



CITY OF MEMPHIS

COMPREHENSIVE ANNUAL FINANCIAL REPORT

YEAR ENDED JUNE 30, 2017

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COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED JUNE 30, 2017

City of Memphis

Tennessee

Jim Strickland

Mayor

PREPARED BY DIVISION OF FINANCE



Jim Strickland

December 11, 2017

Dear Fellow Memphians,

I'm proud to report, through this Comprehensive Annual Financial Report for fiscal year 2017, that your city government's financial status is not only on a firm footing but continues to improve.

Thanks to our partnership with the Memphis City Council and the stewardship of our hard-working city employees, our budget was balanced without an increase in our property tax rate. All the while, we were able to make significant investments not only in Memphis but in Memphians -- libraries are open longer hours, more roads are being paved, and we continue to rebuild the Memphis Police Department.

Planning is a hallmark of this administration, and it allows us to focus on core city government services with your tax dollars. These funding priorities allow us to work on reducing crime and invest in neighborhoods.

Thanks to a spirit of cooperation and clearly outlined goals, we have enjoyed a spirit of collaboration in setting our first two budgets and keeping our city's financial picture moving in the right direction. I look forward to continuing to do that in the years to come.

Sincerely,

Jim Strickland

INTRODUCTORY SECTION

CITY OF MEMPHIS
T E N N E S S E E



December 26, 2017

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, 2017, 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 Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

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 Co., 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, 2017. 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 approximately 350 square miles and serves an estimated population of 666,723. 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 Chief or 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 GASB 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:

- Blight Authority of Memphis, Inc. (BAM)
- Memphis Area Transit Authority (MATA)
- Memphis Cook Convention Center (MCCC)
- Memphis and Shelby County Airport Authority (MSCAA)
- Memphis Zoological Society (MZS)

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, Tennessee
- 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*)
- Depot Redevelopment Corporation of Memphis and Shelby County
- Downtown Memphis Commission
- Economic Development Growth Engine (EDGE) Industrial Development Board
- Industrial Development Board
- Memphis Center City Revenue Finance Corporation

- Memphis and Shelby County Community Redevelopment Agency
- Memphis and Shelby County Parking Authority

Budget Process

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

- Although growth was slower in recent years of the expansion, in 2016 the U.S. economy continued to show healthy growth with the U.S. gross domestic product (GDP) growing 1.6 percent. As in most recent years, the backbone of the U.S. economy was growth in consumer demand.
- The labor market recovery continued during 2016, with slowing rates of job creation and falling unemployment rates indicating the economy is approaching full employment. The labor market now has 6.3 million more nonfarm payroll jobs than it did prior to the Great Recession; 2.5 million of those jobs were created in 2016 alone. Job gains have not been even across the economy, and despite positive labor market signals, productivity in 2016 remained well below the levels recorded before the recession.
- Employment growth is expected to remain solid and the unemployment rate is expected to continue to drop through 2017 and 2018. The unemployment rate was 4.7 percent in the fourth quarter of 2016 and is

expected to fall to 4.5 percent by the fourth quarter of 2017 and to 4.2 percent by the final quarter of 2018. The uptick in wage compensation seen in 2015 and 2016 is expected to continue into 2017, with a 2.5 percent increase in wage compensation. This signals that labor market tightening is finally beginning to positively impact worker paychecks and that the economy is approaching full employment.

- The U.S. expansion continued in 2016, although more unevenly than in 2015. In the first quarter, GDP grew 0.8 percent on an annualized basis. GDP increased by 1.4, 3.5, and 1.5 percent in the second, third, and fourth quarters. This growth was the product of a labor market approaching full employment and strong consumer demand. The federal deficit reached \$587.3 billion in 2016, edging the federal debt up to \$20 trillion, making 2016 the fifth year in a row that the federal debt has been larger than U.S. GDP.
- Consumer spending continued to be a large driver of the economy, growing 70 percent faster than the overall economy. The strongest consumption growth was recorded in the second quarter, up 4.3 percent compared to 1.6 percent in the first quarter. In the third and fourth quarters, consumption spending grew 3 percent and 2.5 percent, respectively.
- Since the labor market performed well throughout 2016 and the unemployment rate remained well below 6.5 percent, the Federal Reserve was expected to raise interest rates each quarter following an initial interest rate hike in December 2015. However, the Fed held off on another interest rate hike until December 2016 amid uncertainty about the U.S. economy's foothold. In December the Fed raised the federal funds rate from 0.25-0.50 percent to 0.50-0.75 percent. In 2017, the federal funds rate is expected to reach 1.3 percent by the fourth quarter. Inflation-adjusted GDP is expected to grow 2.3 percent in 2017 and 2.6 percent in 2018 compared to 1.6 percent in 2016.

The 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 48% of the MSA's population, and Shelby County accounts for roughly 70%.

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.

- Economic growth in Tennessee has outpaced national growth in recent quarters.
- The Tennessee economy slowed some in 2016, but still performed well for the year. The slower performance was due largely to weaker growth for the national economy. Nominal personal income, which includes all income from all sources earned by Tennesseans, was up 3.6 percent, matching the rate of growth for the nation. Nonfarm employment was up 2.4 percent for the year compared to 1.8 percent growth for the U.S.
- The state unemployment rate averaged 4.6 percent in 2016, just under the 4.9 percent national unemployment rate, and well below the 5.8 percent state rate registered in 2015.
- Stronger nominal and inflation-adjusted output and income growth is expected this year and through 2018. Tennessee's inflation-adjusted gross domestic product (GDP) is expected to be up 2.1 percent in 2017 and 2018, while the U.S. is expected to see slightly stronger growth of 2.3 percent and 2.6 percent for 2017 and 2018 respectively.

Source: *An Economic Report to the Governor of the State of Tennessee*

Memphis' strong healthcare industry, low cost of living and position as a transportation hub leader will continue to contribute as a stabilizing factor of the City's economy until the state and nation fully recover.

The nation's unemployment rate decreased 13.7% percent year over year from 5.1 to 4.4. The unemployment rate for Tennessee and the Memphis MSA continues to follow the national trend by also decreasing in 2017. Tennessee's August 2017 unemployment rate reflects a 25.0 percent decrease from August 2016. The Memphis MSA unemployment rate decreased to 4.2 in August 2017, down 23.6 percent from the same period a year ago.

Unemployment Rates (Seasonally Adjusted) 2016-2017

Region	August 2016	August 2017	Percent Change
Memphis MSA	5.5	4.2	-23.6%
TN	4.4	3.3	-25.0%
US	5.1	4.4	-13.7%

*Note: Memphis MSA and Tennessee 2016 unemployment rates vary from prior year report due to 2016 census changes.

Source: *U.S. Bureau of Labor Statistics and Tennessee Department of Labor and Workforce Development – Civilian Labor Force Summary.*

When comparing September 2017 real estate statistics to the same period in 2016, the Memphis real estate market showed a mix of modest improvements and slight progressions. Total home sales decreased by 0.6 percent. The average sales price significantly increased by 9.9% while the median sales price increased by 11.5 percent. Overall, the market activity continues to be encouraging with no significant set-backs noted per the comparative.

Home Sales in Memphis, Comparative September 2016-2017

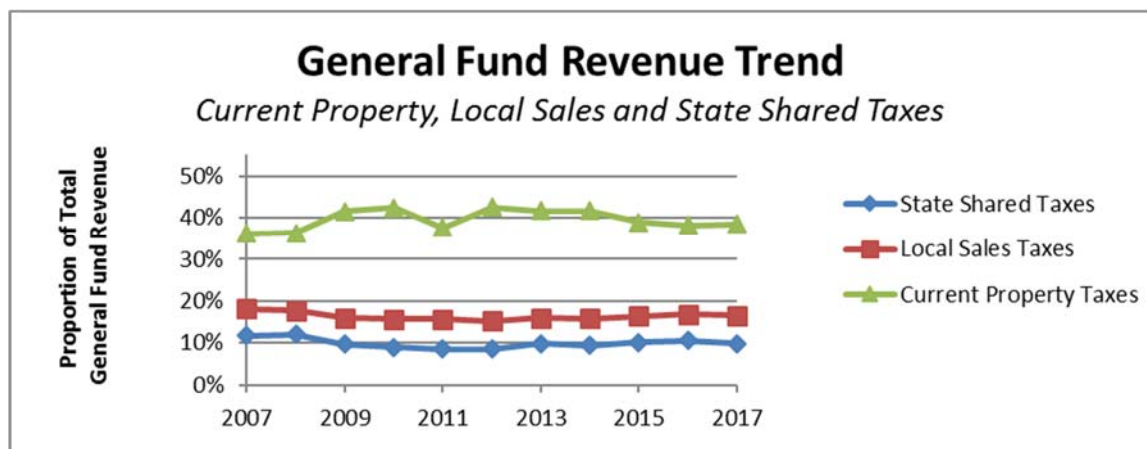
	FY2016	FY2017	Change %
Home Sales	1,616	1,606	-0.6%
Median Sales Price	130,000	145,000	11.5%
Average Sales Price	163,770	179,936	9.9%
Active Listings	5,504	4,627	-15.9%

Source: *Memphis Area Association of Realtors – Memphis Area Homes Sales Report September 2017*



The following chart shows the General Fund revenue trends from fiscal year 2007 through 2017. Explanations for notable trends for the last five years are as follows:

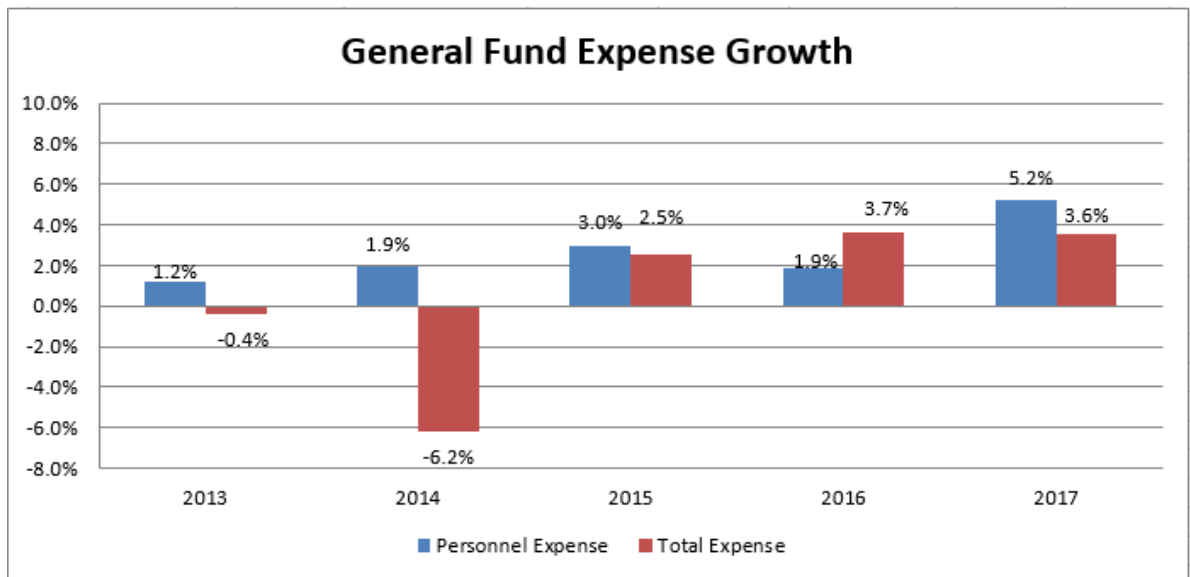
- Despite decreased collections from prior year, fiscal year’s 2013 current property taxes remained constant as a percentage of total revenues year over year. The total current property tax revenue collections decreased in fiscal year 2013 due to the elimination of the one-time \$0.18 cents general fund 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.
- From 2013 through 2014, the percentage of total revenues generated within the City from Property taxes, Local Sales Tax and State Shared Taxes remained constant. In 2015, the City did realize a decrease in Property Taxes due to the reallocation of \$.17 of the property tax rate to the debt service fund from the general fund.
- In 2017, general fund revenues increased over 2016, primarily as a result of greater than expected revenue from current property taxes. Current Property Taxes have increased year over year from 38 percent to 39 percent.



With 72 percent of the City's expense budget dedicated to personnel expenditures for the provision of City services; employment, healthcare, and retirement costs are a constant source of concern. For retirement costs, newly enacted Tennessee state laws required the City to significantly increase annual contributions to the pension fund, with the requirement being that the City pays the full Actuarially Determined Contribution by the year 2020.

- In fiscal year 2013, total expenditures were down (0.4 percent), although there was a slight increase of 1.2 percent in personnel expenditures. The increase in total personnel expenditures resulted from increased funding to the City's OPEB Trust Fund and increased overtime. The reduction in total expenditures 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 cents 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.
- In fiscal year 2014, total expenditures decreased 5.8 percent over fiscal year 2013, marking the third consecutive year of decreases. Total personnel expenditures increased 6 percent over prior year, with the increase primarily attributed to the realignment of personnel from the Fleet Fund to the General Fund. The overall decrease in expenditures 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.
- In fiscal year 2015, the increase in total expenditures is due to \$13.5 million transfer to the OPEB Trust Fund to cover the cost of extending for six months health benefits for employees who retired before the age of 65 (pre-65). Additionally, the initial settlement payment of \$8 million for the lawsuit brought against the City by Memphis City Schools was paid out of the General Fund.
- In fiscal year 2016, total expenditures increased by \$16.5 million. Increases were largely attributable to increases in personnel services for Police and Fire and a related increase in the materials and supplies category. The City also increased Memphis Area Transit Authority (MATA) funding by \$4 million.

- In fiscal year 2017, total expenditures increased by 3.6 percent. This increase was partially due to a \$23,472 (5.2 percent) increase in personnel services as the City continues to meet the mandate for the ADC and rebuilds the staffing of the Memphis Police Division. The City also experienced a \$17,797 (16.4 percent) increase in material and supplies across the City Divisions.



Recent Developments:

- In January 2017, the City in conjunction with St. Jude Children’s Research Hospital (St. Jude) officials, announced the “Bicentennial Gateway Project.” The project is named for the City’s 200th birthday in 2019, and plans to merge several large developments already underway: a \$1 billion St. Jude’s expansion, a multi-million-dollar renovation of the Cook Convention Center, Pinch District, and Uptown District improvements, and redevelopment of Mud Island River Park and the riverfront. The economic impact to the City could be an additional 1,800 new jobs at St. Jude plus an additional 3,000 new jobs in the broader Medical District. The project could also change the aesthetics to the City’s iconic riverfront view from the Hernando Desoto Bridge. Additional facets of the project proposal include an amendment to expand the area considered for the existing Uptown Tax Incremental Financing (TIF). Funding from the TIF would be used to improve infrastructure and eliminate blight.
- The Guesthouse at Graceland (the Hotel) officially opened its doors in October 2016. Located in the Whitehaven community, the Hotel has 450 rooms including 20 luxurious suites, two full-service restaurants, expansive meeting and convention spaces and a state of the art theater equipped to host

live performances and movies. Graceland is one of the City's top tourist attractions, and the completion of this project is the onset of a complete renovation of the surrounding area. With the creation of new jobs, the economic impact to the City is expected to be positive and resounding.

- Construction for the Binghampton Gateway Center broke ground in February 2017. This \$6.8 million project will create 55 jobs for the neighborhood, house a neighborhood grocery store and additional retail space available to tenants in the growing community of Binghampton.
- Frayser Gateway, a proposed \$16 million, 97,000-square-foot grocery-anchored shopping center was awarded a 15-year tax incentive by the Economic Development Growth Engine for the City and Shelby County in June 2017. The tax abatement is the first development of its kind in Frayser in more than thirty years. The project intends to use the nearly 20-acre abandoned site to land a 20,000 to 45,000 square-foot grocery tenant that would provide much-needed relief to neighborhoods east, south and west of the site that are USDA-certified food deserts.

Long-term Financial Planning

The Fiscal Year 2017 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 closely monitor 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 and providing good fiscal stewardship of the City's assets.

As the City focuses on reprioritizing and economizing its Operating Budget, it is also continually planning for the future and developing a means of continued growth to its economy through strategic and visionary capital investments. The 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.

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 2017-2021 are as follows:

The City's planned CIP spending aligns with current priorities that are focused on projects that enhance the City's economic development strategy, leverage federal or private funding, projects that maintain existing facilities, and projects mandated by law. The FY2017 CIP Budget for General Obligation Bond (G.O.) spending is \$88.9 million. This budget increases G.O. funding for the Memphis Area Transit Authority (MATA) by \$5.0 million. The CIP budget also includes \$9.8 million to begin the investment in a radio system upgrade for Police and other City of Memphis safety divisions. In the division of Housing and Community Development the MHA Foote-Future Hope VI project is included. This project will remove the last public housing project in the City (Foote Homes). There is a continued emphasis on road paving, which is proposed for \$16.5 million in GO bond funding, and an increased funding for technology needs.

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, joint ventures, and jointly governed organizations. The CIP is linked to and impacts and is impacted by the City's operating budget.

The benefits of a successfully managed CIP strategy 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 ensure 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.

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, 2016. This was the 40th 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, 2016, the 19th 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. The City wishes to express its appreciation to both, with particular thanks to City Deputy Comptroller, Candi Burton.

Respectfully submitted,



Shirley Ford, CPA, CMFO
Comptroller



Doug McGowen
Chief Operating Officer



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, 2016

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

Executive Director/CEO

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CITY OF MEMPHIS, TENNESSEE

CITY OFFICIALS

Jim Strickland, Mayor

CITY COUNCIL

Berlin Boyd, Chairman (District 7)

Joe W. Brown	District 8-1	Martavius Jones	District 8-3
Frank H. Colvett, Jr	District 2	Worth Morgan	District 5
Edmund Ford, Jr	District 6	Bill Morrison	District 1
Janis Fullilove	District 8-2	Patrice J. Robinson	District 3
Kemp Conrad	District 9-1	Philip Spinosa, Jr	District 9-2
Reid Hedgepeth	District 9-3	Jamita Swearegen	District 4

COURTS

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

ADMINISTRATIVE

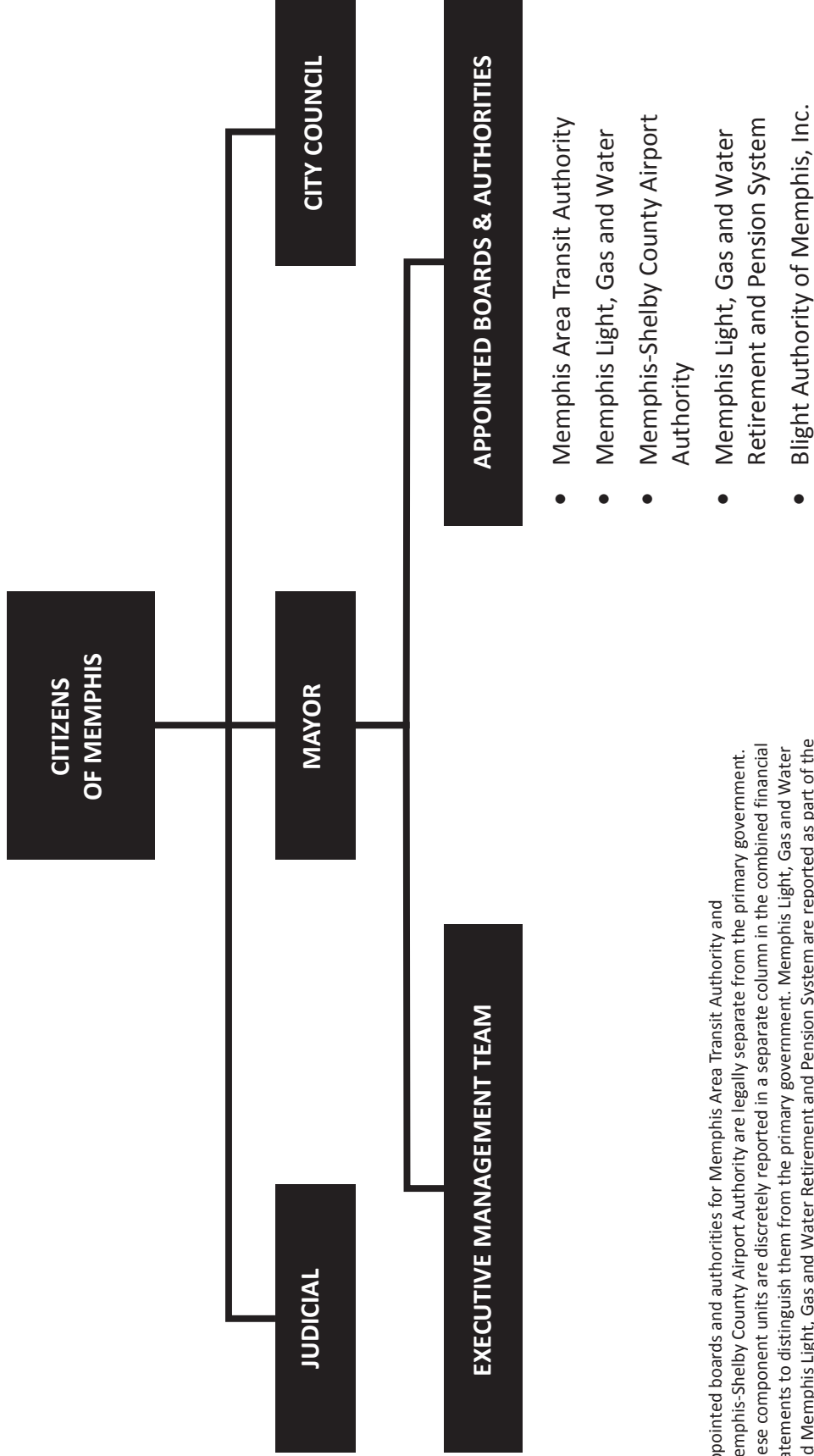
Antonio Adams	Director, General Services
Debbie Banks	Director, Internal Audit
Manny Belen	Interim Director, City Engineer
Brian Collins	Chief Financial Officer
Jerry Collins	President, Memphis Light, Gas and Water Division
Richard Copeland	Director, Office of Planning and
Shirley Ford	Comptroller
Robert Knecht	Director, Public Works
Ursula Madden	Chief Communications Officer
Joann Massey	Director, Business Diversity & Compliance
Doug McGowen	Chief Operating Officer
Bruce McMullen	Chief Legal Officer
Maria Munoz-Blanco	Director, Parks & Neighborhoods
Brent Nair	Chief Information Officer
Michael Rallings	Director of Police Services
Alexandria Smith	Chief Human Resources Officer
Gina Sweat	Director of Fire Services
Paul Young	Director, Housing and Community Development



City of Memphis, Tennessee

ORGANIZATION CHART

Primary Government and Discretely Presented Component Units

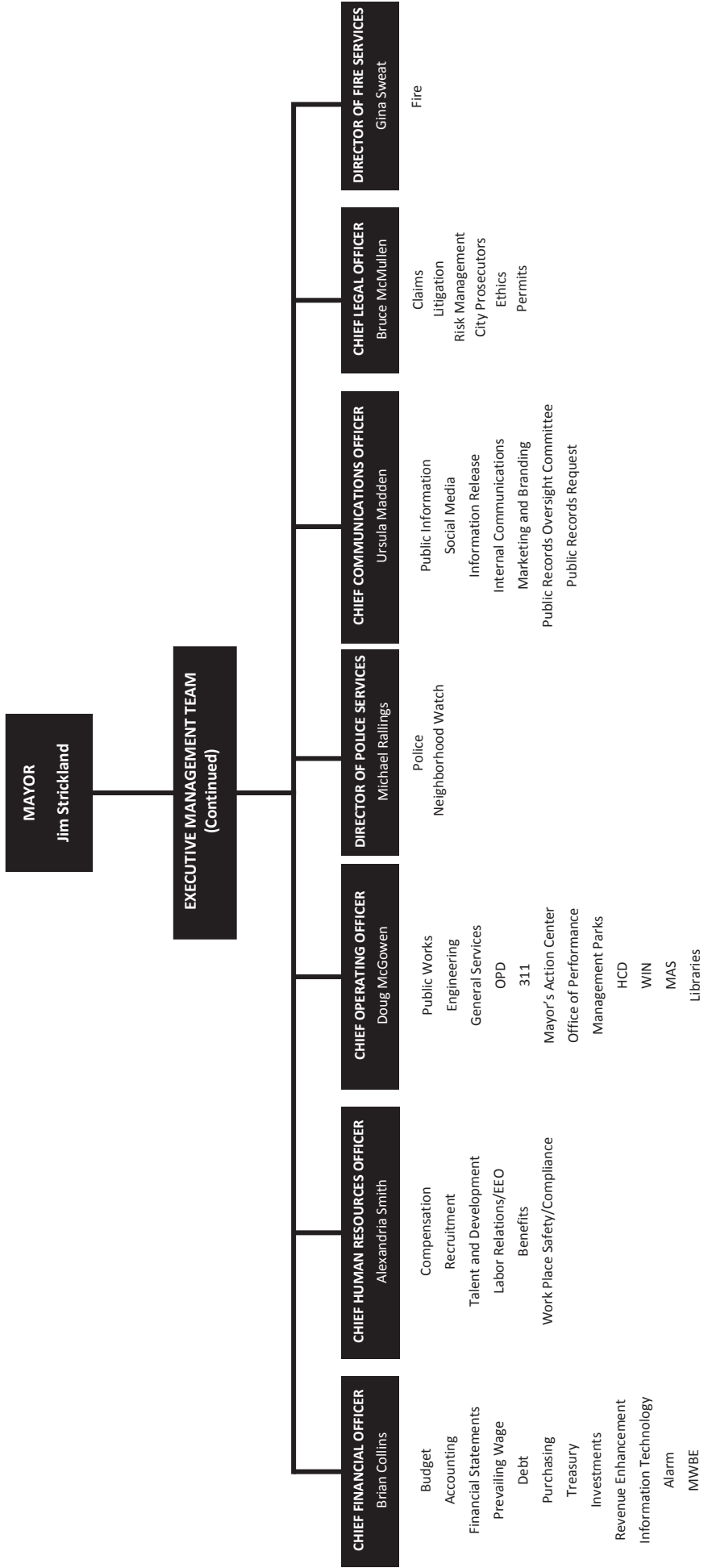


(1) Appointed boards and authorities for Memphis Area Transit Authority and Memphis-Shelby County Airport Authority are legally separate from the primary government. These component units are discretely reported in a separate column in the combined financial statements to distinguish them from the primary 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 61. 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.

City of Memphis, Tennessee

ORGANIZATION CHART

Primary Government and Discretely Presented Component Units (continued)



COO is Liasion for:
 DMC
 MATA
 MLGW
 MIHA
 EDGE-Port Authority
 Innovation Team
 CVB
 Airport



CITY OF MEMPHIS
T E N N E S S E E

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, the statements of revenues and other sources and expenditures and other uses on basis of budgeting for the general fund and the aggregate remaining fund information of the City of Memphis, Tennessee (the "City"), as of and for the year ended June 30, 2017, 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%, 88%, and 72%, respectively, of the assets, net position and revenues of the aggregately discretely presented component units, and revenues. 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 represents 79%, 80%, 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 entity'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, the statements of revenues and other sources and expenditures and other uses on basis of budgeting for the general fund, and the aggregate remaining fund information of the City, as of June 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 23 through 39 and other required supplementary information on pages 193 through 204 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 awards and state financial assistance is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The other supplementary information and the schedule of expenditures of federal awards and state financial assistance 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 by us and other auditors. In our opinion, the other supplementary information and the schedule of expenditures of federal awards and state financial assistance 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 December 26, 2017, 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.

Banks, Finley, White & Co.

Memphis, Tennessee
December 26, 2017

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, 2017. We encourage readers to consider the information presented here in conjunction with the detailed financial statement disclosures and the 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, 2017 by \$1,945,574 (net position). Total government-wide net position decreased by \$57,928 in fiscal year 2017. The government-wide beginning net position was adjusted (\$417,814) for the implementation of GASB 74 and early the implementation of GASB 75 for other postemployment benefits reporting (OPEB).
- At June 30, 2017, the City's governmental activities reported ending net position of a negative \$451,330 compared to a negative \$781,020 as restated from the prior year. The governmental activities beginning net position of negative \$407,176 was decreased \$373,844 for the implementation of GASB 74 and the early implementation of GASB 75. The governmental activities change in net position for fiscal year 2017 was \$329,690.
- The City's business-type activities reported a June 30, 2017 ending net position of \$2,396,904 an increase of \$30,196 or 1.3% from prior year beginning balance as restated. The business-type activities beginning net position of \$2,410,678 was decreased \$43,970 for the implementation of GASB 74 and the early implementation of GASB 75.
- At June 30, 2017, the fund balance for the general fund was \$147,383 an increase of \$2,010 or 1.38% from prior year's balance. The unassigned portion of the fund balance at fiscal year-end was \$95,343 an increase of \$669 over the prior year.
- The City's total general obligation, other debt, and revenue bond debt decreased by \$37,456 or 2.4% during the current fiscal year for governmental activities, and increased \$24,836 or 4.3% for the business-type activities.
- The City's total liabilities of \$3,584,161 which include, among other items, pension and other post-employment benefits liabilities, increased by \$69,680 or 2.0 % from prior year total liabilities of \$3,514,481.
- Deferred Outflows increased from \$220,827 to \$303,942 for a change of \$83,115 year over year primarily attributable to changes in deferred outflows related to pensions and the implementation of GASB 74 and GASB 75 related to OPEB.

- Deferred Inflows increased from \$613,860 to \$731,523 for a change of \$117,663 year over year primarily attributable to changes in deferred inflows related to pensions and the implementation of GASB 74 and GASB 75 related to OPEB.

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 of resources and deferred 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 position 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, 2017. 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. 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 Cook Convention Center, the Memphis Shelby County Airport Authority, and the Memphis Zoological Society, each of which is a legally separate entity for which the City is financially accountable. Financial information for these component units is reported separately from the financial information presented for the primary government itself.

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

Fund Financial Statements

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

Governmental Funds

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

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

The City maintains sixteen 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 twelve 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 (Exhibit B-1 and B-2).

The City adopts an annual appropriated budget for its general, special revenue (except Workforce Investment Network Fund, Community Service Fund, Community Development Fund, Central Business Improvement District Fund, and Community Redevelopment Agency Fund), and debt service funds. Budgetary comparison statements are provided to demonstrate compliance with this budget. Effective for the Fiscal Year 2017 Budget, the City adopted an annual appropriated budget for all funds.

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 (Health Insurance Fund), self-insurance for unemployment benefits (Unemployment Compensation Fund), and operations and maintenance of City vehicles (Fleet Management Fund). 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 the net other postemployment 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. 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 \$2,003,502 at June 30, 2017.

Condensed Statement of Net Position

	Governmental activities		Business-type activities		Total	
	2017	2016	2017	2016	2017	2016
Current and other assets	\$ 975,447	978,572	1,053,444	1,177,810	2,028,891	2,156,382
Capital assets	1,556,127	1,532,774	2,372,298	2,221,860	3,928,425	3,754,634
Total assets	2,531,574	2,511,346	3,425,742	3,399,670	5,957,316	5,911,016
Deferred outflows of resources	200,008	186,511	103,934	34,316	303,942	220,827
Long-term liabilities outstanding	1,389,128	1,426,978	406,006	384,380	1,795,134	1,811,358
Other liabilities	1,095,455	1,098,977	693,572	604,146	1,789,027	1,703,123
Total liabilities	2,484,583	2,525,955	1,099,578	988,526	3,584,161	3,514,481
Deferred inflows of resources	698,329	579,078	33,194	34,782	731,523	613,860
Net positions:						
Net investment in capital assets	304,799	293,259	2,020,550	2,017,891	2,325,349	2,311,150
Restricted	162,682	151,398	117,162	72,629	279,844	224,027
Unrestricted	(918,811)	(851,833)	259,192	320,158	(659,619)	(531,675)
Total net position as restated	\$ (451,330)	(407,176)	2,396,904	2,410,678	1,945,574	2,003,502

The portion of the City's net position that 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 is \$2,325,349. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided for by other sources, since the capital assets themselves cannot be used to liquidate these liabilities. An additional \$279,884 portion of the City's net position represents resources that are subject to external restrictions on how they may be used. The balance remaining is a negative unrestricted net position of \$659,619.

Condensed Statement of Changes in Net Positions

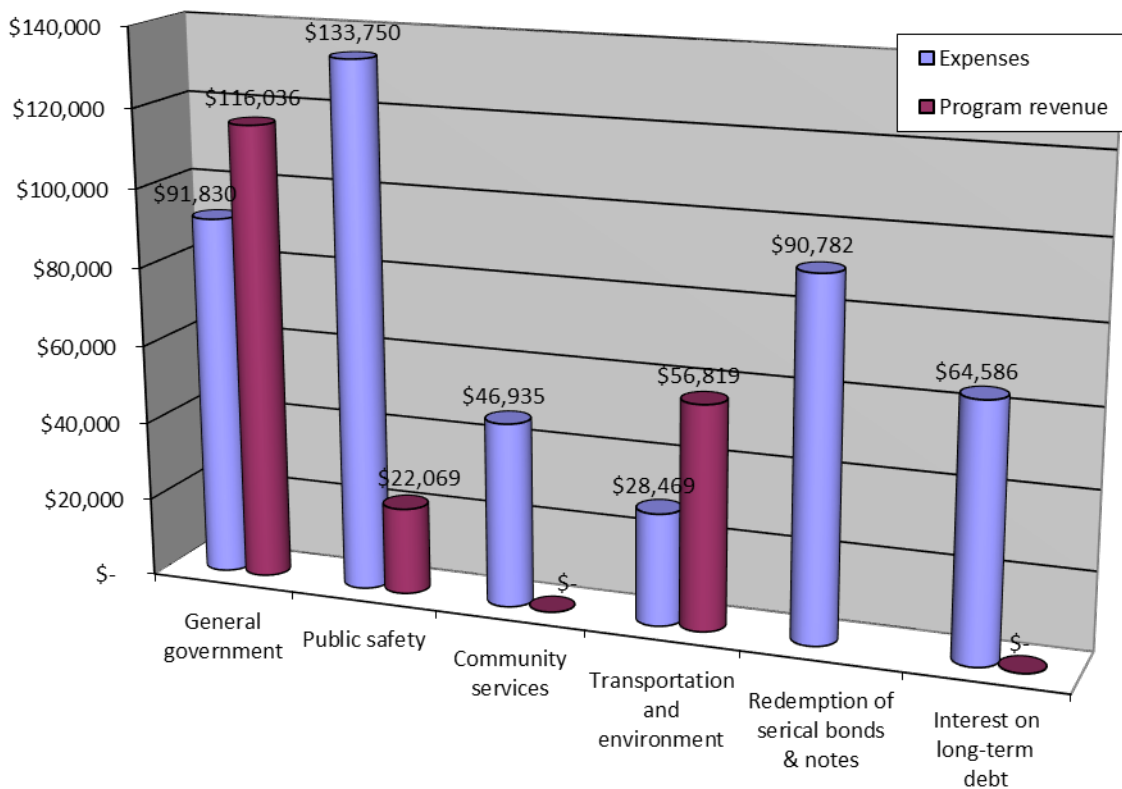
	Governmental activities		Business-type activities		Total	
	2017	2016	2017	2016	2017	2016
Revenues:						
Program Revenues:						
Charges for services	\$ 144,324	151,146	1,678,402	1,724,091	1,822,726	1,875,237
Operating grants and contributions	41,666	38,719	547	555	42,213	39,274
Capital grants and contributions	8,934	23,610	1,133	3,009	10,067	26,619
General revenues:						
Local taxes	580,750	542,475	-	-	580,750	542,475
State taxes (local share)	82,519	103,987	-	-	82,519	103,987
Hotel/motel tax	15,513	10,726	-	-	15,513	10,726
Sale of Capital Assets	-	-	-	-	-	-
Unrestricted investment earnings	1,574	1,654	18,059	21,998	19,633	23,652
Other	41,881	28,662	35,083	10,003	76,964	38,665
Total revenues	917,161	900,979	1,733,224	1,759,656	2,650,385	2,660,635
Expenses:						
General government	91,718	212,054	-	-	91,718	212,054
Public safety	133,750	437,430	-	-	133,750	437,430
Community services	46,935	92,365	-	-	46,935	92,365
Transportation and environment	28,469	71,286	-	-	28,469	71,286
Education	112	154	-	-	112	154
Interest on long-term debt	64,586	64,151	-	-	64,586	64,151
Redemption of serial bonds and notes	90,782	-	-	-	90,782	-
Sewer collection and treatment	-	-	62,347	70,163	62,347	70,163
Memphis Light, Gas and Water	-	-	1,561,282	1,554,006	1,561,282	1,554,006
Storm Water	-	-	8,502	19,289	8,502	19,289
Total expenses	456,352	877,440	1,632,131	1,643,458	2,088,483	2,520,898
Increase (decrease) in net position before transfers	460,809	23,539	101,093	116,198	561,902	139,737
Transfers	(131,119)	25,097	(70,897)	(66,505)	(202,016)	(41,408)
Increase (decrease) in net position	329,690	48,636	30,196	49,693	359,886	98,329
Net position - July 1	(407,176)	(455,329)	2,410,678	2,380,769	2,003,502	1,925,440
Prior Period Adjustment	(373,844)	(483)	(43,970)	(19,784)	(417,814)	(20,267)
Net position - July 1, as restated	(781,020)	(455,812)	2,366,708	2,360,985	1,585,688	1,905,173
Net position - June 30	\$ (451,330)	(407,176)	2,396,904	2,410,678	1,945,574	2,003,502

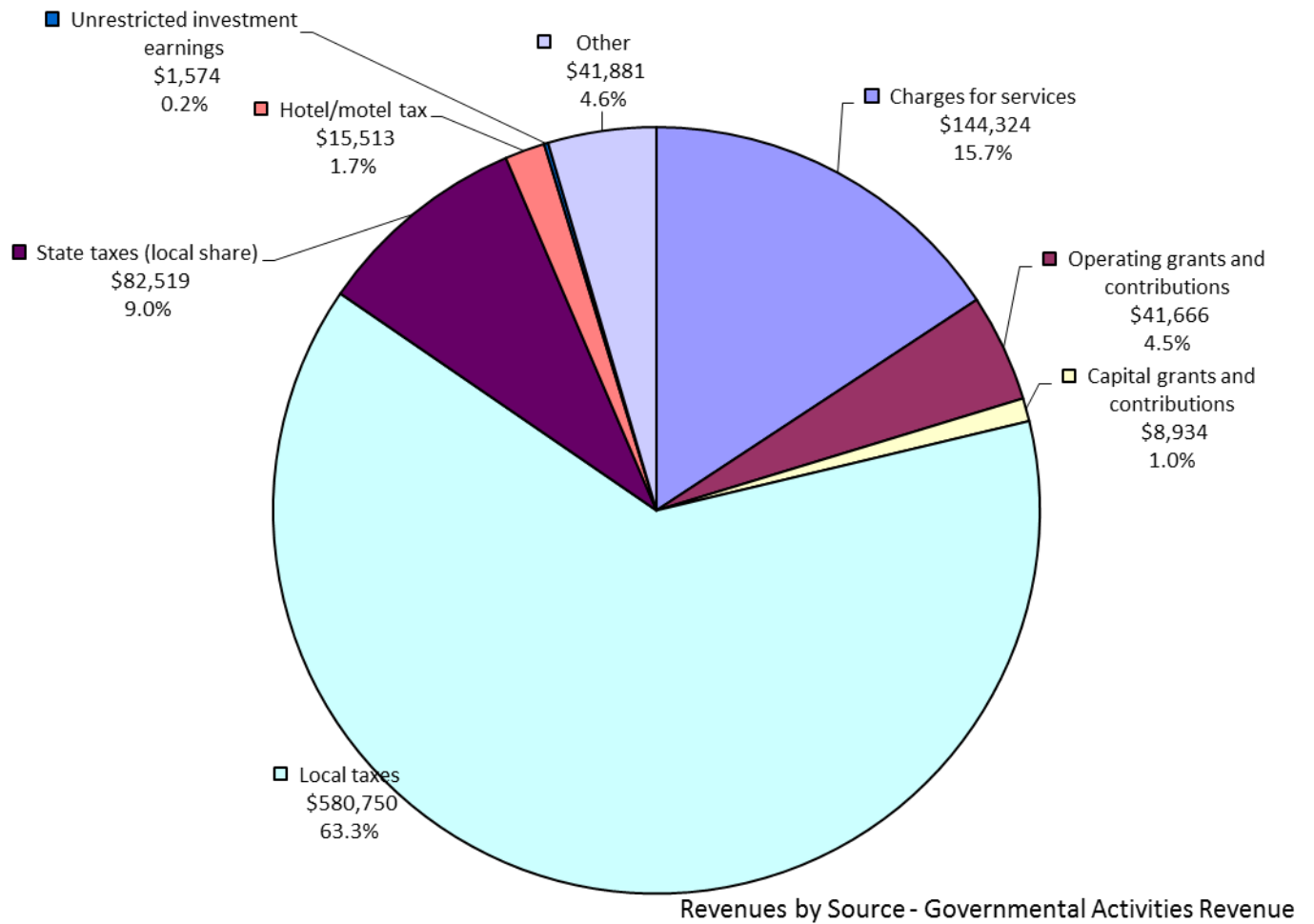
Governmental Activities

During fiscal year 2017, governmental activities increased the City's net position by \$329,690. Key elements of the governmental activities are discussed below:

- During fiscal year 2017, total revenues increased by \$16,182. Relevant factors include a net increase between the increase in local taxes and a decrease in local share of state taxes, a \$4,787 increase in the Hotel Motel Tax revenue, a \$2,947 increase in operating grant and contributions, and a \$14,676 decrease in capital grants and contributions.
- Total governmental activities expenses decreased \$421,088. Governmental activities program expenses are detailed in Exhibit A-2.

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



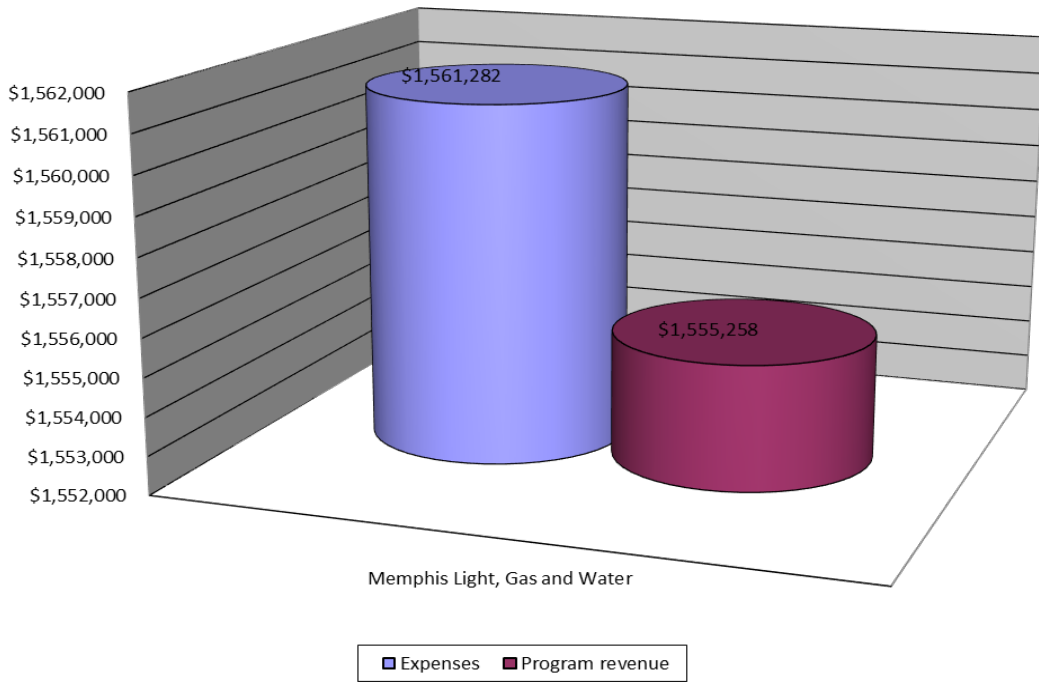


Business-type Activities

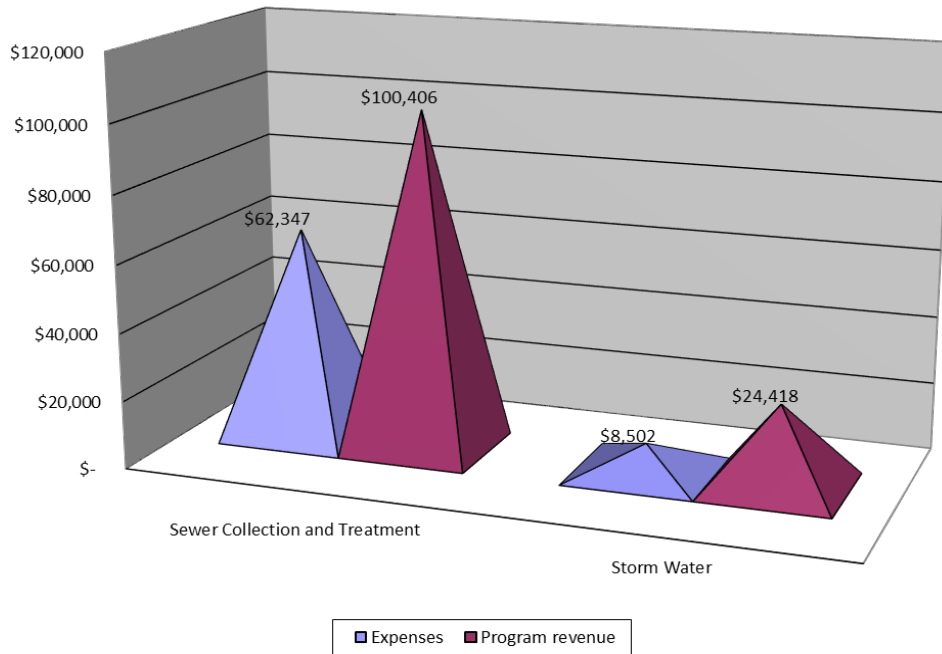
Business-type activities increased the City's net position by \$30,196. Key elements of the increase are as follows:

- Total revenues for the Business-type activities were down \$27,605 year over year. The most significant was a \$45,689 decrease in charges for services largely attributable to Memphis Light Gas & Water.
- Total business-type expenses decreased \$11,327 from prior year. The decrease in expenses occurred in the Sewer Collection and Treatment Fund and the Storm Water Fund. MLGW experienced a \$7,276 increase in expenses, with negative changes in net position for both the Electric Division and the Gas Division. Business-type program expenses are detailed in Exhibit A-2.

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



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



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, 2017, the City's total governmental funds reported combined ending fund balance of \$258,025 an increase of \$6,159 or 2.4% in comparison with the prior year. Approximately 37.0% or \$95,343 of the fund balance constitutes unassigned fund balance, which is available for spending at the government's discretion. Approximately 21.3% or \$54,969 of the fund balance is considered restricted to indicate the amount is subject to external enforceable legal restrictions. Another \$63,954 or 24.8% of the fund balance is reported as committed indicating amounts where utilization is constrained by limitations that the City Council imposed. The remainder of fund balance \$43,759 or 17.0% has been assigned by the administration to indicate that it is not available for new spending primarily because it has already been obligated to intergovernmental activities and to liquidate contracts and purchase orders of the prior period.

The general fund is the chief operating fund of the City. At June 30, 2017, unassigned fund balance of the general fund was \$95,343 or 64.7% of the total fund balance of \$147,383. 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 14.6% of total general fund expenditures, while total general fund balance represents 22.5% of the fund expenditures.

The fund balance of the City's general fund remained relatively unchanged with an increase of \$2,010 or 1.38% during the fiscal year ended June 30, 2017. Key factors of the change in the general fund are as follows:

- Total General Fund Revenues resulted in a modest increase of \$428 over the prior year. The revenue categories of local taxes (increase of \$2,628) and state taxes (decrease of \$4,300) showed a net decrease from the prior

year. Fines and forfeitures showed a decrease of \$2,051 while federal grants and entitlements and intergovernmental revenues resulted in increases of \$1,493 and \$3,413 respectively.

- Transfers In increased \$10,449 from fiscal year 2016. Transfers Out decreased \$10,801 from prior year.
- Other Financing Uses also showed transactions resulting in \$1,792 as the result of the sale of capital assets.
- Total expenditures increased by \$40,386 or 6.64% over prior year. Increases were across the categories of general government services, public safety, and community services. Increases were largely attributable to a \$13,168 increase in general government expenditures and continued increases in expenditures for public safety with an increase of \$26,874. Transportation and environment experienced a slight decrease in expenditures.

The fund balance of the City's Debt Service fund decreased by \$12,457 to \$48,798 during the fiscal year ended June 30, 2017. Key factors resulting in this change are as follows:

- Total revenues remained basically unchanged from prior year, with a modest increase of \$3,163.
- Expenditures related to debt service also remained basically unchanged year over year; \$163,888 for fiscal year 2017, and \$160,815 for fiscal year 2016.
- Total other financing sources and uses decreased \$20,979. Activities included a use of sources in the amount of \$195,830 for payments to refunded bond escrow agent, which was offset in part by the receipt of \$158,240 from the refunding bonds/issuance of debt. The fund also experienced a slight uptick on the premium on general obligation bonds in the amount of \$11,596.

The fund balance of the City's Capital Project fund increased by \$19,280 for fiscal year ended June 30, 2017. Although the fund experienced a continuance of expenditures over revenues in the amount of approximately \$70,908, other elements of fund balance change are:

- Revenue decreased \$14,168 from prior year, largely attributable to a significant decrease in federal grant and entitlements.
- Expenditures decreased \$26,885 or 27.38% due to a significant decrease in capital outlay.
- Other financing sources in the form of refunding of bonds / issuance of debt increased from \$45,310 to \$75,000 over the prior year.

Details for the other governmental funds, including special revenue funds are presented in Exhibits B-1 and B-2.

Proprietary Funds

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

Unrestricted net position of \$259,192 on Exhibit A-1 is comprised of a positive \$290,370 for Memphis Light, Gas and Water, which can be used for on-going operations of the public utility system, the remaining negative \$34,004 represents the unrestricted deficit net position of the Sewer Fund in the amount of \$17,605 and the Storm Water Fund in the amount of \$16,399. The government wide presentation of unrestricted net position also contains a \$10,000 estimated pollution remediation outlay in accordance with GASB 49. Detail of Proprietary Funds is presented on Exhibit A-9 Statement of Net Position.

General Fund Budgetary Highlights

The original operating budget for fiscal year 2017 anticipated a use of fund balance of \$15,917. Actual contribution to fund balance for fiscal year 2017 was \$2,010.

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

- Revenues were only slightly increased by \$2,226.
- Expenditures budget was increased \$24,259 which encompassed a decreased adjustment for encumbrances year over year. The general government budget was increased \$11,951, the public safety budget was increased \$14,078, with a modest offset adjustment of \$3,296 to transportation and environment expenditures.

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, 2017, totaled \$3,928,425 (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 \$173,791 or 4.6%. The governmental activities contributed \$23,353 to the increase. The business-type activities contributed \$150,438.

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

	Governmental activities		Business-type activities		Total	
	2017	2016	2017	2016	2017	2016
Land and buildings	\$ 345,651	361,342	30,834	31,904	376,485	393,246
Improvements other than buildings	531,574	548,755	313,721	295,283	845,295	844,038
Equipment	50,875	55,238	16,373	14,834	67,248	70,072
Construction in progress	628,027	567,439	255,398	203,357	883,425	770,796
Memphis Light, Gas and Water	-	-	1,755,972	1,676,482	1,755,972	1,676,482
Total	\$ 1,556,127	1,532,774	2,372,298	2,221,860	3,928,425	3,754,634

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

- Continued anti-blight initiatives.
- Purchase of police in-car video equipment, mobile command unite, and communications power supply.
- Engineering Division funding for replacement of traffic signals, paving, and transportation improvements.
- The Storm Water investments in drainage infrastructure throughout the City.
- Construction for the Binghamton Gateway Center.
- Improvements and repairs to the Cook Convention Center.

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

Long-term Debt

At June 30, 2017, the City had total bonded debt outstanding of \$2,102,448. Of this amount, \$1,497,667 comprises debt backed by the full faith and credit of the government. The remaining balance of \$604,781 consists of bonds secured solely by specified revenue sources (i.e., revenue bonds) and state loans.

Condensed Statement of Outstanding Debt
General Obligation and Revenue Bonds

	Governmental activities		Business-type activities		Total	
	2017	2016	2017	2016	2017	2016
General obligation bonds	1,169,577	1,263,105	-	-	1,169,577	1,263,105
Commercial Paper	75,000	-	-	-	75,000	-
Capital lease obligations	31,618	38,025	-	-	31,618	38,025
Settlement obligations	17,332	18,666	-	-	17,332	18,666
Guarantee obligations	204,140	215,327	-	-	204,140	215,327
Revenue bonds	-	-	557,657	568,601	557,657	568,601
State loans	-	-	47,124	11,344	47,124	11,344
Total	\$ 1,497,667	1,535,123	604,781	579,945	2,102,448	2,115,068

The City's total general obligation debt remained relatively unchanged during fiscal year 2017. Total debt includes state loans, general obligation bonds, bond anticipation notes, capital lease obligations, commercial paper, and revenue bonds. Governmental activities' total debt decreased by \$29,935, while business-type activities' debt increased by \$24,836.

The City has long held a high grade bond rating on indebtedness from the major credit rating services. As of June 30, 2017, the City held ratings of Aa2 by Moody's Investor Service, AA by S&P Global Rating Service. Some of 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.

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 www.mlgw.com.

Additional information on the City's long-term debt can be found in Notes to Financial Statements section IV.G.

Economic Factors and Next Year's Budgets

Factors considered in preparing the City's budget for the 2018 fiscal year are discussed more fully in the Budget document and include:

- The budget conservatively embraces economic positives and carefully apportions increased investments in the City's priorities of safety, neighborhoods, youth, government, and economic development.
- Public safety, which encompasses our Police and Fire Division, is a top priority.
- The adopted operating budget for all funds calls for expenditures of \$1,183,149 against revenues of \$1,206,083.
- The adopted operating budget for the general fund is \$666,436 in revenues and \$668,692 in expenditures, with a projected \$2,256 use of fund balance.

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 requests for additional financial information may be addressed to the Office of the Chief Financial Officer, Room 368, City of Memphis, 125 North Main, Memphis, Tennessee 38103. The Comprehensive Annual Financial Report, the 2018 Operating Budget and 5 Year Capital Improvement Program, and other general information about the City may be found on the City's website, www.memphistn.gov.



