



CITY OF MEMPHIS

COMPREHENSIVE ANNUAL FINANCIAL REPORT

YEAR ENDED JUNE 30, 2016

TABLE OF CONTENTS

MAYOR'S LETTER OF TRANSMITTAL

INTRODUCTORY SECTION

Letter of Transmittal.....	1
GFOA Certificate of Achievement for Excellence in Financial Reporting	15
City Officials	16
Organization Chart	18

FINANCIAL SECTION Exhibit..... Page

Independent Auditors' Report.....	21
Management's Discussion and Analysis	25

Basic Financial Statements

Government-wide Financial Statements

Statement of Net Position	A-1.....	46
Statement of Activities	A-2.....	48

Fund Financial Statements

Balance Sheet - Governmental Funds	A-3.....	50
Reconciliation of the Balance Sheet to the Statement of Net Position	A-4.....	51
Statement of Revenues, Expenditures, & Changes in Fund Balances.....	A-5.....	52
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	A-6.....	53

General Fund

Statement of Revenues and Other Sources - Budget and Actual on Basis of Budgeting ...	A-7.....	54
Statement of Expenditures and Other Uses - Budget and Actual on Basis of Budgeting ..	A-8.....	56

Proprietary Funds

Statement of Net Position	A-9.....	60
Statement of Revenues, Expenses, and Changes in Net Position.....	A-10.....	62
Statement of Cash Flows	A-11.....	64

Fiduciary Funds

Statement of Fiduciary Net Position	A-12.....	66
Statement of Changes in Fiduciary Net Position	A-13.....	67

Combining Statements of Component Units

Combining Statement of Net Position	A-14.....	68
Combining Statement of Activities.....	A-15.....	70

Notes to the Financial Statements	71
---	----

TABLE OF CONTENTS

RSI Section

Schedule of Funding Progress	
City Other Postemployment Benefits.....	RSI-1..... 187
Schedule of Employer Contributions	
City Other Postemployment Benefits.....	RSI-2..... 188
Schedule of Percentage of OPEB Cost Contributed	
City Other Postemployment Benefits.....	RSI-3..... 189
Schedule of Changes in the Net Pension Liability	
City Retirement System	
Total Pension Liability.....	RSI-4..... 190
Schedule of Changes in the Net Pension Liability	
City Retirement System	
Plan Fiduciary Net Pension.....	RSI-5..... 191
Schedule of Changes in the Net Pension Liability	
City Retirement System	
Net Pension Liability.....	RSI-6..... 192
Schedule of Contributions	
City Retirement System.....	RSI-7..... 193
Schedule of Changes in the Net Pension Liability	
Library Retirement System	
Total Pension Liability.....	RSI-8..... 194
Schedule of Changes in the Net Pension Liability	
Library Retirement System	
Plan Fiduciary Net Pension.....	RSI-9..... 195
Schedule of Changes in the Net Pension Liability	
Library Retirement System	
Net Pension Liability.....	RSI-10..... 196
Schedule of Contributions	
Library Retirement System.....	RSI-11..... 197

Other Supplementary Information

Combining Nonmajor Funds

Combining Balance Sheet.....	B-1..... 199
Combining Balance Sheet – Nonmajor Funds.....	B-2..... 200
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance.....	B-3..... 202
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance – Nonmajor Funds.....	B-4..... 204
Combining Schedule of Revenues and Expenditures - Budget and Actual on Basis of Budgeting (with annual budgets) – Nonmajor Special Revenue Funds.....	B-5..... 206

Enterprise Funds

Statement of Net Position.....	C-1..... 211
Statement of Revenues, Expenses, and Changes in Fund Net Position.....	C-2..... 212
Statement of Cash Flows.....	C-3..... 213

TABLE OF CONTENTS

Combining Internal Service Funds

Combining Statement of Net Position	D-1.....	215
Combining Statement of Revenues, Expenses, and Changes in Fund Net Position.....	D-2.....	216
Combining Statement of Cash Flows	D-3.....	217

Combining Fiduciary Funds

Combining Statement of Net Position	E-1.....	219
Combining Statement of Changes in Net Position	E-2.....	220
State of Changes in Fiduciary Net Position Fiduciary Agency Fund.....	E-3.....	221

Supplementary Schedules

Schedule of Delinquent Property Taxes Receivable- All Funds.....	F-1.....	223
Schedule of Revenue Debt By Issue.....	F-2.....	224
Schedule of General Obligation Debt- By Issue	F-3.....	225
Schedule of General Obligation Debt- By Use	F-4.....	226
Schedule of Capital Leases Payable- By Issue.....	F-5.....	227
Schedule of Guarantee Obligations Payable- By Issue	F-6.....	228
Long Term Debt Requirements- Revenue Debt Payable.....	F-7.....	229
Long Term Debt Requirements- Governmental Debt Payable.....	F-8.....	230
Schedule of Interfund Balances	F-9.....	231
Schedule of Interfund Transfers	F-10.....	232
Combined Schedule of Deposits and Investments Held Outside of the Cash and Investment Pool- Carrying Amount.....	F-11.....	233
Schedule of Additions and Retirements to Utility Plant.....	F-12.....	234
Debt Service Fund Schedule of Revenues, Expenditures and Changes in Fund Balance- Budget and Actual.....	F-13.....	235
General Fund Schedule of Revenues, Expenditures and Changes in Fund Balance- Budget and Actual on Basis of Budgeting	F-14.....	236

STATISTICAL SECTION

Net Position by Component.....	X-1.....	237
Changes in Net Position.....	X-2.....	238
Fund Balances of Governmental Funds	X-3.....	239
Changes in Fund Balances of Governmental Funds	X-4.....	240
General Fund Expenditures and Other Uses by Function.....	X-5.....	241
Assessed and Estimated Actual Value of Taxable Property.....	X-6.....	242
Property Tax Rates and Levies - All Direct and Overlapping Governments	X-7.....	243
Principal Property Taxpayers.....	X-8.....	244
Property Tax Levies and Collections.....	X-9.....	245
Special Assessment Collections	X-10.....	246
Ratio of Outstanding Debt by Type.....	X-11.....	247
Ratio of General Bonded Debt.....	X-12.....	248
Direct and Overlapping Governmental Activities Debt	X-13.....	249
Legal Debt Margin Information	X-14.....	250
Pledged Revenue Coverage.....	X-15.....	251
Demographic and Economic Statistics.....	X-16.....	252
Principal Employers	X-17.....	253
Government Employees by Function	X-18.....	254
Operating Indicators by Function.....	X-19.....	255
Capital Assets Statistics by Function	X-20.....	256
General Fund Expenditures on State Street Aid	X-21.....	257

SINGLE AUDIT

Supplemental Schedule of Expenditures of Federal and State Awards	Y-1.....	259
Note to the Schedule of Expenditures of Federal and State Awards.....	Y-2.....	268
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 <i>Government Auditing Standards</i>		269
Independent Auditor's Report on Compliance For Each Major Program and On Internal Control Over Compliance Required By The Uniform Guidance		272
Schedule of Findings and Questioned Costs		276
Schedule of Prior Year Audit Findings		284



COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED JUNE 30, 2016

City of Memphis

Tennessee

Jim Strickland

Mayor

PREPARED BY DIVISION OF FINANCE

Brian Collins

Chief Financial Officer



December 22, 2016

Dear Fellow Memphians,

Your city government's financial status is on a firm foundation and improving. Attached is the City of Memphis' Comprehensive Annual Financial Report for fiscal year 2016, and it documents our financial position and operations.

With the partnership of the Memphis City Council, city government's budget was balanced without a tax increase, made additional contributions to the pension plan, improved our bond rating to AA2, and invests in our employees, citizens and neighborhoods.

Careful fiscal planning allows us to focus this upcoming year on core city government services. We will work to significantly reduce crime, continue neighborhood investment, clean blighted communities, and encourage civic engagement to address fundamental community challenges.

In addition, we will initiate our first comprehensive plan in 35 years. We will extensively work with our citizens and plan the neighborhood changes they want to achieve in the next 15-20 years. This "Memphis 3.0" plan will kick us off into our city's third century in 2019.

We're on the right path. Let's continue to be diligent with how we spend tax payer dollars so that we keep the City of Memphis on solid ground.

Sincerely,

Jim Strickland.



Jim Strickland
Mayor

INTRODUCTORY SECTION

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

December 22, 2016

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, 2016, 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, 2016. The independent auditor's report is located at the front of the financial section of this report.

Management's discussion and analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the basic financial statements. The MD&A complements this letter of transmittal and should be read in conjunction with it.

Profile of the Government

The City of Memphis is a home rule city under State law and was incorporated in 1826. The present Charter was adopted in 1968 and provides for a Mayor-Council form of government. The Charter provides for the election of a mayor and thirteen council members. The City currently occupies a land area of 340.5 square miles and serves an estimated population of 653,480. 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 Governmental Accounting Standards Board requirements to identify the various organizations as: (1) organizations which are part of the City's legal entity; (2) organizations that are legally separate and for which the City appoints a voting majority of the organization's governing body and the City is either able to impose its will or has the potential of receiving financial benefit or realizing a financial burden from the organization; and (3) organizations that are fiscally dependent on the City.

The City considers the Memphis Cook Convention Center (Center) a blended component unit due to its financial responsibility and commitment for the entity. For City reporting purposes, the Center is presented as part of the combining nonmajor funds.

The following organizations are component units of the City and as such are discretely presented (separated from the primary government) in the general purpose financial statements:

- Memphis Area Transit Authority
- Memphis and Shelby County Airport Authority
- Memphis Zoological Society
- Blight Authority of Memphis, Inc.

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

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

- Memphis and Shelby County Port Commission
- New Memphis Arena Public Building Authority of Memphis and Shelby County
- Sports Authority of Memphis and Shelby County Incorporated

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

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

- Memphis Housing Authority (related organization)
- Downtown Memphis Development Commission
- Memphis and Shelby County Parking Authority
- Memphis Center City Revenue Finance Corporation
- Industrial Development Board
- Depot Redevelopment Corporation of Memphis and Shelby County
- Economic Development Growth Engine (EDGE) Industrial Development Board
- Memphis and Shelby County Community Redevelopment Agency

The City administration annually prepares a plan of services for the upcoming fiscal year and the estimated cost of providing these services. This plan is reviewed by the City Council and is formally adopted by the passage of a budget ordinance prior to the end of the fiscal year. The ordinance provides for budgetary control at program levels (e.g., public safety) and by division (e.g., police) and said budgets cannot be

exceeded without the approval of the City Council. The Mayor has authority to approve transfers between categories (e.g., personnel, materials and supplies) within maximum limits for each transfer and each program. Transfers between programs, however, require authorization by ordinance or resolution of the City Council.

Economic Condition Assessment

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

The National Economy

- The National Economy started the year off on a sour note with inflation-adjusted gross domestic product (GDP) advancing only 0.5%. And once again, unique circumstances led to the weak first quarter performance, notably setbacks for nonresidential fixed investment and exports. Growth has shown a modest rebound and annualized growth is expected to come in at 1.7% in 2016, below the 2.4% rate of GDP expansion in 2015.
- Despite GDP's weak showing in the first quarter, other measures point to a healthy economy that is on a sustainable path of growth. Consumer spending advanced 1.9% in the first quarter while residential fixed investment spiked 14.9%.
- Payroll employment was up 1.9% and the unemployment rate fell from 5.0% in the fourth quarter of 2015 to 4.9% in the first quarter of 2016. Strong payroll employment growth appears to be pulling discouraged workers back into the labor force. Global economic growth and ultimately a falling dollar will help support stronger export growth. Oil prices seem to have bottomed out so the nation's mining and petroleum sector should no longer be a drag on business fixed investment; consumers are already seeing upward movement in petroleum prices at the pump.
- While interest rates are expected to inch higher, inflated-adjusted interest rates will remain low by historical standards, helping to support the economy's ongoing expansion. GDP growth will accelerate modestly as the year unfolds, yielding a 3.1% rate of growth in the fourth quarter of the year.

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.
- In Tennessee, nominal personal income grew faster than the national average during the last three quarters of 2015. Nonfarm job growth in Tennessee outpaced national job growth over the same time period, as well as in the first quarter of 2016.
- Tennessee’s quarterly unemployment rate dropped 0.7 percentage points and fell to 4.9% during the first quarter of 2016. The state’s unemployment rate took surprising dips to 4.5% in March and 4.3% in April, the lowest rates that have been seen in a decade. Tennessee’s 2016 unemployment rate is projected to rest below its national counterpart of 4.9% for the first time since 2012.
- In Tennessee, nominal personal income will increase by 5.0% this year, due to relatively strong growth in the first quarter. By comparison, national personal income will grow by 3.8%.

Source: *Tennessee Business and Economic Outlook*

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

The nation’s unemployment rate decreased 3.9% percent year over year to 4.9 from 5.1. The unemployment rate for Tennessee and the Memphis MSA continues to follow the national trend by also decreasing in 2016. Tennessee’s August 2016 unemployment rate reflects a 22.8% decrease from August 2015. Memphis’ unemployment rate decreased to 5.5 in August 2016, down 25.7% from the same period a year ago.

Unemployment Rates (Seasonally Adjusted) 2015-2016

Region	August 2015	August 2016	Percent Change
Memphis MSA	7.4	5.5	-25.7%
TN	5.7	4.4	-22.8%
US	5.1	4.9	-3.9%

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

When comparing September 2016 real estate statistics to the same period in 2015, the Memphis real estate market showed a mix of modest improvements and slight progressions. Total home sales increased by 13.48%. The average sales price increased by 2.73% while the median sales price increased by 4.05%. Overall, the market activity continues to be encouraging with no significant set-backs noted per the comparative.

Home Sales in Memphis, Comparative September 2015-2016

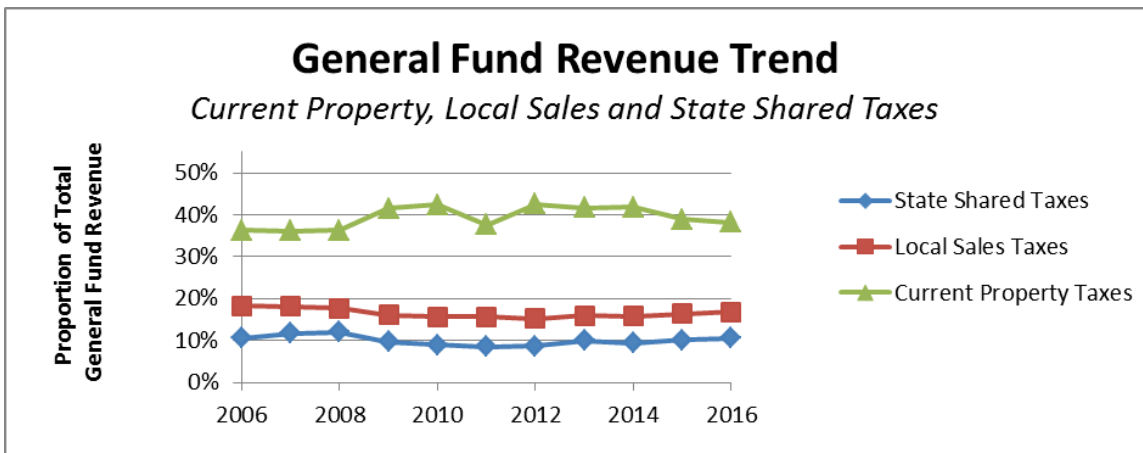
	FY2015	FY2016	Change %
Home Sales	1,424	1,616	13.5%
Median Sales Price	\$125,000	\$130,000	4.0%
Average Sales Price	\$159,420	\$163,770	2.7%
Active Listings	6,404	5,504	-14.1%

Source: Memphis Area Association of Realtors Multiple Listing Service

The chart below shows the General Fund revenue trends from fiscal year 2006 through 2016. Explanations for notable trends are as follows:

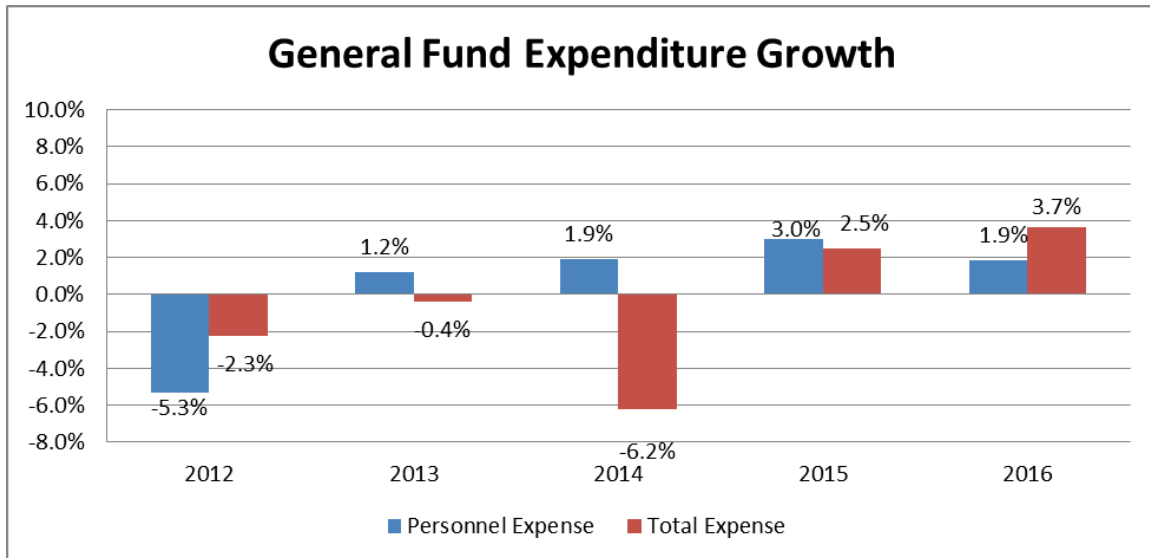
- During fiscal year 2006, the City realized a significant increase in property tax revenues as a result of a rate increase.
- During fiscal year 2007 and fiscal year 2008, the percentage of revenues from current Property Taxes, Local Sales Taxes and State Shared Taxes remained relatively constant year over year.
- Property Tax revenues in the general fund increased in total and as a percentage of total revenues due to an increase in the property tax rate allocation to the general fund during fiscal year 2009.
- No noticeable change in the Property Tax, Local Sales Tax or State Shared Tax revenue percentages occurred in fiscal year 2010.
- During fiscal year 2011, total revenues increased due to a significant transfer from the Debt Service Fund and increases in the Local Sales and State Shared Tax collections. The increased Debt Service Fund transfers provided funding for transfers made to Memphis City Schools from the General Fund. As such, during fiscal year 2011 Property Tax revenues decreased as a percentage of total revenues.
- In fiscal year 2012, Property tax revenues increased as a percentage of total revenues due to the transfers from the Debt Service fund in fiscal year 2012 being significantly less than the year before, a one-time \$0.18 cents property tax rate allocation to the general fund to support disbursements to Memphis City Schools, and an acceleration of current property tax collections due to the City executing a sale of tax receivables.

