,576</b>	<b>23,420</b>
Non-current assets:							
Restricted assets:							
Investments, less current portion	-	29,563	11,497	7,888	-	48,948	-
<b>Total restricted assets</b>	<b>-</b>	<b>29,563</b>	<b>11,497</b>	<b>7,888</b>	<b>-</b>	<b>48,948</b>	<b>-</b>
Capital assets:							
Land	13,695	-	-	-	37	13,732	-
Buildings	106,102	-	-	-	-	106,102	-
Utility plant	-	1,639,485	611,058	441,022	-	2,691,565	-
Improvements other than buildings	549,224	-	-	-	42,114	591,338	-
Machinery and equipment	30,314	-	-	-	16,786	47,100	3,209
Less accumulated depreciation and amortization	(391,228)	(643,454)	(274,411)	(179,127)	(21,189)	(1,509,409)	(3,194)
<b>Total capital assets</b>	<b>308,107</b>	<b>996,031</b>	<b>336,647</b>	<b>261,895</b>	<b>37,748</b>	<b>1,940,428</b>	<b>15</b>
Construction in progress	48,755	-	-	-	40,744	89,499	-
<b>Net capital assets</b>	<b>356,862</b>	<b>996,031</b>	<b>336,647</b>	<b>261,895</b>	<b>78,492</b>	<b>2,029,927</b>	<b>15</b>
Other non-current assets:							
Prepaid power cost - long-term	-	463,133	-	-	-	463,133	-
Prepayments in lieu of taxes	-	1,839	42	-	-	1,881	-
Unamortized debt expense	-	1,212	-	-	-	1,212	-
Notes receivable	-	-	2,113	2,220	-	4,333	-
<b>Total other non-current assets</b>	<b>-</b>	<b>466,184</b>	<b>2,155</b>	<b>2,220</b>	<b>-</b>	<b>470,559</b>	<b>-</b>
<b>Total non-current assets</b>	<b>356,862</b>	<b>1,491,778</b>	<b>350,299</b>	<b>272,003</b>	<b>78,492</b>	<b>2,549,434</b>	<b>15</b>
<b>Total assets</b>	<b>488,037</b>	<b>1,977,820</b>	<b>555,243</b>	<b>315,588</b>	<b>93,322</b>	<b>3,430,010</b>	<b>23,435</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>							
Unamortized balance of refunded debt	601	10,137	-	-	-	10,738	-
<b>Total assets and deferred outflows of resources</b>	<b>\$ 488,638</b>	<b>1,987,957</b>	<b>555,243</b>	<b>315,588</b>	<b>93,322</b>	<b>3,440,748</b>	<b>23,435</b>

**STATEMENT OF NET POSITION  
 PROPRIETARY FUNDS  
 (Thousands of Dollars)  
 June 30, 2014**

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

	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		
<b>LIABILITIES</b>							
Current liabilities:							
Accounts payable and accrued expenses	\$ 5,033	111,118	34,633	-	1,861	152,645	3,253
Bonds and notes payable	-	94,201	-	-	-	94,201	-
Accrued liabilities	1,816	50,585	21,244	14,463	-	88,108	-
Payables due from restricted assets	-	30,008	5,220	3,927	-	39,155	-
Insurance claims payable	-	-	-	-	-	-	9,445
Contract retainage	105	-	-	-	(58)	47	-
Current installment of revenue bonds payable	11,180	-	-	-	-	11,180	-
Collateral subject to return to borrowers	-	48,947	29,383	6,470	-	84,800	-
State loans payable - current	158	-	-	-	-	158	-
Other post employment benefits	1,926	-	-	-	1,072	2,998	95
Vacation, sick and other leave benefits	3,197	-	-	-	1,560	4,757	80
<b>Total current liabilities</b>	<b>23,415</b>	<b>334,859</b>	<b>90,480</b>	<b>24,860</b>	<b>4,435</b>	<b>478,049</b>	<b>12,873</b>
Long-term liabilities:							
Revenue bonds payable	112,065	491,161	-	-	-	603,226	-
State loans payable	3,689	-	-	-	-	3,689	-
Customer common deposits	-	19,067	2,631	788	-	22,486	-
Other	3,193	8,908	3,840	6,174	-	22,115	-
<b>Total long-term liabilities</b>	<b>118,947</b>	<b>519,136</b>	<b>6,471</b>	<b>6,962</b>	<b>-</b>	<b>651,516</b>	<b>-</b>
<b>Total liabilities</b>	<b>142,362</b>	<b>853,995</b>	<b>96,951</b>	<b>31,822</b>	<b>4,435</b>	<b>1,129,565</b>	<b>12,873</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>							
Accumulated increase in fair value of hedging derivatives	-	-	494	-	-	494	-
Revenue collected in advance	-	-	-	-	349	349	5,808
<b>Total liabilities and deferred inflows of resources</b>	<b>142,362</b>	<b>853,995</b>	<b>97,445</b>	<b>31,822</b>	<b>4,784</b>	<b>1,130,408</b>	<b>18,681</b>
<b>NET POSITION</b>							
Net investment in capital assets	229,770	996,031	336,647	261,895	78,492	1,902,835	15
Restricted for debt service	7,268	17,287	10,247	7,100	-	41,902	-
Restricted for construction	29,119	-	-	-	-	29,119	-
Unrestricted (deficit)	80,119	120,644	110,904	14,771	10,046	336,484	4,739
<b>Total net position (deficit)</b>	<b>\$ 346,276</b>	<b>1,133,962</b>	<b>457,798</b>	<b>283,766</b>	<b>88,538</b>	<b>2,310,340</b>	<b>4,754</b>
Adjustment to reflect the consolidation of internal service funds related to enterprise funds						3,932	
<b>Net position of business-type activities</b>						<b>\$ 2,314,272</b>	

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, 2014**

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

	Business Type Activities - Enterprise Funds						
	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		
Charges for services	\$ 103,900	1,246,081	284,616	84,780	24,332	1,743,709	100,086
<b>Operating revenues</b>	<b>103,900</b>	<b>1,246,081</b>	<b>284,616</b>	<b>84,780</b>	<b>24,332</b>	<b>1,743,709</b>	<b>100,086</b>
Operating expenses other than depreciation and amortization:							
Personnel services	16,525	-	-	-	8,329	24,854	426
Materials, supplies, services, and other	27,404	-	-	-	4,429	31,833	14,589
Capital outlay	-	-	-	-	-	-	15
Purchased power and gas for resale	-	1,008,460	163,241	-	-	1,171,701	-
Production	-	-	-	15,399	-	15,399	-
Operation	-	128,810	77,522	45,909	-	252,241	-
Maintenance	-	38,122	13,239	8,149	-	59,510	-
In lieu of taxes	-	5,924	1,227	-	-	7,151	-
Re-insurance fees	-	-	-	-	-	-	507
PCORI tax	-	-	-	-	-	-	21
Inventories	-	-	-	-	-	-	17,508
Claims incurred	-	-	-	-	-	-	67,562
Total operating expenses other than depreciation and amortization	43,929	1,181,316	255,229	69,457	12,758	1,562,689	100,628
Operating income (loss) before depreciation and amortization	59,971	64,765	29,387	15,323	11,574	181,020	(542)
Depreciation and amortization	12,415	45,240	13,324	7,465	2,290	80,734	22
<b>Operating income (loss)</b>	<b>47,556</b>	<b>19,525</b>	<b>16,063</b>	<b>7,858</b>	<b>9,284</b>	<b>100,286</b>	<b>(564)</b>
Non-operating revenues:							
Transmission credits	-	30,765	-	-	-	30,765	-
Investment income	176	26,474	(254)	650	9	27,055	32
Federal grants	565	-	-	-	-	565	-
Other	617	-	-	-	867	1,484	-
Total non-operating revenues	1,358	57,239	(254)	650	876	59,869	32
Non-operating expenses:							
Bond sale expense	290	-	-	-	-	290	-
Interest on bonded indebtedness	5,829	24,061	-	-	-	29,890	-
Interest on state loan	93	-	-	-	-	93	-
Total non-operating expenses	6,212	24,061	-	-	-	30,273	-
Income (loss) before capital contributions and transfers	42,702	52,703	15,809	8,508	10,160	129,882	(532)
Transfers in	-	-	-	-	10,186	10,186	11,608
Transfers out	(6,545)	(37,915)	(16,208)	(4,300)	(3,000)	(67,968)	(5,442)
Capital contributions	1,252	-	-	-	1,698	2,950	-
Change in net position (deficit)	37,409	14,788	(399)	4,208	19,044	75,050	5,634
Total net position (deficit) - beginning of year	308,867	1,119,174	458,197	279,558	69,494		(880)
<b>Total net position - end of year</b>	<b>\$ 346,276</b>	<b>1,133,962</b>	<b>457,798</b>	<b>283,766</b>	<b>88,538</b>		<b>4,754</b>
Adjustment to reflect the consolidation of internal service funds related to enterprise funds						(133)	
<b>Change in net position of business-type activities</b>						<b>\$ 74,917</b>	

See accompanying notes to financial statements.

**STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
(Thousands of Dollars)  
For the fiscal year ended June 30, 2014**

**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
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>							
Receipts from customers and users	\$ 106,072	1,242,460	256,655	84,795	21,592	1,711,574	366
Receipts from other division funds	-	2,323	-	-	-	2,323	28,648
Receipts from other agency funds	-	-	-	-	-	-	432
Miscellaneous income	-	-	-	-	-	-	103
Employee contributions	-	-	-	-	-	-	21,357
Employer contributions	-	-	-	-	-	-	49,383
Payments to suppliers	(27,028)	(901,596)	(173,075)	(25,000)	(3,541)	(1,130,240)	(13,846)
Payments to/on behalf of employees	(16,661)	(117,125)	(65,077)	(43,152)	(8,171)	(250,186)	(587)
Payments to other division funds	-	-	(857)	(1,932)	-	(2,789)	-
Payments per Affordable Care Act (Re-insurance fees, PCORI tax)	-	-	-	-	-	-	(528)
Payments for taxes	-	(5,354)	(1,227)	-	-	(6,581)	-
Payments for inventory	-	-	-	-	-	-	(17,499)
Payments for claims incurred	-	-	-	-	-	-	(68,825)
Net cash provided by (used in) operating activities	62,383	220,708	16,419	14,711	9,880	324,101	(996)
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:</b>							
Transfers to City	-	(37,914)	(16,208)	(4,300)	-	(58,422)	-
Receipt of miscellaneous income	614	-	-	-	185	799	-
Principal payments on long-term debt	-	(99,700)	-	-	-	(99,700)	-
Interest expense on bonds	-	(32,290)	-	-	-	(32,290)	-
Transfers from other funds	-	-	-	-	10,186	10,186	11,608
Local shared revenue	-	-	-	-	682	682	-
Repayment of advances from other funds	-	-	-	-	-	-	-
Transfers to other funds	(6,545)	-	-	-	(3,000)	(9,545)	(5,442)
Net cash (used in) provided by non-capital financing activities	(5,931)	(169,904)	(16,208)	(4,300)	8,053	(188,290)	6,166
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>							
Bond issue costs	910	-	-	-	-	910	-
Acquisition and construction of capital assets	(19,987)	(84,785)	(45,175)	(17,004)	(13,232)	(180,183)	-
Contributions in aid of construction	-	19,715	2,015	4,357	-	26,087	-
Receipts from federal grants	565	-	-	-	-	565	-
Principal payments on capital debt	(11,884)	-	-	-	-	(11,884)	-
Interest payments on capital debt	(6,093)	-	-	-	-	(6,093)	-
Capital contributions	1,252	-	-	-	1,698	2,950	-
Net cash used in capital and related financing activities	(35,237)	(65,070)	(43,160)	(12,647)	(11,534)	(167,648)	-
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>							
Sales and maturities of investments	704	32,725	62,382	3,696	-	99,507	-
Purchase of investments	(710)	(39,934)	(52,843)	(4,511)	-	(97,998)	-
Payments received on notes receivable	-	-	2,483	-	-	2,483	-
Issuance of notes receivable	-	-	-	(124)	-	(124)	-
Income earned on investments	190	329	(468)	29	9	89	32
Net cash provided by (used in) investing activities	184	(6,880)	11,554	(910)	9	3,957	32
Net increase (decrease) in cash and cash equivalents	21,399	(21,146)	(31,395)	(3,146)	6,408	(27,880)	5,202
Cash and cash equivalents, beginning of year	72,222	132,260	85,398	15,762	4,214	309,856	17,093
Cash and cash equivalents, end of year	\$ 93,621	111,114	54,003	12,616	10,622	281,976	22,295
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>							
Operating income (loss)	47,556	19,525	16,063	7,858	9,284	100,286	(564)
Adjustments to reconcile operating income to net cash provided by operating activities:							
Depreciation expense	12,415	46,378	13,382	7,465	2,290	81,930	22
Transmission credits	-	30,765	-	-	-	30,765	-
Prepay power credits	-	24,061	-	-	-	24,061	-
Other income	-	2,082	(511)	621	-	2,192	-
(Increase) decrease in assets:							
Accounts receivable	2,247	(3,497)	(7,765)	(637)	(2,295)	(11,947)	60
Unbilled revenues	-	2,046	(11,073)	(51)	-	(9,078)	-
Prepaid power cost	-	107,778	-	-	-	107,778	-
Prepayments - in lieu of taxes	-	(5)	1	-	-	(4)	-
Inventories	-	449	(359)	(499)	-	(409)	9
Other assets	-	531	351	679	-	1,561	-
Increase (decrease) in liabilities:							
Accounts payable	648	(5,778)	9,908	-	601	5,379	-
Other accrued expenses	(483)	1,326	(612)	1,898	-	2,129	(523)
Customer deposits	-	2,280	(373)	170	-	2,077	-
Insurance reserves	-	(245)	170	65	-	(10)	-
Medical benefit accrual	-	(474)	(211)	(140)	-	(825)	-
Other	-	(6,514)	(2,552)	(2,718)	-	(11,784)	-
Total adjustments	14,827	201,183	356	6,853	596	223,815	(432)
Net cash provided by (used in) operating activities	\$ 62,383	220,708	16,419	14,711	9,880	324,101	(996)
<b>Reconciliation of cash and cash equivalents per statements of cash flows to the balance sheets:</b>							
Restricted funds	\$ -	59,571	17,388	11,815	-	88,774	-
Less investments included in restricted funds	-	(12,859)	(6,344)	(4,909)	-	(24,112)	-
Cash and cash equivalents included in restricted funds	-	46,712	11,044	6,906	-	64,662	-
Current assets - cash and cash equivalents	1	64,402	42,959	5,710	1	113,073	1
Current assets - equity in cash and investment pool	93,620	-	-	-	10,621	104,241	22,294
Total cash and cash equivalents	\$ 93,621	111,114	54,003	12,616	10,622	281,976	22,295

See accompanying notes to financial statements.

**STATEMENT OF FIDUCIARY NET POSITION**  
**FIDUCIARY FUNDS**  
(Thousands of Dollars)  
June 30, 2014

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

	<u>Pension and OPEB Trust Funds</u>	<u>Sold Property Tax Receivable Agency Fund</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 101,424	-
Investments, at fair value:		
U.S. government securities - long-term	257,232	-
Common stock - domestic	1,251,070	-
Common stock - foreign	270,426	-
Preferred stock - domestic	16,578	-
Preferred stock - foreign	1,316	-
Corporate bonds - domestic	411,142	-
Corporate bonds - foreign	67,120	-
Mutual funds and money market funds	74,992	-
Government bond mutual fund - international	12,247	-
Corporate bond mutual funds - domestic	55,442	-
Corporate bond mutual funds - international	11,831	-
Convertible bond mutual fund - domestic	13,700	-
Collateralized mortgage obligations	44,184	-
Asset-backed pooled securities	8,458	-
Mortgage-backed pooled securities	97,633	-
Investments in index funds	497,896	-
Investments in real estate	309,190	-
Investments in high yield bond fund	8,134	-
Investments in private equities	23,144	-
Investments in international equity fund	358,058	-
Investments in international bond fund	25,375	-
Hedge funds	47,356	-
Distressed debt funds - domestic	7,472	-
Distressed debt funds - foreign	10,221	-
Total investments	<u>3,880,217</u>	<u>-</u>
Equity in cash and investment pool	13,292	966
Interest and dividend receivables	10,083	-
Receivable for securities sold	41,013	-
Property tax receivable - delinquent	-	14,940
Employer and employee contributions receivable	2,631	-
Collateral held in trust for securities on loan	<u>251,900</u>	<u>-</u>
<b>Total assets</b>	<u><u>4,300,560</u></u>	<u><u>15,906</u></u>
<b>LIABILITIES</b>		
Accounts payable and other liabilities	117,675	15,906
Collateral subject to return to borrowers	<u>251,900</u>	<u>-</u>
<b>Total liabilities</b>	<u><u>369,575</u></u>	<u><u>15,906</u></u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Revenue collected in advance	<u>3,837</u>	
<b>Total deferred inflows of resources</b>	<u><u>3,837</u></u>	
<b>NET POSITION</b>		
Held in trust for pension benefits, pool participants, and OPEB	<u><u>\$ 3,927,148</u></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, 2014**

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

	<u>Pension and OPEB Trust Funds</u>
<b>ADDITIONS</b>	
Contributions:	
Employer	\$ 128,007
Medicare Part D	2,534
Plan members	<u>54,617</u>
Total contributions	185,158
Transfer from other fund	5,442
Investment income:	
Interest and dividend income	84,329
Securities lending income	973
Other investment income	622
Gain on real estate investments	3,795
Net appreciation in the fair value of investments	<u>491,892</u>
Total investment income	<u>581,611</u>
<b>Total additions</b>	<u>772,211</u>
<b>DEDUCTIONS</b>	
Benefits	315,946
Administrative expenses	19,369
Refunds of contributions	<u>29,396</u>
<b>Total deductions</b>	<u>364,711</u>
<b>Net (decrease)/increase</b>	407,500
Net position - beginning of year	<u>3,519,648</u>
<b>Net position - end of year</b>	<u>\$ 3,927,148</u>

See accompanying notes to financial statements.

**COMBINING STATEMENT OF NET POSITION  
COMPONENT UNITS  
(Thousands of Dollars)  
June 30, 2014**

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

	Memphis Area Transit Authority	Airport Authority	Memphis Zoological Society	Total
<b>ASSETS</b>				
Current unrestricted assets:				
Cash and cash equivalents	\$ 3,825	43,460	11,872	59,157
Investments	-	-	8,801	8,801
Receivables:				
Federal and state grants	3,868	48	-	3,916
Accounts	-	6,419	-	6,419
Other	200	-	2,821	3,021
Due from other agencies and governments	-	-	78	78
Inventories of materials and supplies	2,358	1,704	503	4,565
Prepaid expenses	285	2,511	-	2,796
<b>Total current unrestricted assets</b>	<b>10,536</b>	<b>54,142</b>	<b>24,075</b>	<b>88,753</b>
Current restricted assets:				
Cash and cash equivalents	-	82,095	-	82,095
Investments	501	3,608	-	4,109
Receivables:				
Federal and state grants	-	53,064	-	53,064
Accrued interest	-	572	-	572
<b>Total current restricted assets</b>	<b>501</b>	<b>139,339</b>	<b>-</b>	<b>139,840</b>
<b>Total current assets</b>	<b>11,037</b>	<b>193,481</b>	<b>24,075</b>	<b>228,593</b>
Non-current restricted assets:				
Investments	-	45,873	-	45,873
Receivables	-	6,677	-	6,677
<b>Total non-current restricted assets</b>	<b>-</b>	<b>52,550</b>	<b>-</b>	<b>52,550</b>
Capital assets:				
Land	2,731	162,494	-	165,225
Buildings	170,774	542,652	-	713,426
Improvements other than buildings	-	930,229	-	930,229
Machinery, buses and equipment	116,627	105,741	91	222,459
Less accumulated depreciation and amortization	(147,297)	(813,425)	(30)	(960,752)
<b>Total capital assets, net</b>	<b>142,835</b>	<b>927,691</b>	<b>61</b>	<b>1,070,587</b>
Construction in progress	-	28,861	-	28,861
<b>Net capital assets</b>	<b>142,835</b>	<b>956,552</b>	<b>61</b>	<b>1,099,448</b>
Other assets	12	-	899	911
<b>Total Assets</b>	<b>153,884</b>	<b>1,202,583</b>	<b>25,035</b>	<b>1,381,502</b>
<b>DEFERRED OUTFLOWS</b>				
	-	4,491	-	4,491
<b>Total assets and deferred outflows</b>	<b>\$ 153,884</b>	<b>1,207,074</b>	<b>25,035</b>	<b>1,385,993</b>

**COMBINING STATEMENT OF NET POSITION  
COMPONENT UNITS  
(Thousands of Dollars)  
June 30, 2014**

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

	<b>Area Transit Authority</b>	<b>Airport Authority</b>	<b>Memphis Zoological Society</b>	<b>Total</b>
<b>LIABILITIES</b>				
Current:				
Notes and accounts payable	\$ 1,468	6,822	868	9,158
Due to other agencies and governments	4,873	-	-	4,873
Accrued liabilities	-	13,621	541	14,162
Unearned revenue	273	-	1,509	1,782
Current installment of revenue bonds payable	-	86,764	-	86,764
<b>Total current liabilities</b>	<b>6,614</b>	<b>107,207</b>	<b>2,918</b>	<b>116,739</b>
Long-term (net of current maturities):				
Other post employment benefits	23,104	-	-	23,104
Revenue bonds payable	-	344,370	-	344,370
Other long-term obligations	-	1,071	-	1,071
<b>Total long-term liabilities</b>	<b>23,104</b>	<b>345,441</b>	<b>-</b>	<b>368,545</b>
<b>Total Liabilities</b>	<b>29,718</b>	<b>452,648</b>	<b>2,918</b>	<b>485,284</b>
<b>DEFERRED INFLOWS</b>				
	-	68,667	-	68,667
<b>NET POSITION</b>				
Net investment in capital assets	142,834	593,252	76	736,162
Restricted for:				
Capital acquisition	-	61,599	7,063	68,662
Self-insurance	501	-	-	501
Other	-	-	7,429	7,429
Unrestricted	(19,169)	30,908	7,549	19,288
<b>Total Net Position</b>	<b>124,166</b>	<b>685,759</b>	<b>22,117</b>	<b>832,042</b>
<b>Total liabilities, deferred inflows and net position</b>	<b>\$ 153,884</b>	<b>1,207,074</b>	<b>25,035</b>	<b>1,385,993</b>

See accompanying notes to financial statements.

**COMBINING STATEMENT OF ACTIVITIES  
 COMPONENT UNITS  
 (Thousands of Dollars)  
 For the fiscal year ended June 30, 2014**

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

Functions/Programs Component units:	Program Revenues			Capital			Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Grants and Contributions	Memphis Area Transit Authority	Airport Authority	Memphis Zoological Society	Total	
Memphis Area Transit Authority	74,725	10,181	-	13,948	(50,596)	-	-	(50,596)	
Memphis Zoological Society	17,838	16,676	584	950	-	-	372	372	
Airport Authority	143,437	113,452	-	24,919	-	(5,066)	-	(5,066)	
Total component units	\$ 236,000	140,309	584	39,817	(50,596)	(5,066)	372	(55,290)	
General revenues:									
Grants and contributions not restricted to specific programs									
City of Memphis subsidy	48								
Investment income (loss)	20,952								
Federal grants and entitlements	-								
State grants	12,968								
Other	7,463								
Total general revenues and special items	2,551								
Changes in net position	43,934								
Net position - beginning	7,873								
Net position - ending	1,330								
	(6,662)								
	2,807								
	130,828								
	682,952								
	20,415								
	834,195								
	124,166								
	685,759								
	22,117								
	832,042								

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 Funds, the MLGW Other Post Employment Benefits Trust Fund and the MLGW Retirement System Fund are as of December 31, 2013. 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.

**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 MZS 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, 2014, contained 52 weeks. MZS is a non-major component unit.

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

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

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

MZS  
2000 Prentiss Place  
Memphis, TN 38112  
(901) 333-6500

### **Related Organization**

The City Mayor has the right to appoint members of the Memphis Housing Authority (MHA) Board, but the City is not able to impose its will as such members can only be removed with cause. Furthermore, 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-subsidiary of Economic Development Growth Engine Industrial Development Board (EDGE)
- New Memphis Arena Public Building Authority of Memphis and Shelby County, Tennessee
- 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 that 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 non-profit corporation established jointly by the City and the County in fiscal year 1998 under the laws of the State of Tennessee. The Parking Authority provides uniform parking policies, coordinated management including the relation of parking to public and private transportation patterns, and strategic planning for existing and future parking facilities. The City and County Mayors appoint the Board members (seven) for terms that range from two to six years.

**Memphis 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.

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**Memphis Center City Revenue Finance Corporation (the Finance Corporation)** – The Finance Corporation is a non-profit 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 Development Growth 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 Development Growth 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 non-profit 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. The nine Board members are appointed by the City and the County Mayors, with approval by the 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 Statement 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 inter-governmental 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.

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**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 Funds account 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:

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**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 Post-Employment Benefits Trust Fund**

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

**Memphis Light, Gas and Water Other Post-Employment 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. Consequently, 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.

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**New Accounting Standards Adopted**

In fiscal year 2014, the City was required to adopt two new statements of financial accounting standards issued by the Governmental Accounting Standards Board (GASB):

--Statement No. 67, *Financial Reporting for Pension Plans; an amendment of GASB Statement No. 25*

--Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*

Effective for fiscal year 2014, the City adopted the provisions of GASB Statement No. 67, *Financial Reporting for Pension Plans: an amendment of GASB Statement No. 25*. The objective of this Statement is to improve financial reporting by state and local governmental pension plans. For defined benefit pension plans, this Statement establishes standards of financial reporting for separately issued financial reports and specifies the required approach to measuring the net pension liability (i.e., the pension liability of employers and non-employer contributing entities for benefits provided through the pension plan), about which information is required to be presented. The Statement requires the net pension liability to be measured as the total pension liability, less the amount of the pension plan's fiduciary net position.

As evident in Note V (F), enhanced note disclosures and schedules of required supplementary information are presented with the intent to provide readers of the financial statements with more detailed information that will heighten their decision-making and analytical tasks.

GASB Statement No. 70 requires a government that has issued an obligation guaranteed in a nonexchange transaction to recognize revenue to the extent of the reduction in its guaranteed liabilities. This Statement also requires a government that is required to repay a guarantor for making a payment on a guaranteed obligation or legally assuming the guaranteed obligation to continue to recognize a liability until legally released as an obligor. When a government is released as an obligor, the government should recognize revenue as a result of being relieved of the obligation. This Statement also provides additional guidance for intra-entity nonexchange financial guarantees involving blended component units.

The City has reviewed the requirements and determined that it does not have guarantees that meet the qualifications of GASB 70.

**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, 2014, related to tax levies for fiscal year 2014 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, 2014, are recorded as deferred inflows at June 30, 2014.

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**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. Non-recurring or non-routine 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 MLGW based upon equity. These dividends are recorded as a transfer.

**Inventories and Prepaid Expenditures**

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, 2014. 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 Collection and Treatment Fund during the current fiscal year was \$5,922. Of this amount, none was included as part of the cost of capital assets constructed with bond proceeds.

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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 days 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 service of 25 years or more 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 such benefits (e.g., unused reimbursable leave still outstanding following an employee's resignation or retirement) have matured. 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 an 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 Statement of Net Position.

### **Long-term Obligations**

In the government-wide financial statements and proprietary 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.

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## 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 non-capital 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 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. The City of Memphis' Finance Director, in compliance with the authority granted by a City Council resolution has authorized the assignment of fund balance of \$20,384 for June 30, 2014, encumbrances (outstanding obligations).

**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; (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 governmental activities has been adjusted as stated below:

Net position at June 30, 2013	\$(545,686)
Adjustment for transfer of Fleet personnel to General Fund	<u>6,818</u>
Restated net position at June 30, 2013	<u>\$(538,868)</u>

**II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

**A. Explanation of certain differences between the governmental funds balance sheet and the government-wide statement of net position**

The governmental funds 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 \$1,750,122 difference are as follows:

Bonds payable	\$ 1,015,180
Refunding of government obligation bonds	206,140
Commercial Paper	50,000
Unamortized loan costs	69,781
Capital lease obligations	30,319
Related party loan	196,935
Related party loan premium	1,790
Related party debt obligation	19,083
Claims and judgments liability	75,875
Compensated absences	<u>85,019</u>
Net adjustment to reduce fund balance-total governmental funds to arrive at net position-governmental activities	<u>\$ 1,750,122</u>

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

The governmental funds 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.”

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**CITY OF MEMPHIS, TENNESSEE**  
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The details of the \$71,877 difference are as follows:

Capital outlay	\$ 124,556
Depreciation expense	(52,679)
Net adjustment to increase net changes in fund balances-total governmental funds to arrive at change in net position of governmental activities	\$ 71,877

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 position. 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 (\$25,080) difference are as follows:

Debt issued or incurred:	
General obligation bonds	\$ (312,185)
Commercial paper	(85,000)
Capital leases	(25,218)
Principal repayments:	
General obligation bonds	182,645
Commercial paper	150,000
Bond anticipation notes	71,975
Related party	525
Capital leases	2,386
Net premium	(11,893)
Vacation, sick and other leave	2,384
Accrued interest	(699)
Net adjustment to decrease net changes in fund balances- total governmental funds to arrive at changes in net position of governmental activities	\$ (25,080)

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 (\$68,419) difference are as follows:

Liability Changes:

Claims and judgments liability	\$ 9,158
City net pension obligation	(74,532)
Library net pension asset	(1,029)
Other post-employment benefit obligation	(2,016)
Net adjustment to decrease net changes in fund balances - total governmental funds to arrive at change in net position of governmental activities	\$(68,419)

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

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

The City Council annually approves the budget ordinance for the General Fund, Enterprise Funds, Internal Service Funds, Debt Service Fund, and Special Revenue Funds (except Community Development 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 year’s 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 (Personnel 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.