CITY OF MEMPHIS
T E N N E S S E E

BASIC FINANCIAL STATEMENTS



STATEMENT OF NET POSITION
(Thousands of Dollars)
June 30, 2017

CITY OF MEMPHIS, TENNESSEE
EXHIBIT A-1

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Cash and cash equivalents	\$ 13,445	\$ 166,191	\$ 179,636	\$ 32,220
Investments	10,633	150,620	161,253	36,772
Equity in cash and investment pool	262,245	53,381	315,626	-
Restricted funds	-	47,043	47,043	-
Receivables (net of allowance for uncollectibles):				
Property taxes	458,671	-	458,671	-
Sales, income, and other taxes	43,796	-	43,796	-
Special assessments	3,877	-	3,877	-
Federal and state grants	57,249	-	57,249	7,882
Interest and dividends on investments	143	10	153	-
Notes and accounts receivable	-	147,393	147,393	-
Housing rehabilitation loans	37,901	-	37,901	-
Other	35,180	-	35,180	9,072
Internal balances	2,989	12,826	15,815	-
Due from other agencies and governments	25,743	-	25,743	690
Inventories	908	33,773	34,681	4,963
Unbilled revenues	-	74,633	74,633	-
Prepaid expense	-	119,697	119,697	3,369
Escrow - advance refunding	22,667	-	22,667	-
Restricted assets:				
Cash and cash equivalents	-	-	-	71,159
Investments	-	99,897	99,897	79,233
Receivables-other	-	-	-	6,781
Non-depreciable capital assets	698,129	269,131	967,260	189,632
Depreciable capital assets (net of accumulated depreciation)	857,998	2,103,167	2,961,165	795,845
Other assets	-	147,980	147,980	-
Total Assets	2,531,574	3,425,742	5,957,316	1,237,618
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows - pensions	167,070	99,765	266,835	12,461
Deferred outflows - OPEB	32,938	2,670	35,608	-
Deferred outflows - other	-	1,499	1,499	5,519
Total assets and deferred outflows of resources	2,731,582	3,529,676	6,261,258	1,255,598

(Continued)

STATEMENT OF NET POSITION
(Thousands of Dollars)
June 30, 2017

CITY OF MEMPHIS, TENNESSEE
EXHIBIT A-1

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
LIABILITIES				
Accounts payable and accrued liabilities	\$ 53,194	\$ 159,947	\$ 213,141	\$ 24,215
Accrued interest payable	15,639	84,007	99,646	-
Insurance claims payable	7,175	-	7,175	-
Due to other agencies and governments	4,273	-	4,273	2,028
Refundable bonds and deposits	1,575	-	1,575	-
Unearned revenue	12,794	-	12,794	11,888
Pollution remediation obligation	-	10,000	10,000	-
Other liabilities	104,542	166,930	271,472	-
Noncurrent liabilities:				
Due within one year	113,265	135,815	249,080	23,115
Due in more than one year	1,389,128	406,006	1,795,134	424,363
Net OPEB liability - due in more than one year	383,586	31,101	414,687	-
Net pension liability - due in more than one year	399,412	105,772	505,184	-
Total Liabilities	<u>2,484,583</u>	<u>1,099,578</u>	<u>3,584,161</u>	<u>485,609</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows - pensions	156,058	33,074	189,132	7,200
Deferred inflows - OPEB	213	17	230	-
Deferred inflows - other	542,058	103	542,161	-
Total liabilities and deferred inflows of resources	<u>3,182,912</u>	<u>1,132,772</u>	<u>4,315,684</u>	<u>492,809</u>
NET POSITION				
Net investment in capital assets	304,799	2,020,550	2,325,349	546,299
Restricted for:				
Debt service	48,798	108,387	157,185	-
Capital acquisitions/projects	23,661	-	23,661	199,514
Construction	-	8,775	8,775	-
Solid waste management	13,001	-	13,001	-
Drug enforcement	9,980	-	9,980	-
Donor/Statutory restrictions	67,242	-	67,242	-
Other	-	-	-	7,613
Self insurance	-	-	-	510
Unrestricted:	(918,811)	259,192	(659,619)	8,853
Total Net Position	<u>\$ (451,330)</u>	<u>\$ 2,396,904</u>	<u>\$ 1,945,574</u>	<u>\$ 762,789</u>

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, 2017

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	Primary Government			
					Governmental Activities	Business-Type Activities	Total	
Functions/Programs								
Primary government:								
Governmental Activities:								
General government	\$ 91,718	\$ 65,436	\$ 41,666	\$ 8,934	\$ 24,318	\$ -	\$ 24,318	\$ -
Public safety	133,750	22,069	-	-	(111,681)	-	(111,681)	-
Community services	46,935	-	-	-	(46,935)	-	(46,935)	-
Transportation and environment	28,469	56,819	-	-	28,350	-	28,350	-
Education	112	-	-	-	(112)	-	(112)	-
Redemption of serial bonds and notes	90,782	-	-	-	(90,782)	-	(90,782)	-
Interest on long-term debt	64,586	-	-	-	(64,586)	-	(64,586)	-
Total governmental activities	456,352	144,324	41,666	8,934	(261,428)	-	(261,428)	-
Business-type activities:								
Sewer collection and treatment	62,347	98,726	547	1,133	-	38,059	38,059	-
Memphis Light, Gas and Water	1,561,282	1,555,258	-	-	-	(6,024)	(6,024)	-
Storm water	8,502	24,418	-	-	-	15,916	15,916	-
Total business-type activities	1,632,131	1,678,402	547	1,133	-	47,951	47,951	-
Total primary government	\$ 2,088,483	\$ 1,822,726	\$ 42,213	\$ 10,067	\$ (261,428)	\$ 47,951	\$ (213,477)	\$ -
Component units:								
Memphis Area Transit Authority	69,317	7,857	-	8,563	-	-	-	(52,897)
Memphis Zoological Society	17,079	18,034	734	706	-	-	-	2,395
Memphis Cook Convention Center	8,174	5,231	-	-	-	-	-	(2,943)
Memphis-Shelby County Airport Authority	135,678	104,176	-	23,491	-	-	-	(8,011)
Total component units	\$ 230,248	\$ 135,298	\$ 734	\$ 32,760	\$ -	\$ -	\$ -	\$ (61,456)

STATEMENT OF ACTIVITIES
(Thousands of Dollars)

For the fiscal year ended June 30, 2017

CITY OF MEMPHIS, TENNESSEE
EXHIBIT A-2
(continued)

	Program Revenues			Net (Expense) Revenue and Changes in Net Position			Component Units
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-Type Activities	
General revenues:							
Local taxes:							
Property taxes - levied for education					112		112
Property taxes - levied for debt service					129,776		129,776
Property taxes - levied for capital projects					371		371
Property taxes - levied for general government					271,328		271,328
Interest, penalties and commission - property taxes					5,777		5,777
Sales tax, general					114,465		114,465
Sales tax, beer					16,465		16,465
Gross receipts tax					14,496		14,496
Franchise tax					6,967		6,967
Other local taxes					20,993		20,993
State taxes-unrestricted:							
Sales tax					71,456		71,456
Income tax					9,063		9,063
Beer tax					312		312
Alcoholic beverage tax					381		381
Petroleum products tax					1,307		1,307
Hotel/motel tax					15,513		15,513
Grants and contributions not restricted to specific programs					-		67
City of Memphis subsidy					-		25,655
Investment income					1,574	18,059	19,633
Federal grants and entitlements					-	-	16,271
State grants					-	-	7,706
Other					41,881	35,083	76,964
Transfers					(131,119)	(70,897)	(202,016)
Total general revenues and transfers					591,118	(17,755)	573,363
Changes in net position					329,690	30,196	359,886
Net position - beginning, as restated					(781,020)	2,366,708	1,585,688
Net position - ending					(451,330)	2,396,904	1,945,574

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

BALANCE SHEET
GOVERNMENTAL FUNDS
(Thousands of Dollars)
June 30, 2017

CITY OF MEMPHIS, TENNESSEE
EXHIBIT A-3

	General	Debt Service	Capital Projects	Community Development	Nonmajor Funds	Total Governmental Funds
ASSETS						
Cash and cash equivalents	\$ 40	\$ 11,842	\$ -	\$ 1,080	\$ 481	\$ 13,443
Investments	-	-	10,633	-	-	10,633
Equity in cash and investment pool	138,552	14,730	27,321	4,150	41,465	226,218
Receivables (net of allowance for uncollectibles):						
Property taxes:						
Current property taxes	282,154	132,286	403	-	-	414,843
Delinquent property taxes	31,441	12,265	43	-	79	43,828
Special assessments:						
Current special assessments	-	-	-	-	3,760	3,760
Delinquent special assessments	-	-	-	-	117	117
Sales, income, and other taxes	42,364	1,432	-	-	-	43,796
Federal and state grants	3,872	-	6,083	40,131	7,163	57,249
Interest and dividends on investments	-	-	-	143	-	143
Housing rehabilitation loans	-	-	-	37,901	-	37,901
Other	31,466	4,025	-	113	2,570	38,174
Due from other funds	2,694	295	-	-	-	2,989
Due from other agencies and governments	476	-	-	-	25,313	25,789
Escrows - debt funding	-	22,667	-	-	-	22,667
Total assets	\$ 533,059	\$ 199,542	\$ 44,483	\$ 83,518	\$ 80,948	\$ 941,550
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable and accrued liabilities	\$ 37,706	\$ 44	\$ 6,128	\$ 1,094	\$ 7,354	\$ 52,326
Contract retainage	-	-	10	2	10	22
Due to other funds	-	-	-	-	2,989	2,989
Due to other agencies and governments	4,273	-	-	-	-	4,273
Refundable bonds and deposits	1,575	-	-	-	-	1,575
Unearned revenue	-	-	11,162	-	1,632	12,794
Total liabilities	43,554	44	17,300	1,096	11,985	73,979
Deferred inflows:						
Prepaid taxes	548	-	-	-	-	548
Uncollected property taxes	314,146	145,993	450	-	79	460,668
Uncollected anti-neglect fees	426	-	-	-	-	426
Uncollected traffic fines	17,144	-	-	-	-	17,144
Uncollected ambulance fees	5,439	-	-	-	-	5,439
Uncollected special assessments	-	-	-	-	3,797	3,797
Uncollected grant reimbursements	-	-	-	-	12,119	12,119
Uncollected intergovernmental revenue	-	-	-	39,513	19,793	59,306
Uncollected project loans receivable	-	-	-	37,901	-	37,901
Other deferred inflows	4,419	4,707	3,072	-	-	12,198
Total deferred inflows	342,122	150,700	3,522	77,414	35,788	609,546
Total liabilities and deferred inflows	385,676	150,744	20,822	78,510	47,773	683,525
Fund balances:						
Restricted	8,281	16,168	-	5,008	25,512	54,969
Committed	-	32,630	23,661	-	7,663	63,954
Assigned	43,759	-	-	-	-	43,759
Unassigned	95,343	-	-	-	-	95,343
Total fund balances	147,383	48,798	23,661	5,008	33,175	258,025
Total liabilities, deferred inflows and fund balances	\$ 533,059	\$ 199,542	\$ 44,483	\$ 83,518	\$ 80,948	\$ 941,550

See accompanying notes to financial statements.

**RECONCILIATION OF THE BALANCE SHEET TO THE
STATEMENT OF NET POSITION
(Thousands of Dollars)
June 30, 2017**

**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	\$ 258,025
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	1,556,127
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	59,552
Net pension 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 pension obligations.	(388,400)
Net 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.	(350,103)
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.	23,105
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	<u>(1,609,636)</u>
Net position of governmental activities	<u>\$ (451,330)</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
 (Thousands of Dollars)
 For the fiscal year ended June 30, 2017

CITY OF MEMPHIS, TENNESSEE
 EXHIBIT A-5

	General	Debt Service	Capital Projects	Community Development	Nonmajor Funds	Total Governmental Funds
REVENUES						
Local taxes	\$ 442,433	\$ 129,776	\$ 371	\$ -	\$ 8,170	\$ 580,750
State taxes (local share)	65,028	17,491	-	-	17,878	100,397
Hotel/motel tax	-	-	-	-	15,513	15,513
Licenses and permits	13,393	-	-	-	768	14,161
Fines and forfeitures	14,519	-	-	-	3,212	17,731
Charges for services	33,942	-	-	-	56,982	90,924
Investment income	892	345	70	-	114	1,421
Federal grants and entitlements	2,017	2,377	8,331	15,772	17,099	45,596
State grants	2,049	-	603	-	2,352	5,004
Intergovernmental revenues	9,409	-	-	-	-	9,409
Other	9,726	4,122	3,732	-	2,741	20,321
Total revenues	593,408	154,111	13,107	15,772	124,829	901,227
EXPENDITURES						
Current:						
General government	153,065	-	-	-	45,641	198,706
Public safety	432,578	-	-	-	3,185	435,763
Community services	54,243	-	-	15,772	10,547	80,562
Transportation and environment	14,162	-	-	-	60,034	74,196
Education	-	-	-	-	112	112
Capital outlay	-	-	71,108	-	-	71,108
Debt service:						
Redemption of serial bonds and notes	-	90,782	-	-	-	90,782
Lease payments	975	5,431	-	-	-	6,406
Interest	-	65,051	-	-	-	65,051
Bond issuance cost	-	1,518	181	-	-	1,699
Service charges	-	1,106	9	-	-	1,115
Total expenditures	655,023	163,888	71,298	15,772	119,519	1,025,500
Revenues over (under) expenditures	(61,615)	(9,777)	(58,191)	-	5,310	(124,273)
OTHER FINANCING SOURCES (USES)						
Sale of capital assets	1,792	-	-	-	-	1,792
Transfers in	69,807	17,509	2,471	-	5,403	95,190
Transfers out	(7,974)	-	-	-	(15,843)	(23,817)
Capital leases	-	-	-	-	3,250	3,250
Payment to refunded bond escrow agent	-	(195,830)	-	-	-	(195,830)
Refunding bonds/issuance of debt	-	158,240	75,000	-	-	233,240
Premium on general obligation bonds	-	17,401	-	-	-	17,401
Total other financing sources (uses)	63,625	(2,680)	77,471	-	(7,190)	131,226
Net change in fund balances	2,010	(12,457)	19,280	-	(1,880)	6,953
Fund balances - beginning of year (1)	145,373	61,255	4,381	5,008	35,055	251,072
Fund balances - end of year	\$ 147,383	\$ 48,798	\$ 23,661	\$ 5,008	\$ 33,175	\$ 258,025

(1) The beginning of year fund balance is different due to a change in reporting of the Memphis Cook Convention Center.

**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, 2017

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

Net change in fund balances - total governmental funds	\$ 6,953
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.	23,353
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	3,619
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.	37,456
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.	(1,109)
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.	259,696
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>(382)</u>
Change in net position of governmental activities	<u>\$ 329,586</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, 2017

CITY OF MEMPHIS, TENNESSEE
 Exhibit A-7

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
REVENUES				
Local taxes:				
Property taxes	\$ 262,728	\$ 262,728	\$ 260,661	\$ (2,067)
Interest, penalties and commission - property taxes	5,670	5,670	5,777	107
Receipts in lieu of taxes contractual	12,300	12,300	10,667	(1,633)
Sales tax general	109,163	109,163	109,606	443
Sales tax beer	17,000	17,000	16,465	(535)
Alcoholic beverage tax	5,000	5,000	5,471	471
Liquor by the drink tax	6,400	6,400	7,830	1,430
Gross receipts tax	12,000	12,000	14,496	2,496
Excise tax	954	954	1,020	66
Franchise tax	7,835	7,835	6,967	(868)
Tourism development zone tax	1,980	1,980	2,610	630
Other local taxes	1,001	1,001	863	(138)
Total local taxes	<u>442,031</u>	<u>442,031</u>	<u>442,433</u>	<u>402</u>
State taxes (local share):				
Sales tax	52,560	52,560	53,965	1,405
Income taxes	13,000	13,000	9,063	(3,937)
Beer taxes	315	315	312	(3)
Alcoholic beverage tax	300	300	381	81
Petroleum special tax	1,300	1,300	1,307	7
Total state taxes (local share)	<u>67,475</u>	<u>67,475</u>	<u>65,028</u>	<u>(2,447)</u>
Licenses and permits:				
Auto licenses	11,500	11,500	12,423	923
Dog licenses	359	359	393	34
Liquor by the drink licenses	215	215	227	12
Other	415	415	350	(65)
Total licenses and permits	<u>12,489</u>	<u>12,489</u>	<u>13,393</u>	<u>904</u>
Fines and forfeitures:				
City courts	17,763	17,763	14,109	(3,654)
Library	425	425	410	(15)
Total fines and forfeitures	<u>18,188</u>	<u>18,188</u>	<u>14,519</u>	<u>(3,669)</u>

(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, 2017

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

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
Charges for services:				
Building and other inspection fees	\$ 90	\$ 90	\$ 139	\$ 49
Park commission revenues	5,590	5,605	4,669	(936)
Parking meter revenues	850	850	912	62
Ambulance service fees	21,000	22,000	22,069	69
Rents	2,461	2,461	2,968	507
Tax sale attorney fees	525	525	579	54
Wrecker and storage fees	1,500	1,500	1,300	(200)
Police special events	701	701	222	(479)
Other	752	772	1,084	312
Total charges for services	<u>33,469</u>	<u>34,504</u>	<u>33,942</u>	<u>(562)</u>
Investment income:				
Interest on investments	258	258	785	527
Other	120	120	107	(13)
Total investment income	<u>378</u>	<u>378</u>	<u>892</u>	<u>514</u>
Federal grants	<u>-</u>	<u>579</u>	<u>2,017</u>	<u>1,438</u>
State grants	<u>1,630</u>	<u>1,630</u>	<u>2,049</u>	<u>419</u>
Intergovernmental revenues	<u>6,409</u>	<u>6,409</u>	<u>9,409</u>	<u>3,000</u>
Other:				
Auctions	1,600	1,600	1,806	206
Property insurance recoveries	543	230	525	295
Local shared revenue	3,001	3,001	3,214	213
Miscellaneous	2,331	2,804	4,181	1,377
Total other	<u>7,475</u>	<u>7,635</u>	<u>9,726</u>	<u>2,091</u>
Total revenues	<u>\$ 589,544</u>	<u>\$ 591,318</u>	<u>\$ 593,408</u>	<u>\$ 2,090</u>
Other sources and transfers in:				
Sale of capital assets	\$ -	\$ -	\$ 1,792	\$ 1,792
Transfers in:				
Solid waste management	-	75	75	-
Sewer collection and treatment fund	6,300	6,300	7,296	996
MLG&W fund	55,200	53,786	60,595	6,809
Hotel/Motel	-	-	50	50
Storm water	-	150	150	-
Debt service	500	500	-	(500)
Metro alarm	-	1,641	1,641	-
Total transfers in	<u>62,000</u>	<u>62,452</u>	<u>69,807</u>	<u>7,355</u>
Total other sources and transfers in	<u>\$ 62,000</u>	<u>\$ 62,452</u>	<u>\$ 71,599</u>	<u>\$ 9,147</u>
Total Revenues, Other Sources & Transfers In	<u>\$ 651,544</u>	<u>\$ 653,770</u>	<u>\$ 665,007</u>	<u>\$ 11,237</u>

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, 2017**

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

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget- Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
EXPENDITURES				
General government:				
Legislative:				
Personnel services	\$ 1,426	\$ 1,481	\$ 1,440	\$ 41
Materials and supplies	334	368	153	215
Total legislative	<u>1,760</u>	<u>1,849</u>	<u>1,593</u>	<u>256</u>
Judicial:				
Personnel services	587	588	590	(2)
Materials and supplies	54	52	55	(3)
Total judicial	<u>641</u>	<u>640</u>	<u>645</u>	<u>(5)</u>
Court clerk:				
Personnel services	3,435	3,442	3,293	149
Materials and supplies	3,644	3,775	3,765	10
Capital outlay	50	50	-	50
Total court clerk	<u>7,129</u>	<u>7,267</u>	<u>7,058</u>	<u>209</u>
Executive:				
Personnel services	7,728	7,370	7,537	(167)
Materials and supplies	3,196	4,316	2,920	1,396
Grants and subsidies	2,333	2,832	2,492	340
Expense reimbursement	(90)	(90)	(90)	-
Total executive	<u>13,167</u>	<u>14,428</u>	<u>12,859</u>	<u>1,569</u>
Finance and administration:				
Personnel services	6,403	6,352	6,091	261
Materials and supplies	1,402	1,814	1,735	79
Capital outlay	1	1	-	1
Grants and subsidies	1,980	1,980	2,684	(704)
Expense reimbursement	(940)	(940)	(1,122)	182
Total finance and administration	<u>8,846</u>	<u>9,207</u>	<u>9,388</u>	<u>(181)</u>
City attorney:				
Personnel services	5,256	5,322	5,021	301
Materials and supplies	8,292	10,657	10,087	570
Capital outlay	-	-	49	(49)
Expense reimbursement	(3,115)	(3,748)	(3,770)	22
Total city attorney	<u>10,433</u>	<u>12,231</u>	<u>11,387</u>	<u>844</u>

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, 2017

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 engineer:				
Personnel services	\$ 8,404	\$ 8,222	\$ 8,279	\$ (57)
Materials and supplies	3,711	4,848	4,025	823
Capital outlay	69	33	25	8
Expense reimbursement	(1,031)	(4,831)	(4,568)	(263)
Total city engineer	11,153	8,272	7,761	511
Information systems:				
Personnel services	1,952	1,720	1,627	93
Materials and supplies	20,837	26,521	21,884	4,637
Expense reimbursement	(1,300)	(1,300)	(1,527)	227
Total information systems	21,489	26,941	21,984	4,957
Human resources:				
Personnel services	6,936	5,613	5,409	204
Materials and supplies	1,651	4,782	3,230	1,552
Capital outlay	10	57	31	26
Expense reimbursement	(890)	(890)	(962)	72
Total human resources	7,707	9,562	7,708	1,854
General services:				
Personnel services	24,216	24,043	21,186	2,857
Materials and supplies	10,566	12,490	9,082	3,408
Capital outlay	50	350	330	20
Expense reimbursement	(9,194)	(9,174)	(7,696)	(1,478)
Total general services	25,638	27,709	22,902	4,807
Special appropriations:				
Personnel services	-	-	6	(6)
Materials and supplies	-	-	(2)	2
Grants and subsidies	52,993	59,833	56,782	3,051
Expense reimbursement	-	(5,032)	(6,870)	1,838
Total special appropriations	52,993	54,801	49,916	4,885
Total general government	\$ 160,956	\$ 172,907	\$ 153,201	\$ 19,706

(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, 2017

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

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget- Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Public safety:				
Police:				
Personnel services	\$ 222,657	\$ 226,718	\$ 230,652	\$ (3,934)
Materials and supplies	29,753	33,981	26,445	7,536
Capital outlay	492	492	675	(183)
Grants and subsidies	150	250	195	55
Expense reimbursement	(1,727)	(1,727)	(1,726)	(1)
Total police	<u>251,325</u>	<u>259,714</u>	<u>256,241</u>	<u>3,473</u>
Fire:				
Personnel services	156,344	155,287	157,310	(2,023)
Materials and supplies	15,960	22,655	17,471	5,184
Capital outlay	156	207	37	170
Expense reimbursement	(200)	(200)	(526)	326
Total fire	<u>172,260</u>	<u>177,949</u>	<u>174,292</u>	<u>3,657</u>
Total public safety	<u>\$ 423,585</u>	<u>\$ 437,663</u>	<u>\$ 430,533</u>	<u>\$ 7,130</u>
Community services:				
Library:				
Personal services	14,215	13,667	13,242	425
Materials and supplies	5,155	5,328	4,604	724
Total library	<u>19,370</u>	<u>18,995</u>	<u>17,846</u>	<u>1,149</u>
Parks and recreation:				
Personnel services	13,290	13,391	13,838	(447)
Materials and supplies	14,617	15,395	16,727	(1,332)
Capital outlay	-	-	11	(11)
Grants and subsidies	250	250	45	205
Inventory	286	454	401	53
Expense reimbursement	(56)	(56)	(55)	(1)
Total parks and recreation	<u>28,387</u>	<u>29,434</u>	<u>30,967</u>	<u>(1,533)</u>
Community development:				
Personnel services	472	474	292	182
Materials and supplies	297	303	403	(100)
Grants and subsidies	3,554	4,400	3,436	964
Total community development	<u>4,323</u>	<u>5,177</u>	<u>4,131</u>	<u>1,046</u>
Total community services	<u>\$ 52,080</u>	<u>\$ 53,606</u>	<u>\$ 52,944</u>	<u>\$ 662</u>

(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, 2017

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>		
Transportation and environment:				
Public works:				
Personnel services	\$ 12,336	\$ 12,060	\$ 11,746	\$ 314
Materials and supplies	16,706	18,709	15,878	2,831
Capital outlay	120	47	(4)	51
Grants and subsidies	-	850	500	350
Expense reimbursement	(8,046)	(13,846)	(12,505)	(1,341)
Total public works	<u>21,116</u>	<u>17,820</u>	<u>15,615</u>	<u>2,205</u>
Total transportation and environment	<u>\$ 21,116</u>	<u>\$ 17,820</u>	<u>\$ 15,615</u>	<u>\$ 2,205</u>
Total Expenditures	<u>\$ 657,737</u>	<u>\$ 681,996</u>	<u>\$ 652,293</u>	<u>\$ 29,703</u>
OTHER USES				
Transfers out				
Miscellaneous grants fund	\$ -	\$ -	\$ 500	\$ (500)
Community redevelopment fund	2,739	2,739	2,403	336
Debt service fund	4,985	4,985	4,371	614
OPEB fund	2,000	-	-	-
Library retirement fund	-	700	700	-
Total transfers out	<u>9,724</u>	<u>8,424</u>	<u>7,974</u>	<u>450</u>
Total other uses	<u>\$ 9,724</u>	<u>\$ 8,424</u>	<u>\$ 7,974</u>	<u>\$ 450</u>
Total Expenditures and Other Uses	<u>\$ 667,461</u>	<u>\$ 690,420</u>	<u>\$ 660,267</u>	<u>\$ 30,153</u>
Net Change in Fund balances (Budgetary)	<u>\$ (15,917)</u>	<u>\$ (36,650)</u>	<u>\$ 4,740</u>	<u>\$ (18,916)</u>
Adjustment for encumbrances			(2,730)	
Revenues over expenditures GAAP basis			2,010	
Fund Balance - beginning			145,373	
Fund Balance - ending			<u>\$ 147,383</u>	

See accompanying notes to financial statements.

STATEMENT OF NET POSITION
 PROPRIETARY FUNDS
 (Thousands of Dollars)
 June 30, 2017

CITY OF MEMPHIS, TENNESSEE
 Exhibit A-9

	Business Type Activities - Enterprise Funds						Governmental
	Major Funds						Activities
	Sewer Col- lection and Treatment	MLGW Electric Division	MLGW Gas Division	MLGW Water Division	Non-Major Fund	Total	Internal Service Funds
ASSETS							
Current assets:							
Cash and cash equivalents	\$ 1	\$ 113,349	\$ 40,607	\$ 12,233	\$ 1	\$ 166,191	\$ 2
Investments	17,160	92,361	31,115	9,975	-	150,611	-
Equity in cash and investment pool	44,482	-	-	-	8,899	53,381	36,027
Derivative financial instruments	-	-	9	-	-	9	-
Restricted funds	-	33,586	8,303	5,154	-	47,043	-
Receivables:							
Notes and accounts	8,556	81,921	36,404	17,617	2,895	147,393	(5)
Interest on investments	10	-	-	-	-	10	-
Due from other funds	-	-	-	-	-	-	-
Due from other agencies	-	-	-	-	-	-	(46)
Unbilled revenues	-	52,588	18,201	3,844	-	74,633	-
Prepaid power cost	-	119,697	-	-	-	119,697	-
Unrecovered purchased power cost	-	3,229	225	-	-	3,454	-
Prepaid expenses	1,955	-	-	-	-	1,955	-
Inventories of materials and supplies	-	23,287	7,397	3,089	-	33,773	908
Collateral held in trust for securities on loan	-	-	-	-	-	-	-
Other current assets	-	1,128	2,779	143	-	4,050	-
Total current assets	72,164	521,146	145,040	52,055	11,795	802,200	36,886
Non-current assets:							
Restricted assets:							
Investments, less current portion	-	34,337	40,958	24,602	-	99,897	-
Total restricted assets	-	34,337	40,958	24,602	-	99,897	-
Capital assets:							
Land	13,695	-	-	-	37	13,732	-
Buildings	105,196	-	-	-	907	106,103	-
Utility plant	-	1,830,389	694,715	491,517	-	3,016,621	-
Improvements other than buildings	581,042	-	-	-	56,496	637,538	-
Machinery and equipment	34,834	-	-	-	18,408	53,242	2,227
Less accumulated depreciation and amortization	(421,575)	(750,926)	(311,085)	(198,637)	(28,114)	(1,710,337)	(2,226)
Total capital assets	313,192	1,079,463	383,630	292,880	47,734	2,116,899	1
Construction in progress	192,894	-	-	-	62,505	255,399	-
Net capital assets	506,086	1,079,463	383,630	292,880	110,239	2,372,298	1
Other non-current assets:							
Prepaid power cost - long-term	-	112,821	-	-	-	112,821	-
Prepayments in lieu of taxes	-	1,739	40	-	-	1,779	-
Unamortized debt expense	-	974	352	456	-	1,782	-
Other prepayments	-	8,497	6,524	1,684	-	16,705	-
Notes receivable	-	-	3,562	1,872	-	5,434	-
Total other non-current assets	-	124,031	10,478	4,012	-	138,521	-
Total non-current assets	506,086	1,237,831	435,066	321,494	110,239	2,610,716	-
Total assets	578,250	1,758,977	580,106	373,549	122,034	3,412,916	36,886
DEFERRED OUTFLOWS OF RESOURCES							
Deferred outflows related to pensions	5,054	52,700	23,504	15,608	2,899	99,765	-
Deferred outflows related to OPEB	1,709	-	-	-	961	2,670	71
Unamortized balance of refunded debt	-	1,499	-	-	-	1,499	-
Total assets and deferred outflows of resources	\$ 585,013	\$ 1,813,176	\$ 603,610	\$ 389,157	\$ 125,894	\$ 3,516,850	\$ 36,958

(Continued)

STATEMENT OF NET POSITION
 PROPRIETARY FUNDS
 (Thousands of Dollars)
 June 30, 2017

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

	Business Type Activities - Enterprise Funds						Governmental
	Major Funds						Activities
	Sewer Col- lection and Treatment	MLGW Electric Division	MLGW Gas Division	MLGW Water Division	Non-Major Fund	Total	Internal Service Funds
LIABILITIES							
Current liabilities:							
Accounts payable and accrued expenses	\$ 17,100	\$ 115,691	\$ 25,950	\$ -	\$ 1,206	\$ 159,947	\$ 868
Bonds and notes payable	-	108,860	1,169	1,558	-	111,587	-
Accrued liabilities	1,521	43,448	21,585	15,840	-	82,394	-
Payables due from restricted assets	-	22,330	8,050	4,894	-	35,274	-
Bonds payable - principal from restricted assets	-	9,910	106	142	-	10,158	-
Bonds payable - interest from restricted assets	-	1,347	148	118	-	1,613	-
Insurance claims payable	-	-	-	-	-	-	7,175
Contract retainage	255	-	-	-	-	255	-
Current installment of revenue bonds payable	11,230	-	-	-	-	11,230	-
State loans payable - current	171	-	-	-	-	171	-
Net OPEB liability	19,905	-	-	-	11,196	31,101	829
Vacation, sick and other leave benefits	3,467	8,461	3,657	2,633	1,596	19,814	90
Total current liabilities	53,649	310,047	60,665	25,185	13,998	463,544	8,962
Long-term liabilities:							
Revenue bonds payable	77,960	243,701	46,591	45,501	-	413,753	-
State loans payable	46,953	-	-	-	-	46,953	-
Unamortized balance of refunded debt	929	-	-	-	-	929	-
Net pension liability	11,735	49,940	22,273	14,791	7,033	105,772	-
Customer common deposits	-	23,766	4,174	985	-	28,925	-
Other	-	8,249	7,787	5,212	8,454	29,702	-
Total long-term liabilities	137,577	325,656	80,825	66,489	15,487	626,034	-
Total liabilities	191,226	635,703	141,490	91,674	29,485	1,089,578	8,962
DEFERRED INFLOWS OF RESOURCES							
Deferred inflows related to pensions	4,525	14,911	6,659	4,416	2,563	33,074	-
Deferred inflows related to OPEB	11	-	-	-	6	17	1
Revenue collected in advance	103	-	-	-	-	103	4,890
Total liabilities and deferred inflows of resources	195,865	650,614	148,149	96,090	32,054	1,122,772	13,853
NET POSITION							
Net investment in capital assets	369,772	958,213	336,148	246,178	110,239	2,020,550	1
Restricted for debt service	28,206	19,155	37,409	23,617	-	108,387	-
Restricted for construction	8,775	-	-	-	-	8,775	-
Unrestricted (deficit)	(17,605)	185,194	81,904	23,272	(16,399)	256,366	23,104
Total net position (deficit)	\$ 389,148	\$ 1,162,562	\$ 455,461	\$ 293,067	\$ 93,840	\$ 2,394,078	\$ 23,105
Adjustment to reflect the consolidation of internal service funds related to enterprise funds						2,826	
Net position of business-type activities						\$ 2,396,904	

See accompanying notes to financial statements.

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
(Thousands of Dollars)
For the fiscal year ended June 30, 2017

CITY OF MEMPHIS, TENNESSEE
Exhibit A-10

	Business Type Activities - Enterprise Funds						Governmental
	Major Funds						Activities
	Sewer Col- lection and Treatment	MLGW Electric Division	MLGW Gas Division	MLGW Water Division	Non-Major Fund	Total	Internal Service Funds
Charges for services	\$ 98,726	\$ 1,249,535	\$ 205,876	\$ 99,847	\$ 24,418	\$ 1,678,402	\$ 97,887
Operating revenues	98,726	1,249,535	205,876	99,847	24,418	1,678,402	97,887
Operating expenses other than depreciation and amortization:							
Personnel services	5,874	-	-	-	1,120	6,994	255
Materials, supplies, services, and other	38,616	-	-	-	4,429	43,045	13,608
Capital outlay	176	-	-	-	-	176	44
Purchased power and gas for resale	-	1,018,157	92,183	-	-	1,110,340	-
Production	-	-	-	15,759	-	15,759	-
Operation	-	136,756	81,399	51,744	-	269,899	-
Maintenance	-	43,104	10,138	9,809	-	63,051	-
In lieu of taxes	-	6,898	1,633	-	-	8,531	-
Re-insurance fees	-	-	-	-	-	-	403
PCORI tax	-	-	-	-	-	-	59
Inventories	-	-	-	-	-	-	10,826
Claims incurred	-	-	-	-	-	-	61,942
Total operating expenses other than depreciation and amortization	44,666	1,204,915	185,353	77,312	5,549	1,517,795	87,137
Operating income (loss) before depreciation and amortization	54,060	44,620	20,523	22,535	18,869	160,607	10,750
Depreciation and amortization	12,997	52,071	16,784	8,286	2,264	92,402	4
Operating income (loss)	41,063	(7,451)	3,739	14,249	16,605	68,205	10,746
Non-operating revenues:							
Transmission credits	-	33,344	-	-	-	33,344	-
Investment income	307	16,878	98	739	37	18,059	153
Federal grants	547	-	-	-	-	547	-
Other	352	-	-	-	214	566	-
Total non-operating revenues	1,206	50,222	98	739	251	52,516	153
Non-operating expenses:							
Loss on disposal of assets	-	-	-	-	11	11	-
Pension expense	687	-	-	-	378	1,065	-
Interest on bonded indebtedness	3,795	15,491	379	691	300	20,656	-
Interest on state loan	202	-	-	-	-	202	-
Total non-operating expenses	4,684	15,491	379	691	689	21,934	-
Income (loss) before capital contributions and transfers	37,585	27,280	3,458	14,297	16,167	98,787	10,899
Transfers in	-	-	-	-	360	360	-
Transfers out	(7,296)	(39,994)	(17,525)	(4,400)	(2,042)	(71,257)	(6,800)
Capital contributions	1,133	-	-	-	-	1,133	-
Change in net position (deficit)	31,422	(12,714)	(14,067)	9,897	14,485	29,023	4,099
Total net position (deficit) - beginning of year	387,977	1,175,276	469,528	283,170	96,380		20,254
Prior period adjustment for GASB 74/75 implementation	(30,251)	-	-	-	(17,025)		(1,248)
Total net position (deficit) - beginning of year as restated	357,726	1,175,276	469,528	283,170	79,355		19,006
Total net position (deficit) - end of year	<u>\$ 389,148</u>	<u>\$ 1,162,562</u>	<u>\$ 455,461</u>	<u>\$ 293,067</u>	<u>\$ 93,840</u>		<u>\$ 23,105</u>
Adjustment to reflect the consolidation of internal service funds related to enterprise funds						1,173	
Change in net position of business-type activities						<u>\$ 30,196</u>	

See accompanying notes to financial statements.



STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
(Thousands of Dollars)
For the fiscal year ended June 30, 2017

	Sewer Col- lection and Treatment	MLGW Electric Division	MLGW Gas Division	MLGW Water Division	Non-Major Funds	Total	Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES:							
Receipts from customers and users	\$ 98,597	\$ 1,246,585	\$ 197,166	\$ 98,045	\$ 25,066	\$ 1,665,459	\$ 159
Receipts from other division funds	-	-	-	-	-	-	21,749
Receipts from other agency funds	-	-	-	-	-	-	76
Miscellaneous income	363	-	-	-	31	394	-
Employee contributions	-	-	-	-	-	-	21,568
Employer contributions	-	-	-	-	-	-	51,510
Pharmacy rx rebates	-	-	-	-	-	-	2,750
Payments to/on behalf of employees	(29,633)	(899,800)	(101,881)	(26,296)	(5,330)	(1,062,940)	(14,067)
Payments to suppliers	(19,659)	(120,997)	(63,049)	(46,493)	(9,314)	(259,512)	535
Payments from / (to) other divisions or funds	-	(2,831)	(2,371)	(3,162)	-	(8,364)	-
Payments per Affordable Care Act (Re-insurance fees, PCORI tax)	-	-	-	-	-	-	(364)
Payments for taxes	-	(14,131)	(2,306)	-	-	(16,437)	-
Payments for inventory	-	-	-	-	-	-	(10,979)
Payments due to other agencies	-	-	-	-	-	-	48
Payments for death benefits	(17)	-	-	-	(15)	(32)	(98)
Payments for claims incurred	-	-	-	-	-	-	(62,357)
Net cash provided by (used in) operating activities	49,651	208,826	27,559	22,094	10,438	318,568	10,330
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:							
Transfers to City	-	(67,416)	(27,580)	(5,650)	-	(100,646)	-
Principal payments on long-term debt	(1,955)	(117,091)	-	-	-	(119,046)	-
Interest expense on bonds	-	(17,113)	-	-	-	(17,113)	-
Transfers from other funds	-	-	-	-	360	360	-
Local shared revenue	-	-	-	-	170	170	-
Transfers to other funds	(7,296)	-	-	-	(2,043)	(9,339)	(6,800)
Net cash (used in) provided by non-capital financing activities	(9,251)	(201,620)	(27,580)	(5,650)	(1,513)	(245,614)	(6,800)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:							
Bond issue costs	(631)	-	-	-	-	(631)	-
Acquisition and construction of capital assets	(82,050)	(107,573)	(80,949)	(35,028)	(4,157)	(309,757)	-
Principal payments on long term commercial paper debt	-	-	-	-	(1,546)	(1,546)	-
Interests payments on long term commercial paper debt	-	-	-	-	(300)	(300)	-
Contributions in aid of construction	-	10,445	27,900	3,533	-	41,878	-
Proceeds from issuance of long term debt	-	47,698	47,694	32,287	-	127,679	-
Cash proceeds (use) from disposal of capital asset	-	-	-	-	(11)	(11)	-
Receipts from federal grants	548	-	-	-	15	563	-
Principal payments on capital debt	(22,734)	(2,470)	-	(569)	-	(25,773)	-
Interest payments on capital debt	(4,103)	(3,205)	(443)	(687)	-	(8,438)	-
Capital contributions	1,133	-	-	-	-	1,133	-
State Revolving Fund (SRF) loans on capital debt	47,124	-	-	-	-	47,124	-
Net cash used in capital and related financing activities	(60,713)	(55,105)	(5,798)	(464)	(5,999)	(128,079)	-
CASH FLOWS FROM INVESTING ACTIVITIES:							
Sales and maturities of investments	135	74,240	24,836	3,232	-	102,443	-
Purchase of investments	(101)	(73,397)	(42,252)	(21,078)	-	(136,828)	-
Payments received on notes receivable	-	-	913	165	-	1,078	-
Income earned on investments	291	1,408	495	137	37	2,368	153
Net cash provided by (used in) investing activities	325	2,251	(16,008)	(17,544)	37	(30,939)	153
Net increase (decrease) in cash and cash equivalents	(19,988)	(45,648)	(21,827)	(1,564)	2,963	(86,064)	3,883
Cash and cash equivalents, beginning of year	64,471	215,904	83,300	23,841	5,937	393,453	32,146
Cash and cash equivalents, end of year	\$ 44,483	\$ 170,256	\$ 61,473	\$ 22,277	\$ 8,900	\$ 307,389	\$ 36,029

(Continued)

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS
 (Thousands of Dollars)

For the fiscal year ended June 30, 2017

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

	Sewer Col- lection and Treatment	MLGW Electric Division	MLGW Gas Division	MLGW Water Division	Non-Major Funds	Total	Internal Service Funds
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:							
Operating income (loss)	\$ 41,063	\$ (7,451)	\$ 3,739	\$ 14,249	\$ 16,605	\$ 68,205	\$ 10,746
Adjustments to reconcile operating income to net cash provided by operating activities:							
Depreciation expense	12,997	52,071	16,784	8,286	2,264	92,402	4
Pension expense	678	-	-	-	378	1,056	-
Transmission credits	-	33,344	-	-	-	33,344	-
Prepay power credits	-	12,886	-	-	-	12,886	-
Other income	363	2,305	(403)	555	31	2,851	-
(Increase) decrease in assets:							
Deferred outflows - Pension	528	-	-	-	291	819	-
Accounts receivable	(1,709)	(4,095)	(2,534)	(2,265)	(961)	(2,670)	(71)
Unbilled revenues	(232)	(6,309)	(4,161)	(341)	548	(8,578)	1,315
Prepaid power cost	-	117,078	-	-	-	117,078	-
Prepayments - in lieu of taxes	-	58	1	-	-	59	-
Unrecovered purchased power and gas	-	(856)	(225)	-	-	(1,081)	-
Inventories	-	1,513	(529)	134	-	1,118	-
Recovery on fixed assets	-	-	-	-	-	-	-
Other assets	-	3,767	2,276	1,094	-	7,137	-
Increase (decrease) in liabilities:							
Accounts payable	9,364	12,464	13,412	-	(748)	34,492	-
Other accrued expenses	32	(5,714)	988	959	-	(3,735)	(1,356)
Deferred inflows - Pension	3,200	-	-	-	1,765	4,965	-
Deferred inflows - OPEB	11	-	-	-	6	17	-
Net pension liability	(3,041)	-	-	-	(1,678)	(4,719)	-
Accrued vacation/sick leave	752	-	-	-	-	752	-
Accrued Payment in Lieu of Taxes	-	(7,642)	(893)	-	-	(8,535)	-
Customer deposits	-	4,010	(394)	243	-	3,859	-
Insurance reserves	-	(28)	372	(866)	-	(522)	-
Medical benefit accrual	-	(992)	(443)	(294)	-	(1,729)	-
Accounting Adjustment for GASB 74/75	(14,688)	-	-	-	(8,062)	(22,750)	-
Other	333	2,417	(431)	340	-	2,659	-
Total adjustments	8,588	216,277	23,820	7,845	(6,167)	250,363	(216)
Net cash provided by (used in) operating activities	\$ 49,651	\$ 208,826	\$ 27,559	\$ 22,094	\$ 10,438	\$ 318,568	\$ 10,530
Reconciliation of cash and cash equivalents per statements of cash flows to the balance sheets:							
Restricted funds	\$ -	\$ 67,923	\$ 49,261	\$ 29,756	\$ -	\$ 146,940	\$ -
Less investments included in restricted funds	-	(11,016)	(28,395)	(19,712)	-	(59,123)	-
Cash and cash equivalents included in restricted funds	-	56,907	20,866	10,044	-	87,817	-
Current assets - cash and cash equivalents	1	113,349	40,607	12,233	1	166,191	2
Current assets - equity in cash and investment pool	44,482	-	-	-	8,899	53,381	36,027
Total cash and cash equivalents	\$ 44,483	\$ 170,256	\$ 61,473	\$ 22,277	\$ 8,900	\$ 307,389	\$ 36,029

See accompanying notes to financial statements.

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
(Thousands of Dollars)
For the fiscal year ended June 30, 2017

CITY OF MEMPHIS, TENNESSEE
Exhibit A-12

	Pension and OPEB Trust Funds	Sold Property Tax Receivable Agency Fund
ASSETS		
Cash and cash equivalents	\$ 52,817	\$ -
Investments, at fair value:		
U.S. government securities - long-term	149,521	-
Common stock - domestic	1,204,416	-
Common stock - foreign	264,690	-
Preferred stock - domestic	-	-
Preferred stock - foreign	3,176	-
Corporate bonds - domestic	377,097	-
Corporate bonds - foreign	119,740	-
Mutual funds and money market funds	126,445	-
Equity ETF	195,585	-
Government bond mutual fund - international	22,152	-
Corporate bond mutual funds - domestic	97,255	-
Corporate bond mutual funds - international	15,027	-
Convertible bond mutual fund - domestic	14,539	-
Collateralized mortgage obligations	5,406	-
Asset-backed pooled securities	21,575	-
Mortgage-backed pooled securities	87,995	-
Investments in index funds	173,100	-
Investments in limited partnerships	106,703	-
Investments in real estate	295,883	-
Investments in high yield bond fund	15,034	-
Investments in private equities	48,048	-
Investments in international equity fund	525,893	-
Investments in international bond fund	16,668	-
Hedge funds	46,187	-
Distressed debt funds - domestic	39,163	-
Distressed debt funds - foreign	34,183	-
Life Settlement fund	40,023	-
Investment short sales & written options	(2)	-
Total investments	4,045,502	-
Equity in cash and investment pool	4,610	593
Interest and dividend receivables	8,263	-
Receivable for securities sold	259,952	-
Property tax receivable - current	-	11,458
Property tax receivable - delinquent	-	1,932
Employer and employee contributions receivable	2,649	-
Other Receivables	-	-
Collateral held in trust for securities on loan	199,944	-
Total assets	4,573,737	13,983
LIABILITIES		
Accounts payable and other liabilities	353,840	593
Collateral subject to return to borrowers	199,944	-
Total liabilities	553,784	593
DEFERRED INFLOWS OF RESOURCES		
Deferred Inflows - Pension	700	-
Revenue collected in advance	224	13,390
Total deferred inflows of resources	924	13,390
NET POSITION		
Held in trust for pension benefits, pool participants, and OPEB	\$ 4,019,029	\$ -

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, 2017

CITY OF MEMPHIS, TENNESSEE
Exhibit A-13

	<u>Pension and OPEB Trust Funds</u>
ADDITIONS	
Contributions:	
Employer	\$ 128,841
Medicare Part D	227
Plan members	45,005
Total contributions	<u>174,073</u>
Transfer from other fund	7,500
Pharmacy rebates	865
Investment income:	
Interest and dividend income	74,131
Securities lending income	988
Other investment income	1,600
Gain on real estate investments	13,262
Net appreciation in the fair value of investments	340,475
Total investment income	<u>430,456</u>
Total additions	<u>612,894</u>
DEDUCTIONS	
Benefits	317,728
Administrative expenses	27,371
Refunds of contributions	20,503
Total deductions	<u>365,602</u>
Net (decrease)/increase	247,292
Net position - beginning of year	<u>3,771,737</u>
Net position - end of year	<u>\$ 4,019,029</u>

See accompanying notes to financial statements.

COMBINING STATEMENT OF NET POSITION
COMPONENT UNITS
(Thousands of Dollars)
June 30, 2017

CITY OF MEMPHIS, TENNESSEE
Exhibit A-14

	Memphis Area Transit Authority	Memphis - Shelby County Airport Authority	Memphis Cook Convention Center	Memphis Zoological Society	Total
ASSETS					
Current unrestricted assets:					
Cash and cash equivalents	\$ 4,263	\$ 20,107	\$ 1,585	\$ 6,265	\$ 32,220
Investments	-	29,911	-	6,861	36,772
Receivables:					
Federal and state grants	7,842	40	-	-	7,882
Accounts receivable	171	6,332	767	1,802	9,072
Due from other agencies and governments	-	-	-	690	690
Inventories of materials and supplies	3,205	1,505	-	253	4,963
Prepaid expenses	411	2,503	29	426	3,369
Total current unrestricted assets	15,892	60,398	2,381	16,297	94,968
Current restricted assets:					
Cash and cash equivalents	-	70,159	-	1,000	71,159
Investments	-	46,859	-	-	46,859
Capital contributions receivable	-	6,246	-	-	6,246
Accrued interest	-	535	-	-	535
Total current restricted assets	-	123,799	-	1,000	124,799
Total current assets	15,892	184,197	2,381	17,297	219,767
Non-current restricted assets:					
Investments	522	31,852	-	-	32,374
Total non-current restricted assets	522	31,852	-	-	32,374
Capital assets:					
Land	2,731	159,875	643	-	163,249
Buildings	175,674	563,506	43,343	-	782,523
Avigation easements	-	46,679	-	-	46,679
Improvements other than buildings	-	954,231	-	-	954,231
Machinery, buses and equipment	101,492	118,419	8,408	-	228,319
Less accumulated depreciation and amortization	(164,311)	(1,003,613)	(47,983)	-	(1,215,907)
Total capital assets, net	115,586	839,097	4,411	-	959,094
Construction in progress	404	25,439	489	51	26,383
Net capital assets	115,990	864,536	4,900	51	985,477
Total assets	132,404	1,080,585	7,281	17,348	1,237,618
DEFERRED OUTFLOWS					
Pension contribution	6,671	-	-	-	6,671
Pension expense	5,790	-	-	-	5,790
Deferred charges on refundings	-	2,284	-	-	2,284
Deferred actuarial losses-pensions	-	3,235	-	-	3,235
Total assets and deferred outflows	144,865	1,086,104	7,281	17,348	1,255,598

(Continued)

COMBINING STATEMENT OF NET POSITION
 COMPONENT UNITS
 (Thousands of Dollars)
 June 30, 2017

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

	Memphis Area Transit Authority	Memphis - Shelby County Airport Authority	Memphis Cook Convention Center	Memphis Zoological Society	Total
LIABILITIES					
Current:					
Notes and accounts payable	\$ 948	\$ 9,410	\$ 531	\$ 1,210	12,099
Due to other agencies and governments	2,018	-	10	-	2,028
Accrued liabilities	365	10,096	261	1,394	12,116
Unearned revenue	308	9,863	18	1,699	11,888
Current installment of revenue bonds payable and fu	-	22,607	508	-	23,115
Total current liabilities	3,639	51,976	1,328	4,303	61,246
Long-term (net of current maturities):					
Net OPEB liability	36,084	-	-	-	36,084
Lease revenue received in advance	-	64,047	-	-	64,047
Net pension liability	6,212	13,878	-	-	20,090
Revenue bonds payable	-	297,813	-	-	297,813
Other long-term obligations	5,000	1,329	-	-	6,329
Total long-term liabilities	47,296	377,067	-	-	424,363
Total Liabilities	50,935	429,043	1,328	4,303	485,609
DEFERRED INFLOWS					
Pension	1,585	5,615	-	-	7,200
Total liabilities and deferred inflows	52,520	434,658	1,328	4,303	492,809
NET POSITION					
Net investment in capital assets	-	541,400	4,899	-	546,299
Restricted for:					
Capital acquisition/projects	115,990	83,524	-	-	199,514
Self-insurance	510	-	-	-	510
Other	-	-	-	7,613	7,613
Unrestricted	(24,155)	26,522	1,054	5,432	8,853
Total Net Position	92,345	651,446	5,953	13,045	762,789
Total liabilities, deferred inflows and net position	\$ 144,865	\$ 1,086,104	\$ 7,281	\$ 17,348	\$ 1,255,598

See accompanying notes to financial statements.

**COMBINING STATEMENT OF ACTIVITIES
COMPONENT UNITS (Thousands of Dollars)
For the fiscal year ended June 30, 2017**

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

Component units:	Program Revenues			Net (Expense) Revenue and Changes in Net Position					
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Memphis-Shelby County				
					Memphis Area Transit Authority	Memphis Cook Convention Center	Airport Authority	Memphis Zoological Society	Total
Memphis Area Transit Authority	\$ 69,317	\$ 7,857	\$ -	\$ 8,563	\$ (52,897)	\$ -	\$ -	\$ -	\$ (52,897)
Memphis Zoological Society	17,079	18,034	734	706	-	-	-	2,395	2,395
Memphis Cook Convention Center	8,174	5,231	-	-	-	(2,943)	-	-	(2,943)
Memphis-Shelby County Airport Authority	135,678	104,176	-	23,491	-	-	(8,011)	-	(8,011)
Total component units	\$ 230,248	\$ 135,298	\$ 734	\$ 32,760	\$ (52,897)	\$ (2,943)	\$ (8,011)	\$ 2,395	\$ (61,456)
General revenues:									
Grants and contributions not restricted to specific programs									
City of Memphis subsidy							67		67
Investment income (loss)									
Federal grants and entitlements							2,064	752	2,816
State grants									
Other									
Total general revenues and special items							6,443	46	6,489
Change in net position							8,574	798	59,004
Net position - beginning (1)							563	3,193	(2,452)
Prior period adjustment							650,883	9,852	763,925
Net position - beginning, as restated							650,883	9,852	765,241
Net position - ending							\$ 651,446	\$ 13,045	\$ 762,789

See accompanying notes to financial statements.

(1) The total beginning fund balance difference from prior years ending balance is due to the change in reporting of the Memphis Cook Convention Center.

CITY OF MEMPHIS
T E N N E S S E E

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: City Attorney, City Engineer, Executive, Fire Services, Finance and Administration, General Services, Housing and Community Development, Human Resources, Information Systems, Library, Office of Planning and Development, Parks and Neighborhoods, Police Services, Public Works, 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

The City of Memphis maintains a fiscal year of July 1 – June 30. 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, 2016. The disclosures for other divisions, component units, and joint ventures are as of their June 30 fiscal year-end.

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 Cook Convention Center - The Memphis Cook Convention Center was formed in 1917 under the Tennessee Private Act (TPA) of 1917, Chapter 420, as subsequently amended. In accordance with the TPA, deficit results from operations, maintenance, repairs and insurance that are not funded from the operations of the Center were paid equally by the City and Shelby County (the County) through June 30, 2011. Prior to August 25, 2011, the Center was jointly owned by the City and the County. On August 25, 2011, the City became the sole owner of the Center and the deficit is now solely funded by the City. Memphis Management Group, LLC, a wholly owned subsidiary of Memphis Convention and Visitors Bureau, manages the facility.

While the Center self-reports as an Enterprise Fund, for City reporting purposes the Center is considered a discretely presented component unit. In fiscal year 2016, the City opted to disclose the Memphis Cook Convention Center as a blended component unit under the guidelines of Governmental Accounting Standards Board Statement No. 61 (GASB 61); however upon further analysis, the City has determined that the Memphis Cook Convention Center meets the requirements of a discretely presented component unit under GASB 14. Complete financial statements for the Center may be obtained at The City of Memphis, 125 North Main Street - Third Floor, Room 368, Memphis, TN 38102 Phone: 901-576-6657.

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.

Complete financial statements for this component unit may be obtained at the entity's administrative office: MATA, 1370 Levee Road, Memphis, TN 38108 Phone: 901-722-7162

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. MSCAA's fiscal year-end is June 30.

Complete financial statements for this component unit may be obtained at the entity's administrative office: MSCAA, 2491 Winchester Road, Suite 113, Memphis, TN 38116 Phone: 901-922-8000

Memphis Zoological Society (MZS) – MZS was created as a nonprofit 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, 2016, contained 52 weeks.