- Despite decreased collections from prior year, fiscal year's 2013 current property taxes remained constant as a percentage of total revenues year over year. The total current property tax revenue collections decreased in fiscal year 2013 due to the elimination of the one-time \$0.18 cents general fund property tax rate allocation levied in fiscal year 2012 and the reduction of the overall base property tax rate in fiscal year 2013 to \$3.11 from \$3.19. Total revenues were further reduced by a decrease in transfers in from the Debt Service Fund and the MLGW division. The MLGW transfer decrease was primarily the result of MLGW remitting amounts directly to Shelby County that historically had been transferred to the City as a pass-thru to Shelby County. State shared revenues and local sales taxes increased slightly as a percentage of revenues due to increased collections in State Hall income tax collections and as a function of the lower overall total revenue base, respectively.
- While 2014 revenue increased slightly over 2013 in current property tax and local sales tax collections, both categories remained constant as a percentage of total revenue year over year. State shared revenue for 2014 decreased slightly from 2013 due to lower collections in both the Hall income and the professional athletes' privilege taxes. However, state shared revenue collections still accounted for the same relative percentage of total revenue.
- 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 2016, general fund revenues increased over 2015, primarily as a result of greater than expected revenue from state sales tax. Current Property Taxes have marginally decreased year over year from 39% to 38%.



With 65% 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 (formally known as Actuarially Required Contribution) by the year 2020.

- Personnel expenditures decreased by 5.3% in fiscal year 2012 as a result of a 4.62% general decrease given to all employees who did not take a pay cut in fiscal year 2011 and reduced funding to the City's OPEB Trust Fund. However, total expenditures only decreased by 2.3% due to increased transfer of general funds to Memphis City Schools.
- In fiscal year 2013, total expenditures were down (0.4%), although there was a slight increase of 1.2% 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% over fiscal year 2013, marking the third consecutive year of decreases. Total personnel expenditures increased 6% 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. The City increased Memphis Area Transit Authority (MATA)'s funding by \$4 million.



Recent Developments:

- In June 2016, the City of Memphis began a massive \$210 million South City Renewal. The South City Project aims to redevelop Memphis' last major public housing development and transform the area into a complete community with mixed-income housing and amenities that complement a revitalized Downtown Core. This project is financed primarily by the \$30 million HUD grant, more than \$30 million in city funding, nearly \$83 million in federal tax credits, and about \$25 million in loans. Budget includes \$167 million for housing, \$25 million for neighborhood improvements and \$18 million for social support programs. Plans to shore up the neighborhood include a grocery store, early childhood center, fitness trail, housing units where residents can also run businesses, small business loans, street and building beautification and improvements to parks and public safety.
- Beale Street Landing is the 2016 Best Marina/ Port in the World as announced by Architizer's 4th Annual A+ Awards! This international recognition is an affirmation of the thoughtful design of the architects and the willingness of the Memphis community to embrace a world-class approach to riverboat docking. This \$36.4 million in economic impact equates to \$4.7 million in local tax revenue, of which \$2.3 million goes directly to the City.
- In December 2014, the Memphis City Council voted to approve \$15 million in funding for their portion of infrastructure improvements to the Sears Crosstown building. In February 2015, the project officially broke ground marking the beginning of the \$125 million revitalization. At least thirty local, state and federal financial sources comprise the budget needed to complete the renovation. The project will yield a multi-purpose facility that will include restaurants, residential spaces and retail shops. The project will yield roughly 1,000 temporary construction jobs and 800 permanent jobs for building services upon completion. The complex will be home to several premier tenants such as The

Church Health Center, St. Jude's Children's Research Hospital/ALSAC and Methodist LeBonheur Hospital.

Long-term Financial Planning

The Fiscal Year 2016 Operating Budget brought many budgeting challenges to the City in its goal of restoring and maintaining financial stability while addressing some of its biggest financial issues. While these difficult financial times forced the City to prioritize and cut operating expenditures, the City has strategically funded its budget to place emphasis on its essential priorities: to create safe and vibrant neighborhoods, grow prosperity and opportunity for its citizens, invest in the youth of the City, and advance a culture of excellence in government.

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

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 2016-2020 are:

The Fire Division - Funding made available for construction repairs on all fire stations and to purchase personal prevention equipment.

The Police Division – Funding made available for the purchase of In-Car Videos/GPS, a Mobile Command Unit and Communication Power Supply.

The Public Works Division -Funding made available to pave more than 400 lane miles of streets each year including ADA ramp improvements, and several road projects.

The Stormwater Fund – The CIP budget will allow the City to make major investments in drainage infrastructure throughout the City.

The Sewer Fund – Funding made available for the repair and replacement of sewer infrastructure, new sewer connections and improvements to the treatment plants.

The General Services Division - The FY2016 GS funding features the Walter Simmons relocation project. Funding is also proposed to provide for major ADA improvements, and minor improvements to various City buildings. This budget also reflects \$9.6 million for City-wide vehicle and equipment purchases. Included in capital acquisition is funding for 115 police vehicles and 20 PST vehicle for police traffic responders. This area also includes requests funds for 3 fire engines.

Housing and Community Development - Budget funding included for MHA-Foote Cleaborn Future Hope and Mason Village COGIC projects.

The Engineering Division – Funding made available to replace traffic signals and various transportation improvements.

Riverfront Development - Funding from FY2015 was reprogrammed in the FY 2016 budget for repairs and replacement of historic cobblestone paving, water taxi system, and railroad crossing/ADA improvements.

The Memphis Area Transit Authority - This budget is heavily leveraged by Federal and State funding. This year's budget includes, repairs to the trolley system and infrastructure and also include the purchase of rail vehicles.

Parks and Neighborhoods - Funding made available to rehabilitate the Pink Palace Planetarium and Museum and various city parks and facilities.

Capital Planning Process

The Finance Division provides financing strategies to assist in developing a plan to fund the capital improvement needs of the City. One element of this strategy includes an annual comprehensive review and assessment of the City's Capital Improvement Program (CIP) to ensure the coordination and alignment of the City's planning initiatives, financial capacity, and environmental/physical development. The City's CIP has a budget which includes a spending plan for the upcoming year and a plan for capital expenditures that extend up to four (4) years and beyond. The success of the capital improvement program depends on the broad participation, cooperation, and coordination of the City's divisions and quasi city agencies. The CIP is linked to and impacts the City's operating budget.

The benefits of a successfully managed CIP 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 insure that all major capital expenditures are not only necessary and appropriate but also fall into categories that include, but are not limited to:

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

Capital Improvement Projects are also prioritized and coordinated with the plans of other public entities to maximize the leveraging of resources with other major projects being developed in both the public and private sectors.

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, 2015. This was the 39th 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, 2015, the 18th 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.

Respectfully submitted,



Brian Collins
Chief Financial Officer



Shirley Ford, CPA, CMFO
Comptroller





Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

**City of Memphis
Tennessee**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2015

A handwritten signature in black ink, reading "Jeffrey R. Emer". The signature is written in a cursive, flowing style.

Executive Director/CEO

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Memphis for its comprehensive annual financial report for the fiscal year ended June 30, 2015. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

CITY OF MEMPHIS, TENNESSEE

CITY OFFICIALS

Jim Strickland, Mayor

CITY COUNCIL

Kemp Conrad, Chairman (District 9-1)

Berlin Boyd	District 7	Martavius Jones	District 8-3
Joe W. Brown	District 8-1	Worth Morgan	District 5
Frank H. Colvett, Jr	District 2	Bill Morrison	District 1
Edmund Ford, Jr	District 6	Patrice J. Robinson	District 3
Janis Fullilove	District 8-2	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

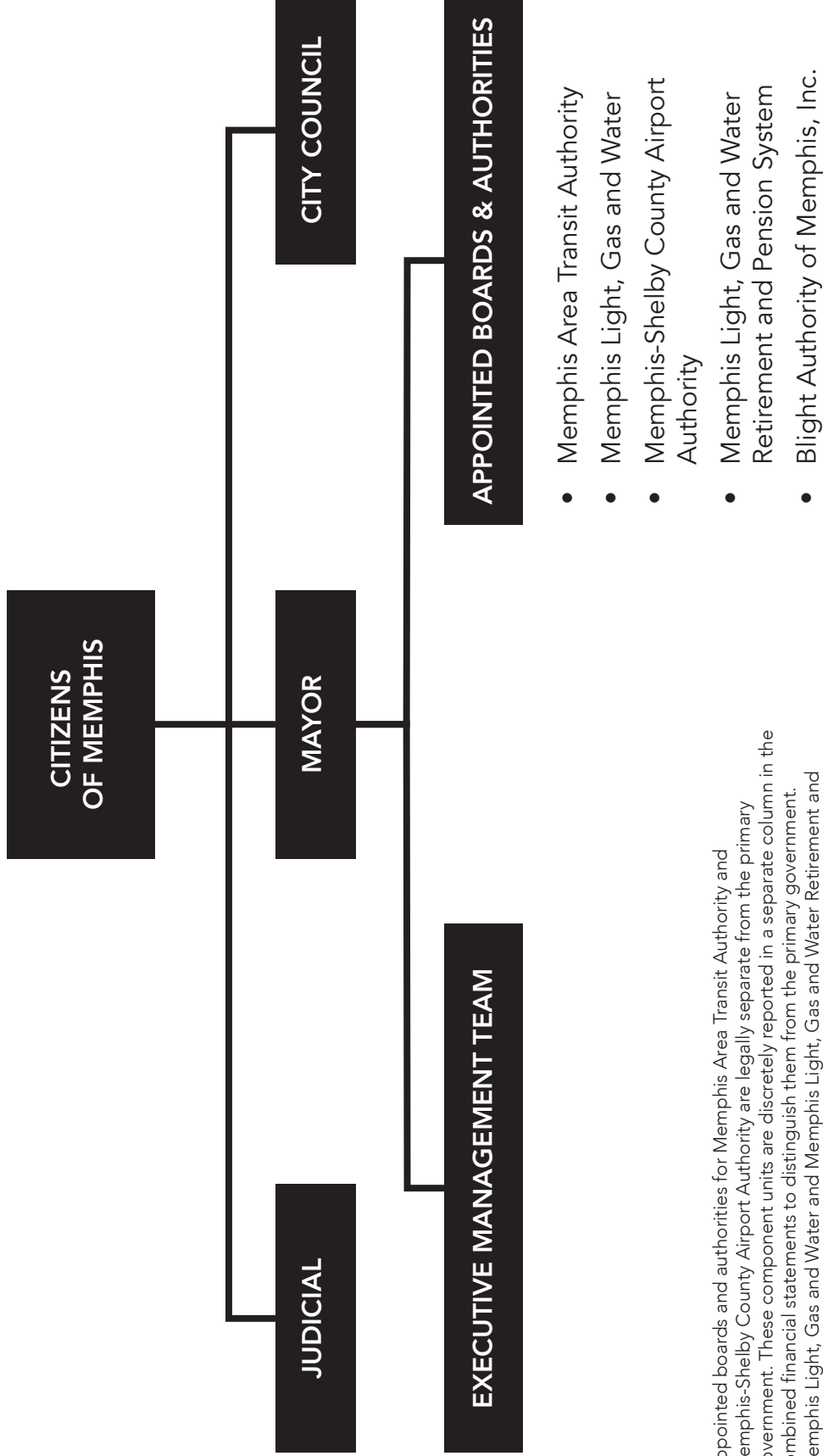
Antonio Adams	Director, General Services
Debbie Banks	Director, Internal Audit
Manny Belen	Interim Director, City Engineer
Brian Collins	Chief Financial Officer
Jerry Collins	President, Memphis Light, Gas and Water Division
Richard Copeland	Director, Office of Planning and Development
Shirley Ford	Comptroller
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	Chief of Police Services
Alexandria Smith	Chief Human Resources Officer
Gina Sweat	Chief of Fire Services
Paul Young	Director, Housing and Community Development



City of Memphis, Tennessee

ORGANIZATION CHART

Primary Government and Discretely Presented Component Units

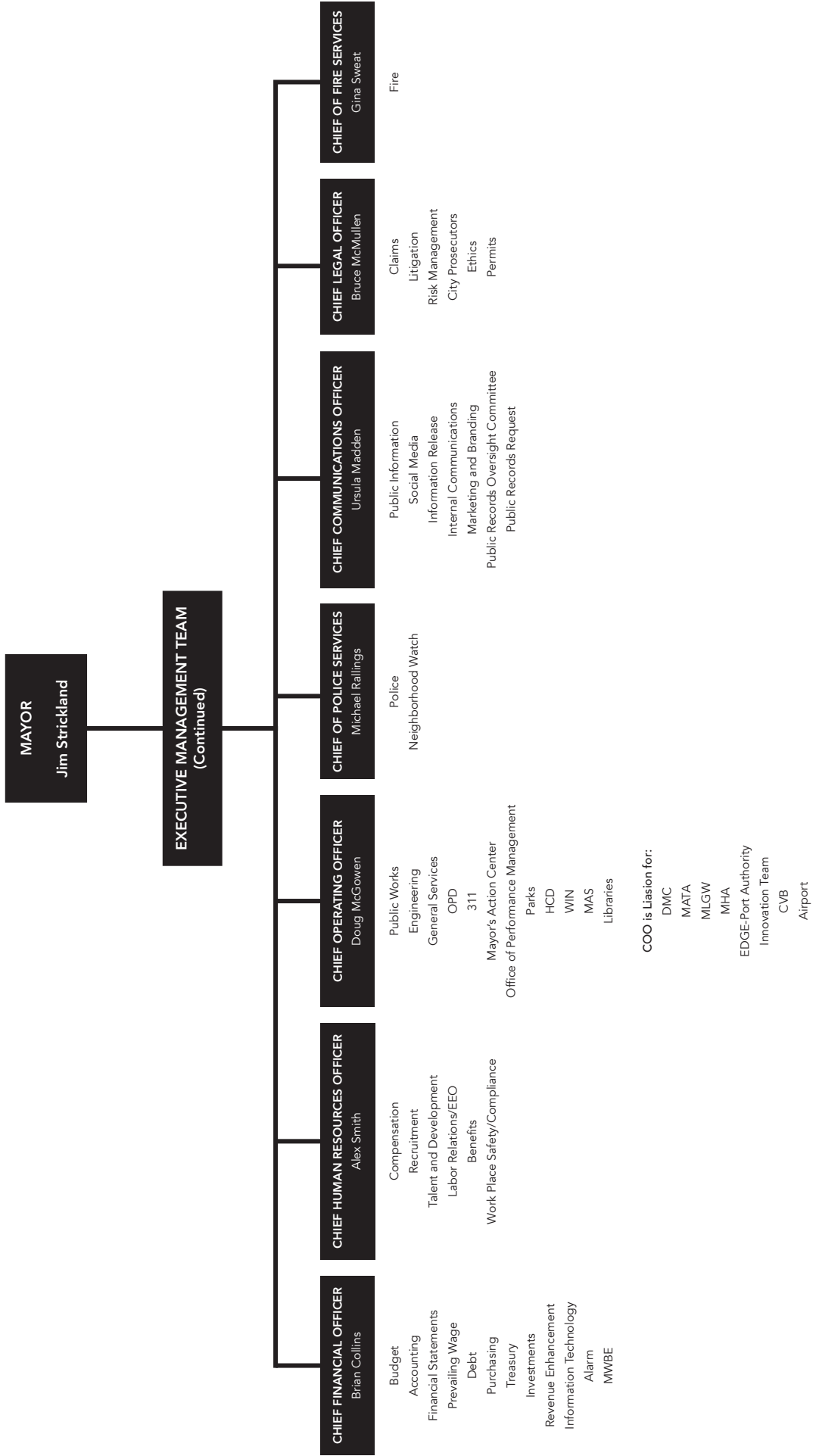


(1) Appointed boards and authorities for Memphis Area Transit Authority and Memphis-Shelby County Airport Authority are legally separate from the primary government. These component units are discretely reported in a separate column in the combined financial statements to distinguish them from the primary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

Report on the Financial Statements

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, 2016, 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%, 87%, 72%, respectively, of the assets, net position, and revenues of the aggregate discretely presented components units. We did not audit the financial statements of the Electric, Gas and Water Divisions of Memphis, Light, Gas and Water Division, a major proprietary fund. The Electric, Gas and Water Divisions of Memphis, Light, Gas and Water Division represent 81%, 80%, 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 reports have 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 reports 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, 2016, 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 on pages 25 through 43 and other required supplementary information on pages 187 through 197 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of



financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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 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 are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary information and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 22, 2016, 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.

Bank, Finley, White & Co.

Memphis, Tennessee

December 22, 2016

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, 2016. We encourage readers to consider the information presented here in conjunction with additional information that is furnished in the letter of transmittal and notes to the financial statements. All amounts, unless otherwise indicated, are expressed in thousands of dollars.

Financial Highlights

- The primary government's total assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources at June 30, 2016 by \$2,003,502 (net position). Total government-wide net position increased by \$98,329 in fiscal year 2016, which netted to \$78,062 after prior period adjustments of \$483 for governmental activities and \$19,784 for business-type activities.
- At June 30, 2016, the City's governmental activities reported ending net position of a negative \$407,176 compared to a negative \$455,329 as restated from the prior year, resulting in a change of \$48,153 or 10.6% from the restated ending net position for the prior year.
- The City's business-type activities reported a June 30, 2016 ending net position of \$2,410,678 an increase of \$29,909 or 1.3% from prior year.
- At June 30, 2016, the fund balance for the general fund was \$145,373 an increase of \$13,107 or 9.91% from prior year's balance. The unassigned portion of the fund balance at fiscal year end was \$94,674.
- The City's total general obligation, other debt, and revenue bond debt decreased by \$59,363 or 3.7% during the current fiscal year.
- The City's total liabilities of \$3,514,481 which include, among other items, pension and other post-employment benefits obligations, increased by \$87,093 or 2.5% from prior year total liabilities of \$3,427,388.
- Deferred Outflows increased from \$88,078 to \$220,827 for a change of \$132,749 year over year primarily attributable to deferred outflows related to pensions.
- Deferred Inflows increased from \$565,309 to \$613,860 for a change of \$48,551 year over year primarily attributable to changes in deferred inflows related to pensions.

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, 2016. 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 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-2 and B-4). Also included in the combining statements is the Memphis Cook Convention Center which is presented as a blended component unit (Exhibit B-1 and B-3).

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 2016 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 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, 2016.

Condensed Statement of Net Position

	Governmental activities		Business-type activities		Total	
	2016	2015	2016	2015	2016	2015
Current and other assets	\$ 978,572	960,701	1,177,810	1,283,319	2,156,382	2,244,020
Capital assets	1,532,774	1,477,490	2,221,860	2,108,549	3,754,634	3,586,039
Total assets	<u>2,511,346</u>	<u>2,438,191</u>	<u>3,399,670</u>	<u>3,391,868</u>	<u>5,911,016</u>	<u>5,830,059</u>
Deferred outflows of resources	186,511	77,076	34,316	11,002	220,827	88,078
Long-term liabilities outstanding	1,426,978	1,465,449	384,380	897,764	1,811,358	2,363,213
Other liabilities	1,098,977	942,009	604,146	122,166	1,703,123	1,064,175
Total liabilities	<u>2,525,955</u>	<u>2,407,458</u>	<u>988,526</u>	<u>1,019,930</u>	<u>3,514,481</u>	<u>3,427,388</u>
Deferred inflows of resources	579,078	563,138	34,782	2,171	613,860	565,309
Net positions:						
Net investment in capital assets	293,259	2,611,833	2,017,891	1,896,485	2,311,150	4,508,318
Restricted	151,398	149,752	72,629	107,065	224,027	256,817
Unrestricted	(851,833)	(3,216,914)	320,158	377,219	(531,675)	(2,839,695)
Total net position as restated	<u>\$ (407,176)</u>	<u>(455,329)</u>	<u>2,410,678</u>	<u>2,380,769</u>	<u>2,003,502</u>	<u>1,925,440</u>

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 \$2,311,150. 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 \$224,027 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 \$531,675.