For the 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, 2014, 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 2014.

#### **C. Deficit net position**

No funds had a deficit net position at the end of fiscal year 2014.

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#### **IV. DETAILED NOTES ON ALL FUNDS**

##### **A. Deposits and investments**

Statutes authorize the City to invest in bonds, notes or treasury bills of the United States or its agencies, certificates of deposit, repurchase agreements utilizing obligations of the United States or its agencies as the underlying securities, the local government investment pool, money market funds and prime commercial paper. Statutes require that (1) deposits have as collateral securities 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 that the City is legally authorized to hold. The market value of the securities received in the agreement is 102% of the value of the securities transferred in the case of the securities of United States issuers and 105% 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 \$318 during the year ended June 30, 2014. On June 30, 2014, the market value of the securities transferred was \$46,009 and the market value of the securities the City was holding was \$47,472. 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 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 that: (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, 2014, 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, 2014 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, 2014, were as follows:

<b>Description</b>	<b>Carrying Amount</b>	<b>Bank Balance</b>
Cash deposits	\$ <u>11,690</u>	\$ <u>23,791</u>

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**CITY OF MEMPHIS, TENNESSEE**  
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The investments held by the pool consist of the following at June 30, 2014:

	<b><u>Maturity</u></b> <b><u>Dates</u></b>	<b><u>Interest</u></b> <b><u>Rates</u></b>	<b><u>Fair</u></b> <b><u>Value</u></b>	<b><u>Description</u></b> <b><u>Duration</u></b>
U.S. Government agencies	July 2014-Aug 2016	.0% - 5.25%	\$ 265,891	.12 – 1.21
Cash equivalents	July 2014 – Dec 2014	.1%	34,945	.06-.09
Certificate of Deposit	September 2014	.55	2,749	.03-.12
Corporate bonds	September 2014	.55	<u>111</u>	.12
Total investments			<u>\$ 303,696</u>	

The Pool does not issue separate financial statements. Condensed financial information as of June 30, 2014, is as follows (dollar amounts and share amounts are the same):

Condensed Statement of Net Position

Investments	\$ 303,696
Cash deposits	<u>11,690</u>
Net position	<u>\$ 315,386</u>

Net position held in trust for pool participants:

Internal participants	<u>315,386</u>
Total net position held in trust for pool participants	<u>\$ 315,386</u>

Condensed Statement of Changes in Net Position

Additions:	
Investment income	\$ 640
Purchase of units	<u>1,313,981</u>
Total additions	1,314,621
Deduction:	
Redemption of units	<u>1,180,908</u>
Net decrease	133,713
Net position held in trust for pool participants:	
Beginning of year	<u>181,673</u>
End of year	<u>\$ 315,386</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 Projects 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

**NOTES TO FINANCIAL STATEMENTS**  
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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'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, 2014, 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 that 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, 2014, were as follows:

<u>Description</u>	<u>Carrying Amount</u>	<u>Bank Balance</u>
Cash deposits	\$ 21,275	\$ <u>18,616</u>
Cash on hand	<u>295</u>	
Total Deposits and cash on hand	<u>\$ 21,570</u>	

The investments held by the primary government outside the Pool consist of the following at June 30, 2014:

<u>Description</u>	<u>Fair Value</u>
Short-term investments	\$ 183,722
U.S. Government securities	104,341
Municipal bonds	4,147
Corporate bonds – domestic	17,472
Asset-backed pooled securities	<u>33,552</u>
Total	343,234
Investments not subject to categorization:	
State of Tennessee LGIP	4,019
Purchased interest	<u>5</u>
Total	<u>4,024</u>
Total Investments	<u>\$ 347,258</u>

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

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

Pool deposits	\$ 11,690
Pool investments	303,696
Other deposits and cash on hand	21,570
Other investments	<u>347,258</u>
Total	684,214
Equity in cash and investment pool – Sold Tax receivable agency fund	(966)
Equity in cash and investment pool – Pension Fund	(408)
Equity in cash and investment pool – City OPEB Trust	<u>(12,884)</u>
Total	<u>\$ 669,956</u>
Cash and cash equivalents	\$ 116,880
Investments	163,175
Equity in cash and investment pool	301,127
Restricted special fund-customer deposits	39,826
Restricted investments	<u>48,948</u>
Total	<u>\$ 669,956</u>

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

**MATA Deposits** - Deposits by type at June 30, 2014, were as follows:

<b>Description</b>	<b><u>Carrying Amount</u></b>	<b><u>Bank Balance</u></b>
Cash deposits	\$ 3,824	<u>\$ 3,894</u>
Cash on hand	<u>1</u>	
Total Deposits and cash on hand	<u>\$ 3,825</u>	

**MATA Investments** - Investments by type at June 30, 2014, were as follows:

<b>Description</b>	<b><u>Fair Value</u></b>
Federal Home Loan Mortgage Debt security	\$ 501
Total Investments	<u>\$ 501</u>

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**(Continued)**

**MSCAA Deposits** - Deposits by type at June 30, 2014, were as follows:

<b>Description</b>	<b>Carrying Amount</b>
Cash deposits	\$ 125,552
Cash on hand	<u>3</u>
Total Deposits and cash on hand	<u>\$ 125,555</u>

**MSCAA Investments** - Investments by type at June 30, 2014, were as follows:

<b>Description</b>	<b>Fair Value</b>
U.S. Government agencies	\$ 24,178
Investments not subject to categorization:	
Mutual funds	1,463
Forward purchase agreement	<u>23,840</u>
Total Investments	<u>\$ 49,481</u>

**MZS Deposits** – Deposits by type at June 30, 2014, were as follows:

<b>Description</b>	<b>Carrying Amount</b>
Cash deposits	\$11,872
Cash on hand	<u>-</u>
Total Deposits	<u>\$11,872</u>

**MZS Investments** – Investments by type at June 30, 2014, were as follows:

<b>Description</b>	<b>Fair Value</b>
Money market mutual funds	\$ 2,405
Community Foundation of Greater Memphis funds	<u>6,396</u>
Total Investments	<u>\$ 8,801</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 that 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, 2014, are as follows:

Current to one year	\$ 29,232
One to two years	35,857
Two to three years	60,598
Three to four years	62,870
Four to five years	127,912
Five or more years	<u>469,690</u>
	786,159
Funds with indeterminable maturities	<u>3,316</u>
	<u>\$789,475</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, 2014, 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	\$95,226	AAA	12.06%
	115,702	AA+	14.66%
Non-government-backed CMOs	16,566	AAA	2.10%
	1,729	AA+	0.22%
	899	NR	0.11%
Asset-backed securities	8,458	AAA	1.07%
Corporate bonds and index funds	141,276	AAA	17.89%
	231	AA+	0.03%
	10,959	AA	1.39%
	3,154	AA-	0.40%
	5,306	A+	0.67%
	43,310	A	5.49%
	12,452	A-	1.57%
	13,285	BBB+	1.68%
	52,391	BBB	6.64%
	17,708	BBB-	2.24%
	15,880	BB+	2.01%
	39,643	BB	5.02%
	28,020	BB-	3.55%
	32,055	B+	4.06%
	31,937	B	4.05%
	27,832	B-	3.53%
	6,389	CCC+	0.81%
	971	CCC	0.12%
	673	CCC-	0.09%
	20,485	NR	2.59%
Government mortgage-backed securities	46,938	AA+	5.95%
<b>Total Fixed Income</b>	<b>\$ 789,475</b>		<b>100.00%</b>

**NOTES TO FINANCIAL STATEMENTS**  
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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, 2014, is as follows:

<u>Currency</u>	<u>Equities</u>	<u>Corporate Bonds</u>	<u>Total</u>
Australian dollar	\$ 7,825	\$ 1,640	\$ 9,465
Bermudian dollar	61	-	61
Brazilian real	268	(260)	8
British pound sterling	27,122	5,851	32,973
Canadian dollar	14,172	8,660	22,832
Cayman Islands dollar	-	1,672	1,672
Chinese yuan (renminbi)	1,055	-	1,055
Danish krone	3,261	-	3,261
Euro	39,422	20,449	59,871
Hong Kong dollar	5,445	541	5,986
Indian rupee	-	- 527	527
Israeli shekel	2,160	-	2,160
Japanese yen	21,855	(66)	21,789
Mexican peso	140	337	477
Norwegian krone	2,351	-	2,351
Panamanian balboa	954	-	954
Qatari riyal	-	626	626
Russian ruble	-	1,668	1,668
Singapore dollar	914	-	914
Thailand baht	165	-	165
South African rand	264	-	264
South Korean won	-	566	566
Swedish krona	2,998	-	2,998
Swiss franc	14,648	409	15,057
Total securities subject to foreign credit risk	\$ 145,080	\$ 42,620	\$ 187,700
International portfolio in U.S dollars	353,467	-	353,467
	<u>\$ 498,547</u>	<u>\$ 42,620</u>	<u>\$ 541,167</u>

**City OPEB Trust-Deposits and Investments**

City OPEB Trust Investments at June 30, 2014, were as follows:

<u>Description</u>	<u>Fair Value</u>
Mutual Funds	\$17,720

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

**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:

	General	Debt Service	Capital Projects	Sewer Collection and Treatment	Memphis Light, Gas and Water	Community Development	Nonmajor and Other Funds	Total
<b>Receivables:</b>								
Property taxes	\$ 296,915	134,155	421	-	-	-	3,045	434,536
Special assessments	-	-	-	-	-	-	3,344	3,344
Sales, income, and other taxes	40,198	1,313	-	-	-	-	-	41,511
Federal and state grants	5,433	-	728	-	-	21,227	10,986	38,374
Interest and dividends on investments	18	5	-	24	-	418	2	467
Notes and accounts receivable	-	-	-	9,253	159,050	-	-	168,303
Housing and rehabilitation loans	-	-	-	-	-	67,771	-	67,771
Other	203,213	-	4,359	-	-	19,232	1,941	228,745
<b>Gross receivables</b>	<b>545,777</b>	<b>135,473</b>	<b>5,508</b>	<b>9,277</b>	<b>159,050</b>	<b>108,648</b>	<b>19,318</b>	<b>983,051</b>
Less allowance for uncollectibles	(185,925)	(3,844)	(15)	(112)	(14,322)	(13,554)	(1,129)	(218,901)
<b>Net total receivables</b>	<b>\$ 359,852</b>	<b>131,629</b>	<b>5,493</b>	<b>9,165</b>	<b>144,728</b>	<b>95,094</b>	<b>18,189</b>	<b>764,150</b>

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, 2014, deferred revenue principally represents: (1) amounts received for various capital projects upon which revenues will not be recognized until such projects have started; (2) amounts relating to property taxes as described above; (3) operating subsidies received in advance; (4) uncollected principal on Housing Rehabilitation Loans; and (5) long-term receivables due from agencies.

**C. Property taxes**

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

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

The assessed value upon which the fiscal 2014 levy was based was approximately \$11.5 billion. The market value was approximately \$36.4 billion, making the overall assessed value 31.50 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, 2014, were 98.43 percent of the tax levy.

At June 30, 2014, the allowance for uncollectible property taxes by fund was as follows:

General Fund	\$ 10,892
Debt Service Fund	3,844
Schools	761
Capital Projects Fund	15
<b>Total</b>	<b>\$ 15,512</b>

**NOTES TO FINANCIAL STATEMENTS**  
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**For the fiscal year ended June 30, 2014**

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

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, 2014, as follows:

General Fund	\$2.3125
Debt Service Fund	1.0842
Capital Projects Fund	<u>.0033</u>
Total	<u>\$ 3.4000</u>

The Sewer Collection and Treatment Fund and MLGW are assessed a payment-in-lieu-of-tax (PILOT) with all proceeds from these sources 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, 2014, was as follows:

**Primary Government**

	<b>Beginning Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Transfers</b>	<b>Ending Balance</b>
<b>Governmental Activities:</b>					
Capital assets not being depreciated:					
Land	\$ 64,364	\$ -	\$ -	\$ -	\$ 64,364
Construction in progress	435,597	114,515	-	(13,766)	536,346
Total capital assets not being depreciated	<u>499,961</u>	<u>114,515</u>	<u>-</u>	<u>(13,766)</u>	<u>600,710</u>
Capital assets being depreciated:					
Buildings	537,824	-	(134)	1,250	538,940
Improvements other than buildings	816,920	-	(60)	7,801	824,661
Machinery and equipment	380,115	2,051	(6,818)	4,715	380,063
Total capital assets being depreciated	<u>1,734,859</u>	<u>2,051</u>	<u>(7,012)</u>	<u>13,766</u>	<u>1,743,664</u>
Less accumulated depreciation for:					
Buildings	(252,421)	(12,622)	40	-	(265,003)
Improvements other than buildings	(275,618)	(20,656)	36	-	(296,238)
Machinery and equipment	(346,587)	(11,181)	6,684	-	(351,084)
Total accumulated depreciation	<u>(874,626)</u>	<u>(44,459)</u>	<u>6,760</u>	<u>-</u>	<u>(912,325)</u>
Total capital assets being depreciated, net	<u>860,233</u>	<u>(42,408)</u>	<u>(252)</u>	<u>13,766</u>	<u>831,339</u>
Governmental activities capital assets, net	<u>\$ 1,360,194</u>	<u>\$ 72,107</u>	<u>\$ (252)</u>	<u>\$ -</u>	<u>\$ 1,432,049</u>

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

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
<b>Business-type Activities:</b>					
Capital assets not being depreciated:					
Land	\$ 13,732	\$ -	\$ -	\$ -	13,732
Construction in progress	74,340	30,872	-	(15,713)	89,499
Memphis Light, Gas and Water assets	158,117	119,044	(86,341)	-	190,820
Total capital assets not being depreciated	<u>246,189</u>	<u>149,916</u>	<u>(86,341)</u>	<u>(15,713)</u>	<u>294,051</u>
Capital assets being depreciated:					
Buildings	106,102	-	-	-	106,102
Improvements other than buildings	574,961	1,252	-	13,800	590,013
Machinery and equipment	46,611	1,115	(1,213)	1,913	48,426
Memphis Light, Gas and Water assets	2,502,142	85,117	(86,514)	-	2,500,745
Total capital assets being depreciated	<u>3,229,816</u>	<u>87,484</u>	<u>(87,727)</u>	<u>15,713</u>	<u>3,245,286</u>
Less accumulated depreciation for:					
Buildings	(84,174)	(1,617)	-	-	(85,791)
Improvements other than buildings	(284,539)	(9,867)	-	-	(294,406)
Machinery and equipment	(30,191)	(3,221)	1,193	-	(32,219)
Memphis Light, Gas and Water depreciation*	(1,119,340)	(68,610)	90,958	-	(1,096,992)
Total accumulated depreciation	<u>(1,518,244)</u>	<u>(83,315)</u>	<u>92,151</u>	<u>-</u>	<u>(1,509,408)</u>
Total capital assets being depreciated, net	<u>1,711,572</u>	<u>4,169</u>	<u>4,424</u>	<u>15,713</u>	<u>1,735,878</u>
Business-type activities capital assets, net	<u>\$ 1,957,761</u>	<u>\$ 154,085</u>	<u>\$ (81,917)</u>	<u>\$ -</u>	<u>2,029,929</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	\$ 141
Finance	3,814
General services	1,169
Information services	2,946
Fire services	3,498
Police services	5,331
Park services	7,578
Public services	4,734
Housing and Community Development	362
Public works	14,124
Engineering	597
Community enhancement	143
City Court Clerk	-
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>22</u>

Total depreciation expense - Governmental activities \$ 44,459

**Business-type activities:**

Sewer	\$ 12,415
Storm Water	2,290
Memphis Light, Gas and Water	<u>68,610</u>
Total depreciation expense - Business-type activities	<u>\$ 83,315</u>

**NOTES TO FINANCIAL STATEMENTS**  
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**For the fiscal year ended June 30, 2014**

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

	MLGW Electric Division	MLGW Gas Division	MLGW Water Division	Total
Statement of Revenues, Expenses and Changes in Net Position:				
Depreciation expense	\$ 45,240	\$13,324	\$7,465	\$66,029
Transportation costs	-	-	-	-
Salvage returns	1,445	133	15	1,593
Retirements	(307)	(75)	(15)	(397)
Statement of Cash Flows, Depreciation Expense:	\$ 46,378	\$13,382	\$7,465	\$67,225
Retirements	307	75	15	397
Salvage	(23)	47	-	24
Shelby County Board of Public Utilities Acquisition - annual amortization	-	-	964	964
	<u>\$ 46,662</u>	<u>\$16,853</u>	<u>\$12,234</u>	<u>\$68,610</u>

The reported MLGW numbers show a small difference between Depreciation expense in the Statement of Revenues, Expenses and Changes in Net Position - 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 Net Position.

**Construction Commitments**

The government had active construction projects as of June 30, 2014. At year-end the government's commitments with contractors were as follows:

<b>Function/Activity</b>	<b>Commitment</b>
Executive	\$ 5,186
Fire services	7,005
Police services	1,230
Park services	8,053
Public works	36,471
Public services	2,182
General services	4,648
Housing and Community Development	18,987
Engineering	8,592
Information systems	3,909
Library services	80
Sewer	49,585
Community Enhancement	295
	<u>\$ 146,223</u>

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

**Discretely Presented Component Units**

Activity for the Board of Education for the year ended June 30, 2014, was as follows:

	<b>Beginning Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance</b>
Capital assets not being depreciated:				
Land	\$ 35,058	\$ -	\$ (35,058)	\$ -
Construction in progress	3,506	-	(3,506)	-
Total capital assets not being depreciated	<u>38,564</u>	<u>-</u>	<u>(38,564)</u>	<u>-</u>
Capital assets being depreciated:				
Buildings and improvements	1,417,167	-	(1,417,167)	-
Machinery and equipment	205,989	-	(205,989)	-
Total capital assets being depreciated	<u>1,623,156</u>	<u>-</u>	<u>(1,623,156)</u>	<u>-</u>
Less accumulated depreciation for:				
Buildings and improvements	(521,405)	-	521,405	-
Machinery and equipment	(148,141)	-	148,141	-
Total accumulated depreciation	<u>(669,546)</u>	<u>-</u>	<u>669,546</u>	<u>-</u>
Total capital assets being depreciated, net	<u>953,610</u>	<u>-</u>	<u>(953,610)</u>	<u>-</u>
Capital assets, net	<u>\$ 992,174</u>	<u>\$ -</u>	<u>\$ (992,174)</u>	<u>\$ -</u>

For FY2014, the City of Memphis was not longer required to fund education since the Memphis City School System became a part of the Shelby County School System, and as such it is no longer considered as a component unit of the City.

**Discretely Presented Component Units**

Activity for the Memphis Area Transit Authority for the year ended June 30, 2014, was as follows:

	<b>Beginning Balance (restated)</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance</b>
Capital assets not being depreciated:				
Land	\$ 2,731	\$ -	\$ -	\$ 2,731
Construction in progress	-	-	-	-
Total capital assets not being depreciated	<u>2,731</u>	<u>-</u>	<u>-</u>	<u>2,731</u>
Capital assets being depreciated:				
Buildings and improvements	171,003	228	(457)	170,774
Buses and other revenue vehicles	77,538	13,362	(1,179)	89,721
Machinery and equipment	27,225	360	(678)	26,907
Total capital assets being depreciated	<u>275,766</u>	<u>13,950</u>	<u>(2,314)</u>	<u>287,402</u>
Less accumulated depreciation for:				
Buildings and improvements	(72,158)	(6,195)	444	(77,909)
Buses and other revenue vehicles	(49,978)	(5,382)	1,388	(53,972)
Machinery and equipment	(13,002)	(2,880)	465	(15,417)
Total accumulated depreciation	<u>(135,138)</u>	<u>(14,457)</u>	<u>2,297</u>	<u>(147,298)</u>
Total capital assets being depreciated, net	<u>140,628</u>	<u>(507)</u>	<u>(17)</u>	<u>140,104</u>
Capital assets, net	<u>\$ 143,359</u>	<u>\$ (507)</u>	<u>\$ (17)</u>	<u>\$ 142,835</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, 2014, was as follows:

	<b>Beginning Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance</b>
Capital assets not being depreciated:				
Land	\$ 160,780	\$ 1,714	\$ -	\$ 162,494
Avigation easements	43,703	-	-	43,703
Construction in progress	33,343	34,636	(39,118)	28,861
Total capital assets not being depreciated	<u>237,826</u>	<u>36,350</u>	<u>(39,118)</u>	<u>235,058</u>
Capital assets being depreciated:				
Runways, taxiways, aprons and airfield lighting	720,516	3,321	(8,497)	715,340
Buildings	521,859	22,021	(1,228)	542,652
Facilities constructed for tenants	104,077	-	-	104,077
Roads, bridges and fences	65,071	2,240	(202)	67,109
Equipment and utility systems	107,754	6,375	(8,388)	105,741
Total capital assets being depreciated	<u>1,519,277</u>	<u>33,957</u>	<u>(18,315)</u>	<u>1,534,919</u>
Less accumulated depreciation for:				
Runways, taxiways, aprons and airfield lighting	(362,641)	(32,457)	7,521	(387,577)
Buildings	(252,742)	(20,322)	1,200	(271,864)
Facilities constructed for tenants	(39,461)	(2,801)	-	(42,262)
Roads, bridges and fences	(31,402)	(3,449)	173	(34,678)
Equipment and utility systems	(79,088)	(6,341)	8,385	(77,044)
Total accumulated depreciation	<u>(765,334)</u>	<u>(65,370)</u>	<u>17,279</u>	<u>(813,425)</u>
Total capital assets being depreciated, net	<u>753,943</u>	<u>(31,413)</u>	<u>(1,036)</u>	<u>721,494</u>
Capital assets, net	<u>\$ 991,769</u>	<u>\$ 4,937</u>	<u>\$ (40,154)</u>	<u>\$ 956,552</u>

**NOTES TO FINANCIAL STATEMENTS**  
**(Thousands of Dollars)**  
**For the fiscal year ended June 30, 2014**

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

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

The composition of interfund balances as of June 30, 2014 is as follows:

Due to/from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
<b>GOVERNMENTAL FUND TYPES</b>		
General	State Street Aid	\$ 2,739
	Workforce Investment Act	2,000
	Community Development	<u>225</u>
		4,964
Debt Service	State Street Aid	<u>295</u>
		295
<b>ENTERPRISE FUND TYPES</b>		
Sewer	Community Development	<u>11,200</u>
		11,200
<b>INTERNAL SERVICE FUND TYPES</b>		
Fleet Management	Community Development	<u>103</u>
		103
Total		<u>\$ 16,562</u>

The composition of interfund transfers for the year ended June 30, 2014, is as follows:

	Transfers In											Totals
	General Fund	Debt Service	Capital Projects	Miscellaneous Grants	Hotel/Motel Tax	Non-Major Special Revenue			Enterprise Storm Water	Internal Service Healthcare Fund	Fiduciary OPEB Trust Fund	
						New Memphis Arena	Community Redevelopment	Total Non-Major Special Revenue				
<b>Transfers Out</b>												
General Fund	\$ -	8,504	-	3	-	-	2,349	2,352	-	11,608	-	22,464
Debt Service Fund	-	-	12,000	-	-	-	-	-	-	-	-	12,000
Capital Projects Fund	96	-	-	-	-	-	-	-	10,186	-	-	10,282
<b>Non-Major Special Revenue</b>												
State Street Aid	-	1,768	-	-	-	-	-	-	-	-	-	1,768
Miscellaneous grants	11	191	-	-	-	-	-	-	-	-	-	202
Midtown Corridor	1,792	-	-	-	-	-	-	-	-	-	-	1,792
Solid Waste	-	3,516	-	-	-	-	-	-	-	-	-	3,516
Hotel/Motel Tax	-	1,332	-	-	-	1,664	-	1,664	-	-	-	2,996
New Memphis Arena	1,621	-	-	-	1,664	-	-	1,664	-	-	-	3,285
Community Redevelopment	-	-	66	-	-	-	-	-	-	-	-	66
Total Non-Major Special Revenue	3,424	6,807	66	-	1,664	1,664	-	3,328	-	-	-	13,625
<b>Enterprise Funds</b>												
Sewer	6,545	-	-	-	-	-	-	-	-	-	-	6,545
Memphis Light, Gas and Water	55,923	-	-	-	-	2,500	-	2,500	-	-	-	58,423
Storm Water	-	3,000	-	-	-	-	-	-	-	-	-	3,000
<b>Internal Service Funds</b>												
Health Insurance	-	-	-	-	-	-	-	-	-	-	5,442	5,442
<b>Total</b>	<b>\$ 65,988</b>	<b>18,311</b>	<b>12,066</b>	<b>3</b>	<b>1,664</b>	<b>4,164</b>	<b>2,349</b>	<b>8,180</b>	<b>10,186</b>	<b>11,608</b>	<b>5,442</b>	<b>131,781</b>

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

**F. Leases**

**Operating Leases**

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

**Capital Leases**

The City has entered into lease agreements as a lessee for financing the acquisition of equipment for the Solid Waste, City Court Clerk, City Engineering and Community Development 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	\$ 12,786
Facility	23,645
Accumulated Depreciation	<u>(6,112)</u>
Total	<u>\$ 30,319</u>

The remaining debt service requirement for capital lease obligations for the City at June 30, 2014, is as follows:

<b>Fiscal Year</b>	
2015	\$ 4,772
2016	4,269
2017	3,147
2018	2,258
2019	2,135
2020-2030	22,700
Less Interest	<u>( 8,962)</u>
Present Value of Payments	<u>\$ 30,319</u>

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**G. Long-term debt**

**General Obligation Bonds**

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

In March 2014, the City issued \$103,955 of General Improvement Refunding Bonds, Series 2014A to refund \$109,070 in General Improvement Bonds, Series 2004 Ref; General Improvement Bonds, Series 2006A Ref; and General Improvement Bonds, Series 2007A Ref. The net proceeds of \$121,284 (after the payment of \$391 in underwriter's discount and \$450 cost of issuance) were used to purchase U.S. Government, State, and Local Series Securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for future debt service payments on the above-mentioned bonds. As a result, this Series' bonds are considered defeased. The proceeds and extinguishment of debt as well as the issue costs paid by the City were recorded in the Debt Service Fund for the refunding issue.

In March 2014, the City issued \$208,230 of General Improvement Refunding Bonds, Series 2014B to refund \$150,000 for Commercial Paper Notes issued in July 2012 and to refund \$71,975 for Bond Anticipation Notes issued in April 2012. The issue resulted in net proceeds of \$221,975 (after the payment of \$1,022 in underwriter's discount and \$529 cost of issuance).

**Commercial Paper Program**

In April 2014, 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 Projects Fund based on the City's ability to refinance the debt under the line of credit agreement.

**Revenue Bonds**

In October 2013, the City issued \$21,410 of Sanitary Sewerage System Revenue Refunding Bonds, Series 2013. Proceeds from the bonds were used to refund Sanitary Sewerage System Revenue Bonds, Series 2002 and to advance refund Sanitary Sewerage System Revenue Bonds, Series 2004. The aggregate difference in debt service between the refunding debt and the refunded debt was \$1,772. The issue resulted in net proceeds of \$23,286 (after the original issue premium of \$2,166, the underwriter's discount of \$112 and issuance costs of \$178). The proceeds and issuance costs of this debt instrument were recorded in the City's Sewer Collection and Treatment Fund. Interest on the Series 2013 Bonds is payable semiannually on each April 1 and October 1, commencing April 1, 2014. The interest rate varies from 3.000% to 5.000%.

**State Loans**

The City of Memphis is part of a Revolving Fund Loan Agreement with the Tennessee Department of Environment and Conservation and the Tennessee Local Development Authority. The purpose of the agreement is to provide for the financing of all or a portion of a wastewater facility by the City as a Tennessee governmental entity authorized to own, operate, and manage wastewater facilities. The current loan agreement consist of the following: a July 18, 2013 obligation of \$3,989 with an interest rate of 2.59% payable over a 20 year period, a July 19, 2013 obligation of \$100,000 with an interest rate of 0.75% payable over a 20 year period, and a July 29, 2013 obligation of 22,000 with an interest rate of 0.75% payable over a 20 year period.

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**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, 2014, a total of approximately \$218,265 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 Federally Taxable Senior Revenue Bonds, Series 2011A (Pyramid and Pinch District Redevelopment Project) ("Series 2011A CCRFC Bonds"), its \$100,245 Tax-Exempt Subordinate Revenue Bonds, Series 2011B (Pyramid and Pinch District Redevelopment Project), and its \$56,150 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 that 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 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-advolorem revenues sufficient monies to pay scheduled debt service on the Port Commission Electrolux Bonds.