Complete financial statements for this component unit may be obtained at the entity's administrative office: MZS, 2000 Prentiss Place, Memphis, TN 38112 Phone: 901-333-6500

Blight Authority of Memphis, Inc. (BAM) – BAM was authorized by City of Memphis Resolution and created in November 2015 as a nonprofit 501(c)(3) organization. The general nature of the business to be transacted by the corporation and the general purpose for which it is organized is to conduct business as a land bank as prescribed by the Tennessee Local Land Bank Program. The organization is declared to be performing a public function on behalf of the City of Memphis and to be a public instrumentality of the City by providing a tool to support economic revitalization through returning blighted properties, vacant properties, abandoned properties, and tax-delinquent properties to productive use.

BAM is managed by a Board of Directors consisting of nine (9) voting members, who shall be qualified residents and voters of the City of Memphis, all of whom shall be appointed by the Mayor of the City of Memphis and approved by the Memphis City Council. The Board shall also include one (1) non-voting member who shall be the Mayor of the City of Memphis, or a City official acting as the Mayor's designee, and one (1) non-voting member who shall be a member of the City Council.

The organization is established with a fiscal year ending June 30. As of June 30, 2017, there were no material financial transactions to report. Future disclosures of this discretely presented component unit will be presented in accordance with Governmental Accounting Standards Board (GASB) Statement No. 14.

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.

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

Memphis and Shelby County Community Redevelopment Agency (CRA) – 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.

Memphis Center City Revenue Finance Corporation (CCRFC) – CCRFC is a nonprofit corporation established jointly by the City and the County under the laws of the State of Tennessee. The Finance Corporation provides various forms of financial assistance for 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 nonprofit corporation for the purpose of acting as the leading and coordinating entity of Memphis and Shelby County, Tennessee, for all economic, developmental, and growth initiatives among other development organizations. The eleven-member EDGE board is comprised of five members nominated by each the City and Shelby County Mayors, one jointly appointed member that serves as board chair and one non-voting member from both the Memphis City Council and the Shelby County Commission.

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 Development Growth Engine 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 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 is 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 as general revenues.

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

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

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

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

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and thus 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.

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 reported by proprietary funds and trust 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.

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:

Fleet Management Internal Service Fund

Health Insurance Internal Service Fund

Unemployment Compensation Internal Service Fund

Fiduciary Funds – The City’s Fiduciary Funds account for the activities of the pension and other postemployment 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.

New Accounting Standards Adopted

In fiscal year 2017, the City adopted the new statement of financial accounting standards issued by the Governmental Accounting Standards Board (GASB) Statement No. 74 *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, and also adopted the early implementation of Governmental Accounting Standards Board (GASB) Statement No. 75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*.

The objective of GASB Statement No. 74 is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This Statement replaces GASB Statements No. 43 and No. 57. It also includes requirements for defined contribution OPEB plans that replace the requirements for those OPEB plans in GASB Statement No. 25.

GASB Statement No. 74, *Financial Reporting for Postemployment Benefits Other Than Pensions*, established new accounting and financial reporting requirements for governments whose employees are provided with other postemployment benefits (OPEB), as well as for certain nonemployer governments that have a legal obligation to provide financial support for OPEB provided to the employees of other entities. The scope of this Statement includes OPEB plans – defined benefit and defined contribution – administered through trusts that meet the following criteria:

- Contributions from employers and nonemployer contributing entities to the OPEB plan and earnings on those contributions are irrevocable.
- OPEB plan assets are dedicated to providing OPEB to plan members in accordance with the benefit terms.
- OPEB plan assets are legally protected from the creditors of employers, nonemployer contributing entities, and the OPEB plan administrator. If the plan is a defined benefit OPEB plan, plan assets also are legally protected from creditors of the plan members.

This statement also includes requirements to address financial reporting for assets accumulated for purposes of providing defined benefit OPEB through OPEB plans that are not administered through trusts that meet the specified criteria.

This Statement requires that notes to financial statements of all defined benefit OPEB plans that are administered through trusts that met the specified criteria include descriptive information, such as the types of OPEB provided, the classes of plan members covered, and the composition of the OPEB plan's board. Such OPEB plans also are required to disclose information about OPEB plan investments, including the OPEB plan's investment policies, concentrations of investments with individual organizations equaling or exceeding 5% of the OPEB plan's fiduciary net position, and the annual money-weighted rate of return on OPEB plan investments. Other required disclosures include information about contributions, reserves, and allocated insurance contracts. For single-employer and cost-sharing OPEB plans that are administered through trusts that meet the specified criteria, the following information also is required to be disclosed:

- Information about the components of the net OPEB liability and related ratios, including the OPEB plan's fiduciary net position as a percentage of the total OPEB liability.
- Significant assumptions and other inputs used to measure the total OPEB liability and information about the sensitivity of the measure of the net OPEB liability to changes in the discount rate and changes in the health care cost trend rate.

This information can be found in the Notes to Financial Statements Section V.E. and RSI Exhibits 1 – 4.

The primary objective of GASB Statement No. 75 is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pension. This Statement replaces the requirements of GASB Statements No. 45 and No. 57. This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. In this Statement distinctions are made regarding the particular requirements depending upon whether the OPEB plans through which the benefits are provided are administered through trusts that meet the following criteria:

- Contributions from employers and nonemployer contributing entities to the OPEB plan and earnings on those contributions are irrevocable.
- OPEB plan assets are dedicated to providing OPEB to plan members in accordance with the benefit terms.

- OPEB plan assets are legally protected from the creditors of employers, nonemployer contributing entities, the OPEB plan administrator, and the plan members.

GASB 75 requires that most changes in the net OPEB liability be included in OPEB expense in the period of the change. The OPEB expense and deferred outflows of resources and deferred inflows of resources related to OPEB that are required to be reported by an employer primarily result from changes in the components of the net OPEB liability.

GASB Statement No. 75 also requires that all defined benefit OPEB plans present in required supplementary information (RSI) a schedule covering each of the ten most recent fiscal years that includes the annual money-weighted rate of return on OPEB plan investments for each year. Disclosures required include the following:

- Sources of changes in the net OPEB liability.
- Information about the components of the net OPEB liability and related ratios.
- If an actuarially determined contribution (ADC) is calculated, the OPEB plan is required to present in the RSI a schedule that includes information about the ADC, contributions to the OPEB plan, and related ratios.
- Certain factors that significantly affect trends in the amounts reported in the schedules of RSI, such as changes of benefit terms, changes in the size or composition of the population covered by the benefit terms, or the use of different assumptions.

The information presented in the Required Supplementary Information (RSI) section of this report have been prepared prospectively from the Plan's fiscal year ending June 30, 2017, for GASB 75 purposes.

In fiscal year 2017, the City adopted GASB Statement No. 77, *Tax Abatement Disclosures*. This statement defines tax abatements and requires the City to disclose brief descriptive information, such as the tax being abated, the authority under which tax abatements are provided, eligibility criteria, the mechanism by which taxes are abated, provisions for recapturing abated taxes, and the types of commitments made by the tax abatement recipients. Additionally, a gross dollar amount of taxes abated during the period must be disclosed. There is no impact on the City's financial statements as a result of the implementation of Statement No. 77. See Note IV. C for a table that summarizes essential information about the nature and magnitude of the reduction of tax revenues realized through the tax abatement programs.

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, 2017, related to tax levies for fiscal year 2017 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, 2017, are recorded as deferred inflows at June 30, 2017.

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 those that represent interfund services provided and used are accounted for as transfers in or transfers out. Non-recurring or non-routine transfers of equity between funds are considered equity 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, 2017. 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 acquisition 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 \$3,997. Of this amount, none was included as part of the cost of capital assets constructed with bond proceeds.

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

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

Compensated Absences

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

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 plus deferred outflows and liabilities plus deferred inflows. Government-wide and proprietary fund statements report fund equity as net position. Fund equity for governmental fund statements is 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 plus capital-related deferred outflows of resources and reduced by capital-related borrowings and deferred inflows of resources. The "Restricted" category net position consists of assets that must be used for a particular purpose as specified by creditors, grantors, or contributors external to the City. The "Unrestricted" net position consists of the remaining net position that does not meet the definition of the other two categories.

The City 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's Finance Director (Chief Financial Officer) was delegated the authority by a City Council resolution to assign fund balance. Refer to section IV.I Fund Balance By Purpose for details of Governmental Fund balances.

Unassigned Fund balance represents general fund amounts not classified elsewhere.

City Council, the City's highest level of decision-making authority, passed a resolution establishing fund balance policies as required by GASB 54. The policies stipulate that: (1) when it is appropriate for fund balance to be assigned, the authority to do so has been delegated to the Director of Finance; (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 Net Position

Prior period net position of the Governmental Activities has been adjusted as stated below:

Net position at June 30, 2016	\$ (407,176)
Adjustment for implementation of GASB 74 and 75 OPEB	(373,050)
Reclassification of Memphis Cook Convention Center	<u>(794)</u>
Restated net position at June 30, 2016	<u>\$ (781,020)</u>

Prior period net position of the Business-Type Activities has been adjusted as stated below:

Net position at June 30, 2016	\$ 2,410,678
Adjustment for implementation of GASB 74 and 75 OPEB	<u>(43,970)</u>
Restated net position at June 30, 2015	<u>\$ 2,366,708</u>

Restated net positions appear on Exhibit A-2

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 \$1,609,636 difference are as follows:

Bonds payable	\$	1,109,035
Commercial Paper		75,000
Settlement obligation		17,332
Unamortized loan costs		60,542
Capital lease obligations		31,618
Related party loan		160,363
Related party loan premium		17,401
Related party debt obligation		25,946
Related party debt premium		430
Accrued interest		15,639
Claims and judgments liability		11,394
On the job injury		3,244
Compensated absences		81,692
		<hr/>
Net adjustment to reduce fund balance-total governmental funds to arrive at net position-governmental activities	\$	<u>1,609,636</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.”

The details of the \$23,353 difference are as follows:

Capital outlay	\$	73,055
Retirement		(7,486)
Depreciation Expense		<u>(42,216)</u>
Net adjustment to increase net changes in fund balances-total governmental funds to arrive at change in net position of governmental activities	\$	<u>23,353</u>

Another element of that reconciliation states that “the issuance of long-term debt (e.g., bond, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net 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 \$37,456 difference are as follows:

Debt issued or incurred:		
Commercial paper		\$(75,000)
Related party debt		(158,240)
Principal repayments:		
General obligation bonds		93,528
Related party		185,087
Capital leases		6,407
Related party premiums		1,741
Settlement obligation		1,334
Premium on related Party		<u>(17,401)</u>
Net adjustment to increase net changes in fund balances- total governmental funds to arrive at changes in net position of governmental activities		<u>\$37,456</u>

Another element of that reconciliation states that “some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.” The details of this \$258,587 difference are as follows:

Liability Changes:	
Claims and judgments liability	\$ (1,996)
Accrued interest expense	464
Personnel cost (OJI, Vacation, Sick, Other)	423
	<u>(1,109)</u>
Net pension liability	(22,722)
Net OPEB liability	282,418
	<u>259,696</u>
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at change in net position of governmental activities	<u>\$ 258,587</u>

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 the Community Development Fund and the Central Business Improvement District Fund) of the City.

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 Network and the Community Development Special Revenue Funds, spending budgets are approved annually upon the availability of the grants from the federal government. The lives of most grants range from two to three years.

Encumbrance accounting is utilized in governmental funds. Encumbrances (e.g., purchase orders, contracts) outstanding at year-end are typically designated by the Finance Director (CFO) 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, 2017, did not exceed appropriations at the program level. The comparison of actual expenditures to the budget for the General Fund reflects no unfavorable variances from budget at the program level.

C. Deficit net position

No funds had a deficit net position at the end of fiscal year 2017.

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, prime bankers acceptances and prime commercial paper. Statutes require that (1) deposits have as collateral securities whose market value is equal to 105% 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 9-4-502 and 9-4-504 state that collateralization coverage for cash deposits may be computed based on average daily balances of the preceding month.

Cash and Investment Pool

The City uses a central cash and investment pool ("C&I 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 that participate in the C&I Pool is recorded as an asset on the books in those funds. The City's component units do not participate in the C&I Pool. The individual fund pool balances in the C&I Pool 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 C&I 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.

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 one 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, 2017 all deposits were insured or collateralized as required by policy. The City's

NOTES TO FINANCIAL STATEMENTS
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CITY OF MEMPHIS, TENNESSEE
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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 C&I Pool at June 30, 2017, totaled \$456.

The investments held by the pool consist of the following at June 30, 2017:

<u>Description</u>	<u>Maturity Dates</u>	<u>Interest Rates</u>	<u>Fair Value</u>	<u>Duration</u>
U.S. Government Obligations	July 2017 - May 2022	.0% - 3.875%	\$ 294,955	.67 - 4.96
Cash Equivalents	July 2017 - Oct 2017	0%	18,173	.08 - .330
Certificate of Deposit	Aug 2017 - Jun 2022	1.2% - 2.250%	1,251	.17 - 5.00
Corporate Bonds	Oct 2017 - May 2019	.750% - 1.450%	5,994	.33 - 1.92
Total Investments			<u>\$ 320,373</u>	

The C&I Pool does not issue separate financial statements. Condensed financial information as of June 30, 2017, is as follows (dollar amounts and share amounts are the same):

Condensed Statement of Net Position

Cash deposits	\$ 456
Investments	<u>320,373</u>
Net position	<u>\$ 320,829</u>
Net position held in trust for pool participants:	
Internal participants	<u>320,829</u>
Total net position held in trust for pool participants	<u>\$ 320,829</u>

Condensed Statement of Changes in Net Position

Additions:	
Investment income	\$ 2,698
Purchase of units	<u>1,384,697</u>
Total additions	1,387,395
Deduction:	
Redemption of units	1,430,966
Net decrease	(43,571)
Net position held in trust for pool participants:	
Beginning of year	<u>364,400</u>
End of year	<u>\$ 320,829</u>

Investments Outside of the Pool

Several funds in the primary government own investments outside of the C&I 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 C&I Pool with the addition of collateralized certificates of deposit. These funds also are required to deposit funds relating to certain construction projects in the State of Tennessee Treasurer's Local Government Investment Pool ("LGIP").

Deposits with the LGIP, which 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 position to compute share prices if certain conditions are met. State statutes require the State Treasurer to administer the LGIP under the same terms and conditions, including collateral requirements, as required for other funds invested by the Treasurer. The reported value of the pool is the same as the fair value of the pool shares. Although the LGIP itself is unrated, its types of investments and maturities provide a level of credit risk similar to that detailed in the aforementioned credit risk section.

All of MLGW's investments are outside of the C&I 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.

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.

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.

Deposits and cash on hand held by the primary government outside of the C&I Pool at June 30, 2017, totaled \$267,452.

The investments held by the primary government outside the C&I Pool at June 30, 2017:

<u>Description</u>	<u>Fair Value</u>
Short-term investments	\$ 19,521
Money market	5
U.S. Government securities	134,811
Federal Agency securities	65,418
Total	<u>\$ 219,755</u>
Investments not subject to categorization:	
State of Tennessee LGIP	<u>612</u>
Total Investments	<u><u>\$ 220,367</u></u>

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

C&I Pool deposits	\$ 456
C&I Pool investments	320,373
Other deposits and cash on hand	267,452
Other investments	220,367
Total	808,648
Equity in C&I Pool – Agency funds	(593)
Equity in C&I Pool – Fiduciary funds	<u>(4,610)</u>
Total	<u><u>\$ 803,455</u></u>
Cash and cash equivalents	\$ 179,636
Investments	161,253
Equity in cash and investment pool	315,625
Restricted special fund-customer deposits	47,043
Restricted investments	99,897
Total	<u><u>\$ 803,455</u></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.

Memphis Area Transportation Authority (MATA) as of June 30, 2017

Cash and Cash Equivalents \$ 4,263

Restricted Investments

Federal Home Loan Mortgage Obligation \$ 510

Total Investments \$ 510

Memphis Cook Convention Center (MCCC) as of June 30, 2017

Cash and Cash Equivalents \$ 1,585

Memphis Shelby County Airport Authority (MSCAA) as of June 30, 2017

Deposits

Cash deposits

Cash on hand \$ 90,263

Total Deposits and cash on hand 3

\$ 90,266

Restricted Cash

Bonds, construction and other miscellaneous \$ 70,159

Total Investments \$ 70,159

Investments

U.S. Government agencies \$ 84,188

Investments not subject to categorization:

 Mutual funds 664

 Forward purchase agreement 23,840

Total Investments \$ 108,692

Memphis Zoological Society (MZS) as of June 30, 2017

Cash and Cash Equivalents \$ 6,265

Restricted Cash

Construction of new parking \$ 1,000

Total Investments \$ 1,000

Investments

Community Foundation of Greater Memphis funds \$ 6,861

Total Investments \$ 6,861

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 Pension Board). The Pension 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 Pension 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%	5%
Real estate	5%	10%
Private equity	2%	6%
Hedge Fund of Funds	2%	6%
Domestic equities	14%	28%
International equities	24%	38%
Fixed income	20%	36%

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, 2017, are as follows:

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Current to one year	\$	48,441
One to two years		95,901
Two to three years		34,439
Three to four years		51,048
Four to five years		59,527
Five or more years		<u>426,720</u>
		716,076
Funds with indeterminable maturities		<u>18,454</u>
	\$	<u><u>734,530</u></u>

Credit Risk

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

The City Plan's exposure to credit risk at June 30, 2017, is presented below by investment category as rated by S&P Global Rating service.

Type of Investment	Fair Value	Ratings	Percentage of Fixed Income
Government bonds	\$ 48,287	AAA	6.57%
	96,804	AA+	13.18%
Non-government-backed CMOs	2,896	AAA	0.39%
	802	AA+	0.11%
	1,203	AA-	0.16%
	505	B	0.07%
Asset-backed securities	769	AAA	0.10%
	4,441	A	0.60%
Corporate bonds and index funds	103,022	AAA	14.03%
	49,165	AA+	6.69%
	15,637	AA	2.13%
	7,011	AA-	0.97%
	9,843	A+	1.34%
	57,909	A	7.88%
	27,771	A-	3.78%
	34,120	BBB+	4.65%
	37,392	BBB	5.09%
	21,615	BBB-	2.94%
	26,925	BB+	3.67%
	23,968	BB	3.26%
	18,497	BB-	2.52%
	25,841	B+	3.52%
	16,654	B	2.27%
	11,703	B-	1.59%
5,617	CCC+	0.76%	
778	CCC	0.11%	
139	CCC-	0.02%	
2,143	D	0.29%	
52,716	NR	7.18%	
Government mortgage-backed securities	30,357	AA+	4.13%
Total Fixed Income	\$ 734,530		100.00%

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, 2017, is as follows:

Currency	Equities	Corporate Bonds	Total
Australian dollar	9,406	12,377	21,783
Brazilian real	929	-	929
British pound sterling	18,261	15,968	34,229
Canadian dollar	10,379	7,749	18,128
Cayman Islands dollar	-	401	401
Chinese yuan (renminbi)	4,918	660	5,578
Chilean peso	1,294	-	1,294
Danish krone	2,315	-	2,315
Euro	42,116	6,943	49,059
Hong Kong dollar	3,842	-	3,842
Hungarian Forint	165	-	165
Israeli shekel	1,492	-	1,492
Japanese yen	27,394	11,988	39,382
Mexican peso	-	29,367	29,367
Norwegian krone	1,007	-	1,007
Polish zloty	-	11,277	11,277
Qatari riyal	-	1,010	1,010
Thailand baht	181	10,501	10,682
South African rand	114	600	714
South Korean won	627	-	627
Swedish krona	3,873	899	4,772
Swiss franc	11,191	-	11,191
New Taiwan dollar	221	-	221
Total securities subject to foreign credit risk	\$ 139,725	\$ 109,740	\$ 249,465
International portfolio in U.S dollars	519,448	-	519,448
	\$ 659,173	\$ 109,740	\$ 768,913

Securities Lending Program

The City of Memphis Retirement System (the City Plan) is authorized by the Charter and Statement of Investment Objectives to lend securities to brokerage firms on a temporary basis through their custodian bank, Bank of New York Mellon (Custodian). During the fiscal year, the Custodian lent City Plan securities and received cash, U.S. Treasury, U.S. Treasury Inflation Protected Securities (TIPS), and U.S. Agency Mortgages as collateral. The Custodian did not have the ability to pledge or sell non-cash collateral delivered absent a

borrower default. Borrowers were required to deliver collateral for each loan in amounts equal to or not less than 102% of the market value of loaned domestic securities and 105% of the market value of loan foreign securities. The City retains the interest income on the securities being transferred and earned \$221 during the year ended June 30, 2017.

The City Plan imposed no restrictions on the amount of securities lent by the Custodian during the year on its behalf. There were no violations of legal or contractual provisions and there were no borrowing or lending agency default losses during the year. The contract with the Custodian requires indemnification only in cases of custodian negligence.

All securities loans can be terminated on demand by either the lender or the borrower. The average term of the City Plan's loans for the year ended June 30, 2017 was approximately 60 days. Cash collateral is invested in a short-term investment pool. The relationship between the maturities of the investment pool and the Custodian's loans is affected by the maturities of the securities loans made by other entities that use the Custodian's pool, which the Custodian's system cannot determine. Cash collateral may also be invested in "term loans", in which case the investments match the loan term. As the loans are terminable at will, the duration of the investments generally did not match the duration of the investments made with cash collateral.

On June 30, 2017 the collateral held and the market value of the securities on loan was \$53,661 and \$55,615 respectively for the City Plan. The cash collateral is recorded as both an asset and a liability on the Plan financial statements (Exhibit E-1). Securities received as collateral at June 30, 2017 are not recorded in the Statement of Net Position, as the Plan cannot sell or pledge the collateral received absent a borrower default.

Derivatives

The City of Memphis is empowered by Tennessee Code Annotated Section 6-56-106 and City Charter Section 50 to invest idle funds to the maximum extent practical. The Investment Committee has adopted written policies governing the use of bankers' acceptances and commercial paper with such policies being no less restrictive than those established by the State Funding Board to govern state investments in such instruments. Such guidelines are established in the *City Of Memphis Statement of Investment Policy* which applies to all financial assets of the City, except for such funds that make up the retirement system portfolio that are allocated to outside trustees and money managers.

Investment guidelines for investments within the retirement system portfolio are established within the *City of Memphis Retirement System Statement of Investment Objectives*.

Instruments utilized during fiscal year 2017 included specifically assigned derivative instruments used to manage risk or to make investments. At year end, the City Plan held investments with a market value of \$113,026 in money market futures, government futures, currency forwards, interest rate swaps and credit default swaps. The objective of the account holdings is to provide a means of managing interest rate and volatility exposure, replicate government bond positions, and to gain exposure to foreign currencies.

City OPEB Trust-Deposits and Investments

City OPEB Trust Investments at June 30, 2017, were as follows:

<u>Description</u>	<u>Fair Value</u>
Mutual Funds	\$2,796

Financial Instruments Reported At Fair Value

In February 2016, the Governmental Accounting Standards Board (GASB) issued Statement No. 72, *Fair Value Measurement and Application*. This statement addresses accounting and financial reporting issues related to fair value measurements. The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This statement provides guidance for determining a fair value measurement for financial reporting purposes. This statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. This statement is effective for periods beginning after June 15, 2015 and was implemented during fiscal year 2016.

Disclosures concerning financial instruments that are reported at fair value are presented below. Fair value has been determined based on the City's assessment of available market information and appropriate valuation methodologies. The market approach uses prices and other relevant information generated by market transactions involving identical or comparable assets, liabilities, or a group of assets and liabilities. The following table summarizes fair value disclosures and measurements at June 30, 2017:

	Fair Value Measurements at Reporting Date Using			
	Fair Value	Prices in Active Markets For Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments				
Money Market Instruments	\$ 52,478	\$ -	\$ 12,934	\$ 39,543
Convertible Securities	3,480	-	3,480	-
Equities	687,551	627,815	57,913	1,822
Equity Mutual Funds	45,939	-	45,939	-
Fixed Income Securities	635,368	91,173	534,714	9,481
Fixed Income Mutual Funds	11,943	-	11,943	-
Futures Contracts	(3)	(3)	-	-
Other - Global Funds	885	885	-	-
Real Estate Funds	87,430	-	-	87,430
Partnerships	106,703	-	-	106,703
REIT	1,026	-	1,026	-
Preferred Securities	1,281	-	1,280	-
Total	\$1,634,080	\$ 719,871	\$ 669,230	\$ 244,980
LGIP	6			
NAV Expedient:	\$ 748,342			
Total Leveling, LGIP, NAV	\$ 2,382,429			
Less Cash Equivalents	(19,286)			
Net Leveling, LGIP, NAV	\$ 2,363,143			

The following methods were used to estimate fair value of each valuation level:

Level 1 – Values were determined by taking closing market prices for identical instruments owned and multiplying by the number of units or shares owned.

Level 2 – Values were determined by taking closing market prices for somewhat similar instruments and multiplying by the number of units owned. Many of the investments are in repos, or mortgage backed securities where identical instruments are not that actively traded.

Level 3 – Values were determined by estimate and assumptions that market participants would use. These investments are typically thinly traded, some are private placements and some are outside the United States.

Asset Class:

Money Market Instruments – Financial instruments issued by financial institutions or governments, such as certificates of deposit and treasury bills, that are considered to be extremely low-risk. These short term instruments tend to have lower return than higher-risk investments, but are much safer due to being backed by the resources and reputation of an institution, state or sovereign. Fund managers may also hold cash equivalents in their portfolios subject to their specific mandates.

Convertible Securities – Securities investments of convertible preferred stock and convertible debt that may be exchanged for common stock in the entity issuing the exchangeable security at a certain ratio and/or a certain price.

Equities – Stock holdings in U.S. and global equity funds. Includes issues of U.S domiciled corporations with market capitalization generally above \$100 million, and issues of foreign domiciled corporations which are routinely traded on recognized stock exchanges.

Fixed Income Securities – U.S. Treasury investments, global holdings, non U.S. government bonds, real estate, real estate investment trusts, and other fixed income instruments with terms to maturity exceeding one year. Exposure to non-U.S. dollar denominated fixed income securities and below investment grade issues may be maintained as authorized by specific manager mandates.

Futures Contracts – Investments of international government bond futures, U.S. Treasury bonds, and U.S. Treasury notes representing standardized, transferable, exchange-traded contracts that require delivery of a commodity, bond, currency, or stock index, at a specified price, on a specified future date.

Other Global Funds – U.S. regulated global asset allocation funds and global balanced funds. The global sovereign portfolio is expected to be globally diversified and may invest in debt obligations issued or guaranteed by U.S. and foreign governments, U.S. and foreign agencies and instrumentalities, supranational entities, zero coupon bonds, floating rate notes, physical currencies and spot and forward currency contracts.

Real Estate Funds and Partnerships – Consist of interests in open-end or closed-end funds, portfolios of real estate investment trusts or similar companies, whether publicly traded or privately held, that are professionally managed and oriented to intuitional investors. Although the individual funds may not be so diversified, the Fund's holding of real estate assets will in the aggregate be broadly diversified by property type, geographic location and size. In addition, such individual funds or company shall have assets of not less than \$5 million at the time the investment is made, and shall hold real property and securities that are lawful holdings for United States investors.

Preferred Securities – Holdings in preferred stock generally issued by bank holding companies.

Each asset class is normally maintained within the prescribed ranges as established by the *City of Memphis Retirement System Statement of Investment Objectives*. If market fluctuations or cash flows cause the holdings of a class to move outside the allocation range as of the end of any calendar quarter, corrective action is promptly considered to remove the imbalance within a reasonable time, taking into account market conditions, transactional costs, and other relevant factors.

Management accepts the disclosures of its custodial banks, Bank of New York Mellon and First Tennessee bank, as presented for Real Estate Funds, Partnerships and investments in certain entities that calculate the net asset value (NAV) per share. Investments in the State of Tennessee Treasurer's Local Government Investment Pool (LGIP) are disclosed as presented. Investment Leveling disclosures for Memphis Light Gas and Water (MLGW) and the component units may be obtained within the respective entity's complete financial statements.

There are no significant restrictions on the ability to sell investments in certain equities that calculate the net asset value (NAV) per share or its equivalent, and the City may redeem investments in those equities with a range of 90 to 120 days.

The above referenced investments have been deemed appropriate within the guidelines of the *City of Memphis Statement of Investment Policy* which applies to all financial assets of the City except for such funds that make up the retirement system portfolio. Separately, each of the above referenced investments have been deemed appropriate within the guidelines established by the *City of Memphis Retirement System Statement of Investment Objectives*.

The fair value presented herein is based on pertinent information available to management as of June 30, 2017. Although management is not aware of any facts that would significantly affect the fair value amounts presented, events occurring in the future or alternative valuation techniques could generate significantly different results from the fair value amounts presented herein.

NOTES TO FINANCIAL STATEMENTS
(Thousands of Dollars)
For the fiscal year ended June 30, 2017

CITY OF MEMPHIS, TENNESSEE
(Continued)

B. Receivables

Receivables as of year-end for the City's individual major funds and nonmajor 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
Receivables:								
Property taxes	\$ 322,059	\$ 147,981	\$ 458	\$ -	\$ -	\$ -	\$ 1,486	\$ 471,984
Special assessments	-	-	-	-	-	-	4,342	4,342
⊗ Sales, income, and other taxes	42,364	1,432	-	-	-	-	-	43,796
Federal and state grants	3,872	-	6,083	-	-	40,131	9,777	59,863
Interest and dividends on investments	-	-	-	10	-	143	-	153
Notes and accounts receivable	-	-	-	8,668	158,479	-	2,895	170,042
Housing and rehabilitation loans	-	-	-	-	-	47,376	-	47,376
Other	150,877	4,025	-	-	-	113	37	155,052
Gross receivables	519,172	153,438	6,541	8,678	158,479	87,763	18,537	952,608
Less allowance for uncollectibles	(127,875)	(3,430)	(12)	(112)	(22,537)	(9,475)	(1,953)	(165,394)
Net total receivables	\$ 391,297	\$ 150,008	\$ 6,529	\$ 8,566	\$ 135,942	\$ 78,288	\$ 16,584	\$ 787,214

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, 2017, 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 2017 levy was based on was approximately \$11.4 billion. 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, 2017, were 95.11% of the tax levy.

At June 30, 2017, the allowance for uncollectible property taxes by fund was as follows:

General Fund	\$ 8,463
Debt Service Fund	3,428
Schools	873
Capital Projects Fund	<u>12</u>
Total	<u>\$ 12,776</u>

The property tax levy is without legal limit. The rate, as permitted by Tennessee State Law and City Charter, is set annually by the City Council and collected by the City Treasurer. The City allocated the property tax per \$100 of assessed value for the year ended June 30, 2017, as follows:

General Fund	2.225088
Debt Service Fund	1.043218
Capital Projects Fund	<u>.003175</u>
Total	<u>3.271481</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.

Tax Abatements

During fiscal year 2017, the City implemented GASB Statement No. 77, Tax Abatement Disclosures. This Statement defines tax abatements and requires governments that enter into tax abatement agreements to disclose brief descriptive information concerning the agreement, the gross dollar amount of taxes abated during the period and any commitments made by the government, other than to abate taxes that are part of the tax abatement agreement. The City through the Economic Development Growth Engine (EDGE), Downtown Memphis Commission, both jointly governed organization with Shelby County, and Health Education & Housing Facility Board, a public corporation, offers Payment in Lieu of Tax (PILOT) incentive programs. In addition to the PILOT program, EDGE also offers a tax incremental financing program (TIF). Both PILOTs and TIFs are tax abatement programs that offer incentives to encourage economic development in the City.

Tax abatements (cont.)

<p><i>City of Memphis Tax Abatement Disclosure as required by Statement No. 77 of the Governmental Accounting Standards Board</i></p>	<p>Downtown Memphis Commission (PILOT Program administered by Center City Revenue Finance Corporation)</p>
<p>Purpose of Program</p>	<p>Financial incentive designed to encourage commercial real estate development in and around the Downtown Memphis area.</p>
<p>Tax being abated</p>	<p>Real and/or personal property taxes</p>
<p>Authority under which abatement agreements are entered into</p>	<p>Tennessee Code Annotated 7-53-102</p>
<p>Criteria to be eligible to receive abatement.</p>	<ul style="list-style-type: none"> - The project should be located within the Central Business Improvement District (CBID), and/or within the Parkways. - The value of the proposed building renovations, site improvements or new construction must be equal to or greater than 60 percent of the total project cost. - The project must pass a "but for" test that determines that the project would not be financially feasible without a PILOT. - Applicant must own the property or have an option or other right to purchase the property. - Residential projects with 51 units or more are subject to the DMC's affordable housing requirement. This requirement stipulates that at least 20 percent of the residential rental units shall be occupied by, or held available solely for, individuals and families of low or moderate income, defined as no more than 80 percent of the median gross income for Shelby County, Tennessee. - No project on Mud Island south of A. W. Willis Avenue shall be considered for a PILOT without consideration of the Riverfront Development Corporation's recommendation. - Only multi-family projects or mixed-use developments that include a multi-family component are eligible for a PILOT outside of the CBID. - Apartment and mixed-use projects shall not utilize electric resistance heat systems. o Projects should incorporate natural gas, heat pumps, or another high-efficiency system as deemed adequate by DMC staff and Memphis Light, Gas & Water (MLGW) staff. This requirement applies to both new construction and building renovation projects. o The only exception to this requirement will be for instances where using natural gas, heat pumps, or another high-efficiency system is deemed technically infeasible by MLGW staff due to unavoidable characteristics of the project, use, building, or site.
<p>How recipients' taxes are reduced</p>	<p>Taxes are reduced by 75% of the increase in the assessment from the date of the PILOT closing</p>
<p>How amount of abatement is determined</p>	<p>Payments shall be based on the predevelopment assessment, plus 25 percent of the increase in the assessment from the date of the PILOT closing.</p>
<p>Provisions for recapturing abated taxes</p>	<p>N/A</p>
<p>Types of commitments made by the City other than to reduce taxes</p>	<p>N/A</p>
<p>Gross dollar amount, on accrual basis, by which the City's tax revenues were reduced as a result of abatement agreements</p>	<p>2,374</p>

NOTES TO FINANCIAL STATEMENTS
(Thousands of Dollars)
For the fiscal year ended June 30, 2017

CITY OF MEMPHIS, TENNESSEE
(Continued)

Tax abatements (cont.)

Programs Administered by Economic Development Growth Engine (EDGE)	
<i>City of Memphis Tax Abatement Disclosure as required by Statement No. 77 of the Governmental Accounting Standards Board</i>	
Purpose of Program	University District - Highland Strip Tax Incremental Financing Project The purpose of the project is to facilitate redevelopment in order to improve the University District.
Tax being abated	Real and/or personal property taxes
Authority under which abatement agreements are entered into	T.C.A. 7-53-312, T.C.A. 7-53-101, T.C.A. 9-23-108
Criteria to be eligible to receive abatement.	To be eligible for TIF financing, the project must meet the definition of "project" as defined in Tennessee Code Ann. § 7-53-101(13).
How recipients' taxes are reduced	The City's taxes are reduced by the incremental increase in current tax year's taxes as compared to the base year.
How amount of abatement is determined	For tax incremental financing programs, a base year is established for properties within the designated area. Each tax year, as the tax assessment increases, the difference between the base year and the current tax year is considered incremental funding and is remitted to EDGE to be used to develop the area as described in the contract. The base year for the Highland Strip is 2015.
Provisions for recapturing abated taxes	N/A
Types of commitments made by the City other than to reduce taxes	N/A
Gross dollar amount, on accrual basis, by which the City's tax revenues were reduced as a result of abatement agreements	82
	N/A
	N/A
	63

In addition to the TIF projects listed above, the City has three additional TIF programs administered by EDGE. The funds for these additional TIF programs are retained by the City in the Community Redevelopment fund to be used in accordance with the TIF agreement.

**NOTES TO FINANCIAL STATEMENTS
(Thousands of Dollars)
For the fiscal year ended June 30, 2017**

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

Tax abatements (cont.)

City of Memphis Tax Abatement Disclosure as required by Statement No. 77 of the Governmental Accounting Standards Board		Programs Administered by Economic Development Growth Engine (Industrial Development Board)	
	Community Builder PILOT	Destination Retail PILOT	Expansion PILOT
Purpose of Program	The intent of the program is to spur investment and job creation in distressed areas of the City of Memphis and unincorporated Shelby County, which areas are defined as Eligible Census Tracts eligible for the Federal New Markets Tax Credit Program.	The intent of the program is to increase employment within the State of Tennessee.	The intent of the program is to increase employment within the State of Tennessee.
Tax being abated	Real and/or personal property taxes	Real and/or personal property taxes	Real and/or personal property taxes
Authority under which abatement agreements are entered into	Tennessee Code Annotated section 7-53-101, et seq	Tennessee Code Annotated section 7-53-101, et seq	Tennessee Code Annotated section 7-53-101, et seq
Criteria to be eligible to receive abatement.	<ol style="list-style-type: none"> 1) Only eligible uses proposed by the applicant for locations in, contiguous to or adjacent to New Markets Tax Credit Program Eligible Census Tracts. 2) No designated site will be awarded a PILOT unless said award is recommended in writing by the Mayor of the City of Memphis and the Mayor of Shelby County. The Mayor of Shelby County shall act alone, if the designated site is located in the unincorporated area of Shelby County. 3) Applicants must demonstrate compliance with the payment of all municipal, county and state taxes due for all properties owned by it and located in Shelby County at the time of closing the Lease Agreement and during the entire PILOT Term. 4) All projects must comply with the Local Business Participation Program. 	<ol style="list-style-type: none"> 1) A project must create at least one hundred (100) Net New Jobs. 2) A Capital Investment of at least \$50M is required. 3) The project must be applicant's only comparable retail location within 200 miles of Shelby County. Comparable retail locations will be determined by the Board, in its sole discretion, based on the size, investment, number of jobs, intended market and/or other criteria. 4) The project must comply with Local Business Participation Program requirements. 	<ol style="list-style-type: none"> 1) The project must result in the retention of at least one hundred (100) retained jobs. 2) A capital investment of at least \$10M is required. 3) The applicant must have been operating and directly employing workers in Shelby County for ten (10) consecutive years prior to applying. 4) The applicant must comply with the Local Business Participation Program requirements. 5) In order to be considered, the project must be one of the specified types of projects.
How recipients' taxes are reduced	Through a reduction of the property's assessed value.	Through a reduction of the property's assessed value.	Through a reduction of the property's assessed value.
How amount of abatement is determined	Payments are based on one hundred percent (100%) of the property taxes which would otherwise be collected and attributable to the unimproved property and twenty-five percent (25%) of the property taxes which would otherwise be collected and attributable to the real property improvements at the time EDGE takes title of the property. For tangible personal property utilized for the project, such payments are to be based on twenty-five percent (25%) of the property taxes that would otherwise be collected and attributable to the tangible property being utilized for the project.	The payments are based on one-hundred percent (100%) of the property taxes which would otherwise be collected and attributable to the land and a fraction of the property taxes which would otherwise be collected and attributable to the real property improvements resulting from the project at the time EDGE takes title of the property. At the present time, the minimum allowable fraction is subject to change from time to time by action of the Memphis City Council, Shelby County Commission, and/or EDGE Board, but no such change shall be applied retroactively to any previously approved PILOT. The minimum allowable PILOT payment for real property improvements is twenty-five percent (25%) for the City of Memphis, if located in whole or in part within the City of Shelby County.	The payments are based on one-hundred percent (100%) of the property taxes which would otherwise be collected and attributable to the land and a fraction of the property taxes which would otherwise be collected and attributable to the real property improvements resulting from the Project at the time EDGE takes title of the property. The minimum allowable fraction is subject to change from time to time by action of the Memphis City Council, Shelby County Commission and/or EDGE Board, but no such change shall be applied retroactively to any previously approved PILOT. The minimum allowable PILOT payment for real property improvements is twenty-five percent (25%) for the City of Memphis, if located in whole or in part within the City of Memphis, and twenty-five percent (25%) for Shelby County.
Provisions for recapturing abated taxes	N/A	N/A	N/A
Types of commitments made by the City other than to reduce taxes	N/A	N/A	N/A
Gross dollar amount, on accrual basis, by which the City's tax revenues were reduced as a result of abatement agreements.	N/A	N/A	N/A

See next page.

**NOTES TO FINANCIAL STATEMENTS
(Thousands of Dollars)
For the fiscal year ended June 30, 2017**

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

Tax abatements (cont.)

City of Memphis Tax Abatement Disclosure as required by Statement No. 77 of the Governmental Accounting Standards Board	Programs Administered by Economic Development Growth Engine (Industrial Development Board)		
Purpose of Program	FastTrack PILOT	Jobs PILOT	Residential PILOT
Tax being abated	The intent of this program is to attract new business to Memphis and Shelby County and spur industrial, industrial warehouse and office investment in conjunction with employer job creation in the City of Memphis and unincorporated Shelby County.	The intent of the program is to increase employment within the State of Tennessee.	The intent of this program is to spur investment in market-rate multi-family residential rental projects in the City of Memphis and unincorporated Shelby County.
Authority under which abatement agreements are entered into	Real and/or personal property taxes	Real and/or personal property taxes	Real and/or personal property taxes
Criteria to be eligible to receive abatement.	Tennessee Code Annotated section 7-53-101, et seq 1) The project must create at least twenty-five (25) net new jobs. 2) A Capital Investment of \$1M is required. 3) The applicant must meet the minimum LBP Standard in the Local Business Participation Program. 4) The project must be located in the City of Memphis or Shelby County. 5) In order to be considered, the project must be one of the specified types of projects.	Tennessee Code Annotated section 7-55-101, et seq 1) The project must create at least fifteen (15) net new jobs. 2) A Capital Investment of \$1M is required. 3) The applicant must meet the minimum LBP Standard in the Local Business Participation Program. 4) In order to be considered, the project must be one of the specified types of projects.	Tennessee Code Annotated section 7-55-101, et seq 1) The minimum requirements are that the project must entail 25 residential units - new construction or substantial renovation. The applicant must own or control the site and demonstrate proof of construction and post-construction financing. Additionally, sixty percent (60%) of the total project costs must be spent on hard construction and/or building renovation and site work. 2) Applicants must demonstrate that the project is not financially feasible without the PILOT benefit. EDGE will analyze the project pro forma, third party market analysis of comparable projects, and other data to determine the need for the PILOT. 3) Applicant must provide project pro forma on a monthly basis through stabilization and then annually through the term of the PILOT, the projects source and use of funds and third party market analysis of comparable projects showing anticipated rental and occupancy rates. Additionally, sponsor principals annual financial statements for the past three (3) years plus an interim financial statement no more than 90-days old at the time of the PILOT approval must be provided for review. 4) For projects with 25-50 units, 10% (rounded-up) must be set-aside for individuals or families that qualify as low/moderate income as defined by the US Department of Housing & Urban Development for the Memphis area. For projects with 51-75 units, 15% must be set aside; for projects with 76 or more units, 20% must be set aside. Applicants that provide an extraordinary number of low/moderate income units will be awarded one (1) extra year on their PILOT. 5) The applicant must comply with the Local Business Participation Program requirements.
How recipients' taxes are reduced	Through a reduction of the property's assessed value.	Through a reduction of the property's assessed value.	Through a reduction of the property's assessed value.
How amount of abatement is determined	PILOT payments are to be based on one-hundred percent (100%) of the property taxes which would otherwise be collected and attributable to the land and twenty-five percent (25%) of the property taxes which would otherwise be collected and attributable to the real property improvements resulting from the Project at the time EDGE takes title of the property. For tangible personal property, PILOT payments are to be based on twenty-five percent (25%) property taxes that would otherwise be collected and attributable to the tangible personal property that is new to Shelby County at the time EDGE takes title of the property. The tangible personal property must be new or Shelby County at the time it is included into the PILOT.	The payments are based on one-hundred percent (100%) of the property taxes which would otherwise be collected and attributable to the land and a fraction of the property taxes which would otherwise be collected and attributable to the real property improvements resulting from the Project at the time EDGE takes title of the property. The minimum allowable PILOT payment for real property improvements is twenty-five percent (25%) for the City of Memphis, if located in whole or in part within the City of Memphis, and twenty-five (25%) for Shelby County. For tangible personal property, PILOT payments are to be based on a fraction of the property taxes that would otherwise be collected and attributable to the tangible personal property that is new to Shelby County at the time EDGE takes title of the property. The tangible personal property must be new to Shelby County at the time it is included into the PILOT. The minimum allowed PILOT payment is twenty-five percent (25%) for the City of Memphis, if located in whole or in part within the City of Memphis, and twenty-five percent (25%) for Shelby County.	Generally and subject to exceptions set forth herein, for real property, such PILOT payments are to be based on one-hundred percent (100%) of the property taxes which would otherwise be collected and attributable to the land and a fraction of the property taxes which would otherwise be collected and attributable to the real property improvements resulting from the Project at the time EDGE takes title to the property. In unique cases, the EDGE Board reserves the right to waive this provision and provide a Community Reinvestment Credit. At the present time, the minimum allowable fraction is subject to change from time to time by action of the Memphis City Council, Shelby County Commission, and/or EDGE Board, but no such change shall be applied retroactively to any previously approved PILOT. The minimum allowed PILOT payment for real property improvements is twenty-five (25%) for the City of Memphis, if located in whole or in part within the City of Memphis, and twenty-five (25%) for Shelby County.
Provisions for recapturing abated taxes	N/A	N/A	N/A
Types of commitments made by the City other than to reduce taxes.	N/A	N/A	N/A
Gross dollar amount, on accrual basis, by which the City's tax revenues were reduced as a result of abatement	N/A	N/A	N/A

Tax abatement (cont.)

Health, Education & Housing Facility Board	
<i>City of Memphis Tax Abatement Disclosure as required by Statement No. 77 of the Governmental Accounting Standards Board</i>	
Purpose of Program	The purpose of the program is to issue bonds for the purpose of financing the acquisition and development of qualified multi-family residential facilities for low and moderate-income families.
Tax being abated	Real and/or personal property taxes
Authority under which abatement agreements are entered into	Tennessee Code Annotated Section 48-101-301 et seq
Criteria to be eligible to receive abatement.	1) The value of the building renovations, site improvements or new construction must be equal to or greater fifty-percent (50%) of the property acquisition cost. 2) The applicant must have site control which shall be the equivalent of fee simple title, 99 year lease, or an option to purchase with no contingencies except financing. 3) Applicant must have evidence of financing commitment for total project costs. 4) 20% of the applicant's units must be occupied by individuals whose income is 50% less of the median gross income or 40% more of the units must be occupied by individuals whose income is 60% less of the median gross income. 5) Applicant must provide written projection of how tax abatement savings will directly benefit tenants through one or more of the following - additional property improvements, rent reduction or stabilization, and tenant services to include any special social services.
How recipients' taxes are reduced	The taxes being abated are fifty percent (50%) of the real property taxes of the qualified multi-family housing property at the time that the PILOT Agreement and PILOT Lease Agreement are entered into.
How amount of abatement is determined	The current assessed value of the qualified multi-family housing property is frozen at fifty percent for the full-term of the PILOT and is used to determine the amount of the annual PILOT payments due to the City of Memphis and Shelby County.
Provisions for recapturing abated taxes	N/A
Types of commitments made by the City other than to reduce taxes	N/A
Gross dollar amount, on accrual basis, by which the City's tax revenues were reduced as a result of abatement agreements	1,934

NOTES TO FINANCIAL STATEMENTS
(Thousands of Dollars)
For the fiscal year ended June 30, 2017

CITY OF MEMPHIS, TENNESSEE
(Continued)

D. Capital assets

Capital asset activity for the year ended June 30, 2017, was as follows:

Primary Government

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Governmental Activities:					
Capital assets not being depreciated:					
Land	\$ 69,712	\$ 550	\$ (160)	\$ -	\$ 70,102
Construction in progress	567,439	66,480	(5,892)	-	628,027
Total capital assets not being depreciated	637,151	67,030	(6,052)	-	698,129
Capital assets being depreciated:					
Buildings	582,536	-	(5,858)	-	576,678
Improvements other than buildings	880,415	-	-	-	880,415
Machinery and equipment	411,695	6,025	(15,226)	-	402,494
Total capital assets being depreciated	1,874,646	6,025	(21,084)	-	1,859,587
Less accumulated depreciation for:					
Buildings	(290,906)	(12,829)	2,606	-	(301,129)
Improvements other than buildings	(331,660)	(16,357)	-	(824)	(348,841)
Machinery and equipment	(356,457)	(12,206)	17,044	-	(351,619)
Total accumulated depreciation	(979,023)	(41,392)	19,650	(824)	(1,001,589)
Total capital assets being depreciated, net	895,623	(35,367)	(1,434)	(824)	857,998
Governmental activities capital assets, net	\$ 1,532,774	\$ 31,663	\$ (7,486)	\$ (824)	\$ 1,556,127

NOTES TO FINANCIAL STATEMENTS
(Thousands of Dollars)
For the fiscal year ended June 30, 2017

CITY OF MEMPHIS, TENNESSEE
(Continued)

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Business-type Activities:					
Capital assets not being depreciated:					
Land	\$ 13,732	\$ -	\$ -	\$ -	\$ 13,732
Construction in progress	203,357	81,153	(29,112)	-	255,398
Memphis Light, Gas and Water assets	227,354	171,717	(139,476)	-	259,595
Total capital assets not being depreciated	444,443	252,870	(168,588)	-	528,725
Capital assets being depreciated:					
Buildings	106,103	-	-	-	106,103
Improvements other than buildings	608,670	30,867	(1,998)	-	637,539
Machinery and equipment	48,863	5,293	(914)	-	53,242
Memphis Light, Gas and Water assets	2,648,273	139,210	(30,457)	-	2,757,026
Total capital assets being depreciated	3,411,909	175,370	(33,369)	-	3,553,910
Less accumulated depreciation for:					
Buildings	(87,931)	(1,070)	-	-	(89,001)
Improvements other than buildings	(313,387)	(10,431)	-	-	(323,818)
Machinery and equipment	(34,029)	(3,743)	903	-	(36,869)
Memphis Light, Gas and Water depreciation*	(1,199,145)	(94,450)	32,946	-	(1,260,649)
Total accumulated depreciation	(1,634,492)	(109,694)	33,849	-	(1,710,337)
Total capital assets being depreciated, net	1,777,417	65,676	480	-	1,843,573
Business-type activities capital assets, net	\$ 2,221,860	\$ 318,546	\$ (166,108)	\$ -	\$ 2,372,298

*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.

NOTES TO FINANCIAL STATEMENTS
(Thousands of Dollars)
For the fiscal year ended June 30, 2017

CITY OF MEMPHIS, TENNESSEE
(Continued)

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

Governmental activities:		
Community enhancement	\$	-
Engineering		600
Executive		139
Finance		2,944
Fire services		3,129
General services		4,819
Housing and Community Development		1,348
Information services		2,823
Library		4,356
Park services		8,029
Police services		2,552
Public services		515
Public works		10,134
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>4</u>
 Total depreciation expense - Governmental activities	\$	<u><u>41,392</u></u>
 Business-type activities:		
Sewer	\$	12,997
Storm Water		2,264
Memphis Light, Gas and Water		<u>77,141</u>
Total depreciation expense - Business-type activities	\$	<u><u>92,402</u></u>

The reported MLGW depreciation expense shows a small difference between depreciation expense in the Statement of Revenue, Expenses, and Changes in Net Position – Proprietary Funds (Exhibit A-10) and the schedule listed below. The difference is attributed to a small amount of depreciation expense being recorded in the maintenance expense category on the Statement of Revenues, Expenses and Changes in Net Position. All reported amounts are derived from the MLGW 2016 Annual Report.

NOTES TO FINANCIAL STATEMENTS
(Thousands of Dollars)
For the fiscal year ended June 30, 2017

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	\$ 45,566	\$ 13,365	\$ 7,522	\$ 66,453
Transportation costs	-	-	-	-
Salvage returns	1,921	60	22	2,003
Retirements	(2,795)	(121)	(22)	(2,938)
Statement of Cash Flows, Depreciation Expense:	\$ 44,692	\$ 13,304	\$ 7,522	\$ 65,518
Retirements	2,795	121	22	2,938
Salvage	2,586	98	11	2,695
Transfers	42	-	-	42
Shelby County Board of Public Utilities Acquisition - annual amortization	-	-	964	964
	<u>\$ 50,115</u>	<u>\$ 13,523</u>	<u>\$ 8,519</u>	<u>\$ 72,157</u>

Construction Commitments

The government had active construction projects as of June 30, 2017. At year-end, the government's commitments with contractors were as follows:

<u>Function/Activity</u>	<u>Commitment</u>
Executive	\$ 5,117
Fire services	3,464
Police services	2,760
Park services	6,530
Public works	17,642
Public services	2,162
General services	14,116
Housing and Community Development	23,788
Engineering	8,275
Information systems	2,324
Storm Water	11,348
Sewer	16,576
Community Enhancement	30
	<u>\$ 114,132</u>

Discretely Presented Component Units

Activity for the Memphis Area Transit Authority for the year ended June 30, 2017, was as follows:

	Beginning Balance (restated)	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	\$ 2,731	\$ -	\$ -	\$ 2,731
Construction in progress	3,040	-	(2,637)	404
Total capital assets not being depreciated	5,771	-	(2,637)	3,135
Capital assets being depreciated:				
Buildings and improvements	172,348	3,326	-	175,674
Buses and other revenue vehicles	81,049	562	(7,322)	74,289
Machinery and equipment	26,794	409	-	27,203
Total capital assets being depreciated	280,191	4,297	(7,322)	277,166
Less accumulated depreciation for:				
Buildings and improvements	(90,087)	(6,184)	-	(96,271)
Buses and other revenue vehicles	(54,007)	(5,528)	14,977	(44,558)
Machinery and equipment	(20,568)	(2,914)	-	(23,482)
Total accumulated depreciation	(164,662)	(14,626)	14,977	(164,311)
Total capital assets being depreciated, net	115,529	(10,329)	7,655	112,855
Capital assets, net	\$ 121,300	\$ (10,329)	\$ 5,018	\$ 115,990

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

Activity for the Memphis-Shelby County Airport for the year ended June 30, 2017, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	\$ 159,581	\$ 294	\$ -	\$ 159,875
Avigation easements	46,679	-	-	46,679
Construction in progress	13,714	28,825	(17,100)	25,439
Total capital assets not being depreciated	219,974	29,119	(17,100)	231,993
Capital assets being depreciated:				
Runways, taxiways, aprons and airfield lighting	776,015	65	-	776,080
Buildings	555,359	8,147	-	563,506
Facilities constructed for tenants	104,077	1	-	104,078
Roads, bridges and fences	68,529	5,544	-	74,073
Equipment and utility systems	116,406	2,341	(328)	118,419
Total capital assets being depreciated	1,620,386	16,098	(328)	1,636,156
Less accumulated depreciation for:				
Runways, taxiways, aprons and airfield lighting	(451,317)	(34,426)	-	(485,743)
Buildings	(307,485)	(19,977)	-	(327,462)
Facilities constructed for tenants	(47,443)	(3,196)	-	(50,639)
Roads, bridges and fences	(41,532)	(2,889)	-	(44,421)
Equipment and utility systems	(91,801)	(3,869)	322	(95,348)
Total accumulated depreciation	(939,578)	(64,357)	322	(1,003,613)
Total capital assets being depreciated, net	680,808	(48,259)	(6)	632,543
Capital assets, net	\$ 900,782	\$ (19,140)	\$ (17,106)	\$ 864,536

NOTES TO FINANCIAL STATEMENTS
(Thousands of Dollars)
For the fiscal year ended June 30, 2017

CITY OF MEMPHIS, TENNESSEE
(Continued)

E. Interfund receivables, payables, and transfers

The composition of the interfund transfers for the year ended June 30, 2017, is as follows:

	Transfers In											Total Transfers Out
	Nonmajor Special Revenue							Enterprise		Fiduciary		
	General Fund	Debt Service	Capital Projects	Community Redevelopment	Miscellaneous Grants	New Memphis Arena	Storm Water	Library Retirement Trust Fund	OPEB Trust Fund	Total Transfers Out		
Transfers Out of Funds Below:												
General Fund	\$ -	\$ 4,371	\$ -	\$ 2,403	\$ 500	\$ -	\$ -	\$ 700	\$ -	\$ -	\$ 7,974	
Nonmajor Special Revenue												
State Street Aid	-	2,063	-	-	-	-	-	-	-	-	2,063	
Miscellaneous Grants	-	195	-	-	-	-	-	-	-	-	195	
Solid Waste	75	4,129	-	-	-	-	-	-	-	-	4,204	
Community Redevelopment	-	-	-	-	-	-	360	-	-	-	360	
Hotel/Motel Tax	50	-	2,471	-	-	-	-	-	-	-	2,521	
New Memphis Arena	-	4,859	-	-	-	-	-	-	-	-	4,859	
Metro Alarm	1,641	-	-	-	-	-	-	-	-	-	1,641	
Total Nonmajor Special Revenue	1,766	11,246	2,471	-	-	-	360	-	-	-	15,843	
Enterprise:												
Sewer Collection and Treatment	7,296	-	-	-	-	-	-	-	-	-	7,296	
Memphis Light, Gas and Water	60,595	-	-	-	2,500	-	-	-	-	-	63,095 (1)	
Storm Water	150	1,892	-	-	-	-	-	-	-	-	2,042	
Internal Service:												
Health Insurance	-	-	-	-	-	-	-	-	6,800	-	6,800	
Total Transfers In	\$ 69,807	\$ 17,509	\$ 2,471	\$ 2,403	\$ 500	\$ 2,500	\$ 360	\$ 700	\$ 6,800	\$ 103,050		

(1) The difference of interfund transfers between the City and Memphis Light, Gas & Water are due to the difference in reporting periods; the City's report as of June 30th and Memphis Light, Gas & Water reports as of December 31st.