Condensed Statement of Changes in Net Positions

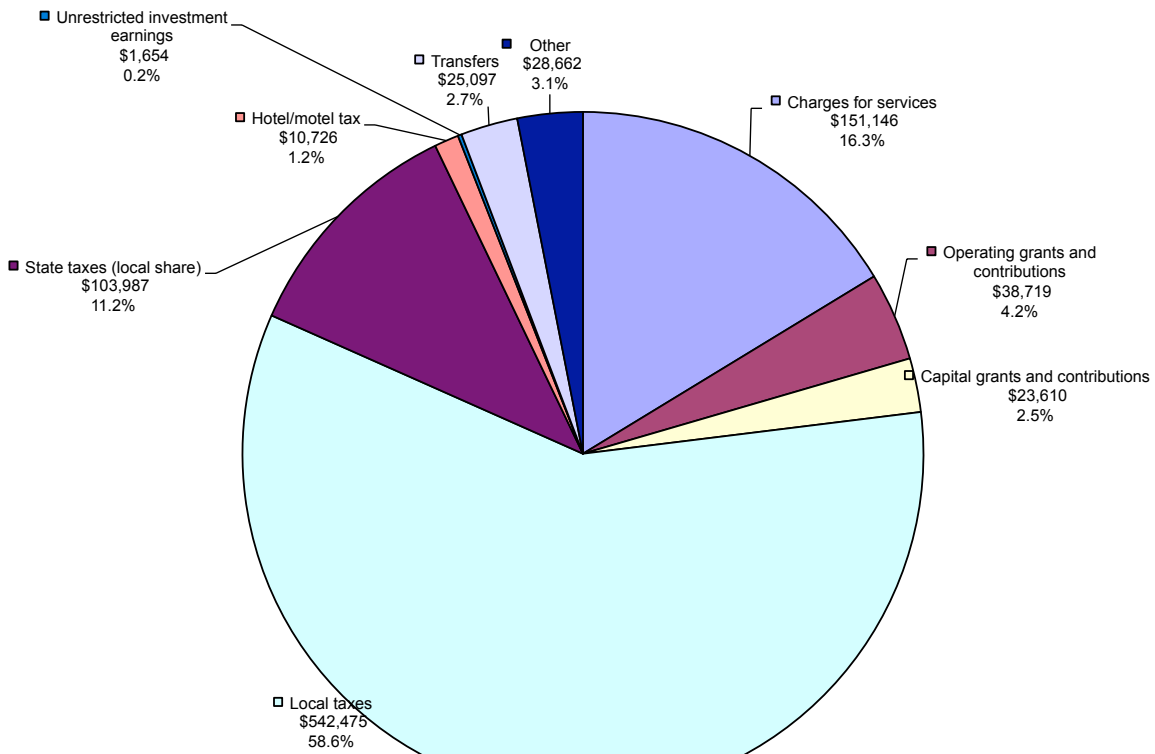
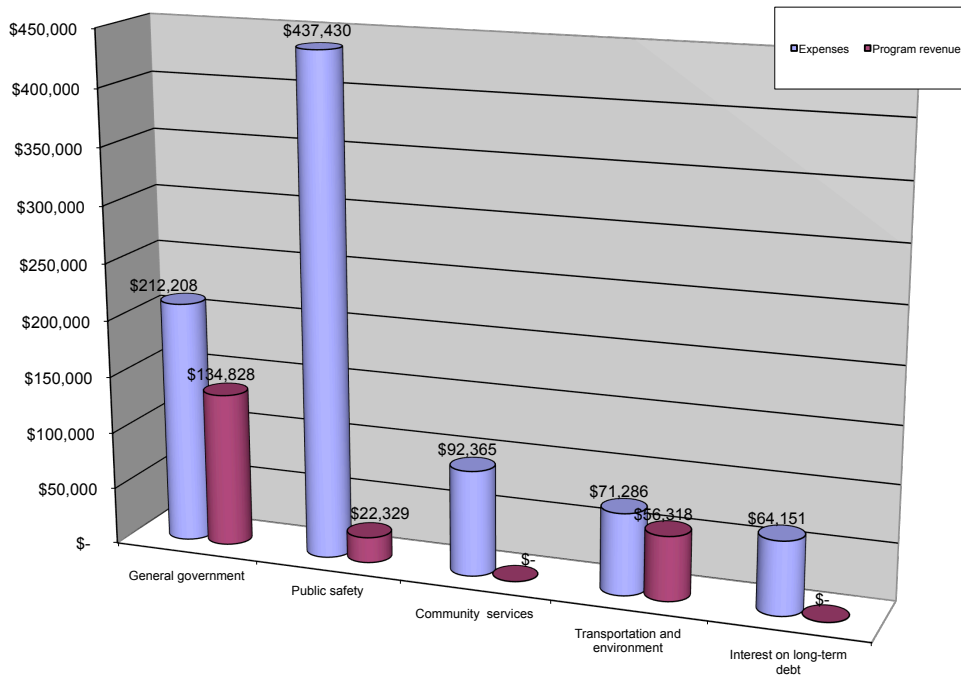
	Governmental activities		Business-type activities		Total	
	2016	2015	2016	2015	2016	2015
Revenues:						
Program Revenues:						
Charges for services	\$ 151,146	148,253	1,724,091	1,828,505	1,875,237	1,976,758
Operating grants and contributions	38,719	57,732	555	562	39,274	58,294
Capital grants and contributions	23,610	12,627	3,009	3,022	26,619	15,649
General revenues:						
Local taxes	542,475	571,583	-	-	542,475	571,583
State taxes (local share)	103,987	77,129	-	-	103,987	77,129
Hotel/motel tax	10,726	4,612	-	-	10,726	4,612
Sale of Capital Assets	-	-	-	-	-	-
Unrestricted investment earnings	1,654	813	21,998	24,816	23,652	25,629
Other	28,662	19,563	10,003	3,991	38,665	23,554
Total revenues	900,979	892,312	1,759,656	1,860,896	2,660,635	2,753,208
Expenses:						
General government	212,054	134,182	-	-	212,054	134,182
Public safety	437,430	425,128	-	-	437,430	425,128
Community services	92,365	93,383	-	-	92,365	93,383
Transportation and environment	71,286	85,675	-	-	71,286	85,675
Education	154	(151)	-	-	154	(151)
Interest on long-term debt	64,151	83,005	-	-	64,151	83,005
Sewer collection and treatment	-	-	70,163	63,049	70,163	63,049
Memphis Light, Gas and Water	-	-	1,554,006	1,630,708	1,554,006	1,630,708
Storm Water	-	-	19,289	17,027	19,289	17,027
Total expenses	877,440	821,222	1,643,458	1,710,784	2,520,898	2,532,006
Increase (decrease) in net position before transfers	23,539	71,090	116,198	150,112	139,737	221,202
Transfers	25,097	68,302	(66,505)	(68,302)	(41,408)	-
Increase (decrease) in net position	48,636	139,392	49,693	81,810	98,329	221,202
Net position - July 1	(455,329)	(594,721)	2,380,769	2,298,959	1,925,440	1,704,238
Prior Period Adjustment	(483)	-	(19,784)	-	(20,267)	-
Net position - July 1, as restated	(455,812)	(594,721)	2,360,985	2,298,959	1,905,173	1,704,238
Net position - June 30	\$ (407,176)	(455,329)	2,410,678	2,380,769	2,003,502	1,925,440

Governmental Activities

During fiscal year 2016, governmental activities increased the City's net position by \$48,636 and Business-Type activities increased net position by \$49,693, thereby resulting in a net increase of \$98,329 in total primary government's beginning net position before prior period adjustments. Key elements of the governmental activities are discussed below:

- During fiscal year 2016, revenues increased by \$8,667 primarily as a result of better than expected revenue from state sales taxes, an increase in capital grants and contributions, and a \$6,114 increase in Hotel Motel tax revenue over prior year.
- Interest on long-term debt decreased \$18,854 over last fiscal year.

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



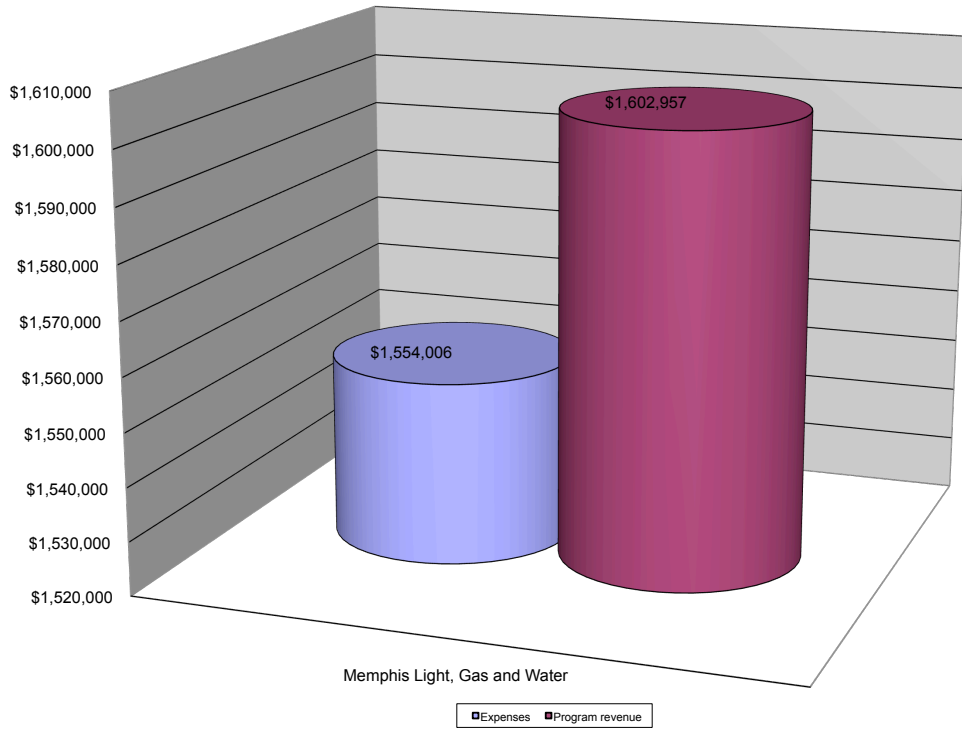
Revenues by Source - Governmental Activities Revenue

Business-type Activities

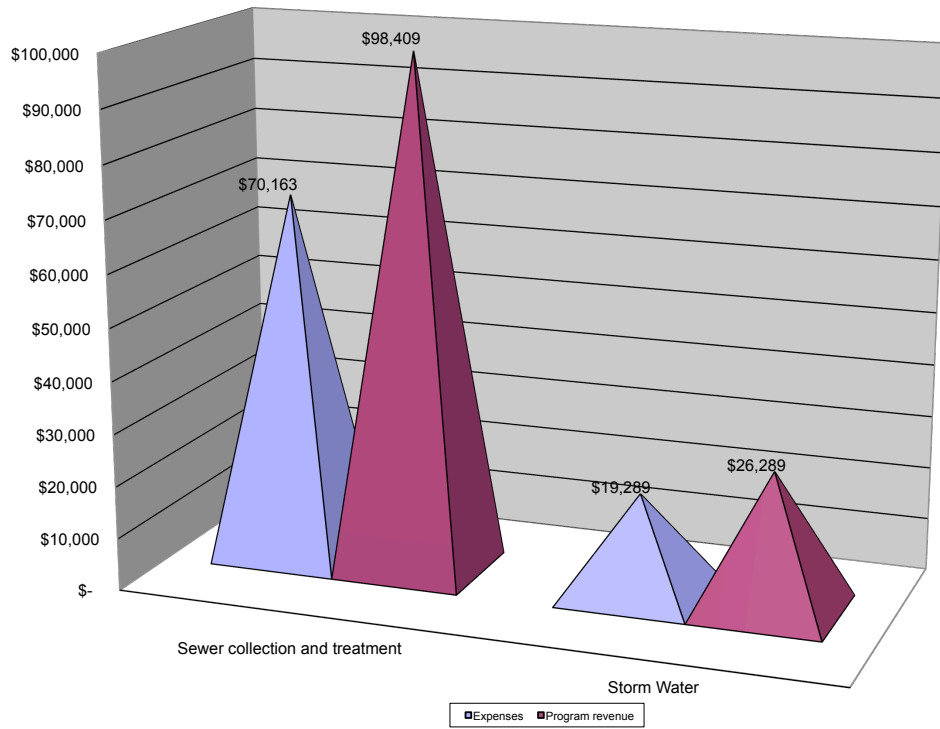
Business-type activities increased the City's net position by \$29,909, accounting for 1.3% growth on the beginning net position. Key elements of the increase are as follows:

- Total revenues for the Business-type activities were down \$101,240 year over year.
- The most significant decrease in expenditures from prior year occurred in the Memphis Light Gas & Water (MLGW) Business-type activities which decreased by \$76,702.
- MLGW also recorded a \$19,784 prior period adjustment reduction to its net position as of June 30, 2015 as a result of the implementation of GASB 68 for pensions.

**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, 2016, the City's total governmental funds reported combined ending fund balance of \$251,866 an increase of \$10,124 in comparison with the prior year. Approximately 37.9% or \$95,468 of the fund balance constitutes unassigned fund balance, which is available for spending at the government's discretion. Approximately 27.7% or \$69,826 of the fund balance is considered restricted to indicate the amount is subject to external enforceable legal restrictions. Another \$43,083 or 17.1% 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 \$43,489 or 17.3% has been assigned by the administration to indicate that it is not available for new spending primarily because it has already been committed 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, 2016, unassigned fund balance of the general fund was \$94,674, while total fund balance was \$145,373. 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 65.1% of total general fund expenditures, while total general fund balance represents 23.7% of the fund expenditures.

The fund balance of the City's general fund increased by \$13,107 or 9.9% during the fiscal year ended June 30, 2016. Key factors resulting in this increase are as follows:

- Total General Fund Revenues increased \$22,677 or 3.9% over prior year. All revenue categories, including local and state taxes showed slight increases from the prior year, with the exception of state grants which showed a modest decrease year over year.
- Transfers In showed a decrease of \$6,992 from fiscal year 2015. Transfers Out decreased \$230 from prior year.
- Other Financing Uses also showed an expenditure of \$6,250 for transactions that were an element of the assigned fund balance of 2015. Transactions were finalized and payment approved by City Council during the fiscal year 2016.
- Total expenditures increased by \$16,498 or 2.8% over prior year. Increases were across the categories of general government services, public safety, and transportation and environment. Increases were largely attributable to increases in personnel services for Police and Fire. Community services experienced a slight decrease in expenditures.

The fund balance of the City's Debt Service fund increased by \$8,432 to \$61,255 during the fiscal year ended June 30, 2016. Key factors resulting in this increase are as follows:

- Total revenues increased by \$3,172 or 2.15%. The increase resulted primarily from an increase in local share of state tax.
- Expenditures related to debt service remained basically unchanged year over year; \$160,815 for fiscal year 2016, and \$160,928 for fiscal year 2015.
- Total other financing sources and uses increased \$2,927. Activities included an increase of \$4,600 for Transfers In, payment to refunded bond escrow agent decrease of \$147,171, source on refunding bonds/issuance of debt decrease of \$129,480, and source on premium on general obligation bonds decrease of \$19,279.

The fund balance of the City's Capital Project fund decreased by \$21,695 or 83.2% for fiscal year ended June 30, 2016. The key factor resulting in the decrease is the continuance of expenditures over revenues in the amount of approximately \$70,900. Other elements of fund balance change are:

- Revenue increased \$13,057 from prior year.
- Expenditures also increased \$13,019 from prior year.
- Transfers In increased \$2,341.

Details for the other governmental funds, including special revenue funds are presented in Exhibits B-2 and B-4.

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 \$320,158 on Exhibit A-1 is comprised primarily of \$307,891 for Memphis Light, Gas and Water, which can be used for on-going operations of the public utility system and \$25,885 unrestricted net position for the Sewer Collection and Treatment Fund. The remaining negative \$11,965 represents unrestricted net position of the nonmajor Storm Water Fund and the positive adjustment of \$20,250 to reflect the consolidation of internal services funds related to the enterprise funds. 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 2016 anticipated a use of fund balance of \$12,933. Actual contribution to fund balance for fiscal year 2016 was \$13,107.

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

- Local taxes were increased \$8,523, largely attributable to an increase in anticipated property tax revenue and gross receipts tax.
- State taxes were increased \$5,000 for increases in state sales tax and state income taxes.
- Expenditures budget was increased \$41,472 to adjust for increased material and supplies line items, largely attributable to public safety and transportation.
- Transfers out were adjusted up \$5,872 to accommodate operating cash flow for Housing and Community Development (HCD) and Workforce Investment Network (WIN).

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, 2016, totaled \$3,754,634 (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 \$168,648 or 4.7%. The governmental activities contributed \$55,284 to the increase. The business-type activities contributed \$113,364.

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

	Governmental activities		Business-type activities		Total	
	2016	2015	2016	2015	2016	2015
Land and buildings	\$ 361,342	354,432	31,904	32,972	393,246	387,404
Improvements other than buildings	548,755	514,464	295,283	294,425	844,038	808,889
Equipment	55,238	37,030	14,834	15,336	70,072	52,366
Construction in progress	567,439	571,564	203,357	129,508	770,796	701,072
Memphis Light, Gas and Water		-	1,676,482	1,636,255	1,676,482	1,636,255
Total	<u>\$ 1,532,774</u>	<u>1,477,490</u>	<u>2,221,860</u>	<u>2,108,496</u>	<u>3,754,634</u>	<u>3,585,986</u>

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

- Continued anti-blight initiatives.
- Funding for construction repairs on all fire stations and additions to equipment.
- Purchase of police in-car video equipment, mobile command unit, 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.
- Funding for MHA Foote Cleaborn Future Hope and Masson Village COGIC projects.
- Rehabilitation to the Pink Palace Planetarium and Museum.

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

Long-term Debt

At June 30, 2016, the City had total bonded debt outstanding of \$2,115,068. Of this amount, \$1,535,123 comprises debt backed by the full faith and credit of the government. The remaining balance of \$579,945 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	
	2016	2015	2016	2015	2016	2015
General obligation bonds	1,263,105	1,288,289	-	-	1,263,105	1,288,289
Commercial Paper	-	20,000	-	-	-	20,000
Capital lease obligations	38,025	43,062	-	-	38,025	43,062
Settlement obligations	18,666	20,000	-	-	18,666	20,000
Guarantee obligations	215,327	223,135	-	-	215,327	223,135
Revenue bonds	-	-	568,601	691,377	568,601	691,377
State loans	-	-	11,344	4,749	11,344	4,749
Total	\$ 1,535,123	1,594,486	579,945	696,126	2,115,068	2,290,612

The City's total general obligation debt decreased by \$175,544 (7.7%) during fiscal year 2016. 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 3.7%, while business-type activities' debt decreased by 16.7%.