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

**NOTES TO FINANCIAL STATEMENTS**  
**(Thousands of Dollars)**  
**For the fiscal year ended June 30, 2014**

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

**Changes in long-term liabilities**

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

The following is a summary of general obligation, other debt, and revenue bonds by fund at June 30, 2014:

	<b>General Obligation Bonds</b>	<b>Bond Anticipation Notes / Commercial Paper</b>	<b>Capital Lease Obligations</b>	<b>Revenue Bonds</b>	<b>Total</b>
Governmental Funds	\$ 1,291,101	50,000	30,319	-	1,371,420
Enterprise Funds	-	-	-	717,929	717,929
<b>Total long-term debt</b>	<b>\$ 1,291,101</b>	<b>50,000</b>	<b>30,319</b>	<b>717,929</b>	<b>2,089,349</b>

Long-term liability activity for the year ended June 30, 2014, was as follows:

	<b>Balance June 30, 2013</b>	<b>Additions</b>	<b>Reductions</b>	<b>Balance June 30, 2014</b>	<b>Due Within One Year</b>
<b>Governmental activities:</b>					
General obligation bonds payable	\$ 1,091,780	312,185	(182,645)	1,221,320	77,540
Premium on general obligation bonds	59,083	33,467	(22,769)	69,781	-
Bond anticipation notes payable	71,975	-	(71,975)	-	-
Commercial Paper	115,000	85,000	(150,000)	50,000	50,000
<b>Subtotal</b>	<b>1,337,838</b>	<b>430,652</b>	<b>(427,389)</b>	<b>1,341,101</b>	<b>127,540</b>
Capital lease agreements	7,487	25,218	(2,386)	30,319	3,948
Related party loan	196,935	-	-	196,935	-
Related party debt obligation premium	1,900	-	(110)	1,790	-
Related party debt obligation	19,608	-	(525)	19,083	540
Legal Claims and Judgments	85,033	-	(9,158)	75,875	856
Vacation, sick and other leave benefits	87,404	1,502	(3,886)	85,019	405
	<b>\$ 1,736,205</b>	<b>457,372</b>	<b>(443,454)</b>	<b>1,750,122</b>	<b>133,289</b>
<b>Business-type activities:</b>					
Revenue bonds	\$ 135,095	21,410	(33,260)	123,245	11,180
Net premium/discount on revenue bonds	466	932	(640)	758	-
MLGW revenue bonds	662,695	-	(99,700)	562,995	102,765
Premium on MLGW revenue bonds	43,222	-	(12,291)	30,931	-
Sewer State Loan	3,881	-	(34)	3,847	158
Less deferred outflows:					
For issuance discounts and on refunding	(13,945)	-	13,945	-	-
Vacation, sick and other leave benefits	4,645	176	(64)	4,757	339
	<b>\$ 836,059</b>	<b>22,518</b>	<b>(132,044)</b>	<b>726,533</b>	<b>114,442</b>

**NOTES TO FINANCIAL STATEMENTS**  
**(Thousands of Dollars)**  
**For the fiscal year ended June 30, 2014**

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

The compound interest bonds are subject to optional redemption by the City prior to their maturities at stated redemption prices which are calculated based upon the compounded accreted value at the date of redemption. A summary of General Obligation, Other Debt and Revenue Bonds at June 30, 2014 follows:

Description	Interest Rates(%)	Original Issue	Balance Outstanding at Year End
General Obligation Debt:			
General City Government Serial Bonds	.500 - 6.15	\$ 2,170,691	\$ 1,221,320
Bond Anticipation Notes-Commercial Paper	variable	50,000	50,000
Total General Obligation Debt		<u>2,220,691</u>	<u>1,271,320</u>
Net Premium/(Discount) on General Obligation Debt			<u>69,781</u>
Capital Lease Obligations	3.75-4.32	<u>34,858</u>	30,319
Total Governmental Funds Debt		<u>\$ 2,255,549</u>	<u>\$ 1,371,420</u>
Revenue Bonds:			
Sanitary Sewerage System	2.00-6.30	\$ 222,435	123,245
Electric Division, MLG&W (1), (2)	2.50-5.00	1,902,585	562,995
Water Division, MLG&W (1)	5.25	12,575	-
Net Premium/(Discount) on revenue bonds			31,689
Total Revenue Bonds		<u>\$ 2,137,595</u>	<u>717,929</u>
Total			<u>\$ 2,089,349</u>

(1) All MLG&W bonds reflect amounts outstanding at December 31, 2013.

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

**NOTES TO FINANCIAL STATEMENTS**  
**(Thousands of Dollars)**  
**For the fiscal year ended June 30, 2014**

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

Debt service requirements to maturity for general obligation and revenue bond long-term indebtedness at June 30, 2014 are as follows:

Fiscal Year	Total Long-term Indebtedness										Total
	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	
2014	-	-	-	-	-	-	102,765	27,431	102,765	27,431	130,196
2015	77,540	57,293	3,947	825	11,180	5,529	107,775	22,417	200,442	86,064	286,506
2016	81,290	53,490	3,371	898	10,930	5,112	112,935	17,151	208,526	76,651	285,177
2017	82,510	49,766	2,298	849	11,385	4,732	117,195	11,554	213,388	66,901	280,289
2018	89,050	45,693	1,441	817	11,230	4,251	122,325	5,777	224,046	56,538	280,584
2019	93,205	41,496	1,352	783	8,935	3,766	-	-	103,492	46,045	149,537
2020	97,285	37,362	1,265	750	9,900	3,363	-	-	108,450	41,475	149,925
2021	101,325	33,270	1,355	707	8,775	2,889	-	-	111,455	36,866	148,321
2022	106,190	28,358	1,455	655	9,185	2,443	-	-	116,830	31,456	148,286
2023	94,935	22,825	1,560	598	7,120	2,031	-	-	103,615	25,454	129,069
2024	73,555	18,481	1,660	547	7,440	1,660	-	-	82,655	20,688	103,343
2025	30,890	15,889	1,765	491	7,765	1,278	-	-	40,420	17,658	58,078
2026	24,785	14,415	1,910	403	5,900	938	-	-	32,595	15,756	48,351
2027	18,165	13,362	2,060	308	3,655	687	-	-	23,880	14,357	38,237
2028	18,955	12,399	2,220	205	3,805	480	-	-	24,980	13,084	38,064
2029	19,775	11,378	2,375	113	2,430	299	-	-	24,580	11,790	36,370
2030	20,650	10,308	285	14	2,525	145	-	-	23,460	10,467	33,927
2031	16,170	9,176	-	-	1,085	33	-	-	17,255	9,209	26,464
2032	16,895	8,350	-	-	-	-	-	-	16,895	8,350	25,245
2033	17,650	7,479	-	-	-	-	-	-	17,650	7,479	25,129
2034	18,080	6,612	-	-	-	-	-	-	18,080	6,612	24,692
2035	18,850	5,692	-	-	-	-	-	-	18,850	5,692	24,542
2036	13,800	4,895	-	-	-	-	-	-	13,800	4,895	18,695
2037	9,680	4,238	-	-	-	-	-	-	9,680	4,238	13,918
2038	10,130	3,787	-	-	-	-	-	-	10,130	3,787	13,917
2039	10,600	3,315	-	-	-	-	-	-	10,600	3,315	13,915
2040	11,090	2,820	-	-	-	-	-	-	11,090	2,820	13,910
2041	11,620	2,295	-	-	-	-	-	-	11,620	2,295	13,915
2042	12,170	1,745	-	-	-	-	-	-	12,170	1,745	13,915
2043	11,955	1,169	-	-	-	-	-	-	-	-	-
2044	12,525	598	-	-	-	-	-	-	-	-	-
<b>TOTAL</b>	<b>\$ 1,221,320</b>	<b>527,956</b>	<b>30,319</b>	<b>8,962</b>	<b>123,245</b>	<b>39,636</b>	<b>562,995</b>	<b>84,330</b>	<b>1,913,399</b>	<b>659,117</b>	<b>2,572,516</b>

- (1) Excludes related party loan, related party debt obligation, and commercial paper.  
(2) Interest on variable general obligation bonds is estimated.  
(3) At 12-31-13

**H. Restricted assets**

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

Futures margin deposits	\$ 671
Insurance reserves – injuries and damages	11,067
Insurance reserves – casualties and general	33,963
Medical benefits	7,981
Customer deposits	24,242
Bond reserve and debt service	<u>10,850</u>
Total	<u>\$88,774</u>

**NOTES TO FINANCIAL STATEMENTS**  
**(Thousands of Dollars)**  
**For the fiscal year ended June 30, 2014**

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

**I. Fund balance by purpose**

Following is more detailed information on the governmental fund balances.

Equity - Fund Balances:	General	Debt Service	Capital Projects	Community Development	Non-major	Total Governmental Funds
<b>Restricted</b>						
Parks Special Services	\$ 2,182	-	-	-	-	2,182
Seized Funds	109	-	-	-	-	109
Photo Enforcement	3,433	-	-	-	-	3,433
Debt Service - Related Party Loan	-	19,082	-	-	-	19,082
Debt Service - Capital Lease	-	4,800	-	-	-	4,800
Debt Service-Pledged TDZ Revenue	-	9,974	-	-	-	9,974
Solid Waste Management	-	-	-	-	15,222	15,222
Miscellaneous Grants	-	-	-	-	273	273
Drug Enforcement	-	-	-	-	9,676	9,676
Community Development	-	-	-	8	-	8
<b>Committed</b>						
Planned Use of Fund Balance	-	-	-	-	-	-
Debt Service Requirements	-	16,747	-	-	-	16,747
Midtown Corridor	-	-	-	-	4	4
MLK Park Improvements	-	-	-	-	104	104
Community Redevelopment	-	-	-	-	2,334	2,334
Metro Alarms	-	-	-	-	1,858	1,858
Casino Gaming Commission	-	-	-	-	6	6
Beale Street	-	-	-	-	509	509
New Memphis Arena	-	-	-	-	64	64
Capital Projects	-	-	51,317	-	-	51,317
<b>Assigned</b>						
Encumbrances for Purchase Orders	20,384	-	-	-	-	20,384
<b>Unassigned</b>						
	82,230	-	-	-	-	82,230
<b>Total Fund Balances</b>	<u>\$ 108,338</u>	<u>50,603</u>	<u>51,317</u>	<u>8</u>	<u>30,050</u>	<u>240,316</u>

**V. OTHER INFORMATION**

**A. Risk management**

The City is self-insured for health and medical benefits as well as on-the-job injury (OJI) claims. The Health Insurance Internal Service Fund charges premiums to other funds (primarily to the General Fund) that are used to pay claims and to fund the accrual for “incurred but not reported” (IBNR) claims and administrative costs of its health and medical benefits program. Additionally, OJI claims payable of \$3,232 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 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**  
**(Thousands of Dollars)**  
**For the fiscal year ended June 30, 2014**

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

The changes in the insurance claims payable for the years ended June 30, 2013 and 2014 are as follows:

	<b>On the Job Injury</b>					
	<b>Health</b>	<b>OPEB</b>	<b>Sewer Collection and Treatment Fund</b>	<b>Fleet Management Fund</b>	<b>Storm Water Fund</b>	<b>Governmental Funds</b>
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
Current year provision	(68,129)	(50,922)	(167)	(655)	(139)	(4,688)
Payments	66,877	50,248	34	511	106	3,906
Balance - June 30, 2014	\$ 9,445	5,086	19	86	84	3,762

The City received insurance recoveries during the year in compensation for damage to the Cook Convention Center’s electrical feeder cables, main electrical switches, and fire safety equipment resulting in the claim amount of \$424,048. The Convention Center’s truck lift elevator also failed resulting in a claim of \$70,970. The City reimbursed the Cook Convention Center for funds received from the insurance company.

**B. Subsequent events**

In July 2014, the City issued \$18,930 of Sanitary Sewerage System Revenue Refunding Bonds, Series 2014. Proceeds from the bonds were used to refund Sanitary Sewerage System Revenue Bonds, Series 2005.

In December 2014, the City entered into agreements with a vendor to sell a portion of the City’s tax year 2014 delinquent property tax receivables. The total proceeds from the sale of receivables were \$16,485. The City also entered into a lease agreement as a lessee for financing the acquisition of solid waste packers. The total amount financed was \$15,416 with rent payments due semi-annually for 5 years.

On December 16, 2014, The Memphis City Council passed an ordinance amending the City’s pension system. The changes will take effect on July 1, 2016. As of that date, all participating retirees and City employees with at least 7 ½ years of service will remain in the existing Defined Benefit Plan. Employees with less than 7 ½ years of service, and new employees, will all be enrolled in the new Hybrid Pension Plan. The Hybrid Plan is a Market Based Cash Balance 401(a) Plan that pays a guaranteed annuity at retirement. The new plan is expected to reduce the City’s unfunded pension liability and reduce funding volatility through risk sharing with employees.

**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 \$20,814 is a reasonable measure of the ultimate settlement of these matters. However, the City’s Statement of Net Position reflects a total liability of \$75,875, which includes the \$20,814 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

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\$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, 2014, the Senior Lien Bonds were outstanding in an aggregate principal amount of \$194,415. 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, 2014, for outstanding purchase orders and outstanding contracts reported as assigned fund balance for encumbrances in the General Fund of \$20,384. The City had additional commitments totaling \$146,223 for certain infrastructure and sewer construction projects.

#### **D. Joint ventures**

##### **Memphis and Shelby County Port Commission- subsidiary of Economic Development Growth Engine Industrial Development Board (EDGE)**

The Memphis and Shelby County Port Commission (the Port Commission), is a joint operation between the City and the County. The Port commission is governed by five commissioners selected from members of the Board of Directors of EDGE. In addition, the Directors of Public Works for the City and for the County serve 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

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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.

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

#### **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 non-profit 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 multi-purpose 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 non-profit corporation established jointly by the City and County under the provisions of the Sports Authority Act of 1993 (State of Tennessee). The purpose of the 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 multi-purpose 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.

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**  
**(Thousands of Dollars)**  
**For the fiscal year ended June 30, 2014**

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

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**ASSETS**

Investments, at fair value:

Mutual funds and money market funds	\$ <u>17,720</u>
Total investments	17,720

Equity in cash and investment pool	12,883
Interest and dividend receivables	<u>14</u>

<b>Total assets</b>	<u>30,617</u>
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**LIABILITIES**

Accounts payable and other	<u>6,783</u>
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<b>Total liabilities</b>	<u>6,783</u>
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**DEFERRED INFLOWS OF RESOURCES**

Revenue collected in advance	<u>3,837</u>
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<b>Total deferred inflows of resources</b>	<u>3,837</u>
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**NET POSITION**

Held in trust for OPEB	<u>\$ 19,997</u>
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**NOTES TO FINANCIAL STATEMENTS**  
**(Thousands of Dollars)**  
**For the fiscal year ended June 30, 2014**

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

**ADDITIONS**

Contributions:

Employer	\$ 34,839
Medicare Part D	2,534
Plan members	<u>12,525</u>
Total contributions	49,898

Transfer from other fund 5,442

Investment income:

Interest and dividend income	377
Net appreciation in the fair value of investments	<u>1,253</u>
Total investment income	<u>1,630</u>

**Total additions** 56,970

**DEDUCTIONS**

Benefits	50,248
Administrative expenses	<u>2,970</u>

**Total deductions** 53,218

**Net increase** 3,752

Net position - beginning of year 16,245

**Net position - end of year** \$ 19,997

**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 \$34,839 for 2014. At June 30, 2014, the number of retirees eligible for health and medical benefits is 4,121. The City also provides two life insurance benefits: the first is a self-insured death benefit and the second is a continuation of active life insurance. The authority to conduct the general operation and administration of the single employer plan is vested with the City. Separate financial statements for the plan are not issued.

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

**Funding Policy** – The contribution requirements of the plan members and the City are established and may be amended by the City. OPEB eligible members receiving benefits contribute \$152.56 to \$183.91 per month for retiree-only coverage and \$320.05 to \$364.74 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

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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, 2014, the value of the Trust assets within the OPEB Fund was \$17,720. 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, 2014, was as follows:

<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets (a)</b>	<b>Actuarial Liability (AL) (b)</b>	<b>Unfunded AL (UAL) (b) - (a)</b>	<b>Funded Ratio (a) / (b)</b>	<b>Covered Payroll (c)</b>	<b>UAAL as a Percentage of Covered Payroll * ((b) - (a)) / (c)</b>
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%
7/1/14	17,486	733,654	716,168	2.4%	284,407	251.8%

\* Covered payroll includes all active plan participants.

The change in trends for the Actuarial Liability (AL) and Unfunded Actuarial Liability (UAL) from 7/1/13 to 7/1/14 is due a combination of the following factors: amendment to plan design to grandfather certain participants, change in census, adjustment to claims costs, working spouse elimination, tobacco surcharge, and changes to the retiree premiums, retirement rates, and termination rates.

The withdrawal, mortality, spousal age difference, marriage percentage, salary scale and disability rate assumptions are the same as those used for the 07/01/2014 pension valuation, and based on the 05/01/2014 pension experience study.

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, 2014 actuarial valuation, the Entry Age Normal Actuarial Cost Method was used. The actuarial assumptions included a 4.5 percent investment rate of return (net of administrative expenses) and an annual pre-Medicare health care cost trend rate of 7.53% percent initially, reduced by decrements to an ultimate rate of 4.5% in fiscal year 2027 and after. The actuarial annual post-Medicare health care cost trend rate is 7.64% and is to be reduced by decrements to an ultimate rate of 4.5% in fiscal year 2027 and after. All rates assume a 4.25 percent salary scale. The City's OPEB unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The inflation rate assumption is 3.00% based on the CPI-W. The remaining amortization period at June 30, 2014, was 30 years.

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Listed below is a summary of significant changes that occurred between the July 1, 2012 and July 1, 2014 actuarial valuations. (For comparative purposes, the actuarial valuation date of the OPEB Plan was changed to be aligned with the actuarial valuation date of the City's Retirement System, hence the "lag" between the two dates.):

- Per capita costs and retiree premiums were updated based on benefit costs prepared by the City's actuary. As noted above, the Plan design was modified effective January 1, 2015, which further modified both per capita costs and retiree premiums.
- Effective January 1, 2015, the City has amended the OPEB Plan as follows:
  - The participants listed below have been grandfathered into the OPEB Plan. These individuals will continue to elect either the Basic or Premier Plan and pay 30% of the cost of coverage.
    - Post-65 Medicare A-only eligible inactive
    - Post-65 Medicare B-only eligible inactive
    - Post-65 Non-Medicare A and B eligible inactive
    - Pre-65 deceased line-of-duty inactive's beneficiaries
    - Pre-65 disabled line-of-duty inactive
  - Non-grandfathered participants will have access-only coverage to either the Basic or Premium Plan when under age 65. Upon age 65, these participants may elect a Medigap and PDP Rx plan and pay 75% of the cost of coverage.
  - Additional plan changes include the elimination of coverage for spouses who have coverage elsewhere and an increased tobacco surcharge.
- The discount rate assumption was changed from 6.10% as of July 1, 2012 to 4.50% as of July 1, 2014. This is a blended rate reflecting assets expected to be used based upon the expected rate of return of invested assets of 9.0% and the expected return on general assets of 4.5%. It is based upon the spread between the Annual Required Contribution (ARC) and the annual "pay as you go" amount. For the 2014 valuation year, the City contributed the "pay as you go" amount; therefore, the discount rate assumption is the expected return on general assets of 4.50%.
- On May 1, 2014, the City's actuarial consultants completed an experience study of the City's Retirement System. The following assumptions are based on the results of the experience study and the changes chosen by the City:
  - The retirement assumption for General Employees and Police and Fire Employees changed from an age graded table to a graded table that varies by age and gender.
  - The mortality table for General Employees was changed from the Fully Generational RP-2000 Combined Mortality Table for males and females to the Fully Generational RP-2014 Mortality Table for males and females with a one-year set forward. The mortality table for Police and Fire was changed from the Fully Generational RP-2000 Combined Mortality Table with Blue Collar adjustment for males and females to the Fully Generational RP-2014 Mortality Table with Blue Collar adjustment for males and females with 1 year set forward. In addition, the mortality table for disabled participants was changed to the Fully Generational RP-2014 Disabled Table with a 3-year set back.
  - The marital assumptions for General Employees were changed from 75% males and 10% of females assumed to be married to 80% of males and 50% of females assumed to be married. The marital assumption for Police and Fire was changed from 75% males and 10% females assumed to be married to 80% assumed to be married.
  - The salary increase assumption was changed from a flat 5.0% for all employees to a scale that varies by age and service. The weighted-average salary increase under the new salary scale is 4.25%.
- In accordance to the plan design changes, the City decided to update the Medicare participation, working spouse, and tobacco surcharge assumptions. The changes in assumptions are based on current inactive experience.

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**CITY OF MEMPHIS, TENNESSEE**  
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**Schedule of Employer Contributions** – The schedule of employer contributions for the five years ended June 30, 2014 is as follows:

<u>Fiscal Year Ended</u>	<u>Annual Required Contributions</u>	<u>Actual Contributions</u>	<u>Percentage Contributed</u>
June 30, 2010	\$ 80,477	\$ 35,674 <sup>1</sup>	44.3%
June 30, 2011	95,376	36,089 <sup>2</sup>	37.8%
June 30, 2012	86,304	35,813 <sup>3</sup>	41.5%
June 30, 2013	84,826	45,705 <sup>4</sup>	53.9%
June 30, 2014	34,847	40,443 <sup>5</sup>	116.1%

<sup>1</sup> Includes a \$1,000 contribution in excess of the net employer benefit payments

<sup>2</sup> Includes a \$3,541 contribution in excess of the net employer benefit payments

<sup>3</sup> 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.

<sup>4</sup> Includes an \$11,233 contribution in excess of the net employer benefit payments

<sup>5</sup> Includes a \$0 contribution in excess of the net employer benefit payments

**Annual OPEB Cost and Net OPEB Obligation** – For fiscal year 2014, the City contributed 109.0 percent or \$40,443 of its annual OPEB cost of \$37,090. The annual OPEB cost consisted of the following:

Annual Required Contribution (ARC)	\$ 34,847
Interest on beginning of year accrual	11,289
Amortization of beginning of year accrual	(8,656)
Interest on the amortization	<u>(390)</u>
Annual OPEB cost (AOC)	37,090
Contributions made	<u>(40,443)</u>
Change in net OPEB Obligation	(3,353)
Net OPEB Obligation – beginning of year	<u>250,868</u>
Net OPEB Obligation – end of year	<u>\$247,515</u>

Three-year trend information is as follows:

<u>Year Ended</u> <u>June 30</u>	<u>Annual OPEB</u> <u>Cost</u>	<u>Percentage of AOC</u> <u>Contributed</u>	<u>Net OPEB</u> <u>Obligation</u>
2012	\$ 88,984	40.2%	\$ 207,589
2013	88,984	51.4	250,568
2014	37,090	109.0	247,515

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

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

The Plan provides post-employment healthcare, prescription drugs, life insurance, accident/death and dismemberment (AD&D), medical and prescription drugs to eligible retirees and their dependents. Benefits are payable to retirees and their spouses 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% 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. Healthcare 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, 3,608 retirees and beneficiaries are receiving post-employment benefits.

**ASSETS**

Cash and cash equivalents	\$ 12,420
Investments, at fair value:	
Common stock - domestic	111,033
Common stock - foreign	41,532
Government bond mutual fund - international	12,247
Corporate bond mutual funds - domestic	12,097
Corporate bond mutual funds - international	11,831
Convertible bond mutual fund - domestic	13,700
Investment in real estate	8,549
Investment in private equities	1,082
Investment in international equity fund	4,591
Investment in international bond fund	25,375
Distressed debt funds - domestic	7,472
Distressed debt funds - foreign	<u>10,221</u>
Total investments	259,730
Interest and dividend receivables	181
Receivable for securities sold	10
Employer and employee contributions receivable	1,710
Collateral held in trust for securities on loan	<u>35,574</u>
<b>Total assets</b>	<u><b>309,625</b></u>

**NOTES TO FINANCIAL STATEMENTS**  
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**CITY OF MEMPHIS, TENNESSEE**  
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**LIABILITIES**

Accounts payable and other	779
Collateral subject to return to borrowers	<u>35,574</u>
<b>Total liabilities</b>	<u>36,353</u>

**NET POSITION**

Held in trust for OPEB	<u>\$ 273,272</u>
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**ADDITIONS**

Contributions:

Employer	\$ 42,854
Plan members	<u>5,751</u>
Total contributions	48,605

Investment income:

Interest and dividend income	4,139
Securities lending income	85
Other investment income	1
Net appreciation in the fair value of investments	<u>30,222</u>
Total investment income	<u>34,447</u>

<b>Total additions</b>	<u>83,052</u>
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**DEDUCTIONS**

Benefits	28,862
Administrative expenses	<u>1,434</u>

<b>Total deductions</b>	<u>30,296</u>
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<b>Net increase</b>	52,756
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Net position - beginning of year	<u>220,516</u>
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<b>Net position - end of year</b>	<u>\$ 273,272</u>
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**Funding Policy**

The contribution requirements of plan members and MLGW are established and may be amended by the MLGW Board of Commissioners. 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 43. 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 (or funding excess) of the plan over a period not to exceed thirty years. For fiscal year 2013, employer

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

contributions were \$42,854 to the Plan. Plan members receiving benefits contributed \$5,751 through their required contributions of \$58.96 to \$462.88 (dollars) per month, depending on the coverage (retiree only, retiree and spouse, or family) and 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, 2013. 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 2013:

Annual Required Contribution (ARC)	\$ 42,854
Interest on net OPEB obligation	-
Adjustment to ARC	-
Annual OPEB cost	42,854
Contributions made	<u>(43,043)</u>
Change in net OPEB liability	(189)
Net OPEB liability – beginning of fiscal year	<u>1,415</u>
Net OPEB liability – end of fiscal year	<u>\$ 1,226</u>

MLGW's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for fiscal year 2013 and the two preceding years were as follows:

<b><u>Fiscal Year Ended</u></b>	<b><u>Annual OPEB Cost</u></b>	<b><u>Employer Contributions</u></b>	<b><u>Percentage of Annual OPEB Cost Contributed</u></b>	<b><u>Net OPEB Obligation (Asset)</u></b>
December 31, 2011	\$44,630	\$43,554	97.6%	\$ (1,249)
December 31, 2012	42,411	41,162	93.7	1,415
December 31, 2013	42,854	43,043	100.4	1,226

**Funded Status and Funding Progress**

<b><u>Actuarial Valuation Date *</u></b>	<b><u>Actuarial Value of Assets (a)</u></b>	<b><u>Actuarial Accrued Liability (AAL) (b)</u></b>	<b><u>Unfunded AAL (UAAL) (b) - (a)</u></b>	<b><u>Funded Ratio (a) / (b)</u></b>	<b><u>Covered Payroll (c)</u></b>	<b><u>UAAL as a Percentage of Covered Payroll ((b - a) / c)</u></b>
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%
December 31, 2013	272,150	660,524	388,374	41.2%	154,759	251.0%

\* The actuarial valuation is done biennially. The next actuarial valuation will be performed with the reporting date of December 31, 2015.

\*\* Projected from 12/31/05 valuation

\*\*\* Projected from 2006 payroll

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Actuarially determined amounts are subject to continual revision 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, 2013
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percent of pay, 30 years
Remaining Amortization Period	23 years as of December 31, 2013
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	7.75% graded to 5.00% over 11 years
Drug Cost Trend Rate	6.00% graded to 5.00% over 5 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. The Board consists of seven members: Finance Director, Deputy Finance Director, City Treasurer, Comptroller, Investment Manager, Senior Investment Analyst, and a Citizen member. 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. Separate financial statements for the plan are not issued.

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

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As of and for its year ended June 30, 2014, the City Retirement System reported the following net position:

**ASSETS**

Cash and cash equivalents \$ 40,545

Investments, at fair value:

U.S. government securities - long-term	210,928
Common stock - domestic	788,027
Common stock - foreign	145,080
Corporate bonds - domestic	253,305
Corporate bonds - foreign	42,620
Mutual funds and money market funds	43,047
Collateralized mortgage obligations	19,194
Asset-backed pooled securities	8,458
Mortgage-backed pooled securities	46,938
Investment in index funds	208,032
Investment in real estate	111,417
Investment in international equity fund	<u>353,467</u>

**Total investments** 2,230,513

Equity in cash and investment pool 409

Interest and dividend receivables 5,464

Receivable for securities sold 37,732

**Total assets** 2,314,663

**LIABILITIES**

Accounts payable and other 87,718

**Total liabilities** 87,718

**NET POSITION**

Held in trust for pension benefits \$ 2,226,945

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**CITY OF MEMPHIS, TENNESSEE**  
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As of and for its year ended June 30, 2014, the City Retirement System reported the following changes in net position:

**ADDITIONS**

Contributions:

Employer	\$ 19,440
Plan members	<u>24,173</u>
Total contributions	43,613

Investment income:

Interest and dividend income	48,793
Other investment income	618
Gain on real estate investments	3,795
Net appreciation in the fair value of investments	<u>293,664</u>
Total investment income	<u>346,870</u>

**Total additions** 390,483

**DEDUCTIONS**

Benefits	146,729
Administrative expenses	10,304
Refunds of contributions	<u>24,103</u>

**Total deductions** 181,136

**Net (decrease)/increase** 209,347

Net position - beginning of year 2,017,598

**Net position - end of year** \$ 2,226,945

**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 participants 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%.

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At June 30, 2014, the Retirement System membership consisted of:

Retirees and beneficiaries currently receiving benefits and Terminated employees entitled to benefits but not yet receiving them	5,538
Active employees:	
Fully vested	3,267
Non-vested	<u>2,489</u>
Total	<u>11,294</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 either of the following:

- 1) after age 65 and the completion of 5 years of service, or
- 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. Ordinance Section 25-31 grants the Board the authority to make investments including but not limited to stocks, bonds, mutual funds, notes and units of any commingled, collective, common pooled or mutual trust fund. The City of Memphis Retirement System had no individual investments in excess of 5 percent of plan net assets.

**Rate of Return** - For the year ended June 30, 2014, the annual money-weighted rate of return on the City's pension plan investments, net of pension plan investment expense, was 7.5 percent. The money-weighted rate of return expresses investment performance net of investment expense, adjusted for the changing amounts actually invested.

**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, 2014, the City of Memphis Retirement System reported total employer and plan member contributions of \$19,440 and \$24,173, respectively. Benefits paid to plan members totaled \$146,729.