The composition of interfund balances as of June 30, 2017 is as follows:

Due to/from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
GOVERNMENTAL FUND TYPES		
General		
	State Street Aid	\$ 2,694
		<u>2,694</u>
Debt Service		
	State Street Aid	295
		<u>295</u>
Total		<u>\$ 2,989</u>

Interfund Balances:

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

Transfers:

Transfers are used to (1) move 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	\$ 33,291
Facility	23,645
Accumulated Depreciation	<u>(25,318)</u>
Total	<u>\$ 31,618</u>

The remaining debt service requirement for capital lease obligations for the City at June 30, 2017, is as follows:

Fiscal Year	
2018	\$ 6,564
2019	6,441
2020	4,146
2021	2,477
2022	2,109
2023-2030	16,515
Less Interest	<u>(6,634)</u>
Present Value of Payments	<u>\$ 31,618</u>

G. Long-term debt

General Obligation Bonds

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

As of June 30, 2017, the City's bond ratings were as follows: A1 by Moody's Investors Service and A by S&P Global Ratings (formally Standard & Poor's) as it relates to the Series 2017 A Taxable Bonds. Aa3 by Moody's and AA- by S&P as it relates to Series 2017B and Series 2017C Taxable Bonds.

No General Obligation Bond issues occurred in fiscal year 2017.

Commercial Paper Program

In April 2014, the City entered agreements to sell tax-exempt 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 entered into a line of credit agreement, which expired on July 31, 2015, to provide liquidity support for this Commercial Paper Program. The loan agreement was amended on July 28, 2015 and extended the expiration date to July 27, 2018. 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. As of June 30, 2017, the outstanding balance is \$75,000.

Revenue Bonds

No Revenue Bond issues occurred in fiscal year 2017.

State Loans

The City 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 consists 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, a July 19, 2013 obligation of \$22,000 with an interest rate of 0.75% payable over a 20-year period.

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, 2017, a total of approximately \$306,755 bonds outstanding were considered defeased.

Center City Revenue Finance Corporation

Pursuant to the Trust Indenture dated as of March 29, 2016 (the “Indenture”), the Memphis Center City Revenue Finance Corporation (CCRFC) of Memphis, Tennessee issued its \$1,562 Tax Exempt Revenue Bonds, Series 2016. The Series 2016 CCRFC Bonds are payable principally by the Loan Agreement and the loan payments are pledged to secure the payment of the bonds. CCRFC is a nonprofit corporation established jointly by the City and the County under the laws of the State of Tennessee. CCRFC provides various forms of financial assistance to development projects.

Pursuant to the Indenture, the proceeds of the Series 2016 CCRFC Bonds were used to, among other things, provide funds to make a loan (the "Series 2016 Loan") to the City pursuant to that certain Loan Agreement dated as of March 29, 2016 (the "Loan Agreement") between the Corporation and the City. The City used the proceeds of the Series 2016 Loan to: (a) pay costs of capital additions and improvements to and capital equipment for the Memphis Cook Convention Center, constituting a public facility within an area designated by the City as the center city area (the “Project”); (b) pay certain expenses incurred in connection with the issuance of the Series 2016 CCRFC Bonds. The bonds mature annually through January 5, 2020 with semiannual interest payments. The City is required to pay the remaining portion of the CCRFC’s debt service payments based on this guarantee. City of Memphis has paid \$390 in principal and \$23 in interest on the guarantee through June 30, 2017. The amount of liability recognized is the best estimate of the discounted present value of the future outflows expected to be incurred as a result of the guarantee.

June 30, 2016	Increases	Decreases	June 30, 2017
\$1,562	\$0	\$390	\$1,172

Pursuant to the Trust Indenture dated as of March 3, 2015 (the “Indenture”), the Memphis Center City Revenue Finance Corporation (CCRFC) of Memphis, Tennessee issued its \$1,585 Tax Exempt Revenue Bonds, Series 2015. The Series 2015 CCRFC Bonds are payable principally by the Loan Agreement and the loan payments are pledged to secure the payment of the bonds. CCRFC is a nonprofit corporation established jointly by the City and the County under the laws of the State of Tennessee. CCRFC provides various forms of financial assistance to development projects.

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

Pursuant to the Indenture, the proceeds of the Series 2015 CCRFC Bonds were used to, among other things, provide funds to make a loan (the "Series 2015 Loan") to the City pursuant to that certain Loan Agreement dated as of March 3, 2015 (the "Loan Agreement") between the Corporation and the City. The City used the proceeds of the Series 2015 Loan to: (a) pay costs of capital additions and improvements to and capital equipment for the Memphis Cook Convention Center, constituting a public facility within an area designated by the City as the center city area (the "Project"); (b) pay certain expenses incurred in connection with the issuance of the Series 2015 CCRFC Bonds. The bonds mature annually through January 5, 2020 with semiannual interest payments. The City is required to pay the remaining portion of the CCRFC's debt service payments based on this guarantee. City of Memphis has paid \$634 in principal and \$49 in interest on the guarantee through June 30, 2017. The amount of liability recognized is the best estimate of the discounted present value of the future outflows expected to be incurred as a result of the guarantee.

June 30, 2016	Increases	Decreases	June 30, 2017
\$1,268	\$0	\$317	\$951

Qualified Energy Conservation Bonds (QECCB) are issued by Center City Revenue Finance Corporation (CCRFC) on behalf of the City to provide funding for the "Green Communities Program" for energy conservation installations and improvements to privately owned facilities with proceeds of qualified energy conservation bonds.

The City entered into a loan agreement with CCRFC On February 18, 2015 whereby the City would receive an amount not to exceed \$8,316 of the proceeds from CCRFC QECCB, Series 2015A. Actual proceeds totaled \$8,316. Interest on the loan is 3.72%, and the loan matures in 2025. Under the provisions of the agreement, the proceeds of the loan must be spent on specific authorized projects within a limited time period. The proceeds are held in an escrow account. As allowable expenditures are incurred, the developer will submit expenditures to the City. Upon approval of expenditures, the City will request the release of the funds from the escrow account to reimburse the developer. The bonds mature annually through January 5, 2025 with semiannual interest payments. The City is required to pay the remaining portion of the CCRFC's debt service payments based on this guarantee. City of Memphis has paid \$1,663 in principal and \$551 in interest on the guarantee through June 30, 2017. The amount of liability recognized is the best estimate of the discounted present value of the future outflows expected to be incurred as a result of the guarantee.

June 30, 2016	Increases	Decreases	June 30, 2017
\$7,484	\$0	\$832	\$6,652

The City entered a loan agreement with CCRFC On April 29, 2015 whereby the City would receive an amount not to exceed \$2,015 of the proceeds from CCRFC QECB, Series 2015B. Actual proceeds totaled \$2,015. Interest on the loan is 3.91%, and the loan matures in 2025. Under the provisions of the agreement, the proceeds of the loan must be spent on specific authorized projects within a limited time period. The proceeds are held in an escrow account. As allowable expenditures are incurred, the developer will submit expenditures to the City. Upon approval of expenditures, the City will request the release of the funds from the escrow account to reimburse the developer. The bonds mature annually through January 5, 2025 with semiannual interest payments. The City is required to pay the remaining portion of the CCRFC's debt service payments based on this guarantee. City of Memphis has paid \$403 in principal and \$125 in interest on the guarantee through June 30, 2017. The amount of liability recognized is the best estimate of the discounted present value of the future outflows expected to be incurred as a result of the guarantee.

June 30, 2016	Increases	Decreases	June 30, 2017
\$1,813	\$0	\$201	\$1,612

The City entered into a loan agreement with CCRFC On April 29, 2015 whereby the City would receive an amount not to exceed \$340 of the proceeds from CCRFC QECB, Series 2015C. Actual proceeds totaled \$340. Interest on the loan is 3.91%, and the loan matures in 2025. Under the provisions of the agreement, the proceeds of the loan must be spent on specific authorized projects within a limited time period. The proceeds are held in an escrow account. As allowable expenditures are incurred, the developer will submit expenditures to the City. Upon approval of expenditures, the City will request the release of the funds from the escrow account to reimburse the developer. The bonds mature annually through January 5, 2025 with semiannual interest payments. The City is required to pay the remaining portion of the CCRFC's debt service payments based on this guarantee. City of Memphis has paid \$68 in principal and \$21 in interest on the guarantee through June 30, 2017. The amount of liability recognized is the best estimate of the discounted present value of the future outflows expected to be incurred as a result of the guarantee.

June 30, 2016	Increases	Decreases	June 30, 2017
\$306	\$0	\$34	\$272

Pursuant to a Trust Indenture dated as of September 1, 2011 (the "Indenture"), the Memphis Center City Revenue Finance Corporation of Memphis, Tennessee (CCRFC) 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" and 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 CCRFC 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.

The bonds mature annually through November 1, 2030, with semiannual interest payments. The City is required to pay the remaining portion of the CCRFC's debt service payments based on this guarantee. On November 1, 2011, the City began making payments on the CCRFC's bonds. The City has paid \$196,935 in principal and \$92,315 in interest on the guarantee through June 30, 2017. The amount of liability recognized is the best estimate of the discounted present value of the future outflows expected to be incurred as a result of the guarantee.

June 30, 2016	Increases	Decreases	June 30, 2017
\$182,740	\$0	\$182,740	\$0

Economic Development Growth Engine

Pursuant to a Trust Indenture dated as of May 18, 2017 (the "Indenture"), the Economic Development Growth Engine Industrial Development Board of the City of Memphis and County of Shelby, Tennessee (EDGE) issued its \$36,215 Federally Taxable Senior Revenue Bonds, Series 2017A, its \$87,725 Tax-Exempt Subordinate Revenue Bonds, Series 2017B and its \$34,300 Federally Taxable Subordinate Revenue Bonds, Series 2017C. The Series 2017 EDGE 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 2017 EDGE Bonds were used to, among other things, provide funds to make a loan (the "Series 2017 Loan") to the City pursuant to that certain Loan Agreement dated as of May 18, 2017 (the "Loan Agreement") between EDGE and the City. The City used the proceeds of the Series 2017 Loan to: (a) refund and defeased the Refunded Bonds, Memphis Center City Revenue Finance Corporation of Memphis, Tennessee (CCRFC), Series 2011 (b) pay the costs of issuance with respect to the Series 2017 EDGE Bonds. The total amount defeased was \$175,220.

The bonds mature annually through November 1, 2030, with semiannual interest payments. The City is required to pay the remaining portion of the EDGE's debt service payments based on this guarantee. On November 1, 2017, the City will began making payments on the EDGE bonds. The amount of liability recognized is the best estimate of the discounted present value of the future outflows expected to be incurred as a result of the guarantee.

June 30, 2017	Increases	Decreases	June 30, 2017
\$0	\$158,240	\$0	\$158,240

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-ad valorem 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. The bonds mature annually through April 1, 2036, with semiannual interest payments. On October 1, 2011, the City began making payments on the guarantee obligation. City of Memphis has paid \$2,990 in principal and \$4,804 in interest on the guarantee obligation through June 30, 2017. The amount of liability recognized is the best estimate of the discounted present value of the future outflows expected to be incurred as a result of the guarantee obligation.

June 30, 2016	Increases	Decreases	June 30, 2017
\$17,980	\$0	\$573	\$17,407

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, 2017:

	General Obligation Bonds (1)	Bond Anticipation Notes / Commercial Paper	Capital Lease Obligations	Settlement Obligation	Guarantee Obligations	Revenue Bonds	State Loans	Total
Governmental Funds \$	1,169,577	75,000	31,618	17,332	204,140	-	-	1,497,667
Enterprise Funds	-	-	-	-	-	557,657	47,124	604,781
Total long-term debt \$	1,169,577	75,000	31,618	17,332	204,140	557,657	47,124	2,102,448

(1) Per City of Memphis resolution, \$10 million of Series 2016 was allocated to the Storm Water Fund.

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(Thousands of Dollars)
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CITY OF MEMPHIS, TENNESSEE
(Continued)

Long-term liability activity for the year ended June 30, 2017, was as follows:

	Balance June 30, 2016	Additions	Reductions	Balance June 30, 2017	Due Within One Year
Governmental activities:					
<i>Bonds and Other Obligations:</i>					
General obligation bonds payable	\$ 1,189,950	-	(80,915)	1,109,035	80,850
Premium on general obligation bonds	73,155	-	(12,613)	60,542	11,855
Commercial Paper	-	75,000	-	75,000	-
Capital lease agreements	38,025	-	(6,407)	31,618	5,609
Settlement Obligation	18,666	-	(1,334)	17,332	1,334
	<u>\$ 1,319,796</u>	<u>75,000</u>	<u>(101,269)</u>	<u>1,293,527</u>	<u>99,648</u>
<i>Guarantee Obligations:</i>					
Related party loan	\$ 185,570	158,240	(183,447)	160,363	9,482
Related party loan premium	1,650	17,401	(1,650)	17,401	1,360
Related party debt obligation	27,585	-	(1,640)	25,946	1,667
Related party debt obligation premium	521	-	(91)	430	77
	<u>\$ 215,327</u>	<u>175,641</u>	<u>(186,828)</u>	<u>204,140</u>	<u>12,586</u>
Subtotal	<u>\$ 1,535,123</u>	<u>250,641</u>	<u>(288,097)</u>	<u>1,497,667</u>	<u>112,234</u>
<i>Other Liabilities:</i>					
Legal Claims and Judgments	\$ 9,398	1,996	-	11,394	609
Accrued Interest	16,103	-	(464)	15,639	-
Vacation, sick and other leave benefits	81,664	28	-	81,692	422
On the Job Injury	3,696	-	(452)	3,244	-
	<u>\$ 110,861</u>	<u>2,024</u>	<u>(916)</u>	<u>111,969</u>	<u>1,031</u>
Total	<u>\$ 1,645,983</u>	<u>252,665</u>	<u>(289,013)</u>	<u>1,609,636</u>	<u>113,265</u>
Business-type activities:					
<i>Bonds and Other Obligations:</i>					
Revenue bonds	\$ 100,580	-	(11,390)	89,190	11,230
General Oblig Bonds Payable Allocation	10,000	-	-	10,000	1,592
Net premium/discount on revenue bonds	1,560	-	(631)	929	710
MLGW revenue bonds	435,470	110,000	(120,145)	425,325	121,745
Premium on MLGW revenue bonds	20,991	18,786	(7,564)	32,213	-
Sewer State Loan	11,344	35,947	(166)	47,124	171
Subtotal	<u>579,945</u>	<u>164,733</u>	<u>(139,896)</u>	<u>604,781</u>	<u>135,448</u>
<i>Other Liabilities:</i>					
Vacation, sick and other leave benefits	18,403	1,411	-	19,814	367
	<u>\$ 598,348</u>	<u>166,144</u>	<u>(139,896)</u>	<u>624,595</u>	<u>135,815</u>

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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, 2017 follows:

Description	Interest Rates(%)	Original Issue	Balance Outstanding at Year End
General Obligation Debt:			
General City Government Serial Bonds	2.91-6.04	\$ 1,880,880	\$ 1,109,035
Bond Anticipation Notes-Commercial Paper	variable	20,000	75,000
Net Premium/(Discount) on General Obligation Debt		<u>174,434</u>	<u>60,542</u>
Total General Obligation Debt		2,075,314	1,244,577
Capital Lease Obligations	3.75-4.32	55,147	31,618
Settlement Obligation		20,000	17,332
Guarantee Obligations	variable	229,589	186,309
Net Premium/(Discount) on Guarantee Obligations		<u>3,133</u>	<u>17,831</u>
		232,722	204,140
Total Governmental Funds Debt		<u>\$ 2,383,183</u>	<u>\$ 1,497,667</u>
Business-Type Debt:			
General Oblig Bonds Payable Allocation	2.91-6.04	\$ 10,000	10,000
Sanitary Sewerage System	3.00-6.10	164,175	89,190
Electric Division, MLG&W (1), (2)	2.00-5.00	1,920,150	410,325
Water Division, MLG&W (1)	2.00-5.00	15,000	15,000
Net Premium/(Discount) on revenue bonds			33,142
State Loans	.75-2.59	<u>11,698</u>	<u>47,124</u>
Total Business-Type Debt		2,121,023	604,781
Total		4,504,206	2,102,448

(1) All MLG&W bonds reflect amounts outstanding at December 31, 2016.

(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, 2017

CITY OF MEMPHIS, TENNESSEE
(Continued)

Debt service requirements to maturity for governmental long-term indebtedness at June 30, 2017 are as follows:

Fiscal Year	Total Long-term Indebtedness														
	General Obligation					Revenue									
	General Obligations		Capital Lease		Settlement Obligation (3)	Sewer System		State Loan		MLG&W(2)					
Principal (4) (5)	Interest (1)	Principal	Interest	Principal	Principal (4)	Interest	Principal (1)	Principal	Interest	Principal (4)	Interest	Principal	Interest	Total	
2017	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2018	80,850	51,138	5,609	956	1,334	11,149	6,580	4,052	171	448	121,745	19,339	121,745	19,339	141,084
2019	81,385	47,106	5,579	862	1,334	10,809	6,862	3,573	175	444	127,375	13,428	127,375	13,428	314,321
2020	81,520	43,469	3,374	771	1,334	11,414	6,618	3,181	180	439	7,250	7,488	115,463	66,335	181,798
2021	81,145	40,348	1,766	711	1,333	10,935	6,339.1	2,721	184	434	7,765	6,967	115,202	61,727	176,929
2022	81,590	36,402	1,455	655	1,333	11,172	6,055.5	2,291	189	430	8,080	6,658	111,873	57,520	169,393
2023	82,260	32,110	1,560	598	1,333	12,417	5,730.7	1,896	194	425	8,415	6,317	112,959	52,491	165,450
2024	82,585	28,285	1,660	547	1,333	12,747	5,361.6	1,555	199	420	8,815	5,924	114,689	47,076	160,311
2025	83,845	25,481	1,765	491	1,333	13,172	4,891	1,215	205	414	9,220	5,524	117,170	42,093	156,782
2026	82,275	21,966	1,910	403	1,333	12,685	4,274	917	210	409	9,635	5,098	113,773	38,016	155,186
2027	22,950	18,063	2,060	308	1,333	13,323	3,633	687	215	403	10,065	4,673	53,601	33,066	146,839
2028	23,920	16,926	2,220	205	1,333	14,000	2,959.9	480	221	398	10,510	4,231	56,009	25,200	81,209
2029	24,900	15,741	2,375	113	1,333	14,708	2,252.46	299	227	392	10,965	3,770	56,938	22,567	79,505
2030	25,950	14,500	285	14	1,333	15,450	1,509.2	145	233	386	11,445	3,286	57,221	19,840	77,061
2031	21,655	13,185	-	-	-	16,230	728.3	33	239	380	11,995	2,740	51,204	17,066	68,270
2032	22,565	12,169	-	-	-	1,103	296.2	-	245	374	12,505	2,232	36,418	15,071	51,488
2033	23,545	11,071	-	-	-	1,158	241.2	-	252	367	13,040	1,702	37,995	13,381	51,376
2034	24,215	9,963	-	-	-	1,218	183.4	-	1,081	364	13,580	1,148	40,094	11,658	51,752
2035	25,240	8,793	-	-	-	1,278	122.5	-	40,341	363	7,570	577	74,429	9,856	84,285
2036	20,455	7,726	-	-	-	1,340	58.6	-	2,363	20	7,855	294	32,013	8,098	40,111
2037	16,620	6,788	-	-	-	-	-	-	-	-	-	-	16,620	6,788	23,408
2038	17,365	6,043	-	-	-	-	-	-	-	-	-	-	17,365	6,043	23,408
2039	18,140	5,264	-	-	-	-	-	-	-	-	-	-	18,140	5,264	23,404
2040	18,950	4,445	-	-	-	-	-	-	-	-	-	-	18,950	4,445	23,395
2041	19,825	3,581	-	-	-	-	-	-	-	-	-	-	19,825	3,581	23,406
2042	16,495	2,677	-	-	-	-	-	-	-	-	-	-	16,495	2,677	19,172
2043	16,495	1,884	-	-	-	-	-	-	-	-	-	-	16,495	1,884	18,379
2044	17,290	1,087	-	-	-	-	-	-	-	-	-	-	17,290	1,087	18,377
2045	5,005	250	-	-	-	-	-	-	-	-	-	-	5,005	250	5,255
TOTAL	1,119,035	486,461	31,618	6,634	17,332	186,308	64,697	23,045	47,124	7,310	425,325	108,645	1,915,933	696,789	2,612,721

(1) Interest on variable general obligation bonds is estimated.
(2) At 12-31-16
(3) No interest associated with the Settlement Obligation
(4) Excludes premiums and/or discounts
(5) Per City of Memphis resolution, \$40 million of Series 2016 was allocated to the Storm Water Fund

H. Restricted assets

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

Insurance reserves – injuries and damages	\$10,532
Insurance reserves – casualties and general	36,046
Medical benefits	12,610
Customer deposits	31,722
Bond reserve and debt service	<u>56,030</u>
Total	<u>\$146,940</u>

NOTES TO FINANCIAL STATEMENTS
(Thousands of Dollars)
For the fiscal year ended June 30, 2017

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	Nonmajor	Total Governmental Funds
Restricted						
Parks Special Services	\$ 2,182	-	-	-	-	\$ 2,182
Vacant Property Registry	55	-	-	-	-	55
Photo Enforcement	4,582	-	-	-	-	4,582
Bass Pro	1,302	-	-	-	-	1,302
Miscellaneous Activities	-	-	-	-	-	-
E-Traffic Citation Fee	160	-	-	-	258	418
Debt Service - Related Party Loan	-	11,842	-	-	-	11,842
Debt Service - Capital Lease	-	3,900	-	-	-	3,900
Debt Service-Pledged TDZ Revenue	-	426	-	-	-	426
Solid Waste Management	-	-	-	-	13,001	13,001
Miscellaneous Grants	-	-	-	-	273	273
Drug Enforcement	-	-	-	-	9,980	9,980
Community Development	-	-	-	5,008	-	5,008
Workforce Investment Network	-	-	-	-	2,000	2,000
Committed						
Debt Service Requirements	-	32,630	-	-	-	32,630
Education	-	-	-	-	-	-
Community Redevelopment	-	-	-	-	681	681
Metro Alarms	-	-	-	-	463	463
Casino Gaming Commission	-	-	-	-	7	7
Beale Street	-	-	-	-	1,004	1,004
New Memphis Arena	-	-	-	-	119	119
Hotel/Motel Tax	-	-	-	-	5,389	5,389
Capital Projects	-	-	23,661	-	-	23,661
Assigned						
Agency Fund Buy Back	3,000	-	-	-	-	3,000
Encumbrances for Purchase Orders	20,759	-	-	-	-	20,759
Intergovernmental	20,000	-	-	-	-	20,000
Unassigned	95,343	-	-	-	-	95,343
Total Fund Balances	\$ 147,383	48,798	23,661	5,008	33,175	\$ 258,025

J. Deferred inflows and deferred outflows

The following is a reconciliation of the deferred outflows of resources and deferred inflows of resources presented in the government-wide statement of net position.

Deferred Outflows of Resources

Governmental Activities

Deferred outflows - pensions	\$167,070
Deferred outflows - OPEB	32,938
Total Governmental Activities Deferred Outflows	<u>\$200,008</u>

Business-Type Activities

Deferred outflows - pensions	\$99,765
Deferred outflows - OPEB	2,670
Unamortized balance of refunded debt	1,499
Total Business-Type Activities Deferred Outflows	<u>\$103,934</u>

Total Deferred Outflows of Resources	<u><u>\$303,942</u></u>
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Deferred Inflows of Resources

Governmental Activities

Deferred inflows - pensions	\$156,058
Deferred inflows - OPEB	213
Prepaid taxes	5,438
Uncollected property taxes	415,733
Uncollected anti-neglect fees	426
Uncollected special assessments	3,797
Uncollected grant reimbursements	12,119
Uncollected intergovernmental revenues	59,306
Uncollected project loans receivable	37,901
Other	7,338
Total Governmental Activities Deferred Inflows	<u>\$698,329</u>

Business-Type Activities

Deferred inflows - pensions	\$33,074
Deferred inflows - OPEB	17
Revenue collected in advance	103
Total Business-Type Activities Deferred Inflows	<u>\$33,194</u>

Total Deferred Inflows of Resources	<u><u>\$731,523</u></u>
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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 \$3,244 was 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.

The changes in the insurance claims payable for the years ended June 30, 2016 and 2017 are as follows:

	<u>On the Job Injury</u>					
	Health	OPEB	Sewer Collection and Treatment Fund	Fleet Management Fund	Storm Water Fund	Governmental Funds
Balance - June 30, 2015	\$ 8,235	3,529	24	-	68	3,194
Current year provision	(61,516)	(27,823)	(124)	-	(57)	(3,254)
Payments	60,799	27,516	174	-	110	3,756
Balance - June 30, 2016	\$ 7,518	3,222	74	-	121	3,696
Current year provision	(62,108)	(23,624)	(114)	-	(106)	(4,665)
Payments	61,674	22,569	157	-	-	4,213
Balance - June 30, 2017	\$ 7,084	2,167	117	-	15	3,244

The City did not receive insurance recoveries during the year. Fleet Management had no payments for 2016 and 2017.

A. Subsequent events

The City has evaluated subsequent events for potential recognition and disclosure through December 26, 2017.

In 2017 the City of Memphis bestowed upon the surviving participants of the 1968 Sanitation strike a Commemorative Grant in recognition of their role in the advancement of Civil Right and for their continued loyalty to service the citizens of the City. As of December 2017 a total of \$2,509 has been granted to 28 participants. The 2018 budget was revised to fund the Commemorative Grants from the General Fund reserves.

In previous years the City entered into agreements with a vendor to sell a portion of the City's tax year delinquent property tax receivables. The City is evaluating a plan to enter into a similar agreement in 2018. Total proceeds from the sale of receivables in 2018 are undetermined at this time.

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 \$11,394 is a reasonable measure of the ultimate settlement of these matters.

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, 2017, the Senior Lien Bonds were outstanding in an aggregate principal amount of \$213,860. 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 considered a general obligation of the City since there is a reasonable expectation of the receipt of funds to service the debt.

The City has commitments at June 30, 2017, for outstanding purchase orders and outstanding contracts reported as assigned fund balance for encumbrances in the General Fund of \$20,759. The City has assigned

\$20,000 to intergovernmental transactions, and \$3,000 for a buy-back of the 2013 factored delinquent tax receivables.

The City had additional commitments totaling \$114,132 for certain infrastructure and sewer construction projects.

In accordance with Governmental Accounting Standards Board (GASB) Statement No. 49 *Accounting and Financial Reporting for Pollution Remediation Obligations*, the City has determined that an obligating event has occurred and should be disclosed to account for pollution remediation obligations that have previously not been reported. The City, the United States Environmental Protection Agency (EPA), Tennessee Department of Environment and Conservation (TDC), and the Tennessee Clean Water Network (TCWN) have entered into a Consent Decree effective as of September 21, 2012, that requires the City to develop and implement plans for the continued maintenance and improvement of its Wastewater Collection and Transmission System and Wastewater Treatment Plants to address Sanitary Sewer Overflows and effluent limitation for foam. The Consent Decree program is estimated to last for a minimum 9 to 12 years. The Consent Decree is a result of a Complaint filed against the City by the United States Department of Justice and State of Tennessee on February 5, 2010 alleging that the City had violated and continued to violate Sections 201 and 402 of the Clean Water Act, 33 U.S.C. §§ 69-3-101 et seq., and the regulations promulgated pursuant thereto.

Due to the nature of the remediation, the range of all components of the liability cannot be reasonably estimated. In accordance with the statement, the City has reviewed a series of recognition benchmarks in determining when component of pollution remediation liabilities are reasonably estimable. It is anticipated that the recognition would increase over time as more components become reasonably estimable or when new information indicates increases or decreases in estimated outlays. Expenses incurred as a result of the Consent Decree have been transacted utilizing access to the State Revolving Fund Loan Agreement (Loan Agreement) with the Tennessee Department of Environment and Conservation and the Tennessee Local Development Authority. Said Loan Agreement currently has a cap of \$110,000; expensed components of the remediation outlays to date are approximately \$79,800. The City has determined that a contingent liability in the amount of \$10,000 is appropriate under the circumstances. The City will re-evaluate expenses annually for GASB 49 disclosure requirements.

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 Commission. The Port Commission is under no obligation to pay the debt principal or interest. Receivables from the City and County have been booked for the principal and will be booked for the interest as it becomes due. Coupon rates on the 24-year, 7-month bonds range from 2.0% to 5.25% over the lives of the bonds.

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 nonprofit corporation, The New Memphis Arena Public Building Authority of Memphis and Shelby County, Tennessee (The New Arena PBA). The New Arena PBA is a non-profit corporation established under the statutes of the State of Tennessee and is governed by a Board of Directors whose members are jointly appointed by the Mayors of Memphis and Shelby County and approved by the Memphis City Council and the Shelby County Commission. The New Arena PBA was responsible for the construction of a 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 nonprofit corporation established jointly by the City and County under the provisions of the Sports Authority Act of 1993 (State of Tennessee). The purpose of the Sports Authority is to review and/or act upon issues dealing with sports entities, teams, stadiums, arenas, and other matters related to the improvement of sports-related activities. Board members (eleven) are appointed by the City and the County Mayors, with approval by the City Council and County Commission, for six year terms. The Sports Authority has issued bonds in connection with the financing of a multi-purpose sports and entertainment facility (FedEx Forum). Pursuant to the Interlocal Agreement, the City and the County have agreed to replenish the Debt Service Reserve Fund in the event that a draw is required to make a debt service payment on the Senior Bonds. The bonds are to be repaid by the following revenue sources: seat rental fees – pledge until bonds are paid in full; sales tax rebates related to certain taxes generated by the Memphis Grizzlies – effective 2001–2031; car rental fees – pledged by the County until bonds are paid in full; hotel/motel taxes – pledged by City and County; MLGW in-lieu-of-tax payments received from the City's Water Division of MLGW - pledged annually until the end of 2028.

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

In fiscal year 2017, the City adopted the new statement of financial accounting standards issued by the Governmental Accounting Standards Board (GASB) Statement No. 74 *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, and also adopted the early implementation of Governmental Accounting Standards Board (GASB) Statement No. 75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*.

GASB Statement No. 74, *Financial Reporting for Postemployment Benefits Other Than Pensions*, established new accounting and financial reporting requirements for governments whose employees are provided with OEPB, as well as for certain nonemployer governments that have a legal obligation to provide financial support for OEPB provided to the employees of other entities. This Statement replaces Statements No. 43 and No. 57.

The primary objective of GASB Statement No. 75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pension. This Statement replaces the requirements of Statements No. 45 and No. 57. This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures.

As a result of the initial adoption of GASB Statement No. 45, the City established an 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, 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.

By agreement adopted on October 19, 2007, as amended and restated on February 12, 2008 (the Trust Agreement), the duty and responsibility for investing the Trust assets is vested in the Trustee. The Trust Agreement provides that the Trustee is a committee composed of the following members: the Director of Finance (Chief Financial Officer) who serves as Chairman, the City Comptroller, the City Treasurer, the Deputy Director of Finance, the Investment Manager, and the Senior Investment Analyst.

The funding of postemployment benefits is long term in nature; therefore, the investment of Trust assets shall have a long term focus. It is a recognized principle of investment management that there are risks inherent in investing in the securities markets. These risks are acceptable so long as the Trust Fund is invested primarily for capital appreciation over the long term. The return objective of the Trust Fund should be primarily long term in nature and focused on meeting or exceeding the actuarial discount rate used to value the obligation. The Tennessee Other Post Employment Benefit Investment Trust Act of 2006 permits an OPEB Trust investment committee to adopt an investment policy authorizing assets in the OPEB Trust to be invested and managed in accordance with the investment policy the City utilizes to manage pension assets.

NOTES TO FINANCIAL STATEMENTS
(Thousands of Dollars)
For the fiscal year ended June 30, 2017

CITY OF MEMPHIS, TENNESSEE
(Continued)

Separate financial statements for the City of Memphis Trust OPEB Plan are not issued.

As of and for its year ended June 30, 2017, the City OPEB Fund reported the following net position:

ASSETS

Investments, at fair value:

Mutual funds and money market funds	\$	<u>2,796</u>
Total investments		2,796

Equity in cash and investment pool		2,215
Interest and dividend receivables		<u>2</u>

Total assets		<u>5,013</u>
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LIABILITIES

Accounts payable and other		<u>1,586</u>
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Total liabilities		<u>1,586</u>
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DEFERRED INFLOWS OF RESOURCES

Revenue collected in advance		<u>224</u>
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Total deferred inflows of resources		<u>224</u>
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NET POSITION

Held in trust for OPEB	\$	<u><u>3,203</u></u>
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NOTES TO FINANCIAL STATEMENTS
(Thousands of Dollars)
For the fiscal year ended June 30, 2017

CITY OF MEMPHIS, TENNESSEE
(Continued)

As of and for its year ended June 30, 2017, the City OPEB Fund reported the following changes in net position:

ADDITIONS

Contributions:

Employer	\$	9,855
Medicare Part D		227
Plan members		5,531
Total contributions		<u>15,613</u>

Transfers from other funds for employer contributions	6,800
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Pharmacy rebates	865
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Investment income:

Interest and dividend income	60
Net appreciation in the fair value of investments	<u>229</u>
Total investment income	<u>289</u>

Total additions	<u>23,567</u>
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DEDUCTIONS

Benefits	22,569
Administrative expenses	<u>4,245</u>

Total deductions	<u>26,814</u>
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Net increase (decrease)	(3,247)
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Net position - beginning of year	<u>6,450</u>
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Net position - end of year	<u>\$ <u>3,203</u></u>
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City of Memphis Other Postemployment Benefits (OPEB) Plan

Plan Description – The City’s OPEB Plan is a single-employer plan for GASB accounting purposes. This 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.

At June 30, 2017, the number of active participants in the OPEB Plan was 7,063. There were 5,006 inactive participants eligible, of which 3,293 were enrolled. Eligibility for OPEB benefits are based on two pension options: Normal retirement or disability retirement. The applicable pension plan provisions are as follows:

General Employees – 1948 Plan Participants

Normal – Age 60 and 10 years of service, or 25 years of service

Disability – Non-Line of Duty, 5 years of service

General Employees – 1978 Plan Participants

Normal – Age 60 and 10 years of service, or age 65 and 5 years of service, or 25 years of service

Disability – Non Line-of-Duty, 5 years of service

General Employees 2012 and 2016 Plan Participants

Normal – Age 65 and 5 years of service, or 25 years of service

Disability – Non Line-of-Duty, 5 years of service

Police and Fire (Uniform) 1948 Plan Participants

Normal – Age 55 and 10 years of service, or 25 years of service

Disability – Line-of-Duty, no service requirement

Police and Fire (Uniform) 1978, 2012, and 2016 Plan Participants

Normal – Age 55 and 10 years of service, or 25 years of service

Disability – Line-of-Duty, no service requirement

Spouses of eligible retirees may receive postretirement medical benefits. Surviving widowed spouses are eligible if receiving a pension payment for the City of Memphis and coverage was in force prior to the retiree’s death. Working spouses with available coverage elsewhere do not receive postretirement medical benefits.

Summary of Plan Provisions

Medical Benefits

Effective January 1, 2015 the City of Memphis amended the Plan to grandfather the following participants:

- 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 beneficiaries inactive
- Pre-65 disabled line-of-duty inactive

Previously the grandfathered participants received medical coverage through either a Preferred Provider Organization (PPO/Basic) or a Point of Service Plan (POS/Premier) and paid approximately 30% of the cost of coverage. The City paid for costs in excess of required retiree premiums.

During fiscal year 2017, the Pre-65 Line-of-Duty Disabled and Grandfathered Post-65 Retirees without Medicare received postretirement medical and drug coverage through the City’s self-insured Premier or Preferred Plans. The premiums were based on plan selected and provided an HRA/HSA for the Preferred Plan, with both plans carrying a 5% coinsurance for the participant. The City paid for costs in excess of required retiree premiums.

The remaining participants are non-grandfathered. Previously the non-grandfathered participants Pre-65 coverage was Access Only for the PPO/Basic or POS/Premier Plan. Post 65-coverage was through a variety of Medicare plans including Medicare Supplemental Plan, Prescription Drug Plans (PDPs), and Medicare Advantage plans for Medicare-eligible retirees. The City of Memphis subsidized 25% and paid for costs in excess of the required retiree premiums.

During fiscal year 2017, the Pre-65 and Post-65 Retirees were provided with a set amount of money each year that goes into a Health Retirement Account (HRA). The amount provided depends on the type of retiree and age according to the table below:

		Annual HRA Amount	
		<u>Retiree</u>	<u>Spouse</u>
Line-of-Duty	Pre-65	\$10,000	\$10,000
	Post-65	\$ 2,000	\$ 1,000
Other	Pre-65	\$ 5,000	\$ 5,000
	Post-65	\$ 1,000	\$ 500

Life Benefits

The City provides a life insurance benefit of \$5,000 to all participants. The payment of the \$5,000 by the City depends on if the participant had supplemental insurance as an active participant prior to retirement. If the participant elected supplemental life insurance as an active employee, the supplemental insurance drops to \$3,000, and is fully insured by the City. In addition, the City pays an additional \$2,000 which is self-insured. If the participant did not elect supplemental life insurance as an active employee, the City pays \$5,000 upon death, which is self-insured.

Summary of Accounting Policies – The financial statements of the OPEB Plan are prepared using the accrual basis of accounting. In fiscal year 2017, the City adopted the new statement of financial accounting standards issued by the Governmental Accounting Standards Board (GASB) Statement No. 74 *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, and also adopted the early implementation of Governmental Accounting Standards Board (GASB) Statement No. 75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Financial statement reporting information for the City of Memphis fiscal year ended June 30, 2017 is in accordance with GASB 74 and GASB 75. Required disclosures under GASB 74 and GASB 75 implementation are presented herein and in the Required Supplementary Information section of this report. Investments of the City of Memphis OPEB Plan are reported at fair value. For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB and OPEB expenses or expenditures, information about the fiduciary net position, and the additions to and deductions from the Plan’s fiduciary net position, have been determined in accordance with GASB 74 and GASB 75 implementation and are disclosed herein.

Funding Policy – The contribution requirements of the plan members and the City are established by and may be amended by the City. The City pays for medical costs in excess of required retiree premiums and may elect through adoption of the City’s annual budget ordinance to contribute an amount in excess of the total annual benefit payments to a qualified trust for the purpose of funding future OPEB benefits. The City’s receipt of Medicare Part D prescription drug subsidies is included in operating income.

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, 2017, the value of the Trust assets within the OPEB Fund was \$5,013. The current fiscal year includes interest at 2.71% on the beginning of year total OPEB liability and service cost offset by a half-year of interest on benefit payments. For the 2017 fiscal year, the net investment return for the year was \$289 compared to the expected return on assets of \$0.

Schedule of Contributions

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 contractual contribution 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 City is contractually required to pay benefits as they come due and make HRA contributions to participants enrolled in OneExchange or an allowable plan.

The Schedule of Contributions under GASB 74 and GASB 75, presented in the Required Supplementary Information section following the Notes to the Financial Statements Exhibit RSI-4, is presented for those years for which it is available and was prepared prospectively from the Plan’s fiscal year ending June 30, 2017 for GASB 75 purposes. The City is contractually required to pay benefits as they come due and make HRA contributions to participants enrolled in an allowable plan. The actual covered payroll of \$379,324 represents

the total covered payroll for the prior calendar year, increased at a salary scale of 4.25%. For calendar year 2017 the average salary was \$53,153. The net OPEB liability as a percentage of covered payroll was 109.3% for the year ending June 30, 2017.

Calculations for Total OPEB Liability, Plan Fiduciary Net Position, and Net OPEB Liability are presented below and in the Required Supplementary Information section of this report as Exhibit RSI-1, Exhibit RSI-2, and Exhibit RSI-3 respectively.

<u>City of Memphis OPEB Plan</u>	
Total OPEB Liability - beginning balance	\$ 691,738
Total Service Cost	14,943
Interest Cost	18,877
Experience (Gains)/Losses	18,838
Assumption Changes	25,586
Changes of Benefit Terms	(331,901)
Net Benefit Payments	(20,190)
Total OPEB Liability - ending balance	<u>\$ 417,891</u>
OPEB Fiduciary Net Position - beginning balance	\$ 6,450
Employer Contribution	16,654
Employee Contribution	5,531
Investment Return	289
Benefit Payments	(21,476)
Administrative Expenses	(4,245)
Fiduciary Net Position - ending balance	<u>\$ 3,203</u>
Net OPEB Liability	
Total OPEB Liability	\$ 417,891
Net Fiduciary Position	3,203
Net OPEB Liability	<u>\$ 414,688</u>
Fiduciary Net Position as a % of Total OPEB Liability	0.8%
Actual Covered Employee Payroll	\$ 379,324
Net OPEB Liability as a % of Covered Payroll	109.3%

Actuarial Methods and Assumptions

The City of Memphis retained PricewaterhouseCoopers LLP (PwC) to perform an actuarial valuation of the OPEB Plan for the purpose of calculating accounting results in accordance with Governmental Accounting Standards Board Statement No. 74 (GASB 74) and Governmental Accounting Standards Board Statement No. 75 (GASB 75) for the Plan's fiscal year ending December 31, 2016 and the City's fiscal year ending June 30, 2017 respectively. GASB 74 and GASB 75 require that each significant assumption reflect the best estimate of the City's future experience solely with respect to that assumption. The valuation year spanned July 1, 2016 – June 30, 2017. The date of the census data was July 1, 2017.

For the July 1, 2017 actuarial valuation, the Entry Age Normal Actuarial Cost Method was used. This method determines a normal cost rate as a fixed percentage of compensation for each active participant. The current year's normal cost is the participant's compensation multiplied by the normal cost rate. Annual contributions in this amount, from the date the participant entered the plan (or would have entered, if the plan had always been in effect and the participant had entered at the earliest possible date) until retirement, would be sufficient to provide for the actuarial present value of the participant's plan benefits. The total normal cost is the sum of the normal costs for all active participants.

Other actuarial assumptions are as follows:

Mortality

- General – Fully Generational RP-2014 Total Dataset Mortality Table (with MP-2014 improvement removed) with MP-2016 projection scale from 2006 forward and adjusted by a one year set forward.
- Police and Fire – fully Generational RP-2014 Blue Collar Mortality Table (with MP-2014 improvement removed) with MP-2016 projection scale from 2006 forward and adjusted by a one year set forward.
- Disabled - Fully Generational RP-2014 Disabled Mortality Table (with MP-2014 improvement removed) with MP-2016 projection scale from 2006 forward and adjusted by a one year set forward.

Disability

Disability rates are set based on the Plan's historical experience and future expectations with periodic monitoring of observed gains and losses caused by disability patterns different than assumed. The assumption for 2017 used the 1968 Social Security Experience Table with ages ranging from 20 – 55+ and combined male/female percentages ranging from 0.10% - 1.33%.

Termination

Termination rates are set based on the Plan's historical experience and future expectations with periodic monitoring of observed gains and losses caused by termination patterns different than assumed. The assumption for 2017 used Select and Ultimate rates based on age and years of service for police and fire males, general males, and general police and fire females.

Retirement Rates

Retirement rates are set based on the Plan's historical experience and future expectations with periodic monitoring of observed gains and losses caused by retirement patterns different than assumed. The

assumption for 2017 for both General employees and Police and Fire employees, assumed rates that vary by age, gender, and pension plan grandfathered status.

Participation Rates

Participation rates are set based on the Plan's historical experience and future expectations with periodic monitoring of observed gains and losses caused by participation patterns different than assumed. The assumptions used for 2017 are as follows:

- 80% and 55% of active employees are assumed to elect to receive the Pre-65 and Post-65 HRA benefit upon retirement, respectively.
- 67% and 10% of current Pre-65 and Post-65 Retirees that have opted out of HRA coverage are assumed to elect coverage next year, respectively.
- 65% of future participating male General Employee Retirees, 15% of future participating female General Employee Retirees, and 46% of Police and Fire Employee Retirees are assumed to have spouses that elect to be covered.

Future Salary Increases

The salary scale was based on an experience study performed in 2014. Rates vary by age and service with a weighted average of 4.25%.

Per Capita Costs

The per capita claims cost for the self-insured preferred and premier plans were developed by PwC based on historical 2015-2016 claims experience for City of Memphis retired participants adjusted for future assumed enrollment and plan design provisions. This assumption is set using prior year costs and expected effects of aging on the per capita cost curve.

Self-Insured Premiums

2018 calendar year monthly Retiree premiums were used to develop per capita cost for the fiscal year beginning July 1, 2017 as provided below:

- Single – Basic Plan \$216.00, Premier Plan \$236.00
- Family – Basic Plan \$427.00, Premier Plan \$469.00

Tobacco Surcharge

The tobacco surcharge rates are set based on the Plan's historical experience and future expectations with periodic monitoring of observed gains and losses caused by tobacco usage patterns different than assumed. Assumption for 2017 is \$120 per month per family; based on current inactive experience, 10% of future inactive participants are assumed to pay the tobacco surcharge.

Life Insurance Per Capita Costs

Assumption for 2017 is based on current face amount of \$5,000.00.

Administrative Expenses

Administrative expenses are assumed to be included in per capita costs.

Medicare Eligibility

- 100% of future Retirees are eligible for Medicare at age 65.
- 92% of current Pre-65 Retirees are assumed to be Medicare eligible at age 65.

Persistence Assumption

Persistence rates are set based on the Plan’s historical experience and future expectations with periodic monitoring of observed gains and losses caused by persistence patterns different than assumed. For 2017 the assumption was based on the following:

- 55% of all Pre-65 Retirees eligible for HRA coverage are assumed to elect coverage upon reaching age 65.
- All other inactive participants are assumed to continue to receive retiree medical coverage for their lifetime.

Spouse Age Difference

Material rates are based on the Plan’s historical experience and future expectations with periodic monitoring of observed gains and losses caused by marital patterns different than assumed. The assumption for 2017 is that husbands are assumed to be three years older than wives for future Retirees who are married and assume to cover a spouse.

Discount Rate

The discount rate used to measure the total OPEB liability was 3.13% as of June 30, 2017, which is equal to the single rate of return developed pursuant to GASB 75. GASB 75 requires that projected benefit payments expected to be satisfied by the plan’s fiduciary net position be discounted using the long-term rate of return on OPEB 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 tax-exempt general obligation municipal bond rated AA/Aa or higher. Based on the City’s current funding policy effective June 30, 2017 the OPEB Plan’s fiduciary net position is not projected to be available to make all projected future benefit payments of current plan members. The discount rate assumption for determining the total OPEB liability was based on the S&P Municipal Bond 20-Year High Grade Rate Index as of June 30, 2017.

The discount rate sensitivity on the net OPEB liability is presented below:

	<u>1% Decrease (2.13%)</u>	<u>Current Rate (3.13%)</u>	<u>1% Increase (4.13%)</u>
Net OPEB Liability	\$468,655	\$414,688	\$370,597

Annual Health Care Trend Rate

Annual health care trend assumptions represent a blend of medical and drug trends and are set based on the Plan’s historical experience and future industry expectations with periodic monitoring of observed gains and losses caused by trend patterns different than assumed. The actuarial assumption for annual health care trend rate beginning in year 2018 was 6.5% with declining rates for years 2019 - 2027+ ranging from 6.28% to 4.5%. HRA amounts are not assumed to increase in the future.

The health care trend sensitivity on the net OPEB liability is presented below:

	<u>1% Decrease</u>	<u>Current Trend Rates</u>	<u>1% Increase</u>
Net OPEB Liability	\$390,074	\$414,688	\$444,978

Changes in Actuarial Methods and Assumptions

The last actuarial valuation of the City of Memphis Retiree Health and Life Insurance Benefits was performed as of July 1, 2016. The following is a summary of the changes that have occurred since the last valuation.

- Per capita claims costs and premiums for the self-funded preferred and premier plans were updated based on recent claims experience.
- The initial health care trend rate was updated from 6.35% for Pre-65 and 6.33% for Post-65 to 6.5% for all ages based on plan experience and industry trend projections.
- The healthy mortality assumption was changed for the Fully Generational RP-2014 Mortality Table with MP-2014 projection scale adjusted by a one year set forward to the Fully Generational RP-2014 Mortality Table adjusted to 2006 with MP-2016 projection scale adjusted by one year set forward.
- The disabled mortality assumption was changed from the fully Generational RP-2014 Disabled Mortality Table with MP-2014 projection scale by a three year set back to the Fully Generational RP-2014 Disabled Mortality Table adjusted to 2006 with MP-2016 projection scale adjusted by a three year set back.
- The participation assumptions changed based on recent plan experience under the new plan designs and the City's best estimate of long-term enrollment rates:
 - 80% of future Retirees are assumed to elect Pre-65 coverage (down from 100%)
 - 55% of future Retirees are assumed to elect Post-65 coverage (down from 100%)
 - 67% of current Pre-65 Retirees and 10% of current Post-65 Retirees that have opted out of HRA coverage as of July 1, 2017 will elect coverage for the next year.
- The assumption for the percentage of future Retirees that will cover a spouse after retirement was updated from 49%/10%/46% to 56%/15%/46% for General Males, General Females, and Police and Fire, respectively, based on recent plan experience.
- The persistency assumption was changed from assuming all inactive participants continue their medical election coverage for their lifetime to assuming that 55% of all Pre-65 Retirees eligible for HRA coverage will elect coverage upon reaching age 65 based on recent plan experience of participants over age 65 who elected Post-65 HRA coverage.
- The percentage of current Pre-65 Retirees assumed to be Medicare eligible at age 65 changed from 84% to 92% based on recent plan experience.
- The discount rate assumption changed from 2.71% as of June 30, 2016 to 3.13% as of June 30, 2017 based on the change in the S&P Municipal Bond Rate Index at the measurement date.

There were no other changes in assumptions or methods since the prior year. However, the City of Memphis elected to early adopt GASB 75; therefore, the accounting and disclosure change from the requirements of GASB 43 and GASB 45 to GASB 74 and GASB 75.

Changes in Plan Provisions

- Effective March 1, 2017 the City of Memphis changed the medical coverage options for the majority of non-disabled retirees and future retirees. The new coverage provides a specified HRA amount to each participant, where the amount varies based on the Retiree’s coverage election. Pre-65 Line-of-Duty disabled and grandfathered Post-65 Retirees with Medicare are still eligible to elect the plan sponsor’s self –insured medical plans.
- Effective July 1, 2017 the City required all participants eligible to receive Medicare part B coverage to enroll in Medicare Part B. The City then agreed to pay the cost of any Medicare Part B penalties for those participants who were not previously enrolled in Medicare Part B but were eligible.
- Effective January 1, 2018 the City is making plan design changes to the self-insured Premier and Preferred plans that are offered to Pre-65 Line-of-Duty disabled and grandfathered Post-65 Retirees without Medicare. In addition, effective January 1, 2018, the City is switching Third Party Administrators from Cigna to BCBS of TN. This change impacts the administrative fee component of the claims cost.

There were no other changes in plan provisions since the prior year.

Change in Plan Experience

Below is a table summarizing the changes in the census information over the prior year:

<u>City of Memphis OPEB Plan</u>	<u>Census Data</u>	
	<u>June 30, 2016</u>	<u>June 30, 2017</u>
Active		
Number of Participants	6,311	7,063
Average Age of Participants	45.75	45.57
Average Years of Service	14.4	13.5
Actual Covered Payroll (000's)	\$ 332,547	\$ 379,324
Inactive *		
Number Eligible (Retiree/Disabled)	4,602	5,006
Number Enrolled (Retiree/Disabled)	2,621	2,253
Number Enrolled (Dependent Spouse)	955	1,040
Number Enrolled (Total)	3,576	3,293

*Retirees, Disabled, and Dependent Spouses

Deferred Outflows of Resources and Deferred Inflows of Resources

The implementation of GASB 74 and GASB 75 required the calculation and disclosure of deferred outflows of resources and deferred inflows of resources related to certain changes in the components of the net OPEB liability (or asset) not yet recognized in OPEB expense. GASB 75 also requires that most changes in the net OPEB liability be included in OPEB expense in the period of change. In circumstances in which the net OPEB liability is determined based on the results of an actuarial valuation, the effects of certain other changes in the net OPEB liability are required to be included in OPEB expense over the current period and future periods. Under all means of determining the net OPEB liability, the effect on the net OPEB liability of differences between the projected earnings on OPEB plan investments and actual experience with regard to those earnings is required to be included in OPEB expense in a systematic and rational manner over a closed period of five years, beginning in the current period.

Determination of resources of deferred outflows and resources of deferred inflows for the fiscal year ended June 30, 2017 is provided below.