The City has long held a high grade bond rating on indebtedness from the major credit rating services. As of June 30, 2016, the City held ratings of Aa2 by Moody's Investor Service, AA by S&P Global Rating Service, and AA- from Fitch, Inc. 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 2017 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 \$1,152,964 against revenues of \$1,180,583.
- The adopted operating budget for the general fund is \$667,425 in revenues and \$667,294 in expenditures, with a projected \$131 contribution to the 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 2017 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, 2016

CITY OF MEMPHIS, TENNESSEE
EXHIBIT A-1

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Cash and cash equivalents	\$ 4,830	\$ 239,894	\$ 244,724	\$ 40,530
Investments	622	158,034	158,656	23,431
Equity in cash and investment pool	281,576	70,407	351,983	-
Restricted funds	-	47,750	47,750	-
Receivables (net of allowance for uncollectibles):				
Property taxes	428,159	-	428,159	-
Sales, income, and other taxes	47,576	-	47,576	-
Special assessments	3,565	-	3,565	-
Federal and state grants	64,830	-	64,830	5,763
Interest and dividends on investments	199	4	203	-
Notes and accounts receivable	1,107	138,816	139,923	-
Housing rehabilitation loans	55,125	-	55,125	-
Other	34,929	-	34,929	8,708
Internal balances	3,647	8,347	11,994	-
Due from other agencies and governments	45,370	-	45,370	354
Inventories	799	34,461	35,260	5,095
Unbilled revenues	-	63,821	63,821	-
Prepaid expense	6,238	117,078	123,316	2,053
Collateral held in trust for securities on loan	-	17	17	-
Restricted assets:				
Cash and cash equivalents	-	-	-	45,025
Investments	-	52,719	52,719	65,933
Receivables-other	-	-	-	13,061
Non-depreciable capital assets	637,151	217,089	854,240	179,121
Depreciable capital assets (net of accumulated depreciation)	895,623	2,004,771	2,900,394	843,016
Other assets	-	246,462	246,462	1,432
Total Assets	2,511,346	3,399,670	5,911,016	1,233,522
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows - pensions	186,511	30,150	216,661	22,738
Deferred outflows - other	-	4,166	4,166	2,779
Total assets and deferred outflows of resources	2,697,857	3,433,986	6,131,843	1,259,039

(Continued)

STATEMENT OF NET POSITION
(Thousands of Dollars)
June 30, 2016

CITY OF MEMPHIS, TENNESSEE
EXHIBIT A-1

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
LIABILITIES				
Accounts payable and accrued liabilities	\$ 80,701	\$ 269,748	\$ 350,449	\$ 22,773
Accrued interest payable	16,103	1,730	17,833	-
Insurance claims payable	7,518	-	7,518	-
Due to other agencies and governments	3,750	-	3,750	2,655
Refundable bonds and deposits	910	-	910	-
Unearned revenue	13,593	-	13,593	81,565
Other post employment benefits	260,939	4,120	265,059	31,521
Net pension obligations	503,974	27,097	531,071	28,847
Pollution remediation obligation	-	10,000	10,000	-
Other liabilities	99,321	161,166	260,487	-
Noncurrent liabilities:				
Due within one year	112,168	130,285	242,453	24,518
Due in more than one year	1,426,978	384,380	1,811,358	301,424
Total Liabilities	2,525,955	988,526	3,514,481	493,303
DEFERRED INFLOWS OF RESOURCES				
Deferred Inflows - Pensions	48,215	34,622	82,837	7,513
Deferred Inflows - Other	530,863	160	531,023	-
Total liabilities and deferred inflows of resources	3,105,033	1,023,308	4,128,341	500,816
NET POSITION				
Net investment in capital assets	293,259	2,017,891	2,311,150	700,591
Restricted for:				
Debt service	61,255	64,173	125,428	-
Capital acquisitions/projects	4,381	-	4,381	57,418
Construction	-	8,456	8,456	-
Solid waste management	15,871	-	15,871	-
Drug enforcement	10,077	-	10,077	-
Donor/Statutory restrictions	59,814	-	59,814	6,652
Self insurance	-	-	-	506
Unrestricted:	(851,833)	320,158	(531,675)	(6,944)
Total Net Position	\$ (407,176)	\$ 2,410,678	\$ 2,003,502	\$ 758,223

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, 2016

CITY OF MEMPHIS, TENNESSEE
EXHIBIT A-2

	Program Revenues				Net (Expense) Revenue and Changes in Net Position				
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Component Units	
					Governmental Activities	Business-Type Activities	Total		
Functions/Programs									
Primary government:									
Governmental Activities:									
General government	\$ 212,054	\$ 72,499	\$ 38,719	\$ 23,610	\$ (77,226)	\$ -	\$ (77,226)	\$ -	-
Public safety	437,430	22,329	-	-	(415,101)	-	(415,101)	-	-
Community services	92,365	-	-	-	(92,365)	-	(92,365)	-	-
Transportation and environment	71,286	56,318	-	-	(14,968)	-	(14,968)	-	-
Education	154	-	-	-	(154)	-	(154)	-	-
Interest on long-term debt	64,151	-	-	-	(64,151)	-	(64,151)	-	-
Total governmental activities	877,440	151,146	38,719	23,610	(663,965)	-	(663,965)	-	-
Business-type activities:									
Sewer collection and treatment	70,163	96,845	555	1,009	-	28,246	28,246	-	-
Memphis Light, Gas and Water	1,554,006	1,602,957	-	-	-	48,951	48,951	-	-
Storm water	19,289	24,289	-	2,000	-	7,000	7,000	-	-
Total business-type activities	1,643,458	1,724,091	555	3,009	-	84,197	84,197	-	-
Total primary government	\$ 2,520,898	\$ 1,875,237	\$ 39,274	\$ 26,619	\$ (663,965)	\$ 84,197	\$ (579,768)	\$ -	-
Component units:									
Memphis Area Transit Authority	68,051	8,969	-	4,182	-	-	-	-	(54,900)
Memphis Zoological Society	28,921	17,052	785	1,238	-	-	-	-	(9,846)
Memphis-Shelby County Airport Authority	134,872	104,820	-	15,781	-	-	-	-	(14,271)
Total component units	\$ 231,844	\$ 130,841	\$ 785	\$ 21,201	\$ -	\$ -	\$ -	\$ -	\$ (79,017)

Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			Component Units
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Primary Government		
					Business-Type Activities	Total	
General revenues:							
Local taxes:							
Property taxes - levied for education				154	-	154	-
Property taxes - levied for debt service				128,624	-	128,624	-
Property taxes - levied for capital projects				647	-	647	-
Property taxes - levied for general government				254,183	-	254,183	-
Interest, penalties and commission - property taxes				6,783	-	6,783	-
Sales tax, general				113,193	-	113,193	-
Sales tax, beer				16,867	-	16,867	-
Gross receipts tax				13,924	-	13,924	-
Franchise tax				7,862	-	7,862	-
Other local taxes				238	-	238	-
State taxes-unrestricted:							
Sales tax				87,172	-	87,172	-
Income tax				14,808	-	14,808	-
Beer tax				316	-	316	-
Alcoholic beverage tax				382	-	382	-
Professional privilege tax				-	-	-	-
Petroleum products tax				1,309	-	1,309	-
Hotel/motel tax				10,726	-	10,726	-
Grants and contributions not restricted to specific programs				-	-	-	67
City of Memphis subsidy				-	-	-	23,661
Investment income				1,654	21,998	23,652	1,758
Federal grants and entitlements				-	-	-	12,494
State grants				-	-	-	7,445
Other				28,662	10,003	38,665	6,620
Transfers				25,097	(66,505)	(41,408)	-
Total general revenues and transfers				712,601	(34,504)	678,097	52,045
Changes in net position				48,636	49,693	98,329	(26,972)
Net position - beginning, as restated				(455,812)	2,360,985	1,905,173	785,195
Net position - ending				(407,176)	2,410,678	2,003,502	758,223

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

BALANCE SHEET
 GOVERNMENTAL FUNDS
 (Thousands of Dollars)
 June 30, 2016

CITY OF MEMPHIS, TENNESSEE
 EXHIBIT A-3

	General	Debt Service	Capital Projects	Community Development	Nonmajor Funds	Total Governmental Funds
ASSETS						
Cash and cash equivalents	\$ 66	\$ -	\$ -	\$ 953	\$ 3,809	\$ 4,828
Investments	-	-	622	-	-	622
Equity in cash and investment pool	147,767	35,874	16,670	5,726	42,145	248,182
Receivables (net of allowance for uncollectibles):						
Property taxes:						
Current property taxes	264,193	123,865	379	-	-	388,437
Delinquent property taxes	28,506	10,169	36	-	1,011	39,722
Special assessments:						
Current special assessments	-	-	-	-	3,055	3,055
Delinquent special assessments	-	-	-	-	510	510
Sales, income, and other taxes	46,217	1,359	-	-	-	47,576
Federal and state grants	4,981	-	10,375	38,546	10,928	64,830
Interest and dividends on investments	-	-	-	199	-	199
Housing rehabilitation loans	-	-	-	55,125	-	55,125
Other	30,818	4,340	-	112	3,150	38,420
Due from other funds	3,196	295	-	-	-	3,491
Due from other agencies and governments	502	19,491	3,161	-	22,216	45,370
Prepaid expenditures	-	6,131	-	-	107	6,238
Total assets	\$ 526,246	\$ 201,524	\$ 31,243	\$ 100,661	\$ 86,931	\$ 946,605
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable and accrued liabilities	\$ 53,863	\$ 319	\$ 12,184	\$ 4	\$ 13,127	\$ 79,497
Contract retainage	-	-	-	2	18	20
Due to other funds	-	-	-	484	3,140	3,624
Due to other agencies and governments	3,705	-	-	-	-	3,705
Refundable bonds and deposits	910	-	-	-	-	910
Other	-	-	-	-	662	662
Unearned revenue	-	-	11,257	-	1,719	12,976
Total liabilities	58,478	319	23,441	490	18,666	101,394
Deferred inflows:						
Prepaid taxes	1,086	-	-	-	-	1,086
Uncollected property taxes	292,122	135,174	418	-	1,011	428,725
Uncollected anti-neglect fees	683	-	-	-	-	683
Uncollected traffic fines	15,916	-	-	-	-	15,916
Uncollected ambulance fees	6,730	-	-	-	-	6,730
Uncollected special assessments	-	-	-	-	3,609	3,609
Uncollected grant reimbursements	-	-	-	40,038	11,864	51,902
Uncollected intergovernmental revenue	-	-	-	-	15,932	15,932
Uncollected project loans receivable	-	-	-	55,125	-	55,125
Other deferred inflows	5,858	4,776	3,003	-	-	13,637
Total deferred inflows	322,395	139,950	3,421	95,163	32,416	593,345
Total liabilities and deferred inflows	380,873	140,269	26,862	95,653	51,082	694,739
Fund balances:						
Restricted	7,210	29,387	-	5,008	28,221	69,826
Committed	-	31,868	4,381	-	6,834	43,083
Assigned	43,489	-	-	-	-	43,489
Unassigned	94,674	-	-	-	794	95,468
Total fund balances	145,373	61,255	4,381	5,008	35,849	251,866
Total liabilities, deferred inflows and fund balances	\$ 526,246	\$ 201,524	\$ 31,243	\$ 100,661	\$ 86,931	\$ 946,605

See accompanying notes to financial statements.

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

Total governmental fund balances:	\$ 251,866
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	1,532,770
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	68,760
Net pension obligations should be reported as a liability in the government-wide statement of net position. This is the cumulative amount by which the City has underfunded its pension obligations.	(365,678)
Other post employment benefits (OPEB) liabilities should be reported as a liability in the government-wide statement of net position. This is the cumulative amount by which the City has underfunded its OPEB obligations.	(260,817)
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.	11,907
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	<u>(1,645,984)</u>
Net position of governmental activities	<u>\$ (407,176)</u>

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

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

CITY OF MEMPHIS, TENNESSEE
EXHIBIT A-5

(Thousands of Dollars)
For the fiscal year ended June 30, 2016

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Community Development</u>	<u>Nonmajor Funds</u>	<u>Total Governmental Funds</u>
REVENUES						
Local taxes	\$ 439,805	\$ 128,624	\$ 647	\$ -	\$ 7,218	\$ 576,294
State taxes (local share)	69,328	16,818	-	-	17,841	103,987
Hotel/motel tax	-	-	-	-	10,726	10,726
Licenses and permits	13,171	-	-	-	415	13,586
Fines and forfeitures	16,570	-	-	-	3,293	19,863
Charges for services	34,757	-	-	-	56,318	91,075
Investment income	997	348	41	-	122	1,508
Federal grants and entitlements	524	2,354	19,044	15,194	15,642	52,758
State grants	1,283	-	4,566	-	3,722	9,571
Intergovernmental revenues	5,996	-	-	-	-	5,996
Operating revenues	-	-	-	-	4,506	4,506
Other	10,549	2,804	2,977	-	331	16,661
Total revenues	<u>592,980</u>	<u>150,948</u>	<u>27,275</u>	<u>15,194</u>	<u>120,134</u>	<u>906,531</u>
EXPENDITURES						
Current:						
General government	139,897	-	-	-	44,098	183,995
Public safety	405,704	-	-	-	3,105	408,809
Community services	53,996	-	-	15,194	7,909	77,099
Transportation and environment	14,612	-	-	-	53,669	68,281
Education	-	-	-	-	154	154
Capital outlay	-	-	97,966	-	-	97,966
Operating expenditures	-	-	-	-	6,259	6,259
Debt service:						
Redemption of serial bonds and notes	-	86,733	-	-	-	86,733
Lease payments	-	7,037	-	-	-	7,037
Interest	-	65,401	-	-	2	65,403
Bond issuance cost	-	688	207	-	-	895
Service charges	-	956	10	-	-	966
Total expenditures	<u>614,209</u>	<u>160,815</u>	<u>98,183</u>	<u>15,194</u>	<u>115,196</u>	<u>1,003,597</u>
Revenues over (under) expenditures	<u>(21,229)</u>	<u>(9,867)</u>	<u>(70,908)</u>	<u>-</u>	<u>4,938</u>	<u>(97,066)</u>
OTHER FINANCING SOURCES (USES)						
Sale of capital assets	-	-	-	-	-	-
Transfers in	59,358	17,919	2,341	5,000	14,453	99,071
Transfers out	(18,775)	-	-	-	(18,212)	(36,987)
Capital leases	3	-	-	-	2,000	2,003
Special items	(6,250)	-	-	-	-	(6,250)
Related Party Loan	-	-	1,562	-	-	1,562
Payment to refunded bond escrow agent	-	(75,000)	-	-	-	(75,000)
Refunding bonds/issuance of debt	-	69,575	45,310	-	-	114,885
Premium on general obligation bonds	-	5,805	-	-	-	5,805
Total other financing sources (uses)	<u>34,336</u>	<u>18,299</u>	<u>49,213</u>	<u>5,000</u>	<u>(1,759)</u>	<u>105,089</u>
Net change in fund balances	13,107	8,432	(21,695)	5,000	3,179	8,023
Fund balances - beginning of year	132,266	52,823	26,076	8	30,569	241,742
Prior period adjustment	-	-	-	-	2,101	2,101
Fund balances - beginning of year after prior period adjustment	<u>132,266</u>	<u>52,823</u>	<u>26,076</u>	<u>8</u>	<u>32,670</u>	<u>243,843</u>
Fund balances - end of year	<u>\$ 145,373</u>	<u>\$ 61,255</u>	<u>\$ 4,381</u>	<u>\$ 5,008</u>	<u>\$ 35,849</u>	<u>\$ 251,866</u>

See accompanying notes to financial statements.

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

Net change in fund balances - total governmental funds	\$ 8,023
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.	57,864
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(30,818)
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.	59,364
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.	2,172
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.	(54,341)
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>6,372</u>
Change in net position of governmental activities	<u>\$ 48,636</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, 2016

CITY OF MEMPHIS, TENNESSEE
Exhibit A-7

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
REVENUES				
Local taxes:				
Property taxes	\$ 259,058	\$ 262,111	\$ 256,753	\$ (5,358)
Interest, penalties and commission - property taxes	5,970	5,970	6,783	813
Receipts in lieu of taxes contractual	12,600	12,600	11,241	(1,359)
Sales tax general	104,163	105,163	109,499	4,336
Sales tax beer	17,500	17,500	16,867	(633)
Alcoholic beverage tax	5,000	5,000	5,044	44
Liquor by the drink tax	6,400	6,400	7,618	1,218
Gross receipts tax	10,900	12,400	13,924	1,524
Excise tax	400	400	980	580
Franchise tax	7,345	7,345	7,862	517
Other local taxes	983	3,953	3,234	(719)
Total local taxes	<u>430,319</u>	<u>438,842</u>	<u>439,805</u>	<u>963</u>
State taxes (local share):				
Sales tax	47,060	51,060	52,513	1,453
Income taxes	10,000	11,000	14,808	3,808
Beer taxes	315	315	316	1
Alcoholic beverage tax	300	300	382	82
State professional privilege tax	1,000	1,000	-	(1,000)
Petroleum special tax	1,400	1,400	1,309	(91)
Total state taxes (local share)	<u>60,075</u>	<u>65,075</u>	<u>69,328</u>	<u>4,253</u>
Licenses and permits:				
Auto licenses	10,500	11,500	12,237	737
Dog licenses	359	359	372	13
Liquor by the drink licenses	180	180	229	49
Other	435	435	333	(102)
Total licenses and permits	<u>11,474</u>	<u>12,474</u>	<u>13,171</u>	<u>697</u>
Fines and forfeitures:				
City courts	19,103	19,103	16,130	(2,973)
Library	500	500	440	(60)
Total fines and forfeitures	<u>19,603</u>	<u>19,603</u>	<u>16,570</u>	<u>(3,033)</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, 2016

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	\$ 171	\$ 81
Park commission revenues	5,078	5,778	5,933	155
Parking meter revenues	800	800	917	117
Ambulance service fees	20,000	20,000	22,329	2,329
Rents	1,181	2,181	2,537	356
Tax sale attorney fees	500	500	617	117
Wrecker and storage fees	1,500	1,500	1,214	(286)
Police special events	701	701	142	(559)
Other	752	752	897	145
Total charges for services	<u>30,602</u>	<u>32,302</u>	<u>34,757</u>	<u>2,455</u>
Investment income:				
Interest on investments	258	258	846	588
Other	120	120	151	31
Total investment income	<u>378</u>	<u>378</u>	<u>997</u>	<u>619</u>
Federal grants	<u>117</u>	<u>117</u>	<u>524</u>	<u>407</u>
State grants	<u>1,630</u>	<u>1,630</u>	<u>1,283</u>	<u>(347)</u>
Intergovernmental revenues	<u>3,517</u>	<u>6,008</u>	<u>5,996</u>	<u>(12)</u>
Other:				
Auctions	1,600	1,600	1,594	(6)
Property insurance recoveries	543	230	190	(40)
Local shared revenue	3,100	3,100	1,601	(1,499)
Miscellaneous	2,118	2,646	7,164	4,518
Total other	<u>7,361</u>	<u>7,576</u>	<u>10,549</u>	<u>2,973</u>
Total revenues	<u>\$ 565,076</u>	<u>\$ 584,005</u>	<u>\$ 592,980</u>	<u>\$ 8,975</u>
Other sources and transfers in:				
Sale of capital assets	\$ -	\$ -	\$ 3	\$ 3
Transfers in:				
Miscellaneous Grants fund	-	-	8	8
State Street Aid fund	14,800	14,800	-	(14,800)
Solid waste management	-	75	75	-
New Memphis Arena fund	1,000	1,000	-	(1,000)
Sewer collection and treatment fund	5,900	5,900	6,889	989
MLG&W fund	58,515	58,515	52,282	(6,233)
Hotel/Motel	-	-	29	29
Storm water	-	75	75	-
Total transfers in	<u>80,215</u>	<u>80,365</u>	<u>59,358</u>	<u>(21,007)</u>
Total other sources and transfers in	<u>\$ 80,215</u>	<u>\$ 80,365</u>	<u>\$ 59,361</u>	<u>\$ (21,004)</u>
Total Revenues, Other Sources & Transfers In	<u>\$ 645,291</u>	<u>\$ 664,370</u>	<u>\$ 652,341</u>	<u>\$ (12,029)</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, 2016