**Deferred Retirement Option Program (DROP)** – According to the terms of the DROP specified in City of Memphis Ordinance 4548, an eligible participant is an employee who has attained his or her normal retirement date and has at least twenty-five years of service. An eligible employee can make an irrevocable election to participate in the DROP for a maximum one-year, two-year, or three-year period, thereby agreeing to retire no later than the end of his or her one-, two-, or three-year period of participation. During the one-year, two-year, or three-year period elected, the employee’s contributions and the City’s contributions to the appropriate Plan shall cease as of the effective date. The employee’s benefit under the Plan is frozen (fixed) as of the date his or her election is effective. A DROP account shall be established for the employee that will be credited with an amount equal to the monthly pension benefit the electing participant would receive had he or she retired and begun receiving payments on the effective date. Interest will be credited each calendar quarter on the average monthly balance in the DROP account based on twenty-five percent (25%) of the 90-day Treasury Bill yield published in the last Wall Street Journal of such quarter. After participation in the DROP ceases, the City will begin to pay the employee his or her monthly benefit and also pay the employee in a lump sum the balance in his or her DROP account as of the end of the last quarter. The lump sum payment of the DROP account may be rolled over at the participant’s direction. A total accumulated DROP balance as of June 30, 2014, is \$12,372.

**Net Pension Liability** – The components of the net pension liability at June 30, 2014 is as follows:

Total pension liability	\$ 2,599,070
Plan fiduciary net position	<u>(2,245,158)</u>
Net pension liability	<u>\$ 353,912</u>
Plan fiduciary net position as a percentage of the Total pension liability	86.4%

**Actuarial Methods and Assumptions** – The City obtains annually an actuarial valuation of the Retirement System for the purpose of calculating the necessary information for accounting and reporting requirements in accordance with Governmental Accounting Standards. The actuarial asset valuation method is the Entry Age Normal Actuarial Cost Method with level-dollar open amortization of the unfunded accrued liability. The amortization period is 30 years. The method divides the cost of funding into two parts: normal cost and actuarial accrued liability. Significant actuarial assumptions include: (a) a rate of return on the investment of present and future assets of 7.5 percent a year compounded annually; (b) projected salary increases of 4.25 percent a year compounded annually, attributable to inflation; (c) no additional projected salary increases for seniority or merit; (d) no post-retirement benefit increases; (e) valuation date as of July 1, 2014; and (f) results from a May 2014 experience study based on 10 years of census data (between 2003 – 2012).

Mortality rates for General employees are based on the Fully Generational RP-2014 Mortality Table for males and females with 1 year set forward. Police and Fire mortality rates are based on the Fully Generational RP-2014 Mortality Table with Blue Collar adjustment for males and females and a 1-year set forward. Disabled employees’ rates are based on the Fully Generational RP-2014 Disabled Mortality Table with a 3-year set back.

**Discount Rate** – The discount rate used to measure the total pension liability was 7.5% as of June 30, 2014, and is equal to the long-term expected return on plan investments. The projection of cash flows used to determine the discount rate assumed that City contributions would be made at the actuarially calculated amount computed in accordance with the current funding policy adopted by the City, which requires payment of the normal cost and amortization of the unfunded actuarially accrued liability in level dollar installments over 30 years utilizing a closed-period approach. Pursuant to State of Tennessee Public Law No. 990, the City will phase into funding 100% of the actuarially calculated amount over a 5-year period beginning with the fiscal year beginning July 1, 2015. Based on this assumption, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members.

**NOTES TO FINANCIAL STATEMENTS**  
**(Thousands of Dollars)**  
**For the fiscal year ended June 30, 2014**

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

*Discount Rate Sensitivity* – The following presents the net pension liability of the City calculated using the discount rate of 7.5 percent, as well as what the City’s net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.5%) or 1 percentage point higher (8.5%) than the current rate:

	<u>1% Decrease (6.5%)</u>	<u>Current Rate (7.5%)</u>	<u>1% Increase (8.5%)</u>
Net pension liability	\$656,044	\$353,912	\$102,044

**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, 2014 is as follows:

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) (b)</u>	<u>Unfunded Actuarial Accrued Liability (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>
7/1/09	\$ 1,773,457	\$ 2,222,984	\$ 449,527	79.8%	\$ 296,134	151.8%
7/1/10	1,805,071	2,336,075	531,004	77.3%	308,889	171.9%
7/1/11	1,838,424	2,447,974	609,550	75.1%	316,434	192.6%
7/1/12	1,867,934	2,509,930	641,996	74.4%	298,250	215.3%
7/1/13	1,883,786	2,592,987	709,201	72.6%	304,686	232.8%
7/1/14	2,044,905	2,599,070	554,165	78.7%	340,532	162.7%

The change in the unfunded actuarial accrued liability (UAAL) from valuation date 7/1/13 to 7/1/14 is due to a combination of revisions in estimates for annual required contributions (ARC), asset experience, assumptions, plan experience, and funding level of full ARC.

**Schedule of Employer Contributions** - The schedule of employer contributions for the six years ended June 30, 2014 is as follows:

<u>Year Ended June 30</u>	<u>Annual Required Contribution (ARC) (a)</u>	<u>Actual Employer Contribution (b)</u>	<u>Percentage Contributed (b) / (a)</u>
2009	\$ 21,208	\$ 16,172	76.3%
2010	71,447	17,419	24.4%
2011	80,021	20,132	25.2%
2012	89,006	20,108	22.6%
2013	90,363	18,968	21.0%
2014	96,024	19,440	20.2%

**NOTES TO FINANCIAL STATEMENTS**  
**(Thousands of Dollars)**  
**For the fiscal year ended June 30, 2014**

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

**Annual Pension Cost and Net Pension Obligation** – The City Retirement System’s annual pension cost and net pension obligation for the year ended June 30, 2014 were as follows:

Annual required contribution	\$ 96,024
Interest on net pension obligation	15,911
Adjustment to annual required contribution	<u>(17,963)</u>
Annual pension cost	93,972
Contribution made	<u>(19,440)</u>
Increase in net pension obligation	74,532
Net pension obligation at beginning of year	<u>212,145</u>
Net pension obligation at end of year	<u>\$286,677</u>

Three-year trend information is as follows:

<u>Year Ended June 30</u>	<u>Annual Pension Cost (APC) (a)</u>	<u>Actual Employer Contribution (b)</u>	<u>Percentage of APC Contributed (b) / (a)</u>
2012	\$ 88,291	\$ 20,108	22.8%
2013	88,988	18,968	21.3%
2014	93,972	19,440	20.7%

**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, 2014, the Library Retirement System reported the following net position:

**ASSETS**

Cash and cash equivalents	\$ 14,628
Investments, at fair value:	
Common stock - domestic	49,154
Mutual funds and money market funds	<u>451</u>
Total investments	49,605
Interest and dividend receivables	<u>28</u>
<b>Total assets</b>	<u>64,261</u>

**NET POSITION**

Held in trust for pension benefits	<u>\$ 64,261</u>
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**NOTES TO FINANCIAL STATEMENTS**  
**(Thousands of Dollars)**  
**For the fiscal year ended June 30, 2014**

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

As of and for its year ended June 30, 2014, the Library Retirement System reported the following changes in net position:

**ADDITIONS**

Contributions:

Employer	\$ 168
Plan members	<u>168</u>
Total contributions	336

Investment income:

Interest and dividend income	2,802
Other investment income	2
Net appreciation in the fair value of investments	<u>6,509</u>
Total investment income	<u>9,313</u>

**Total additions** 9,649

**DEDUCTIONS**

Benefits	3,470
Administrative expenses	<u>116</u>

**Total deductions** 3,586

**Net increase** 6,063

Net position - beginning of year 58,198

**Net position - end of year** \$ 64,261

**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 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).

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At January 1, 2014, the Library Retirement System membership consisted of:

Retirees and beneficiaries currently receiving benefits and Terminated employees entitled to benefits but not yet receiving them	158
Active employees:	
Vested	145
Non-vested	<u>10</u>
Total	<u>313</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. Cost of living adjustments are granted on an ad hoc basis determined annually by the Board for Plan I and Plan II.

**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 that represent more than 5 percent of plan net assets.

**Rate of Return** - For the year ended June 30, 2014, the annual money-weighted rate of return on Library pension plan investments, net of pension plan investment expense, was 6.75 percent. The money-weighted rate of return expresses investment performance net of investment expense, adjusted for the changing amounts actually invested.

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

**Net Pension Liability** – The components of the net pension liability at June 30, 2014 is as follows:

Total pension liability	\$ 70,097
Plan fiduciary net position	<u>(62,110)</u>
Net pension liability	<u>\$ 7,987</u>
Plan fiduciary net position as a percentage of the Total pension liability	88.6%

**Actuarial Methods and Assumptions** - The actuarial asset valuation method is the Entry Age Normal Actuarial Cost Method with a closed amortization period of 22 years (based on 30 years as of June 30, 2006). The valuation date is January 1, 2014. The method divides the cost of funding into two parts – normal cost and actuarial accrued liability. Significant actuarial assumptions include: (a) a rate of return on the investment of present and future assets of 7.5 percent a year compounded annually; (b) projected salary increases of 3.5 percent a year compounded annually, attributable to inflation; and (c) post-retirement benefit increases of 2.5 percent a year (changed from a prior year cost-of-living adjustment (COLA) assumption of 3.0%). The marriage assumption also changed for female participants from 65% to 50%. The cumulative impact of the change in assumptions was an actuarial gain of \$3.3 million.

The mortality assumption for healthy participants is based on the Fully Generational RP-2000 Combined Mortality Table for males and females. For disabled participants, the mortality assumption is based on the 1985 Pension Disability Table for males and females.

**Discount Rate** – The discount rate used to measure the total pension liability was 6.75% as of January 1, 2014, which is equal to the single rate of return developed pursuant to paragraphs 40 – 45 under GASB 67. GASB 67 requires that projected benefit payments expected to be satisfied by the plan's fiduciary net position (i.e. assets) be discounted using the long-term rate of return on pension plan investments and that projected benefit payments not expected to be satisfied by the plan's fiduciary net position be discounted using a yield or index rate of a 20-year municipal bond rated AA/Aa or higher. For this purpose the City has selected a long-term rate of return on pension plan assets of 7.5% and Barclay's 20-year municipal bond index as of January 1, 2014, of 4.31%.

The projection of cash flows used to determine the discount rate assumed that Library contributions would be made at the actuarially calculated amount computed in accordance with the current funding policy adopted by the City, which complies with State of Tennessee Public Law No. 990. This law requires 100% payment of the actuarially determined contribution (ADC), which consists of normal cost and amortization of the unfunded actuarially accrued liability in level dollar installments over 30 years (starting in 2006) utilizing a closed period approach. In accordance with Public Law No. 990, the City will phase-in to the 100% payment of the ADC funding requirement over a 5-year period commencing July 1, 2015.

**Discount Rate Sensitivity** – The following presents the net pension liability of the Library calculated using the discount rate of 6.75 percent, as well as what the Library's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (5.75%) or 1 percentage point higher (7.75%) than the current rate:

	<u>1% Decrease (5.75%)</u>	<u>Current Rate (6.75%)</u>	<u>1% Increase (7.75)</u>
Net pension liability	\$16,902	\$7,987	\$592

**NOTES TO FINANCIAL STATEMENTS**  
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**For the fiscal year ended June 30, 2014**

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

**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, 2014, is as follows:

<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets (a)</b>	<b>Actuarial Accrued Liability (AAL) (b)</b>	<b>Unfunded Actuarial Accrued Liability (UAAL) (b) - (a)</b>	<b>Funded Ratio (a) / (b)</b>	<b>Covered Payroll (c)</b>	<b>UAAL as a Percentage of Covered Payroll ((b) - (a)) / (c)</b>
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%
1/1/14	62,110	64,427	2,317	96.4%	5,229	44.3%

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

**Schedule of Employer Contributions** - The schedule of employer contributions for the six years ended June 30, 2014, is as follows:

<b>Year Ended June 30</b>	<b>Annual Required Contribution (ARC) (a)</b>	<b>Actual Employer Contribution (b)</b>	<b>Percentage Contributed (b) / (a)</b>
2009	\$ -	\$ -	N/A
2010	-	-	N/A
2011	1,332	227	17.0%
2012	1,027	205	20.0%
2013	1,531	183	12.0%
2014	1,217	174	14.3%

**NOTES TO FINANCIAL STATEMENTS**  
**(Thousands of Dollars)**  
**For the fiscal year ended June 30, 2014**

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

**Annual Pension Cost and Net Pension Obligation** – The Library Retirement System’s annual pension cost and net pension obligation for the year ended June 30, 2014, were as follows:

Annual required contribution	\$ 1,217
Interest on net pension asset	60
Adjustment to annual required contribution	<u>(74)</u>
Annual pension cost	1,203
Contribution made	<u>(174)</u>
Increase in net pension obligation	1,029
Net pension obligation at beginning of year	<u>796</u>
Net pension obligation at end of year	<u>\$ 1,825</u>

Three-year trend information is as follows:

Year Ended June 30	Annual Pension Cost (APC) (a)	Actual Employer Contribution (b)	Percentage of APC Contributed (b) / (a)	Net Pension Obligation (Asset)
2012	\$ 1,048	\$ 205	19.6%	\$ (561)
2013	1,540	183	11.9%	796
2014	1,203	174	14.4%	1,825

**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, 2013, the MLGW Retirement System membership consisted of:

Retirees and beneficiaries currently receiving benefits and Terminated employees entitled to benefits but not yet receiving them	2,615
Active employees	<u>2,556</u>
Total	<u>5,171</u>

**NOTES TO FINANCIAL STATEMENTS**  
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**For the fiscal year ended June 30, 2014**

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

The MLGW Pension Plan provides retirement, disability and death benefits to participants and their beneficiaries. The MLGW Pension Plan also provides for cost-of-living adjustments beginning at the age of 56 for retired members and surviving spouses, and at any age for disabled members on a graded scale up to 5 percent per annum based on the National Consumer Price Index.

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

**Method Used to Value Investments** - All investments of the MLGW Retirement System are reported at fair value. Short term investments are reported at cost, which approximates fair value. All other investments are valued based upon quoted market values except for real estate investments, which are appraised by independent appraisals, and certain limited partnership investments. The MLGW Retirement System has no investments in any one organization that 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, 2013, MLGW's current required contribution is 17.33 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, 2014, 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, 2014, the most recent actuarial valuation date, the MLGW Pension Plan was 84.81 percent funded. The actuarial accrued liability ("AAL") for benefits was \$1,439,010, and the actuarial value of assets was \$1,220,456, resulting in an unfunded actuarial accrued liability ("UAAL") of \$218,554. 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 141.2 percent.

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) * (b)</u>	<u>Unfunded Actuarial Accrued Liability (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>
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	153,027	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%
1/1/14	1,220,456	1,439,010	218,554	84.8%	154,759	141.2%

\* Prior to 2011, the Aggregate Cost Method was used to determine the cost of the MLGW Pension Plan. Per the requirements of GASB Statement No. 50, the Entry Age Normal Actuarial Cost Method has been adopted to calculate the Actuarial Accrued Liability (AAL).

Under this valuation, the 2008 investment losses have been fully recognized. The current year recommended contribution is based on a 27-year, level percent-of-payroll amortization. The Plan's unfunded actuarial accrued liability (UAAL) is expected to continue to grow in the early years of the closed, 30-year amortization period; however, the UAAL decreased from \$288,332 to \$218,554, primarily due to investment gains during 2013. MLGW's payroll remained almost flat, so the UAAL as a percentage of payroll declined. This is a favorable result; it is preferable that the UAAL be a low percentage of payroll.

**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 (ARC) (a)</u>	<u>Actual Employer Contribution (b)</u>	<u>Percentage Contributed (b) / (a)</u>
2008	\$ 10,541	\$ 18,467	175.2%
2009	22,401	21,388	95.5%
2010	27,381	27,385	100.0%
2011	26,208	26,213	100.0%
2012	30,067	30,063	100.0%
2013	30,705	30,706	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, 2013, were as follows:

Annual required contribution	\$ 30,705
Interest on net pension asset	(1,245)
Adjustment to annual required contribution	<u>1,008</u>
Annual pension cost	30,468
Contribution made	<u>(30,706)</u>
Change in net pension asset	(238)
Net pension asset at beginning of year	<u>(16,595)</u>
Net pension asset at end of year	<u>\$ (16,833)</u>

Three-year trend information is as follows:

<u>Year Ended December 31</u>	<u>Annual Pension Cost (APC) (a)</u>	<u>Actual Employer Contribution (b)</u>	<u>Percentage of APC Contributed (b) / (a)</u>	<u>Net Pension Obligation (Asset)</u>
2011	\$ 25,944	\$ 26,213	101.0%	\$ (16,348)
2012	29,816	30,063	100.8%	(16,595)
2013	30,468	30,706	100.8%	(16,833)

**NOTES TO FINANCIAL STATEMENTS**  
**(Thousands of Dollars)**  
**For the fiscal year ended June 30, 2014**

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

**G. Component units**

As discussed in Note 1, 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:

	PROPRIETARY TYPE			ZOO	COMPONENT
	MATA	MSCAA	TOTAL		UNITS
					TOTAL
Current Assets	\$ 11,037	193,481	204,518	24,075	228,593
Property, plant and equipment (net of accumulated depreciation)	142,835	956,552	1,099,387	61	1,099,448
Other assets	12	52,550	52,562	899	53,461
Total assets	<u>153,884</u>	<u>1,202,583</u>	<u>1,356,467</u>	<u>25,035</u>	<u>1,381,502</u>
Deferred outflows - charges on refundings	-	4,491	4,491	-	4,491
Total assets and deferred outflows	\$ <u>153,884</u>	<u>1,207,074</u>	<u>1,360,958</u>	<u>25,035</u>	<u>1,385,993</u>
Current liabilities	6,614	107,207	113,821	2,918	116,739
Long-term liabilities	23,104	345,441	368,545	-	368,545
Total liabilities	<u>29,718</u>	<u>452,648</u>	<u>482,366</u>	<u>2,918</u>	<u>485,284</u>
Deferred inflows- revenue received in advance of expense	-	68,667	68,667	-	68,667
Net position	124,166	685,759	809,925	22,117	832,042
Total liabilities, deferred inflows, and net position	\$ <u>153,884</u>	<u>1,207,074</u>	<u>1,360,958</u>	<u>25,035</u>	<u>1,385,993</u>
Operating revenues	10,181	113,452	123,633	16,676	140,309
Operating expenses	<u>60,268</u>	<u>55,617</u>	<u>115,885</u>	<u>17,835</u>	<u>133,720</u>
Operating income (loss) before depreciation and amortization	<u>(50,087)</u>	<u>57,835</u>	<u>7,748</u>	<u>(1,159)</u>	<u>6,589</u>
Depreciation and amortization	(14,457)	(65,370)	(79,827)	(3)	(79,830)
Grants and contributions not restricted	13,948	24,919	38,867	1,533	40,400
City of Memphis subsidy	20,952	-	20,952	-	20,952
Federal and State grant revenues	20,431	-	20,431	1	20,432
Interest and investment income (loss)	-	2,495	2,495	1,248	3,743
Interest expense	-	(21,425)	(21,425)	-	(21,425)
Other revenue (expense)	<u>2,551</u>	<u>4,353</u>	<u>6,904</u>	<u>82</u>	<u>6,986</u>
Change in net assets	(6,662)	2,807	(3,855)	1,702	(2,153)
Net assets - beginning of year, as restated	130,828	682,952	813,780	20,415	834,195
Net assets - end of year	\$ <u>124,166</u>	<u>685,759</u>	<u>809,925</u>	<u>22,117</u>	<u>832,042</u>

**SCHEDULE OF FUNDING PROGRESS  
CITY RETIREMENT SYSTEM AND LIBRARY RETIREMENT SYSTEM  
(Thousands of Dollars)  
For the fiscal year ended June 30, 2014**

**CITY RETIREMENT SYSTEM**

<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets (a)</b>	<b>Actuarial Liability (AL) -- Entry Age (b)</b>	<b>Unfunded Actuarial Liability (UAL) (c) = (b) - (a)</b>	<b>Funded Ratio (a) / (b)</b>	<b>Covered Payroll (d)</b>	<b>UAL as a Percentage of Covered Payroll (c) / (d)</b>
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%
7/1/2014	2,044,905	2,599,070	554,165	78.7%	340,532	162.7%

**LIBRARY RETIREMENT SYSTEM**

<b>Actuarial Valuation Date *</b>	<b>Actuarial Value of Assets (a)</b>	<b>Actuarial Liability (AL) -- Entry Age (b)</b>	<b>Unfunded Actuarial Liability (UAL) (c) = (b) - (a)</b>	<b>Funded Ratio (a) / (b)</b>	<b>Covered Payroll (d)</b>	<b>UAL as a Percentage of Covered Payroll (c) / (d)</b>
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%
1/1/2014	62,110	64,427	2,317	96.4%	5,229	44.3%

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

**SCHEDULE OF EMPLOYER CONTRIBUTIONS**  
**CITY RETIREMENT SYSTEM AND LIBRARY RETIREMENT SYSTEM**  
(Thousands of Dollars)  
For the fiscal year ended June 30, 2014

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

**CITY RETIREMENT SYSTEM**

<b>Year Ended <u>June 30</u></b>	<b>Annual Required <u>Contribution</u></b>	<b>Actual Employer <u>Contribution</u></b>	<b>Percentage <u>Contributed</u></b>
2009	\$21,208	\$16,172	76.3%
2010	71,447	17,419	24.4%
2011	80,021	20,132	25.2%
2012	89,006	20,108	22.6%
2013	90,363	18,968	21.0%
2014	96,024	19,440	20.2%

**LIBRARY RETIREMENT SYSTEM**

<b>Year Ended <u>June 30</u></b>	<b>Annual Required <u>Contribution</u></b>	<b>Actual Employer <u>Contribution</u></b>	<b>Percentage <u>Contributed</u></b>
2009	-	-	N/A
2010	-	-	N/A
2011	\$1,332	\$227	17.0%
2012	1,027	205	20.0%
2013	1,531	183	12.0%
2014	1,217	174	14.3%

**SCHEDULE OF FUNDING PROGRESS  
OTHER POSTEMPLOYMENT BENEFITS (OPEB)  
(Thousands of Dollars)  
For the fiscal year ended June 30, 2014**

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

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 <sup>1</sup> (c)	UAAL as a Percentage of Covered Payroll <sup>1</sup> [(b) – (a)] ÷ (c)
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%
June 30, 2014	\$17,486	\$733,654	\$716,168	2.4%	\$284,407	251.8%

<sup>1</sup> Covered Payroll includes all active plan participants.

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

**SCHEDULE OF CHANGES  
IN THE NET PENSION LIABILITY AND RELATED RATIOS  
CITY RETIREMENT SYSTEM AND LIBRARY RETIREMENT SYSTEM  
(Thousands of Dollars)  
For the fiscal year ended June 30, 2014**

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

Total Pension Liability

CITY RETIREMENT SYSTEM

Year Ending 30-Jun	Beginning Total Pension Liability	Service Cost	Interest	Experience (Gains)/ Losses	Assumption Changes	Changes of Benefit Terms	Benefit Payments	Ending Total Pension Liability
2014	2,592,987	55,409	192,223	58,245	(128,961)	-	(170,833)	2,599,070

LIBRARY RETIREMENT SYSTEM

Year Ending 30-Jun	Beginning Total Pension Liability	Service Cost	Interest	Experience (Gains)/ Losses	Assumption Changes	Changes of Benefit Terms	Benefit Payments	Ending Total Pension Liability
2014	66,666	552	4,919	(1,188)	2,397	-	(3,250)	70,097

**SCHEDULE OF CHANGES  
 IN THE NET PENSION LIABILITY AND RELATED RATIOS  
 CITY RETIREMENT SYSTEM AND LIBRARY RETIREMENT SYSTEM  
 (Thousands of Dollars)  
 For the fiscal year ended June 30, 2014**

Plan Fiduciary Net Position

CITY RETIREMENT SYSTEM

<u>Year Ending 30-Jun 2014</u>	<u>Beginning Fiduciary Net Position</u>	<u>Employer Contribution</u>	<u>Employee Contribution</u>	<u>Investment Return</u>	<u>Benefit Payment</u>	<u>Administrative Expenses</u>	<u>Investment Expenses</u>	<u>Ending Fiduciary Net Position</u>
	2,040,069	19,440	24,173	342,614	(170,833)	(1,478)	(8,827)	2,245,158

LIBRARY RETIREMENT SYSTEM

<u>Year Ending 30-Jun 2014</u>	<u>Beginning Fiduciary Net Position</u>	<u>Employer Contribution</u>	<u>Employee Contribution</u>	<u>Investment Return</u>	<u>Benefit Payment</u>	<u>Administrative Expenses</u>	<u>Investment Expenses</u>	<u>Ending Fiduciary Net Position</u>
	57,330	174	174	7,820	(3,250)	(108)	(28)	62,110

**SCHEDULE OF CHANGES  
IN THE NET PENSION LIABILITY AND RELATED RATIOS  
CITY RETIREMENT SYSTEM AND LIBRARY RETIREMENT SYSTEM  
(Thousands of Dollars)  
For the fiscal year ended June 30, 2014**

**Net Pension Liability**

**CITY RETIREMENT SYSTEM**

<u>Year Ending 30-Jun</u>	<u>Total Pension Liability</u> (a)	<u>Net Fiduciary Position</u> (b)	<u>Net Pension Liability</u> (c) = (a) - (b)	<u>Fiduciary Net Position as % of Total Pension Liability</u> (b) / (a)	<u>Actual Covered Employee Payroll</u> (d)	<u>Net Pension Liability as a Percentage of Covered Payroll</u> (c) / (d)
2014	2,599,070	2,245,158	353,912	86.4%	324,000	109.2%

**LIBRARY RETIREMENT SYSTEM**

<u>Year Ending 30-Jun</u>	<u>Total Pension Liability</u> (a)	<u>Net Fiduciary Position</u> (b)	<u>Net Pension Liability</u> (c) = (a) - (b)	<u>Fiduciary Net Position as % of Total Pension Liability</u> (b) / (a)	<u>Actual Covered Employee Payroll</u> (d)	<u>Net Pension Liability as a Percentage of Covered Payroll</u> (c) / (d)
2014	\$ 70,097	\$ 62,110	\$ 7,987	88.6%	\$ 5,788	138.0%

**SCHEDULE OF CONTRIBUTIONS**  
**CITY RETIREMENT SYSTEM AND LIBRARY RETIREMENT SYSTEM**  
(Thousands of Dollars)  
For the fiscal year ended June 30, 2014

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

**CITY RETIREMENT SYSTEM**

<b>Year Ending 30-Jun</b>	<b>Actuarially Determined Contribution (a)</b>	<b>Actual Employer Contributions (b)</b>	<b>Contribution Excess/(Deficiency) (c) = (b) - (a)</b>	<b>Actual Covered Employee Payroll (d)</b>	<b>Contributions as a Percentage of Covered Payroll (b) / (d)</b>
2014	96,024	19,440	(76,584)	324,000	6.0%

**LIBRARY RETIREMENT SYSTEM**

<b>Year Ending 30-Jun</b>	<b>Actuarially Determined Contribution (a)</b>	<b>Actual Employer Contributions (b)</b>	<b>Contribution Excess/(Deficiency) (c) = (b) - (a)</b>	<b>Actual Covered Employee Payroll (d)</b>	<b>Contributions as a Percentage of Covered Payroll (b) / (d)</b>
2014	\$ 1,216	\$ 174	\$ (1,043)	5,788.00	3.0%

**SCHEDULE OF INVESTMENT RETURNS  
ANNUAL MONEY WEIGHTED RATES OF RETURN NET OF INVESTMENT EXPENSE  
CITY RETIREMENT SYSTEM AND LIBRARY RETIREMENT SYSTEM  
(Thousands of Dollars)  
For the fiscal year ended June 30, 2014**

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

**CITY RETIREMENT SYSTEM**

<b><u>Year Ended</u></b>	<b><u>% Rate of Return</u></b>
2014*	7.5

\*This schedule is to be built prospectively until it contains ten years of data

**LIBRARY RETIREMENT SYSTEM**

<b><u>Year Ended</u></b>	<b><u>% Rate of Return</u></b>
2014*	6.75

\*This schedule is to be built prospectively until it contains ten years of data

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**NON MAJOR FUNDS  
COMBINING BALANCE SHEET  
(Thousands of Dollars)  
June 30, 2014**

	<b>Drug Enforcement</b>	<b>State Street Aid</b>	<b>Workforce Investment Act</b>	<b>Miscellaneous Grants</b>	<b>Midtown Corridor</b>	<b>Solid Waste Management</b>	<b>Hotel/ Motel Tax</b>
<b>ASSETS</b>							
Cash and cash equivalents	\$ 291	-	-	1	-	-	-
Equity in cash and investment pool	10,607	-	406	4,659	4	12,926	2,469
Receivables (net of allowance for uncollectibles):							
Property taxes:							
Delinquent property taxes	-	-	-	-	-	-	-
Special assessments:							
Current special assessments	-	-	-	-	-	-	-
Delinquent special assessments	-	-	-	-	-	-	-
Federal grants and entitlements	-	-	2,473	3,400	-	805	-
State grants and entitlements	-	3,033	-	250	-	123	-
Interest on investments	2	-	-	-	-	2	-
Other	3	-	-	2,515	-	28	7
Due from other agencies and governments	-	-	-	-	-	4,649	415
<b>Total assets</b>	<b>\$ 10,903</b>	<b>3,033</b>	<b>2,879</b>	<b>10,825</b>	<b>4</b>	<b>18,533</b>	<b>2,891</b>
<b>LIABILITIES AND FUND BALANCES</b>							
<b>Liabilities:</b>							
Accounts payable	\$ 239	-	298	411	-	2,358	2,891
Accrued liabilities	-	-	581	290	-	-	-
Contract retainage	-	-	-	(4)	-	-	-
Due to other funds	-	3,033	2,000	-	-	-	-
Unearned revenue	988	-	-	-	-	-	-
<b>Total liabilities</b>	<b>1,227</b>	<b>3,033</b>	<b>2,879</b>	<b>697</b>	<b>-</b>	<b>2,358</b>	<b>2,891</b>
<b>Deferred Inflows:</b>							
Uncollected property taxes	-	-	-	-	-	-	-
Uncollected special assessments	-	-	-	-	-	-	-
Uncollected grant reimbursements	-	-	-	9,855	-	953	-
Uncollected intergovernmental receivables	-	-	-	-	-	-	-
<b>Total deferred inflows</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>9,855</b>	<b>-</b>	<b>953</b>	<b>-</b>
<b>Fund balances:</b>							
Restricted	9,676	-	-	273	-	15,222	-
Committed	-	-	-	-	4	-	-
<b>Total fund balances</b>	<b>9,676</b>	<b>-</b>	<b>-</b>	<b>273</b>	<b>4</b>	<b>15,222</b>	<b>-</b>
<b>Total liabilities, deferred inflows, and fund balances</b>	<b>\$ 10,903</b>	<b>3,033</b>	<b>2,879</b>	<b>10,825</b>	<b>4</b>	<b>18,533</b>	<b>2,891</b>