NOTES TO FINANCIAL STATEMENTS
(Thousands of Dollars)
For the fiscal year ended June 30, 2017

CITY OF MEMPHIS, TENNESSEE
(Continued)

City of Memphis OPEB Plan

Determination of Resources of Deferred Outflows and Deferred Inflows					Balances at June 30, 2017	
	Established in Fiscal Year Ending June 30	Loss	(Gain)	Cumulative Amounts Recognized in Expense through June 20, 2017	Deferred Outflows of Resources	Deferred Inflows of Resources
a. Experience (Gains) and Losses	2017	\$ 18,838	\$ -	\$ 3,738	\$ 15,100	\$ -
					<u>\$ 15,100</u>	<u>\$ -</u>
b. Changes in Assumptions	2017	\$ 25,586	\$ -	\$ 5,077	\$ 20,509	\$ -
					<u>\$ 20,509</u>	<u>\$ -</u>
c. Investment (Gains) and losses	2017	\$ -	\$ (289)	\$ (58)	\$ -	\$ (231)
					<u>\$ -</u>	<u>\$ (231)</u>
d. Collective deferred outflows/(inflows) of resources: a + b + c					<u>\$ 35,609</u>	<u>\$ (231)</u>

Allocated Deferred Outflows and Deferred Inflows		Allocated Balances at June 30, 2017	
		Deferred Outflows	Deferred Inflows
Governmental Activities		\$ 32,868	\$ (213)
Business Type - Sewer		1,709	(11)
Business Type - Storm Water		961	(6)
Internal Service Fund - Health Care		71	(1)
Component Unit - MSCAA*		-	-
Total		<u>\$ 35,609</u>	<u>\$ (231)</u>

* MSCAA did not early implement GASB 75 for reporting for the fiscal year ended 06/30/2017.

NOTES TO FINANCIAL STATEMENTS
(Thousands of Dollars)
For the fiscal year ended June 30, 2017

CITY OF MEMPHIS, TENNESSEE
(Continued)

The schedule of deferred outflows of resources and deferred inflows of resources to be recognized in future OPEB expense under GASB 74 and GASB 75 is provided below.

City of Memphis OPEB Plan

Year Ending June 30	Total	Governmental Activities	Business Type Sewer Fund	Business Type Storm Water	Internal Service Fund Health Care	Component Unit MSCAA*
2018	\$ 8,757	\$ 8,083	\$ 420	\$ 236	\$ 18	\$ -
2019	8,757	\$ 8,083	420	\$ 236	\$ 18	-
2020	8,757	\$ 8,083	420	\$ 236	\$ 18	-
2021	8,757	\$ 8,083	420	\$ 236	\$ 18	-
2022	350	\$ 323	17	\$ 9	\$ 1	-
Thereafter	-	\$ -	-	-	\$ -	-
	<u>\$ 35,378</u>	<u>\$ 32,654</u>	<u>\$ 1,698</u>	<u>\$ 955</u>	<u>\$ 71</u>	<u>\$ -</u>

* MSCAA did not early implement GASB 75 for reporting for the fiscal year ended 06/30/2017.

The schedule of OPEB expense under GASB 74 and GASB 75 for the fiscal year ended June 30, 2017 is provided below.

City of Memphis OPEB Expense Fiscal Year 2017	Total	Governmental Activities	Business Type Sewer	Business Type Storm Water	Internal Service Health Care	Component Unit MSCAA*
Service Cost	\$ 14,943	\$ 13,792	\$ 717	\$ 403	\$ 30	\$ -
Interest Cost						
Interest on Total OPEB Liability at beginning of year	\$ 18,746					
Interest on Service Cost	405					
Half-year Interest on Benefit Payments	(274)					
Total	18,877	17,423	906	510	38	-
Expected Return on Assets	-					
Change of Benefit Terms	(331,901)	(306,345)	(15,931)	(8,961)	(664)	-
Recognition of deferred (inflows) and outflows of resources related to						
Liability Experience (Gains)/Losses	\$ 3,738					
Assumption Changes (Gains)/Losses	5,077					
Investment (Gains)/Losses	(58)					
Total	8,757	8,083	420	236	18	-
Total OPEB Expense (Income)	<u>\$ (289,324)</u>	<u>(267,046)</u>	<u>(13,888)</u>	<u>(7,812)</u>	<u>(579)</u>	<u>-</u>

* MSCAA did not early implement GASB 75 for reporting for the fiscal year ended 06/30/2017.

Memphis Light, Gas and Water Division Other Postemployment Benefits Trust Fund

The Memphis Light, Gas and Water Division OPEB Trust (“OPEB Trust”) was established for the exclusive benefit of MLGW’s retired employees and their dependents (who meet the eligibility requirements) to fund the postemployment benefits provided through the health and welfare benefit plan. Amounts contributed to the OPEB Trust by MLGW are held in trust and are irrevocable and are for the sole and exclusive purpose of funding health and welfare benefits of the eligible participants, and the cost of operating and administering the OPEB Trust. The OPEB Trust is administered by the MLGW OPEB Committee.

Plan Description - 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 (the “Plan”) for its retired employees and their eligible dependents. The Plan is 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 postemployment coverage for health care, 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 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 Pension Plan, or disabled with five years of service at any age, or disable in the line of duty at any age with no years of service restriction, are eligible for OPEB benefits. Health care benefits are also offered to qualifying survivors of active employees who are eligible to retire at time of death.

NOTES TO FINANCIAL STATEMENTS
(Thousands of Dollars)
For the fiscal year ended June 30, 2017

CITY OF MEMPHIS, TENNESSEE
(Continued)

As of and for its year ended December 31, 2016, MLGW reported the following OPEB net position:

	Memphis Light, Gas and Water OPEB Trust
ASSETS	
Cash and cash equivalents	\$ 4,231
Investments, at fair value:	
Common stock - domestic	78,000
Common stock - foreign	48,653
Mutual funds and money market funds	31,569
Equity ETF	37,675
Corporate bond mutual funds - domestic	27,399
Corporate bond mutual funds - international	15,027
Convertible bond mutual fund - domestic	14,539
Investments in real estate	27,933
Investments in high yield bond fund	3,782
Investments in private equities	4,218
Investments in international equity fund	6,445
Investments in international bond fund	16,668
Distressed debt funds - domestic	7,454
Distressed debt funds - foreign	15,843
Life Settlement fund	5,847
Total investments	<u>341,052</u>
Interest and dividend receivables	219
Receivable for securities sold	609
Employer and employee contributions receivable	1,797
Collateral held in trust for securities on loan	<u>4,022</u>
Total assets	<u><u>351,930</u></u>
LIABILITIES	
Accounts payable and other	1,580
Collateral subject to return to borrowers	<u>4,022</u>
Total liabilities	<u><u>5,602</u></u>
NET POSITION	
Held in trust for pension benefits, pool participants and OPEB	\$ <u><u>346,328</u></u>

As of and for its year ended December 31, 2016, MLGW reported the following changes in OPEB net position:

	Memphis Light, Gas and Water OPEB Trust
ADDITIONS	
Contributions:	
Employer	\$ 42,496
Plan members	6,811
Total contributions	<u>49,307</u>
Investment income:	
Interest and dividend income	5,954
Securities lending income	57
Other investment income	17
Gain on real estate investments	1,108
Net appreciation in the fair value of investments	<u>20,931</u>
Total investment income	<u>28,067</u>
Total additions	<u>77,374</u>
DEDUCTIONS	
Benefits	33,482
Administrative expenses	<u>1,654</u>
Total deductions	<u>35,136</u>
Net increase / decrease	42,238
Net position - beginning of year	<u>304,090</u>
Net position - end of year	<u>\$ 346,328</u>

MLGW 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% of costs for medical and drug benefits. For life insurance and AD&D, retirees contribute 40% 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 Codification Section P50: Postemployment Benefits Other Than Pension Benefits – Employer Reporting. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs for each year and amortize any unfunded actuarial liabilities of the plan over a period not to exceed thirty years. For fiscal years 2016 and 2015, employer contributions were \$41,343 and \$38,438 to the Plan, respectively. In 2016, plan members receiving benefits contributed \$6,811 through their required contribution of \$79.70 to \$521.42 (dollars) per month depending on the coverage (employee only, employee and spouse, or family) and the health plan selected. In 2015, plan members receiving benefits contributed \$6,848 through their required contribution of \$79.70 to \$521.42 (dollars) per month.

MLGW 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, 2015. MLGW’s annual other postemployment 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 2016:

	2016	2015
Annual required contribution	\$ 45,289	\$ 38,187
Interest on net OPEB obligation	(206)	(186)
Adjustment to annual required contribution	164	175
Annual OPEB cost	<u>45,247</u>	<u>38,176</u>
Contributions made	<u>(41,343)</u>	<u>(38,438)</u>
Change in net OPEB (asset) obligation	3,904	(262)
Net OPEB obligation at beginning of fiscal year	<u>(2,750)</u>	<u>(2,488)</u>
Net OPEB (asset) obligation at end of fiscal year	<u>\$ 1,154</u>	<u>\$ (2,750)</u>

NOTES TO FINANCIAL STATEMENTS
(Thousands of Dollars)
For the fiscal year ended June 30, 2017

CITY OF MEMPHIS, TENNESSEE
(Continued)

MLGW's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB (asset) obligation for fiscal year 2016 and the two preceding years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation (Asset)
December 31, 2016	\$ 45,247	91.4%	\$ 1,154
December 31, 2015	\$ 38,176	100.7%	\$ (2,750)
December 31, 2014	\$ 38,386	109.7%	\$ (2,488)

MLGW Funded Status and Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as Percentage of Covered Payroll ((b-a) / c)
December 31, 2015	\$ 333,017	\$ 794,310	\$ 461,293	41.9%	\$ 160,641	287.2%
December 31, 2013	\$ 272,150	\$ 660,524	\$ 388,374	41.2%	\$ 154,759	251.0%
December 31, 2011	\$ 181,211	\$ 602,175	\$ 420,964	30.1%	\$ 154,036	273.3%

Fiscal Year Ended	Annual OPEB Cost	Employer Contributions	Percentage of Annual OPEB Cost Contributed
December 31, 2016	\$ 45,247	\$ 41,343	91.4%
December 31, 2015	\$ 38,176	\$ 38,438	100.7%
December 31, 2014	\$ 38,386	\$ 42,100	109.7%

As of December 31, 2015, the most recent actuarial valuation date, the plan was 41.93% funded. The actuarial liability ("AAL") for benefits was \$794,310 and the actuarial value of assets was \$333,017, resulting in an unfunded actuarial liability ("UAAL") of \$461,293. The covered payroll (annual payroll of active employees covered by the Plan) was \$160,641, and the ratio of the UAAL to the covered payroll was 287.16%.

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

MLGW 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, 2015
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percent of pay, 30 years
Remaining Amortization Period	29 years as of December 31, 2016
Asset Valuation Method	Market Value of assets less unrecognized returns in each of the last five years. Unrecognized return is equal to the difference between the actual market return and the expected return on the market value, and is recognized over a five-year period, further adjusted, if necessary, to be within 30% of the market value.
Actuarial Assumptions:	
Investment Rate of Return (discount rate)	7.50%
Inflation Rate	2.75%
Projected Salary Increases	Inflation plus merit increases that vary by age and service
Medical Cost Trend Rate	7.25% graded to 5.00% over 9 years
Drug Cost Trend Rate	9.50% for the first 4 years, then grading down to 5% over the next 7 years

F. Pension and retirement plans

City of Memphis Retirement System

General - The City's 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 purpose of the fund established for the investment of the City of Memphis Retirement is to provide retirement income to pension plan participants. Fund assets shall be invested for the exclusive benefit of the plan participants and solely in their interest.

The Pension Investment Committee (the Committee) was initially organized by authority of the Board of Administration of the City of Memphis Retirement System pursuant to the Pension Ordinances adopted on December 5, 1989. On July 21, 2006, the City Code of Ordinances, Chapter 25, Article III, Section 25-31 was amended to establish the Investment Committee by ordinance. Section 25-31 establishes the membership, authority, and functions of the Pension Investment Committee. The Committee consists of seven members: Finance Director (Chief Financial Officer), Deputy Finance Director, City Treasurer, City Comptroller, Investment Manager, Senior Investment Analyst, and a Citizen member. Guidance is established in the *City Of Memphis Retirement System Statement of Investment Objectives*.

Separate financial statements are available and can be obtained from The City of Memphis, Finance Division, 125 North Main Street, Memphis, TN 38103.

NOTES TO FINANCIAL STATEMENTS
(Thousands of Dollars)
For the fiscal year ended June 30, 2017

CITY OF MEMPHIS, TENNESSEE
(Continued)

As of and for its year ended June 30, 2017, the City Retirement System Fiduciary Trust Fund reported the following net position:

	City Retirement System
ASSETS	
Cash and cash equivalents	\$ 28,643
Investments, at fair value:	
U.S. government securities - long-term	145,094
Common stock - domestic	645,931
Common stock - foreign	139,725
Corporate bonds - domestic	330,662
Corporate bonds - foreign	109,741
Mutual funds and money market funds	27,319
Collateralized mortgage obligations	5,406
Asset-backed pooled securities	5,211
Mortgage-backed pooled securities	30,357
Investment in index funds	108,062
Investment in limited partnerships	106,703
Investment in real estate	112,067
Investment in international equity fund	519,448
Investment short sales & written options	(2)
Total investments	<u>2,285,724</u>
Equity in cash and investment pool	2,395
Interest and dividend receivables	6,479
Receivable for securities sold	258,256
Employer and employee contributions receivable	368
Collateral held in trust for securities on loan	<u>55,615</u>
Total assets	<u><u>2,637,480</u></u>
LIABILITIES	
Accounts payable and other	334,864
Collateral subject to return to borrowers	<u>55,615</u>
Total liabilities	<u><u>390,479</u></u>
NET POSITION	
Held in trust for pension benefits, pool participants and OPEB	\$ <u><u>2,247,001</u></u>

NOTES TO FINANCIAL STATEMENTS
(Thousands of Dollars)
For the fiscal year ended June 30, 2017

CITY OF MEMPHIS, TENNESSEE
(Continued)

As of and for its year ended June 30, 2017, the City Retirement System Fiduciary Trust Fund reported the following changes in net position:

	City Retirement System
ADDITIONS	
Contributions:	
Employer	\$ 55,441
Medicare Part D	
Plan members	20,016
Total contributions	<u>75,457</u>
Transfer from other fund	
Investment income:	
Interest and dividend income	49,236
Securities lending income	221
Other investment income	1,581
Gain on real estate investments	5,654
Net appreciation in the fair value of investments	<u>227,351</u>
Total investment income	<u>284,043</u>
Total additions	<u>359,500</u>
DEDUCTIONS	
Benefits	158,897
Administrative expenses	16,177
Refunds of contributions	<u>16,732</u>
Total deductions	<u>191,806</u>
Net increase	167,694
Net position - beginning of year	<u>2,079,307</u>
Net position - end of year	<u>\$ 2,247,001</u>

The statements presented above accurately report the pension activity within the City Retirement System Fiduciary Trust Fund and are presented in Exhibit E-1 and E-2 of this report. The statements include the pension activity related to the eligible participants of the Governmental Funds, Enterprise Funds and the Memphis Shelby County Airport Authority (MSCAA) component unit.

Pension related financial transaction information for those entities is presented in accordance with GASB 67 and GASB 68 within the appropriate reporting segment of this report; Exhibit A-9 and Exhibit A-10 for the Enterprise Funds, and Exhibit A-14 and Exhibit A-15 for the MSCAA component unit.

Plan Description - The City Retirement System pension trust fund accounts for the activity of the City's Retirement System and is a single employer, public employee retirement system. Substantially all permanent full-time salaried employees of the City (including component unit MSCAA, excluding component unit MATA, Enterprise Fund MLGW, and the frozen plan of the Library) are required to participate in one of the following plans:

1948 Plan – for salaried employees hired prior to July 1, 1978

1978 Plan – for salaried employees hired on or after July 1, 1978, but prior to July 1, 2016

2016 Plan – All regular salaried employees on their date of hire and hired on or after July 1, 2016. In addition, any nongrandfathered employee in the 1978 Plan will participate in the 2016 Plan as of July 1, 2016. For this purpose, a nongrandfathered employee is any employee with less than 7 ½ years of service as of July 1, 2016.

Under City Ordinances, trust assets are reported in one trust fund and not segregated between the 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%.

The plan was amended effective July 1, 2016, to encompass a new hybrid plan design. Participants with seven and one-half (7½) years of service or more will be grandfathered into their current plan, and all other employees will participate in the new hybrid plan design. As of June 30, 2017, active employees included 3,535 grandfathered participants. Non-grandfathered participants will transition from a traditional defined benefit formula to a hybrid defined benefit formula that includes both a market based cash balance component and a defined contribution component.

At June 30, 2017, the Retirement System membership consisted of:

Retired members, beneficiaries and DROP enrollees receiving benefits	4,445*
Disabled members receiving benefits	664
Terminated (vested and nonvested) plan members entitled to but not yet receiving benefits	867
Active employees:	
Fully vested	3,050
Non-vested	<u>2,808</u>
Total	<u>11,834</u>

*Includes 183 employees currently participating in the Deferred Retirement Option Plan (DROP) and 82 employees who temporarily froze participation in the DROP Program effective November 2015 or November 2016.

The Plans provide retirement benefits as well as death and disability benefits. Retirement benefits vest after ten years of service.

Summary of Plan Provisions

Normal Retirement

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.

Fire and Police Employees may retire after completion of 25 years of service, or at age 55 and completion of 10 years of service.

Under the 1978 Plan, General Employees hired before July 1, 2012, may retire after the completion of 25 years of service, age 60 and the completion of 10 years of service, or age 65 and the completion of 5 years of service. Employees hired on or after June 30, 2012 may retire after the completion of 25 years of service or at age 65 and the completion of 5 years of service.

Fire and Police Employees hired before July 1, 2012, may retire after the completion of 25 years of service, or age 55 and completion of 10 years of service. Fire and Police Employees hired on or after June 30, 2012, may retire after the completion of 25 years of service, or age 55 and completion of 10 years of service.

Under the 2016 Plan, General Employees may retire after the completion of 25 years of service or at age 65 and the completion of 5 years of service.

Fire and Police Employees may retire after the completion of 25 years of service, or age 55 and completion of 10 years of service.

Elected and appointed participants hired before November 1, 2004 may retire the first day of month coincident with or next following completion of 12 years of service. Otherwise, normal retirement eligibility follows their respective plan.

Disability Retirement

For both General Employees and Fire and Police Employees there is a five year service eligibility requirement for non line-of-duty, and no service eligibility requirement for line-of-duty disability.

For 1948 Plan participants, disabled employees while actively employed for reasons other than line-of-duty are entitled to receive the greater of 25% of average monthly compensation as of the date of disability, or the accrued benefit as of the date of disability.

For 1978 Plan participants an employee who becomes disabled while actively employed for reasons other than line-of-duty is entitled to receive the accrued benefit as of the date of disability.

For 2016 Plan participants, an employee who becomes disabled while actively employed for reasons other than line-of-duty is entitled to receive the accrued benefit as of the date of disability.

A Plan participant who becomes disabled while performing City duties is entitled to receive the greater of 60 percent of average monthly compensation as of the date of disability, or the accrued benefit as of the date of disability.

Average monthly compensation for General Employees for the 1948 Plan and 1978 employees hired before July 1, 2012, is calculated as the highest average monthly compensation received for any five consecutive years of service, or the most recent year's earnings if greater. For 1978 Plan employees hired after June 30, 2012, it calculated as the highest average monthly compensation received for any three consecutive years of service.

Average monthly compensation for Fire and Police Employees under the 1948 Plan is calculated as the highest average monthly compensation received for any five consecutive years of service, or the most recent year's earnings, if greater. For Fire and Police employees under the 1978 Plan and the 2012 Plan, average monthly compensation is calculated as the highest average monthly compensation received for any three consecutive years of service preceding the participant's date of termination. Police officers hired prior to January 31, 1979, who retire with 30 years of service, have their accrued benefit determined based on Captain's compensation if greater than their actual compensation, regardless of their rank.

Pre-Retirement Death Benefit

For both General Employees and Fire and Police Employees there is a five year service eligibility requirement for non line-of-duty, and no service eligibility requirement for line-of-duty pre-retirement death benefit.

The non line-of-duty pre-retirement death benefit for the 1948 Plan is paid to the surviving spouse (or children) of a participant who dies while actively employed. The beneficiary will receive 100 percent of the participant's accrued benefit as of the date of the participant's death.

For the 1978 Plan, the surviving spouse (or children) of a participant who dies while actively employed will receive 75 percent of the participant's accrued benefit as of the date of the participant's death.

For the 2016 Plan, the surviving spouse (or children) of a participant who dies while actively employed will receive 75 percent of the normal form of annuity as of the date of the participant's death.

Under a normal form of annuity, the following conditions are applicable: If single, an annuity for the life of the participant, a married participant will receive this annuity during his/her lifetime with a 75 percent continuation to his/her spouse upon the participant's death. For the 1948 plan participants, 100 percent of the annuity is payable to the spouse upon the death of the participant.

Employee Contributions

General Employees in the 1948 Plan must contribute 5 percent of compensation. General Employees in the 1978 Plan must contribute 8 percent of compensation. General Employees in the 2016 Plan must contribute 2 percent of compensation to the cash balance account and 6 percent of compensation to the IRC section 401(a) defined contribution account.

The Fire and Police Employee contributions in the 1948 Plan range from 5 to 5.5 percent, depending on years of service. The contributions under the 1978 Plan range from 6.2 to 8 percent depending on date of hire. The contribution rate for current non-vested employees as of July 1, 2012, will increase annually in 0.5 percent increments beginning July 1, 2012 until the contribution rate reaches 8 percent. Fire and Police employees in the 2016 Plan must contribute 2 percent to the cash balance account and 6 percent to the defined contribution account.

Summary of Accounting Policies – For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of the City of Memphis Retirement System and the additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the pension plan. For this purpose, the benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. Financial statement reporting information for the City of Memphis fiscal year ended June 30, 2017, is in accordance with Government Accounting Standards Board Statement No. 68 (GASB 68), as amended by GASB Statement No. 82.

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 Committee 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% of plan net position.

Rate of Return - For the year ended June 30, 2017, the annual money-weighted rate of return on the City's pension plan investments, net of pension plan investment expense, was 14.09 percent compared to the assumed discount rate of 7.5 percent.

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 Actuarially Determined Contribution (ADC) for fiscal year 2017 was \$58,185, of which the City contributed 95 percent. In accordance with Tennessee state laws, the City is required to increase annual contributions to the pension fund, and pay the full ADC by the year 2020. The City is also required to appropriate funds for the trust fund as necessary to pay all costs and expenses of the Plans.

Employer contributions as a percentage of actual covered payroll for the year ended June 30, 2017, were 16.5 percent. For its year ended June 30, 2017, the City of Memphis Retirement System reported total employer and plan member contributions of \$55,441 and \$20,016 respectively.

Actual covered employee payroll is defined under GASB 82 to be payroll on which contributions to a pension plan are based. As pensionable pay is used for determining contributions under the plan, pensionable pay is shown in Exhibit RSI-7 and Exhibit RSI-8 starting July 1, 2016. Prior to June 30, 2016 the gross pay is shown, consistent with the requirements prior to the release of GASB 82.

The contribution information for the City Retirement System is presented in the Required Supplementary Information section of this report as Exhibit RSI-8.

NOTES TO FINANCIAL STATEMENTS
(Thousands of Dollars)
For the fiscal year ended June 30, 2017

CITY OF MEMPHIS, TENNESSEE
(Continued)

The Total Pension Liability (TPL), Plan Fiduciary Net Position (FNP), and Net Pension Liability (NPL) for the year ended June 30, 2017 are as follows:

Total Pension Liability

Total Pension Liability - Beginning of year		2,618,812
Service Cost ¹		42,678
Interest Cost ²		193,004
Experience (gains)/losses		44,176
Assumption Changes		(41,610)
Changes of Benefit Terms		-
Benefit Payments		(176,205)
Member Reassignments		-
Total Pension Liability - End of year		<u>2,680,855</u>

Plan Fiduciary Net Position

Plan Fiduciary Net Position - Beginning of year		2,091,586
Employer Contributions		55,441
Employee Contributions		20,016
Non-employer contributing entity contributions		-
Investment return		
Expected Investment Return ³	153,091	
Investment Gain/(Loss)	<u>120,775</u>	
Net Investment Return		273,866
Benefit Payments		(176,205)
Member Reassignments		-
Administrative Expenses		<u>(3,119)</u>
Plan Fiduciary Net Position - End of year		<u>2,261,585</u>

Net Pension Liability

Net Pension Liability	419,270
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	84.4%

¹ Determined as of the beginning of the year

² Includes interest of 7.5% on the beginning of year service cost

³ Calculated assuming a 7.50% investment return, net of investment expenses, and assuming actual benefit payments and contributions occur at mid year

The Net Pension Liability represents the funded status of the City Plan as of the measurement date. The NPL for fiscal year ended June 30, 2017 decreased \$107,956 from prior year due to favorable asset experience (net investment return), changes in assumptions, plan experience due to updated census, and plan experience due to difference in actual and expected salary. Assets returned 14.09 percent compared to the assumed 7.5 percent investment yield. Changes in assumptions included changes in the healthy and disabled mortality assumption.

The Schedule of Changes in the Net Pension Liability and Related Ratios which depicts Total Pension Liability (TPL), Plan Fiduciary Net Position (FNP), and Net Pension Liability (NPL) for the City Retirement System are presented in the Required Supplementary Information section of this report as Exhibit RSI-5, RSI-6, and RSI-7 respectively.

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. This method determines a normal cost rate as a fixed percentage of compensation for each active participant. The current year’s normal cost is the participant’s compensation multiplied by the normal cost rate. Annual contributions in this amount, from the date the participant entered the plan (or would have entered, if the plan had always been in effect and the participant had entered at the earliest possible date) until retirement, would be sufficient to provide for the actuarial present value of the participant’s plan benefits. The total normal cost is the sum of the normal costs for all active participants.

Significant actuarial assumptions include: (a) a rate of return on the investment of present and future assets of 7.5 percent per year for GASB 67 and GASB 68 purposes; (b) projected future salary increases on a scale that varies by age and service with a weighted average of 4.25 percent per year; (c) results from a May 2014 experience study based on 10 years of census data (between 2003-2012) (d) no COLA increases; (e) measurement and valuation date as of July 1, 2017.

Mortality rates used for calculation NPL for General Employees are based on the Fully Generational RP-2014 Total Dataset Mortality Table (with MP-2014 improvement removed) with MP-2016 projection scale from 2006 forward and adjusted by a 1-year set forward. Police and Fire Employees’ mortality rates are based on the Fully Generational RP-2014 Blue Collar Mortality Table (with MP-2014 improvement remove) with MP-2016 projection scale from 2006 forward and adjusted by a 1-year set forward. Disabled Employees’ rates are based on the Fully Generational RP-2014 Disabled Mortality Table (with MP-2014 improvement removed) with MP-2016 projection scale from 2006 forward and adjusted by a 3-year set back.

Account balances under the 2016 Plan (effective July 1, 2016) are converted at 5.0 percent interest and the applicable mortality table under IRC 417(e) in effect on the current valuation date.

Other actuarial assumptions are as follows:

- Marriage - 80 percent of male General Employees, 50 percent of female General Employees, and 80 percent of Fire and Police Employees are assumed to be married. Wives are assumed to be three years younger than their husbands.

- Death/Disability – Deaths and disabilities for active General Employees are assumed to be not line-of-duty. Deaths and disabilities for active Fire and Police Employees are assumed to be line-of-duty.
- Form of Payment – It is assumed that benefits will be paid in the normal annuity form applicable to the particular benefit.

Discount Rate – The discount rate used to measure the total pension liability was 7.5 percent as of July 1, 2017, 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 The Public Employee Defined Benefit Financial Security Act of 2014, the City will phase into funding 100 percent 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.

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 percent) or 1 percentage point higher (8.5 percent) 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	\$712,534	\$419,270	\$172,367

NOTES TO FINANCIAL STATEMENTS
(Thousands of Dollars)
For the fiscal year ended June 30, 2017

CITY OF MEMPHIS, TENNESSEE
(Continued)

Deferred Outflows of Resources and Deferred Inflows of Resources - The balance of deferred inflows and outflows of resources after recognition in current year pension expense are \$166,083 and \$175,860 respectively. The determination of resources of deferred inflows and resources of deferred outflows for the fiscal year ending June 30, 2017, is as follows:

Determination of Resources of Deferred Outflows and Resources of Deferred Inflows				Balances at June 30, 2017*		
	Established in Fiscal Year ending June 30	Loss	(Gain)	Cumulative Amounts Recognized in Expense through June 30, 2017	Deferred Outflows of Resources	Deferred Inflows of Resources
a. Experience (Gains) and Losses	2015		(60,057)	(36,252)	-	(23,805)
	2016		(12,367)	(5,078)	-	(7,289)
	2017	44,176		9,624	34,552	-
					34,552	(31,094)
b. Changes in Assumptions	2016		(9,882)	(4,058)	-	(5,824)
	2017		(41,610)	(9,065)	-	(32,545)
						(38,369)
c. Investment (Gains) and losses	2015	102,573		61,545	41,028	-
	2016	167,134		66,854	100,280	-
	2017		(120,775)	(24,155)	-	(96,620)
					141,308.00	(96,620)
d. Collective Deferred Outflows/(Inflows) of Resources:					-	-
					175,860	(166,083)

*Deferred outflows of resources are presented as positive amounts. Deferred inflows of resources are presented as negative amounts.

Allocated Deferred Outflows and Deferred Inflows	Allocated Balances at June 30, 2017	
	Deferred Outflows	Deferred Inflows
Governmental Activities	\$ 161,236	\$ (156,058)
Business Type - Sewer	5,054	(4,525)
Business Type - Storm Water	2,899	(2,563)
Component Unit - MSCAA	6,671	(2937)
Total	\$ 175,860	\$ (166,083)

NOTES TO FINANCIAL STATEMENTS
(Thousands of Dollars)
For the fiscal year ended June 30, 2017

CITY OF MEMPHIS, TENNESSEE
(Continued)

Future Amortization of Net Deferred Outflows and Deferred Inflows – The amounts reported as deferred outflows of resources and deferred inflows of resources related to pension recognized in pension expense are as follows:

Year Ending June 30	Total	Governmental Activities	Business Type Sewer Fund	Business Type Storm Water	Component Unit MSCAA
2018	\$ 13,694	\$ 13,914	\$ 374	\$ 206	\$ (800)
2019	14,055	14,216	386	213	(759)
2020	5,853	5,727	166	92	(131)
2021	(23,825)	(22,032)	(711)	(392)	(690)
2022	-	-	-	-	-
Thereafter	-	-	-	-	-
	<u>\$ 9,777</u>	<u>\$ 11,824</u>	<u>\$ 215</u>	<u>\$ 118</u>	<u>\$ (2,380)</u>

Pension Expense – The pension expense under GASB 68 for the fiscal year ending June 30, 2017 is as follows:

Fiscal Year 2017	Total	Governmental Activities	Business Type Sewer Fund	Business Type Storm Water	Component Unit MSCAA
Net employer service cost	\$ 25,781	\$ 23,806	\$ 723	\$ 399	\$ 854
Interest cost	193,004	178,218	5,412	2,986	6,388
Expected return on assets	(153,091)	(141,363)	(4,293)	(2,368)	(5,067)
Changes of benefit terms	-	-	-	-	-
Recognition of deferred (inflows)/ outflows	13,694	13,842	420	232	(800)
Total collective pension expense	<u>\$ 79,388</u>	<u>\$ 74,503</u>	<u>\$ 2,262</u>	<u>\$ 1,248</u>	<u>\$ 1,375</u>

Deferred Retirement Option Program (DROP) – According to the terms of the Deferred Retirement Option Program (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-year, two-year, 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 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. The DROP Program account balance as of June 30, 2017, is \$17,902.

All plan information presented under the section of City of Memphis Retirement System is reported inclusive of all participants in the plan, including those who for purposes of financial reporting are presented in the Enterprise Funds in Exhibits A-9 and A-10 and in the Memphis Shelby County Airport Authority (MSCAA) component unit in Exhibits A-14 and A-15 respectively.

Retirement System of Memphis and Shelby County Public Library and Information Center

General - The Retirement System of the Memphis and Shelby County Public Library and Information System (the Library) 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.

As of and for its year ended June 30, 2017, the Retirement System for the Library reported the following net position:

ASSETS	Library Retirement System
Cash and cash equivalents	\$ 20
Investments, at fair value:	
Mutual funds and money market funds	<u>57,465</u>
Total investments	57,465
Interest and dividend receivables	<u>7</u>
Total assets	<u>57,492</u>
LIABILITIES	
Deferred Inflows – Pension	<u>700</u>
Total liabilities	700
NET POSITION	
Held in trust for pension benefits	\$ <u>56,792</u>

As of and for its year ended June 30, 2017, the Retirement System for the Library reported the following changes in net position:

	Library Retirement System
ADDITIONS	
Contributions:	
Employer	\$ 124
Plan members	134
Total contributions	<u>258</u>
Transfer from General Fund for contributions	700
Investment income:	
Interest and dividend income	1,257
Net appreciation in the fair value of investments	<u>5,035</u>
Total investment income	<u>6,292</u>
Total additions	<u>7,250</u>
DEDUCTIONS	
Benefits	3,924
Administrative expenses	<u>808</u>
Total deductions	<u>4,732</u>
Net increase	2,518
Net position - beginning of year	<u>54,274</u>
Net position - end of year	<u>\$ 56,792</u>

Plan Description - The Retirement System for the Library pension trust fund accounts for the activity of the Retirement System of Memphis and Shelby County Public Library and Information Center, 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 (the Library Plans). All assets of the Retirement System for the Library are available for the payment of pension benefits to either Plan I or Plan II. The Plans are as follows:

Plan I - Originally effective October 21, 1926; most recently amended effective July 1, 2005 to limit membership.

All full-time and permanent part-time employees hired prior to April 1, 1979, were eligible from the effective date of entering such service. Employees hired after July 1, 2005 are not eligible to participate.

Plan II - Originally effective April 1, 1979; most recently amended effective July 1, 2005 to limit membership.

All employees hired after April 1, 1979 are eligible at date of employment and have to apply for membership as a condition of employment. "Employee" means any person employed on regular full-time or permanent part-time basis prior to July 1, 1992. On or after January 1, 1992, permanent part-time employees are excluded unless they are already participants. Employees hired after July 1, 2005 are not eligible to participate.

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).

The Retirement System of Memphis and Shelby County Public Library and Information Center Plan has no new participants. Employees hired after July 1, 2005, if otherwise meeting eligibility requirements, became eligible to participate and are included in the City of Memphis Retirement System.

At January 1, 2017, the Retirement System for the Library membership consisted of:

Retired members, beneficiaries and disabled members receiving benefits	169
Terminated vested plan members entitled to but not yet receiving benefits	21
Active employees:	
Fully vested	<u>111</u>
Total	<u><u>301</u></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.

Summary of Plan I Provisions

Normal Retirement

Under Plan I, employees may retire under any of the following sets of criteria as applicable:

- Completion of 30 years of credited service;
- Completion of 25 years of credited service and attainment of age 55;
- Completion of 10 years of credited service and attainment of age 60.

Effective July 1, 1992, the normal retirement benefit, 1/12 of which is payable monthly for life, is determined as 2.5 percent of average compensation multiplied by years of credited service not in excess of 25 plus 1 percent of average compensation for the next 10 years with a maximum benefit of 72.5 percent of average compensation. The minimum pension is \$100 per month. "Average Compensation" means the greater of the average monthly compensation for the three consecutive years of service during which compensation was the highest or average monthly compensation of the 12 months preceding the date of retirement if employed prior to July 1, 1975.

For those who retire on or after July 1, 1993, at the death of the retiree, 75 percent of the benefit continues to the surviving spouse until death or remarriage and to surviving children upon the death of the spouse. For those who retire before January 1, 1993, 100 percent of the retiree benefit continues to the spouse.

Disability Retirement

If disability occurs not in line-of-duty prior to the completion of five years of credited service, a refund of the participant's contributions with interest is payable to the participant. If disability occurs not in line-of-duty after completion of five years of credited service, the benefit on or after July 1, 1992, will be determined as 2.5 percent of average compensation times years of service up to 25. The benefit shall not exceed 62.5 percent of average compensation. If disability occurs in line-of-duty regardless of the number of years of credited service, the benefit will be 2.5 percent of average compensation per year of service with a minimum of 60 percent and a maximum of 72.5 percent of average compensation.

Pre-Retirement Death Benefit

If death occurs not in line-of-duty prior to the completion of five years of credited service, a refund of the participant's contributions with interest is payable at the time of his or her death. If death occurs not in line-of-duty after the completion of five years of credited service, a surviving spouse or minor child will receive a benefit equal to 75 percent of the participant's accrued benefit. A minimum benefit of \$100 applies to an employee with at least 15 years of service at death provided he or she is not categorized as a permanent part-time employee. If death occurs in line-of-duty regardless of the number of years of credited service, a benefit on or after July 1, 1992, equal to 2.5 percent per year of service up to 25 of the participant's average compensation will be paid to the spouse until death or remarriage, or to minor children under 18 if no spouse is living, or to the father and/or mother who was supported by the deceased member at the time of his or her death. The benefit will not be less than 50 percent or greater than 62.5 percent of average compensation.

Optional Retirement Benefit

Optional forms of benefit are permitted by the plan if actuarially equivalent to the normal form of payment. For married participants, the normal form of payment is an unreduced 75% Joint and Survivor Annuity. For unmarried participants, the normal form of payment is the Single Life Annuity. Other available options include the 50 percent or 100 percent Joint and Survivor Annuities, as well as a Life Annuity with 60, 120, or 180 payments guaranteed.

Conversion of Unused Sick Leave into Creditable Service

Effective January 2, 2001, employees may elect to convert sick leave into creditable service time to become initially qualified for retirement benefits or provide enhancement of a full and normal retirement. If an employee requests to use unused sick leave to become eligible for a full and normal retirement, credit time will be given for all unused leave. Upon full and normal retirement eligibility, full-time employees with 35 years or less of creditable service will have the following options:

- employees may be paid up to 520 hours of accumulated sick leave
- employees may elect to add accumulated sick leave days to their creditable service for pension calculations
- percentage will not exceed 72.5 percent of average annual compensation.

For purposes of converting accumulated sick leave hours to service time, 173.33 hours of accumulated sick leave will equal one month of creditable service.

Contributions

Effective January 1, 1993, employees contribute 5.0 percent of compensation to Plan I of the retirement plan. Effective January 1, 2000, this percentage decreased to 3.0 percent of compensation. The Library contributes no less than the amount employees contribute.

Cost of Living Adjustment (COLA)

Cost of living adjustment to retirees is granted on an ad-hoc basis as determined annually by the Board.

Changes Since Prior Valuation

There have been no changes to Plan I since the prior valuation.

Summary of Plan II Provisions

Normal Retirement

Under Plan II, employees may retire under any of the following sets of criteria as applicable:

- Completion of 30 years of credited service and attainment of age 60;
- Completion of 25 years of credited service and attainment of age 62; or,
- Completion of 5 years of credited service and attainment of age 65.

Effective July 1, 1992, the normal retirement benefit, 1/12 of which is payable monthly for life, is determined as 2.5 percent of average compensation multiplied by years of credited service not in excess of 25 plus 1 percent of average compensation multiplied by years of service greater than 25 but less than 35, with a maximum benefit of 72.5 percent of average compensation. The minimum pension is \$100 per month.

“Average Compensation” means the average monthly compensation for the three consecutive years of service during which compensation was the highest.

At the death of the retiree, 75 percent of the benefit continues to the surviving spouse until death or remarriage or the surviving children upon the death of the spouse.

Early Retirement

Under Plan II, employees may retire with reduced benefits after completion of 25 years of credited service and attainment of age 55.

Disability Retirement

If disability occurs not in line-of-duty prior to the completion of five years of credited service, a refund of the participant’s contributions with interest is payable to the participant. If disability occurs not in line-of-duty after completion of five years of credited service, the benefit will be determined as in normal retirement provided that the benefit will not be greater than 62.5 percent of average compensation. If disability occurs in line-of-duty regardless of the number of years of credited service, the benefit will be 2.5 percent of average compensation per year of service with a minimum of 60 percent and a maximum of 72.5 percent of average compensation.

Pre-Retirement Death Benefit

If death occurs not in line-of-duty prior to the completion of five years of credited service, a refund of the participant’s contributions with interest is payable at the time of this or her death. If death occurs not in line-of-duty after the completion of five years of credited service, the participant’s eligible spouse as defined in the plan will receive 75 percent of the participant’s accrued benefit until remarriage. If the participant’s spouse does not survive him or her or if the spouse dies or remarries, the benefit will be paid to the child or divided among the children of the participant until they reach age 18. If the child is handicapped, payments continue for the lifetime of the child. If death occurs in line-of-duty regardless of the number of years of credited service, a benefit equal to 2.5 percent per year of service up to 25 of the participant’s average compensation will be paid to the spouse until death or remarriage or to minor children under 18 if no spouse is living. The benefit will not be less than 50 percent or greater than 62.5 percent of average compensation.

Optional Retirement Benefit

For retirement from active status, optional forms of benefit are permitted by the plan if actuarially equivalent to the normal form of payment. For married participants, the normal form of payment is an unreduced 75 percent Joint and Survivor Annuity. For unmarried participants, the normal form of payment is the Single Life Annuity. Other available options include the 50 percent or 100 percent Joint and Survivor Annuities, as well as a Life Annuity with 60, 120, or 180 payments guaranteed.

Conversion of Unused Sick Leave into Creditable Service

Effective January 2, 2001, employees may elect to convert sick leave into creditable service time to become initially qualified for retirement benefits or provide enhancement of a full and normal retirement. If an employee requests to use unused sick leave to become eligible for a full and normal retirement, credit time will be given for all unused leave. Upon full and normal retirement eligibility, full-time employees with 35 years or less of creditable service will have the following options:

- employees may be paid up to 520 hours of accumulated sick leave
- employees may elect to add accumulated sick leave days to their creditable service for pension calculations
- percentage will not exceed 72.5 percent of average annual compensation.

For purposes of converting accumulated sick leave hours to service time, 173.33 hours of accumulated sick leave will equal one month of creditable service.

Contributions

Effective January 1, 1993, employees contribute 5.0 percent of compensation to Plan II of the retirement plan. Effective January 1, 2000, this percentage decreased to 3.0 percent of compensation. The Library contributes no less than the amount employees contribute.

Cost of Living Adjustment (COLA)

Cost of living adjustment to retirees is granted on an ad-hoc basis as determined annually by the Board.

Changes Since Prior Valuation

There have been no changes to Plan II since the prior valuation.

Summary of Accounting Policies - For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Plans and the additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by the pension plan. For this purpose, the benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. Financial statement reporting information for the City of Memphis fiscal year ended June 30, 2017, is in accordance with Government Accounting Standards Board Statement No. 68 (GASB 68), as amended by Governmental Accounting Standards Board Statement No.82 (GASB 82). As permitted under paragraph 20 of GASB 68, a measurement date of January 1, 2017 was utilized for the Retirement System of the Public Library and Information Center. The valuation was performed using census data and assets as of January 1, 2017 and reflects the plan provision effective January 1, 2017, not adjusted for passage of time to the fiscal year-end.

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

Rate of Return – For the year ended June 30, 2017, the annual money-weighted rate of return on Library pension plan investments, net of pension plan investment expense, was 10.4 percent compared to the assumed discount rate of 7.5 percent.

Contributions – For both Plan I and Plan II, effective January 1, 1993, employees contribute 5.0 percent of compensation to the retirement plan. Effective January 1, 2000, this percentage decreased to 3.0% of compensation. The employer contributes no less than what employees contribute. For the plan year ended June 30, 2017, the employer contributions of \$821 represented 20.3 percent of actual covered payroll of \$4,048 under GASB 68. The actual covered employee payroll is defined under GASB 82 to be payroll on which contributions to a pension plan are based. Pensionable pay is used for determining contributions under the plan, the pensionable pay disclosed on Exhibit RSI-12 is shown starting January 1, 2016. Prior to January 1, 2016 the gross payroll is shown consistent with the requirement prior to the release of GASB 82. The actual covered employee payroll is for the year immediately preceding the valuation date. Per GASB 68, contributions to the pension plan from the employer subsequent to the measurement date of the net pension liability (January 1) and before the end of the reporting period (June 30) should be reported as a deferred inflow of resources related to pensions. At June 30, 2017 the employer reported a payable of \$700 for the outstanding amount of contributions to the pension plan subsequent to the measurement date of the net pension liability (January 1, 2017) and before the end of the reporting period (June 30, 2017).

The contribution information for the Library Retirement System is presented in the Required Supplementary Information section of this report as Exhibit RSI-10 and RSI-12.

Total Pension Liability – The Retirement System of the Library Total Pension Liability (TPL) for the year ended June 30, 2017 is \$66,090. The components of the TPL are as follows:

TPL - beginning balance	\$	68,781
Service cost		334
Interest cost		5,039
Experience (gains)/losses		(671)
Assumption changes		(3,549)
Benefit payments		<u>(3,844)</u>
TPL – ending balance	\$	<u>66,090</u>

Plan Fiduciary Net Position – The Retirement System of the Library Plan Fiduciary Net Position (FNP) for the year ended June 30, 2017 is \$55,470. The components of the FNP are as follows:

FNP - beginning balance		\$	53,738
Employer contributions			132
Employee contributions			132
Investment return			
Expected return	\$	3,896	
Investment gain/(loss)		<u>1,480</u>	
Net investment return		5,376	5,376
Benefit payments			(3,844)
Administrative expenses			<u>(64)</u>
FNP – ending balance		\$	<u><u>55,470</u></u>

Net Pension Liability – The Net Pension Liability (NPL) for the Retirement System of the Library for the year ended June 30, 2017 is \$10,620. The components of the Net Pension Liability (NPL) at June 30, 2017 are as follows:

Total Pension Liability	\$	66,090
Plan Fiduciary Net Position		<u>(55,470)</u>
Net Pension liability		<u><u>10,620</u></u>
FNP as a percentage of the TPL		83.9%
Actual Covered Employee Payroll	\$	4,400
Net Pension Liability as a percentage of the covered payroll		241.4%

The Net Pension Liability represents the funded status of the Library Plan as of the measurement date. The NPL for fiscal year ended June 30, 2017 decreased \$4,423 from prior year due to actuarial experience gains in the pension liability in conjunction with contributions to the Plan and favorable asset experience. Assets returned 10.4 percent compared to the assumed 7.5 percent investment yield.

The Schedule of Changes in the Net Pension Liability and Related Ratios which depicts Total Pension Liability (TPL), Plan Fiduciary Net Position (FNP), and Net Pension Liability (NPL) for the Library Retirement System is presented in the Required Supplementary Information section of this report as Exhibit RSI-9, RSI-10, and RSI-11 respectively.

Actuarial Methods and Assumptions - The actuarial asset valuation method is the Entry Age Normal Actuarial Cost Method with a closed amortization period of 30 years. A tiered approach will be utilized with new actuarial gains and losses from each actuarial valuation but no tier will exceed the 30 year maximum. Significant actuarial assumptions include: (a) a rate of return on the investment of present and future assets of 7.5% per year for GASB 67 and GASB 68 purposes; (b) projected salary increases of 3.5% per year including a 3.0% projected inflation; and (c) Cost of Living Adjustment (COLA) increases of 2.5% per year.

The healthy mortality assumption utilized the Fully Generational RP 2014 Mortality Table for males and females with MP 2016 projection scale from 2006 forward and adjusted by a one year set forward. The disabled mortality assumption utilized the Fully Generational RP 2014 Disabled Mortality Table with MP 2016 projection scale from 2006 forward and adjusted by a three year set back. For this purpose, the mortality table base year is 2014.

Other actuarial assumptions are as follows:

Sick Leave – for every year of creditable service an additional 0.05 years of creditable service time is assumed to be added for sick leave accrual.

Marriage (Actives only) – 65% of male active employees and 50% of female active employees are assumed to be married. Wives are assumed to be three years younger than their husbands.

Death/Disability – Deaths and disabilities for active employees are assumed to be other than line-of-duty.

Form of Payment – It is assumed that benefits will be paid in the normal annuity form upon retirement. Current terminated vested participants are assumed to elect payment in the form of a single life annuity at age 65.

Data Assumptions – Retiree and disabled members that do not have a retirement option listed are assumed to be receiving a 75% joint and survivor annuity.

Discount Rate – The discount rate used to measure the total pension liability was 7.5% as of January 1, 2017, which is equal to the single rate of return developed pursuant to paragraphs 40 – 45 under GASB 67 and paragraphs 26-31 of GASB 68. GASB 67/68 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 S&P Municipal Bond 20-Year High Grade Rate Index.

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 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. The ADC shall be recalculated each year and the percentage of funding shall be based on the most recent recalculation of the ADC. 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. As such, the discount rate assumption for determining the total pension liability is the long-term rate of return on pension plan investments.

Discount Rate Sensitivity – The following presents the net pension liability of the Library calculated using the discount rate of 7.5 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 (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	\$18,300	\$10,619	\$4,182

NOTES TO FINANCIAL STATEMENTS
(Thousands of Dollars)
For the fiscal year ended June 30, 2017

CITY OF MEMPHIS, TENNESSEE
(Continued)

Deferred Outflows of Resources and Deferred Inflows of Resources - The balance of deferred inflows and outflows of resources after recognition in current year pension expense is (\$4,379) and \$5,595 respectively. The net of the deferred inflows and outflows for the fiscal year is \$1,216. The determination of resources of deferred inflows and resources of deferred outflows for the fiscal year ending June 30, 2017, is as follows:

Determination of Resources of Deferred Outflows and Resources of Deferred Inflows				Balances at June 30, 2017		
	Established in Fiscal Year ending June 30	Loss	(Gain)	Cumulative Amounts Recognized in Expense through June 30, 2017	Deferred Outflows of Resources	Deferred Inflows of Resources
Experience (Gains) and Losses	2015		(\$1,691)	(\$1,551)		(\$140)
	2016		(\$165)	(\$111)	-	(\$54)
	2017		(\$672)	(\$247)	-	(\$425)
						(\$619)
Changes in Assumptions	2015		(\$2,142)	(\$1,965)		(\$177)
	2016		(\$475)	(\$320)	-	(\$155)
	2017		(\$3,549)	(\$1,305)	-	(\$2,244)
						(\$2,576)
Investment (Gains) and losses	2015	\$2,905		\$1,743	\$1,162	-
	2016	\$7,388		\$2,955	\$4,433	-
	2017		(\$1,480)	(\$296)	-	(\$1,184)
					\$5,595	(\$1,184)
Collective Deferred Outflows/(Inflows) of Resources:					\$5,595	(\$4,379)

The effort and cost to re-create financial statement information for 10 years was not practical. Information presented was prepared prospectively from January 1, 2015 for GASB 68 purposes. Deferred outflows of resources are presented as positive amounts. Deferred inflows of resources are presented as negative amounts.

Future Amortization of Net Deferred Outflows and Deferred Inflows – The amounts reported as deferred outflows of resources and deferred inflows of resources related to pension recognized in pension expense is as follows:

Year Ending June 30	
2018	\$ (315)
2019	645
2020	1,182
2021	(296)
2022	-
Thereafter	-
	<u>\$ 1,216</u>

Pension Expense – The pension expense under GASB 68 for the fiscal year ending June 30, 2017 is \$233. It was developed using a measurement date of January 1, 2017, as permitted under paragraph 20 of GASB 68, not adjusted to the fiscal year-end for passage of time. Pension expense calculation includes one year of interest on service cost less one half year of interest on actual benefit payments, an assumption of a 7.5 percent investment return (net of investment expenses), and assuming benefit payments and contributions occur at mid-year.

Employer Service Cost	\$ 266
Interest Cost	5,040
Expected Return on Assets	(3,896)
Changes in Benefit Terms	-
Recognition of deferred (inflows)/outflows	<u>(1,177)</u>
Total collective pension expense	<u>\$ 233</u>

MLGW Retirement System

General – The Memphis Light, Gas and Water Division (the Division), a division of the City of Memphis, under resolution by the Board of Commissioners, established the Memphis Light, Gas and Water Division Retirement and Pension System (the MLGW Pension Plan). The MLGW Retirement System 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 Memphis Light, Gas and Water Division Pension Board is the administrator of a single employer retirement system established by the Division to provide retirement benefits for its employees. 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 Memphis Light, Gas and Water Division Retirement and Pension System (the MLGW Pension Plan), a division of the City of Memphis, Tennessee. The MLGW Pension Plan was amended and restated effective January 1, 2015. 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.

Employees Covered – The MLGW Pension Plan covers permanent full-time employees and appointed commissioners who opt to participate. Plan membership consisted of the following participants as of December 31, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Retirees and beneficiaries receiving benefits	2,617	2,597
Participants inactive during year ended December 31 with vested rights	44	45
Active plan members fully vested	1,116	1,112
Active members not vested	1,427	1,414
Total	<u>5,204</u>	<u>5,168</u>

The MLGW Pension Plan provides death and disability benefits as well as retirement benefits. MLGW Pension Plan members hired prior to January 1, 2014 who attain the age of fifty-five (55) and retire on or after ten (10) years of creditable service, or attain the age of seventy (70) and retire on or after five (5) years of creditable service, or attain twenty-five (25) years of creditable service regardless of age are entitled to an annual retirement allowance. The allowance is computed by multiplying the applicable percentage for the age of retirement times the number of years of creditable service, which equals the benefit percentage times the final average compensation.

MLGW Pension Plan members hired on or after January 1, 2014 who attain the age of sixty (60) and retire on or after ten (10) years of creditable service, or attain the age of seventy (70) and retire on or after five (5) years of creditable service, or attain the age of fifty-five (55) with twenty-five (25) years of creditable service are entitled to an annual retirement allowance. The allowance is computed by multiplying the applicable percentage for the age of retirement times the number of years of creditable service, which equals the benefit percentage times the final average compensation.

Effective January 1, 2001, the following table is the applicable benefit percentage for each year of creditable service at the applicable retirement age under the MLGW Pension Plan:

<u>Retirement Age</u>	<u>Benefit Percentage For Each Year of Creditable Service</u>
59 1/2 and less	2.25%
60	2.30%
61	2.40%
62 and older	2.50%

Final average compensation is the member’s basic earnings (which includes member contributions pursuant to Section 414(h) and Section 457 of the Internal Revenue Code (the “Code”) for the three (3) consecutive years of creditable service if less than thirty (30) years, two (2) consecutive years if more than thirty (30) years and one (1) year if 35 or more years of creditable service during which the compensation was the highest) plus work out of classification pay, shift differential pay, and automobile allowance for such employees designated by Resolution of the Board of Commissioners. The annual retirement allowance shall not exceed 85.0% of the member’s final average compensation. The 2016 minimum monthly retirement benefit for all members is the greater of \$50 per month per year of service or \$500.

Cost of Living Adjustments - As of July 1 of each plan year, each retired participant who (1) has attained age fifty-six (56) on such date and (2) has been terminated from the employment of the Division for at least twelve (12) months, shall be entitled to an increase in the amount of his/her monthly benefit under The MLGW Pension Plan equal to the cost of living adjustment. A surviving spouse receiving death benefits shall be entitled to a cost of living adjustment if the surviving spouse has attained age fifty-six (56) and the deceased participant has separated from service at least twelve (12) months prior to July 1. The cost of living adjustment shall be equal to the product of the monthly benefit payable to the participant, or the surviving spouse under the MLGW Pension Plan for the immediately preceding plan year multiplied by the applicable percentage increase in the Consumer Price Index (CPI) for the immediately preceding calendar year. The applicable percentage increase shall be determined based on the age of the participant, surviving spouse, or handicapped child as of the first day of July of the plan year in which the adjustment is made as follows:

<u>Age</u>	<u>Percentage of CPI Increase</u>
56 - 58	30%
59 - 61	60%
62 and older	75%

The cost of living adjustment for any retired participant or surviving spouse in any plan year shall not exceed five percent (5%) of the retired participant's or surviving spouse's benefit under the MLGW Pension Plan for the immediately preceding plan year. Under no circumstances shall the cost of living adjustment result in a decrease in the benefit of a retired participant or surviving spouse.