CITY OF MEMPHIS, TENNESSEE
Exhibit A-8

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
EXPENDITURES				
General government:				
Legislative:				
Personnel services	\$ 1,342	\$ 1,342	\$ 1,358	\$ (16)
Materials and supplies	195	222	137	85
Total legislative	<u>1,537</u>	<u>1,564</u>	<u>1,495</u>	<u>69</u>
Judicial:				
Personnel services	588	588	588	-
Materials and supplies	54	54	54	-
Total judicial	<u>642</u>	<u>642</u>	<u>642</u>	<u>-</u>
Court clerk:				
Personnel services	3,408	3,408	3,422	(14)
Materials and supplies	3,634	4,950	1,643	3,307
Capital outlay	150	150	-	150
Total court clerk	<u>7,192</u>	<u>8,508</u>	<u>5,065</u>	<u>3,443</u>
Executive:				
Personnel services	4,034	4,227	4,142	85
Materials and supplies	2,055	3,534	2,146	1,388
Grants and subsidies	2,333	2,155	1,893	262
Expense reimbursement	(90)	(90)	(90)	-
Total executive	<u>8,332</u>	<u>9,826</u>	<u>8,091</u>	<u>1,735</u>
Finance and administration:				
Personnel services	5,439	5,391	5,020	371
Materials and supplies	998	1,435	1,055	380
Capital outlay	1	1	-	1
Grants and subsidies	-	2,970	2,149	821
Expense reimbursement	(1,030)	(1,030)	(948)	(82)
Total finance and administration	<u>5,408</u>	<u>8,767</u>	<u>7,276</u>	<u>1,491</u>
City attorney:				
Personnel services	4,917	5,074	4,673	401
Materials and supplies	7,499	9,977	8,392	1,585
Expense reimbursement	(2,452)	(2,982)	(2,998)	16
Total city attorney	<u>9,964</u>	<u>12,069</u>	<u>10,067</u>	<u>2,002</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, 2016

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

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
City engineer:				
Personnel services	\$ 8,193	\$ 8,193	\$ 8,093	\$ 100
Materials and supplies	3,341	4,359	3,029	1,330
Capital outlay	44	44	13	31
Expense reimbursement	(1,031)	(1,031)	(4,839)	3,808
Total city engineer	<u>10,547</u>	<u>11,565</u>	<u>6,296</u>	<u>5,269</u>
Information systems:				
Personnel services	1,642	2,325	1,645	680
Materials and supplies	18,934	21,896	18,501	3,395
Expense reimbursement	(2,673)	(2,673)	(2,807)	134
Total information systems	<u>17,903</u>	<u>21,548</u>	<u>17,339</u>	<u>4,209</u>
Human resources:				
Personnel services	4,864	6,732	6,055	677
Materials and supplies	3,090	4,070	2,976	1,094
Expense reimbursement	(874)	(874)	(908)	34
Total human resources	<u>7,080</u>	<u>9,928</u>	<u>8,123</u>	<u>1,805</u>
General services:				
Personnel services	23,310	23,310	21,034	2,276
Materials and supplies	10,057	11,869	9,191	2,678
Capital outlay	35	35	-	35
Expense reimbursement	(9,374)	(9,374)	(8,094)	(1,280)
Total general services	<u>24,028</u>	<u>25,840</u>	<u>22,131</u>	<u>3,709</u>
Special appropriations:				
Personnel services	187	187	140	47
Materials and supplies	9	9	6	3
Grants and subsidies	56,932	64,336	60,158	4,178
Expense reimbursement	-	-	(6,537)	6,537
Total special appropriations	<u>57,128</u>	<u>64,532</u>	<u>53,767</u>	<u>10,765</u>
Total general government	<u>\$ 149,761</u>	<u>\$ 174,789</u>	<u>\$ 140,292</u>	<u>\$ 34,497</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, 2016

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

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
Public safety:				
Police:				
Personnel services	\$ 216,926	\$ 217,421	\$ 217,644	\$ (223)
Materials and supplies	30,196	35,350	25,716	9,634
Capital outlay	-	-	(82)	82
Expense reimbursement	(1,452)	(1,452)	(1,648)	196
Total police	<u>245,670</u>	<u>251,319</u>	<u>241,630</u>	<u>9,689</u>
Fire:				
Personnel services	155,159	155,109	149,601	5,508
Materials and supplies	17,828	20,687	17,251	3,436
Capital outlay	102	197	63	134
Expense reimbursement	(200)	(200)	(380)	180
Total fire	<u>172,889</u>	<u>175,793</u>	<u>166,535</u>	<u>9,258</u>
Total public safety	<u>\$ 418,559</u>	<u>\$ 427,112</u>	<u>\$ 408,165</u>	<u>\$ 18,947</u>
Community services:				
Parks and recreation:				
Personnel services	30,922	30,852	29,344	1,508
Materials and supplies	19,778	21,582	19,988	1,594
Capital outlay	-	-	22	(22)
Grants & subsidies	819	819	959	(140)
Inventory	343	473	372	101
Expense reimbursement	(331)	(331)	(300)	(31)
Total parks and recreation	<u>51,531</u>	<u>53,395</u>	<u>50,385</u>	<u>3,010</u>
Community development:				
Personnel services	301	301	240	61
Materials and supplies	178	200	90	110
Grants and subsidies	4,008	4,483	3,924	559
Total community development	<u>4,487</u>	<u>4,984</u>	<u>4,254</u>	<u>730</u>
Total community services	<u>\$ 56,018</u>	<u>\$ 58,379</u>	<u>\$ 54,639</u>	<u>\$ 3,740</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, 2016

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

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
Transportation and environment:				
Public works:				
Personnel services	\$ 12,539	\$ 12,539	\$ 11,536	\$ 1,003
Materials and supplies	17,860	22,912	12,091	10,821
Capital outlay	120	248	120	128
Grants and subsidies	-	350	364	(14)
Expense reimbursement	(8,077)	(8,077)	(13,539)	5,462
Total public works	<u>22,442</u>	<u>27,972</u>	<u>10,572</u>	<u>17,400</u>
Total transportation and environment	<u>\$ 22,442</u>	<u>\$ 27,972</u>	<u>\$ 10,572</u>	<u>\$ 17,400</u>
Total Expenditures	<u><u>\$ 646,780</u></u>	<u><u>\$ 688,252</u></u>	<u><u>\$ 613,668</u></u>	<u><u>\$ 74,584</u></u>
OTHER USES				
Transfers out				
Miscellaneous grants fund	\$ 24	\$ 24	\$ 214	\$ (190)
Workforce Investment Network fund	-	2,000	2,000	-
HCD grants fund	-	5,000	5,000	-
Community redevelopment fund	2,739	2,739	2,351	388
Debt service fund	5,167	5,167	5,314	(147)
Capital projects fund	-	831	2,341	(1,510)
OPEB fund	3,514	1,555	1,555	-
Total transfers out	<u>11,444</u>	<u>17,316</u>	<u>18,775</u>	<u>(1,459)</u>
Special Items				
Professional athlete privilege tax	-	-	2,386	(2,386)
Grant repayment	-	-	3,864	(3,864)
Total special items	<u>-</u>	<u>-</u>	<u>6,250</u>	<u>(6,250)</u>
Total other uses	<u><u>\$ 11,444</u></u>	<u><u>\$ 17,316</u></u>	<u><u>\$ 25,025</u></u>	<u><u>\$ (7,709)</u></u>
Total Expenditures and Other Uses	<u><u>\$ 658,224</u></u>	<u><u>\$ 705,568</u></u>	<u><u>\$ 638,693</u></u>	<u><u>\$ 66,875</u></u>
Net Change in Fund Balances (Budgetary)	<u><u>\$ (12,933)</u></u>	<u><u>\$ (41,198)</u></u>	<u><u>\$ 13,648</u></u>	<u><u>\$ (78,904)</u></u>
Adjustment for Encumbrances			<u>(541)</u>	
Revenues over Expenditures GAAP Basis			<u>13,107</u>	
Fund Balance - Beginning			<u>132,266</u>	
Fund Balance - Ending			<u><u>\$ 145,373</u></u>	

See accompanying notes to financial statements.

	Business Type Activities - Enterprise Funds						Governmental
	Major Funds					Total	Activities
	Sewer Col- lection and Treatment	MLGW Electric Division	MLGW Gas Division	MLGW Water Division	Nonmajor Funds		Internal Service Funds
ASSETS							
Current assets:							
Cash and cash equivalents	\$ 1	\$ 160,465	\$ 65,814	\$ 13,613	\$ 1	\$ 239,894	\$ 2
Investments	17,194	95,299	37,458	8,083	-	158,034	-
Equity in cash and investment pool	64,471	-	-	-	5,936	70,407	33,394
Restricted funds	-	33,093	8,607	6,050	-	47,750	-
Receivables:							
Notes and accounts	8,324	77,826	33,871	15,352	3,443	138,816	1,107
Interest on investments	4	-	-	-	-	4	-
Due from other funds	-	-	-	-	-	-	157
Due from other agencies	-	-	-	-	-	-	-
Unbilled revenues	-	46,278	14,040	3,503	-	63,821	-
Prepaid power cost	-	117,078	-	-	-	117,078	-
Unrecovered purchased power cost	-	2,373	-	-	-	2,373	-
Inventories of materials and supplies	-	24,800	6,439	3,222	-	34,461	799
Collateral held in trust for securities on loan	-	-	-	17	-	17	-
Other current assets	-	795	3,014	-	-	3,809	-
Total current assets	89,994	558,007	169,243	49,840	9,380	876,464	35,459
Non-current assets:							
Restricted assets:							
Investments, less current portion	-	31,268	13,515	7,936	-	52,719	-
Total restricted assets	-	31,268	13,515	7,936	-	52,719	-
Capital assets:							
Land	13,695	-	-	-	37	13,732	-
Buildings	105,196	-	-	-	907	106,103	-
Utility plant	-	1,753,690	659,325	462,612	-	2,875,627	-
Improvements other than buildings	566,464	-	-	-	42,206	608,670	-
Machinery and equipment	30,559	-	-	-	18,304	48,863	2,254
Less accumulated depreciation and amortization	(409,360)	(711,937)	(295,584)	(191,624)	(25,987)	(1,634,492)	(2,250)
Total capital assets	306,554	1,041,753	363,741	270,988	35,467	2,018,503	4
Construction in progress	130,479	-	-	-	72,878	203,357	-
Net capital assets	437,033	1,041,753	363,741	270,988	108,345	2,221,860	4
Other non-current assets:							
Prepaid power cost - long-term	-	232,517	-	-	-	232,517	-
Prepayments in lieu of taxes	-	1,797	41	-	-	1,838	-
Unamortized debt expense	-	937	-	187	-	1,124	-
Other prepayments	-	1,591	704	468	-	2,763	-
Notes receivable	-	-	-	2,038	-	2,038	-
Total other non-current assets	-	236,842	745	2,693	-	240,280	-
Total non-current assets	437,033	1,309,863	378,001	281,617	108,345	2,514,859	4
Total assets	527,027	1,867,870	547,244	331,457	117,725	3,391,323	35,463
DEFERRED OUTFLOWS OF RESOURCES							
Deferred outflows related to pensions	5,582	12,271	5,473	3,634	3,190	30,150	-
Accumulated decrease in fair value of hedging derivatives	-	40	617	-	-	657	-
Unamortized balance of refunded debt	-	3,509	-	-	-	3,509	-
Total assets and deferred outflows of resources	\$ 532,609	\$ 1,883,690	\$ 553,334	\$ 335,091	\$ 120,915	\$ 3,425,639	\$ 35,463

(Continued)

STATEMENT OF NET POSITION
 PROPRIETARY FUNDS
 (Thousands of Dollars)
 June 30, 2016

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

	Business Type Activities - Enterprise Funds						Governmental
	Major Funds					Total	Activities
	Sewer Col- lection and Treatment	MLGW Electric Division	MLGW Gas Division	MLGW Water Division	Nonmajor Funds		Internal Service Funds
LIABILITIES							
Current liabilities:							
Accounts payable and accrued expenses	\$ 7,868	\$ 103,227	\$ 12,539	\$ -	\$ 1,840	\$ 125,474	\$ 1,205
Bonds and notes payable	-	105,782	-	522	-	106,304	-
Accrued liabilities	1,495	84,268	42,381	16,130	-	144,274	-
Payables due from restricted assets	-	21,786	8,386	5,960	-	36,132	-
Bonds payable - principal from restricted assets	-	9,623	-	43	-	9,666	-
Bonds payable - interest from restricted assets	-	1,683	-	47	-	1,730	-
Insurance claims payable	-	-	-	-	-	-	7,518
Contract retainage	327	-	-	-	-	327	-
Current installment of revenue bonds payable	11,390	-	-	-	-	11,390	-
State loans payable - current	166	-	-	-	-	166	-
Other post employment benefits	2,643	-	-	-	1,477	4,120	122
Vacation, sick and other leave benefits	2,715	8,088	3,563	2,488	1,549	18,403	86
Total current liabilities	26,604	334,457	66,869	25,190	4,866	457,986	8,931
Long-term liabilities:							
Revenue bonds payable	89,190	325,747	-	14,739	-	429,676	-
State loans payable	11,177	-	-	-	-	11,177	-
Net pension liability	14,776	2,072	924	614	8,711	27,097	-
Unamortized balance of refunded debt	1,560	-	-	-	-	1,560	-
Customer common deposits	-	19,969	4,302	836	-	25,107	-
Other	-	7,515	3,392	5,016	10,000	25,923	-
Total long-term liabilities	116,703	355,303	8,618	21,205	18,711	520,540	-
Total liabilities	143,307	689,760	75,487	46,395	23,577	978,526	8,931
DEFERRED INFLOWS OF RESOURCES							
Deferred inflows related to pensions	1,325	18,654	8,319	5,526	798	34,622	-
Revenue collected in advance	-	-	-	-	160	160	6,278
Total liabilities and deferred inflows of resources	144,632	708,414	83,806	51,921	24,535	1,013,308	15,209
NET POSITION							
Net investment in capital assets	325,109	964,812	363,742	255,883	108,345	2,017,891	4
Restricted for debt service	28,527	18,534	10,012	7,100	-	64,173	-
Restricted for construction	8,456	-	-	-	-	8,456	-
Unrestricted (deficit)	25,885	191,930	95,774	20,187	(11,965)	321,811	20,250
Total net position (deficit)	\$ 387,977	\$ 1,175,276	\$ 469,528	\$ 283,170	\$ 96,380	\$ 2,412,331	\$ 20,254
Adjustment to reflect the consolidation of internal service funds related to enterprise funds						(1,653)	
Net position of business-type activities						\$ 2,410,678	

See accompanying notes to financial statements.

PROPRIETARY FUNDS

Exhibit A-10

(Thousands of Dollars)

For the fiscal year ended June 30, 2016

	Business Type Activities - Enterprise Funds						Governmental
	Major Funds					Total	Activities
	Sewer Col- lection and Treatment	MLGW Electric Division	MLGW Gas Division	MLGW Water Division	Nonmajor Funds		Internal Service Funds
Charges for services	\$ 96,845	\$ 1,268,561	\$ 249,905	\$ 84,491	\$ 24,289	\$ 1,724,091	\$ 99,472
Operating revenues	96,845	1,268,561	249,905	84,491	24,289	1,724,091	99,472
Operating expenses other than depreciation and amortization:							
Personnel services	20,514	-	-	-	10,591	31,105	436
Materials, supplies, services, and other	34,379	-	-	-	6,373	40,752	13,949
Capital outlay	138	-	-	-	-	138	-
Purchased power and gas for resale	-	1,015,978	122,973	-	-	1,138,951	-
Production	-	-	-	15,586	-	15,586	-
Operation	-	126,227	75,175	49,629	-	251,031	-
Maintenance	-	42,662	11,510	9,104	-	63,276	-
In lieu of taxes	-	7,827	961	-	-	8,788	-
Re-insurance fees	-	-	-	-	-	-	158
PCORI tax	-	-	-	-	-	-	33
Inventories	-	-	-	-	-	-	10,042
Claims incurred	-	-	-	-	-	-	61,156
Total operating expenses other than depreciation and amortization	55,031	1,192,694	210,619	74,319	16,964	1,549,627	85,774
Operating income (loss) before depreciation and amortization	41,814	75,867	39,286	10,172	7,325	174,464	13,698
Depreciation and amortization	12,405	49,766	16,138	7,564	2,325	88,198	10
Operating income (loss)	29,409	26,101	23,148	2,608	5,000	86,266	13,688
Non-operating revenues:							
Transmission credits	-	32,565	-	-	-	32,565	-
Investment income	378	20,600	326	678	16	21,998	146
Federal grants	555	-	-	-	-	555	-
Other	1,525	-	-	-	548	2,073	-
Total non-operating revenues	2,458	53,165	326	678	564	57,191	146
Non-operating expenses:							
Death benefits	22	-	-	-	5	27	-
Pension expense	1,142	-	-	-	626	1,768	-
Interest on bonded indebtedness	3,239	19,011	-	457	-	22,707	-
Interest on state loan	133	-	-	-	-	133	-
Total non-operating expenses	4,536	19,011	-	457	631	24,635	-
Income (loss) before capital contributions and transfers	27,331	60,255	23,474	2,829	4,933	118,822	13,834
Transfers in	-	-	-	-	-	-	-
Transfers out	(6,889)	(36,697)	(16,551)	(4,400)	(1,968)	(66,505)	(3,001)
Capital contributions	1,009	-	-	-	2,000	3,009	-
Change in net position (deficit)	21,451	23,558	6,923	(1,571)	4,965	55,326	10,833
Total net position (deficit) - beginning of year	366,526	1,163,074	467,670	288,104	91,415	-	9,421
Change in method of accounting for pension	-	(11,356)	(5,065)	(3,363)	-	-	-
Total net position (deficit) - beginning of year, as adjusted	366,526	1,151,718	462,605	284,741	91,415	-	-
Total net position - end of year	\$ 387,977	\$ 1,175,276	\$ 469,528	\$ 283,170	\$ 96,380		\$ 20,254
Adjustment to reflect the consolidation of internal service funds related to enterprise funds						(5,633)	
Change in net position of business-type activities						\$ 49,693	

See accompanying notes to financial statements.