**NON MAJOR FUNDS  
COMBINING BALANCE SHEET  
(Thousands of Dollars)  
June 30, 2014**

**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	<b>ASSETS</b> Cash and cash equivalents
63	168	1,928	515	54	2,912	285	36,996	Equity in cash and investment pool
-	-	-	-	-	-	2,284	2,284	Receivables (net of allowance for uncollectibles): Property taxes: Delinquent property taxes
-	-	-	-	3,024	-	-	3,024	Special assessments: Current special assessments
-	-	-	-	223	-	-	223	Delinquent special assessments
-	-	-	-	-	-	-	6,678	Federal grants and entitlements
-	-	-	-	-	-	-	3,406	State grants and entitlements
-	-	-	-	-	-	-	4	Interest on investments
1	-	17	-	-	-	-	2,571	Other
-	-	-	-	-	9,952	-	15,016	Due from other agencies and governments
64	168	1,945	515	3,301	12,864	2,569	70,494	<b>Total assets</b>
								<b>LIABILITIES AND FUND BALANCES</b>
								<b>Liabilities:</b>
-	2	87	-	53	577	285	7,201	Accounts payable
-	-	-	-	-	-	-	871	Accrued liabilities
-	-	-	-	-	-	-	(4)	Contract retainage
-	-	-	-	-	-	-	5,033	Due to other funds
-	62	-	-	-	-	-	1,050	Unearned revenue
-	64	87	-	53	577	285	14,151	<b>Total liabilities</b>
								<b>Deferred Inflows:</b>
-	-	-	-	-	-	2,284	2,284	Uncollected property taxes
-	-	-	-	3,248	-	-	3,248	Uncollected special assessments
-	-	-	-	-	-	-	10,808	Uncollected grant reimbursements
-	-	-	-	-	9,953	-	9,953	Uncollected intergovernmental receivables
-	-	-	-	3,248	9,953	2,284	26,293	<b>Total deferred inflows</b>
								<b>Fund balances:</b>
-	-	-	-	-	-	-	25,171	Restricted
64	104	1,858	515	-	2,334	-	4,879	Committed
64	104	1,858	515	-	2,334	-	30,050	Total fund balances
64	168	1,945	515	3,301	12,864	2,569	70,494	<b>Total liabilities and fund balances</b>

**NON MAJOR FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCE  
(Thousands of Dollars) June 30, 2014**

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

	Drug Enforcement	State Street Aid	Workforce Investment Act	Miscellaneous Grants	Midtown Corridor	Solid Waste Management	Hotel/ Motel Tax
<b>REVENUES</b>							
<b>Local taxes:</b>							
Property taxes	\$ -	-	-	-	-	-	-
Special assessments - current	-	-	-	-	-	-	-
Special assessments - prior	-	-	-	-	-	-	-
Sales tax general	-	-	-	-	-	-	-
Other local taxes	-	-	-	-	-	122	-
<b>Total local taxes</b>	-	-	-	-	-	122	-
State taxes (local share):							
Gas and motor fuel tax	-	11,476	-	-	-	-	-
Gas 3 cent	-	3,418	-	-	-	-	-
Gas 1989	-	1,842	-	-	-	-	-
Hotel/motel tax	-	-	-	-	-	-	4,223
Licenses and Permits	-	-	-	-	-	-	-
Fines and forfeitures	3,074	-	-	-	-	-	-
Charges for services	-	-	-	-	-	56,238	-
Investment income	19	-	-	-	2	37	-
Federal grants and entitlements	-	-	7,717	12,784	-	-	-
State grants	-	-	-	611	-	59	-
Other	176	-	1	1,200	-	140	-
<b>Total revenues</b>	3,269	16,736	7,718	14,595	2	56,596	4,223
<b>EXPENDITURES</b>							
General government	-	14,968	-	14,370	-	-	2,891
Public safety	3,123	-	-	-	-	-	-
Community service	-	-	7,718	-	-	-	-
Transportation & environment	-	-	-	-	-	55,033	-
Education	-	-	-	-	-	-	-
<b>Total expenditures</b>	3,123	14,968	7,718	14,370	-	55,033	2,891
<b>Revenues over (under) expenditures</b>	146	1,768	-	225	2	1,563	1,332
<b>OTHER FINANCING SOURCES (USES)</b>							
Transfers in	-	-	-	3	-	-	1,664
Transfers out	-	(1,768)	-	(202)	(1,792)	(3,516)	(2,996)
<b>Total other financing sources and uses</b>	-	(1,768)	-	(199)	(1,792)	(3,516)	(1,332)
<b>Net change in fund balances</b>	146	-	-	26	(1,790)	(1,953)	-
Fund balances - beginning of year	9,530	-	-	247	1,794	17,175	-
<b>Fund balances - end of year</b>	\$ 9,676	-	-	273	4	15,222	-

**NON MAJOR FUNDS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCE**  
(Thousands of Dollars) June 30, 2014

**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	
								<b>REVENUES</b>
-	-	-	-	-	2,000	276	2,276	Local taxes:
-	-	-	-	2,972	-	-	2,972	Property taxes
1,664	-	-	-	43	-	-	43	Special assessments - current
-	-	-	-	-	-	-	1,664	Special assessments - prior
-	-	-	-	63	-	-	185	Sales tax general
-	-	-	-	-	-	-	-	Other local taxes
1,664	-	-	-	3,078	2,000	276	7,140	Total local taxes
								State taxes (local share):
-	-	-	-	-	-	-	11,476	Gas and motor fuel tax
-	-	-	-	-	-	-	3,418	Gas 3 cent
-	-	-	-	-	-	-	1,842	Gas 1989
-	-	-	-	-	-	-	4,223	Hotel/motel tax
-	-	450	-	-	-	-	450	Licenses and Permits
-	-	-	-	-	-	-	3,074	Fines and forfeitures
-	157	-	-	-	-	-	56,395	Charges for services
-	-	3	-	-	-	-	61	Investment income
-	-	-	-	-	-	-	20,501	Federal grants and entitlements
-	-	-	-	-	-	-	670	State grants
-	-	15	509	-	-	-	2,041	Other
1,664	157	468	509	3,078	2,000	276	111,291	Total revenues
								<b>EXPENDITURES</b>
2,500	-	475	-	3,078	3,777	-	42,059	General government
-	-	-	-	-	-	-	3,123	Public safety
-	141	-	-	-	-	-	7,859	Community service
-	-	-	-	-	-	-	55,033	Transportation & environment
-	-	-	-	-	-	276	276	Education
2,500	141	475	-	3,078	3,777	276	108,350	Total expenditures
(836)	16	(7)	509	-	(1,777)	-	2,941	Revenues over (under) expenditures
								<b>OTHER FINANCING SOURCES (USES)</b>
4,164	-	-	-	-	2,349	-	8,180	Transfers in
(3,285)	-	-	-	-	(66)	-	(13,625)	Transfers out
879	-	-	-	-	2,283	-	(5,445)	Total other financing sources and uses
43	16	(7)	509	-	506	-	(2,504)	Net change in fund balances
21	88	1,865	6	-	1,828	-	32,554	Fund balances - beginning of year
64	104	1,858	515	-	2,334	-	30,050	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, 2014**

	Budget Amounts			Variance with Final Budget- Positive (Negative)
	Original	Final	Actual	
<b>DRUG ENFORCEMENT FUND</b>				
<b>Revenues:</b>				
Investment income	\$ -	-	19	19
Fines and forfeitures	3,704	3,704	3,074	(630)
Other	90	90	176	86
<b>Total revenues</b>	<b>3,794</b>	<b>3,794</b>	<b>3,269</b>	<b>(525)</b>
<b>Expenditures:</b>				
Public safety	4,443	4,443	3,123	1,320
<b>Total expenditures</b>	<b>4,443</b>	<b>4,443</b>	<b>3,123</b>	<b>1,320</b>
Revenues over (under) expenditures	\$ (649)	(649)	146	795
<b>STATE STREET AID FUND</b>				
<b>Revenues:</b>				
State gasoline tax (local share):				
Gas and motor fuel tax	\$ 11,295	11,295	11,476	181
Gas 3 cent	3,373	3,373	3,418	45
Gas 1989	1,900	1,900	1,842	(58)
<b>Total revenues</b>	<b>16,568</b>	<b>16,568</b>	<b>16,736</b>	<b>168</b>
<b>Expenditures:</b>				
General government	-	-	14,968	(14,968)
<b>Total expenditures</b>	<b>-</b>	<b>-</b>	<b>14,968</b>	<b>(14,968)</b>
<b>Other financing uses:</b>				
Transfers out	(16,568)	(16,568)	(1,768)	14,800
<b>Total other financing uses</b>	<b>(16,568)</b>	<b>(16,568)</b>	<b>(1,768)</b>	<b>14,800</b>
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, 2014**

	Budget Amounts			Variance with Final Budget- Positive(Negative)
	Original	Final	Actual	
<b>WORKFORCE INVESTMENT ACT</b>				
<b>Revenues:</b>				
Federal grants	\$ 11,267	11,267	7,717	(3,550)
Other	-	-	1	1
Total revenues	11,267	11,267	7,718	(3,549)
<b>Expenditures:</b>				
Community service	11,267	11,267	7,718	3,549
Total expenditures	11,267	11,267	7,718	3,549
Revenues over (under) expenditures	\$ -	-	-	-
<b>Revenues:</b>				
Federal grants	\$ 41,486	41,486	12,784	(28,702)
State grants	6,067	6,067	611	(5,456)
Other	21,109	21,109	1,200	(19,909)
Total revenues	68,662	68,662	14,595	(54,067)
<b>Expenditures:</b>				
General government	68,662	68,662	14,370	54,292
Total expenditures	68,662	68,662	14,370	54,292
<b>Other financing sources (uses):</b>				
Transfers in	-	-	3	3
Transfers out	-	-	(202)	(202)
Total other financing sources (uses)	-	-	(199)	(199)
Revenues over (under) expenditures and other financing sources (uses)	\$ -	-	26	26
<b>SOLID WASTE MANAGEMENT FUND</b>				
<b>Revenues:</b>				
Other local taxes	\$ 94	94	122	28
Charges for services	55,766	55,766	56,238	472
Investment income	-	-	37	37
State grants	73	73	59	(14)
Other	100	100	140	40
Total revenues	56,033	56,033	56,596	563
<b>Expenditures:</b>				
Transportation & environment	61,127	62,727	55,033	(7,694)
Total expenditures	61,127	62,727	55,033	(7,694)
<b>Other financing sources (uses):</b>				
Transfers out	(5,316)	(5,316)	(3,516)	1,800
Total other financing sources (uses)	(5,316)	(5,316)	(3,516)	1,800
Revenues over (under) expenditures and other financing sources (uses)	\$ (10,410)	(12,010)	(1,953)	(5,331)

**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, 2014**

	Budget Amounts			Variance with Final Budget- Positive(Negative)
	Original	Final	Actual	
<b>HOTEL/MOTEL TAX</b>				
<b>Revenues:</b>				
Hotel/motel tax	\$ 3,181	3,181	4,223	1,042
Total revenues	3,181	3,181	4,223	1,042
<b>Expenditures:</b>				
General government	2,000	2,000	2,891	(891)
Total expenditures	2,000	2,000	2,891	(891)
<b>Other financing sources (uses):</b>				
Transfers in	970	970	1,664	694
Transfers out	(2,151)	(2,151)	(2,996)	(845)
Total other financing sources (uses)	(1,181)	(1,181)	(1,332)	(151)
Revenues over (under) expenditures and other financing sources (uses)	\$ -	-	-	-
<b>NEW MEMPHIS ARENA</b>				
<b>Revenues:</b>				
Sales tax general	\$ 970	970	1,664	694
Total revenues	970	970	1,664	694
<b>Expenditures:</b>				
General government	2,500	2,500	2,500	-
Total expenditures	2,500	2,500	2,500	
<b>Other financing sources (uses):</b>				
Transfers in	2,500	3,470	4,164	694
Transfers out	(970)	(970)	(3,285)	(2,315)
Total other financing sources (uses)	1,530	2,500	879	(1,621)
Revenues over (under) expenditures and other financing sources (uses)	\$ -	970	43	(927)
<b>MLK PARK</b>				
<b>Revenues:</b>				
Charges for services	\$ 131	131	157	26
Total revenues	131	131	157	26
<b>Expenditures:</b>				
Community service	236	236	141	95
Total expenditures	236	236	141	95
Revenues over (under) expenditures and other financing sources (uses)	\$ (105)	(105)	16	121

**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, 2014**

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

	<u>Budget Amounts</u>			Variance with Final Budget- Positive(Negative)
	Original	Final	Actual	
<b>METRO ALARM</b>				
<b>Revenues:</b>				
Licenses and permits	\$ 612	612	450	(162)
Investment income	-	-	3	3
Other	4	4	15	11
Total revenues	616	616	468	(148)
<b>Expenditures:</b>				
General government	676	725	475	250
Total expenditures	676	725	475	250
Revenues over (under) expenditures	\$ (60)	(109)	(7)	102
<b>COMMUNITY REDEVELOPMENT</b>				
<b>Revenues:</b>				
Local taxes	\$ -	-	2,000	2,000
Total revenues	-	-	2,000	2,000
<b>Expenditures:</b>				
General government	-	-	3,777	(3,777)
Total expenditures	-	-	3,777	(3,777)
<b>Other financing sources (uses):</b>				
Transfers in	-	-	2,349	2,349
Transfers out	-	-	(66)	(66)
Total other financing sources (uses)	-	-	2,283	2,283
Revenues over (under) expenditures and other financing sources (uses)	\$ -	-	506	506

**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, 2014**

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

	Budget Amounts		Actual	Variance with Final Budget- Positive(Negative)
	Original	Final		
<b>TOTAL NONMAJOR SPECIAL REVENUE FUNDS</b>				
<b>Revenues:</b>				
Local taxes	-	-	2,000	2,000
Sales tax general	970	970	1,664	694
Other local taxes	94	94	122	28
State taxes (local share):				
Gas and motor fuel tax	11,295	11,295	11,476	181
Gas 3 cent	3,373	3,373	3,418	45
Gas 1989	1,900	1,900	1,842	(58)
Charges for services	55,897	55,897	56,395	498
Investment income	-	-	59	59
Federal grants and entitlements	52,753	52,753	20,501	(32,252)
State grants	6,140	6,140	670	(5,470)
Licenses and permits	612	612	450	(162)
Fines and forfeitures	3,704	3,704	3,074	(630)
Hotel/motel tax	3,181	3,181	4,223	1,042
Other	21,303	21,303	1,532	(19,771)
<b>Total revenues</b>	<b>161,222</b>	<b>161,222</b>	<b>107,426</b>	<b>(53,796)</b>
<b>Expenditures:</b>				
General government	73,838	73,887	38,981	34,906
Public safety	4,443	4,443	3,123	1,320
Community services	11,503	11,503	7,859	3,644
Transportation and environment	61,127	62,727	55,033	(14,968)
<b>Total expenditures</b>	<b>150,911</b>	<b>152,560</b>	<b>104,996</b>	<b>24,902</b>
<b>Other financing sources (uses)</b>				
Transfers in	3,470	4,440	8,180	3,740
Transfers out	(25,005)	(25,005)	(11,833)	13,172
<b>Total other financing sources (uses)</b>	<b>(21,535)</b>	<b>(20,565)</b>	<b>(3,653)</b>	<b>16,912</b>
Revenues over (under) expenditures and other financing sources (uses)	\$ (11,224)	(11,903)	(1,223)	(11,982)

**ALL SPECIAL FUNDS (WITH CARRYOVER BUDGETS)**  
**SCHEDULE OF REVENUES AND EXPENDITURES**  
**BUDGET AND ACTUAL**  
(Thousands of Dollars)  
For the fiscal year ended June 30, 2014

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

	<b>Budget</b>	<b>Recognized thru June 30, 2013</b>	<b>Recognized Current Year</b>	<b>Recognized thru June 30, 2014</b>	<b>Variance</b>
<b>MIDTOWN CORRIDOR FUND</b>					
<b>Revenues:</b>					
Investment income	\$ -	433	2	435	435
Other	-	25	-	25	25
Sale of land	2,932	4,080	-	4,080	1,148
<b>Total revenues</b>	<b>2,932</b>	<b>4,538</b>	<b>2</b>	<b>4,540</b>	<b>1,608</b>
<b>Expenditures:</b>					
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)
<b>Total expenditures</b>	<b>2,667</b>	<b>2,744</b>	<b>-</b>	<b>2,744</b>	<b>(77)</b>
<b>Other financing</b>					
<b>Sources (Uses):</b>					
Transfers out	(1,792)	-	(1,792)	(1,792)	-
<b>Total other financing sources (Uses)</b>	<b>(1,792)</b>	<b>-</b>	<b>(1,792)</b>	<b>(1,792)</b>	<b>-</b>
<b>Revenues over (under) expenditures and other financing sources (uses)</b>	<b>\$ (1,527)</b>	<b>1,794</b>	<b>(1,790)</b>	<b>4</b>	<b>(1,531)</b>

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**ENTERPRISE FUNDS**  
**STATEMENT OF NET POSITION**  
(Thousands of Dollars)  
June 30, 2014

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

<b>ASSETS</b>	
Current assets:	
Cash	\$ 1
Equity in cash and investment pool	10,621
Accounts receivable	4,206
Interest on investments	<u>2</u>
Total current assets	14,830
Capital assets:	
Land	37
Improvements other than buildings	42,114
Machinery and equipment	16,786
Less accumulated depreciation and amortization	<u>(21,189)</u>
Total capital assets	37,748
Construction in progress	<u>40,744</u>
Net capital assets	<u>78,492</u>
<b>Total assets</b>	<u>93,322</u>
<b>LIABILITIES</b>	
Current liabilities:	
Accounts payable and accrued expenses	1,861
Contract retainage	(58)
Other post employment benefits	1,072
Vacation, sick and other leave benefits	<u>1,560</u>
Total current liabilities	<u>4,435</u>
<b>Total liabilities</b>	<u>4,435</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Revenue received in advance of expense	<u>349</u>
<b>Total deferred inflows of resources</b>	<u>349</u>
<b>NET POSITION</b>	
Net investment in capital assets	78,492
Unrestricted	<u>10,046</u>
<b>Total net position</b>	<u>\$ 88,538</u>

**ENTERPRISE FUNDS  
STATEMENT OF REVENUES, EXPENSES,  
AND CHANGES IN NET POSITION  
(Thousands of Dollars)  
For the fiscal year ended June 30, 2014**

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

	<u>Storm Water</u>
Operating revenues-charges for services	\$ 24,332
Operating expenses other than depreciation and amortization:	
Personnel services	8,329
Materials, supplies, services, and other	<u>4,429</u>
Total operating expenses other than depreciation and amortization	<u>12,758</u>
Operating income before depreciation and amortization	<u>11,574</u>
Depreciation and amortization	<u>2,290</u>
<b>Operating income</b>	<u>9,284</u>
Non-operating revenues:	
Investment income	9
Other revenue	<u>867</u>
Total non-operating revenues	876
Income before capital contributions and transfers	<u>10,160</u>
Transfers in	10,186
Transfers out	(3,000)
Capital contribution - federal	1,503
Capital contribution - state	<u>195</u>
Change in net position	19,044
Total net position - beginning of year	<u>69,494</u>
<b>Total net position - end of year</b>	<u>\$ 88,538</u>

**ENTERPRISE FUNDS**  
**STATEMENT OF CASH FLOWS**  
(Thousands of Dollars)  
For the fiscal year ended June 30, 2014

	<u>Storm Water</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>	
Receipts from customers and users	\$ 21,592
Payments to suppliers	(3,541)
Payments to employees	(8,171)
Net cash provided by operating activities	<u>9,880</u>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:</b>	
Local shared revenue	682
Receipt of miscellaneous income	185
Transfers from other funds	10,186
Transfers to other funds	(3,000)
Net cash provided by non-capital financing activities	<u>8,053</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>	
Acquisition and construction of capital assets	(13,232)
Capital contribution - federal	1,503
Capital contribution - state	195
Net cash used in capital and related financing activities	<u>(11,534)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>	
Income earned on investments	<u>9</u>
Net cash provided by investing activities	<u>9</u>
Net increase in cash and cash equivalents	6,408
Cash and cash equivalents, beginning of year	4,214
Cash and cash equivalents, end of year	<u>\$ 10,622</u>
<b>Reconciliation of operating income to net cash provided by operating activities:</b>	
Operating income	\$ 9,284
Adjustments to reconcile operating income to net cash provided by operating activities	
Depreciation expense	2,290
Increase in assets:	
Accounts receivable	(2,295)
Increase in liabilities:	
Accounts payable and accrued expenses	601
Total adjustments	<u>596</u>
Net cash provided by operating activities	<u>\$ 9,880</u>

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**INTERNAL SERVICE FUNDS**  
**COMBINING STATEMENT OF NET POSITION**  
(Thousands of Dollars)  
June 30, 2014

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

	Health Insurance	Unemployment Compensation	Fleet Management	Total
<b>ASSETS</b>				
Current assets:				
Cash and cash equivalents	\$ -	-	1	1
Equity in cash and investment pool	19,516	515	2,263	22,294
Receivables	4	-	1	5
Due from other funds	-	-	103	103
Due from other agencies	(28)	-	-	(28)
Prepaid expenses	277	-	-	277
Inventories	-	-	768	768
<b>Total current assets</b>	<b>19,769</b>	<b>515</b>	<b>3,136</b>	<b>23,420</b>
Machinery and equipment	11	-	3,198	3,209
Less accumulated depreciation	(11)	-	(3,183)	(3,194)
<b>Net capital assets</b>	<b>-</b>	<b>-</b>	<b>15</b>	<b>15</b>
<b>Total assets</b>	<b>19,769</b>	<b>515</b>	<b>3,151</b>	<b>23,435</b>
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable and accrued expenses	2,045	30	1,178	3,253
Insurance claims payable	9,445	-	-	9,445
Other post-employment benefits	95	-	-	95
Vacation, sick and other leave benefits	80	-	-	80
<b>Total current liabilities</b>	<b>11,665</b>	<b>30</b>	<b>1,178</b>	<b>12,873</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Revenue collected in advance	5,808	-	-	5,808
<b>Total deferred inflows of resources</b>	<b>5,808</b>	<b>-</b>	<b>-</b>	<b>5,808</b>
<b>NET POSITION</b>				
Net investment in capital assets	-	-	15	15
Unrestricted (deficit)	2,296	485	1,958	4,739
<b>Total net position</b>	<b>\$ 2,296</b>	<b>485</b>	<b>1,973</b>	<b>4,754</b>

**INTERNAL SERVICE FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENSES  
AND CHANGES IN FUND NET POSITION  
(Thousands of Dollars)  
For the fiscal year ended June 30, 2014**

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

	<b>Health Insurance</b>	<b>Unemployment Compensation</b>	<b>Fleet Management</b>	<b>Total</b>
Operating revenues:				
Charges for services	\$ -	-	28,046	28,046
Miscellaneous income	103	-	-	103
Employee contributions	21,357	-	-	21,357
Employer contributions	49,517	1,063	-	50,580
<b>Total operating revenues</b>	<b>70,977</b>	<b>1,063</b>	<b>28,046</b>	<b>100,086</b>
Operating expenses other than depreciation:				
Personnel services	426	-	-	426
Materials and supplies	4,253	-	10,336	14,589
Capital outlay	-	-	15	15
Death benefits	105	-	-	105
Re-insurance fees	507	-	-	507
PCORI tax	21	-	-	21
Inventories	-	-	17,508	17,508
Claims incurred	66,877	580	-	67,457
<b>Total operating expenses other than depreciation</b>	<b>72,189</b>	<b>580</b>	<b>27,859</b>	<b>100,628</b>
Operating income (loss) before depreciation	(1,212)	483	187	(542)
Depreciation	-	-	22	22
<b>Operating income (loss)</b>	<b>(1,212)</b>	<b>483</b>	<b>165</b>	<b>(564)</b>
Non-operating revenues:				
Investment income	27	1	4	32
<b>Total non-operating revenues</b>	<b>27</b>	<b>1</b>	<b>4</b>	<b>32</b>
Income (loss) before transfers	(1,185)	484	169	(532)
Transfers in	11,608	-	-	11,608
Transfers out	(5,442)	-	-	(5,442)
Change in net position	4,981	484	169	5,634
Total net position (deficit) - beginning of year	(2,685)	1	(5,014)	(7,698)
Prior period adjustment	-	-	6,818	6,818
<b>Total net position - end of year</b>	<b>\$ 2,296</b>	<b>485</b>	<b>1,973</b>	<b>4,754</b>

**INTERNAL SERVICE FUNDS  
COMBINING STATEMENT OF CASH FLOWS  
(Thousands of Dollars)  
For the fiscal year ended June 30, 2014**

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

	Health Insurance	Unemployment Compensation	Fleet Management	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>				
Receipts from customers and users	\$ 8	-	358	366
Receipts from other division funds	-	1,063	27,585	28,648
Receipts from other agency funds	432	-	-	432
Miscellaneous income	103	-	-	103
Employee contributions	21,357	-	-	21,357
Employer contributions	49,383	-	-	49,383
Payments to suppliers	(3,424)	-	(10,422)	(13,846)
Payments to employees	(459)	-	(128)	(587)
Payments per Affordable Care Act (Re-insurance fees, PCORI tax)	(528)	-	-	(528)
Payments for inventory	-	-	(17,499)	(17,499)
Payments for death benefits	(105)	-	-	(105)
Payments for claims incurred	(68,130)	(590)	-	(68,720)
Net cash (used in) provided by operating activities	<u>(1,363)</u>	<u>473</u>	<u>(106)</u>	<u>(996)</u>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:</b>				
Transfers from other funds	11,608	-	-	11,608
Transfers to other funds	(5,442)	-	-	(5,442)
Net cash provided by non-capital financing activities	<u>6,166</u>	<u>-</u>	<u>-</u>	<u>6,166</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>				
Income earned on investments	27	1	4	32
Net cash provided by investing activities	<u>27</u>	<u>1</u>	<u>4</u>	<u>32</u>
Net increase (decrease) in cash and cash equivalents	4,830	474	(102)	5,202
Cash and cash equivalents, beginning of year	14,686	41	2,366	17,093
Cash and cash equivalents, end of year	<u>\$ 19,516</u>	<u>515</u>	<u>2,264</u>	<u>22,295</u>
<b>Reconciliation of operating income (loss) to net cash (used in) provided by operating activities:</b>				
Operating income (loss)	\$ (1,212)	483	165	(564)
Adjustments to reconcile operating income (loss) to net cash (used in) provided by operating activities:				
Depreciation expense	-	-	22	22
(Increase) decrease in assets:				
Inventories	-	-	9	9
Accounts receivable	163	-	(103)	60
Increase (decrease) in liabilities:				
Accounts payable and accrued expenses	(314)	(10)	(199)	(523)
Total adjustments	<u>(151)</u>	<u>(10)</u>	<u>(271)</u>	<u>(432)</u>
Net cash (used in) provided by operating activities	<u>\$ (1,363)</u>	<u>473</u>	<u>(106)</u>	<u>(996)</u>

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**STATEMENT OF FIDUCIARY NET POSITION**  
**FIDUCIARY TRUST FUNDS (Thousands of Dollars)**  
**For the fiscal year ended June 30, 2014**