Contributions – The contribution requirements of pension plan members and MLGW are established and may be amended and approved by the MLGW Pension Board, the MLGW Board of Commissioners and the Memphis City Council. Pension plan members are required to contribute 8% of their annual covered salary. Under Article III, Section 3.2 of the pension plan, MLGW shall contribute to the pension fund such amounts as from time to time are estimated by the actuary. MLGW also funds the 8% pension plan member's contributions on behalf of the president and vice presidents. For 2015, MLGW contributed 13.32% of the annual covered payroll. Employer contributions recognized by the MLGW Pension Plan during 2016 totaled \$21,390.

Schedule of Employer Contributions – The schedule of employer contributions is as follows:

Year Ended December 31	Actuarially Determined Contribution (ADC)	Actual Contribution in Relation to ADC	Contribution Deficiency (Excess)	Covered-employee Payroll	Contributions as a Percentage of Covered Employee Payroll
2007	\$ 17,217	\$ 17,230	\$ (13)	\$ 146,830	11.73%
2008	\$ 10,541	\$ 18,467	\$ (7,926)	\$ 150,253	12.29%
2009	\$ 22,401	\$ 21,388	\$ 1,013	\$ 154,057	13.88%
2010	\$ 27,381	\$ 27,385	\$ (4)	\$ 153,509	17.84%
2011	\$ 26,208	\$ 26,213	\$ (5)	\$ 154,036	17.02%
2012	\$ 30,067	\$ 30,063	\$ 4	\$ 154,347	19.48%
2013	\$ 30,705	\$ 30,706	\$ (1)	\$ 154,759	19.84%
2014	\$ 26,812	\$ 26,804	\$ 8	\$ 152,368	17.59%
2015	\$ 21,390	\$ 21,390	\$ -	\$ 160,641	13.32%
2016	\$ 21,390	\$ 21,390	\$ -	\$ 160,641	13.32%

Net Pension Liability – MLGW’s net pension liability was measured as of December 31, 2015 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2016.

Actuarial Methods and Assumptions – The actuarial assumption used in the valuation as of December 31, 2015 are based on the results of an experience study for the period January 1, 2009 to December 31, 2013.

Inflation	2.75%
Salary increases	Inflation plus merit increases that vary by age and service, ranging from 0.00% to 6.75%
Investment rate of return	7.5%, including inflation, net of investment expenses
Cost of living adjustments	0.83% for ages 56-58 1.65% for ages 59-61 2.06% for ages 62 and older, and all disabled participants

Pre-retirement mortality rates are based on the RP-2014 Employee Mortality Table with sex-distinct rates. Healthy annuitant mortality rates are based on the RP-2014 Healthy Annuitant Mortality Table with sex-distinct rates, adjusted by a factor of 138%. Disabled annuitant mortality rates are based on the RP-2014 Disabled Retiree Mortality Table with sex-distinct rates, also adjusted by a factor of 138%. All mortality tables above are projected generationally with a modified RPEC2014 projection table using a 15-year convergence period for cohort effects and a 10-year convergence period for age/period effects.

Rate of Return – The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These returns are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation and deducting expected investment expenses. The target allocation and projected arithmetic real rates of return for each major asset class, after deducting inflation, but before investment expenses, used in the derivation of the long-term expected investment rate of return assumption are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity	39%	6.84%
International Equity	12%	8.14%
Fixed Income	29%	2.45%
Alternatives	8%	3.84%
Real Estate	10%	4.64%
Short Term Investments	2%	1.24%
Total	100%	

Discount Rate – The discount rate used to measure the total pension liability is 7.50% as of December 31, 2015. The projection of cash flows used to determine the discount rate assumes employee contributions will be made at the current 8.00% of pay contribution rate and that MLGW contributions will equal to the actuarially determined contribution. For this purpose, only employee and employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Based on those assumptions, the MLGW Pension Plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability as of December 31, 2015.

Discount Rate Sensitivity – The following presents the net pension liability of MLGW as of December 31, 2015, calculated using the discount rate of 7.5%, as well as what MLGW’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 (asset)	\$245,831	\$87,004	\$(43,569)

Pension Plan’s Fiduciary Net Position – Detailed information about the MLGW Pension Plan’s fiduciary net position is available in the separately issued Plan financial statement. For purposes of measuring the net pension liability, all information about the pension plan’s assets, deferred outflows of resources, liabilities, deferred inflows of resources, and fiduciary net position have been determined on the same basis as they are reported by the MLGW Pension Plan.

The MLGW Pension Plan’s financial statements are prepared using the accrual basis of accounting in accordance with generally accepted accounting principles promulgated by the Governmental Accounting Standards Board. Investments are stated at fair value. Benefits payments (including refunds of employee contributions) are recognized when due and payable in accordance with the terms on the plan.

Summary of Accounting Policies - In fiscal year 2015, MLGW adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27* (“GASB 68”). This statement provides guidance for the measurement and recognition of a net pension liability and pension expense, and includes instruction for balances to be recognized as deferred outflows of resources and deferred inflows of resources. Due to time constraints associated with producing the financial statements and the need to ensure timely filing of such statements with appropriate authorities, MLGW deemed it impractical to restate all prior periods; as such, the cumulative effect of applying this statement is shown in 2015. The impact for MLGW is as follows:

Net Pension Liability – The net pension liability reported under GASB 68 is the difference between the actuarial present value of projected pension benefit payments attributable to employees’ past service and the Plan’s fiduciary net position. Previous to this new guidance, a liability was recognized only to the extent that contributions made to the plan were exceeded by the actuarially calculated contributions.

NOTES TO FINANCIAL STATEMENTS
(Thousands of Dollars)
For the fiscal year ended June 30, 2017

CITY OF MEMPHIS, TENNESSEE
(Continued)

	Total Pension Liability	Increase (Decrease) Plan Fiduciary Net Position	Net Pension Liability
Balance at December 31, 2014	\$ 1,382,794	\$ 1,379,184	\$ 3,610
Service cost	30,139	-	30,139
Interest cost	99,940	-	99,940
Difference between expected and actual experience	2,275	-	2,275
Changes of assumptions	-	-	-
Employer contributions	-	21,390	(21,390)
Employee contributions	-	12,310	(12,310)
Net investment income	-	15,231	(15,231)
Benefit payments including refunds of employee contributions	(100,528)	(100,528)	-
Administrative expenses	-	(759)	759
Net change in plan fiduciary net position	31,826	(52,356)	84,182
Other Adjustments	-	788	(788)
Balance at December 31, 2015	<u>\$ 1,414,620</u>	<u>\$ 1,327,616</u>	<u>\$ 87,004</u>

Pension Expense – Pension expense for the year ended December 31, 2016 is as follows:

Service cost	\$	30,139
Interest on total pension liability		99,940
Employee contributions		(12,310)
Administrative expenses		759
Expected return on assets		(100,904)
Expensed portion of current year period differences between expected and actual experience in total pension liability		379
Expensed portion of current year period assumption changes		-
Current year plan changes		-
Expensed portion of current year period differences between projected and actual investment earnings		17,187
Current year recognition of deferred inflows and outflows established in prior years		(6,523)
Total expense	\$	<u>28,667</u>

Deferred outflows of resources and deferred inflows of resources – GASB 68 requires recognition of deferred outflows and inflows of resources associated with the difference between projected and actual earnings on Plan investments, to be amortized to pension expense over a closed five-year period. Also to be recognized as deferred outflows and inflows of resources are differences between expected and actual experience with regard to economic or demographic factors in the measurement of total pension liability, to be amortized to pension expense over a closed period equal to the average of the expected remaining service lives of all employees receiving pension benefits. Employer contributions to the pension trust made between the net pension liability measurement date and the employer’s fiscal year end are recognized as deferred outflows of resources related to pensions.

	Deferred Outflows Of Resources	Deferred Inflows Of Resources
Contributions subsequent to measurement date	\$ 21,390	\$ -
Net difference between projected and actual earnings on pension plan investments	68,196	-
Net difference between projected and actual experience in total Pension Liability	1,896	(10,892)
Assumption changes	-	(14,741)
	<u>\$ 91,482</u>	<u>\$ (25,633)</u>
Total		

Note: The \$21,390 contribution made subsequent to the measurement date will be recognized as a reduction of the net pension liability in 2017.

NOTES TO FINANCIAL STATEMENTS
(Thousands of Dollars)
For the fiscal year ended June 30, 2017

CITY OF MEMPHIS, TENNESSEE
(Continued)

		Projected Recognition of Deferred Outflows/(Inflows)						Deferred Outflows/(Inflows) Recognized in Future Years				
Fiscal year Outflows	Year Established	Original Balance	Amortization Period (Years)	Original	Outstanding Balance December 31, 2015	Amount Recognized During FYE December 31, 2016	Outstanding Balance at December 31, 2016	2017	2018	2019	2020	2021 and Thereafter
Investment	2016	\$ 85,673	5.00		-	\$ 17,134	\$ 68,539	\$ 17,134	\$ 17,134	\$ 17,134	\$ 17,134	-
Demographic	2016	2,275	6.00		-	379	1,896	379	379	379	379	379
Total Outflows						\$ 17,513	\$ 70,435	\$ 17,513	\$ 17,513	\$ 17,513	\$ 17,513	\$ 379
Fiscal year Inflows												
Investment	2015	\$ (571)	5.00	\$ (457)	\$ (343)	(114)	(114)	(114)	(114)	(114)	(114)	-
Demographic	2015	(16,338)	6.00	(13,615)	(10,892)	(2,723)	(10,892)	(2,723)	(2,723)	(2,723)	(2,723)	(2,723)
Assumption	2015	(21,112)	6.00	(18,427)	(14,741)	(3,685)	(14,741)	(3,685)	(3,685)	(3,685)	(3,685)	(3,685)
Total Inflows						\$ (6,522)	\$ (25,976)	\$ (6,522)	\$ (6,522)	\$ (6,522)	\$ (6,408)	-
Total						\$ 10,991	\$ 44,459	\$ 10,991	\$ 10,991	\$ 10,991	\$ 11,105	\$ 379

Note: In accordance with Paragraph 71 of GASB Statement 68, the difference between projected and actual earnings on investments is recognized over a closed five-year period. The difference between expected and actual total pension liability experience (noted as "Demographic" in the chart above) and the assumption changes (noted as "Assumption" in the chart above) are each recognized over a closed period equal to the average of the expected remaining service lives of all employees who are provided with pension through the pension plan (active employees and inactive employees) determined as of the beginning of the measurement period. For 2015, the period is six years.

G. Component units

As referenced in Note I.A. Reporting Entity, the City of Memphis currently has five discretely presented component units.

Memphis Cook Convention Center - The Memphis Cook Convention Center was formed in 1917 under the Tennessee Private Act (TPA) of 1917, Chapter 420, as subsequently amended. On August 25, 2011, the City became the sole owner of the Center and the deficit is now solely funded by the City. Memphis Management Group, LLC, a wholly owned subsidiary of Memphis Convention and Visitors Bureau, manages the facility. In fiscal year 2016, the City opted to disclose the Memphis Cook Convention Center as a blended component unit under the guidelines of Governmental Accounting Standards Board Statement No. 61 (GASB 61); however upon further analysis, the City has determined that the Memphis Cook Convention Center meets the requirements of a discretely presented component unit under GASB 14. Complete financial statements for the Center may be obtained at The City of Memphis, 125 North Main Street - Third Floor, Room 368, Memphis, TN 38102 Phone: 901-576-6657.

Memphis Area Transit Authority (MATA) – MATA was created by City ordinance on May 13, 1975, replacing the Memphis Transit Authority. MATA has the authority to supervise the operations of the City's transit system. MATA is funded by a combination of user fees, federal and state grants, and a subsidy from the City.

Memphis Shelby County Airport Authority (MSCAA) – MSCAA was established by City resolution on September 30, 1969. MSCAA's Board selects management staff, sets user charges, establishes budgets and controls all aspects of general aviation, airport management and development.

Memphis Zoological Society (MZS) – MZS was created as a nonprofit 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.

Blight Authority of Memphis, Inc. (BAM) – BAM was authorized by City of Memphis Resolution and created in November 2015 as a nonprofit 501(c)(3) organization. The general nature of the business to be transacted by the corporation and the general purpose for which it is organized is to conduct business as a land bank as prescribed by the Tennessee Local Land Bank Program. The organization is declared to be performing a public function on behalf of the City of Memphis and to be a public instrumentality of the City by providing a tool to support economic revitalization through returning blighted properties, vacant properties, abandoned properties, and tax-delinquent properties to productive use. The organization is established with a fiscal year ending June 30.

As of June 30, 2017, there were no material financial transactions to report.

Each component unit* is reported in a combining statement within the basic financial statements segment of this report as Exhibit A-14 and Exhibit A-15 to emphasize that the entities are legally separate from the City. The complete financial statements for each of the individual component units may be obtained at the entity's administrative offices. Essential disclosures related to the discretely presented component units are included in the complete financial statements of each of the individual component units.

** As of June 30, 2017, there were no material financial transactions to report for BAM, and as such is not presented in Exhibit A-14, Exhibit A-15, or the condensed financial statement information below.*

NOTES TO FINANCIAL STATEMENTS
(Thousands of Dollars)
For the fiscal year ended June 30, 2017

CITY OF MEMPHIS, TENNESSEE
(Continued)

Condensed financial statement information for these discretely presented component units is shown below:

	PROPRIETARY TYPE				ZOO	COMPONENT
	MATA	MSCAA	MCCC	TOTAL		UNITS
						TOTAL
Current Assets	\$ 15,892	\$ 184,197	\$ 2,381	\$ 202,470	\$ 17,297	\$ 219,767
Property, plant and equipment (net of accumulated depreciation)	115,990	864,536	4,900	985,426	51	985,477
Other assets	522	31,852	-	32,374	-	32,374
Total assets	132,404	1,080,585	7,281	1,220,270	17,348	1,237,618
Deferred outflows - pension contribution	6,671	-	-	6,671	-	6,671
Deferred outflows - pension expense	5,790	-	-	5,790	-	5,790
Deferred outflows - charges on refunding	-	2,284	-	2,284	-	2,284
Deferred actuarial losses - pension	-	3,235	-	3,235	-	3,235
Total assets and deferred outflows	\$ 144,865	\$ 1,086,104	\$ 7,281	\$ 1,238,250	\$ 17,348	\$ 1,255,598
Current liabilities	\$ 3,639	\$ 51,976	\$ 1,328	\$ 56,943	\$ 4,303	\$ 61,246
Long-term liabilities	47,296	377,067	-	424,363	-	424,363
Total liabilities	50,935	429,043	1,328	481,306	4,303	485,609
Deferred inflows- revenue received in advance of expense	1,585	5,615	-	7,200	-	7,200
Net position	92,345	651,446	5,953	749,744	13,045	762,789
Total liabilities, deferred inflows, and net position	\$ 144,865	\$ 1,086,104	\$ 7,281	\$ 1,238,250	\$ 17,348	\$ 1,255,598
Operating revenues	\$ 7,857	\$ 104,176	\$ 5,231	\$ 117,264	\$ 18,034	\$ 135,298
Operating expenses	55,828	71,321	6,791	133,940	17,079	151,019
Operating income (loss) before depreciation and amortization	(47,971)	32,855	(1,560)	(16,676)	955	(15,721)
Depreciation and amortization	(13,489)	(64,357)	(1,383)	(79,229)	-	(79,229)
Grants and contributions not restricted		67	-	67		67
City of Memphis subsidy	25,655	-	-	25,655	-	25,655
Federal and State grant revenues	20,783	-	3,194	23,977	-	23,977
Interest and investment income (loss)	-	2,064	-	2,064	752	2,816
Interest expense	-	-	-	-	-	-
Other revenue (expense)	8,563	29,934	-	38,497	1,486	39,983
Change in net position	(6,459)	563	251	(5,645)	3,193	(2,452)
Net position - beginning of year, as restated	98,804	650,883	5,702	755,389	9,852	765,241
Net position - end of year	\$ 92,345	\$ 651,446	\$ 5,953	\$ 749,744	\$ 13,045	\$ 762,789



CITY OF MEMPHIS
T E N N E S S E E

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY AND RELATED RATIOS UNDER GASB 74 AND GASB 75
OTHER POSTEMPLOYMENT BENEFITS (OPEB)
(Thousands of Dollars)
For the fiscal year ended June 30, 2017

Total OPEB Liability

Fiscal Year Ending June 30 (1)	Beginning Total OPEB Liability	Total Service Cost	Interest (2)	Experience (Gains) / Losses	Assumption Changes (3)	Changes of Benefit Terms (4)	Net Benefit Payments (5)	Ending Total OPEB Liability
2017	\$ 691,738	\$ 14,943	\$ 18,877	\$ 18,838	\$ 25,586	\$ (331,901)	\$ (20,190)	\$ 417,891

- (1) The schedule is prepared to satisfy the requirement to show information regarding the Net OPEB Liability and Related Ratios for 10 years. It was prepared prospectively from the Plan's fiscal year ending June 30, 2017 for GASB 75 purposes.
- (2) For the current fiscal year, includes interest at 2.71% on the beginning of year Total OPEB Liability and service cost offset by a half-year of interest on benefit payments.
- (3) Assumption changes for the most recent fiscal year reflect changes to the mortality, trend, per capita costs, and discount rate assumptions.
- (4) Impact of plan changes includes impact of participation and persistency assumption change as the update was due to experience from the plan amendment.
- (5) Paid claims including administrative expenses less retiree contributions.

SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY AND RELATED RATIOS UNDER GASB 74 AND GASB 75
OTHER POSTEMPLOYMENT BENEFITS (OPEB)
(Thousands of Dollars)
For the fiscal year ended June 30, 2017

Plan Fiduciary Net Position

Fiscal Year Ending June 30 (1)	Beginning Fiduciary Net Position	Employer Contribution	Employee Contribution	Investment Return	Benefit Payments	Administrative Expenses	Investment Expenses	Ending Fiduciary Net Position
2017	\$ 6,450	\$ 16,654	\$ 5,531	\$ 289	\$ (21,476)	\$ (4,245)	\$ -	\$ 3,203

(1) The schedule is prepared to satisfy the requirement to show information regarding the Net OPEB Liability and Related Ratios for 10 years. It was prepared prospectively from the Plan's fiscal year ending June 30, 2017 for GASB 75 purposes.

SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY AND RELATED RATIOS UNDER GASB 74 AND GASB 75
OTHER POSTEMPLOYMENT BENEFITS (OPEB)
(Thousands of Dollars)
For the fiscal year ended June 30, 2017

Net OPEB Liability

Fiscal Year Ending June 30 (1)	Total OPEB Liability	Net Fiduciary Position	Net OPEB Liability	Fiduciary Net Position as % of Total OPEB Liability	Actual Covered Employee Payroll (2)	Net OPEB Liability as a Percentage of Covered Payroll
2017	\$ 417,891	\$ 3,203	\$ 414,688	0.8%	\$ 379,324	109.3%

(1) The schedule is prepared to satisfy the requirement to show information regarding the Net OPEB Liability and Related Ratios for 10 years. It was prepared prospectively from the Plan's fiscal year ending June 30, 2017 for GASB 75 purposes.

(2) The actual covered payroll represents the total covered payroll for the prior calendar year, increased by the salary scale. Where a salary amount was not provided, an average salary of the participants for the year was assumed. For calendar year 2017, the average salary was \$53,153

**SCHEDULE OF CONTRIBUTIONS UNDER GASB 74 AND GASB 75
OTHER POSTEMPLOYMENT BENEFITS (OPEB)
(Thousands of Dollars)
For the fiscal year ended June 30, 2017**

Schedule of Contributions

Fiscal Year Ending June 30 (1)	Contractual Contribution (2)	Actual Employer Contributions	Contribution Excess / (Deficiency)	Actual Covered Employee Payroll (3)	Contributions as a Percentage of Covered Payroll
2017	\$ 16,654	\$ 16,654	-	\$ 379,324	4.4%

- (1) The schedule is prepared to satisfy the requirement to show information regarding the Net OPEB Liability and Related Ratios for 10 years. It was prepared prospectively from the Plan's fiscal year ending June 30, 2017 for GASB 75 purposes.
- (2) The City is contractually required to pay benefits as they come due and make HRA contributions to participants enrolled in an allowable plan. Any difference between actual benefits paid and employer contributions is due to a timing difference plus retiree contributions.
- (3) The actual covered payroll represents the total covered payroll for the prior calendar year, increased by the salary scale. Where a salary amount was not provided, an average salary of the other participants for that year was assumed. For calendar year 2017, the average salary was \$53,153.

SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS UNDER GASB 67 AND 68

CITY OF MEMPHIS, TENNESSEE
Exhibit RSI-5

CITY RETIREMENT SYSTEM

(Thousands of Dollars)

For the fiscal year ended June 30, 2017

Total Pension Liability

Year Ending June 30 (1)	Beginning Total Pension Liability	Service Cost (2)	Interest (3)	Experience (Gains)/ Losses (4)	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
2015	\$ 2,599,070	\$ 48,189	\$ 190,459	\$ (60,057)	\$ -	\$ (20,805)	\$ (173,991)	\$ 2,582,865
2016	\$ 2,582,865	\$ 44,343	\$ 190,419	\$ (12,367)	\$ (9,882)	\$ -	\$ (176,566)	\$ 2,618,812
2017	\$ 2,618,812	\$ 42,678	\$ 193,004	\$ 44,176	\$ (41,610)	\$ -	\$ (176,205)	\$ 2,680,855

(1) This schedule is prepared to illustrate the requirement to show information regarding the Net Pension Liability and Related Ratios for 10 years. The information presented above is for those years for which it is available. It was prepared prospectively from the Plan's fiscal year ending June 30, 2014 for GASB 67 purposes and prospectively from fiscal year ending June 30, 2015 for GASB 68 purposes.

(2) The service cost includes the employee contributing portion of the benefit earned during the measurement period.

(3) For the current fiscal year, includes interest at 7.5% on the beginning of year Total Pension Liability and service cost offset by a half year of interest on benefit payments.

(4) Assumption changes for the most recent fiscal year reflect changes to the mortality assumption.

SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS UNDER GASB 67 AND 68
CITY RETIREMENT SYSTEM
 (Thousands of Dollars)
 For the fiscal year ended June 30, 2017

CITY OF MEMPHIS, TENNESSEE
 Exhibit RSI-6

Plan Fiduciary Net Position

Year Ending June 30 (1)	Beginning Fiduciary Net Position	Employer Contribution	Employee Contribution	Investment Return	Benefit Payment	Administrative Expenses	Investment Expenses	Ending Fiduciary Net Position
2014	\$ 2,040,069	\$ 19,440	\$ 24,173	\$ 342,614	\$ (170,833)	\$ (1,478)	\$ (8,827)	\$ 2,245,158
2015	\$ 2,245,158	\$ 46,215	\$ 23,319	\$ 70,687	\$ (173,991)	\$ (1,975)	\$ (8,864)	\$ 2,200,549
2016	\$ 2,200,549	\$ 51,875	\$ 23,912	\$ 6,890	\$ (176,566)	\$ (2,228)	\$ (12,846)	\$ 2,091,586
2017	\$ 2,091,586	\$ 55,441	\$ 20,016	\$ 286,536	\$ (176,205)	\$ (3,119)	\$ (12,670)	\$ 2,261,585

(1) This schedule is prepared to illustrate the requirement to show information regarding the Net Pension Liability and Related Ratios for 10 years. The information presented above is for those years for which it is available. It was prepared prospectively from the Plan's fiscal year ending June 30, 2014 for GASB 67 purposes and prospectively from fiscal year ending June 30, 2015 for GASB 68 purposes.

SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS UNDER GASB 67 AND 68

CITY OF MEMPHIS, TENNESSEE
Exhibit RSI-7

CITY RETIREMENT SYSTEM

(Thousands of Dollars)

For the fiscal year ended June 30, 2017

Net Pension Liability

Year Ending June 30 (1)	Total Pension Liability	Net Fiduciary Position	Net Pension Liability	Fiduciary Net Position as % of Total Pension Liability	Actual Covered Employee Payroll (2)	Net Pension Liability as a Percentage of Covered Payroll
2014	\$ 2,599,070	\$ 2,245,158	\$ 353,912	86.4%	\$ 324,000	109.2%
2015	\$ 2,582,865	\$ 2,200,549	\$ 382,316	85.2%	\$ 327,627	116.7%
2016	\$ 2,618,812	\$ 2,091,586	\$ 527,226	79.9%	\$ 300,123	175.7%
2017	\$ 2,680,855	\$ 2,261,585	\$ 419,270	84.4%	\$ 336,505	124.6%

(1) The schedule is prepared to satisfy the requirement to show information regarding the Net OPEB Liability and Related Ratios for 10 years. The information presented above is for those years for which it is available. It was prepared prospectively from the Plan's fiscal year ending June 30, 2017 for GASB 75 purposes.

(2) The *actual covered employee payroll* is defined under GASB 82 to be payroll on which contributions to a pension plan are based. As pensionable pay is used for determining contributions under the plan, pensionable pay is shown above starting June 30, 2016. Prior to June 30, 2016 the gross payroll is shown, consistent with the requirements prior to the release of GASB 82. Note, actual covered employee payroll is for the year immediately preceding the valuation date.

**SCHEDULE OF CONTRIBUTIONS
CITY RETIREMENT SYSTEM
(Thousands of Dollars)**

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

For the fiscal year ended June 30, 2017

Schedule of Contributions

Year Ending June 30 (1)	Actuarially Determined Contribution (2)	Actual Employer Contributions	Contribution Excess/(Deficiency)	Actual Covered Employee Payroll (3)	Contributions as a Percentage of Covered Payroll
2014	\$ 96,024	\$ 19,440	\$ (76,584)	\$ 324,000	6.0%
2015	\$ 79,742	\$ 46,215	\$ (33,527)	\$ 327,627	14.1%
2016	\$ 73,913	\$ 51,875	\$ (22,038)	\$ 300,123	17.3%
2017	\$ 58,185	\$ 55,441	\$ (2,744)	\$ 336,505	16.5%

(1) The information presented above is for those years for which it is available. It was prepared prospectively from the Plan's fiscal year ending June 30, 2014 for GASB 67 purposes and prospectively from fiscal year ending June 30, 2015 for GASB 68 purposes.

(2) The actuarially determined contribution is for the fiscal year end and is based on a discount rate assumption of 7.50%.

(3) The *actual covered employee payroll* is defined under GASB 82 to be payroll on which contributions to a pension plan are based. As pensionable pay is used for determining contributions under the plan, pensionable pay is shown above starting July 1, 2016. Prior to June 30, 2016 the gross payroll is shown, consistent with the requirements prior to the release of GASB 82. Note, actual covered employee payroll is for the year immediately preceding the valuation date.

SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS UNDER GASB 67 AND 68
LIBRARY RETIREMENT SYSTEM
(Thousands of Dollars)
For the fiscal year ended June 30, 2017

Total Pension Liability

Year Ending June 30 (1)	Beginning Total Pension Liability	Service Cost (2)	Interest Cost	Experience (Gains)/ Losses	Assumption Changes (3)	Changes of Benefit Terms	Benefit Payments	Ending Total Pension Liability
2015	\$ 70,097	\$ 585	\$ 4,647	\$ (1,692)	\$ (2,142)	\$ -	\$ (3,675)	\$ 67,820
2016	\$ 67,820	\$ 440	\$ 4,976	\$ (164)	\$ (475)	\$ -	\$ (3,816)	\$ 68,781
2017	\$ 68,781	\$ 334	\$ 5,039	\$ (671)	\$ (3,549)	\$ -	\$ (3,844)	\$ 66,090

(1) This schedule is prepared to illustrate the requirement to show information regarding the Net Pension Liability and Related Ratios for 10 years. It was prepared prospectively from the fiscal year ending June 30, 2015 for GASB 68 purposes.

(2) The service cost includes the employee contributory portion of the benefit earned during the measurement period and excludes administrative expenses.

(3) Assumption changes include the following:

- a. For 2017, the updates in the mortality assumption and retirement assumption resulted in actuarial gains of \$(1,710) and \$(1,839) respectively.
- b. For 2016, the update in the mortality assumption resulted in an actuarial gain of \$(475).
- c. For 2015, the change in the discount rate assumption from 6.75% to 7.50% resulted in an actuarial gain of \$(6,174) and an update in the mortality assumption resulted in an actuarial loss of \$4,032.

SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS UNDER GASB 67 AND 68
LIBRARY RETIREMENT SYSTEM
 (Thousands of Dollars)
 For the fiscal year ended June 30, 2017

CITY OF MEMPHIS, TENNESSEE
 Exhibit RSI-10

Plan Fiduciary Net Position

Year Ending June 30 (1)	Beginning Fiduciary Net Position	Employer Contribution	Employee Contribution	Investment Return	Benefit Payments	Administrative Expenses	Investment Expenses	Ending Fiduciary Net Position
2015	\$ 62,110	\$ 160	\$ 160	\$ 1,687	\$ (3,675)	\$ (80)	\$ (31)	\$ 60,331
2016	\$ 60,331	\$ 150	\$ 150	\$ (2,939)	\$ (3,817)	\$ (108)	\$ (29)	\$ 53,738
2017	\$ 53,738	\$ 132	\$ 132	\$ 5,404	\$ (3,844)	\$ (64)	\$ (28)	\$ 55,470

(1) This schedule is prepared to illustrate the requirement to show information regarding the Net Pension Liability and Related Ratios for 10 years. It was prepared prospectively from the fiscal year ending June 30, 2015 for GASB 68 purposes.

SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS UNDER GASB 67 AND 68
LIBRARY RETIREMENT SYSTEM
 (Thousands of Dollars)
 For the fiscal year ended June 30, 2017

Net Pension Liability

Year Ending June 30 (1)	Total Pension Liability	Net Fiduciary Position	Net Pension Liability	Fiduciary Net Position as % of Total Pension Liability	Actual Covered Employee Payroll (2)	Net Pension Liability as a Percentage of Covered Payroll
2015	\$ 67,820	\$ 60,331	\$ 7,489	89.0%	\$ 5,349	140.0%
2016	\$ 68,781	\$ 53,738	\$ 15,043	78.1%	\$ 5,014	300.0%
2017	\$ 66,090	\$ 55,470	\$ 10,620	83.9%	\$ 4,400	241.4%

(1) This schedule is prepared to illustrate the requirement to show information regarding the Net Pension Liability and Related Ratios for 10 years.

It was prepared prospectively from the fiscal year ending June 30, 2015 for GASB 68 purposes.

(2) The actual covered employee payroll is defined under GASB 82 to be payroll on which contributions to a pension plan are based. As pensionable pay is used for determining contributions under the plan, pensionable pay is shown above starting January 1, 2016. Prior to January 1, 2016 the gross payroll is shown consistent with the requirement prior to the release of GASB 82. Note actual covered employee payroll is for the year immediately preceding the valuation date.

**SCHEDULE OF CONTRIBUTIONS
LIBRARY RETIREMENT SYSTEM
(Thousands of Dollars)**

For the fiscal year ended June 30, 2017

Schedule of Contributions under GASB 68

Year Ending June 30 (1)	Actuarially Determined Contribution (2)	Actual Employer Contributions	Contribution Excess/(Deficiency)	Actual Covered Employee Payroll (3)	Contributions as a Percentage of Covered Payroll
2015	\$ 517	\$ 155	\$ (362)	\$ 5,182	3.0%
2016	\$ 517	\$ 141	\$ (376)	\$ 4,707	3.0%
2017	\$ 958	\$ 821	\$ (137)	\$ 4,048	20.3%

(1) This schedule is presented to illustrate the requirement to show information regarding the Schedule of Contributions for 10 years. The information presented above is for those years for which it is available. Per GASB 68 Paragraph 32 the information presented is based on the employer's most recent fiscal year-end (June 30).

(2) The actuarially determined contribution is for the City's fiscal year end and is based on a discount rate assumption of 7.5%. The actuarially determined contribution applicable to the employer fiscal year (July 1 to June 30) is determined based on the preceding plan fiscal year (January 1 to December 31).

(3) The *actual covered employee payroll* is defined under GASB 82 to be payroll on which contributions to a pension plan are based. As pensionable pay is used for determining contributions under the plan, pensionable pay is shown above starting January 1, 2016. Prior to January 1, 2016 the gross payroll is shown consistent with the requirement prior to the release of GASB 82. Note, actual covered employee payroll is for the year immediately preceding the valuation date.

CITY OF MEMPHIS

T E N N E S S E E

COMBINING NONMAJOR FUNDS

SPECIAL REVENUE FUNDS

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

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

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

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

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

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

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

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

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

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

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

WIN – The Workforce Investment Network (WIN) Fund accounts for funds received from the Federal Department of Labor for use of Memphis and Shelby County.



NONMAJOR FUNDS
 COMBINING BALANCE SHEET
 (Thousands of Dollars)
 June 30, 2017

	Central Business Improvement District	Community Redevelopment	Community Services	Drug Enforcement	Education	Hotel/ Motel Tax	Metro Alarm
ASSETS							
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ 265	\$ -	\$ -	\$ -
Equity in cash and investment pool	183	683	1,269	10,972	125	5,198	709
Receivables (net of allowance for uncollectibles):							
Property taxes:							
Delinquent property taxes	-	-	-	-	79	-	-
Special assessments:							
Current special assessments	3,760	-	-	-	-	-	-
Delinquent special assessments	117	-	-	-	-	-	-
Federal grants and entitlements	-	-	-	-	-	-	-
State grants and entitlements	-	-	-	-	-	-	-
Other	-	-	-	2	-	7	18
Due from other agencies and governments	-	19,793	-	-	-	725	-
Total assets	\$ 4,060	\$ 20,476	\$ 1,269	\$ 11,239	\$ 204	\$ 5,930	\$ 727
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts payable	\$ 1	\$ 2	\$ -	\$ 140	\$ 125	\$ 541	\$ 264
Accrued liabilities	182	-	-	-	-	-	-
Contract retainage	-	-	-	-	-	-	-
Due to other funds	-	-	-	-	-	-	-
Unearned revenue	-	-	-	1,119	-	-	-
Total liabilities	183	2	-	1,259	125	541	264
Deferred Inflows:							
Uncollected property taxes	-	-	-	-	79	-	-
Uncollected special assessments	3,877	-	-	-	-	-	-
Uncollected grant reimbursements	-	-	-	-	-	-	-
Uncollected intergovernmental receivables	-	19,793	-	-	-	-	-
Total deferred inflows	3,877	19,793	-	-	79	-	-
Fund balances:							
Restricted	-	-	258	9,980	-	-	-
Committed	-	681	1,011	-	-	5,389	463
Total fund balances	-	681	1,269	9,980	-	5,389	463
Total liabilities, deferred inflows, and fund balances	\$ 4,060	\$ 20,476	\$ 1,269	\$ 11,239	\$ 204	\$ 5,930	\$ 727

NONMAJOR FUNDS
 COMBINING BALANCE SHEET
 (Thousands of Dollars)
 June 30, 2017

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

Miscellaneous Grants	New Memphis Arena	Solid Waste Management	State Street Aid	Workforce Investment Network	Total	
						ASSETS
\$ -	\$ -	\$ 216	\$ -	\$ -	\$ 481	Cash and cash equivalents
9,332	119	12,212	-	663	41,465	Equity in cash and investment pool
						Receivables (net of allowance for uncollectibles):
						Property taxes:
-	-	-	-	-	79	Delinquent property taxes
						Special assessments:
-	-	-	-	-	3,760	Current special assessments
-	-	-	-	-	117	Delinquent special assessments
1,288	-	(12)	-	2,757	4,033	Federal grants and entitlements
142	-	(1)	2,989	-	3,130	State grants and entitlements
2,621	-	(78)	-	-	2,570	Other
-	-	4,795	-	-	25,313	Due from other agencies and governments
<u>\$ 13,383</u>	<u>\$ 119</u>	<u>\$ 17,132</u>	<u>\$ 2,989</u>	<u>\$ 3,420</u>	<u>\$ 80,948</u>	Total assets
						LIABILITIES AND FUND BALANCES
						Liabilities:
\$ 666	\$ -	\$ 4,269	\$ -	\$ 907	\$ 6,915	Accounts payable
257	-	-	-	-	439	Accrued liabilities
10	-	-	-	-	10	Contract retainage
-	-	-	2,989	-	2,989	Due to other funds
-	-	-	-	513	1,632	Unearned revenue
<u>933</u>	<u>-</u>	<u>4,269</u>	<u>2,989</u>	<u>1,420</u>	<u>11,985</u>	Total liabilities
						Deferred inflows:
-	-	-	-	-	79	Uncollected property taxes
-	-	(80)	-	-	3,797	Uncollected special assessments
12,177	-	(58)	-	-	12,119	Uncollected grant reimbursements
-	-	-	-	-	19,793	Uncollected intergovernmental receivables
<u>12,177</u>	<u>-</u>	<u>(138)</u>	<u>-</u>	<u>-</u>	<u>35,788</u>	Total deferred inflows
						Fund balances:
273	-	13,001	-	2,000	25,512	Restricted
-	119	-	-	-	7,663	Committed
<u>273</u>	<u>119</u>	<u>13,001</u>	<u>-</u>	<u>2,000</u>	<u>33,175</u>	Total fund balances
<u>\$ 13,383</u>	<u>\$ 119</u>	<u>\$ 17,132</u>	<u>\$ 2,989</u>	<u>\$ 3,420</u>	<u>\$ 80,948</u>	Total liabilities, deferred inflows, and fund balances

NONMAJOR FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
(Thousands of Dollars)
For the fiscal year ended June 30, 2017

CITY OF MEMPHIS, TENNESSEE
Exhibit B-2

	Central Business Improvement District	Community Redevelopment	Community Services	Drug Enforcement	Education	Hotel/ Motel Tax	Metro Alarm
REVENUES							
Local taxes:							
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ 112	\$ -	\$ -
Special assessments - current	2,799	-	-	-	-	-	-
Special assessments - prior	138	-	-	-	-	-	-
Sales tax general	-	-	-	-	-	-	-
Other local taxes	97	-	-	-	-	-	-
Total local taxes	3,034	-	-	-	112	-	-
State taxes (local share):							
Gas and motor fuel tax	-	-	-	-	-	-	-
Gas 3 cent	-	-	-	-	-	-	-
Gas 1989	-	-	-	-	-	-	-
Hotel/motel tax	-	-	-	-	-	15,513	-
Licenses and Permits	-	-	-	-	-	-	768
Fines and forfeitures	-	-	256	2,956	-	-	-
Charges for services	-	-	163	-	-	-	-
Investment income	-	-	2	45	-	-	8
Federal grants and entitlements	-	-	-	86	-	-	-
State grants	-	-	-	-	-	-	-
Other	-	544	35	1	-	-	3
Total revenues	3,034	544	456	3,088	112	15,513	779
EXPENDITURES							
General government	3,034	3,121	-	-	-	10,368	597
Public safety	-	-	-	3,185	-	-	-
Community service	-	-	-	-	-	-	-
Transportation & environment	-	-	-	-	-	-	-
Education	-	-	-	-	112	-	-
Total expenditures	3,034	3,121	-	3,185	112	10,368	597
Revenues over (under) expenditures	-	(2,577)	456	(97)	-	5,145	182
OTHER FINANCING SOURCES (USES)							
Transfers in	-	2,403	-	-	-	-	-
Transfers out	-	(360)	-	-	-	(2,521)	(1,641)
Capital leases	-	-	-	-	-	-	-
Total other financing sources and uses	-	2,043	-	-	-	(2,521)	(1,641)
Net change in fund balances	-	(534)	456	(97)	-	2,624	(1,459)
Fund balances - beginning of year	-	1,215	813	10,077	-	2,765	1,922
Fund balances - end of year	\$ -	\$ 681	\$ 1,269	\$ 9,980	\$ -	\$ 5,389	\$ 463

NONMAJOR FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
(Thousands of Dollars)
For the fiscal year ended June 30, 2017

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

<u>Miscellaneous Grants</u>	<u>New Memphis Arena</u>	<u>Solid Waste Management</u>	<u>State Street Aid</u>	<u>Workforce Investment Network</u>	<u>Total</u>	
						REVENUES
						Local taxes:
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 112	Property taxes
-	-	-	-	-	2,799	Special assessments - current
-	-	-	-	-	138	Special assessments - prior
-	4,859	-	-	-	4,859	Sales tax general
-	-	165	-	-	262	Other local taxes
-	4,859	165	-	-	8,170	Total local taxes
						State taxes (local share):
-	-	-	12,276	-	12,276	Gas and motor fuel tax
-	-	-	3,642	-	3,642	Gas 3 cent
-	-	-	1,960	-	1,960	Gas 1989
-	-	-	-	-	15,513	Hotel/motel tax
-	-	-	-	-	768	Licenses and Permits
-	-	-	-	-	3,212	Fines and forfeitures
-	-	56,819	-	-	56,982	Charges for services
-	-	59	-	-	114	Investment income
6,759	-	-	-	10,254	17,099	Federal grants and entitlements
2,176	-	176	-	-	2,352	State grants
966	-	899	-	293	2,741	Other
9,901	4,859	58,118	17,878	10,547	124,829	Total revenues
						EXPENDITURES
10,206	2,500	-	15,815	-	45,641	General government
-	-	-	-	-	3,185	Public safety
-	-	-	-	10,547	10,547	Community service
-	-	60,034	-	-	60,034	Transportation & environment
-	-	-	-	-	112	Education
10,206	2,500	60,034	15,815	10,547	119,519	Total expenditures
(305)	2,359	(1,916)	2,063	-	5,310	Revenues over (under) expenditures
						OTHER FINANCING SOURCES (USES)
500	2,500	-	-	-	5,403	Transfers in
(195)	(4,859)	(4,204)	(2,063)	-	(15,843)	Transfers out
-	-	3,250	-	-	3,250	Capital leases
305	(2,359)	(954)	(2,063)	-	(7,190)	Total other financing sources and uses
-	-	(2,870)	-	-	(1,880)	Net change in fund balances
273	119	15,871	-	2,000	35,055	Fund balances - beginning of year (1)
<u>\$ 273</u>	<u>\$ 119</u>	<u>\$ 13,001</u>	<u>\$ -</u>	<u>\$ 2,000</u>	<u>\$ 33,175</u>	Fund balances - end of year

(1) The beginning of year fund balance is different due to a change in reporting of the Memphis Cook Convention Center.

**NONMAJOR 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, 2017**

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

	<u>Budget Amounts</u>			<u>Variance with Final Budget- Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
COMMUNITY REDEVELOPMENT				
Revenues:				
Other	\$ -	\$ -	\$ 544	\$ 544
Total revenues	-	-	544	544
Expenditures:				
General government	2,739	2,739	3,121	(382)
Total expenditures	2,739	2,739	3,121	(382)
Other financing sources (uses):				
Transfers in	2,739	2,739	2,403	(336)
Transfers out	-	-	(360)	(360)
Total other financing sources (uses)	2,739	2,739	2,043	(696)
Revenues over (under) expenditures and other financing sources (uses)	\$ -	\$ -	\$ (534)	\$ (534)
DRUG ENFORCEMENT FUND				
Revenues:				
Investment income	\$ -	\$ -	\$ 45	\$ 45
Fines and forfeitures	2,333	2,333	2,956	623
Federal grants and entitlements	150	150	86	(64)
Other	1,618	1,618	1	(1,617)
Total revenues	4,101	4,101	3,088	(1,013)
Expenditures:				
Public safety	4,101	4,734	3,185	1,549
Total expenditures	4,101	4,734	3,185	1,549
Revenues over (under) expenditures	\$ -	\$ (633)	\$ (97)	\$ 536
HOTEL/MOTEL TAX				
Revenues:				
Hotel/motel tax	\$ 10,996	\$ 13,761	\$ 15,513	\$ 1,752
Total revenues	10,996	13,761	15,513	1,752
Expenditures:				
General government	7,496	7,496	10,368	(2,872)
Total expenditures	7,496	7,496	10,368	(2,872)
Other financing sources (uses):				
Transfers in	1,367	1,367	-	(1,367)
Transfers out	(4,867)	(7,632)	(2,521)	5,111
Total other financing sources (uses)	(3,500)	(6,265)	(2,521)	3,744
Revenues over (under) expenditures and other financing sources (uses)	\$ -	\$ -	\$ 2,624	\$ 2,624

(Continued)

**NONMAJOR 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, 2017**

	<u>Budget Amounts</u>			<u>Variance with Final Budget- Positive(Negative)</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
METRO ALARM				
Revenues:				
Licenses and permits	\$ 458	\$ 458	\$ 768	\$ 310
Investment income	-	-	8	8
Other	9	1,908	3	(1,905)
Total revenues	<u>467</u>	<u>2,366</u>	<u>779</u>	<u>(1,587)</u>
Expenditures:				
General government	<u>467</u>	<u>732</u>	<u>597</u>	<u>135</u>
Total expenditures	<u>467</u>	<u>732</u>	<u>597</u>	<u>135</u>
Other financing uses:				
Transfers out	-	(1,641)	(1,641)	-
Total other financing uses	<u>-</u>	<u>(1,641)</u>	<u>(1,641)</u>	<u>-</u>
Revenues over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ (7)</u>	<u>\$ (1,459)</u>	<u>\$ (1,452)</u>
MISCELLANEOUS GRANTS				
Revenues:				
Federal grants and entitlements	\$ -	\$ -	\$ 6,759	\$ 6,759
State grants	-	-	2,176	2,176
Other	-	-	966	966
Total revenues	<u>-</u>	<u>-</u>	<u>9,901</u>	<u>9,901</u>
Expenditures:				
General government	-	8,054	10,206	(2,152)
Total expenditures	<u>-</u>	<u>8,054</u>	<u>10,206</u>	<u>(2,152)</u>
Other financing sources (uses):				
Transfers in	-	-	500	500
Transfers out	-	-	(195)	(195)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>305</u>	<u>305</u>
Revenues over (under) expenditures and other financing sources (uses)	<u>\$ -</u>	<u>\$ (8,054)</u>	<u>\$ -</u>	<u>\$ 8,054</u>

(Continued)

**NONMAJOR 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, 2017**

	<u>Budget Amounts</u>			<u>Variance with Final Budget- Positive(Negative)</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
NEW MEMPHIS ARENA				
Revenues:				
Sales tax general	\$ 7,421	\$ 7,421	\$ 4,859	\$ (2,562)
Total revenues	<u>7,421</u>	<u>7,421</u>	<u>4,859</u>	<u>(2,562)</u>
Expenditures:				
General government	6,055	6,055	2,500	3,555
Total expenditures	<u>6,055</u>	<u>6,055</u>	<u>2,500</u>	<u>3,555</u>
Other financing sources (uses):				
Transfers in	2,421	2,421	2,500	79
Transfers out	<u>(3,788)</u>	<u>(3,788)</u>	<u>(4,859)</u>	<u>(1,071)</u>
Total other financing sources (uses)	<u>(1,367)</u>	<u>(1,367)</u>	<u>(2,359)</u>	<u>(992)</u>
Revenues over (under) expenditures and other financing sources (uses)	<u>\$ (1)</u>	<u>\$ (1)</u>	<u>\$ -</u>	<u>\$ 1</u>
SOLID WASTE MANAGEMENT FUND				
Revenues:				
Other local taxes	\$ 114	\$ 114	\$ 165	\$ 51
Charges for services	56,031	56,031	56,819	788
Investment income	-	-	59	59
State grants	155	155	176	21
Other	<u>2,713</u>	<u>2,713</u>	<u>899</u>	<u>(1,814)</u>
Total revenues	<u>59,013</u>	<u>59,013</u>	<u>58,118</u>	<u>(895)</u>
Expenditures:				
Transportation and environment	<u>54,459</u>	<u>61,747</u>	<u>60,034</u>	<u>1,713</u>
Total expenditures	<u>54,459</u>	<u>61,747</u>	<u>60,034</u>	<u>1,713</u>
Other financing sources (uses):				
Transfers out	(4,554)	(4,629)	(4,204)	425
Capital leases	-	2,000	3,250	1,250
Total other financing sources (uses)	<u>(4,554)</u>	<u>(2,629)</u>	<u>(954)</u>	<u>1,675</u>
Revenues over (under) expenditures and other financing sources (uses)	<u>\$ -</u>	<u>\$ (5,363)</u>	<u>\$ (2,870)</u>	<u>\$ 2,493</u>

(Continued)

**NONMAJOR 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, 2017**

	<u>Budget Amounts</u>			<u>Variance with Final Budget- Positive(Negative)</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
STATE STREET AID FUND				
Revenues:				
State gasoline tax (local share):				
Gas and motor fuel tax	\$ 11,000	\$ 11,000	\$ 12,276	\$ 1,276
Gas 3 cent	3,500	3,500	3,642	142
Gas 1989	1,900	1,900	1,960	60
Total revenues	<u>16,400</u>	<u>16,400</u>	<u>17,878</u>	<u>1,478</u>
Expenditures:				
General government	<u>16,400</u>	<u>16,400</u>	<u>15,815</u>	<u>585</u>
Total expenditures	<u>16,400</u>	<u>16,400</u>	<u>15,815</u>	<u>585</u>
Other financing uses:				
Transfers out	-	-	(2,063)	(2,063)
Total other financing uses	<u>-</u>	<u>-</u>	<u>(2,063)</u>	<u>(2,063)</u>
Revenues over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
WORKFORCE INVESTMENT NETWORK				
Revenues:				
Federal grants and entitlements	\$ -	\$ -	\$ 10,254	\$ 10,254
Other	-	-	293	293
Total revenues	<u>-</u>	<u>-</u>	<u>10,547</u>	<u>10,547</u>
Expenditures:				
Community service	<u>1,822</u>	<u>1,484</u>	<u>10,547</u>	<u>(9,063)</u>
Total expenditures	<u>1,822</u>	<u>1,484</u>	<u>10,547</u>	<u>(9,063)</u>
Revenues over (under) expenditures	<u>\$ (1,822)</u>	<u>\$ (1,484)</u>	<u>\$ -</u>	<u>\$ 1,484</u>

(Continued)

NONMAJOR 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, 2017

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

	<u>Budget Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget- Positive(Negative)</u>
	<u>Original</u>	<u>Final</u>		
TOTAL NONMAJOR SPECIAL REVENUE FUNDS				
Revenues:				
Local taxes:				
Sales tax general	\$ 7,421	\$ 7,421	\$ 4,859	\$ (2,562)
Other local taxes	114	114	165	51
State taxes (local share):				
Gas and motor fuel tax	11,000	11,000	12,276	1,276
Gas 3 cent	3,500	3,500	3,642	142
Gas 1989	1,900	1,900	1,960	60
Hotel/motel tax	10,996	13,761	15,513	1,752
Licenses and permits	458	458	768	310
Fines and forfeitures	2,333	2,333	2,956	623
Charges for services	56,031	56,031	56,819	788
Investment income	-	-	112	112
Federal grants and entitlements	150	150	17,099	16,949
State grants	155	155	2,352	2,197
Other	4,340	6,239	2,706	(3,533)
Total revenues	<u>98,398</u>	<u>103,062</u>	<u>121,227</u>	<u>18,165</u>
Expenditures:				
General government	33,157	41,476	42,607	(1,131)
Public safety	4,101	4,734	3,185	1,549
Community service	1,822	1,484	10,547	(9,063)
Transportation and environment	54,459	61,747	60,034	1,713
Total expenditures	<u>93,539</u>	<u>109,441</u>	<u>116,373</u>	<u>(6,932)</u>
Other financing sources (uses)				
Transfers in	6,527	6,527	5,403	(1,124)
Transfers out	(13,209)	(17,690)	(15,843)	1,847
Capital leases	-	2,000	3,250	1,250
Total other financing sources (uses)	<u>(6,682)</u>	<u>(9,163)</u>	<u>(7,190)</u>	<u>1,973</u>
Revenues over (under) expenditures and other financing sources (uses)	<u>\$ (1,823)</u>	<u>\$ (15,542)</u>	<u>\$ (2,336)</u>	<u>\$ 13,206</u>

CITY OF MEMPHIS
T E N N E S S E E

ENTERPRISE FUNDS

Enterprise Funds account for the acquisition, operations and maintenance of the City's facilities and services that are entirely or predominantly supported by user charges or where the City has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

All activities necessary to provide services are accounted for in these funds, including, but not limited to, administration, operations, maintenance, and debt service.

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

ENTERPRISE FUND
STATEMENT OF NET POSITION
(Thousands of Dollars)
For the fiscal year ended June 30, 2017

CITY OF MEMPHIS, TENNESSEE
Exhibit C-1

	<u>Storm Water</u>
ASSETS	
Current assets:	
Cash	\$ 1
Equity in cash and investment pool	8,899
Accounts receivable	<u>2,895</u>
Total current assets	11,795
Capital assets:	
Land	37
Buildings	907
Improvements other than buildings	56,496
Machinery and equipment	18,408
Less accumulated depreciation and amortization	<u>(28,114)</u>
Total capital assets	47,734
Construction in progress	<u>62,505</u>
Net capital assets	<u>110,239</u>
Total assets	<u>122,034</u>
DEFERRED OUTFLOWS OF RESOURCES	
Pension	2,899
OPEB	<u>961</u>
Total assets and deferred inflows of resources	<u>125,894</u>
LIABILITIES	
Current liabilities:	
Accounts payable and accrued expenses	1,206
Net OPEB liability	11,196
Vacation, sick and other leave benefits	<u>1,596</u>
Total current liabilities	13,998
Long Term liabilities:	
Net pension liability	7,033
Long term commercial paper	8,454
Total liabilities	29,485
DEFERRED INFLOWS OF RESOURCES	
Pension	2,563
OPEB	<u>6</u>
Total liabilities and deferred inflows of resources	<u>32,054</u>
NET POSITION	
Net investment in capital assets	110,239
Unrestricted	<u>(16,399)</u>
Total net position	<u>\$ 93,840</u>

**ENTERPRISE FUND
STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN FUND NET POSITION
(Thousands of Dollars)
For the fiscal year ended June 30, 2017**

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

	<u>Storm Water</u>
Operating revenues-charges for services	\$ 24,418
Operating expenses other than depreciation and amortization:	
Personnel services	1,120
Materials, supplies, services, and other	<u>4,429</u>
Total operating expenses other than depreciation and amortization	<u>5,549</u>
Operating income before depreciation and amortization	<u>18,869</u>
Depreciation and amortization	<u>2,264</u>
Operating income (loss)	<u>16,605</u>
Non-operating revenues:	
Investment income	37
Other revenue	<u>214</u>
Total non-operating revenues	251
Income (loss) before non-operating expenses, transfers, and capital contributions	<u>16,856</u>
Non-operating expense:	
Pension	378
Loss on disposal of assets	11
Interest on bond indebtedness	<u>300</u>
Total non-operating expenses	689
Transfers in	360
Transfers out	<u>(2,042)</u>
Change in net position	14,485
Total net position (deficit) - beginning of year	96,380
Prior period adjustment - GASB 74 and 75 implementation - OPEB	<u>(17,025)</u>
Total net position (deficit) - beginning of year as restated	<u>79,355</u>
Total net position (deficit) - end of year	<u>\$ 93,840</u>

ENTERPRISE FUNDS
STATEMENT OF CASH FLOWS
(Thousands of Dollars)
For the fiscal year ended June 30, 2017

CITY OF MEMPHIS, TENNESSEE
Exhibit C-3

	<u>Storm Water</u>
CASH FLOWS FROM OPERATING ACTIVITIES:	
Receipts from customers and users	\$ 25,066
Payments to suppliers	(5,330)
Payments to employees	(9,314)
Payments for Death Benefits	(15)
Net cash provided by operating activities	<u>10,407</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:	
Local shared revenue	170
Miscellaneous income	30
Transfers from other funds	360
Transfers to other funds	(2,042)
Net cash used by non-capital financing activities	<u>(1,482)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Acquisition and construction of capital assets	(4,157)
Principal payment on long term commercial paper loan	(1,546)
Interest payment on long term commercial paper loan	(300)
Gain(loss) on sale of asset	(11)
Capital contribution - federal	15
Net cash used in capital and related financing activities	<u>(5,999)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Income earned on investments	37
Net cash provided by investing activities	<u>37</u>
Net change in cash and cash equivalents	2,963
Cash and cash equivalents, beginning of year	5,937
Cash and cash equivalents, end of year	<u>\$ 8,900</u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 16,605
Adjustments to reconcile operating income to net cash provided by operating activities	
Depreciation expense	2,264
Pension expense	378
Change in assets:	
Deferred outflows - Pension	291
Deferred outflows - OPEB	(961)
Accounts receivable	547
Change in liabilities:	
Deferred outflows - Pension	1,765
Deferred outflows - OPEB	6
Net pension liability	(1,678)
Accounts payable and accrued expenses	(748)
Adjustment for GASB 74/75	(8,062)
Total adjustments	<u>(6,198)</u>
Net cash provided by operating activities	<u>\$ 10,407</u>



CITY OF MEMPHIS

T E N N E S S E E

INTERNAL SERVICE FUNDS

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

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

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

Unemployment Compensation Fund – Unemployment Compensation Fund accounts for the City's self insurance for unemployment benefits that may be due for employment benefits for City employees.

INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF NET POSITION
(Thousands of Dollars)
June 30, 2017

CITY OF MEMPHIS, TENNESSEE
Exhibit D-1

	<u>Fleet Management</u>	<u>Health Insurance</u>	<u>Unemployment Compensation</u>	<u>Total</u>
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 1	\$ 1	\$ -	\$ 2
Equity in cash and investment pool	3,855	30,312	1,860	36,027
Receivables	-	(5)	-	(5)
Due from other funds	-	-	-	-
Due from other agencies	-	(46)	-	(46)
Inventories	908	-	-	908
Total current assets	<u>4,764</u>	<u>30,262</u>	<u>1,860</u>	<u>36,886</u>
Capital assets:				
Machinery and equipment	2,227	-	-	2,227
Less accumulated depreciation	(2,226)	-	-	(2,226)
Net capital assets	1	-	-	1
Deferred Outflows of Resources				
Deferred outflows - OPEB	-	71	-	71
Total deferred outflows of resources	<u>-</u>	<u>71</u>	<u>-</u>	<u>71</u>
Total assets	<u>4,765</u>	<u>30,333</u>	<u>1,860</u>	<u>36,958</u>
LIABILITIES				
Current liabilities:				
Accounts payable and accrued expenses	539	310	19	868
Insurance claims payable	-	7,083	92	7,175
Net OPEB liability	-	829	-	829
Vacation, sick and other leave benefits	-	90	-	90
Total current liabilities	<u>539</u>	<u>8,312</u>	<u>111</u>	<u>8,962</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows - OPEB	-	1	-	1
Revenue collected in advance	-	4,890	-	4,890
Total deferred inflows of resources	<u>-</u>	<u>4,891</u>	<u>-</u>	<u>4,891</u>
NET POSITION				
Net investment in capital assets	1	-	-	1
Unrestricted (deficit)	4,225	17,130	1,749	23,104
Total net position	<u>\$ 4,226</u>	<u>\$ 17,130</u>	<u>\$ 1,749</u>	<u>\$ 23,105</u>

INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET POSITION
(Thousands of Dollars)
For the fiscal year ended June 30, 2017

CITY OF MEMPHIS, TENNESSEE
Exhibit D-2

	Fleet Management	Health Insurance	Unemployment Compensation	Total
Operating revenues:				
Charges for services	\$ 21,272	\$ -	\$ -	\$ 21,272
Miscellaneous income	-	-	-	-
Pharmacy Rx rebates	-	1,647	-	1,647
Employee contributions	-	21,569	-	21,569
Employer contributions	-	52,897	502	53,399
Total operating revenues	21,272	76,113	502	97,887
Operating expenses other than depreciation:				
Personnel services	-	255	-	255
Materials and supplies	9,749	3,859	-	13,608
Capital outlay	44	-	-	44
Death benefits	-	98	-	98
Re-insurance fees	-	305	-	305
PCORI tax	-	59	-	59
Inventories	10,826	-	-	10,826
Claims incurred	-	61,674	268	61,942
Total operating expenses other than depreciation	20,619	66,250	268	87,137
Operating income (loss) before depreciation	653	9,863	234	10,750
Depreciation	4	-	-	4
Operating income (loss)	649	9,863	234	10,746
Non-operating revenues:				
Investment income	17	128	8	153
Total non-operating revenues	17	128	8	153
Income (loss) before transfers	666	9,991	242	10,899
Transfers in/(out), net	-	(6,800)	-	(6,800)
Change in net position	666	3,191	242	4,099
Total net position (deficit) - beginning of year	3,560	15,187	1,507	20,254
Prior period adjustment for GASB 74/75 implementation	-	(1,248)	-	(1,248)
Total net position (deficit) - beginning of year as restated	3,560	13,939	1,507	19,006
Total net position (deficit) - end of year	\$ 4,226	\$ 17,130	\$ 1,749	\$ 23,105

INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
(Thousands of Dollars)
For the fiscal year ended June 30, 2017

CITY OF MEMPHIS, TENNESSEE
Exhibit D-3

	Fleet Management	Health Insurance	Unemployment Compensation	Total
CASH FLOWS FROM OPERATING ACTIVITIES:				
Receipts from customers and users	\$ 159	\$ -	\$ -	\$ 159
Receipts from other division funds	21,247	-	502	21,749
Receipts from other agency funds	-	76	-	76
Employee contributions	-	21,568	-	21,568
Employer contributions	-	51,510	-	51,510
Pharmacy rx rebates	-	2,750	-	2,750
Payments to suppliers	(10,215)	(3,852)	-	(14,067)
Payments to employees	-	535	-	535
Payments per Affordable Care Act	-	(364)	-	(364)
Payments for inventory	(10,979)	-	-	(10,979)
Payments due to other agencies and funds	-	-	48	48
Payments for death benefits	-	(98)	-	(98)
Payments for claims incurred	-	(62,108)	(249)	(62,357)
Net cash (used in) provided by operating activities	<u>212</u>	<u>10,017</u>	<u>301</u>	<u>10,530</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:				
Transfers to other funds	-	(6,800)	-	(6,800)
Net cash provided by non-capital financing activities	<u>-</u>	<u>(6,800)</u>	<u>-</u>	<u>(6,800)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:				
Income earned on investments	17	128	8	153
Net cash provided by investing activities	<u>17</u>	<u>128</u>	<u>8</u>	<u>153</u>
Net increase (decrease) in cash and cash equivalents	229	3,345	309	3,883
Cash and cash equivalents, beginning of year	3,628	26,967	1,551	32,146
Cash and cash equivalents, end of year	<u>\$ 3,857</u>	<u>\$ 30,312</u>	<u>\$ 1,860</u>	<u>\$ 36,029</u>
Reconciliation of operating income (loss) to net cash (used in) provided by operating activities:				
Operating income (loss)	\$ 649	\$ 9,863	\$ 234	\$ 10,746
Adjustments to reconcile operating income (loss) to net cash (used in) provided by operating activities:				
Depreciation expense	4	-	-	4
(Increase) decrease in assets:				
Deferred outflows - OPEB	-	\$ (71)	-	(71)
Inventories	(108)	-	-	(108)
Accounts receivable	133	1,182	-	1,315
Increase (decrease) in liabilities:				
Accounts payable and accrued expenses	(466)	(957)	67	(1,356)
Total adjustments	<u>(437)</u>	<u>154</u>	<u>67</u>	<u>(216)</u>
Net cash (used in) provided by operating activities	<u>\$ 212</u>	<u>\$ 10,017</u>	<u>\$ 301</u>	<u>\$ 10,530</u>



CITY OF MEMPHIS

T E N N E S S E E

FIDUCIARY FUNDS

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

Pension (and other employee benefit) Trust Funds:

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

City OPEB Fund – Included in this fund is activity for retiree benefits for post-retirement major medical and life insurance benefits, including assets held in trust for future medical claims.

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

Agency Funds:

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

STATEMENT OF FIDUCIARY NET POSITION
 FIDUCIARY TRUST FUNDS (Thousands of Dollars)
 For the fiscal year ended June 30, 2017

CITY OF MEMPHIS, TENNESSEE
 Exhibit E-1

	Pension Trust					Total Pension and OPEB Trust Funds
	City Retirement System	Library Retirement System	Memphis Light, Gas and Water Retirement System	City OPEB Fund	Memphis Light, Gas and Water OPEB Trust	
ASSETS						
Cash and cash equivalents	\$ 28,643	\$ 20	\$ 19,923	\$ -	\$ 4,231	\$ 52,817
Investments, at fair value:						
U.S. government securities - long-term	145,094	-	4,427	-	-	149,521
Common stock - domestic	645,931	-	480,485	-	78,000	1,204,416
Common stock - foreign	139,725	-	76,312	-	48,653	264,690
Preferred stock - domestic	-	-	-	-	-	-
Preferred stock - foreign	-	-	3,176	-	-	3,176
Corporate bonds - domestic	330,662	-	46,435	-	-	377,097
Corporate bonds - foreign	109,741	-	9,999	-	-	119,740
Mutual funds and money market funds	27,319	57,465	7,296	2,796	31,569	126,445
Equity ETF	-	-	157,910	-	37,675	195,585
Government bond mutual fund - international	-	-	22,152	-	-	22,152
Corporate bond mutual funds - domestic	-	-	69,856	-	27,399	97,255
Corporate bond mutual funds - international	-	-	-	-	15,027	15,027
Convertible bond mutual fund - domestic	-	-	-	-	14,539	14,539
Collateralized mortgage obligations	5,406	-	-	-	-	5,406
Asset-backed pooled securities	5,211	-	16,364	-	-	21,575
Mortgage-backed pooled securities	30,357	-	57,638	-	-	87,995
Investments in index funds	108,062	-	65,038	-	-	173,100
Investments in limited partnerships	106,703	-	-	-	-	106,703
Investments in real estate	112,067	-	155,883	-	27,933	295,883
Investments in high yield bond fund	-	-	11,252	-	3,782	15,034
Investments in private equities	-	-	43,830	-	4,218	48,048
Investments in international equity fund	519,448	-	-	-	6,445	525,893
Investments in international bond fund	-	-	-	-	16,668	16,668
Hedge funds	-	-	46,187	-	-	46,187
Distressed debt funds - domestic	-	-	31,709	-	7,454	39,163
Distressed debt funds - foreign	-	-	18,340	-	15,843	34,183
Life Settlement fund	-	-	34,176	-	5,847	40,023
Investments short sales & written options	(2)	-	-	-	-	(2)
Total investments	2,285,724	57,465	1,358,465	2,796	341,052	4,045,502
Equity in cash and investment pool	2,395	-	-	2,215	-	4,610
Interest and dividend receivables	6,479	7	1,556	2	219	8,263
Receivable for securities sold	258,256	-	1,087	-	609	259,952
Employer and employee contributions receivable	368	-	484	-	1,797	2,649
Other Receivables	-	-	-	-	-	-
Collateral held in trust for securities on loan	55,615	-	140,307	-	4,022	199,944
Total assets	2,637,480	57,492	1,521,822	5,013	351,930	4,573,737
LIABILITIES						
Accounts payable and other	334,864	-	15,810	1,586	1,580	353,840
Collateral subject to return to borrowers	55,615	-	140,307	-	4,022	199,944
Total liabilities	390,479	-	156,117	1,586	5,602	553,784
DEFERRED INFLOWS OF RESOURCES						
Deferred Inflows - Pensions	-	700	-	-	-	700
Revenue collected in advance	-	-	-	224	-	224
Total deferred inflows of resources	-	700	-	224	-	924
NET POSITION						
Held in trust for pension benefits, pool participants and OPEB	\$ 2,247,001	\$ 56,792	\$ 1,365,705	\$ 3,203	\$ 346,328	\$ 4,019,029

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, 2017

CITY OF MEMPHIS, TENNESSEE
 Exhibit E-2

	Pension Trust					
	City Retirement System	Library Retirement System	Memphis Light, Gas and Water Retirement System	City OPEB Fund	Memphis Light, Gas and Water OPEB Trust	Total Pension and OPEB Trust Funds
ADDITIONS						
Contributions:						
Employer	\$ 55,441	\$ 124	\$ 20,925	\$ 9,855	\$ 42,496	\$ 128,841
Medicare Part D	-	-	-	227	-	227
Plan members	20,016	134	12,513	5,531	6,811	45,005
Total contributions	75,457	258	33,438	15,613	49,307	174,073
Transfer from other fund	-	700	-	6,800	-	7,500
Pharmacy rebate	-	-	-	865	-	865
Investment income:						
Interest and dividend income	49,236	1,257	17,624	60	5,954	74,131
Securities lending income	221	-	710	-	57	988
Other investment income	1,581	-	2	-	17	1,600
Gain on real estate investments	5,654	-	6,500	-	1,108	13,262
Net appreciation in the fair value of investments	227,351	5,035	86,929	229	20,931	340,475
Total investment income	284,043	6,292	111,765	289	28,067	430,456
Total additions	359,500	7,250	145,203	23,567	77,374	612,894
DEDUCTIONS						
Benefits	158,897	3,924	98,856	22,569	33,482	317,728
Administrative expenses	16,177	808	4,487	4,245	1,654	27,371
Refunds of contributions	16,732	-	3,771	-	-	20,503
Total deductions	191,806	4,732	107,114	26,814	35,136	365,602
Net increase / decrease	167,694	2,518	38,089	(3,247)	42,238	247,292
Net position - beginning of year	2,079,307	54,274	1,327,616	6,450	304,090	3,771,737
Net position - end of year	\$ 2,247,001	\$ 56,792	\$ 1,365,705	\$ 3,203	\$ 346,328	\$ 4,019,029

See accompanying notes to financial statements.

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
 FIDUCIARY AGENCY FUND
 (Thousands of Dollars)
 For the fiscal year ended June 30, 2017

CITY OF MEMPHIS, TENNESSEE
 EXHIBIT E-3

	Sold Property Tax Receivable Agency Fund			
	Beginning Balance	Additions	Deductions	Ending Balance
ASSETS				
Equity in cash and investment pool	\$ 2,310	\$ 15,685	\$ 17,402	\$ 593
Property tax receivable - current	-	20,850	9,392	11,458
Property tax receivable - delinquent	15,904	1,093	15,065	1,932
Total Assets	\$ 18,214	\$ 37,628	\$ 41,859	\$ 13,983
LIABILITIES				
Accounts payable & other liabilities	\$ 2,422	\$ 14,724	\$ 16,553	\$ 593
Total Liabilities	\$ 2,422	\$ 14,724	\$ 16,553	\$ 593
DEFERRED INFLOWS OF RESOURCES				
Revenue collected in advance	\$ 15,792	\$ 20,999	\$ 23,401	\$ 13,390
Total deferred inflows of resources	\$ 15,792	\$ 20,999	\$ 23,401	\$ 13,390
NET POSITION	\$ -	\$ (1,905)	\$ 1,905	\$ -



CITY OF MEMPHIS
T E N N E S S E E

SUPPLEMENTARY SCHEDULES

ALL FUNDS
 COMBINED SCHEDULE OF DELINQUENT
 PROPERTY TAXES RECEIVABLE
 (Thousands of Dollars)
 June 30, 2017

CITY OF MEMPHIS, TENNESSEE
 Exhibit F-1

Tax Year	General	Debt Service	Capital Projects	Education	Total
2007	\$ 724	263	1	314	1,302
2008	1,106	340	2	104	1,552
2009	1,599	497	2	130	2,228
2010	2,550	793	4	208	3,555
2011	3,977	1,239	5	-	5,221
2012	4,356	1,360	6	196	5,918
2013	3,957	1,447	5	-	5,409
2014	4,374	2,033	6	-	6,413
2015	6,259	2,911	9	-	9,179
2016	8,728	3,745	12	-	12,485
Total delinquent property taxes receivable	37,630	14,628	52	952	53,262
Allowance for uncollectibles	6,189	2,363	9	873	9,434
Net delinquent property taxes receivable	<u>\$ 31,441</u>	<u>12,265</u>	<u>43</u>	<u>79</u>	<u>43,828</u>
Special assessment tax, net of allowance				<u>117</u>	
Total tax, net of allowance				<u>\$ 43,945</u>	

(1) During fiscal year 2017, \$13,909 of delinquent taxes were submitted to Chancery Court for further collections.

CITY OF MEMPHIS, TENNESSEE
Exhibit F-2

SCHEDULE OF REVENUE DEBT BY ISSUE
(Thousands of Dollars)
For the fiscal year ended June 30, 2017

Description	Interest Rates	Date of Issue	Date of Final Maturity	Original Issue	Redemptions	Principal Amount Outstanding June 30, 2017	Interest to Maturity as of June 30, 2017
REVENUE BONDS PAYABLE (Business-Type Activities)							
Sanitary Sewerage System Revenue Refunding Bonds, Series 2003A	3.00-4.00	Jul. 01, 2014	Jul. 01, 2025	18,930	1,580	17,350	2,812
Sanitary Sewerage System Revenue Refunding Bonds, Series 2008	4.00-5.00	Oct. 03, 2013	Oct. 01, 2024	21,410	6,995	14,415	2,958
Sanitary Sewerage System Revenue Refunding Bonds, Series 2010	3.00-5.00	Jun. 29, 2011	Oct. 01, 2021	15,165	5,385	9,780	1,214
Sanitary Sewerage System Revenue Refunding Bonds (RZEDB), Series 2014	3.36-6.10	Dec. 07, 2011	Oct. 01, 2030	16,450	4,015	12,435	5,480
Sanitary Sewerage System Revenue Bonds (BABs), Series 2016	6.30	Nov. 24, 2009	Oct. 01, 2029	12,360	-	12,360	6,491
Sanitary Sewerage System Revenue Bonds, Series 2009A	4.00	Nov. 24, 2009	Oct. 01, 2019	7,640	4,810	2,830	170
Sanitary Sewerage System Revenue Bonds, Series 2007	4.00-4.50	Dec. 18, 2007	Oct. 01, 2027	20,000	6,895	13,105	3,353
Sanitary Sewerage System Revenue Refunding Bonds, Series 2016	5.00	Sep. 06, 2006	May 01, 2020	20,220	13,305	6,915	567
Total Revenue Bonds Payable (Business-Type Activities)				132,175	42,985	89,190	23,045
SEWER STATE LOANS (Business-Type Activities)							
TN Sewer State Loan	0.75	Feb. 04, 2013	Feb. 03, 2033	2,363	-	2,363	373
TN Sewer State Loan	.75-2.59	Jul. 19, 2013	Jul. 20, 2033	4,941	520	4,421	752
TN Sewer State Loan	0.75	Mar. 21, 2016	Mar. 21, 2035	40,340	-	40,340	6,185
Total Sewer State Loans (Business-Type Activities)				47,644	520	47,124	7,310
REVENUE BONDS PAYABLE (Memphis Light Gas & Water) (1)							
Electric System Revenue Bonds, Series 2003A	3.60-5.00	Dec. 01, 2003	Dec. 01, 2018	1,292,170	1,292,170	-	-
Electric System Revenue Bonds, Series 2008	4.00-5.00	Jun. 13, 2008	Dec. 01, 2018	96,930	-	96,930	7,607
Electric System Revenue Bonds, Series 2010	2.50-5.00	Feb. 17, 2010	Dec. 01, 2018	460,050	321,630	138,420	9,474
Electric System Revenue Bonds, Series 2014	2.00-5.00	May 20, 2014	Dec. 01, 2034	71,000	4,895	66,105	33,122
Electric System Revenue Bonds, Series 2016	3.00-5.00	Sep. 01, 2016	Dec. 01, 2036	40,000	-	40,000	21,024
Gas System Revenue Bonds, Series 2016	3.00-5.00	Sep. 01, 2016	Dec. 01, 2036	40,000	-	40,000	21,023
Water System Revenue Bonds, Series 2014	2.00-5.00	May 20, 2014	Dec. 01, 2034	15,000	1,130	13,870	5,474
Water System Revenue Bonds, Series 2016	2.00-4.00	Sep. 01, 2016	Dec. 01, 2036	30,000	-	30,000	10,921
Total Revenue Bonds Payable (Memphis Light Gas & Water)				2,045,150	1,619,825	425,325	108,645
Total Revenue Debt Payable				\$ 2,224,969	1,663,330	561,639	139,000

(1) All Memphis Light Gas Water bonds reflect amounts outstanding at December 31, 2016.

SCHEDULE OF GENERAL OBLIGATION DEBT PAYABLE BY ISSUE
 (Thousands of Dollars)
 For the fiscal year ended June 30, 2017

CITY OF MEMPHIS, TENNESSEE
Exhibit F-3

Description	Interest Rates	Date of Issue	Date of Final Maturity	Original Issue	Redemption	Principal Amount Outstanding June 30, 2017	Interest to Maturity as of June 30, 2017
GENERAL OBLIGATION BONDS PAYABLE							
General Improvement Refunding Bonds, Series 2016	2.50-5.00	Jun. 14, 2016	May 01, 2041	\$ 69,885	2,040	67,845	33,748
General Improvement Refunding Bonds, Series 2015C	4.00-5.00	May 19, 2015	Apr. 01, 2045	67,845	-	67,845	65,603
General Improvement Refunding Bonds, Series 2015B (Taxable)	2.69-2.94	May 19, 2015	Apr. 01, 2025	54,390	-	54,390	11,649
General Improvement Refunding Bonds, Series 2015A	5.00	May 19, 2015	Apr. 01, 2026	76,820	-	76,820	33,373
General Improvement Refunding Bonds, Series 2014B	4.00-5.00	Mar. 25, 2014	Apr. 01, 2044	208,230	17,830	190,400	155,953
General Improvement Refunding Bonds, Series 2014A	5.00	Mar. 25, 2014	Nov. 01, 2025	103,955	1,815	102,140	22,518
General Improvement and Refunding Bonds, Series 2012B	1.65 - 3.70	Mar. 29, 2012	Apr. 01, 2024	5,145	2,680	2,465	324
General Improvement and Refunding Bonds, Series 2012A	3.25 - 4.13	Mar. 29, 2012	Apr. 01, 2042	93,595	3,305	90,290	22,795
General Improvement and Refunding Bonds, Series 2011	4.25 - 5.00	Jun. 14, 2011	May 01, 2036	86,190	13,660	72,530	35,264
General Improvement Bonds, Series 2010F (RZEDB)	6.04	Jun. 29, 2010	Jul. 01, 2034	11,160	-	11,160	11,469
General Improvement Refunding Bonds, Series 2010E (Taxable)	3.31 - 3.92	Jun. 29, 2010	Jul. 01, 2018	55,295	18,405	36,890	1,504
General Improvement and Refunding Bonds, Series 2010D	5.00	Jun. 29, 2010	Jul. 01, 2023	121,205	-	121,205	26,862
General Improvement Bonds, Series 2010C (BABs)	4.16 - 5.94	Jun. 29, 2010	Jul. 01, 2032	62,550	-	62,550	33,132
General Improvement Bonds, Series 2010B (BABs)	5.32 - 6.14	May 04, 2010	May 01, 2030	39,950	-	39,950	21,738
General Improvement Bonds, Series 2010A	3.00 - 5.00	May 04, 2010	May 01, 2021	27,880	17,825	10,055	1,132
General Improvement Bonds, Series 2009	4.00 - 5.00	Jun. 02, 2009	Apr. 01, 2024	76,025	66,620	9,405	1,683
General Improvement Bonds, Series 2008	4.00 - 5.00	May 01, 2008	Apr. 01, 2018	99,735	94,640	5,095	255
General Improvement Bonds, Series 2007A	5.00	May 01, 2007	Apr. 01, 2017	94,935	94,935	-	-
General Improvement Refunding Bonds, Series 2005	5.00 - 5.25	Mar. 16, 2005	Oct. 01, 2019	166,880	129,150	37,730	4,408
General Improvement Refunding Bonds, Series 2005B	5.25	Jun. 22, 2005	Oct. 01, 2018	115,635	60,820	54,815	2,915
General Improvement Refunding Bonds, Series 2004	5.00	Feb. 19, 2004	Oct. 01, 2017	34,160	28,705	5,455	136
General Improvement Refunding Bonds, Series 2001	5.00	Nov. 8, 2001	Nov. 01, 2016	92,985	92,985	-	-
Total General Obligation Bonds Payable				1,764,450	645,415	1,119,035	486,461
BOND ANTICIPATION NOTES PAYABLE							
General Obligation Commercial Paper, Series 2014	variable	Apr. 04, 2014	Jul. 27, 2018	75,000	-	75,000	-
Total Bond Anticipation Notes Payable				75,000	-	75,000	-
SETTLEMENT OBLIGATION							
Settlement Obligation	-	Jan. 30, 2015	Feb. 15, 2031	20,000	2,668	17,332	-
Total Settlement Obligation				20,000	2,668	17,332	-
Total General Obligation Debt Payable				\$ 1,859,450	648,083	1,211,367	486,461

SCHEDULE OF GENERAL OBLIGATION DEBT BY USE
(Thousands of Dollars)
For the fiscal year ended June 30, 2017

CITY OF MEMPHIS, TENNESSEE
Exhibit F-4

Use	Balance Outstanding At Year End
GENERAL OBLIGATION BONDS	
General Improvement	\$ 1,119,035
Bond Premiums	60,542
Total general obligation bonds	1,179,577
TOTAL GENERAL OBLIGATION DEBT	<u>\$ 1,179,577</u>

SCHEDULE OF CAPITAL LEASES PAYABLE BY ISSUE
For the fiscal year ended June 30, 2017

CITY OF MEMPHIS, TENNESSEE
Exhibit F-5

Description	Interest Rates	Date of Issue	Date of Final Maturity	Original Issue	Redemptions	Principal Amount Outstanding June 30, 2017	Interest to Maturity as of June 30, 2017
CAPITAL LEASES							
Sports Facility Revenue Bonds, Series 2014B	1.900% - 4.970%	Mar. 28, 2014	Feb. 01, 2030	5,720,000	1,275,000	4,445,000	1,383,166
Sports Facility Revenue Bonds, Series 2014A	2.000% - 5.000%	Mar. 28, 2014	Feb. 01, 2029	17,925,000	2,150,000	15,775,000	5,004,113
Solid Waste 2016	1.336%	Apr. 22, 2016	Apr. 22, 2021	2,000,000	389,418	1,610,582	48,797
Solid Waste 2014	1.384%	Dec. 11, 2014	Dec. 11, 2019	15,416,204	7,575,272	7,840,932	163,467
Red Light 2014	1.678%	Aug. 15, 2014	Aug. 15, 2019	3,300,000	1,835,972	1,464,028	27,798
Parking Meters 2013	1.325%	Nov. 15, 2013	Nov. 15, 2018	1,572,617	1,089,878	482,739	6,411
Solid Waste 2011	1.300%	Sep. 22, 2011	Aug. 01, 2016	8,963,200	8,963,200	-	-
Total Capital Leases Payable				54,897,021	23,278,740	31,618,281	6,633,752

SCHEDULE OF GUARANTEE OBLIGATIONS PAYABLE BY ISSUE
For the fiscal year ended June 30, 2017

CITY OF MEMPHIS, TENNESSEE
Exhibit F-6

Description	Interest Rates	Date of Issue	Date of Final Maturity	Original Issue	Redemptions	Principal Amount Outstanding June 30, 2017	Interest to Maturity as of June 30, 2017
GUARANTEE OBLIGATIONS							
For General Purposes:							
Development Revenue Bonds, Series 2011	2.500% - 5.250%	Sep. 7, 2011	Apr. 01, 2036	20,397,500	2,990,000	17,407,500	9,190,825
Subordinate Revenue Bonds, Series 2011C (Pyramid/ Pinch District)	2.390% - 4.180%	Sep. 30, 2011	Nov. 01, 2021	56,150,000	56,150,000	-	-
Subordinate Revenue Bonds, Series 2011B (Pyramid/ Pinch District)	4.000% - 5.250%	Sep. 30, 2011	Nov. 01, 2030	100,245,000	100,245,000	-	-
Senior Revenue Bonds, Series 2011A (Pyramid/ Pinch District)	2.54% - 5.530%	Sep. 30, 2011	Nov. 01, 2030	40,540,000	40,540,000	-	-
Qualified Energy Conservation Bonds, Series 2015A	3.720%	Feb. 28, 2015	Jan. 05, 2025	8,316,000	1,663,200	6,652,800	1,113,679
Revenue Bonds, Series 2015 (Conv. Cntr Proj.)	1.870%	Mar. 03, 2015	Jan. 05, 2020	1,585,450	634,180	951,270	35,577
Qualified Energy Conservation Bonds, Series 2015C	3.910%	Apr. 29, 2015	Jan. 05, 2025	340,700	68,140	272,560	283,674
Qualified Energy Conservation Bonds, Series 2015B	3.910%	Apr. 29, 2015	Jan. 05, 2025	2,015,300	403,060	1,612,240	47,957
Revenue Bonds, Series 2016 (Conv. Cntr Proj.)	1.950%	Jan. 13, 2016	Jan. 05, 2020	1,561,500	390,375	1,171,125	45,674
Economic Development Growth Engine Bonds, Series 2017A	1.670%-2.500%	Jun. 01, 2017	Nov. 01, 2021	36,215,000	-	36,215,000	1,489,378
Economic Development Growth Engine Bonds, Series 2017B	5.000%	Jun. 01, 2017	Nov. 01, 2030	87,725,000	-	87,725,000	47,235,604
Economic Development Growth Engine Bonds, Series 2017C	2.358%-2.931%	Jun. 01, 2017	Nov. 01, 2024	34,300,000	-	34,300,000	5,254,360
Total Guarantee Obligations Payable				389,391,450	203,083,955	186,307,495	64,696,728

LONG TERM DEBT PRINCIPAL AND INTEREST REQUIREMENTS
REVENUE DEBT PAYABLE
(Thousands of Dollars)
For the fiscal year ended June 30, 2017

Year Ending June 30	Revenue Bonds		Revenue Bonds		Sewer State Loans		Total
	Sewer Collection and Treatment Fund	Memphis Light Gas Water (1)	Sewer Collection and Treatment Fund	Sewer State Loans	Principal	Interest	
	Principal	Interest	Principal	Interest	Principal	Interest	
2017	\$ -	\$ -	\$ 121,745	\$ 19,339	\$ -	\$ -	\$ 141,084
2018	11,230	4,052	127,375	13,428	171	448	156,704
2019	8,930	3,573	7,250	7,488	175	444	27,860
2020	9,885	3,181	7,495	7,249	180	439	28,429
2021	8,745	2,721	7,765	6,967	184	434	26,816
2022	9,140	2,291	8,080	6,658	189	430	26,788
2023	7,055	1,896	8,415	6,317	194	425	24,302
2024	7,350	1,555	8,815	5,924	199	420	24,263
2025	7,630	1,215	9,220	5,524	205	414	24,208
2026	5,725	917	9,635	5,098	210	409	21,994
2027	3,655	687	10,065	4,673	215	403	19,698
2028	3,805	480	10,510	4,231	221	398	19,645
2029	2,430	299	10,965	3,770	227	392	18,083
2030	2,525	145	11,445	3,286	233	386	18,020
2031	1,085	33	11,995	2,740	239	380	16,472
2032	-	-	12,505	2,232	245	374	15,356
2033	-	-	13,040	1,702	252	367	15,361
2034	-	-	13,580	1,148	1,081	364	16,173
2035	-	-	7,570	577	40,341	363	48,852
2036	-	-	7,855	294	2,363	20	10,532
	\$ 89,190	\$ 23,045	\$ 425,325	\$ 108,645	\$ 47,124	\$ 7,310	\$ 700,639

(1) All Memphis Light Gas Water bonds reflect amounts outstanding at December 31, 2016.

LONG TERM DEBT PRINCIPAL AND INTEREST REQUIREMENTS
 GOVERNMENTAL DEBT PAYABLE
 (Thousands of Dollars)
 For the fiscal year ended June 30, 2017

CITY OF MEMPHIS, TENNESSEE
 Exhibit F-8

Year Ending June 30	General Obligation Bonds		Settlement Obligation		Total
	Principal	Interest	Principal	Interest	
2018	80,850	51,138	1,334	-	133,322
2019	81,385	47,106	1,334	-	129,825
2020	81,520	43,469	1,334	-	126,323
2021	81,145	40,348	1,333	-	122,826
2022	81,590	36,402	1,333	-	119,325
2023	82,260	32,110	1,333	-	115,703
2024	82,585	28,285	1,333	-	112,203
2025	83,845	25,481	1,333	-	110,659
2026	82,275	21,966	1,333	-	105,574
2027	22,950	18,063	1,333	-	42,346
2028	23,920	16,926	1,333	-	42,179
2029	24,900	15,741	1,333	-	41,974
2030	25,950	14,500	1,333	-	41,783
2031	21,655	13,185	-	-	34,840
2032	22,565	12,169	-	-	34,734
2033	23,545	11,071	-	-	34,616
2034	24,215	9,963	-	-	34,178
2035	25,240	8,793	-	-	34,033
2036	20,455	7,726	-	-	28,181
2037	16,620	6,788	-	-	23,408
2038	17,365	6,043	-	-	23,408
2039	18,140	5,264	-	-	23,404
2040	18,950	4,445	-	-	23,395
2041	19,825	3,581	-	-	23,406
2042	16,495	2,677	-	-	19,172
2043	16,495	1,884	-	-	18,379
2044	17,290	1,087	-	-	18,377
2045	5,005	250	-	-	5,255
	\$ 1,119,035	\$ 486,461	\$ 17,332	\$ -	\$ 1,622,828

SCHEDULE OF INTERFUND BALANCES
(Thousands of Dollars)
For the fiscal year ended June 30, 2017

CITY OF MEMPHIS, TENNESSEE
Exhibit F-9

	<u>Primary Government</u>		
	<u>Governmental Fund Types</u>		
	<u>General Fund</u>	<u>Debt Service</u>	<u>Total Payables - Reporting Entity</u>
GOVERNMENTAL FUND TYPES			
Special Revenue:			
State Street Aid	<u>\$ 2,694</u>	<u>\$ 295</u>	<u>\$ 2,989</u>
Total receivables - primary government	<u>2,694</u>	<u>295</u>	<u>2,989</u>
Total receivables - reporting entity	<u><u>\$ 2,694</u></u>	<u><u>\$ 295</u></u>	<u><u>\$ 2,989</u></u>

SCHEDULE OF INTERFUND TRANSFERS
 (Thousands of Dollars)
 For the fiscal year ended June 30, 2017

CITY OF MEMPHIS, TENNESSEE
 Exhibit F-10

	Primary Government											
	Governmental Fund Types					Proprietary Fund Types				Fiduciary		
	General Fund	Debt Service	Capital Projects	Community Redevelopment	Miscellaneous Grants	New Memphis Arena	Enterprise Storm Water	Library Retirement Trust Fund	OPEB Trust Fund	Total Transfers Out		
GOVERNMENTAL FUND TYPES												
General Fund	\$ -	\$ 4,371	\$ -	\$ 2,403	\$ 500	\$ -	\$ -	\$ 700	\$ -	\$ 7,974		
Special Revenue:												
State Street Aid	-	2,063	-	-	-	-	-	-	-	2,063		
Miscellaneous Grants	-	195	-	-	-	-	-	-	-	195		
Solid Waste	75	4,129	-	-	-	-	-	-	-	4,204		
Community Redevelopment	-	-	-	-	-	360	-	-	-	360		
Hotels/Motel Tax	50	-	2,471	-	-	-	-	-	-	2,521		
New Memphis Arena	-	4,859	-	-	-	-	-	-	-	4,859		
Metro Alarm	1,641	-	-	-	-	-	-	-	-	1,641		
Total Governmental Fund Types	1,766	15,617	2,471	2,403	500	-	360	700	-	23,817		
PROPRIETARY FUND TYPES												
Enterprise:												
Sewer Collection and Treatment	7,296	-	-	-	-	-	-	-	-	7,296		
Memphis Light, Gas and Water	60,595	-	-	-	2,500	-	-	-	-	63,095		
Storm Water	150	1,892	-	-	-	-	-	-	-	2,042		
Internal Service:												
Health Insurance	-	-	-	-	-	-	-	-	6,800	6,800		
Total Proprietary Fund Types	68,041	1,892	-	-	-	2,500	-	-	6,800	79,233		
Total Transfers In	\$ 69,807	\$ 17,509	\$ 2,471	\$ 2,403	\$ 500	\$ 2,500	\$ 360	\$ 700	\$ 6,800	\$ 103,050		

**SCHEDULE OF ADDITIONS AND RETIREMENTS
TO UTILITY PLANT
(Thousands of Dollars)
For the fiscal year ended June 30, 2017**

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

MEMPHIS LIGHT, GAS AND WATER DIVISION ¹

	<u>Balance January 1, 2016</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers</u>	<u>Balance December 31, 2016</u>
Electric Division	\$ 1,646,915	\$ 284,212	\$ (100,738)	\$ -	\$ 1,830,389
Gas Division	597,729	137,641	(40,655)	-	694,715
Water Division	448,323	71,734	(26,136)	-	493,921
Total	<u>\$ 2,692,967</u>	<u>\$ 493,587</u>	<u>\$ (167,529)</u>	<u>\$ -</u>	<u>\$ 3,019,025</u>

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

SEWER COLLECTION AND TREATMENT FUND ²

	<u>Balance July 1, 2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>Transfers</u>	<u>Balance June 30, 2017</u>
Land and buildings	\$ 118,891	\$ -	\$ -	\$ -	\$ 118,891
Improvements other than buildings	566,464	14,636	-	(58)	581,042
Machinery and equipment	30,559	5,041	(766)	-	34,834
Construction work in progress	130,479	77,244	(14,830)	-	192,893
	<u>\$ 846,393</u>	<u>\$ 96,921</u>	<u>\$ (15,596)</u>	<u>\$ (58)</u>	<u>\$ 927,660</u>

¹ MLGW is presented for the year ended December 31.

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

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, 2017

CITY OF MEMPHIS, TENNESSEE
EXHIBIT F-13

	Original Budget	Final Budget	Actual	Variance with Final Budget- Positive (Negative)
REVENUES				
Local taxes	\$ 135,465	\$ 131,965	\$ 129,776	\$ (2,189)
State taxes (local share)	21,768	21,768	17,491	(4,277)
Investment income	223	223	345	122
Federal grants	2,356	2,356	2,377	21
Other	2,324	2,324	4,122	1,798
Total revenues	<u>162,136</u>	<u>158,636</u>	<u>154,111</u>	<u>(4,525)</u>
EXPENDITURES				
Redemption of serial bonds and notes	94,712	96,214	96,214	-
Interest	65,806	65,806	65,051	755
Other	1,255	1,259	2,623	(1,364)
Total expenditures	<u>161,773</u>	<u>163,279</u>	<u>163,888</u>	<u>(609)</u>
Revenues over expenditures	<u>363</u>	<u>(4,643)</u>	<u>(9,777)</u>	<u>(5,134)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	15,262	20,530	17,509	(3,021)
Transfers out	(500)			
Issuance of refunding debt	-	-	158,240	158,240
Retirement of general obligation bonds	-	-	(195,830)	(195,830)
Premium on debt issue	-	-	17,401	17,401
Contribution to Fund Balance	(15,165)	(13,663)	-	13,663
Contributed From Fund Balance	40	40	-	(40)
Total other financing sources and uses	<u>(363)</u>	<u>6,907</u>	<u>(2,680)</u>	<u>(9,587)</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ 2,264</u>	<u>\$ (12,457)</u>	<u>\$ (14,721)</u>
Fund balance - beginning of year			61,255	
Fund balance - end of year			<u>\$ 48,798</u>	

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL ON BASIS OF BUDGETING
(Thousands of Dollars)
For the fiscal year ended June 30, 2017

CITY OF MEMPHIS, TENNESSEE
Exhibit F-14

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
REVENUES				
Local taxes	\$ 442,031	\$ 442,031	\$ 442,433	\$ 402
State taxes (local share)	67,475	67,475	65,028	(2,447)
Licenses and permits	12,489	12,489	13,393	904
Fines and forfeitures	18,188	18,188	14,519	(3,669)
Charges for services	33,469	34,504	33,942	(562)
Investment income	378	378	892	514
Federal grants	-	579	2,017	1,438
State grants	1,630	1,630	2,049	419
Intergovernmental revenues	6,409	6,409	9,409	3,000
Other	7,475	7,635	9,726	2,091
Total revenues	<u>589,544</u>	<u>591,318</u>	<u>593,408</u>	<u>2,090</u>
EXPENDITURES				
General government	160,956	172,907	153,201	19,706
Public safety	423,585	437,663	430,533	7,130
Community services	52,080	53,606	52,944	662
Transportation and environment	21,116	17,820	15,615	2,205
Total expenditures	<u>657,737</u>	<u>681,996</u>	<u>652,293</u>	<u>29,703</u>
Revenues under expenditures	<u>(68,193)</u>	<u>(90,678)</u>	<u>(58,885)</u>	<u>(27,613)</u>
OTHER FINANCING SOURCES (USES)				
Sale of capital assets	-	-	1,792	1,792
Transfers in	62,000	62,452	69,807	7,355
Transfers out	(9,724)	(8,424)	(7,974)	(450)
Total other financing sources and uses	<u>52,276</u>	<u>54,028</u>	<u>63,625</u>	<u>8,697</u>
Net change in fund balances (budgetary basis)	<u>\$ (15,917)</u>	<u>\$ (36,650)</u>	<u>\$ 4,740</u>	<u>\$ (18,916)</u>
Adjustment for encumbrances - prior year			(23,489)	
Adjustment for encumbrances - current year			20,759	
Revenues over expenditures (GAAP basis)			<u>\$ 2,010</u>	
Fund balance - beginning			<u>145,373</u>	
Fund balance - ending			<u>\$ 147,383</u>	

See accompanying notes to financial statements.

CITY OF MEMPHIS

T E N N E S S E E

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

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

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

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

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

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

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

CITY OF MEMPHIS, TENNESSEE
EXHIBIT X-1

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Governmental activities:										
Invested in capital assets, net of related debt	\$ 98,113	\$ 103,451	\$ 24,027	\$ 6,912	\$ 131,384	\$ 203,581	\$ 121,045	\$ 2,611,833	\$ 293,259	\$ 304,799
Restricted for:										
Debt service	-	-	-	-	-	36,268	50,603	52,823	61,255	48,798
Construction	-	-	-	-	-	-	-	26,076	-	-
Capital acquisitions/ projects	-	-	-	-	-	-	-	-	4,381	23,661
Solid waste management	-	-	-	-	-	17,175	15,222	16,138	15,871	13,001
Drug enforcement	-	-	-	-	-	9,530	9,676	9,630	10,077	9,980
Donor/Statutory restrictions	-	-	-	-	-	2,343	15,503	35,085	59,814	67,242
Other	-	-	-	14,783	181,192	-	-	10,000	-	-
Unrestricted:										
Net pension asset	50,825	42,560	-	-	-	-	-	-	-	-
Unrestricted, other	(4,974)	(52,761)	(110,079)	(278,095)	(724,294)	(814,583)	(724,643)	(3,216,914)	(851,833)	(918,811)
Total governmental activities net position	143,964	93,250	(86,052)	(256,400)	(411,718)	(545,686)	(512,594)	(455,329)	(407,176)	(451,330)
Business-type activities:										
Net investment in capital assets	1,587,881	1,633,163	1,664,684	1,705,138	1,755,661	1,818,916	1,902,835	1,896,485	2,017,891	2,020,550
Restricted for debt service	88,703	91,215	75,615	64,909	68,846	69,689	41,902	99,797	64,173	108,387
Restricted for construction	-	-	-	-	-	-	29,119	7,268	8,456	8,775
Unrestricted	232,880	208,828	253,616	334,093	355,220	350,750	340,416	377,219	320,158	259,192
Total business-type activities net position	1,909,464	1,933,206	1,993,915	2,104,140	2,179,727	2,239,355	2,314,272	2,380,769	2,410,678	2,396,904
Primary government:										
Invested in capital assets, net of related debt	1,685,994	1,736,614	1,688,711	1,712,050	1,887,045	2,022,497	2,023,880	4,508,318	2,311,150	2,325,349
Restricted for:										
Debt service	88,703	91,215	75,615	64,909	68,846	105,957	92,505	152,620	125,428	157,185
Construction	-	-	-	-	-	-	29,119	33,344	8,456	8,775
Capital acquisitions/ projects	-	-	-	-	-	-	-	-	4,381	23,661
Solid waste management	-	-	-	-	-	17,175	15,222	16,138	15,871	13,001
Drug enforcement	-	-	-	-	-	9,530	9,676	9,630	10,077	9,980
Donor/Statutory restrictions	-	-	-	-	-	2,343	15,503	35,085	59,814	67,242
Other	-	-	-	14,783	181,192	-	-	10,000	-	-
Unrestricted	278,731	198,627	143,537	55,998	(369,074)	(463,833)	(384,227)	(2,839,695)	(531,675)	(659,619)
Total primary government net position	\$ 2,053,428	\$ 2,026,456	\$ 1,907,863	\$ 1,847,740	\$ 1,768,009	\$ 1,693,669	\$ 1,801,678	\$ 1,925,440	\$ 2,003,502	\$ 1,945,574

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

CITY OF MEMPHIS, TENNESSEE
EXHIBIT X-2

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Program Revenues										
Governmental activities:										
Charges for services:										
General government	\$ 71,398	\$ 67,880	\$ 73,768	\$ 79,691	\$ 77,154	\$ 76,664	\$ 22,420	\$ 89,038	\$ 72,499	\$ 65,436
Public Safety	5,203	6,420	4,230	3,637	7,768	7,456	3,928	3,383	22,329	22,069
Community services	147	137	137	174	136	139	103	-	-	-
Transportation and environment	47,790	50,391	50,438	59,268	59,745	60,180	122,078	55,832	56,318	56,819
Operating grants and contributions	49,822	56,402	69,135	61,098	63,854	81,913	63,416	57,732	38,719	41,666
Capital grants and contributions	3,217	3,217	3,217	7,490	23,639	11,123	9,811	12,627	23,610	8,934
Total governmental activities program revenues	177,577	184,447	200,925	211,358	232,296	237,475	221,756	218,612	213,475	194,924
Business-type activities:										
Charges for services:										
Sewer collection and treatment	52,510	53,778	56,162	98,559	104,031	106,007	103,900	103,299	96,845	98,726
Memphis Light, Gas and Water	1,649,378	1,818,104	1,648,194	1,705,513	1,692,246	1,581,272	1,615,477	1,700,897	1,602,957	1,555,258
Storm water	16,983	19,680	21,897	23,661	23,723	24,108	24,332	24,309	24,289	24,418
Operating grants and contributions	25,185	26,705	28,377	30,321	30,909	29,792	31,330	562	555	547
Capital grants and contributions	1,766	524	800	1,398	728	663	2,950	3,022	3,009	1,133
Total business-type activities program revenues	1,745,822	1,918,791	1,755,430	1,859,452	1,851,637	1,741,842	1,777,989	1,832,089	1,727,655	1,680,082
Total primary government program revenues	1,923,399	2,103,238	1,956,355	2,070,810	2,083,933	1,979,317	1,999,745	2,050,701	1,941,130	1,875,006
Expenses										
Governmental Activities:										
General government	271,906	249,707	223,773	251,039	253,138	217,086	203,055	134,182	212,054	91,718
Public safety	394,476	410,303	482,281	510,529	500,082	503,011	472,154	425,128	437,430	133,750
Community services	96,130	114,776	129,722	121,927	118,406	96,442	90,463	93,383	92,365	46,935
Transportation and environment	81,492	79,396	81,539	82,546	87,665	82,834	79,747	85,675	71,286	28,469
Education	91,392	21,846	117,118	80,775	71,452	62,507	(475)	(151)	154	112
Redemption of serial bonds and notes	-	-	-	-	-	-	-	-	-	90,782
Interest on long term debt	50,250	48,046	58,472	52,497	75,075	58,403	45,634	83,005	64,151	64,586
Total governmental activities expenses	985,646	924,074	1,092,905	1,099,313	1,105,818	1,020,283	890,578	821,222	877,440	456,352
Business-type activities:										
Sewer collection and treatment	51,507	57,802	55,584	61,401	62,915	65,921	62,556	63,049	70,163	62,347
Memphis Light, Gas and Water	1,629,803	1,790,499	1,621,840	1,658,638	1,669,887	1,593,211	1,596,092	1,630,708	1,554,006	1,561,282
Storm water	13,480	13,419	12,571	13,160	15,623	15,464	15,408	17,027	19,289	8,502
Total business-type activities expenses	1,694,790	1,861,720	1,689,995	1,733,199	1,748,425	1,674,596	1,673,696	1,710,784	1,643,458	1,632,131
Total primary government expenses	2,680,436	2,785,794	2,782,900	2,832,512	2,854,243	2,694,879	2,564,274	2,532,006	2,520,898	2,088,483
Net (expense)/revenue										
Governmental activities	(808,069)	(739,627)	(891,980)	(887,955)	(873,522)	(782,808)	(668,822)	(602,610)	(663,965)	(261,428)
Business-type activities	51,032	57,071	65,435	126,253	103,212	67,246	104,293	121,305	84,197	47,951
Total primary government net expense	(757,037)	(682,556)	(826,545)	(761,702)	(770,310)	(715,562)	(564,529)	(481,305)	(579,768)	(213,477)
General Revenues and Other Changes in Net Position										
Governmental activities										
Taxes										
Local taxes	549,149	531,339	540,970	540,150	528,219	533,190	545,713	571,583	542,475	580,750
State taxes (local share)	96,193	88,203	87,751	87,523	85,612	71,115	71,633	77,129	103,987	82,519
Hotel/motel tax	4,740	4,244	4,017	3,537	4,524	4,189	4,223	4,612	10,726	15,513
Unrestricted investment earnings	7,367	5,614	1,402	861	761	671	754	813	1,654	1,574
Intergovernmental revenues	9,315	4,163	4,944	6,492	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	8,947	1,481	-	-	-	-
Other	13,140	8,315	8,597	12,124	22,405	17,250	15,290	19,563	28,662	41,881
Transfers	59,113	46,998	64,997	66,929	67,962	42,738	57,783	68,302	25,097	(131,119)
Total governmental activities	739,017	688,876	712,678	717,616	718,430	670,634	695,396	742,002	712,601	591,118
Business-type activities:										
Investment earnings	74,064	62,356	50,516	41,520	40,324	32,883	27,054	24,816	21,998	18,059
Other	-	-	-	-	155	437	1,350	3,991	10,003	33,910
Transfers	(61,759)	(59,437)	(64,997)	(66,929)	(67,962)	(40,938)	(57,780)	(68,302)	(66,505)	(70,897)
Total business-type activities	12,305	2,919	(14,481)	(25,409)	(27,483)	(7,618)	(29,376)	(39,495)	(34,504)	(18,928)
Total primary government	751,322	691,795	698,197	692,207	690,947	663,016	666,020	702,507	678,097	572,190
Change in Net Position										
Governmental activities	(69,052)	(50,751)	(179,302)	(170,339)	(155,092)	(112,174)	26,574	139,392	48,636	329,690
Business-type activities	63,337	59,990	50,944	100,844	75,729	59,628	74,917	81,810	49,693	30,196
Total primary government	\$ (5,715)	\$ 9,239	\$ (128,358)	\$ (69,495)	\$ (79,363)	\$ (52,546)	\$ 101,491	\$ 221,202	\$ 98,329	\$ 359,886

CITY OF MEMPHIS, TENNESSEE
EXHIBIT X-3

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

	Fiscal Year									
	2008	2009*	2010	2011	2012	2013	2014	2015	2016	2017
General fund										
Restricted	\$ -	\$ -	\$ -	\$ 1,684	\$ 1,907	\$ 2,088	\$ 5,724	\$ 6,246	\$ 7,210	\$ 8,281 (1)
Committed	-	-	-	-	19,572	12,134	-	-	-	-
Assigned	-	-	-	8,252	12,924	-	20,384	34,030	43,489	43,759
Unassigned	-	-	-	81,125	61,667	56,149	82,230	91,990	94,674	95,343 (2)
Reserved	8,945	9,691	8,299	-	-	-	-	-	-	-
Unreserved	89,613	96,912	76,271	-	-	-	-	-	-	-
Total general fund	98,558	106,603	84,570	91,061	96,070	70,371	108,338	132,266	145,373	147,383
All other governmental funds										
Restricted	-	-	-	13,099	54,308	63,228	59,035	56,130	62,616	46,688 (3)
Committed	-	-	-	72,186	92,481	80,109	72,943	53,346	43,083	63,954 (4)
Unassigned	-	-	-	(5,086)	(4,138)	-	-	-	794	- (5)
Reserved	-	-	-	-	-	-	-	-	-	-
Unreserved, reported in:										
Debt service fund	58,716	46,488	34,680	-	-	-	-	-	-	-
Capital projects fund	12,673	67,239	74,030	-	-	-	-	-	-	-
Special revenue funds	6,305	4,888	6,179	-	-	-	-	-	-	-
Total all other governmental funds	77,694	118,615	114,889	80,199	142,651	143,337	131,978	109,476	106,493	110,642
Total governmental funds	\$ 176,252	\$ 225,218	\$ 199,459	\$ 171,260	\$ 238,721	\$ 213,708	\$ 240,316	\$ 241,742	\$ 251,866	\$ 258,025

The City implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, during fiscal year 2011.

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

- (1) The \$ 1,071 year-over-year increase is primarily attributable to \$472 restricted to cover repairs to the Bass Pro property and \$758 for automated photo enforcement - red light cameras.
- (2) The \$669 year-over-year increase is attributable to better than anticipated revenues, and expenditures under projected budget for FY17.
- (3) The \$15,928 year-over-year decrease is attributed to the debt service related party loan decreasing \$7,214 and the debt service pledged TDZ revenue decreased \$5,706.
- (4) The \$20,871 year-over-year increase is primarily attributable to a \$19,279 decrease in project costs expenditures.
- (5) The \$794 decrease to unassigned fund balance is attributable to the City reporting the Memphis Cook Convention Center (Convention Center) as a blended component unit in FY16. The City will not report the Convention Center as a blended component unit in FY17.