CITY OF MEMPHIS, TENNESSEE
Exhibit A-11

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
(Thousands of Dollars)
For the fiscal year ended June 30, 2016

	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	\$ 97,313	\$ 1,277,795	\$ 263,877	\$ 83,157	\$ 23,982	\$ 1,746,124	\$ 232
Receipts from other division funds	-	-	-	-	-	-	20,987
Receipts from other agency funds	-	-	-	-	-	-	207
Miscellaneous income	-	-	-	-	-	-	125
Employee contributions	-	-	-	-	-	-	23,887
Employer contributions	-	-	-	-	-	-	52,845
Payments to/on behalf of employees	(35,513)	(897,702)	(156,105)	(25,745)	(5,581)	(1,120,646)	(14,119)
Payments to suppliers	(19,983)	(121,267)	(60,143)	(42,064)	(9,863)	(253,320)	(472)
Payments (to) / from other divisions or funds	11,200	2,146	(2,569)	-	-	8,171	-
Payments per Affordable Care Act (Re-insurance fees, PCORI tax)	-	-	-	-	-	-	(33)
Payments for taxes	-	(62)	(25)	-	-	(87)	-
Payments for inventory	-	-	-	-	-	-	(10,120)
Payments due to other agencies	-	-	-	-	-	-	24
Payments for death benefits	-	-	-	-	-	-	(159)
Payments for claims incurred	(22)	-	-	-	-	(22)	(61,890)
Net cash provided by (used in) operating activities	\$ 52,995	\$ 260,910	\$ 45,035	\$ 12,742	\$ 8,538	\$ 380,220	\$ 11,514
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:							
Transfers to City	-	(7,993)	(5,175)	(3,150)	-	(16,318)	-
Receipt of miscellaneous income	4,307	-	-	-	-	4,307	-
Principal payments on long-term debt	-	(107,336)	-	-	-	(107,336)	-
Interest expense on bonds	-	(22,855)	-	-	-	(22,855)	-
Local shared revenue	-	-	-	-	549	549	-
Issuance of long term commercial paper	-	-	-	-	10,000	10,000	-
Transfers to other funds	(6,889)	-	-	-	(1,969)	(8,858)	(3,001)
Net cash (used in) provided by non-capital financing activities	(2,582)	(138,184)	(5,175)	(3,150)	8,580	(140,511)	(3,001)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:							
Bond issue costs	(1,564)	-	-	-	-	(1,564)	-
Acquisition and construction of capital assets	(71,168)	(86,429)	(31,467)	(15,086)	(16,646)	(220,796)	-
Gain (loss) on Sale/Disposal of Asset	(2,704)	-	-	-	-	(2,704)	-
Contributions in aid of construction	-	13,837	13,803	3,128	-	30,768	-
Receipts from federal grants	555	-	-	-	-	555	-
Principal payments on capital debt	(4,335)	(2,421)	-	(559)	-	(7,315)	-
Interest payments on capital debt	(3,481)	(2,869)	-	(513)	-	(6,863)	-
Capital contributions	1,009	-	-	-	1,999	3,008	-
Net cash used in capital and related financing activities	(81,688)	(77,882)	(17,664)	(13,030)	(14,647)	(204,911)	-
CASH FLOWS FROM INVESTING ACTIVITIES:							
Sales and maturities of investments	54	74,844	34,970	13,412	-	123,280	-
Purchase of investments	(94)	(91,055)	(36,776)	(10,345)	-	(138,270)	-
Payments received on notes receivable	-	-	1,200	(13)	-	1,187	-
Income earned on investments	297	503	307	529	16	1,652	146
Net cash provided by (used in) investing activities	257	(15,708)	(299)	3,583	16	(12,151)	146
Net increase (decrease) in cash and cash equivalents	(31,018)	29,136	21,897	145	2,487	22,647	8,659
Cash and cash equivalents, beginning of year	95,490	186,768	61,403	23,696	3,450	370,807	24,737
Cash and cash equivalents, end of year	\$ 64,472	\$ 215,904	\$ 83,300	\$ 23,841	\$ 5,937	\$ 393,454	\$ 33,396

(Continued)

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS
 (Thousands of Dollars)
 For the fiscal year ended June 30, 2016

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)	\$ 29,409	\$ 26,101	\$ 23,148	\$ 2,608	\$ 5,000	\$ 86,266	\$ 13,688
Adjustments to reconcile operating income to net cash provided by operating activities:							
Depreciation expense	12,405	49,766	16,138	7,564	2,325	88,198	10
Transmission credits	-	32,565	-	-	-	32,565	-
Prepay power credits	-	16,644	-	-	-	16,644	-
Other income	-	3,227	19	145	-	3,391	-
(Increase) decrease in assets:							
Accounts receivable	11,667	7,372	7,126	(552)	(250)	25,363	(912)
Unbilled revenues	-	3,360	5,847	(545)	-	8,662	-
Prepaid power cost	-	113,538	-	-	-	113,538	-
Prepayments - in lieu of taxes	-	75	1	-	-	76	-
Inventories	-	(2,050)	131	(199)	-	(2,118)	(62)
Recovery on fixed assets	-	-	-	-	-	-	(15)
Other assets	-	(11,982)	(5,009)	(3,679)	-	(20,670)	-
Increase (decrease) in liabilities:							
Accounts payable	(1,016)	(5,166)	(13,552)	-	1,463	(18,271)	(1,195)
Other accrued expenses	552	8,896	3,573	3,714	-	16,735	-
Accrued Payment in Lieu of Taxes	-	7,643	893	-	-	8,536	-
Customer deposits	-	1,101	1,196	61	-	2,358	-
Insurance reserves	-	(1,022)	14	152	-	(856)	-
Medical benefit accrual	-	2,609	1,163	773	-	4,545	-
Accounting Adjustment for GASB 68	-	(11,356)	(5,065)	(3,363)	-	(19,784)	-
Other	(22)	19,589	9,412	6,063	-	35,042	-
Total adjustments	23,586	234,809	21,887	10,134	3,538	293,954	(2,174)
Net cash provided by (used in) operating activities	\$ 52,995	\$ 260,910	\$ 45,035	\$ 12,742	\$ 8,538	\$ 380,220	\$ 11,514
Reconciliation of cash and cash equivalents per statements of cash flows to the balance sheets:							
Restricted funds	\$ -	\$ 64,361	\$ 22,122	\$ 13,986	\$ -	\$ 100,469	\$ -
Less investments included in restricted funds	-	(8,922)	(4,636)	(3,758)	-	(17,316)	-
Cash and cash equivalents included in restricted funds	-	55,439	17,486	10,228	-	83,153	-
Current assets - cash and cash equivalents	1	160,465	65,814	13,613	1	239,894	2
Current assets - equity in cash and investment pool	64,471	-	-	-	5,936	70,407	33,394
Total cash and cash equivalents	\$ 64,472	\$ 215,904	\$ 83,300	\$ 23,841	\$ 5,937	\$ 393,454	\$ 33,396

See accompanying notes to financial statements.

STATEMENT OF FIDUCIARY NET POSITION
 FIDUCIARY FUNDS
 (Thousands of Dollars)
 For the fiscal year ended June 30, 2016

CITY OF MEMPHIS, TENNESSEE
 Exhibit A-12

	Pension and OPEB Trust Funds	Sold Property Tax Receivable Agency Fund
ASSETS		
Cash and cash equivalents	\$ 80,906	\$ -
Investments, at fair value:		
U.S. government securities - long-term	251,925	-
Common stock - domestic	966,937	-
Common stock - foreign	264,338	-
Preferred stock - domestic	-	-
Preferred stock - foreign	2,317	-
Corporate bonds - domestic	389,411	-
Corporate bonds - foreign	132,068	-
Mutual funds and money market funds	62,618	-
Government bond mutual fund - international	13,607	-
Corporate bond mutual funds - domestic	77,133	-
Corporate bond mutual funds - international	13,964	-
Convertible bond mutual fund - domestic	14,389	-
Collateralized mortgage obligations	30,861	-
Asset-backed pooled securities	3,436	-
Mortgage-backed pooled securities	88,620	-
Investments in index funds	459,904	-
Investments in limited partnerships	47,839	-
Investments in real estate	331,751	-
Investments in high yield bond fund	13,848	-
Investments in private equities	45,732	-
Investments in international equity fund	366,027	-
Investments in international bond fund	22,832	-
Hedge funds	76,958	-
Distressed debt funds - domestic	45,753	-
Distressed debt funds - foreign	14,519	-
Total investments	3,736,787	-
Equity in cash and investment pool	10,106	2,310
Interest and dividend receivables	9,527	-
Receivable for securities sold	225,404	-
Property tax receivable - delinquent		15,904
Employer and employee contributions receivable	1,529	-
Other Receivables	536	-
Collateral held in trust for securities on loan	240,328	-
Total assets	4,305,123	18,214
LIABILITIES		
Accounts payable and other liabilities	291,575	2,422
Collateral subject to return to borrowers	240,328	-
Total liabilities	531,903	2,422
DEFERRED INFLOWS OF RESOURCES		
Revenue collected in advance	1,483	15,792
Total deferred inflows of resources	1,483	15,792
NET POSITION		
Held in trust for pension benefits, pool participants, and OPEB	\$ 3,771,737	\$ -

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, 2016

CITY OF MEMPHIS, TENNESSEE
 Exhibit A-13

	<u>Pension and OPEB Trust Funds</u>
ADDITIONS	
Contributions:	
Employer	\$ 127,192
Medicare Part D	468
Plan members	50,204
Total contributions	<u>177,864</u>
Transfer from other fund	4,556
Investment income:	
Interest and dividend income	83,989
Securities lending income	1,502
Other investment income	766
Gain on real estate investments	4,641
Net appreciation in the fair value of investments	<u>(82,261)</u>
Total investment income	<u>8,637</u>
Total additions	<u>191,057</u>
DEDUCTIONS	
Benefits	319,423
Administrative expenses	24,334
Refunds of contributions	<u>20,620</u>
Total deductions	<u>364,377</u>
Net (decrease)/increase	(173,320)
Net position - beginning of year	3,947,548
Prior period adjustment	<u>(2,491)</u>
Net position - beginning of year after prior period adjustment	3,945,057
Net position - end of year	<u><u>\$ 3,771,737</u></u>

See accompanying notes to financial statements.

COMBINING STATEMENT OF NET POSITION
 COMPONENT UNITS
 (Thousands of Dollars)
 June 30, 2016

CITY OF MEMPHIS, TENNESSEE
 Exhibit A-14

	Memphis Area Transit Authority	Airport Authority	Memphis Zoological Society	Total
ASSETS				
Current unrestricted assets:				
Cash and cash equivalents	\$ 6,933	\$ 27,522	\$ 6,075	\$ 40,530
Investments	-	17,962	5,469	23,431
Receivables:				
Federal and state grants	5,703	60	-	5,763
Accounts receivable	275	7,075	1,358	8,708
Due from other agencies and governments	-	-	354	354
Inventories of materials and supplies	3,141	1,651	303	5,095
Prepaid expenses	279	1,774	-	2,053
Total current unrestricted assets	16,331	56,044	13,559	85,934
Current restricted assets:				
Cash and cash equivalents	-	45,025	-	45,025
Investments	506	37,217	-	37,723
Capital contributions receivable	-	13,061	-	13,061
Accrued interest	-	535	-	535
Total current restricted assets	506	95,838	-	96,344
Total current assets	16,837	151,882	13,559	182,278
Non-current restricted assets:				
Investments	-	28,210	-	28,210
Total non-current restricted assets	-	28,210	-	28,210
Capital assets:				
Land	2,731	159,581	-	162,312
Buildings	172,348	555,359	-	727,707
Avigation easements	-	46,679	-	46,679
Improvements other than buildings	-	948,621	-	948,621
Machinery, buses and equipment	107,844	116,406	-	224,250
Less accumulated depreciation and amortization	(164,663)	(939,578)	-	(1,104,241)
Total capital assets, net	118,260	887,068	-	1,005,328
Construction in progress	3,040	13,714	55	16,809
Net capital assets	121,300	900,782	55	1,022,137
Other assets	13	-	884	897
Total Assets	138,150	1,080,874	14,498	1,233,522
DEFERRED OUTFLOWS				
Deferred charges on refundings	-	2,779	-	2,779
Deferred pension outflows	15,117	7,621	-	22,738
Total assets and deferred outflows	153,267	1,091,274	14,498	1,259,039

(Continued)

COMBINING STATEMENT OF NET POSITION
 COMPONENT UNITS
 (Thousands of Dollars)
 June 30, 2016

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

	Memphis Area Transit Authority	Airport Authority	Memphis Zoological Society	Total
LIABILITIES				
Current:				
Notes and accounts payable	\$ 2,238	\$ 6,705	\$ 1,929	\$ 10,872
Due to other agencies and governments	2,655	-	-	2,655
Accrued liabilities	368	10,537	996	11,901
Unearned revenue	256	14,001	1,721	15,978
Current installment of revenue bonds payable	-	24,518	-	24,518
Total current liabilities	5,517	55,761	4,646	65,924
Long-term (net of current maturities):				
Other post employment benefits	31,521	-	-	31,521
Lease revenue received in advance	-	65,587	-	65,587
Net pension liability	11,870	16,977	-	28,847
Revenue bonds payable	-	294,099	-	294,099
Other long-term obligations	6,000	1,325	-	7,325
Total long-term liabilities	49,391	377,988	-	427,379
Total Liabilities	54,908	433,749	4,646	493,303
DEFERRED INFLOWS				
Deferred pension inflows	871	6,642	-	7,513
Total liabilities and deferred inflows	55,779	440,391	4,646	500,816
NET POSITION				
Net investment in capital assets	121,300	579,291	-	700,591
Restricted for:				
Capital acquisition/projects	-	56,960	458	57,418
Self-insurance	506	-	-	506
Other	-	-	6,652	6,652
Unrestricted	(24,318)	14,632	2,742	(6,944)
Total Net Position	97,488	650,883	9,852	758,223
Total liabilities, deferred inflows and net position	\$ 153,267	\$ 1,091,274	\$ 14,498	\$ 1,259,039

See accompanying notes to financial statements.

COMBINING STATEMENT OF ACTIVITIES
 COMPONENT UNITS (Thousands of Dollars)
 For the fiscal year ended June 30, 2016

CITY OF MEMPHIS, TENNESSEE
 Exhibit A-15

	Program Revenues			Net (Expense) Revenue and Changes in Net Position				
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Memphis Area Transit Authority	Airport Authority	Memphis Zoological Society	Total
Memphis Area Transit Authority	\$ 68,051	\$ 8,969	\$ -	\$ 4,182	\$ (54,900)	\$ -	\$ -	\$ (54,900)
Memphis Zoological Society	28,921	17,052	785	1,238	-	-	(9,846)	(9,846)
Airport Authority	134,872	104,820	-	15,781	-	(14,271)	-	(14,271)
Total component units	\$ 231,844	\$ 130,841	\$ 785	\$ 21,201	\$ (54,900)	\$ (14,271)	\$ (9,846)	\$ (79,017)
General revenues:								
Grants and contributions not restricted to specific programs								
City of Memphis subsidy					-	67	-	67
Investment income (loss)					23,661	-	-	23,661
Federal grants and entitlements					-	2,158	(400)	1,758
State grants					12,494	-	-	12,494
Other					7,445	-	-	7,445
Total general revenues and special items					102	6,454	64	6,620
Change in net position					43,702	8,679	(336)	52,045
Net position - beginning					(11,198)	(5,592)	(10,182)	(26,972)
Prior period adjustment - Change in accounting principle					108,686	668,690	20,034	797,410
Net position - beginning, as restated					-	(12,215)	-	(12,215)
Net position - ending					108,686	656,475	20,034	785,195
					\$ 97,488	\$ 650,883	\$ 9,852	\$ 758,223

See accompanying notes to financial statements.

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

NOTES TO FINANCIAL STATEMENTS

Note	Page
I. Summary of Significant Accounting Policies	
A. Reporting entity	72
B. Government-wide and fund financial statements	76
C. Measurement focus, basis of accounting, and financial statement presentation	77
D. Assets, liabilities, and net position or equity	82
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	88
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	88
III. Stewardship, Compliance, and Accountability	
A. Budgetary information	90
B. Excess of expenditures over appropriations	91
C. Deficit net position	91
IV. Detailed Notes on all Funds	
A. Deposits and investments	91
B. Receivables	107
C. Property taxes	108
D. Capital assets	110
E. Interfund receivables, payables, and transfers	114
F. Leases	116
G. Long-term debt	117
H. Restricted assets	127
I. Fund balance by purpose	128
J. Deferred inflows and outflows	129
V. Other Information	
A. Risk management	130
B. Subsequent events	130
C. Contingent liabilities and commitments	131
D. Joint ventures	132
E. Other postemployment benefits	134
F. Pension and retirement plans	148
G. Component units	184

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, 2015. The disclosures for other divisions, component units, and joint ventures are as of their June 30 fiscal year-end.

Blended Component Units

In accordance with Governmental Accounting Standards Board (GASB) Statement No. 61, and due to its financial responsibility and commitment for the entity, the City considers the Memphis Cook Convention Center (the Center) as a blended component unit. Blending means that the component unit is so closely related to the primary government that it is, in effect, the same as the primary government. The purpose of the Center is to provide convention space to lure regional and national conventions, and other rental events, to help the economy of Memphis and Shelby County, Tennessee.

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 blended component unit, and as such, is presented in the combining nonmajor fund section of this report in Exhibit B1 and B3 for fiscal year 2016. 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.

Discretely Presented Component Units

The component unit column in the government-wide financial statements includes the financial data of the City's component units. They are reported in separate columns in a combining statement in the basic statements after the fund financial statements to emphasize that they are legally separate from the City.

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

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, 2016, there were no material financial transactions to report. Future disclosures of this discretely presented component until 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 2015, the City adopted the new statement of financial accounting standards issued by the Governmental Accounting Standards Board (GASB) Statement No 68, *Accounting and Financial Reporting for Pension Plans*. Memphis Light Gas and Water Division (MLGW), which reports on a calendar year basis, did not elect early implementation of GASB 68. GASB 68 reporting was implemented in 2016 for the MLGW Pension Plan annual reporting.

In February 2016, 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.

Assets and liabilities recorded at fair value in the statement of net position are categorized based on the level of judgment associated with the inputs used to measure their fair value. Level inputs are as follows:

- Level 1 – Values are unadjusted quoted prices for identical assets in active markets accessible at the measurement date.
- Level 2 – Inputs include quoted prices for similar assets in active markets, quoted prices from those willing to trade in markets that are not active, or other inputs that are observable or can be corroborated by market data for the term of the instrument. Such inputs include market interest rates and volatilities, spreads and yield curves.
- Level 3 – Certain inputs are unobservable (supported by little or no market activity) and significant to the fair value measurement. Unobservable inputs reflect the City's best estimate and good faith opinion of what hypothetical market participants would use to determine a transaction price for the asset or liability at the reporting date.

Fair value disclosures are provided in section IV.A. of the notes to the basic financial statements.

In accordance with Governmental Accounting Standards Board (GASB) No. 61 – *The Financial Reporting Entity (an amendment of GASB Statements No. 14 and No. 34)*, the objective of which is to improve financial reporting for a governmental financial reporting entity and amended to better meet user needs and to address reporting entity issues that have arisen since the issuance of GASB 14 and GASB 34, the City has included the Memphis Cook Convention Center (the Center) as a blended component unit. The City became the sole owner of the Center during fiscal year 2012, at which time the potential component unit evaluation resulted in non-disclosure; however, further assessment has caused the City to amend its evaluation and present the Center as a blended component unit to help ensure that the City's financial statements do not understate its financial position and to provide for more consistent and understandable disclosure of its equity interests.