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

	City Retirement System	Library Retirement System	Memphis Light, Gas and Water Retirement System	City OPEB Fund	Memphis Light, Gas and Water OPEB Trust	Pension and OPEB Trust Funds
<b>ASSETS</b>						
Cash and cash equivalents	\$ 40,545	14,628	33,831	-	12,420	101,424
Investments, at fair value:						
U.S. government securities - long-term	210,928	-	46,304	-	-	257,232
Common stock - domestic	788,027	49,154	302,856	-	111,033	1,251,070
Common stock - foreign	145,080	-	83,814	-	41,532	270,426
Preferred stock - domestic	-	-	16,578	-	-	16,578
Preferred stock - foreign	-	-	1,316	-	-	1,316
Corporate bonds - domestic	253,305	-	157,837	-	-	411,142
Corporate bonds - foreign	42,620	-	24,500	-	-	67,120
Mutual funds and money market funds	43,047	451	13,774	17,720	-	74,992
Government bond mutual fund - international	-	-	-	-	12,247	12,247
Corporate bond mutual funds - domestic	-	-	43,345	-	12,097	55,442
Corporate bond mutual funds - international	-	-	-	-	11,831	11,831
Convertible bond mutual fund - domestic	-	-	-	-	13,700	13,700
Collateralized mortgage obligations	19,194	-	24,990	-	-	44,184
Asset-backed pooled securities	8,458	-	-	-	-	8,458
Mortgage-backed pooled securities	46,938	-	50,695	-	-	97,633
Investments in index funds	208,032	-	289,864	-	-	497,896
Investments in real estate	111,417	-	189,224	-	8,549	309,190
Investments in high yield bond fund	-	-	8,134	-	-	8,134
Investments in private equities	-	-	22,062	-	1,082	23,144
Investments in international equity fund	353,467	-	-	-	4,591	358,058
Investments in international bond fund	-	-	-	-	25,375	25,375
Hedge funds	-	-	47,356	-	-	47,356
Distressed debt funds - domestic	-	-	-	-	7,472	7,472
Distressed debt funds - foreign	-	-	-	-	10,221	10,221
<b>Total investments</b>	<b>2,230,513</b>	<b>49,605</b>	<b>1,322,649</b>	<b>17,720</b>	<b>259,730</b>	<b>3,880,217</b>
Equity in cash and investment pool	409	-	-	12,883	-	13,292
Interest and dividend receivables	5,464	28	4,396	14	181	10,083
Receivable for securities sold	37,732	-	3,271	-	10	41,013
Employer and employee contributions receivable	-	-	921	-	1,710	2,631
Collateral held in trust for securities on loan	-	-	216,326	-	35,574	251,900
<b>Total assets</b>	<b>2,314,663</b>	<b>64,261</b>	<b>1,581,394</b>	<b>30,617</b>	<b>309,625</b>	<b>4,300,560</b>
<b>LIABILITIES</b>						
Accounts payable and other	87,718	-	22,395	6,783	779	117,675
Collateral subject to return to borrowers	-	-	216,326	-	35,574	251,900
<b>Total liabilities</b>	<b>87,718</b>	<b>-</b>	<b>238,721</b>	<b>6,783</b>	<b>36,353</b>	<b>369,575</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Revenue collected in advance	-	-	-	3,837	-	3,837
<b>Total deferred inflows of resources</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,837</b>	<b>-</b>	<b>3,837</b>
<b>NET POSITION</b>						
Held in trust for pension benefits, pool participants and OPEB	\$ 2,226,945	64,261	1,342,673	19,997	273,272	3,927,148

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, 2014**

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

	<b>Pension Trust</b>					
	<b>City Retirement System</b>	<b>Library Retirement System</b>	<b>Memphis Light, Gas and Water Retirement System</b>	<b>City OPEB Trust</b>	<b>Memphis Light, Gas and Water OPEB Trust</b>	<b>Total Pension and OPEB Trust Funds</b>
<b>ADDITIONS</b>						
Contributions:						
Employer	\$ 19,440	168	30,706	34,839	42,854	128,007
Medicare Part D	-	-	-	2,534	-	2,534
Plan members	24,173	168	12,000	12,525	5,751	54,617
Total contributions	<u>43,613</u>	<u>336</u>	<u>42,706</u>	<u>49,898</u>	<u>48,605</u>	<u>185,158</u>
Transfer from other fund	-	-	-	5,442	-	5,442
Investment income:						
Interest and dividend income	48,793	2,802	28,218	377	4,139	84,329
Securities lending income	-	-	888	-	85	973
Other investment income	618	2	1	-	1	622
Gain on real estate investments	3,795	-	-	-	-	3,795
Net appreciation in the fair value of investments	293,664	6,509	160,244	1,253	30,222	491,892
Total investment income	<u>346,870</u>	<u>9,313</u>	<u>189,351</u>	<u>1,630</u>	<u>34,447</u>	<u>581,611</u>
<b>Total additions</b>	<u>390,483</u>	<u>9,649</u>	<u>232,057</u>	<u>56,970</u>	<u>83,052</u>	<u>772,211</u>
<b>DEDUCTIONS</b>						
Benefits	146,729	3,470	86,637	50,248	28,862	315,946
Administrative expenses	10,304	116	4,545	2,970	1,434	19,369
Refunds of contributions	24,103	-	5,293	-	-	29,396
<b>Total deductions</b>	<u>181,136</u>	<u>3,586</u>	<u>96,475</u>	<u>53,218</u>	<u>30,296</u>	<u>364,711</u>
<b>Net increase</b>	209,347	6,063	135,582	3,752	52,756	407,500
Net position - beginning of year	<u>2,017,598</u>	<u>58,198</u>	<u>1,207,091</u>	<u>16,245</u>	<u>220,516</u>	<u>3,519,648</u>
<b>Net position - end of year</b>	<u>\$ 2,226,945</u>	<u>64,261</u>	<u>1,342,673</u>	<u>19,997</u>	<u>273,272</u>	<u>3,927,148</u>

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, 2014

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

	<b>Sold Property Tax Receivable Agency Fund</b>			
	<b>Beginning Balance</b>	<b>Additions</b>	<b>Deductions</b>	<b>Ending Balance</b>
<b>ASSETS</b>				
Equity in cash and investment pool	\$ 1,657	21,630	22,321	966
Property tax receivable - current	-	22,036	22,036	-
Property tax receivable - delinquent	11,865	11,041	7,966	14,940
<b>Total assets</b>	<b>\$ 13,522</b>	<b>54,707</b>	<b>52,323</b>	<b>15,906</b>
<b>LIABILITIES</b>				
Accounts payable & other liabilities	\$ 13,522	57,197	54,813	15,906
<b>Total liabilities</b>	<b>\$ 13,522</b>	<b>57,197</b>	<b>54,813</b>	<b>15,906</b>

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**ALL FUNDS  
COMBINED SCHEDULE OF DELINQUENT  
PROPERTY TAXES RECEIVABLE  
(Thousands of Dollars)  
June 30, 2014**

**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>
2004	\$ 946	392	1	484	1,823
2005	983	357	1	426	1,767
2006	1,041	378	1	451	1,871
2007	1,298	472	2	562	2,334
2008	2,213	677	3	195	3,088
2009	2,912	907	4	237	4,060
2010	4,092	1,274	6	333	5,705
2011	6,718	1,941	8	-	8,667
2012	8,044	2,511	11	357	10,923
2013	6,933	2,535	9	-	9,477
Total delinquent property taxes receivable	35,180	11,444	46	3,045	49,715
Allowance for uncollectibles	8,795	2,861	12	761	12,429
Net delinquent property taxes receivable	\$ 26,385	8,583	34	2,284	37,286
Special assessment tax, net of allowance					223
Total tax, net of allowance					\$ 37,509

(1) As of June 30, 2014, \$30,150 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, 2014**

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

Description, Issue and Final Maturity Dates	Interest Rates (%)	Original Issue	Redemptions	Balance Outstanding At Year End
<b>SEWER COLLECTION AND TREATMENT FUND</b>				
Sanitary Sewerage System Revenue Bonds				
January 2001 to 2014	5.25	20,795	19,230	1,565
June 2004 to 2024	4.00-5.25	30,000	28,625	1,375
December 2005 to 2025	4.00-5.00	32,000	9,570	22,430
September 2006 to 2020	4.00-5.00	20,220	5,525	14,695
December 2007 to 2028	4.00-4.50	20,000	4,225	15,775
November 2009 to 2030	3.25-6.30	20,000	2,290	17,710
October 2011 to 2030	2.59-6.10	16,450	1,895	14,555
October 2011 to 2021	3.00-5.00	15,165	1,435	13,730
October 2014 to 2025	3.00-5.00	21,410	-	21,410
<b>Total sewer collection and treatment fund</b>		<b>196,040</b>	<b>72,795</b>	<b>123,245</b>
<b>MEMPHIS LIGHT, GAS AND WATER DIVISION (1)</b>				
<b>Electric Division</b>				
Electric System Revenue Refunding Bonds:				
November 2008 to 2018	3.40-5.00	1,292,170	1,286,155	6,015
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	1,286,155	562,995
<b>Total MLG&amp;W</b>		<b>1,849,150</b>	<b>1,286,155</b>	<b>562,995</b>
<b>Total revenue bonds</b>		<b>\$ 2,045,190</b>	<b>\$ 1,358,950</b>	<b>\$ 686,240</b>

(1) All MLG&W bonds reflect amounts outstanding at December 31, 2013

**SCHEDULE OF GENERAL OBLIGATION DEBT - BY ISSUE**  
**(Thousands of Dollars)**  
**For the fiscal year ended June 30, 2014**

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

Description, Issue and Final Maturity Dates	Interest Rates (%)	Original Issue	Redemptions	Balance Outstanding At Year End
<b>GENERAL OBLIGATION BONDS</b>				
<b>Government Serial Bonds</b>				
<b>General City Government Serial Bonds</b>				
General improvement:				
November 2001 to 2016	5.00	92,985	66,280	26,705
February 2004 to 2017	3.50-5.00	34,160	18,585	15,575
November 2004 to 2023	5.00	125,000	118,650	6,350
March 2005 to 2019	5.00-5.25	166,880	47,790	119,090
June 2005 to 2018	5.00-5.25	115,635	43,385	72,250
February 2006 to 2025	5.00	115,115	101,040	14,075
December 2006 to 2022	4.00-5.00	89,385	45,865	43,520
May 2007 to 2027	5.00	94,935	80,285	14,650
April 2008 to 2028	3.50-5.00	99,735	37,540	62,195
May 2009 to 2029	4.00-5.00	76,025	36,115	39,910
May 2010 to 2030	3.00-6.15	67,830	4,750	63,080
June 2010 to 2035	2.49-6.04	250,210	-	250,210
June 2011 to 2036	4.00-5.00	86,190	2,790	83,400
April 2012 to 2042	3.25-4.13	93,595	-	93,595
April 2013 to 2024	1.00-3.70	5,145	615	4,530
November 2014 to 2026	5.00	103,955	-	103,955
April 2014 to 2045	4.00-5.00	208,230	-	208,230
Total general government serial bonds		1,825,010	603,690	1,221,320
<b>BOND ANTICIPATION NOTES</b>				
City Direct Issue	3.00	71,975	71,975	-
Commercial Paper	variable	115,000	115,000	-
Commercial Paper	variable	50,000	-	50,000
Total bond anticipation notes		236,975	186,975	50,000
<b>TOTAL GENERAL OBLIGATION DEBT</b>		<b>\$ 2,061,985</b>	<b>\$ 790,665</b>	<b>\$ 1,271,320</b>

**SCHEDULE OF GENERAL OBLIGATION DEBT - BY ISSUE**  
**(Thousands of Dollars)**  
**For the fiscal year ended June 30, 2014**

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

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<b>Use</b>	<b>Balance Outstanding At Year End</b>
<hr/>	
<b>GENERAL OBLIGATION BONDS</b>	
General Improvement	\$ 1,208,845
Schools	12,475
Total general obligation bonds	1,221,320
<b>BOND ANTICIPATION NOTES-COMMERCIAL PAPER</b>	50,000
<b>TOTAL GENERAL OBLIGATION DEBT</b>	<u>\$ 1,271,320</u>

**LONG TERM DEBT PRINCIPAL AND INTEREST REQUIREMENTS  
 PROPRIETARY FUNDS  
 (Thousands of Dollars)  
 For the fiscal year ended June 30, 2014**

**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
2014			102,765	27,431	102,765	27,431
2015	11,180	5,531	107,775	22,417	118,955	27,948
2016	10,930	5,111	112,935	17,151	123,865	22,262
2017	11,385	4,731	117,195	11,554	128,580	16,285
2018	11,230	4,251	122,325	5,778	133,555	10,029
2019	8,935	3,767	-	-	8,935	3,767
2020	9,900	3,363	-	-	9,900	3,363
2021	8,775	2,889	-	-	8,775	2,889
2022	9,185	2,442	-	-	9,185	2,442
2023	7,120	2,030	-	-	7,120	2,030
2024	7,440	1,661	-	-	7,440	1,661
2025	7,765	1,279	-	-	7,765	1,279
2026	5,900	937	-	-	5,900	937
2027	3,655	687	-	-	3,655	687
2028	3,805	480	-	-	3,805	480
2029	2,430	299	-	-	2,430	299
2030	2,525	145	-	-	2,525	145
2031	1,085	33	-	-	1,085	33
<b>Total</b>	<b>\$ 123,245</b>	<b>39,636</b>	<b>562,995</b>	<b>84,331</b>	<b>686,240</b>	<b>123,967</b>

**SCHEDULE OF INTERFUND BALANCES**  
**(Thousands of Dollars)**  
**June 30, 2014**

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

	<u>Primary Government</u>				
	<u>Governmental Fund Types</u>		<u>Proprietary Fund Types</u>		
	<u>General Fund</u>	<u>Debt Service</u>	<u>Enterprise</u>		<u>Internal Service</u>
			<u>Sewer</u>	<u>Fleet Management</u>	<u>Total Payables - Reporting Entity</u>
<b>GOVERNMENTAL FUND TYPES</b>					
<b>Special Revenue:</b>					
Community Development	\$ 225	-	11,200	103	11,528
State Street Aid	2,739	295	-	-	3,034
Workforce Investment Act	2,000	-	-	-	2,000
<b>Total receivables - primary government</b>	<b>4,964</b>	<b>295</b>	<b>11,200</b>	<b>103</b>	<b>16,562</b>
<b>Total receivables - reporting entity</b>	<b>\$ 4,964</b>	<b>295</b>	<b>11,200</b>	<b>103</b>	<b>16,562</b>

**SCHEDULE OF INTERFUND TRANSFERS**  
 (Thousands of Dollars)  
 For the fiscal year ended June 30, 2014

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

	Primary Government												
	Governmental Fund Types						Proprietary Fund Types						Fiduciary
	General Fund	Debt Service	Capital Projects	Miscellaneous Grants	Non-Major Special Revenue		Enterprise		Internal Service		OPEB Trust Fund	Total Transfers Out	
					Hotel/Motel Tax	New Memphis Arena	Community Redevelopment	Storm Water	Healthcare Fund	Unemployment Fund			
<b>GOVERNMENTAL FUND TYPES</b>													
General Fund	\$ -	8,504	-	3	-	-	2,349	-	11,608	-	-	22,464	
Debt Service Fund	-	-	12,000	-	-	-	-	-	-	-	-	12,000	
Capital Projects Fund	96	-	-	-	-	-	-	10,186	-	-	-	10,282	
<b>Special Revenue:</b>													
State Street Aid	-	1,768	-	-	-	-	-	-	-	-	-	1,768	
Miscellaneous Grants	11	191	-	-	-	-	-	-	-	-	-	202	
Midtown Corridor	1,792	-	-	-	-	-	-	-	-	-	-	1,792	
Solid Waste	-	3,516	-	-	-	-	-	-	-	-	-	3,516	
Community Redevelopment	-	-	66	-	-	-	-	-	-	-	-	66	
Hotel/Motel Tax	-	1,332	-	-	-	-	-	-	-	-	-	2,996	
New Memphis Arena	1,621	-	-	-	1,664	-	-	-	-	-	-	3,285	
<b>PROPRIETARY FUND TYPES</b>													
<b>Enterprise:</b>													
Sewer Collection and Treatment	6,545	-	-	-	-	-	-	-	-	-	-	6,545	
Memphis Light, Gas and Water	55,923	-	-	-	-	2,500	-	-	-	-	-	58,423	
Storm Water	-	3,000	-	-	-	-	-	-	-	-	-	3,000	
<b>Internal Service:</b>													
Health Insurance	-	-	-	-	-	-	-	-	-	-	5,442	5,442	
<b>Total Transfers In</b>	\$ 65,988	18,311	12,066	3	1,664	4,164	2,349	10,186	11,608	-	5,442	131,781	



**SCHEDULE OF ADDITIONS AND RETIREMENTS  
TO UTILITY PLANT  
(Thousands of Dollars)  
For the fiscal year ended June 30, 2014**

**MEMPHIS LIGHT, GAS AND WATER DIVISION <sup>1</sup>**

		<b>Balance</b>				<b>Balance</b>
		<b>January 1, 2013</b>	<b>Additions</b>	<b>Deletions</b>	<b>Transfers</b>	<b>December 31, 2013</b>
Electric Division	\$	1,526,869	52,101	(38,147)	947	1,541,770
Gas Division		572,321	18,913	(16,556)	50	574,728
Water Division		444,346	15,288	(31,755)	(997)	426,882
<b>Total</b>	<b>\$</b>	<b>2,543,536</b>	<b>86,302</b>	<b>(86,458)</b>	<b>-</b>	<b>2,543,380</b>

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 <sup>2</sup>**

		<b>Balance</b>				<b>Balance</b>
		<b>July 1, 2013</b>	<b>Additions</b>	<b>Deletions</b>	<b>Transfers</b>	<b>June 30, 2014</b>
Land and buildings	\$	119,797	-	-	-	119,797
Improvements other than buildings		533,325	15,899	-	-	549,224
Machinery and equipment		31,675	1,114	(2,475)	-	30,314
Construction work in progress		44,437	17,640	(13,322)	-	48,755
<b>Total</b>	<b>\$</b>	<b>729,234</b>	<b>34,653</b>	<b>(15,797)</b>	<b>-</b>	<b>748,090</b>

<sup>1</sup> MLGW is presented for the year ended December 31.

<sup>2</sup> 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, 2014

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

	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>	<b>Variance with Final Budget- Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>REVENUES</b>				
Local taxes	\$ 421,128	427,129	435,819	8,690
State taxes (local share)	55,885	57,385	60,303	2,918
Licenses and permits	10,669	11,669	12,039	370
Fines and forfeitures	16,969	16,969	17,522	553
Charges for services	30,874	31,225	30,877	(348)
Investment income	349	349	406	57
Federal grants	117	127	1,666	1,539
State grants	1,848	1,848	1,763	(85)
Intergovernmental revenues	3,680	3,680	3,928	248
Other	12,850	10,845	8,820	(2,025)
Total revenues	<u>554,369</u>	<u>561,226</u>	<u>573,143</u>	<u>11,917</u>
<b>EXPENDITURES</b>				
General government	146,617	158,864	135,779	23,085
Public safety	389,147	390,157	384,505	5,652
Community services	55,599	52,917	49,712	3,205
Transportation and environment	22,994	27,001	17,386	9,615
Total expenditures	<u>614,357</u>	<u>628,939</u>	<u>587,382</u>	<u>41,557</u>
Revenues under expenditures	(59,988)	(67,713)	(14,239)	53,474
<b>OTHER FINANCING SOURCES (USES)</b>				
Sale of capital assets	-	-	431	431
Transfers in	72,113	77,626	65,988	(11,638)
Transfers out	(11,179)	(22,870)	(22,464)	406
Total other financing sources and uses	<u>60,934</u>	<u>54,756</u>	<u>43,955</u>	<u>(10,801)</u>
Net change in fund balances (budgetary basis)	<u>\$ 946</u>	<u>(12,957)</u>	<u>29,716</u>	<u>42,673</u>
Adjustment for encumbrances - prior year			(12,134)	
Adjustment for encumbrances - current year			<u>20,385</u>	
Revenues over expenditures (GAAP basis)			<u>\$ 37,967</u>	
Fund balance - beginning			<u>70,371</u>	
Fund balance - ending			<u>\$ 108,338</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, 2014**

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

	Original Budget	Final Budget	Actual	Variance with Final Budget- Positive (Negative)
<b>REVENUES</b>				
Local taxes	\$ 102,144	102,144	107,337	5,193
State taxes (local share)	11,900	11,900	12,728	828
Investment income	125	125	170	45
Federal grants	2,075	2,075	2,092	17
Other	779	779	1,214	435
<b>Total revenues</b>	<b>117,023</b>	<b>117,023</b>	<b>123,541</b>	<b>6,518</b>
<b>EXPENDITURES</b>				
Redemption of serial bonds and notes	78,903	78,903	75,878	3,025
Interest	63,487	63,487	61,595	1,892
Other	1,137	1,141	3,627	(2,486)
<b>Total expenditures</b>	<b>143,527</b>	<b>143,531</b>	<b>141,100</b>	<b>2,431</b>
<b>Revenues over expenditures</b>	<b>(26,504)</b>	<b>(26,508)</b>	<b>(17,559)</b>	<b>8,949</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	12,499	16,499	18,311	1,812
Transfers out	-	-	(12,000)	(12,000)
Issuance of refunding debt	230,035	230,035	345,652	115,617
Related party loan	-	-	-	-
Retirement of general obligation bonds	(221,975)	(221,975)	(343,259)	(121,284)
Premium on debt issue	-	-	-	-
<b>Total other financing sources and uses</b>	<b>20,559</b>	<b>24,559</b>	<b>8,704</b>	<b>(15,855)</b>
Net change in fund balances	<b>\$ (5,945)</b>	<b>(1,949)</b>	<b>(8,855)</b>	<b>(6,906)</b>
Fund balance - beginning of year			59,458	
<b>Fund balance - end of year</b>			<b>\$ 50,603</b>	

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

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

	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
<b>Governmental activities:</b>										
Invested in capital assets, net of related debt	\$ 269,490	\$ 239,334	\$ 162,807	\$ 98,113	\$ 103,451	\$ 24,027	\$ 6,912	\$ 131,384	\$ 203,581	\$ 121,045
Restricted for:										
Debt service	-	-	-	-	-	-	-	-	36,268	50,603
Construction	-	-	-	-	-	-	-	-	0	0
Solid Waste Management	-	-	-	-	-	-	-	-	17,175	15,222
Drug enforcement	-	-	-	-	-	-	-	-	9,530	9,676
Donor/Statutory restrictions	-	-	-	-	-	-	-	-	2,343	15,503
Other	-	-	-	-	-	-	14,783	181,192	-	0
Unrestricted:										
Net pension asset	81,491	78,238	64,471	50,825	42,560	-	-	-	-	-
Unrestricted, other	(175,783)	(134,764)	(8,886)	(4,974)	(52,761)	(110,079)	(278,095)	(724,294)	(814,583)	(724,643)
Total governmental activities net assets	175,198	182,808	218,392	143,964	93,250	(86,052)	(256,400)	(411,718)	(545,686)	(512,594)
<b>Business-type activities:</b>										
Invested in capital assets, net of related debt	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	1,902,835
Restricted for debt service	90,115	89,905	118,799	88,703	91,215	75,615	64,909	68,846	69,689	41,902
Restricted for construction	-	-	-	-	-	-	-	-	-	29,119
Unrestricted	156,991	209,677	215,600	232,880	208,828	253,616	334,093	355,220	350,750	340,416
Total business-type activities net assets	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	2,314,272
<b>Primary government:</b>										
Invested in capital assets, net of related debt	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	2,023,880
Restricted for:										
Debt service	90,115	89,905	118,799	88,703	91,215	75,615	64,909	68,846	105,957	92,505
Construction	-	-	-	-	-	-	-	-	-	29,119
Solid waste management	-	-	-	-	-	-	-	-	17,175	15,222
Drug enforcement	-	-	-	-	-	-	-	-	9,530	9,676
Donor/Statutory restrictions	-	-	-	-	-	-	-	-	2,343	15,503
Other	-	-	-	-	-	-	14,783	181,192	-	-
Unrestricted	(18,792)	56,102	271,185	278,731	198,627	143,537	55,998	(369,074)	(463,833)	(384,227)
Total primary government net assets	\$ 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	\$ 1,801,678

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

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

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
<b>Program Revenues</b>										
Governmental activities:										
Charges for services:										
General government	\$ 33,781	\$ 45,500	\$ 71,939	\$ 71,398	\$ 67,880	\$ 73,768	\$ 79,691	\$ 77,154	76,664	22,420
Public Safety	2,459	3,785	4,584	5,203	6,420	4,230	3,637	7,768	7,456	3,928
Community services	125	125	125	147	137	137	174	136	139	103
Transportation and environment	21,942	46,097	47,937	47,790	50,391	50,438	59,268	59,745	60,180	122,078
Operating grants and contributions	57,424	56,472	49,415	49,822	56,402	69,135	61,098	63,854	81,913	63,416
Capital grants and contributions	3,785	1,494	1,201	3,217	3,217	3,217	7,490	23,639	11,123	9,811
Total governmental activities program revenues	119,516	153,473	175,201	177,577	184,447	200,925	211,358	232,296	237,475	221,756
Business-type activities:										
Charges for services:										
Sewer collection and treatment	46,909	48,670	52,543	52,510	53,778	56,162	98,559	104,031	106,007	103,900
Memphis Light, Gas and Water	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	1,615,477
Golf	3,079	2,934	2,963	-	-	-	-	-	-	-
Storm water	-	927	12,988	16,983	19,680	21,897	23,661	23,723	24,108	24,332
Operating grants and contributions	22,675	23,205	24,117	25,185	26,705	28,377	30,321	30,909	29,792	31,330
Capital grants and contributions	4,544	5,805	6,306	1,766	524	800	1,398	728	663	2,950
Total business-type activities program revenues	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	1,777,989
Total primary government program revenues	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	1,999,745
<b>Expenses</b>										
Governmental Activities:										
General government	187,105	190,796	200,184	271,906	249,707	223,773	251,039	253,138	217,086	203,055
Public safety	318,106	340,621	362,050	394,476	410,303	482,281	510,529	500,082	503,011	472,154
Community services	107,129	101,488	108,341	96,130	114,776	129,722	121,927	118,406	96,442	90,463
Transportation and environment	59,523	66,262	72,106	81,492	79,396	81,539	82,546	87,665	82,834	79,747
Education	85,144	91,225	91,405	91,392	21,846	117,118	80,775	71,452	62,507	(475)
Interest on long term debt	37,142	43,583	44,772	50,250	48,046	58,472	52,497	75,075	58,403	45,634
Total governmental activities expenses	794,149	833,975	878,858	985,646	924,074	1,092,905	1,099,313	1,105,818	1,020,283	890,578
Business-type activities:										
Sewer collection and treatment	50,512	48,991	47,852	51,507	57,802	55,584	61,401	62,915	65,921	62,556
Memphis Light, Gas and Water	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	1,596,092
Golf	4,270	4,153	3,893	-	-	-	-	-	0	0
Storm water	-	1,343	7,223	13,480	13,419	12,571	13,160	15,623	15,464	15,048
Total business-type activities expenses	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	1,673,696
Total primary government expenses	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	2,564,274
<b>Net (expense)/revenue</b>										
Governmental activities	(674,633)	(680,502)	(703,657)	(808,069)	(739,627)	(891,980)	(887,955)	(873,522)	(782,808)	(668,822)
Business-type activities	(8,306)	72,930	65,829	51,032	57,071	65,435	126,253	103,212	67,246	104,293
Total primary government net expense	(682,939)	(607,572)	(637,828)	(757,037)	(682,556)	(826,545)	(761,702)	(770,310)	(715,562)	(564,529)
<b>General Revenues and Other Changes in Net Position</b>										
Governmental activities										
Taxes										
Local taxes	527,453	536,715	541,795	549,149	531,339	540,970	540,150	528,219	533,190	545,713
State taxes (local share)	75,441	83,602	92,554	96,193	88,203	87,751	87,523	85,612	71,115	71,633
Hotel/motel tax	3,936	4,399	4,607	4,740	4,244	4,017	3,537	4,524	4,189	4,223
Unrestricted investment earnings	-	3,596	7,907	7,367	5,614	1,402	861	761	671	754
Federal grants and entitlements	909	-	-	-	-	-	-	-	0	0
Intergovernmental revenues	10,227	-	14,171	9,315	4,163	4,944	6,492	-	0	0
Decreases in net pension obligation	6,598	-	-	-	-	-	-	-	0	0
Sale of capital assets	-	-	-	-	-	-	-	8,947	1,481	0
Other	15,608	15,871	11,569	13,140	8,315	8,597	12,124	22,405	17,250	15,290
Transfers	1,587	43,929	59,966	59,113	46,998	64,997	66,929	67,962	42,738	57,783
Total governmental activities	641,759	688,112	732,569	739,017	688,876	712,678	717,616	718,430	670,634	695,396
Business-type activities:										
Investment earnings	61,792	63,619	69,910	74,064	62,356	50,516	41,520	40,324	32,883	27,054
Gain on sale of capital assets	-	-	-	-	-	-	-	-	0	0
Other	-	-	-	-	-	-	-	155	437	1,350
Transfers	(1,587)	(43,929)	(59,966)	(61,759)	(59,437)	(64,997)	(66,929)	(67,962)	(40,938)	(57,780)
Total business-type activities	60,205	19,690	9,944	12,305	2,919	(14,481)	(25,409)	(27,483)	(7,618)	(29,376)
Total primary government	701,964	707,802	742,513	751,322	691,795	698,197	692,207	690,947	663,016	666,020
<b>Change in Net Position</b>										
Government activities	(32,874)	7,610	28,912	(69,052)	(50,751)	(179,302)	(170,339)	(155,092)	(112,174)	26,574
Business-type activities	51,899	92,620	75,773	63,337	59,990	50,944	100,844	75,729	59,628	74,917
Total primary government	\$ 19,025	\$ 100,230	\$ 104,685	\$ (5,715)	\$ 9,239	\$ (128,358)	\$ (69,495)	\$ (79,363)	\$ (52,546)	\$ 101,491

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

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

	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
<b>General fund</b>										
Restricted	-	-	-	-	-	-	1,684	1,907	2,088	5,724
Committed	-	-	-	-	-	-	-	19,572	12,134	0
Assigned	-	-	-	-	-	-	8,252	12,924	-	20,384
Unassigned	-	-	-	-	-	-	81,125	61,667	56,149	82,230
Reserved	5,312	4,194	6,747	8,945	9,691	8,299	-	-	-	-
Unreserved	(4,100)	29,746	72,093	89,613	96,912	76,271	-	-	-	-
Total general fund	1,212	33,940	78,840	98,558	106,603	84,570	91,061	96,070	70,371	108,338
<b>All other governmental funds</b>										
Restricted	-	-	-	-	-	-	13,099	54,308	63,228	59,035
Committed	-	-	-	-	-	-	72,186	92,481	80,109	72,943
Unassigned	-	-	-	-	-	-	(5,086)	(4,138)	-	-
Reserved	-	-	-	-	-	-	-	-	-	-
Unreserved, reported in:										
Debt service fund	8,042	30,418	53,793	58,716	46,488	34,680	-	-	-	-
Capital projects fund	303	(27,577)	(32,527)	12,673	67,239	74,030	-	-	-	-
Special revenue funds	(4,208)	(2,275)	6,602	6,305	4,888	6,179	-	-	-	-
Total all other governmental funds	4,137	566	27,868	77,694	118,615	114,889	80,199	142,651	143,337	131,978
<b>Total governmental funds</b>	\$ 5,349	\$ 34,506	\$ 106,708	\$ 176,252	\$ 225,218	\$ 199,459	\$ 171,260	\$ 238,721	\$ 213,708	\$ 240,316