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

CITY OF MEMPHIS, TENNESSEE
EXHIBIT X-4

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Revenues										
Local taxes	548,095	\$ 525,468	\$ 534,141	\$ 546,446	\$ 540,761	\$ 532,902	\$ 550,660	\$ 568,619	\$ 576,294	\$ 580,750
State taxes (local share)	96,193	88,203	87,751	87,523	85,612	89,798	89,767	94,058	103,987	100,397
Hotel/motel tax	4,740	4,244	4,017	3,537	4,524	4,189	4,223	4,612	10,726	15,513
Licenses and permits	11,934	11,427	11,119	11,393	10,986	11,489	12,489	12,694	13,586	14,161
Fines and forfeitures	15,243	16,657	16,392	16,961	16,866	19,119	20,596	19,546	19,863	17,731
Charges for services	76,788	78,339	82,851	89,388	91,421	91,231	87,272	87,058	91,075	90,924
Investment income	7,367	5,183	1,301	798	725	652	721	769	1,508	1,421
Federal grants and entitlements	37,359	40,175	59,398	59,398	66,172	58,563	49,898	44,287	52,758	45,596
State grants	7,908	12,456	5,929	6,359	15,421	12,422	4,328	5,839	9,571	5,004
Intergovernmental revenues	11,207	6,055	6,836	6,492	6,155	4,136	3,928	3,411	5,996	9,409
Operating revenues	-	-	-	-	-	-	-	-	-	-
Other	18,420	13,430	13,696	14,016	22,576	21,328	17,000	22,525	16,661	20,321
Total revenues	835,254	801,637	822,156	842,311	861,219	845,776	840,882	863,418	906,531	901,227
Expenditures										
General government	167,215	185,741	177,049	179,292	150,362	165,735	177,009	176,173	183,995	198,706
Public safety	347,366	367,366	374,182	388,071	373,590	383,181	384,594	400,632	408,809	435,763
Community services	91,945	97,700	109,092	101,360	98,619	79,562	75,407	84,247	77,099	80,562
Transportation and environment	74,256	76,725	73,687	74,042	86,410	70,675	67,310	79,189	68,281	74,196
Education	92,438	23,919	62,825	82,400	72,526	63,720	276	-	154	112
Capital outlay	79,089	91,800	86,656	100,550	225,201	123,544	124,566	85,120	97,966	71,108
Operating expenditures	-	-	-	-	-	-	-	-	-	-
Debt service:	-	-	-	-	-	-	-	-	-	-
Redemption of serial bonds and notes	42,925	58,565	61,803	24,100	36,874	66,812	74,099	86,421	86,733	90,782
Lease payments	-	-	-	-	-	3,799	2,386	3,294	7,037	6,406
Interest	49,015	52,451	53,866	52,303	64,709	66,390	61,595	67,465	65,051	65,051
Bond issuance cost	1,932	1,399	2,783	1,012	5,538	7	3,303	2,773	895	1,699
Service charges	581	523	196	194	229	616	1,327	1,019	966	1,115
Total expenditures	946,762	956,189	1,002,139	1,003,324	1,114,058	1,024,041	971,872	986,333	1,003,597	1,025,500
Excess of revenues over (under) expenditures	(111,508)	(154,552)	(179,983)	(161,013)	(252,839)	(178,265)	(130,990)	(122,915)	(97,066)	(124,273)
Other financing sources (uses)										
Sale of capital assets	-	-	-	-	8,947	1,481	431	691	-	1,792
Transfers in	70,310	87,226	120,557	187,613	162,405	152,176	104,545	86,542	99,071	95,190
Transfers out	(11,197)	(25,143)	(55,560)	(120,684)	(94,443)	(115,405)	(58,371)	(30,161)	(36,987)	(23,817)
Proceeds from issuance of debt	189,735	284,495	393,440	60,824	-	-	-	-	-	-
Capital leases	-	-	-	-	8,963	-	23,600	18,716	2,003	3,250
Special items	-	-	-	-	-	-	-	(6,250)	-	-
Issuance of debt	-	-	-	-	71,975	115,000	430,652	244,055	114,885	233,240
Issuance of refunding debt	-	-	-	25,366	98,740	-	-	1,585	-	-
Related party loan	-	-	-	-	20,397	-	-	-	-	-
Proceeds from related party debt	-	-	-	-	196,936	-	-	-	-	-
Retirement of refunded debt obligation	(70,000)	(150,000)	(322,487)	(27,108)	(173,496)	-	(343,259)	(222,171)	(75,000)	(195,830)
Bond issuance cost	-	-	-	-	-	-	-	-	-	-
Premium on debt issue	2,204	6,903	18,274	6,803	19,876	-	-	25,084	5,805	17,401
Total other financing sources	181,052	203,481	154,224	132,814	320,300	153,252	157,598	124,341	105,089	131,226
Net change in fund balances/(deficit)	69,544	48,929	(25,759)	(28,199)	67,461	(25,013)	26,608	1,426	8,023	6,953
Debt service as a percentage of noncapital expenditures	10.6%	12.8%	12.6%	8.5%	11.4%	15.2%	16.3%	17.4%	17.6%	17.0%

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

CITY OF MEMPHIS, TENNESSEE
 Exhibit X-5

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
General Government										
Legislative	\$ 1,598	\$ 1,560	\$ 1,515	\$ 1,572	\$ 1,498	\$ 1,502	\$ 1,426	\$ 1,501	\$ 1,443	\$ 1,547
Judicial	623	587	576	606	586	588	619	624	643	645
Court clerk	3,393	3,378	4,042	4,675	4,551	4,508	4,454	9,160	6,250	6,354
Executive	8,257	7,688	6,545	6,390	4,785	4,835	5,272	7,101	8,413	12,970
Finance and administration	4,627	5,141	5,018	5,196	4,656	4,557	4,649	5,100	7,489	9,278
City attorney	13,945	17,789	14,506	14,978	14,126	11,158	10,793	9,131	10,140	11,892
City engineer	5,146	6,224	5,327	5,981	5,674	5,773	5,030	5,230	6,640	7,776
Information systems	17,224	17,699	18,850	19,158	15,449	14,587	14,510	14,474	15,949	21,378
Human resources	6,188	8,116	7,787	5,367	5,055	5,554	4,638	5,731	7,343	8,090
General services	10,834	12,348	11,730	12,941	11,724	21,156	19,540	20,628	21,701	24,273
Special appropriations	61,039	73,116	66,797	64,989	53,096	42,362	64,627	55,521	53,886	49,837
Total general government	132,874	153,646	142,693	141,853	121,200	116,580	135,558	134,201	139,897	154,040
Public Safety										
Police	193,024	206,326	212,492	224,752	218,643	226,569	227,401	234,108	240,431	256,476
Fire	149,747	156,772	157,063	159,488	152,013	153,423	154,070	163,014	165,273	176,102
Total public safety	342,771	363,098	369,555	384,240	370,656	379,992	381,471	397,122	405,704	432,578
Community Services										
Library	-	-	-	-	-	-	-	-	-	17,547
Parks and recreation	31,017	29,678	29,992	28,593	29,033	42,706	46,118	49,815	49,709	31,901
Public Service	21,627	22,557	21,821	22,661	22,944	-	2	-	373	(2)
Community development	4,743	4,717	5,093	4,498	5,385	4,194	3,705	4,726	3,914	4,792
Community enhancement	2,684	6,860	7,280	7,387	6,312	-	36	-	-	5
Total community services	60,071	63,812	64,186	63,139	63,674	46,900	49,861	54,541	53,996	54,243
Transportation and Environment										
Public works	6,676	8,460	6,458	6,321	10,145	19,068	12,241	11,847	14,612	14,162
Total transportation and environment	6,676	8,460	6,458	6,321	10,145	19,068	12,241	11,847	14,612	14,162
Transfers out	3,448	8,383	45,662	66,722	78,107	78,732	22,464	19,005	18,775	7,974
Special items	-	-	-	-	-	-	-	-	6,250	-
Total	\$ 545,840	\$ 597,399	\$ 628,554	\$ 662,275	\$ 643,782	\$ 641,272	\$ 601,595	\$ 616,716	\$ 639,234	\$ 662,997

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

**ASSESSED AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
Last Ten Fiscal Years**

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)	Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value		
2007	2008	\$ 5,135,189,100	\$ 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	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	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	4,743,781,550	12,089,810,000	1,133,365,185	3,774,783,400	816,425,195	1,484,409,445	12,053,353,530	38,788,129,245	31.07%	3,1957
2011	2012	5,301,771,500	4,507,983,385	11,506,347,200	1,128,790,635	3,760,225,200	877,932,058	1,596,240,105	11,816,477,578	38,069,898,505	31.04%	3,1889
2012	2013	5,248,101,650	4,371,602,915	11,161,458,700	1,178,853,370	3,927,663,000	922,004,864	1,676,372,480	11,720,562,799	37,757,900,780	31.04%	3,1100
2013	2014	4,731,533,025	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
2014	2015	4,680,381,500	4,285,184,728	10,949,013,700	1,202,709,365	4,007,052,700	973,975,835	1,770,865,155	11,142,251,428	35,448,457,555	31.43%	3,4000
2015	2016	4,747,920,725	4,346,281,513	11,109,511,700	1,163,790,125	3,876,630,900	1,087,988,613	1,978,161,115	11,345,980,976	35,955,986,615	31.56%	3,4000
2016	2017	4,751,997,850	4,352,967,258	11,139,231,800	1,195,454,995	3,979,910,300	1,074,179,569	1,953,053,762	11,374,599,672	36,080,187,262	31.53%	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 RATES AND LEVIES -
ALL DIRECT AND OVERLAPPING GOVERNMENTS
Last Ten Fiscal Years

Tax Year	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Fiscal Year	2008	2009	2010	2011	2012 *	2013	2014 *	2015	2016	2016	2017
City Direct Rates											
General Fund	\$ 1.9088	\$ 2.3427	\$ 2.2917	\$ 2.2917	\$ 2.4717	\$ 2.2917	\$ 2.4874	\$ 2.3125	\$ 2.3125	\$ 2.3125	\$ 2.3125
Debt Service	0.6941	0.7141	0.7141	0.7141	0.7141	0.7152	0.9093	1.0842	1.0842	1.0842	1.0842
CIP	0.0032	0.0032	0.0031	0.0031	0.0031	0.0031	0.0033	0.0033	0.0033	0.0033	0.0033
Education	0.8271	0.1900	0.1868	0.1868	0.0000	0.1000	0.0000	0.0000	0.0000	0.0000	0.0000
Total City Direct Rate	3.4332	3.2500	3.1957	3.1957	3.1889	3.1100	3.4000	3.4000	3.4000	3.4000	3.4000
County Direct Rates											
General Fund	1.22	1.22	1.23	1.33	1.36	1.36	1.45	1.45	1.45	1.45	1.45
Debt Service	0.80	0.80	0.81	0.79	0.75	0.75	0.79	0.78	0.78	0.78	0.78
Education	2.02	2.02	1.98	1.90	1.91	1.91	2.14	2.14	2.14	2.14	2.14
Total County Direct Rate	4.04	4.04	4.02	4.02	4.02	4.02	4.38	4.37	4.37	4.37	4.37
Total Overlapping Rate	7.4732	7.2900	7.2157	7.2157	7.2089	7.1300	7.7800	7.7700	7.7700	7.7700	7.7700
Tax Levies											
(1) City	\$ 392,477,211	\$ 375,803,751	\$ 389,347,038	\$ 380,172,801	\$ 378,505,905	\$ 369,997,811	\$ 386,414,917	\$ 390,901,305	\$ 389,694,995	\$ 395,497,816	\$ 395,497,816
County	717,010,251	730,042,595	768,641,959	756,936,983	754,262,345	750,562,710	775,606,738	778,641,703	780,513,345	787,557,182	787,557,182
Total Tax Levies	1,109,487,462	1,105,846,346	1,157,988,997	1,137,109,784	1,132,768,250	1,120,560,521	1,162,021,655	1,169,543,008	1,170,208,340	1,183,054,998	1,183,054,998

(1) The City's tax levy includes payments in lieu of taxes. 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.

* Note: Rate presentation corrected from FY14 CAFR. Additionally, the City's tax levy was restated to include payments in lieu of taxes to ensure consistency of presentation.

Source of County information: Shelby County Trustee
Source of City information: Tax Rate Ordinance and Revenue Collections Percentage Report

PRINCIPAL PROPERTY TAXPAYERS
Current Year and Nine Years Ago

CITY OF MEMPHIS, TENNESSEE
Exhibit X-8

Name of Taxpayer	Fiscal Year 2017		Name of Taxpayer	Fiscal Year 2008	
	Taxable Assessed Value	Percentage of Total Taxable Assessed Value		Taxable Assessed Value	Percentage of Total Taxable Assessed Value
Federal Express	\$ 717,705,886	6.31	Federal Express	\$ 377,831,443	3.32
Bell South Telecommunications	59,643,587	0.52	Bell South Telecommunications	105,465,464	0.93
Wolfchase Galleria, LTD	57,800,040	0.51	Wolfchase Galleria, LTD	52,127,720	0.46
Smith & Nephew Inc.	48,366,500	0.43	Pinnacle Airlines, Inc.	41,483,095	0.36
BNSF Railway Company	43,264,489	0.38	AMISUB (St. Francis Hospital) Inc.	36,820,000	0.32
AMISUB (St. Francis Hospital)	39,909,060	0.35	AT & T Mobility LLC	25,937,411	0.23
Illinois Central Railroad	39,841,913	0.35	Northwest Airlines, Inc.	22,592,299	0.20
SOLAE LLC	30,339,270	0.27	Shopping Center Associates	21,564,320	0.19
International Paper	29,704,740	0.26	Cargill	19,428,150	0.17
AT & T Mobility LLC	28,417,863	0.25	DRA CRT Germantown Center LP	19,417,600	0.16
Total Assessed Valuation of Top 10 Taxpayers	1,094,993,348	9.63		722,667,502	6.34
Balance of Assessed Valuation	10,279,606,324	90.37		10,669,901,054	93.66
	\$ 11,374,599,672	100.00		\$ 11,392,568,556	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
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)	* 378,505,905	357,439,955	* 94.43	7,157,948	364,597,903	* 96.33	* 38,518,840	* 10.18
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)	* 386,414,817	* 373,811,552	* 96.74	4,475,138	* 378,286,690	* 97.90	* 40,240,356	* 10.41
2014	2015 (E)	390,901,305	372,601,741	* 95.32	9,154,932	* 381,756,673	* 97.66	* 37,980,066	* 9.72
2015	2016 (F)	389,694,995	371,180,561	95.25	9,372,759	380,553,320	97.65	38,934,491	9.99
2016	2017 (G)	395,497,816	376,155,872	95.11	5,759,219	381,915,091	96.57	41,089,159	10.39

Taxes are normally due on June 1 and delinquent on September 1 each year and may be paid in two instalments (June 1 through June 30 and August 1 through August 30). A penalty of 1/2 of 1% accrues the first of each month taxes remain delinquent. Additionally, 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.

* Prior year's reported activity was revised to ensure consistent reporting across reported fiscal years.

(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 City 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 tax collections.

(C) In November 2012, the City 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 tax collections.

(D) In November 2013, the City 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 tax collections.

(E) In December 2014, the City sold the majority of the 2014 tax year (which funds fiscal year 2015) real property taxes outstanding to an outside party. The sale generated property tax revenue and a reduction of the property tax receivable balance of \$14,917,354 for fiscal year 2015, which is reflected in tax collections.

(F) In April 2016, the City sold a portion of the 2015 tax year (which funds fiscal year 2016) real property taxes outstanding to an outside party. The sale generated property tax revenue and a reduction of the property tax receivable balance of \$8,622,852 for fiscal year 2016, which is reflected in tax collections. Additionally, the City swapped previously sold receivables that had not yet been paid, with different delinquent receivables. The total balance of the swap was \$2,431,705 which is reflected in "Prior Years Outstanding Delinquent Taxes."

(G) In March 2017, the City sold a portion of the 2016 tax year (which funds fiscal year 2017) real property taxes outstanding to an outside party. The sale generated property tax revenue and reductions of the property tax receivable balance of \$10,884,669. Additionally, the City redeemed remaining outstanding 2012 receivables in the amount of \$1,270,078. The sale is reflected in total tax collections.

Source: City of Memphis Tax System

SPECIAL ASSESSMENT COLLECTIONS
Last Ten Fiscal Years
(Thousands of Dollars)

CITY OF MEMPHIS, TENNESSEE
EXHIBIT X-10

Fiscal Year	Collections				Total
	Construction	Interest	Promotional Costs		
2008	2,533	1,415	-	3,948	
2009	9,281	1,436	-	10,717	
2010	-	-	-	-	
2011	-	-	-	-	
2012	-	-	-	-	
2013	-	-	-	-	
2014	-	-	-	-	
2015	-	-	-	-	
2016	-	-	-	-	
2017	-	-	-	-	

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.

RATIO 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

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Estimated population (3)	674,028	669,651	676,640	646,889	652,050	657,457	653,450	656,861	653,480	666,723
Appraised property valuation (2) (4)	\$ 36,554,763	\$ 36,776,628	\$ 39,750,993	\$ 38,788,129	\$ 38,069,899	\$ 37,757,901	\$ 36,455,804	\$ 35,448,458	\$ 35,955,987	\$ 36,080,187
Assessed valuation (2) (4)	11,369,792	11,392,569	12,341,761	12,053,354	11,816,478	11,720,563	11,483,484	11,142,251	11,345,981	11,374,600
General obligation debt (1) (2)	1,120,302	1,195,744	1,219,893	1,256,868	1,230,060	1,163,755	1,271,320	1,228,825	1,199,950	1,119,035
Bond Premiums (2) (5)								79,464	73,155	60,542
Less self supporting debt (1a) (2)	7,435	5,725	3,920	2,015	-	-	-	-	-	-
Net Debt (1a) (2)	1,112,867	1,190,019	1,215,973	1,254,853	1,230,060	1,163,755	1,271,320	1,308,289	1,273,105	1,179,577
Bonded debt per capita - total debt	1.662	1.786	1.803	1.943	1.886	1.770	1.946	1.992	1.948	1.769
Bonded debt per capita - net debt	1.651	1.777	1.797	1.940	1.886	1.770	1.946	1.992	1.948	1.769
Bonded debt to appraised valuation -total debt	3.06%	3.25%	3.07%	3.24%	3.23%	3.08%	3.49%	3.69% *	3.54%	3.27%
Bonded debt to appraised valuation -net debt	3.04%	3.24%	3.06%	3.24%	3.23%	3.08%	3.49%	3.69%	3.54%	3.27%
Bonded debt to assessed valuation -total debt	9.85%	10.50%	9.88%	10.43%	10.41%	9.93%	11.07%	11.74% *	11.22%	10.37%
Bonded debt to assessed valuation -net debt	9.79%	10.45%	9.85%	10.41%	10.41%	9.93%	11.07%	11.74%	11.22%	10.37%

(1) Debt includes City general obligation bonds, bond anticipation notes, and commercial paper (2008-2017).
Does not include capital leases, guarantee obligations or state loans.

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

(2) In thousands of dollars.

(3) Source-U.S. Census Bureau; the most current data available is for calendar year 2016.

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

(5) Bond premiums are related to a change in presentation for 2015.

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

* Calculation revised to reflect total debt

DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
As of June 30, 2017
(Thousands of Dollars)

CITY OF MEMPHIS, TENNESSEE
Exhibit X-13

	Debt Outstanding	Estimated Percentage Applicable ⁽¹⁾	Estimated Share of Overlapping Debt ⁽²⁾
<u>Direct Governmental Indebtedness:</u>			
City of Memphis ⁽⁴⁾	\$ 1,119,035	100.0%	\$ 1,119,035
Bond Premiums	60,542	100.0%	60,542
Capital lease obligations	31,618	100.0%	31,618
Guarantee Obligations	186,307	100.0%	186,307
Guarantee Obligation Premiums	17,831	100.0%	17,831
Settlement Obligation	<u>17,332</u>	100.0%	<u>17,332</u>
Total direct government indebtedness ⁽³⁾	1,432,665		1,432,665
<u>Overlapping bonded indebtedness:</u>			
Shelby County debt	<u>989,747</u>	62.8%	<u>621,561</u>
Total overlapping bonded indebtedness	989,747		621,561
Total direct and overlapping debt ⁽⁴⁾	<u>\$ 2,422,412</u>		<u>\$ 2,054,226</u>

⁽¹⁾ Determined by ratio of assessed valuation of property subject to taxation in City of Memphis to valuation of property subject to taxation in Shelby County.

⁽²⁾ Amount in debt outstanding column multiplied by percentage applicable.

⁽³⁾ Has not been adjusted for the \$32,631 which is available for payment of principal and interest in the debt service fund.

⁽⁴⁾ The City of Memphis has no legal debt margin.

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

LEGAL DEBT MARGIN INFORMATION
Last Ten Fiscal Years
(Thousands of Dollars)

CITY OF MEMPHIS, TENNESSEE
EXHIBIT X-14

	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Debt capacity limit	\$ 1,367,108	\$ 1,481,011	\$ 1,446,402	\$ 1,417,977	\$ 1,406,468	\$ 1,406,468	\$ 1,378,018	\$ 1,337,070	\$ 1,361,518	\$ 1,364,952
Total net debt applicable to limit	1,114,247	1,190,665	1,213,947	1,259,298	1,230,060	1,163,755	1,271,320	1,308,289	1,273,105	1,179,577
Legal debt capacity margin balance	\$ 252,861	\$ 290,346	\$ 232,455	\$ 158,679	\$ 176,408	\$ 242,713	\$ 106,698	\$ 28,781	\$ 88,413	\$ 185,375
Total net debt applicable to the limit as a percentage of debt limit	81.50%	80.40%	83.93%	88.81%	87.46%	82.74%	92.26%	97.85%	93.51%	86.42%

Debt Margin Calculation for Fiscal Year 2017

Total assessed value (1)	\$ 11,374,600
Debt capacity limit (12% of total assessed value) (2)	1,364,952
Debt applicable to limit:	
Total bonded debt	\$ 1,179,577
Total net debt applicable to limit	1,179,577
Debt capacity margin balance	\$ 185,375

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

(2) Source: City of Memphis Debt Management Policy

PLEGGED REVENUE COVERAGE - MLGW AND
SEWER COLLECTION AND TREATMENT FUND
Last Ten Fiscal Years
(Thousands of Dollars)

CITY OF MEMPHIS, TENNESSEE
Exhibit X-15

Year	Total Income (5)	Operating and Maintenance Expenses	Net Revenue Available for Debt Service	Total Debt Service	Debt Service Coverage
ELECTRIC DIVISION (1)					
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
2014	1,336,440	1,201,760	134,680	131,682	1.02
2015	1,321,726	1,193,682	128,044	135,481	0.95
2016	1,299,757	1,206,084	93,673	139,879	0.67
GAS DIVISION (1)					
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
2014	333,596	293,100	40,496	-	N/A
2015	250,231	212,097	38,134	-	N/A
2016	205,974	186,886	19,088	443	43.09
WATER DIVISION (1)					
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
2014	86,903	70,379	16,524	253	65.31
2015	85,169	74,604	10,565	1,072	9.86
2016	100,586	77,611	22,975	1,256	18.29
SEWER COLLECTION AND TREATMENT FUND (2)					
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
2015	104,592	50,944	53,648	16,028	3.35
2016	97,854	55,031	42,823	15,922	2.69
2017	99,859	65,332	34,527	15,900	2.17

(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.

(5) For the Sewer Collection and Treatment Fund, total income represents the sum of charges for services and capital contributions.

DEMOGRAPHIC AND ECONOMIC STATISTICS
Last Ten Fiscal Years

CITY OF MEMPHIS, TENNESSEE
EXHIBIT X-16

Year	Population	Personal Income (amounts expressed in thousands)	Per Capita Personal Income	Median Age	School Enrollment	Unemployment Rate
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
2014	656,861	40,594,551	43,210	34.3	141,814	8.7
2015	653,480	41,968,752	44,705	34.1	116,059 (1)	6.5
2016	666,723	42,356,302	45,153	34.2	114,644	4.2

Source - Bureau of Economic Analysis, Bureau of Labor Statistics, Shelby County Schools and Greater Memphis Chamber

(1) In school year 2014-15, the decrease in district enrollment was due to over thirty schools joining one of six new municipal school districts and the Tennessee Achievement School District (ASD) acquiring seven district-run schools ranked in the bottom 5% of academic achievement and growth.

Name of Employer	2017		2008	
	Employees	Percentage of Total City Employment	Employees	Percentage of Total City Employment
FedEx Corporation	30,000	4.81%	30,000	4.79%
Tennessee State Government	14,800	2.37%	16,000	2.55%
United States Government	13,500	2.16%	14,800	2.36%
Shelby County Schools	12,700	2.04%	10,000	1.60%
Methodist Le Bonheur Healthcare	10,967	1.76%	8,000	1.28%
Naval Support Activity Mid-South	7,500	1.20%	7,183	1.15%
Baptist Memorial Healthcare	7,081	1.13%	6,680	1.07%
Kroger Co.	6,781	1.09%	6,500	1.04%
The City of Memphis	6,475	1.04%	6,500	1.04%
Wal-Mart Stores Inc.	5,600	0.90%	5,247	0.84%
Total	115,404	18.50%	110,910	17.72%

Source - City of Memphis Comprehensive Annual Financial Report FY 2008, The Memphis Business Journal 2017 List

Function and Activity	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
General government	1,231	1,340	1,261	1,147	1,147	724	669	640	652	725
Public safety	2,385	2,273	2,444	2,550	2,550	2,554	2,521	2,299	2,042	2,290
Police	483	482	447	478	478	478	411	397	732	438
Fire	1,721	1,729	1,758	1,678	1,740	1,709	1,616	1,576	1,391	1,576
Firefighters and officers	168	147	116	184	122	122	218	213	398	208
Civilians										
Highways and streets	186	152	146	124	124	120	117	117	116	116
Engineering	311	309	287	274	274	389	382	391	393	399
Maintenance										
Sanitation	653	653	611	604	604	621	619	619	615	515
Culture and recreation	346	264	261	240	240	510	507	508	506	162
Sewer	290	290	290	289	289	299	299	305	341	341

Source - City of Memphis Operating Budget Book FY 2016

OPERATING INDICATORS BY FUNCTION
Last Ten Fiscal Years

CITY OF MEMPHIS, TENNESSEE
EXHIBIT X-19

Function	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Police										
Physical arrests	57,304	65,734	61,322	82,003	48,357	46,116	89,478	58,247	53,269	65,231
Parking violations	86,497	97,554	92,433	89,374	77,398	87,536	62,595	62,916	48,623	58,181
Traffic violations	217,766	250,284	224,647	222,435	215,658	178,934	179,599	152,773	179,374	111,908
Fire										
Number of calls answered	24,974	24,974	24,974	23,892	24,522	126,789	131,542	118,928	124,320	142,087
Inspections	N/A	N/A	N/A	N/A	206,142	206,881	53,980	51,159	45,240	45,022
Highways and streets										
Street resurfacing (miles)	144.88	123.25	99.12	137.93	147.04	131.60	139.05	113.90	177.80	246.30
Potholes repaired	1,499	1,230	946	982	973	39,280	47,504	76,482	3,882	75,000
Sanitation										
Refuse collected (tons/day)	1,086	1,005	1,121	1,161	1,131	1,117	1,401	928	920	1,117
Recyclables collected (tons/day)	377	488	435	374	429	407	495	392	489	337
Culture and recreation										
Athletic field permits issued	1,054	1,093	1,465	1,786	999	982	1,445	1,129	1,154	827
Community center admissions	1,725,798	1,419,032	1,472,891	1,653,610	1,798,532	1,929,348	1,899,388	1,818,094	1,318,919	1,676,957
Water										
Average daily consumption (thousands of gallons)	125,972	122,267	115,519	118,768	115,295	112,216	108,564	104,620	100,055	99,957
Wastewater										
Average daily sewage treatment (thousands of gallons)	172,400	154,000	169,000	172,950	175,900	150,000	150,000	146,000	146,000	146,000

Source: City of Memphis Operating Budget Book FY 2017 and /or Internal Division Operating Reports

Function and Activity	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Public Safety:										
Police:										
Stations	10	10	10	10	10	9	9	9	10	10
Community policing offices	14	14	14	14	14	14	9	9	9	9
Patrol units	800	825	800	1,056	877	730	692	741	740	677
Fire:										
Stations	56	56	56	57	57	57	57	56	56	56
Trucks (ladder)	27	27	27	27	27	27	21	21	21	21
Solid Waste Management:										
Collection trucks	296	296	253	253	227	227	227	227	214	212
Solid waste disposed (tons)	396,606	389,762	406,191	424,025	405,686	396,309	364,159	343,114	366,483	378,256
Streets and Highways:										
Streets (miles)	6,750	6,750	6,750	6,750	6,750	6,750	6,818	6,818	6,818	6,818
Curb & gutter (miles)	3,590	3,590	3,950	3,950	3,950	3,950	6,306	6,306	6,306	6,060
Streetlights	80,570	81,900	82,640	82,706	82,774	83,750	83,000	83,437	83,800	83,800
Traffic signals	825	825	830	770	769	771	770	772	770	770
Roadside ditches	580	580	580	580	580	580	512	512	512	512
Community Services:										
Parks acreage	5,387	5,387	5,387	5,387	5,387	3,219	3,219	3,219	4,002	4,002
Parks	187	187	187	187	187	166	166	166	167	167
Golf courses	8	8	8	8	8	8	8	8	8	8
Community centers	24	24	24	24	24	24	24	24	24	24
Tennis courts	7	7	7	7	7	7	7	7	7	7
Swimming pools	18	18	18	17	17	17	17	17	17	17
Water:										
Water mains (miles)	3,700	3,710	3,716	3,716	3,716	3,716	3,874	3,877	3,879	3,879
Fire hydrants	29,050	30,221	30,423	30,423	30,423	30,423	30,819	30,937	31,018	31,018
Daily storage capacity (millions of gallons)	437.5	437.5	437.5	437.5	437.5	437.5	437.5	437.5	438	438
Sanitary Sewer and Storm:										
Miles of sewer lines	3,615	3,620	3,625	3,630	3,635	2,400	2,400	2,400	2,400	2,400
Miles of storm drainage	3,988	3,988	3,988	3,988	3,995	3,900	1,997	1,997	1,936	307

Source - City of Memphis Operating Budget Book FY 2017 and/or Internal Division Operating Reports.

GENERAL FUND EXPENDITURES ON STATE STREET AID
(Thousands of Dollars)
For the Fiscal Year Ended June 30, 2017

CITY OF MEMPHIS, TENNESSEE
Exhibit X- 21

	<u>2017</u>
Revenues	
State taxes (local share)	\$ 15,815
Total revenues	<u>15,815</u>
Expenditures	
Traffic engineering	1,933
Street signs and markings	2,722
Mass transit	30,920
Traffic signal maintenance	3,087
Street maintenance	7,742
Grounds maintenance	<u>3,128</u>
Total expenditures	<u>49,532</u>
Excess of expenditures over revenues	<u><u>\$ 33,717</u></u>

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



CITY OF MEMPHIS
T E N N E S S E E

SUPPLEMENTAL SCHEDULE OF EXPENDITURES
OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE
For the fiscal year ended June 30, 2017

CITY OF MEMPHIS, TENNESSEE
Exhibit Y-1

FEDERAL GRANTOR/PASS-THROUGH GRANTOR	PROGRAM/CLUSTER NAME	CFDA Number	Contract Number	Passed Through to Subrecipients	Expenditures
Federal Government Awards					
DEPARTMENT OF HOMELAND SECURITY					
	Urban Search and Rescue Task Force	97.025	EMW-CA-0452/M001	\$ -	43,218
	Urban Search and Rescue Task Force	97.025	EMW-2005-CA-0274	-	143,471
	Urban Search and Rescue Task Force	97.025	EMW-2006-CA0230	-	8,270
	Urban Search and Rescue Task Force	97.025	EMW-2007-CA-0178	-	323,377
	Urban Search and Rescue Task Force	97.025	2009-SR-24-K021	-	24,570
	Urban Search and Rescue Task Force	97.025	2010-SR-24-K044,EMW-2011-CA-APP-00060,EMW-2012-CAK00026-SC	-	142,701
	Urban Search and Rescue Task Force	97.025	EMW2003CA0265	-	72,284
	Urban Search and Rescue Task Force	97.025	EMW-2015-CA-00015-501	-	614,885
	Urban Search and Rescue Task Force	97.025	EMW-2016-CA-00016	-	377,546
	Total Program 97.025			\$ -	1,750,322
	Hazard Mitigation - Dr-1909-0055 Honeybrook Rd	97.039	1909-0055	-	15,279
	Total Program 97.039			\$ -	15,279
	Port Security Grant	97.056	2005-GB-T5-0108,2008-GB-T8-5074,2009-PU-T9-K045,2008-GB-T8-K0	-	7,184
	Port Security Grant	97.056	EMW-2015-PU-00279-S01	-	16,313
	Port Security Grant	97.056	EMW-2015-PU-00485-S01	187,208	185,500
	Port Security Grant	97.056	EMW-2014-PU-00521	-	644,840
	Total Program 97.056			\$187,208	\$853,837
TOTAL DEPARTMENT OF HOMELAND SECURITY					
				\$ 187,208	\$ 2,619,438
DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT					
<i>Entitlement Grants Cluster:</i>					
	Community Development Block Grant	14.218	B01MC470006,B03MC470006,B05MC470006,B06MC470006,B07MC4	28,485	737,021
	Community Development Block Grant	14.218	B13MC470006	37,965	497,857
	Community Development Block Grant	14.218	B14MC470006	888,170	5,732,451
	Total Program 14.218			\$ 954,620	\$ 6,967,329
	Lead Based Paint	14.905	TNLHD0227-0227-11	-	1,929
	Lead Hazard Reduction	14.905	TNLHD0258-13	-	919,306
	Lead Hazard Reduction	14.905	TNLHD0281-15	-	780,881
	Total Program 14.905			\$ -	1,702,116
	Emergency Shelter	14.231	S02.03MC4-70002,S04MC470002,S05MC470002,S06MC470002,S08V	-	43,966
	Emergency Shelter	14.231	S14MC470002	-	157,916
	Emergency Shelter FY16	14.231	S15MC470002	394,435	351,472
	Emergency Shelter FY17	14.231	S16MC470002	-	-
	Total Program 14.231			\$ 394,435	\$ 553,354
	Home Program	14.239	M02.03MC470202,M98MC470202,M99MC470202,M00MC470202,M	255,540	887,367
	Home Program	14.239	M15MC470202	209,426	899,627
	Home Program	14.239	M16MC470202	59,880	411,962

SUPPLEMENTAL SCHEDULE OF EXPENDITURES
OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE
For the fiscal year ended June 30, 2017

CITY OF MEMPHIS, TENNESSEE
Exhibit Y-1

FEDERAL GRANTOR/PASS-THROUGH GRANTOR	PROGRAM/CLUSTER NAME	CFDA Number	Contract Number	Passed Through to Subrecipients	Expenditures
Total Program 14.231				\$ 524,846	\$ 2,198,956
	Housing Opportunities for Persons with Aids	14.241	TN37H9-7F040,8F001,TNH04F001,TNH05F001,TNH06F001,TNH07F00	573,164	650,225
	Housing Opportunities for Persons with Aids FY16	14.241	TNH15F001	-	263,013
	Housing Opportunities for Persons with Aids FY17	14.241	TNH16F001	2,427,365	2,778,571
Total Program 14.231				\$ 3,000,529	\$ 3,691,809
	SPC Shield, Inc	14.238	TN0111L4I011507	212,499	212,499
	SPC Shield, Inc	14.238	TN0111L4I011608	-	72,707
	SPC - Friends for Life	14.238	TN0016L4I011508	123,075	123,075
Total Program 14.231				\$ 335,574	\$ 408,281
	Section 108 Loan	14.246	B-98-BD-47-0009,B-10-MC470006-108	-	27,217
	Weatherization Program (WAP)	81.042	DE-EE0006185	-	157,046
Total Program 14.246, 81.042				-	184,263
TOTAL DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT				\$ 5,210,004	\$ 15,706,108
	Equitable Sharing Forfeitures	16.000	TNMPD0000	-	685,481
Total Program 16.000				\$ -	\$ 685,481
	OCS: COOR Le Initiative	16.753	2008-D-BX-0282, 2009-D1-BX-0178	-	1,070
Total Program 16.753				\$ -	\$ 1,070
	Project Safe Neighborhood Housing Demo	16.609	2004-GP-CX-0704,2003-GP-CX-0515,Z-04-015253-00,2009-GP-BX-006:	-	9,043
	Project Safe Neighborhoods	16.609	2014-GP-BX-0001	-	69,534
Total Program 16.609				\$ -	\$ 78,577
	Encourage Arrest	16.590	2014-WF-AX-0049	258,377	318,788
Total Program 16.590				\$ 258,377	\$ 318,788
	Juvenile Justice and Delinquency Program	16.541	2012-NY-FX-0024	15,191	4,000
	Youth Violence Prevention	16.541	2012-NY-FX-0024	21,975	21,975
Total Program 16.541				\$ 37,166	\$ 25,975

SUPPLEMENTAL SCHEDULE OF EXPENDITURES
OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE
For the fiscal year ended June 30, 2017

CITY OF MEMPHIS, TENNESSEE
Exhibit Y-1

FEDERAL GRANTOR/PASS-THROUGH GRANTOR	PROGRAM/CLUSTER NAME	CFDA Number	Contract Number	Passed Through to Subrecipients	Expenditures
Pass-through Funding Passed through Shelby County State of Tennessee	JAG Program Cluster:				
	JAG 10	16.738	2010-DJ-BX-1563.BIA-2013-3599	-	76,627
	JAG 14	16.738	BIA-2014-3879	22,620	115,737
	JAG 16	16.738		100,000	278,202
	State and Community Development Program Networking for Overcoming Violence (NOVA) Total JAG Program Cluster	16.738	2012-NY-FX-0024 2011-MU-MIU-5005	30,559	58,999
Total Program 16.738			\$ 153,179	\$ 549,565	
	2015 Sexual Assault Kit Initiative	16.833		\$ 120,321	286,164
TOTAL DEPARTMENT OF JUSTICE				\$ 569,043	\$ 1,945,620
	WIA Cluster:				
Direct Funding: U.S. DEPARTMENT OF LABOR Pass-through Funding: Tennessee Department of Labor	Workforce Investment Act - Adult	17.258	DA0400062,07-13-PY6-113-ADMIN,0913FY9213ADULT,LW13ST91ADL	\$ -	\$ 513,400
	Workforce Investment Act - Adult	17.258	DA0400062,LW13ST91ADULT09,08-13-FY8-213-ADULT,08-13-PY7-21	704,791	1,053,848
	Workforce Investment Act - Adult	17.258	LW13P141ADULT17	182,168	344,868
	Workforce Investment Act - Adult	17.258	LW13P151NCSWA16	-	12,219
	Workforce Investment Act - Adult	17.258	LW13P141ADULT17	655,612	1,529,434
	Total Program 17.258			\$ 1,542,571	\$ 3,453,769
	Workforce Investment Act - Youth	17.259	LW13P151YOUTH16	1,550,034	2,957,078
	Workforce Investment Act - Youth	17.259	LW13P131YOUTH14,LW13P161YOUTH17	332,810	773,188
	Total Program 17.259			\$ 1,882,844	\$ 3,730,266
	Workforce Investment Act - Title I Incentive Funds	17.267	LW13P091NCONTV10	10,903	
	Workforce Investment Act - Title I Incentive Funds	17.267	LW13P12NCONTV13, LW13P112NCONTV12	-	21,330
	Total Program 17.267			\$ -	\$ 32,233
	Workforce Investment Act - Memphis Blowworks Sub grantee	17.268	Contract# 29215	-	7,074
Workforce Investment Act - Memphis Blowworks Sub grantee	17.268	Contract # 32071	-	62,233	
Total Program 17.268			\$ -	\$ 69,307	
Workforce Investment Act - Dislocated	17.278	DA0400062,06-13-FY6-413-DSLWK,09-13-PY8-413-DSLWK,09-13-FY9-	-	432	
Workforce Investment Act - Dislocated	17.278	LW13F141DSLWK14, LW13P121DSLWK13, LW13F131DSLWK13	-	122	
Workforce Investment Act - Dislocated	17.278	LW13F161DSLWK16	57,435	2,256,620	
Workforce Investment Act - Dislocated	17.278	LW13P151DSLWK16	128,283	230,245	
Workforce Investment Act - Dislocated	17.278	LW13F142TFRSP14	-	92,990	
Workforce Investment Act - Dislocated	17.278	LW13F161WSWA16	-	47,517	
Workforce Investment Act - Dislocated	17.278	LW13P161DSLWK17	19,232	108,302	
Workforce Investment Act - Dislocated	17.278	LW13F171DSLWK17	20,652	228,251	
Workforce Investment Act - Rapid Response IWT	17.278	LW13F152IWRSP15	-	104,203	
Total Program 17.278			\$ 225,602	\$ 3,068,682	
Total WIA Cluster			\$ 3,651,017	\$ 10,354,257	

SUPPLEMENTAL SCHEDULE OF EXPENDITURES
OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE
For the fiscal year ended June 30, 2017

CITY OF MEMPHIS, TENNESSEE
Exhibit Y-1

FEDERAL GRANTOR/PASS-THROUGH GRANTOR	PROGRAM/CLUSTER NAME	CFDA Number	Contract Number	Passed Through to Subrecipients	Expenditures
	Workforce Investment Act- TDOL	17.207	DA040062,33710-74012,LW13P111ADDEI12	-	194
	Workforce Investment Act- TDOL	17.207	LW13P161WIP32517	-	24,698
	Workforce Investment Act (RESEA) Remployment Services	17.225	LW13P161RESEA17	12,538	12,538
	Workforce Investment Act SNAP E&T	10-561		-	2,949
	Workforce Investment Act SNAP E&T	10-561	LW13F161SNAP	-	686,804
	YouthBuild	17.274	YB-24715-13-60-A-47	605,242	80,423
	Ticket to Work	96.009	NONE	-	20,330
	Child Support Enforcement	93.564	NONE	-	19,137
	Workforce Investment Act - Mid-South Community College- sub gran	17.282	contract # 32326	-	54,385
				\$ 617,780	\$ 901,458
				\$ 4,268,797	\$ 11,255,715

TOTAL DEPARTMENT OF LABOR

Highway Planning and Construction Cluster:

Direct Funding:				\$	\$
U.S. DEPARTMENT OF TRANSPORTATION	Biomedical Sidewalk	20.205	PIN 070149, HPP-9409(103), PIN 108676	-	164,109
	Transportation Improvement 25	20.205	CM-STP-9409(59), (040723)	-	37,848
			CM-STP-9409(41)-040713,(48)-040718,(141)-112905,(142)-		
	Enhanced Traffic Signal Implementation	20.205	113006,(145)-112875,(47)-040717,(47)-112873,(50)-040720	-	233,383
	STP Repaving	20.205	STP-M-9409(128,132,133),STP-EN-7900(20,79)41798	-	3,498,173
	STP Guardrail Attenuators	20.205	STP-M-9409(124)-112613	-	4,366
	Elvis Presley/Shelby/Winchester	20.205	STP-EN-09TM(003)-113028	-	66,456
	Winchester/Perkins	20.205	STP-M-9409(96,36)	-	1,401
	Walnut Bend	20.205	STP-M-9409(98)-010620	-	47,597
	Holmes/Milbranch, ARRA Repaving	20.205	STP-M-9409(97), STP-M-9409(149)	-	55,292
	Holmes Road East	20.205	PIN-108701-00,STP-M-9409(99)	-	22,429
	Forest Hill	20.205	STP-M-9409(90)	-	104,270
	Safe Routes to School, Rozelle	20.205	NONE	-	12,301
	Poplar/Sweetbriar Interchange	20.205	PIN-110296-00,STP-M-NHE-57(42)-110296	-	57,626
	STP Sidewalk Program	20.205	79PLM-F-3-267 (118412)	-	37,586
	STP Group 5 Resurfacing	20.205	STP-EN-9409 (111) PIN 119539	-	68,090
	STP Group 6 Resurfacing	20.205	79PLM-F0-417-419 PIN 120588	-	67,851
	STP Isolated Traffic Signal Improvements-Grp 1	20.205	STP-M-NH-14(56) PIN 119540.00	-	13,211
	STP Isolated Traffic Signal Improvements-Grp 2	20.205	STP-EN-9409 (111) PIN 119541	-	65,622
	STP Isolated Traffic Signal	20.205	STP-EN-9409 (111) PIN 119542	-	74,553
	Repair 14 Bridges on/over Sam Cooper B20.205Ivd	20.205	STP-EN-9409 (111) PIN 119544	-	112,901
	Repair Brooks Rd. Bridge over Days Creek	20.205	STP-M-9409(182) 119543	-	3,960
	Chelsea Ave Greenline from Washington Park to Evergreen St	20.205	79PLM-F0-365, 79PLM-F0-366, 79PLM-F0-367, 79PLM-F0-368	-	71,769
	TDOT-CMAQ (AR) Main to Main Multimodal Connector	20.205	79961-3516-94	-	43,591
	TDOT/Elvis Presley Blvd	20.205	STP-EN-9409 (111) PIN	-	525,786
	Walker Ave. Streetscape	20.205	STP-EN-9409 (111) PIN	-	241,148

Pass-through Funding:
Tennessee Department of Transportation

SUPPLEMENTAL SCHEDULE OF EXPENDITURES
OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE
For the fiscal year ended June 30, 2017

CITY OF MEMPHIS, TENNESSEE
Exhibit Y-1

FEDERAL GRANTOR/PASS-THROUGH GRANTOR	PROGRAM/CLUSTER NAME	CFDA Number	Contract Number	Passed Through to Subrecipients	Expenditures
Total Program 20.205	Shelby Farms Greenline Bridge Transportation Alternative	20.205	PIN 119937	-	77,873
	TDOT Plough/Winchester	20.205	N/A	-	298
	Railroad Safety Improvements	20.205	PIN 102619	-	932
		20.205	STP-R-2883(2) PIN 112932	-	109,501
				\$ -	\$ 5,819,923
Total Program 20.600	GHSO Network FY16	20.600	PT-16-36	-	10,300
	Network Coordinator FY17	20.600	PT-17-36	-	8,279
				\$ -	\$ 18,579
Total Program 20.601	GHSO FY10 CARD	20.601	K8-10-80/Z13GHS209	-	57,114
				-	57,114
				\$ -	\$ -
Total Program 20.607	GHSO FY08 Alcohol Award	20.607	Z-08-024037-00	-	-
	GHSO Alcohol Saturation	20.607	Z11GHS004,Z12GHS197,Z12GHS198,2012-Z13GHS208	-	536,528
	GHSO Alcohol Saturation FY15	20.607	Z15GHS234	-	638,120
	GHSO Alcohol Saturation FY16	20.607	154AL-16-46	-	3,854
	GHSO Alcohol Saturation FY17	20.607	154AL-17-154	-	156,964
	Card FY15	20.607	Z15GHS232	-	107,990
				-	1,443,456
				\$ -	\$ -
Total Program 20.607, 20.932	Comprehensive Alcohol Risk Reduction	20.616	MSHVE-17-13	-	45,711
	GHSO CARD FY16	20.616	MSHVE-16-02	-	44,181
	Tiger Grant -Main to Main	20.932	79961-3516-94	-	1,277,511
				-	1,367,403
				\$ -	\$ 8,706,475
TOTAL DEPARTMENT OF TRANSPORTATION					
INSTITUTE OF MUSEUM AND LIBRARY SERVICES					
Total Program 20.607, 20.932	State Collection Fed	45.310	LS-00-16-0043-16	-	6,400
	2016 Tech Grant Cycle	45.310	N/A	-	525
				\$ -	\$ 6,925
TOTAL INSTITUTE OF MUSEUM AND LIBRARY SERVICES					
EXECUTIVE OFFICE OF THE PRESIDENT					
Total Program 20.607, 20.932	HIDTA FY17	95.001	G16GCC05A	-	10,848
	HIDTA Gulf Coast FY16	95.001	NONE	-	21,518

SUPPLEMENTAL SCHEDULE OF EXPENDITURES
OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE
For the fiscal year ended June 30, 2017

CITY OF MEMPHIS, TENNESSEE
Exhibit Y-1

FEDERAL GRANTOR/PASS-THROUGH GRANTOR	PROGRAM/CLUSTER NAME	CFDA Number	Contract Number	Passed Through to Subrecipients	Expenditures
TOTAL EXECUTIVE OFFICE OF THE PRESIDENT				\$	\$
NATIONAL ENDOWMENT FOR THE ARTS	National Endowment for the Arts	45.024	14-4292-7096	-	17,734
TOTAL NATIONAL ENDOWMENT FOR THE ARTS				-	17,734
Pass-through Funding Tennessee Department of Environment and Conservation					
Direct Funding: ENVIRONMENTAL PROTECTION AGENCY, OFFICE OF WATER					
TOTAL ENVIRONMENTAL PROTECTION AGENCY, OFFICE OF WATER	Capitalization Grant for Clean Water State Revolving Fund	66.458	SRF 13-311, SRF 06-195, & SRF-13-309	-	28,228,447
TOTAL FEDERAL AWARDS				\$	10,235,052
STATE FINANCIAL ASSISTANCE					
	Memphis Fire Division In-service Training Supplement	N/A	NONE	-	1,470,600
	Memphis Police Division In-service Training Supplement	N/A	NONE	-	23,400
	Memphis Police Division In-service Training	N/A	NONE	-	600
	Domestic Violence Intervention	N/A		-	241,349
	Landmarks Commission Training - Historic Zoning	N/A		-	9,586
	TIP Project - Cleveland Track Material	N/A	Z-02-008520-00	-	1
	Household Hazardous Waste	N/A	GG0712743,GG-09-25326-00,GG1339302	-	94,824
	Internet Crimes Against Children	N/A	GG082393100	-	204,618
	Severe Storms, Tornadoes, Straight-Line Winds	97.036-State	34101-0000003054	-	1
	U of M Crosswalk State	N/A	NONE	-	13,338
	Main to Main State	N/A	NONE	-	496,124
	Park/Goodlett Intersection Project	N/A	NONE	-	49,760
	Internet Crimes	N/A	31701-06185	-	59,090
	Household Hazardous Waste	N/A	NONE	-	1
	In-Service Training FY14	N/A	NONE	-	2,400
	ICAC FY16	N/A	31701-06206	-	19,262
	ICAC FY17	N/A	31701-06234	-	160,188
	Waste Reduction	N/A	NONE	-	19,486
	State of TN department of Safety	N/A	NONE	-	600
	State of TN department of Safety	N/A	NONE	-	600
	Books & Materials	N/A	LS-00-16-0043-16	-	45,000
	TAEF Tree Planting	N/A	NONE	-	2,500
	Urban Forestry Program	N/A	NONE	-	3,215
	Urban & community Forestry Program	N/A	NONE	-	9,645
	Lift TN	N/A	NONE	-	24,547
	AmeriCorps VISTA	N/A	NONE	-	2,950
TOTAL STATE AWARDS				\$	2,953,685
TOTAL FEDERAL AND STATE AWARDS				\$	10,235,052
					71,472,513

**City of Memphis
Notes to the Schedule of Expenditures of Federal Awards and State Financial Assistance
For the Year Ended June 30, 2017**

NOTE 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards and state financial assistance 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 the Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from presented in, or used in the preparation of the general purpose financial statements.

In compliance with Tennessee state law, the accompanying schedule of expenditures of state financial assistance is included with this report. The schedule presents all state funded financial awards, as defined by the State Comptroller of the Treasury's Office, and is prepared and presented in a manner consistent with the schedule of expenditures of federal awards.

NOTE 2 - Basis of Accounting

The expenditures presented in the associated schedules of expenditures of federal awards and state financial assistance were developed from agency records and federal and state financial reports which have been reconciled to the central accounting records of the Government. Governmental funds are reported using a modified accrual basis of accounting. Proprietary funds are reported using the accrual basis of accounting.

Federal and state revenues and expenditures are included in the general fund, special revenue funds, capital projects funds, and enterprise funds in the Government's basic financial statements.

The city of Memphis has not elected to use the 10% de minimis indirect cost rate under the Uniform Guidance.

NOTE 3 - Federal Loans

The City of Memphis was approved by the Environmental Protection Agency, Office of Water, to receive a loan totaling \$100,000,000 (SRF 13-311) to improve its sewer system. The amount listed for this loan, \$41,400,009, includes proceeds during the year and the outstanding loan balance from prior years.

The City of Memphis was approved by the Environmental Protection Agency, Office of Water, to receive a loan totaling \$7,000,000 (SRF 06-195) to improve its sewer system. The amount listed for this loan, \$3,360,905, includes proceeds during the year and the outstanding loan balance from prior years. This loan has been closed out and no further draws will be made on it.

The City of Memphis was approved by the Environmental Protection Agency, Office of Water, to receive a loan totaling \$22,000,000 (SRF 13-309) to improve its sewer system. The amount listed for this loan, \$2,363,226, includes proceeds during the year. This is a new loan for FY17.

Both the current and prior year loans are also reported on the City of Memphis's Statement of Net Position for Proprietary Funds. Also, the current loan payable and the long term loan payable equals the total loan amounts. (see Exhibit A-9)

Note 4 - Contingencies

The federal and state awards received by the government are subject to audit and adjustment. If any expenditures are disallowed by the grantor agencies as a result of such an audit, the grantor agencies could make a claim for reimbursement, which would become a liability of the Government.



**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, the statements of revenues and other sources and expenditures and other uses on basis of budgeting for the general fund and the aggregate remaining fund information of the City of Memphis, Tennessee (the "City") as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 26, 2017. 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. 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.

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*.

Additionally, the audit for the fiscal year ended June 30, 2017 revealed the following assertions of fraud and cash shortages that were detected by the City in the normal operation of their internal controls and internal audit functions, as follows:

1. Public Works employee reported to have received out-of-class pay of \$9,489 in error.
2. Bert Ferguson Community Center administrator reported missing rental fees. No loss amount has been determined as of the date of this report.
3. Street Maintenance foreman reported that three John Deere Zero Turn Mowers, valued at approximately \$5,000 to \$7,000, were missing.
4. General Services employee reported to have stolen gas for personal use. Amount of fraud estimated to be \$5.

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
December 26, 2017

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE UNIFORM GUIDANCE**

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 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, 2017. 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 federal statutes, regulations, and the terms and conditions of its federal awards 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.



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

Opinion on Each Major Federal Program

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

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 the Uniform Guidance, 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Bank, July, White Co.

Memphis, Tennessee
December 26, 2017

CITY OF MEMPHIS
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2017

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? | No |

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? | No |
| 6. | Any audit findings reported as required by the Uniform Guidance? | No |
| 7. | Federal programs identified as major programs: | |

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

- | | |
|--------|---|
| 14.239 | Home Investment Partnerships Program |
| 66.458 | Capitalization Grants for Clean Water State Revolving Funds |
| 20.205 | Highway Planning and Construction |

- | | | |
|----|--|-------------|
| 8. | The dollar threshold used to distinguish between Type A and Type B programs: | \$1,987,015 |
| 9. | Auditee qualified as a low-risk auditee? | Yes |

SECTION II: FINDINGS – FINANCIAL STATEMENT AUDIT

No matters are reportable

SECTION III: FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARDS PROGRAM

No matters are reportable

City of Memphis, Tennessee
 Schedule of Prior Year Findings and Questioned Costs
 Year Ended June 30, 2017

Financial Statement Findings

Prior Year Finding Number	Finding Title	Status/Current Year Finding Number
2016-001	Improper Billings	Corrected
2016-002	Unsubstantiated Overtime Pay	Partially Corrected

Federal Award Findings and Questioned Costs

Finding Number	Finding Title	Status
2016-003	Incomplete TBRA files	Corrected
2016-004	Unallowable Costs Claimed for Reimbursement	Corrected
2016-005	Expenditures Charged Before Grant Contract Started	Corrected
2016-006	Drawdowns Not Based on Immediate Cash Needs	Corrected