Disclosure of the Center as a blended component unit is presented in the combining nonmajor fund section of this report in Exhibit B1 and B3 for fiscal year 2016.

In accordance with Governmental Accounting Standards Board (GASB) No. 49 *Accounting and Financial Reporting for Pollution Remediation Obligations*, a government is required to estimate the components of expected pollution remediation outlays and determine whether outlays for those components should be accrued as a liability, or if appropriate, capitalized when goods and services are acquired. In review of these requirements, the City has determined that an obligating event has occurred and should be disclosed. 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. 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 a 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.

Disclosure of the Pollution Remediation Obligation is presented in section V.C. of the notes to the financial statements.

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, 2016, related to tax levies for fiscal year 2016 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, 2016, are recorded as deferred inflows at June 30, 2016.

Interfund Receivables and Payables

Activities between funds that are representative of lending/borrowing arrangements outstanding at June 30 are referred to as "due to/from other funds." Interfund loan agreements in the form of bond anticipation notes or grant anticipation notes are executed in accordance with the provisions of Title 9, Chapter 21 of the Tennessee Code Annotated for interfund balances that are not related to timing differences. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

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

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

All interfund transactions except quasi-external transactions and reimbursements are accounted for as transfers. Non-recurring or non-routine transfers of equity between funds are considered equity transfers. All other interfund transactions are treated as transfers.

Under the Charter of the City of Memphis, the City is entitled to dividends from MLGW based upon equity. These dividends are recorded as a transfer.

Inventories and Prepaid Expenditures

Inventories in the Proprietary Funds are stated at cost determined principally by the first-in/first-out (FIFO) method. General Fund inventories are recorded as expenditures when purchased, and there were no significant inventories on hand at June 30, 2016. All other inventories are recorded as expenditures when consumed rather than when purchased (Consumption Method).

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

Capital Assets

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

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. The total interest expense incurred by the Sewer Collection and Treatment Fund during the current fiscal year was \$3,372. 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. The City’s Finance Director, in compliance with the authority granted by a City Council resolution, has authorized the assignment of \$23,489 of the fund balance for June 30, 2016 encumbrances (outstanding obligations). The City has also assigned \$20,000 for intergovernmental transactions.

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, 2015	\$ (455,329)
Adjustment for capital asset	<u>(483)</u>
Restated net position at June 30, 2015	<u>\$ (455,812)</u>

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

Net position at June 30, 2015	\$ 2,380,769
Adjustment for MLGW GASB 68 implementation	<u>(19,784)</u>
Restated net position at June 30, 2015	<u>\$ 2,360,985</u>

Prior period net position of the Component Units has been adjusted as stated below:

Net position at June 30, 2015	\$ 797,410
Adjustment for change in accounting principle	<u>12,215</u>
Restated net position at June 30, 2015	<u>\$ 785,195</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 \$1,645,984 difference are as follows:

Bonds payable	\$ 1,189,950
Settlement obligation	18,666
Unamortized loan costs	73,155
Capital lease obligations	38,025
Related party loan	185,570
Related party loan premium	1,650
Related party debt obligation	27,585
Related party debt premium	521
Accrued interest	16,103
Claims and judgments liability On the job injury	9,398
Compensated absences	<u>3,696</u>
	<u>81,665</u>
Net adjustment to reduce fund balance-total governmental funds to arrive at net position-governmental activities	\$ <u><u>1,645,984</u></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

NOTES TO FINANCIAL STATEMENTS
(Thousands of Dollars)
For the fiscal year ended June 30, 2016

CITY OF MEMPHIS, TENNESSEE
(Continued)

activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.”

The details of the \$57,864 difference are as follows:

Capital outlay	\$ 96,643
Depreciation expense	<u>(38,779)</u>
Net adjustment to increase net changes in fund balances-total governmental funds to arrive at change in net position of governmental activities	<u>\$ 57,864</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 \$59,364 difference are as follows:

Debt issued or incurred:

General obligation bonds	\$ (59,885)
Commercial paper	(55,000)
Capital lease	(2,000)
Related party debt	(1,562)

Principal repayments:

General obligation bonds	90,874
Commercial paper	75,000
Related party	9,172
Capital leases	7,037
Related party premiums	199
Settlement Obligation	1,334
Premium on GO Bonds	<u>(5,805)</u>

Net adjustment to decrease net changes in fund balances-total governmental funds to arrive at changes in net position of governmental activities

\$ 59,364

NOTES TO FINANCIAL STATEMENTS
(Thousands of Dollars)
For the fiscal year ended June 30, 2016

CITY OF MEMPHIS, TENNESSEE
(Continued)

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 \$52,169 difference are as follows:

Liability Changes:

Claims and judgments liability	\$ (790)
Accrued interest expense	1,252
Personnel cost (OJL, vacation, sick, other)	<u>1,710</u>
	<u>2,172</u>
Net pension obligation	(38,027)
Other postemployment benefit obligation	<u>(16,314)</u>
	<u>(54,341)</u>
Net adjustment to decrease net changes in fund balances - total governmental funds to arrive at change in net position of governmental activities	<u>\$ (52,169)</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 2 to 3 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, 2016, 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. Presentation on Exhibit A-8 for Special Items is presented without budget. Expenditures were assigned in fiscal year 2015. Transactions were finalized and payments approved by City Council during the fiscal year 2016 as a use of assigned fund balance.

C. Deficit net position

No funds had a deficit net position at the end of fiscal year 2016.

Workforce Investment Network, as presented in the combining nonmajor funds section of this report, exhibits a negative claim on cash of \$265 due to timing differences in receipt of reimbursable expenditures.

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, 2016 all deposits were insured or collateralized as required by policy. The City's investment policy provides that all securities purchased by the City or held as collateral on either deposits or investments shall be held in third-party safekeeping at a financial institution.

NOTES TO FINANCIAL STATEMENTS
(Thousands of Dollars)
For the fiscal year ended June 30, 2016

CITY OF MEMPHIS, TENNESSEE
(Continued)

Deposits held by the C&I Pool at June 30, 2016, totaled \$37,680.

The investments held by the pool consist of the following at June 30, 2016:

Description	Maturity Dates	Interest Rates	Fair Value	Duration
U.S. Government Obligations	July 2016 - Jan 2021	.0% - 3.875%	\$294,088	.08 - 4.58
Cash Equivalents	July 2016 - Dec 2016	0%	30,877	.08 - .50
Certificate of Deposit	Nov 2016 - Apr 2018	1% - 1.450%	1,755	.42 - 1.83
Total Investments			<u>\$326,720</u>	

The C&I Pool does not issue separate financial statements. Condensed financial information as of June 30, 2016, is as follows (dollar amounts and share amounts are the same):

Condensed Statement of Net Position

Cash deposits	\$ 37,680
Investments	<u>326,720</u>
Net position	<u>\$ 364,400</u>

Net position held in trust for pool participants:

Internal participants	<u>364,400</u>
Total net position held in trust for pool participants	<u>\$ 364,400</u>

Condensed Statement of Changes in Net Position

Additions:	
Investment income	\$ 1,467
Purchase of units	<u>1,369,174</u>
Total additions	1,370,641
Deduction:	
Redemption of units	<u>1,359,391</u>
Net increase	11,250
Net position held in trust for pool participants:	
Beginning of year	<u>353,150</u>
End of year	<u>\$ 364,400</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.

NOTES TO FINANCIAL STATEMENTS
(Thousands of Dollars)
For the fiscal year ended June 30, 2016

CITY OF MEMPHIS, TENNESSEE
(Continued)

Deposits and cash on hand held by the primary government outside of the C&I Pool at June 30, 2016, totaled \$327,876.

The investments held by the primary government outside the C&I Pool at June 30, 2016:

Description	<u>Fair Value</u>
Short-term investments	\$ 9,487
Money market	18
U.S. Government securities	141,509
Federal Agency securities	<u>24,330</u>
Total	<u>175,344</u>
Investments not subject to categorization:	
State of Tennessee LGIP	<u>628</u>
Total Investments	<u>\$ 175,972</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	\$ 37,680
C&I Pool investments	326,720
Other deposits and cash on hand	327,876
Other investments	<u>175,972</u>
Total	868,248
Equity in C&I Pool – Agency funds	(2,310)
Equity in C&I Pool – Fiduciary funds	<u>(10,106)</u>
Total	<u>\$ 855,832</u>
Cash and cash equivalents	\$ 244,724
Investments	158,656
Equity in cash and investment pool	351,983
Restricted special fund-customer deposits	47,750
Restricted investments	<u>52,719</u>
Total	<u>\$ 855,832</u>

NOTES TO FINANCIAL STATEMENTS
(Thousands of Dollars)
For the fiscal year ended June 30, 2016

CITY OF MEMPHIS, TENNESSEE
(Continued)

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

Memphis Area Transportation Authority (MATA) as of June 30, 2016

Cash and Cash Equivalents \$ 6,933

Restricted Investments

Federal Home Loan Mortgage Obligation \$ 506
 Total Investments \$ 506

Memphis Shelby County Airport Authority (MSCAA) as of June 30, 2016

Deposits

Cash deposits \$ 72,544
 Cash on hand 3
 Total Deposits and cash on hand \$ 72,547

Investments

U.S. Government agencies \$ 58,497

Investments not subject to categorization:

Mutual funds 1,052
 Forward purchase agreement 23,840
 Total Investments \$ 83,389

Memphis Zoological Society (MZS) as of June 30, 2016

Cash and Cash Equivalents \$ 6,075

Investments

Community Foundation of Greater Memphis funds \$ 5,469
 Total Investments \$ 5,469

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.

NOTES TO FINANCIAL STATEMENTS
(Thousands of Dollars)
For the fiscal year ended June 30, 2016

CITY OF MEMPHIS, TENNESSEE
(Continued)

The fair values of fixed income investments, grouped by maturity at June 30, 2016, are as follows:

Current to one year	\$	37,742
One to two years		98,885
Two to three years		83,520
Three to four years		28,596
Four to five years		75,365
Five or more years		493,066
		<u>817,174</u>
Funds with indeterminable maturities		637
		<u>817,811</u>
	\$	<u>817,811</u>

NOTES TO FINANCIAL STATEMENTS
(Thousands of Dollars)
For the fiscal year ended June 30, 2016

CITY OF MEMPHIS, TENNESSEE
(Continued)

Credit Risk

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

The City Plan's exposure to credit risk at June 30, 2016, 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	\$ 72,954	AAA	8.92%
	86,890	AA+	10.62%
Non-government-backed CMOs	5,473	AAA	0.67%
	1,039	AA+	0.13%
Asset-backed securities	3,436	AAA	0.42%
Corporate bonds and index funds	104,570	AAA	12.79%
	103,851	AA+	12.70%
	15,482	AA	1.89%
	13,634	AA-	1.67%
	3,423	A+	0.42%
	54,989	A	6.72%
	29,461	A-	3.59%
	44,688	BBB+	5.46%
	32,333	BBB	3.95%
	16,672	BBB-	2.04%
	20,569	BB+	2.52%
	26,309	BB	3.22%
	15,660	BB-	1.91%
	26,069	B+	3.19%
	20,970	B	2.56%
13,293	B-	1.63%	
11,426	CCC+	1.40%	
3,181	CCC	0.39%	
1,030	CCC-	0.13%	
1,814	D	0.22%	
44,706	NR	5.47%	
Government mortgage-backed securities	43,891	AA+	5.37%
Total Fixed Income	\$ 817,810		100.00%

NOTES TO FINANCIAL STATEMENTS
(Thousands of Dollars)
For the fiscal year ended June 30, 2016

CITY OF MEMPHIS, TENNESSEE
(Continued)

Foreign currency risk

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

The City Plan's exposure to foreign currency risk – in U.S. Dollars – as of June 30, 2016, is as follows:

Currency	Equities	Corporate Bonds	Total
Arab Emirate Dirham (Dubai)	\$ -	\$ -	\$ -
Australian dollar	7,230	17,141	24,371
Barbadian dollar	-	-	-
Bermudian dollar	-	-	-
Brazilian real	90	2,690	2,780
British pound sterling	18,938	14,693	33,631
Canadian dollar	11,409	7,764	19,173
Cayman Islands dollar	-	1,373	1,373
Chinese yuan (renminbi)	-	647	647
Danish krone	4,485	-	4,485
Euro	34,473	13,760	48,233
Hong Kong dollar	2,598	-	2,598
Hungarian Forint	86	-	86
Indian rupee	204	-	204
Indonesian rupiah	-	-	-
Israeli shekel	1,454	-	1,454
Japanese yen	22,281	9,958	32,239
Mexican peso	602	30,396	30,998
New Zealand dollar	-	8,387	8,387
Norwegian krone	148	-	148
Panamanian balboa	-	-	-
Polish zloty	-	5,200	5,200
Qatari riyal	-	-	-
Russian ruble	-	225	225
Singapore dollar	-	-	-
Thailand baht	414	7,164	7,578
South African rand	136	563	699
South Korean won	1,331	-	1,331
Swedish krona	9,301	836	10,137
Swiss franc	2,528	-	2,528
Total securities subject to foreign credit risk	\$ 117,708	\$ 120,797	\$ 238,505
International portfolio in U.S dollars	360,169	-	360,169
	\$ 477,877	\$ 120,797	\$ 598,674

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 \$475 during the year ended June 30, 2016.

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, 2016 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, 2016 the collateral held and the market value of the securities on loan was \$52,569 and \$50,662 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, 2016 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 2016 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 \$127,654 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, 2016, were as follows:

<u>Description</u>	<u>Fair Value</u>
Mutual Funds	\$2,507

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

NOTES TO FINANCIAL STATEMENTS
(Thousands of Dollars)
For the fiscal year ended June 30, 2016

CITY OF MEMPHIS, TENNESSEE
(Continued)

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, 2016:

	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	\$ 118,312	\$ 928	\$ 72,280	\$ 45,103
Convertible Securities	2,625	-	2,625	-
Equities	621,993	614,334	-	7,659
Fixed Income Securities	982,353	103,853	874,710	3,791
Futures Contracts	805	805	-	-
Other - Global Funds	786	786	-	-
Real Estate Funds	144,036	-	-	144,036
Partnerships	7,476	-	-	7,476
Preferred Securities	1,449	-	1,449	-
Total	<u>\$ 1,879,835</u>	<u>\$ 720,706</u>	<u>\$ 951,064</u>	<u>\$ 208,065</u>
LGIP	622			
NAV Expedient:	<u>\$648,634</u>			
Total Leveling, LGIP, NAV	\$2,529,091			
Less Cash Equivalents	(43,964)			
Net Leveling, LGIP, NAV	<u>\$2,485,127</u>			

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, 2016. 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, 2016

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
Property taxes	\$ 302,143	\$ 137,717	\$ 428	\$ -	\$ -	\$ -	\$ 1,884	\$ 442,172
Special assessments	-	-	-	-	-	-	3,651	3,651
Sales, income, and other taxes	46,217	1,359	-	-	-	-	-	47,576
Federal and state grants	4,981	-	10,375	-	-	38,642	13,233	67,231
Interest and dividends on investments	-	-	-	5	-	199	-	204
Notes and accounts receivable	-	-	-	8,435	146,036	-	-	154,471
Housing and rehabilitation loans	-	-	-	-	-	68,906	-	68,906
Other	213,231	4,340	-	-	-	16	801	218,388
Gross receivables	566,572	143,416	10,803	8,440	146,036	107,763	19,569	1,002,599
Less allowance for uncollectibles	(191,857)	(3,683)	(13)	(112)	(18,987)	(13,781)	(915)	(229,348)
Net total receivables	\$ 374,715	\$ 139,733	\$ 10,790	\$ 8,328	\$ 127,049	\$ 93,982	\$ 18,654	\$ 773,251

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, 2016, 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 2016 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, 2016, were 95.25% of the tax levy.

At June 30, 2016, the allowance for uncollectible property taxes by fund was as follows:

General Fund	\$ 9,443
Debt Service Fund	3,683
Schools	337
Capital Projects Fund	13
Total	<u>\$ 13,476</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, 2016, as follows:

NOTES TO FINANCIAL STATEMENTS
(Thousands of Dollars)
For the fiscal year ended June 30, 2016

CITY OF MEMPHIS, TENNESSEE
(Continued)

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

The Sewer Collection and Treatment Fund and MLGW are assessed a payment-in-lieu-of-tax (PILOT) with all proceeds from these sources allocated to the General Fund. The amounts remitted by MLGW to the City and Shelby County were calculated based on City Council resolutions and City Charter provisions governing the PILOT sharing arrangement with Shelby County.