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	2006	2007	2008	2009	2010	2011	2012	2013	2014
<b>Revenues</b>										
Local taxes	\$ 516,952	533,045	540,282	548,095	525,468	534,141	546,446	540,761	532,902	550,660
State taxes (local share)	68,806	83,602	92,554	96,193	88,203	87,751	87,523	85,612	89,798	89,767
Hotel/motel tax	3,706	4,399	4,607	4,740	4,017	4,740	3,537	4,524	4,189	4,223
Licenses and permits	12,257	12,478	11,918	11,934	11,427	11,119	11,393	10,986	11,436	12,489
Fines and forfeitures	12,574	13,009	13,422	15,243	16,657	16,392	16,961	16,866	19,119	20,596
Charges for services	41,269	66,941	72,307	76,788	78,339	82,851	89,388	91,421	91,231	87,272
Investment income	1,221	3,076	7,411	7,367	5,163	1,301	798	725	652	721
Federal grants and entitlements	46,757	35,212	41,673	37,359	40,175	58,123	59,398	66,172	58,563	49,898
State grants	29,202	4,202	4,449	7,908	12,456	5,929	6,359	15,421	12,422	4,328
Intergovernmental revenues	14,145	15,948	14,705	11,207	6,055	6,836	6,492	6,155	4,136	3,928
Other	28,321	18,457	14,548	18,420	13,430	13,696	14,016	22,576	21,328	17,000
<b>Total revenues</b>	<b>775,210</b>	<b>790,369</b>	<b>817,876</b>	<b>835,254</b>	<b>801,637</b>	<b>822,156</b>	<b>842,311</b>	<b>861,219</b>	<b>845,776</b>	<b>840,882</b>
<b>Expenditures</b>										
General government	158,736	141,436	141,541	167,215	185,741	177,049	179,292	150,362	165,735	177,009
Public safety	297,205	320,190	323,691	347,366	387,366	374,182	388,071	373,590	383,181	384,594
Instruction and administration	-	80,029	-	-	-	-	-	-	-	-
Community services	104,584	65,189	91,404	91,945	97,700	109,092	101,360	98,619	79,562	75,407
Transportation and environment	71,126	68,199	68,199	74,256	76,725	73,687	74,042	86,410	70,675	67,310
Education	83,974	90,946	91,952	92,438	23,919	62,825	82,400	72,526	63,720	276
Capital outlay	91,161	98,737	62,416	79,089	91,800	86,656	100,550	225,201	123,544	124,566
Debt service:										
Redemption of serial bonds and notes	50,792	46,046	36,528	42,925	58,565	61,803	24,100	36,874	66,812	74,099
Lease payments	-	-	-	-	-	-	-	-	3,799	2,386
Interest	40,310	43,338	46,738	49,015	52,451	53,866	52,303	64,709	66,390	61,585
Bond issuance cost	207	416	940	1,932	1,399	2,783	1,012	5,538	7	3,303
Service charges	1,221	624	1,308	581	523	196	194	229	616	1,327
<b>Total expenditures</b>	<b>899,316</b>	<b>886,951</b>	<b>864,717</b>	<b>946,762</b>	<b>956,189</b>	<b>1,002,139</b>	<b>1,003,324</b>	<b>1,114,058</b>	<b>1,024,041</b>	<b>971,872</b>
Excess of revenues over (under) expenditures	(124,106)	(96,582)	(46,841)	(111,508)	(154,552)	(179,983)	(161,013)	(252,839)	(178,265)	(130,990)
<b>Other financing sources (uses)</b>										
Sale of capital assets	-	-	-	-	-	-	-	-	-	431
Transfers in	62,037	93,393	82,184	70,310	87,226	120,557	187,613	162,405	152,176	104,545
Transfers out	(60,449)	(37,073)	(22,218)	(11,197)	(25,143)	(55,560)	(120,684)	(94,443)	(115,405)	(58,371)
Proceeds from issuance of debt	134,160	188,030	220,712	189,735	284,495	393,440	60,824	-	-	-
Capital leases	-	-	-	-	-	-	-	8,963	-	23,600
Issuance of debt	-	-	-	-	-	-	-	71,975	115,000	-
Issuance of refunding debt	-	-	-	-	-	-	25,366	96,740	430,652	-
Related party loan	-	-	-	-	-	-	20,397	196,936	-	-
Proceeds from related party debt	-	-	-	-	-	-	-	-	-	-
Retirement of refunded debt obligation	(36,343)	(120,385)	(175,172)	(70,000)	(150,000)	(322,487)	(27,108)	(173,496)	-	(343,259)
Bond issuance cost	-	(639)	(788)	-	-	-	-	-	-	-
Premium on debt issue	2,491	2,615	12,855	2,204	6,903	18,274	6,803	19,876	-	0
Other financing source-capital lease/capital outlay	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-
<b>Total other financing sources</b>	<b>101,896</b>	<b>125,741</b>	<b>117,573</b>	<b>181,052</b>	<b>203,481</b>	<b>154,224</b>	<b>132,814</b>	<b>320,300</b>	<b>153,252</b>	<b>157,598</b>
<b>Net change in fund balances/(deficit)</b>	<b>\$ (22,210)</b>	<b>29,159</b>	<b>70,732</b>	<b>69,544</b>	<b>48,929</b>	<b>(25,759)</b>	<b>(28,199)</b>	<b>67,461</b>	<b>(25,013)</b>	<b>26,608</b>
Debt service as a percentage of noncapital expenditures	11.3%	11.3%	10.4%	10.6%	12.8%	12.6%	8.5%	11.4%	15.2%	16.3%

**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

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
General Government										
Legislative	1,411	1,368	1,541	1,598	1,560	1,515	1,572	1,498	1,502	1,426
Judicial	513	525	523	623	587	576	606	586	588	619
Court clerk	2,901	2,886	2,796	3,393	3,378	4,042	4,675	4,551	4,508	4,454
Executive	2,442	2,475	2,862	8,257	7,688	6,545	6,390	4,785	4,835	5,272
Finance and administration	4,952	4,560	4,004	4,627	5,141	5,018	5,196	4,656	4,557	4,649
City attorney	11,180	9,783	13,040	13,945	17,789	14,506	14,978	14,126	11,158	10,793
City engineer	8,279	8,785	4,980	5,146	6,224	5,327	5,981	5,674	5,773	5,030
Information systems	11,897	13,315	13,983	17,224	17,699	18,850	19,158	15,449	14,587	14,510
Human resources	2,920	2,786	4,708	6,188	8,116	7,787	5,367	5,055	5,554	4,638
General services	12,302	11,288	10,365	10,834	12,348	11,730	12,941	11,724	21,156	19,540
Special appropriations	59,600	58,842	56,554	61,039	73,116	66,797	64,989	53,096	42,362	64,627
<b>Total general government</b>	<b>118,397</b>	<b>116,613</b>	<b>115,356</b>	<b>132,874</b>	<b>153,646</b>	<b>142,693</b>	<b>141,853</b>	<b>121,200</b>	<b>116,580</b>	<b>135,558</b>
Public Safety										
Police	178,632	181,979	181,512	193,024	206,326	212,492	224,752	218,643	226,569	227,401
Fire	128,336	135,586	138,394	149,747	156,772	157,063	159,488	152,013	153,423	154,070
<b>Total public safety</b>	<b>306,968</b>	<b>317,565</b>	<b>319,906</b>	<b>342,771</b>	<b>363,098</b>	<b>369,555</b>	<b>384,240</b>	<b>370,656</b>	<b>379,992</b>	<b>381,471</b>
Community Services										
Library	19,854	18,574	-	-	-	-	-	-	-	-
Parks and recreation	22,068	21,268	23,307	31,017	29,678	29,992	28,593	29,033	42,706	46,118
Public Service	8,712	7,070	24,687	21,627	22,557	21,821	22,661	22,944	-	2
Community development	6,936	4,640	5,763	4,743	4,717	5,093	4,498	5,385	4,194	3,705
Community enhancement	-	-	-	2,684	6,860	7,280	7,387	6,312	-	36
<b>Total community services</b>	<b>57,570</b>	<b>51,552</b>	<b>53,757</b>	<b>60,071</b>	<b>63,812</b>	<b>64,186</b>	<b>63,139</b>	<b>63,674</b>	<b>46,900</b>	<b>49,861</b>
Transportation and Environment										
Public works	17,143	18,197	5,769	6,676	8,460	6,458	6,321	10,145	19,068	12,241
<b>Total transportation and environment</b>	<b>17,143</b>	<b>18,197</b>	<b>5,769</b>	<b>6,676</b>	<b>8,460</b>	<b>6,458</b>	<b>6,321</b>	<b>10,145</b>	<b>19,068</b>	<b>12,241</b>
Transfers out - primary	22,134	10,476	13,177	3,448	8,383	45,662	66,722	78,107	78,732	22,464
<b>Total</b>	<b>\$ 522,212</b>	<b>514,403</b>	<b>507,965</b>	<b>545,840</b>	<b>597,399</b>	<b>628,554</b>	<b>662,275</b>	<b>643,782</b>	<b>641,272</b>	<b>601,595</b>

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

**Last ten fiscal years**

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

Tax Year	Fiscal Year	Real Property				Personal Property				Utilities and Carriers (55%) (Real and Personal) (1)				Total Assessed to Total Market Value	Total Direct Tax Rate
		Farm and Residential(25%)		Commercial and Industrial(40%) (3)		Commercial and Industrial(30%) (2)		Privately Owned		Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value		
		Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value						
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	1,658,138,736	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	21,439,128,400	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%	3.1889		
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%	3.1100		
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%	3.1000		
2013	2014	4,731,533,025	18,926,132,100	4,532,007,925	11,566,004,400	1,273,218,610	4,242,350,800	946,724,202	1,721,316,731	11,483,483,762	36,455,804,031	31,50%	3.4000		

(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	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Fiscal Year	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	
<b>City Direct Rates</b>											
General Fund	\$ 1.6753	\$ 1.9088	\$ 1.9088	\$ 1.9088	\$ 2.3427	\$ 2.2917	\$ 2.2917	\$ 2.2917	\$ 2.2917	\$ 2.2917	\$ 2.3125
Debt Service	0.6941	0.6941	0.6941	0.6941	0.7141	0.7141	0.7141	0.7141	0.7152	0.7152	1.0842
CIP	0.0032	0.0032	0.0032	0.0032	0.0032	0.0031	0.0031	0.0031	0.0031	0.0031	0.0033
Education	0.8578	0.8271	0.8271	0.8271	0.1900	0.1868	0.1868	0.1800	0.1000	0.1000	0.0000
<b>Total City Direct Rate</b>	<b>3.2304</b>	<b>3.4332</b>	<b>3.4332</b>	<b>3.4332</b>	<b>3.2500</b>	<b>3.1957</b>	<b>3.1957</b>	<b>3.1889</b>	<b>3.1100</b>	<b>3.1100</b>	<b>3.4000</b>
<b>County Direct Rates</b>											
General Fund	1.43	1.31	1.22	1.22	1.22	1.23	1.33	1.36	1.36	1.36	1.45
Debt Service	0.58	0.70	0.80	0.80	0.80	0.81	0.79	0.75	0.75	0.75	0.79
Education	2.03	2.03	2.02	2.02	2.02	1.98	1.90	1.91	1.91	1.91	2.14
<b>Total County Direct Rate</b>	<b>4.04</b>	<b>4.04</b>	<b>4.04</b>	<b>4.04</b>	<b>4.04</b>	<b>4.02</b>	<b>4.02</b>	<b>4.02</b>	<b>4.02</b>	<b>4.02</b>	<b>4.38</b>
<b>Total Overlapping Rate</b>	<b>7.2704</b>	<b>7.4732</b>	<b>7.4732</b>	<b>7.4732</b>	<b>7.2900</b>	<b>7.2157</b>	<b>7.2157</b>	<b>7.2089</b>	<b>7.1300</b>	<b>7.1300</b>	<b>7.7800</b>
<b>Tax Levies</b>											
City	\$ 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	\$ 384,852,731
County	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	775,606,738
<b>Total Tax Levies</b>	<b>930,955,804</b>	<b>1,062,192,517</b>	<b>1,089,156,964</b>	<b>1,109,487,462</b>	<b>1,105,846,346</b>	<b>1,157,988,997</b>	<b>1,137,109,784</b>	<b>1,130,985,463</b>	<b>1,120,560,521</b>	<b>1,120,560,521</b>	<b>1,160,459,469</b>

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 2014		Name of Taxpayer	Fiscal Year 2005	
	Taxable Assessed Value	Percentage of Total Taxable Assessed Value		Taxable Assessed Value	Percentage of Total Taxable Assessed Value
Federal Express	\$ 646,262,348	5.63	Federal Express	\$ 356,375,640	3.57
Bell South Telecommunications	83,818,787	0.73	Bell South Telecommunications	127,704,292	1.28
Wolfchase Galleria, LTD	52,923,480	0.46	Wolfchase Galleria, LTD	53,904,640	0.54
Jabil Circuit Inc.	40,891,530	0.36	AMISUB (St. Francis Hospital) Inc.	32,889,680	0.33
BNSF Railway Company	38,470,517	0.33	Northwest Airlines, Inc.	32,099,591	0.32
Belz Investo GP	35,685,400	0.31	US Industrial Reit	25,099,358	0.25
AMISUB (St. Francis Hospital)	34,432,840	0.30	Coors Brewing Company	24,488,405	0.25
Smith & Nephew Inc.	31,272,600	0.27	Pinnacle Airlines, Inc.	23,949,932	0.24
Solae LLC	26,817,300	0.23	Shopping Center Associates	22,486,960	0.23
AT & T Mobility LLC	26,245,569	0.23	Mid-America Apartments	21,643,775	0.22
Total Assessed Valuation of Top 10 Taxpayers	1,016,820,371	8.85		720,642,273	7.23
Balance of Assessed Valuation	10,466,663,391	91.15		9,272,311,318	92.77
	\$ 11,483,483,762	100.00		\$ 9,992,953,591	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
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
2013	2014 (D)	384,852,731	378,825,607	98.43	4,475,138	383,300,745	99.60	45,892,278	11.92

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.

(D) In November 2013, the government sold the majority of the 2013 tax year (which funds fiscal year 2014) real property taxes outstanding to an outside party. The sale generated property tax revenue and a reduction of the property tax receivable balance of \$21,413,447 for fiscal year 2014, which is reflected in current tax collections.

<b>Fiscal Year</b>	<b>Collections</b>			
	<b>Construction</b>	<b>Interest</b>	<b>Promotional Costs</b>	<b>Total</b>
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	-	-	-	-
2014	-	-	-	-

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

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

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

Fiscal Year	Governmental Activities					Business-Type Activities							Total Primary Government	Percentage of Personal Income	Per Capita
	General Obligation Bonds	Bond Anticipation Notes / Commercial Paper	State Loans	Loans Payable	Notes Payable	Capital Leases	Sewer Revenue Bonds	Sewer State Loans	Electric Revenue Bonds	Gas Bond Anticipation Notes	Water Revenue Bonds				
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	186,975	-	216,543	-	7,487	135,095	3,881	662,695	-	-	2,304,456	6.05%	3,508	
2014	1,221,320	50,000	-	216,018	-	30,319	123,245	3,847	562,995	-	-	2,207,744	5.53%	3,381	

Sources: City of Memphis and MLG&W financial records.

**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**

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Estimated population (3)	672,277	677,345	674,028	674,028	669,651	676,640	646,889	652,050	657,457	653,450
Appraised property valuation (2) (4)	\$ 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	36,455,804
Assessed valuation (2) (4)	\$ 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	11,483,484
Total general obligation debt (1) (2)	\$ 1,008,883	1,030,101	1,042,744	1,120,302	1,195,744	1,219,893	1,256,868	1,230,060	1,163,755	1,271,320
Less self supporting debt (1a)	\$ 17,140	14,090	10,855	7,435	5,725	3,920	2,015			
Net Debt (1a)	\$ 991,743	1,016,011	1,031,889	1,112,867	1,190,019	1,215,973	1,254,853	1,230,060	1,163,755	1,271,320
Bonded debt per capita - total debt	\$ 1,501	1,521	1,547	1,662	1,786	1,803	1,943	1,886	1,770	1,946
Bonded debt per capita - net debt	\$ 1,475	1,500	1,531	1,651	1,777	1,797	1,940	1,886	1,770	1,946
Bonded debt to appraised valuation -total debt	3.17%	2.90%	2.92%	3.06%	3.25%	3.07%	3.24%	3.23%	3.08%	3.49%
Bonded debt to appraised valuation -net debt	3.12%	2.86%	2.89%	3.04%	3.24%	3.06%	3.24%	3.23%	3.08%	3.49%
Bonded debt to assessed valuation -total debt	10.10%	9.27%	9.35%	9.85%	10.50%	9.88%	10.43%	10.41%	9.93%	11.07%
Bonded debt to assessed valuation -net debt	9.92%	9.15%	9.25%	9.79%	10.45%	9.85%	10.41%	10.41%	9.93%	11.07%

(1) Debt includes City general obligation bonds, bond anticipation notes, and commercial paper (2005-2014). Does not include capital leases and related party loans/debt obligations.

(1a) Debt includes debt issued by City for MSCAA.

(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, 2014**

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

	<b>Debt Outstanding</b>	<b>Estimated Percentage Applicable(1)</b>	<b>Estimated Share of Overlapping Debt(2)</b>
<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>1,208,845</u>	100%	<u>1,208,845</u>
	1,221,320		1,221,320
Bond anticipation notes-Commercial Paper	50,000	100%	50,000
Capital lease obligations	<u>30,319</u>	100%	<u>30,319</u>
Total direct government indebtedness (3)	<u>1,301,639</u>		<u>1,301,639</u>
<u>Overlapping bonded indebtedness:</u>			
Shelby County debt	<u>1,285,056</u>	64.5%	<u>828,896</u>
Total overlapping bonded indebtedness	1,285,056		828,896
Total direct and overlapping debt (4)	<u>\$ 2,586,695</u>		<u>2,130,535</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 \$16,747 which is available for payment of principal and interest in the debt service fund.
- (4) Does not include revenue bonds or related party loans/debt obligations.
- (5) The City of Memphis has no legal debt margin.

**Refer to Notes to Financial Statements for detail of debt and obligations.**

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

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

	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Debt capacity limit	\$ 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	1,378,018
Total net debt applicable to limit	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	1,271,320
Legal debt capacity margin balance	\$ 346,725	329,199	331,246	252,861	290,346	232,455	158,679	176,408	242,713	106,698
Total net debt applicable to the limit as a percentage of debt limit	73.99%	75.41%	75.72%	81.50%	80.40%	83.93%	88.81%	87.46%	82.74%	92.26%

**Legal Debt Margin Calculation for Fiscal Year 2014**

Total assessed value (1)	\$ 11,483,484
Debt capacity limit (12% of total assessed value)	1,378,018
Debt applicable to limit:	
Total bonded debt	\$ 1,271,320
Less self-supporting debt	-
Total net debt applicable to limit	1,271,320
Legal debt capacity margin balance	\$ 106,698

(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>
<b>ELECTRIC DIVISION (1)</b>					
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
2013	1,303,319	1,181,316	122,003	131,990	0.92
<b>GAS DIVISION (1)</b>					
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
2013	284,362	255,229	29,133	-	N/A
<b>WATER DIVISION (1)</b>					
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
2013	85,430	69,457	15,973	-	N/A
<b>SEWER COLLECTION AND TREATMENT FUND (2)</b>					
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
2014	105,258	43,929	61,329	16,817	3.65

(1) MLGW 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) Amount represents total debt service net of \$35,000 in proceeds from issuance of long-term debt.

**DEMOGRAPHIC AND ECONOMICS STATISTICS**

Last ten fiscal years

Year	Population	Personal Income (amounts expressed in thousands)	Per Capita Personal Income	Median Age	School Enrollment	Unemployment Rate
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
2013	653,450	39,896,975	42,409	33.1	149,928	9.3

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

**PRINCIPAL EMPLOYERS**  
**Current Year and Nine Years Ago**

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

Name of Employer	2014		2005	
	Employees	Percentage of Total City Employment	Employees	Percentage of Total City Employment
Federal Express Corporation	32,000	5.30%	40,000	6.63%
Shelby County Schools	16,000	2.65%	16,000	2.65%
United States Government	13,900	2.30%	14,800	2.45%
Tennessee State Government	14,400	2.39%	10,000	1.66%
Methodist Le Bonheur Healthcare	10,175	1.69%	7,183	1.19%
Baptist Memorial Healthcare	8,587	1.42%	8,000	1.33%
Memphis City Government	6,848	1.14%	6,680	1.11%
Wal-Mart Stores, Inc.	6,000	0.99%	5,247	0.87%
Shelby County Government	5,662	0.94%	6,500	1.08%
Naval Support Activity Mid-South	4,600	0.76%	5,014	0.83%
<b>Total</b>	<b>118,172</b>	<b>19.59%</b>	<b>119,424</b>	<b>19.79%</b>

Source - Memphis Regional Chamber

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

Last ten fiscal years

**CITY OF MEMPHIS, TENNESSEE**  
Exhibit X-18

Function and Activity	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
<b>General government</b>	874	859	828	1,231	1,340	1,261	1,147	1,147	724	669
<b>Public safety</b>										
Police										
Officers	2,147	2,024	2,018	2,385	2,273	2,444	2,550	2,550	2,554	2,521
Civilians	598	578	667	483	482	447	478	478	478	411
Fire										
Firefighters and officers	1,639	1,668	1,553	1,721	1,729	1,758	1,678	1,740	1,709	1,616
Civilians	157	140	255	168	147	116	184	122	122	218
<b>Highways and streets</b>										
Engineering	191	186	186	186	152	146	124	124	120	117
Maintenance	275	277	301	311	309	287	274	274	389	382
<b>Sanitation</b>										
Culture and recreation	653	654	653	653	653	611	604	604	621	619
Sewer	422	326	318	346	264	261	240	240	510	507
	290	293	289	290	290	290	289	289	299	299

Source - City of Memphis Operating Budget Book FY 2014

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

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

Function	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
<b>Police</b>										
Physical arrests	79,586	51,871	48,746	57,304	65,734	61,322	82,003	48,357	46,116	89,478
Parking violations	136,057	119,017	90,005	86,497	97,554	92,433	89,374	77,398	87,536	62,595
Traffic violations	245,512	233,961	222,745	217,766	250,284	224,647	222,435	215,658	178,934	179,599
<b>Fire</b>										
Number of calls answered	62,153	66,357	27,597	24,974	24,974	24,974	23,892	24,522	126,789	131,542
Inspections	N/A	N/A	N/A	N/A	N/A	N/A	N/A	206,142	206,881	53,980
<b>Highways and streets</b>										
Street resurfacing (miles)	300.12	193.93	101.00	144.88	123.25	99.12	137.93	147.04	131.60	139.05
Potholes repaired	1,896	1,052	993	1,499	1,230	946	982	973.00	39,280.00	47,504.00
<b>Sanitation</b>										
Refuse collected (tons/day)	1,214	1,295	1,174	1,086	1,005	1,121	1,161	1,131	1,117	1,401
Recyclables collected (tons/day)	415	464	466	377	488	435	374	429	407	495
<b>Culture and recreation</b>										
Athletic field permits issued	168	1,527	892	1,054	1,093	1,465	1,786	999	982	1,445
Community center admissions	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	1,899,388
<b>Water</b>										
Average daily consumption (thousands of gallons)	121,456	124,676	128,149	125,972	122,267	115,519	118,768	115,295	112,216	108,564
<b>Wastewater</b>										
Average daily sewage treatment (thousands of gallons)	167,200	155,400	151,000	172,400	154,000	169,000	172,950	175,900	150,000	150,000

Source: City of Memphis Operating Budget Book FY 2014 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									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
<b>Public Safety:</b>										
Police:										
Stations	8	9	9	10	10	10	10	10	9	9
Community policing offices	15	15	15	14	14	14	14	14	14	9
Patrol units	800	800	800	800	825	800	1,056	877	730	692
Fire:										
Stations	59	59	55	56	56	56	57	57	57	57
Trucks (ladder)	27	27	26	27	27	27	27	27	27	21
<b>Solid Waste Management:</b>										
Collection trucks	296	296	296	296	296	253	253	227	227	227
Solid waste disposed (tons)	425,170	451,472	420,306	396,606	389,762	406,191	424,025	405,686	396,309	364,159
<b>Streets and Highways:</b>										
Streets (miles)	6,750	6,750	6,750	6,750	6,750	6,750	6,750	6,750	6,750	6,818
Curb & gutter (miles)	3,590	3,590	3,590	3,590	3,590	3,590	3,950	3,950	3,590	6,306
Streetslights	71,376	73,684	77,689	80,570	81,900	82,640	82,706	82,774	83,750	
Traffic signals	800	830	821	825	825	830	770	769	771	770
Roadside ditches	580	580	580	580	580	580	580	580	580	512
<b>Community Services:</b>										
Parks acreage	5,387	5,387	5,387	5,387	5,387	5,387	5,387	5,387	3,219	3,219
Parks	187	187	187	187	187	187	187	187	166	166
Golf courses	7	8	8	8	8	8	8	8	8	8
Community centers	28	28	28	24	24	24	24	24	24	24
Tennis courts	7	7	7	7	7	7	7	7	7	7
Swimming pools	17	17	18	18	18	18	17	17	17	17
<b>Water:</b>										
Water mains (miles)	6,680	6,680	3,672	3,700	3,710	3,716	3,716	3,716	3,716	3,874
Fire hydrants	22,000	22,000	29,665	29,050	30,221	30,423	30,423	30,423	30,423	30,819
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
<b>Sanitary Sewer and Storm:</b>										
Miles of sewer lines	3,605	3,605	3,610	3,615	3,620	3,625	3,630	3,635	2,400	2,400
Miles of storm drainage	3,988	3,988	3,988	3,988	3,988	3,988	3,988	3,995	3,900	1,997

Source - City of Memphis Operating Budget Book FY 2014 and/or Internal Division Operating Reports.

**GENERAL FUND EXPENDITURES ON STATE STREET AID**  
**For the fiscal year ended June 30, 2013**  
**(Thousands of Dollars)**

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

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	<u>2014</u>
<b>Revenues</b>	
State taxes (local share)	\$ 14,968
Total revenues	<u>14,968</u>
<b>Expenditures</b>	
Traffic engineering	1,223
Street signs and markings	2,276
Mass transit	18,690
Traffic signal maintenance	2,426
Street maintenance	5,336
Street lighting	5,057
Grounds maintenance	<u>4,203</u>
Total expenditures	<u>39,211</u>
Excess of expenditures over revenues	<u>\$ 24,243</u>

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

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**SUPPLEMENTAL SCHEDULE OF EXPENDITURES  
OF FEDERAL AND STATE AWARDS  
For the fiscal year ended June 30, 2014**

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

Federal CFDA Number	Grant Number	Receivable (Deferral) June 30, 2013	Receipts FY 14	Expenditures FY 14	Receivable (Deferral) June 30, 2014
<b>FEDERAL GOVERNMENT AWARDS</b>					
<b>DEPARTMENT OF AGRICULTURE</b>					
Passed through Tennessee Department of Human Services					
10.559	DA0300050, DA0400069, DA0201	140,893 \$	- \$	(140,893) \$	-
10.675	Z0401525300	(20,596)	-	20,596	-
		120,297	-	(120,297)	-
<b>TOTAL DEPARTMENT OF AGRICULTURE</b>					
<b>DEPARTMENT OF HOMELAND SECURITY</b>					
Urban Search and Rescue Task Force					
97.025	EMW2001CA0131, WK0303660:	14,399	-	(14,399)	-
97.025	W2004CA622271, EMW2005CA	(2,508)	-	2,508	-
97.025	EMW-2006-CA0230	49,013	-	(49,013)	-
97.025	EMW-2007-CA-0178	(177,959)	-	-	(177,959)
97.025	2009-SR-24-K021	44,647	-	-	44,647
97.025	2010-SR-24-K044	353,557	-	-	353,557
97.025	2010-SR-24-K044, EMW-2011-C	398,532	1,644,390	1,342,821	96,963
97.025	EMW-2008-CA-1511	-	369,934	369,934	-
	Subtotal (97.025)	679,681	2,014,324	1,651,851	317,208
97.053	Z0301551500	12,012	-	-	12,012
97.056	2005-GB-T5-0108, 2008-GB-T8-	30,031	-	48,184	78,215
97.071	EMW-2004-GR-0655, 233-03-00	260,039	-	(260,039)	-
97.071	2007HSGP, 21GN-00TRNG	(13,865)	-	13,865	-
	Subtotal (97.071)	246,174	-	(246,174)	-
97.078	Z-05-03-1018-01, Z-05-03-1018-I	98,545	188,271	89,726	-
97.067	MMRS 2009, MMRS 2010	(11,745)	307,471	374	(318,842)
<b>Passed through Tennessee Department of Military</b>					
97.036	Severe Storms, Tornadoes, Straight-Line Winds and Flooding	375,539	1,144,114	768,575	-
97.036	Severe Storms, Tornadoes, Straight-Line Winds and Flooding	736,680	-	(16,804)	719,876
97.036	Severe Storms, Tornadoes, Straight-Line Winds and Flooding	506,576	-	-	506,576
97.036	Severe Storms, Tornadoes, Straight-Line Winds and Flooding	3,108,619	-	(11,030)	3,097,589
97.036	Severe Storms, Tornadoes, Straight-Line Winds and Flooding	462,133	-	-	462,133
97.036	Castastrophic Tornadoes/Severe Storms	361,543	361,543	-	-
	Subtotal (97.036)	5,551,090	1,505,657	740,741	4,786,174
<b>TOTAL DEPARTMENT OF HOMELAND SECURITY</b>					
<b>DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>					
Passed through Tennessee Department of Health					
93.136	GG-05-11592, GR-06-17324, GC	58,418	-	(58,418)	-
	Rape Services and Prevention	58,418	-	(58,418)	-
<b>TOTAL DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>					

(Continued)

**SUPPLEMENTAL SCHEDULE OF EXPENDITURES  
OF FEDERAL AND STATE AWARDS  
For the fiscal year ended June 30, 2014**

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

Federal CFDA Number	Grant Number	Receivable (Deferral) June 30, 2013	Receipts FY' 14	Expenditures FY' 14	Receivable (Deferral) June 30, 2014
<b>DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</b>					
Entitlement Grants Cluster:					
	Community Development Block Grant				
14.218	B01MC470006,B03MC470006,E	\$ 8,415,439	\$ 9,231,040	\$ 8,376,424	\$ 7,560,823
14.218	B08MN470003	2,074,256	446,813	889,248	2,516,692
14.253	B-09-MY-47-0006	(10,840)	-	-	(10,840)
	Total Entitlement Grants Cluster	10,478,855	9,677,853	9,265,672	10,066,675
14.900	TNLHB017200,TNLHD000603,T	(48,336)	22,639	(215)	(71,190)
14.905	TNLHD0227-0227-11	(249,320)	997,198	1,016,381	(230,137)
14.231	S02.03MC4-70002,S04MC4700	466,816	917,123	913,316	463,008
14.239	M02.03MC470202,M98MC4702	2,869,362	2,604,265	2,359,038	2,624,136
14.241	TN37H9-7F040,8F001,TNH04FI	456,070	1,817,848	2,080,988	719,210
14.238	TN37C970105,TN37C101001,T	142,539	301,496	303,130	144,173
14.408	FH400G01028,FH400G03058	(84,731)	-	-	(84,731)
14.246	B-98-BD-47-0009	(1,854,850)	-	-	(1,854,850)
14.248	B-98-BD-47-0009,B-10-MC4700	(3,761,808)	-	-	(3,761,808)
14.257	S09MY470002	(37,935)	-	-	(37,935)
<b>DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</b>					
14.225	CDBG Supplemental Disaster, EDI Special Project	(4,635,802)	(2,168,374)	252,559	(2,214,869)
14.256	NSP-3	2,905,508	4,494,903	1,504,024	(85,371)
14.704	Community Challenge Grant Program	171,495	528,278	479,138	122,355
	<b>TOTAL DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</b>	<b>6,817,863</b>	<b>19,193,229</b>	<b>18,174,032</b>	<b>5,798,666</b>
<b>DEPARTMENT OF JUSTICE</b>					
16.000	Equitable Sharing Forfeitures	(2,193,584)	-	-	(2,193,584)
16.753	OCS: COOR Le Initiative	(50,549)	-	-	(50,549)
16.753	OCS: COOR Le Initiative	208,636	646,126	444,021	6,531
	Subtotal (16.753)	158,086	646,126	444,021	(44,018)
16.592	Local Law Enforcement	3,766	-	(3,766)	-
16.592	Local Law Enforcement	8,903	-	(8,903)	-
	Subtotal (16.592)	12,669	-	(12,669)	-
16.710	COPS Technology Program FY06	-	331,060	331,060	-
16.710	COPS Interoperable	-	111,367	527,663	416,296
	Subtotal (16.710)	-	442,427	858,723	416,296
16.609	Project Safe Neighborhood Housing Demo	10,612	132,457	108,351	(13,494)
16.609	Economic Crimes Task Force	-	151,411	151,411	-

(Continued)

**SUPPLEMENTAL SCHEDULE OF EXPENDITURES  
OF FEDERAL AND STATE AWARDS  
For the fiscal year ended June 30, 2014**

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

Federal CFDA Number	Grant Number	Receivable (Deferral) June 30, 2013	Receipts FY 14	Expenditures FY 14	Receivable (Deferral) June 30, 2014
16.737	2007-JV-FX-0255	10,612 4,722	283,868	259,762 (4,722)	(13,494)
Subtotal (16.609) GREAT FY07					
<b>DEPARTMENT OF JUSTICE (Continued)</b>					
16.751	2009-DG-BX-0033	\$ (238,458)	\$ -	\$ -	(238,458)
16.607	2009BOBX09049194	-	41,774	-	(41,774)
Encourage Arrest Policies					
16.590	2004-WE-AX-0031,2008-WE-A)	(606,306)	-	6,220	(600,085)
Second Chance Act BJA					
16.812	2009-CZ-2010,2009-CZ-BX-004	2,500	-	(2,500)	-
21.053	96689071,ATC010132,STC0300	63,184	-	(63,184)	-
21.053	2006-JV-FX-0031	(11,084)	-	11,084	-
Subtotal (21.053)					
Juvenile Justice and Delinquency Program					
16.541	2012-NY-FX-0024	12,400	-	63,790	76,190
16.540		3,893	-	(3,893)	-
<b>Passed through Shelby County State of Tennessee</b>					
JAG Program Cluster:					
16.738	2007-F2834-TN-DJ	(186,804)	-	186,548	(256)
16.738	2008-D-J-BX-0465	(5,310)	-	-	(5,310)
16.738	2009-G9418-TN-DJ	(12,104)	-	-	(12,104)
16.738	2010-DJ-BX-1563,BJA-2013-351	(851,420)	899,517	1,186,392	(564,545)
Subtotal (16.738)					
16.804	2009-F2956-TN-SU,2009-SB-B0	(257,785)	-	257,785	-
Total JAG Program Cluster					
		(1,313,422)	899,517	1,630,725	(582,215)
<b>Passed through Tennessee Department of Human Services</b>					
16.575	Z00004855	98,120	-	(98,120)	-
Victims of Crime					
		(3,996,668)	2,313,712	3,089,238	(3,221,142)
<b>TOTAL DEPARTMENT OF JUSTICE</b>					
<b>DEPARTMENT OF LABOR</b>					
<b>Passed through Tennessee Department of Labor</b>					
WIA Cluster:					
17.258	DA0400062,07-13-PY6-113-ADI	43,323	1,704,113	2,144,930	484,139
17.258	DA0400062,LW13ST91ADULTC	39,841	-	-	39,841
ARRA Workforce Investment Act - Adult					

(Continued)

**SUPPLEMENTAL SCHEDULE OF EXPENDITURES  
OF FEDERAL AND STATE AWARDS  
For the fiscal year ended June 30, 2014**

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

Federal CFDA Number	Grant Number	Receivable (Deferral) June 30, 2013	Receipts FY' 14	Expenditures FY' 14	Receivable (Deferral) June 30, 2014
17.259	DA0400062,08-13-PY7-113-YOI	2,257,699	2,734,959	2,816,379	2,339,119
17.259	ARRA Workforce Investment Act - Youth	(1,373,787)	-	-	(1,373,787)
17.267	Workforce Investment Act - Title I Incentive Funds	(188,953)	38,436	43,290	(184,099)
<b>Passed through Tennessee Department of Labor (Continued)</b>					
17.278	Workforce Investment Act - Dislocated	1,086,989	2,465,665	2,444,888	\$ 1,066,212
17.278	ARRA Workforce Investment Act - Dislocated	(12,678)	-	-	(12,678)
	Total WIA Cluster	1,852,434	6,943,172	7,449,487	2,358,749
17.261	Workforce Investment Act - Title 1 Hurricane Katrina	(7,160)	-	-	(7,160)
17.261	Second Chance Connection	(47,136)	-	-	(47,136)
17.261	Youth Services	(137,743)	-	-	(137,743)
	Subtotal (17.261)	(192,039)	-	-	(192,039)
17.261	Workforce Investment Act - Title 1 Incumbent Workers	22,246	-	(22,246)	-
17.207	Workforce Investment Act- TDOL	30,405	148,923	176,734	58,216
17.274	YouthBuild	-	-	77,834	77,834
96.009	Ticket to Work	-	11,883	3,201	(8,682)
93.564	Child Support Enforcement	-	-	30,000	30,000
17.277	Workforce Investment Act- NEG	206,158	-	(19,254)	186,904
17.266	Workforce Investment Act - Disability	(31,042)	-	-	(31,042)
	<b>TOTAL DEPARTMENT OF LABOR</b>	<b>1,888,162</b>	<b>7,103,979</b>	<b>7,695,755</b>	<b>2,479,938</b>
<b>DEPARTMENT OF TRANSPORTATION</b>					
<b>Passed through Tennessee Department of Transportation</b>					
Highway Planning and Construction Cluster:					
20.205	Biomedical Sidewalk	(20,018)	30,384	88,400	37,998
20.205	Congestion Mitigation Air Quality MVIS	406,311	-	822,019	1,228,331
20.205	Memphis Early Deployment Grant	66,416	-	-	66,416
20.205	Restoration	61,385	1,695	3,139	62,829
20.205	Transportation Improvement 25	1,886,589	3,811,980	2,132,019	206,628
20.205	Enhanced Traffic Signal Maintenance Response	32,663	-	(32,663)	-
20.205	Traffic Signal System	289,887	21,533	26,550	294,904
20.205	Beale Street Landing	(21,468)	630,544	475,000	(177,012)
20.205	Enhanced Traffic Signal Implementation	1,191,887	2,828,394	4,206,922.97	2,570,416
20.205	STP Repaving	1,333,536	207,750	825,720	1,951,506
20.205	STP Guardrail Attenuators	(3,539)	-	-	(3,539)
20.205	STP ADA Curb ramp	36,980	-	-	36,980
20.205	Elvis Presley/Shelby/Winchester	(358,364)	369,123	890,542	163,055
20.205	ARRA Winchester Tun Repair	(129,514)	-	-	(129,514)
20.205	ARRA Sam Cooper RR	126,888	-	139	127,027
20.205	ARRA Bridge Guardrail	2,487	-	-	2,487
20.205	ARRA Repaving	219,789	161,614	(16,868)	41,306

(Continued)

**SUPPLEMENTAL SCHEDULE OF EXPENDITURES  
OF FEDERAL AND STATE AWARDS  
For the fiscal year ended June 30, 2014**

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

Federal CFDA Number	Grant Number	Receivable (Deferral) June 30, 2013	Receipts FY 14	Expenditures FY 14	Receivable (Deferral) June 30, 2014
Winchester/Perkins	STP-M-9409(96.36)	22,227	2,530	374	20,071
Walnut Bend	STP-M-9409(98)-010620	63,382	66,258	740	(2,135)
Holmes/Milbran	STP-M-9409(97)	41,185	70,554	130,711	101,342
<b>Passed through Tennessee Department of Transportation (Continued)</b>					
Holmes Road East	PIN-108701-00.STP-M-9409(99 \$	39,314 \$	42,302 \$	22,521 \$	19,534
Forest Hill	STP-M-9409(90)	53,845	55,353	31,335	29,827
Safe Routes to School, Frayser	SAFETEA-LU 110687.00	17,833	116,492	117,276	18,617
Safe Routes to School, Rozelle	???	-	-	1,409	1,409
STP Curb Ramp Improvement	STP 79LPLM-F3-212 P#114576	371,522	1,440,687	1,194,924	125,759
TDOT Enhancement Grant	STP-EN-9409(95)	-	3,214	-	(3,214)
Poplar/Sweetbrier Interchange	PIN-110296-00.STP-M-NHE-57(	77,911	84,431	18,901	12,381
Cobblestone Walkway	STP-EN-9409(62)	40,744	-	(40,744)	-
U of M Crosswalk	STP-EN-9409(74)	-	137,278	362,766	225,487
Memphis Bicycle Facilities	79LPLM-F3-262 (118411)	-	-	23,468	23,468
STP Sidewalk Program	79LPLM-F3-267 (118412)	-	-	44,577	44,577
STP Group 5 Resurfacing	STP-EN-9409 (111) PIN 119539	-	-	472	472
STP Isolated Traffic Signal Improvements-Grp 2	STP-EN-9409 (111) PIN 119541	-	-	472	472
STP Isolated Traffic Signal	STP-EN-9409 (111) PIN 119542	-	-	472	472
Repair 14 Bridges on/over Sam Cooper B20.205lvd	STP-EN-9409 (111) PIN 119544	-	-	173	173
Mississippi River Cycling Corridor	EN-STP-7900(16)	(2,728)	-	-	(2,728)
Riverbluff Walkway	EN-STP-7900(13)	19,920	-	(19,920)	-
Total Highway Planning and Construction Cluster		5,867,070	10,082,116	11,310,848	7,095,802
<b>GHSO FY07 Multiple Violation</b>	Z07035691	(1,466)	-	-	(1,466)
<b>GHSO FY09 CARD</b>	Z09214633	136	-	-	136
Governor Highway Network FY10	PT-10-31	2,130	-	-	2,130
GHSO Network Coordinator Law FY11	Z11GHS265,Z13GHS209	(6,910)	13,382	17,462	(2,830)
Subtotal (20.600)		(6,110)	13,382	17,462	(2,030)
Governor Highway Network	Z0802398600	1,067	-	-	1,067
GHSO FY09 Network Law		746	-	-	746
GHSO FY10 CARD	K8-10-80,Z13GHS209	1,200	89,839	47,495	(41,144)
Subtotal (20.601)		3,013	89,839	47,495	(39,331)
GHSO FY09 Multiple Violation	Z-08-024037-00	3,915	-	-	3,915
GHSO Alcohol Saturation FY10	Z09214367	2,253	-	(2,253)	-
GHSO Alcohol Saturation	154AL-10-29	41,036	-	(41,036)	-
Subtotal (20.607)	Z11GHS004,Z12GHS197,Z12G	(265,018)	307,561	236,543	(336,036)
Governor Highway Network		(217,814)	307,561	193,254	(332,121)
GHSO FY09 Alcohol Saturation	Z0802367600	(731)	-	-	(731)
Subtotal (20.600, 20.607)	Z09214632	10,639	-	-	10,639
Governor Highway Safety	Z03011860,154AL-03-16,Z-06-0	9,908	-	-	9,908
		935	-	(935)	-

**SUPPLEMENTAL SCHEDULE OF EXPENDITURES  
OF FEDERAL AND STATE AWARDS  
For the fiscal year ended June 30, 2014**

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

Federal CFDA Number	Grant Number	Receipts FY '14	Expenditures FY '14	Receivable (Deferral) June 30, 2013	Receivable (Deferral) June 30, 2014
Governor Highway Network FY06	20.605,20.600 Z-06-027348-00	-	(1,523)	1,523	-
GHSO FY07 Network Coord	20.605,20.600 Z07035678,15AL-07-69	-	(305)	305	-
GHSO FY07 Alcohol Saturation	20.605,20.600 Z0703609600,15AL-07-16	-	(34,931)	34,931	-
Subtotal (20.605, 20.600)		-	(37,694)	37,694	-
<b>Passed through Shelby County State of Tennessee</b>					
Governor Highway Network	20.600,20.601 Z-08-023692-00	-	-	(46,078)	\$ (46,078)
Governor Highway Network	20.606 Z12GHS196	-	-	(9,670)	(9,670)
GHSO: CARD	20.616	1,862	2,912	-	1,050
Tiger Grant -Main to Main	20.932 79961-3516-94	62,650	335,424	-	272,774
<b>TOTAL DEPARTMENT OF TRANSPORTATION</b>		<b>10,557,410</b>	<b>11,869,701</b>	<b>5,638,013</b>	<b>6,950,304</b>
<b>DEPARTMENT OF INTERIOR NATIONAL PARK SERVICE</b>					
Aquatic Facilities Major Maintenance	15.406 47-CTY-1620-0101	-	-	(43,940)	(43,940)
<b>TOTAL DEPARTMENT OF INTERIOR</b>		<b>-</b>	<b>-</b>	<b>(43,940)</b>	<b>(43,940)</b>
<b>INSTITUTE OF MUSEUM AND LIBRARY SERVICES</b>					
Library State Grant	45.310 30504-00812	15,116	14,972	-	(144)
<b>TOTAL INSTITUTE OF MUSEUM AND LIBRARY SERVICES</b>		<b>15,116</b>	<b>14,972</b>	<b>-</b>	<b>(144)</b>
<b>EXECUTIVE OFFICE OF THE PRESIDENT</b>					
HIDTA	95.001 G10GC0005A,G11GC0005A	20,626	8,414	(72,262)	(84,474)
HIDTA	95.001 G12GC0005A	25,183	-	-	(25,183)
<b>TOTAL EXECUTIVE OFFICE OF THE PRESIDENT</b>		<b>45,809</b>	<b>8,414</b>	<b>(72,262)</b>	<b>(109,657)</b>
<b>NATIONAL ENDOWMENT FOR THE HUMANITIES</b>					
National Endowment for the Humanities	45.129	-	1,600	-	1,600
<b>TOTAL NATIONAL ENDOWMENT FOR THE HUMANITIES</b>		<b>-</b>	<b>1,600</b>	<b>-</b>	<b>1,600</b>
<b>TOTAL FEDERAL GRANTS</b>		<b>43,244,978</b>	<b>42,959,699</b>	<b>17,015,671</b>	<b>16,730,392</b>
<b>STATE GOVERNMENT GRANTS</b>					
Memphis Fire Division In-service Training Supplement	NONE	-	-	63,306	63,306
Memphis Fire Division In-service Training Supplement 05	NONE	-	-	(9,450)	(9,450)

(Continued)

**SUPPLEMENTAL SCHEDULE OF EXPENDITURES  
OF FEDERAL AND STATE AWARDS  
For the fiscal year ended June 30, 2014**

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

Federal CFDA Number	Grant Number	Receivable (Deferral) June 30, 2013	Receipts FY' 14	Expenditures FY' 14	Receivable (Deferral) June 30, 2014
	NONE	(1,409)	-	9	(1,400)
Memphis Fire Division In-service Training Supplement 06					(2,570)
Memphis Fire Division In-service Training Supplement		(881,400)	-	881,400	-
Memphis Fire Division In-service Training Supplement		(7,800)	-	7,800	-
Memphis Fire Division In-service Training Supplement		(35,306)	-	-	(35,306)
Memphis Police Division In-service Training Supplement					
<b>STATE GOVERNMENT GRANTS (Continued)</b>					
Memphis Police Division In-service Training		\$ (4,200)	\$ -	1,800	\$ (2,400)
Local Emergency Planning Committee		212,825	-	(1,544)	211,281
Stop Violence Against Women	Z00001451,Z00001432-01	23,797	-	-	23,797
State Highway Maintenance Grant	CMA1303	63,632	63,632	-	-
Landmarks Commission Training - Historic Zoning	GG0511346	(3,600)	-	-	(3,600)
Landmarks Commission Training - Historic Zoning	GG11309	2,235	-	-	2,235
Landmarks Commission Training - Historic Zoning	GG-09-26765-00	3,388	-	-	3,388
Memphis Landmarks Commission Training	GG0712649	1,728	-	-	1,728
Enterprise Zone	GG000860300	27,474	-	-	27,474
Help Care	Z03010557,Z04015720,Z05020:	(58,707)	-	-	(58,707)
TIIP Project - Cleveland Track Material	Z-02-008520-00	(569)	-	-	(569)
Planning Grant	FHWA-PL-112	204,460	25,540	33,092	212,012
Memphis Survey Grant	GG0209746	53,267	-	-	53,267
Memphis Survey Grant FY06	GG0612176	(27,716)	-	-	(27,716)
Plough Boulevard	STP-EN-9409(61)	(228,554)	-	-	(228,554)
Plough Blvd Landscape Phase I	STP-EN-7900(21)	(92,228)	-	-	(92,228)
			1,787,933	(928)	-
Raleigh Lagrange-Sycamore	BR-STP-2878(2,1)	(345,881)	-	-	(345,881)
Cobblestone Walkway	SBC5290000296	(710,637)	-	-	(710,637)
Martyrs Park Riverwalk Improvement	STP-EN-9409(63)	(97,745)	-	-	(97,745)
Parkways Maintenance/Renovation	STP-EN-7900(20,79)-41798	232,993	-	-	232,993
Bicycling Network Phase I	STP-EN-9409(73)	33,485	-	-	33,485
Fast Track - KTG Substation		2,000,000	1,787,933	-	212,067
Juvenile Accountability Block	GG-04-10637-00	928	-	(928)	-
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	Z07033057	(20,067)	-	-	(20,067)
Household Hazardous Waste	GG0712743,GG-09-25326-00,G	(47,083)	78,718	128,718	2,917
Enhancement Grant Program	STP-EN-7900(24)	41,067	-	-	41,067
Internet Crimes Against Children	GG082393100	(67,142)	219,538	118,952	(167,728)

(Continued)

**SUPPLEMENTAL SCHEDULE OF EXPENDITURES  
OF FEDERAL AND STATE AWARDS  
For the fiscal year ended June 30, 2014**

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

Federal CFDA Number	Grant Number	Receivable (Deferral) June 30, 2013	Receipts FY' 14	Expenditures FY' 14	Receivable (Deferral) June 30, 2014
	NONE	2,623	-	-	2,623
	GG0712740	(4,050)	-	-	(4,050)
	GR0822660	1,170	-	-	1,170
	RFS 343.52-893-09	(1,471)	-	-	(1,471)
97.036-State	34101-0000003054	67,249	195,345	128,095	(1)
97.036-State	34101-0000006297	72,053	-	(933)	71,120
<b>STATE GOVERNMENT GRANTS (Continued)</b>					
97.036-State	34101-0000008732	\$ 81,636	\$ -	\$ -	\$ 81,636
97.036-State	34101-0000010457	528,617	-	(1,838)	526,779
97.036-State	34101-0000009230	74,515	-	-	74,515
	45.310 35743	-	45,500	45,500	-
	GG-09-27651	(1,777,739)	-	-	(1,777,739)
	GG-08-24188-00	(1,463,976)	-	-	(1,463,976)
	GG-07-21564-00	(340,739)	-	318,746	(21,993)
	STP-M-9409(98)-010620	8,739	-	-	8,739
	NONE	177,475	-	-	177,475
	2008-GP-CX-0056	57,344	-	-	57,344
	GG1136259	4,918,581	3,045,941	-	1,872,641
	NONE	-	227,248	-	183,418
		-	78,624	-	103,957
		-	-	28,475	28,475
		2,860,425	5,768,018	2,267,296	(640,297)
	TNRIP0069-11				
<b>TOTAL STATE GRANTS</b>			\$ 49,012,996	\$ 45,226,995	\$ 16,090,095
<b>TOTAL GRANTS</b>					

**City of Memphis  
Notes to the Schedule of Expenditures of Federal and State Awards  
For the Year Ended June 30, 2014**

**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:

Program Title	Federal CFDA No.	Amount Provided To Sub-recipients
Community Development Block Grant Entitlement Grants	14.218	1,459,726
Home Investment Partnership Program	14.239	444,135
Housing Opportunities for Persons with AIDS	14.241	1,228,872
Shelter Plus Care	14.238	798,982
Workforce Investment Act - Youth	17.259	1,439,638
Juvenile Justice and Delinquency Program	16.541	124,995
Justice Assistance Grant	16.738	150,000

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**INDEPENDENT AUDITOR'S 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 the City of Memphis, Tennessee (the "City"), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated January 9, 2015. Our report includes a reference to other auditors who audited the financial statements of 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 entity'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 significant deficiencies, #2014-01 and #2014-02.

### **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 January 9, 2015.

### **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 questions 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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Memphis, Tennessee  
January 9, 2015

**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 the City of Memphis, Tennessee's (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, 2014. 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 of Memphis, Tennessee'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, 2014.

### **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 of compliance, 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  
January 9, 2015

# CITY OF MEMPHIS

## Schedule of Findings and Questioned Costs For the Year Ended June 30, 2014

### 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? None noted
6. Any audit findings reported as required by Section \_\_.510(a) of Circular A-133? No
7. Federal programs identified as major programs:

#### JAG Program Cluster

16.738 Edward Bryne Memorial Justice Assistance Grant Program

16.804 ARRA – Edward Bryne Memorial Justice Assistance Grant (JAG) Program/Grants

#### to Units of Local Government

#### WIA Cluster

17.258 Workforce Investment Act – Adult Program

17.259 Workforce Investment Act – Youth Activities

17.278 Workforce Investment Act – Dislocated Workers

#### Other Programs

20.205 Highway Planning and Construction

14.256 ARRA - Neighborhood Stabilization Program (Recovery Act Funded)

8. The dollar threshold used to distinguish between type A and type B programs: \$1,073,573
9. Auditee qualified as a low-risk auditee? No

## **Section II: Findings – Financial Statement Audit**

### Significant Deficiency

2014-01

#### Condition:

On January 17, 2014, a fraud was reported to the State of Tennessee Comptroller concerning the City Court Clerk Office. An employee of the City Court Clerk Office, a clerk with expanded privileges, embezzled money by making adjustments/modifications to cash payments for traffic tickets made by customers who had been issued motor vehicle citations by the City of Memphis Government. Those expanded privileges allowed this employee to access, adjust and approve transactions inputted into the Electronic Ticket Information System (ETIS).

#### Criteria:

Per the State of Tennessee Department of Audit's Audit Manual, the Comptroller's Office requires that all instances of fraud, regardless of materiality, be communicated to those charged with governance in the report on internal control over financial reporting and on compliance.

#### Cause of Condition:

A clerk with expanded privileges had the opportunity and ability to enter traffic ticket payments made by customers into ETIS as well as the ability to later void and modify payments in the ETIS. No management oversight over the voiding of payments was performed.

#### Potential Effect of Condition:

Because of the lack of segregation duties and lack of management oversight, the City of Memphis Government's ability to effectively and accurately serve its customers making traffic ticket payments was compromised.

#### Recommendation:

We recommend that the duties of clerks across the City of Memphis Government be segregated to ensure that non-management personnel do not have the ability to accept payments and the ability to void such payments. Additionally, policies and procedures need to be adopted to ensure that the management oversight of clerks and their financial transactions is timely and appropriate. In particular, a report of voided payments should be obtained and reviewed, either daily, weekly or other regular basis.

Management Response:

Management's response is two-fold - (1) eTims will develop a daily exception report for Management review. The exception report will display all voids, adjustments/modifications and refunds. The report will be reviewed daily by management to detect errors and irregularities for supervisors and clerks with expanded system access. (2) Management has implemented effective immediately that all adjustments be approved by a Supervisor.

Significant Deficiency

2014-02

Condition:

On October 8, 2014, a fraud was reported to the State of Tennessee Comptroller concerning the Memphis Police Department Payroll Office. An employee of the Memphis Police Department Payroll Office, a payroll clerk, deposited missing payroll checks into her personal account.

Criteria

Per the State of Tennessee Department of Audit's Audit Manual, the Comptroller's Office requires that all instances of fraud, regardless of materiality, be communicated to those charged with governance in the report on internal control over financial reporting and on compliance.

Cause of Condition:

A lack of segregation of duties and failure to follow City of Memphis Government policies and procedures. First, a payroll clerk had the opportunity and ability to receive missing manual payroll checks. Record-keeping and custody of assets duties should be separate. Second, the hiring process regarding non-exempt employees wasn't completely followed. As a result, a non-exempt employee's payroll check, normally paid by direct deposit, was manually printed.

Potential Effect of Condition:

Because of the lack of segregation of duties and failure to follow City of Memphis Government policies and procedures.

Recommendation:

We recommend that all manual payroll checks be kept in the custody of payroll managers across the City of Memphis Government. Non-management payroll employees should not be allowed to have custody of manual payroll checks. Additionally, payroll validation needs to be performed on a regular basis by the payroll and human resources departments. The payroll department will ensure that a timesheet has been turned in and approved for a given pay period. The human resources department will ensure the hiring process has been completed and that the employee is being paid correctly in accordance with their status.

Management Response:

Management's response is four-fold – (1) The Police Director will adhere to any actions taken by the Administration that results in mandatory direct deposit requirements for all employees. (2) City Payroll will email, directly to the Police Finance Administrator, a report of names of employees who are expected to receive manual checks. The Police Finance Administrator will receive checks and match to the list. The Finance office will issue checks to employees upon presentation of identification. Checks will only be issued to the persons who are named on the check unless the payee authorizes in writing an alternative person who may receive checks with photo id on their behalf. All parties will sign off on checks received. The Finance person issuing the checks will sign off on the list as the checks are issued. (3) The Supervisor of Payroll will submit a plan to the Police Finance Administrator to confirm or improve the process for validation of hours. Police Finance Administrator and Payroll Supervisor shall a) immediately take steps to hire additional staff, full and contingent, to cover all needed positions and b) divide the work of the Payroll Supervisor among existing staff to free up the Payroll Supervisor totally for supervisory activities. (4) Police Finance Administrator will submit an ORACLE access form to immediately terminate the ORACLE rights of any Payroll Specialist who is terminated or resigns. This form will be submitted in advance of the HR final pay documentation sent through the normal process to terminate employee ORACLE rights. The form will be submitted to directly the appropriate person(s) in City Finance Division within 48 hours of the official notice of departure of any Payroll Specialist. Police HR will submit final pay documentation to City HR Compensation in a timely manner according to City Payroll schedule cut off.

**Section III: Findings and Questioned Costs – Major Federal Awards Program**

None

## CITY OF MEMPHIS

### Summary Schedule of Prior Years Audit Findings June 30, 2014

#### 2013-1 Grant Monitoring

Condition: As part of our audit procedures around the Housing Community (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.

Current Status: Implemented.

#### 2013-2 Reporting

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

Current Status: Implemented.