NOTES TO FINANCIAL STATEMENTS
(Thousands of Dollars)
For the fiscal year ended June 30, 2016

CITY OF MEMPHIS, TENNESSEE
(Continued)

D. Capital assets

Capital asset activity for the year ended June 30, 2016, was as follows:

Primary Government

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Governmental Activities:					
Capital assets not being depreciated:					
Land	\$ 68,614	\$ 1,103	\$ (5)	\$ -	69,712
Construction in progress	571,564	93,896	(98,021)	-	567,439
Total capital assets not being depreciated	<u>640,178</u>	<u>94,999</u>	<u>(98,026)</u>	<u>-</u>	<u>637,151</u>
Capital assets being depreciated:					
Buildings	563,993	18,543	-	-	582,536
Improvements other than buildings	829,468	50,947	-	-	880,415
Machinery and equipment	391,637	27,449	(7,399)	8	411,695
Total capital assets being depreciated	<u>1,785,098</u>	<u>96,939</u>	<u>(7,399)</u>	<u>8</u>	<u>1,874,646</u>
Less accumulated depreciation for:					
Buildings	(278,175)	(12,970)	239	-	(290,906)
Improvements other than buildings	(315,004)	(16,724)	68	-	(331,660)
Machinery and equipment	(354,607)	(9,309)	7,454	5	(356,457)
Total accumulated depreciation	<u>(947,786)</u>	<u>(39,003)</u>	<u>7,761</u>	<u>5</u>	<u>(979,023)</u>
Total capital assets being depreciated, net	<u>837,312</u>	<u>57,936</u>	<u>362</u>	<u>13</u>	<u>895,623</u>
Governmental activities capital assets, net	<u>\$ 1,477,490</u>	<u>\$ 152,935</u>	<u>\$ (97,664)</u>	<u>\$ 13</u>	<u>\$ 1,532,774</u>

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Business-type Activities:					
Capital assets not being depreciated:					
Land	\$ 13,732	\$ -	\$ -	\$ -	13,732
Construction in progress	129,561	85,131	(11,335)	-	203,357
Memphis Light, Gas and Water assets	193,280	112,624	(78,550)	-	227,354
Total capital assets not being depreciated	<u>336,573</u>	<u>197,755</u>	<u>(89,885)</u>	<u>-</u>	<u>444,443</u>
Capital assets being depreciated:					
Buildings	106,103	-	-	-	106,103
Improvements other than buildings	599,938	12,290	(3,558)	-	608,670
Machinery and equipment	47,352	4,749	(3,230)	(8)	48,863
Memphis Light, Gas and Water assets	2,593,936	90,243	(35,906)	-	2,648,273
Total capital assets being depreciated	<u>3,347,329</u>	<u>107,282</u>	<u>(42,694)</u>	<u>(8)</u>	<u>3,411,909</u>
Less accumulated depreciation for:					
Buildings	(86,862)	(1,071)	2	-	(87,931)
Improvements other than buildings	(304,188)	(10,055)	856	-	(313,387)
Machinery and equipment	(33,342)	(3,746)	3,054	5	(34,029)
Memphis Light, Gas and Water depreciation*	(1,150,961)	(77,920)	29,736	-	(1,199,145)
Total accumulated depreciation	<u>(1,575,353)</u>	<u>(92,792)</u>	<u>33,648</u>	<u>5</u>	<u>(1,634,492)</u>
Total capital assets being depreciated, net	<u>1,771,976</u>	<u>14,490</u>	<u>(9,046)</u>	<u>(3)</u>	<u>1,777,417</u>
Business-type activities capital assets, net	<u>\$ 2,108,549</u>	<u>\$ 212,245</u>	<u>\$ (98,931)</u>	<u>\$ (3)</u>	<u>\$ 2,221,860</u>

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

NOTES TO FINANCIAL STATEMENTS
(Thousands of Dollars)
For the fiscal year ended June 30, 2016

CITY OF MEMPHIS, TENNESSEE
(Continued)

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

Governmental activities:		
Community enhancement		\$ -
Engineering		588
Executive		139
Finance		3,814
Fire services		3,233
General services		3,747
Housing and Community Development		(43)
Information services		2,053
Park services		7,636
Police services		2,797
Public services		4,702
Public works		10,113
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>10</u>
Total depreciation expense - Governmental activities		<u>\$ 38,789</u>
Business-type activities:		
Sewer		\$ 12,405
Storm Water		2,325
Memphis Light, Gas and Water		<u>77,920</u>
Total depreciation expense - Business-type activities		<u>\$ 92,650</u>

	MLGW Electric Division	MLGW Gas Division	MLGW Water Division	Total
Statement of Revenues, Expenses and Changes in Net Position:				
Depreciation expense	\$ 47,899	\$ 14,660	\$ 7,279	\$ 69,838
Transportation costs	1,173	1,454	285	2,912
Salvage returns	1,471	393	161	2,025
Retirements	(1,656)	(369)	(161)	(2,186)
Amortization	879	-	-	879
Statement of Cash Flows, Depreciation Expense:	<u>\$ 49,766</u>	<u>\$ 16,138</u>	<u>\$ 7,564</u>	<u>\$ 73,468</u>
Retirements	1,656	369	161	2,186
Salvage	1,010	215	77	1,302
Transfers	-	-	-	-
Shelby County Board of Public Utilities Acquisition - annual amortization	-	-	964	964
	<u>\$ 52,432</u>	<u>\$ 16,722</u>	<u>\$ 8,766</u>	<u>\$ 77,920</u>

NOTES TO FINANCIAL STATEMENTS
(Thousands of Dollars)
For the fiscal year ended June 30, 2016

CITY OF MEMPHIS, TENNESSEE
(Continued)

Construction Commitments

The government had active construction projects as of June 30, 2016. At year-end the government's commitments with contractors were as follows:

<u>Function/Activity</u>	<u>Commitment</u>
Executive	\$ 4,827
Fire services	2,700
Police services	3,307
Park services	2,963
Public works	29,251
Public services	2,162
General services	6,672
Housing and Community Development	15,513
Engineering	7,920
Information systems	1,600
Library services	80
Sewer	47,614
Community Enhancement	31
	<u>\$ 124,640</u>

Discretely Presented Component Units

Activity for the Memphis Area Transit Authority for the year ended June 30, 2016, was as follows:

	Beginning Balance (restated)	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	\$ 2,731	\$ -	\$ -	\$ 2,731
Construction in progress	1,656	1,432	(48)	3,040
Total capital assets not being depreciated	<u>4,387</u>	<u>1,432</u>	<u>(48)</u>	<u>5,771</u>
Capital assets being depreciated:				
Buildings and improvements	170,893	1,455	-	172,348
Buses and other revenue vehicles	80,424	625	-	81,049
Machinery and equipment	26,847	-	(53)	26,794
Total capital assets being depreciated	<u>278,164</u>	<u>2,080</u>	<u>(53)</u>	<u>280,191</u>
Less accumulated depreciation for:				
Buildings and improvements	(84,010)	(6,077)	-	(90,087)
Buses and other revenue vehicles	(49,825)	(4,180)	-	(54,005)
Machinery and equipment	(17,824)	(2,744)	-	(20,568)
Total accumulated depreciation	<u>(151,659)</u>	<u>(13,001)</u>	<u>-</u>	<u>(164,660)</u>
Total capital assets being depreciated, net	<u>126,505</u>	<u>(10,921)</u>	<u>(53)</u>	<u>115,531</u>
Capital assets, net	<u>\$ 130,892</u>	<u>\$ (9,489)</u>	<u>\$ (101)</u>	<u>\$ 121,302</u>

NOTES TO FINANCIAL STATEMENTS
(Thousands of Dollars)
For the fiscal year ended June 30, 2016

CITY OF MEMPHIS, TENNESSEE
(Continued)

Activity for the Memphis-Shelby County Airport Authority for the year ended June 30, 2016, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	\$ 159,476	\$ 105	\$ -	\$ 159,581
Avigation easements	46,679	-	-	46,679
Construction in progress	54,773	27,836	(68,895)	13,714
Total capital assets not being depreciated	<u>260,928</u>	<u>27,941</u>	<u>(68,895)</u>	<u>219,974</u>
Capital assets being depreciated:				
Runways, taxiways, aprons and airfield lighting	719,646	56,369	-	776,015
Buildings	552,072	3,287	-	555,359
Facilities constructed for tenants	104,077	-	-	104,077
Roads, bridges and fences	67,253	1,276	-	68,529
Equipment and utility systems	109,454	7,318	(366)	116,406
Total capital assets being depreciated	<u>1,552,502</u>	<u>68,250</u>	<u>(366)</u>	<u>1,620,386</u>
Less accumulated depreciation for:				
Runways, taxiways, aprons and airfield lighting	(419,892)	(31,425)	-	(451,317)
Buildings	(289,579)	(17,906)	-	(307,485)
Facilities constructed for tenants	(44,642)	(2,801)	-	(47,443)
Roads, bridges and fences	(38,242)	(3,290)	-	(41,532)
Equipment and utility systems	(85,406)	(6,754)	359	(91,801)
Total accumulated depreciation	<u>(877,761)</u>	<u>(62,176)</u>	<u>359</u>	<u>(939,578)</u>
Total capital assets being depreciated, net	<u>674,741</u>	<u>6,074</u>	<u>(7)</u>	<u>680,808</u>
Capital assets, net	<u>\$ 935,669</u>	<u>\$ 34,015</u>	<u>\$ (68,902)</u>	<u>\$ 900,782</u>

NOTES TO FINANCIAL STATEMENTS
(Thousands of Dollars)
For the fiscal year ended June 30, 2016

CITY OF MEMPHIS, TENNESSEE
(Continued)

E. Interfund receivables, payables, and transfers

The composition of interfund transfers for the year ended June 30, 2016, is as follows:

	Transfers In													
	General Fund	Debt Service	Capital Projects	Miscellaneous Grants	Hotel/Motel Tax	WIN Fund	Nonmajor Special Revenue		Community Redevelopment	Total Nonmajor Special Revenue	Enterprise Storm Water	Internal Service Healthcare Fund	Fiduciary OPEB Trust Fund	Totals
							New Memphis Arena	Development						
Transfers Out of Funds Below:														
General Fund	\$ -	5,314	2,341	214	-	2,000	5,000	2,351	9,565	-	-	1,555	-	18,775
Debt Service Fund	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Capital Projects Fund	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Nonmajor Special Revenue	-	1,768	-	-	-	-	-	-	-	-	-	-	-	1,768
Slate Street Aid	-	194	-	-	-	-	-	-	-	-	-	-	-	202
Miscellaneous grants	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Midtown Corridor	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Solid Waste	75	5,056	-	-	-	-	-	-	-	-	-	-	-	5,131
Hotel/Motel Tax	29	-	-	-	-	-	-	-	3,694	-	-	-	-	3,723
New Memphis Arena	-	3,694	-	-	-	-	-	-	3,694	-	-	-	-	7,388
Community Redevelopment	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Nonmajor Special Revenue	112	10,712	-	-	3,694	-	-	-	7,388	-	-	-	-	18,212
Enterprise Funds														
Sewer	6,889	-	-	-	-	-	-	-	-	-	-	-	-	6,889
Memphis Light, Gas and Water	52,282	-	-	-	-	-	-	2,500	2,500	-	-	-	-	54,782 (1)
Storm Water	75	1,893	-	-	-	-	-	-	-	-	-	-	-	1,968
Internal Service Funds	-	-	-	-	-	-	-	-	-	-	-	3,001	-	3,001
Health Insurance	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfers In	\$ 59,358	17,919	2,341	214	3,694	2,000	5,000	6,194	19,453	-	-	4,556	-	103,627

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

NOTES TO FINANCIAL STATEMENTS
(Thousands of Dollars)
For the fiscal year ended June 30, 2016

CITY OF MEMPHIS, TENNESSEE
(Continued)

The composition of interfund balances as of June 30, 2016 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
GOVERNMENTAL FUND TYPES		
General	Community Development	\$ 351
	State Street Aid	2,845
		<u>3,196</u>
Debt Service	State Street Aid	295
		<u>295</u>
INTERNAL SERVICE FUND TYPES		
Fleet Management	Community Development	133
Health Insurance Fund	Airport Authority	24
		<u>157</u>
Total		<u>\$ 3,515</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>(18,911)</u>
Total	<u>\$ 38,025</u>

The remaining debt service requirement for capital lease obligations for the City at June 30, 2016, is as follows:

Fiscal Year	
2017	\$ 7,451
2018	6,564
2019	6,441
2020	4,146
2021	2,477
2022-2030	18,625
Less Interest	<u>(7,679)</u>
Present Value of Payments	<u>\$ 38,025</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, 2016, the City's bond ratings were as follows: Aa2 by Moody's Investors Service, AA by S&P Global Ratings (formally Standard & Poor's), and AA by Fitch Ratings.

In June 2016, the City issued \$69,885 of General Improvement Bonds, Series 2016 to refund \$75,000 for Commercial Paper Notes issued in April 2014. The issue resulted in net proceeds of \$75,000 (after the payment of \$380 in underwriter's discount and \$310 cost of issuance).

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, 2016, there was no outstanding balance on the line.

Revenue Bonds

No Revenue Bond issues occurred in fiscal year 2016.

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.

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, 2016, a total of approximately \$249,955 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. 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, 2015	Increases	Decreases	June 30, 2016
\$0	\$1,562	\$0	\$1,562

NOTES TO FINANCIAL STATEMENTS
(Thousands of Dollars)
For the fiscal year ended June 30, 2016

CITY OF MEMPHIS, TENNESSEE
(Continued)

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.

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 \$317 in principal and \$25 in interest on the guarantee through June 30, 2016. 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, 2015	Increases	Decreases	June 30, 2016
\$1,585	\$0	\$317	\$1,268

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 \$832 in principal and \$278 in interest on the guarantee

NOTES TO FINANCIAL STATEMENTS
(Thousands of Dollars)
For the fiscal year ended June 30, 2016

CITY OF MEMPHIS, TENNESSEE
(Continued)

through June 30, 2016. 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, 2015	Increases	Decreases	June 30, 2016
\$8,316	\$0	\$832	\$7,484

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 QECCB, 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 \$202 in principal and \$71 in interest on the guarantee through June 30, 2016. 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, 2015	Increases	Decreases	June 30, 2016
\$2,015	\$0	\$202	\$1,813

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 QECCB, 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 \$34 in principal and \$12 in interest on the guarantee through June 30, 2016. 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.

NOTES TO FINANCIAL STATEMENTS
(Thousands of Dollars)
For the fiscal year ended June 30, 2016

CITY OF MEMPHIS, TENNESSEE
(Continued)

June 30, 2015	Increases	Decreases	June 30, 2016
\$340	\$0	\$34	\$306

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 \$14,195 in principal and \$38,374 in interest on the guarantee through June 30, 2016. 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, 2015	Increases	Decreases	June 30, 2016
\$189,965	\$0	\$7,225	\$182,740

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 \$2,418 in principal and \$3,976 in interest on the guarantee obligation through June 30, 2016. 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, 2015	Increases	Decreases	June 30, 2016
\$18,543	\$0	\$563	\$17,980

NOTES TO FINANCIAL STATEMENTS
(Thousands of Dollars)
For the fiscal year ended June 30, 2016

CITY OF MEMPHIS, TENNESSEE
(Continued)

Changes in long-term liabilities

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

The following is a summary of general obligation, other debt, and revenue bonds by fund at June 30 , 2016:

	General Obligation Bonds (1)	Bond Anticipation Notes / Commercial Paper	Capital Lease Obligations	Settlement Obligation	Guarantee Obligations	Revenue Bonds	State Loans	Total
Governmental Funds	\$ 1,263,105	-	38,025	18,666	215,327	-	-	1,535,123
Enterprise Funds	-	-	-	-	-	568,601	11,344	579,945
Total long-term debt	\$ 1,263,105	-	38,025	18,666	215,327	568,601	11,344	2,115,068

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

NOTES TO FINANCIAL STATEMENTS
(Thousands of Dollars)
For the fiscal year ended June 30, 2016

CITY OF MEMPHIS, TENNESSEE
(Continued)

Long-term liability activity for the year ended June 30, 2016, was as follows:

	Balance June 30, 2015	Additions	Reductions	Balance June 30, 2016	Due Within One Year
Governmental activities:					
Bonds and Other Obligations:					
General obligation bonds payable	\$ 1,208,825	59,885	(78,760)	1,189,950	80,915
Premium on general obligation bonds	79,464	5,805	(12,114)	73,155	12,613
Commercial Paper	20,000	55,000	(75,000)	-	-
Capital lease agreements	43,062	2,000	(7,037)	38,025	6,406
Settlement Obligation	20,000	-	(1,334)	18,666	1,334
	<u>\$ 1,371,351</u>	<u>122,690</u>	<u>(174,245)</u>	<u>1,319,796</u>	<u>101,268</u>
Guarantee obligations:					
Related party loan	\$ 191,550	1,562	(7,542)	185,570	8,227
Related party loan premium	1,757	-	(107)	1,650	112
Related party debt obligation	29,215	-	(1,630)	27,585	1,640
Related party debt obligation premium	613	-	(92)	521	91
	<u>\$ 223,135</u>	<u>1,562</u>	<u>(9,370)</u>	<u>215,327</u>	<u>10,069</u>
Subtotal	<u>\$ 1,594,486</u>	<u>124,252</u>	<u>(183,615)</u>	<u>1,535,123</u>	<u>111,338</u>
Other liabilities:					
Legal Claims and Judgments	\$ 8,608	790	-	9,398	432
Accrued Interest	17,355	-	(1,252)	16,103	-
Vacation, sick and other leave benefits	83,877	1,474	(3,687)	81,664	398
On the Job Injury	3,194	502	-	3,696	-
	<u>\$ 113,034</u>	<u>2,766</u>	<u>(4,939)</u>	<u>110,861</u>	<u>830</u>
Total	<u>\$ 1,707,520</u>	<u>127,018</u>	<u>(188,554)</u>	<u>1,645,983</u>	<u>112,168</u>
Business-type activities:					
Bonds and Other Obligations:					
Revenue bonds	\$ 111,510	-	(10,930)	100,580	11,390
General Oblig Bonds Payable Allocation	-	10,000	-	10,000	1,546
Net premium/discount on revenue bonds	3,124	-	(1,564)	1,560	873
MLGW revenue bonds	546,230	-	(110,760)	435,470	115,975
Premium on MLGW revenue bonds	30,513	4	(9,526)	20,991	-
Sewer State Loan	4,749	6,757	(162)	11,344	166
Subtotal	<u>696,126</u>	<u>16,761</u>	<u>(132,942)</u>	<u>579,945</u>	<u>129,950</u>
Other liabilities:					
Vacation, sick and other leave benefits	18,400	334	(331)	18,403	335
Total	<u>\$ 714,526</u>	<u>17,095</u>	<u>(133,273)</u>	<u>598,348</u>	<u>260,235</u>

NOTES TO FINANCIAL STATEMENTS
(Thousands of Dollars)
For the fiscal year ended June 30, 2016

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, 2016 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	\$ 1,189,950
Bond Anticipation Notes-Commercial Paper	variable	20,000	-
Net Premium/(Discount) on General Obligation Debt		174,434	73,155
Total General Obligation Debt		<u>2,075,314</u>	<u>1,263,105</u>
Capital Lease Obligations	3.75-4.32	55,147	38,025
Settlement Obligation		20,000	18,666
Guarantee Obligations	variable	229,589	213,155
Net Premium/(Discount) on Guarantee Obligations		3,133	2,171
		<u>232,722</u>	<u>215,327</u>
Total Governmental Funds Debt		<u>\$ 2,383,183</u>	<u>\$ 1,535,123</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	100,580
Electric Division, MLG&W (1), (2)	2.00-5.00	1,920,150	420,470
Water Division, MLG&W (1)	2.00-5.00	15,000	15,000
Net Premium/(Discount) on revenue bonds			22,551
State Loans	.75-2.59	11,698	11,344
Total Business-Type Debt		<u>2,121,023</u>	<u>579,945</u>
Total		<u>\$ 4,504,206</u>	<u>\$ 2,115,068</u>

(1) All MLG&W bonds reflect amounts outstanding at December 31, 2015.

(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.

H. Restricted assets

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

Futures margin deposits	\$ 222
Insurance reserves – injuries and damages	11,054
Insurance reserves – casualties and general	35,424
Medical benefits	14,337
Customer deposits	28,036
Bond reserve and debt service	<u>11,396</u>
Total	<u>\$100,469</u>

NOTES TO FINANCIAL STATEMENTS
(Thousands of Dollars)
For the fiscal year ended June 30, 2016

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
Seized Funds	186	-	-	-	-	186
Photo Enforcement	3,824	-	-	-	-	3,824
Bass Pro	830	-	-	-	-	830
Miscellaneous Activities	28	-	-	-	-	28
E-Traffic Citation Fee	160	-	-	-	-	160
Debt Service - Related Party Loan	-	19,056	-	-	-	19,056
Debt Service - Capital Lease	-	4,200	-	-	-	4,200
Debt Service-Pledged TDZ Revenue	-	6,131	-	-	-	6,131
Solid Waste Management	-	-	-	-	15,871	15,871
Miscellaneous Grants	-	-	-	-	273	273
Drug Enforcement	-	-	-	-	10,077	10,077
Community Development	-	-	-	5,008	-	5,008
Workforce Investment Network	-	-	-	-	2,000	2,000
Committed						
Debt Service Requirements	-	31,868	-	-	-	31,868
Education	-	-	-	-	-	-
Community Redevelopment	-	-	-	-	1,215	1,215
Metro Alarms	-	-	-	-	1,922	1,922
Casino Gaming Commission	-	-	-	-	6	6
Beale Street	-	-	-	-	807	807
New Memphis Arena	-	-	-	-	119	119
Hotel/Motel Tax	-	-	-	-	2,765	2,765
Capital Projects	-	-	4,381	-	-	4,381
Assigned						
Encumbrances for Purchase Orders	23,489	-	-	-	-	23,489
Intergovernmental	20,000	-	-	-	-	20,000
Unassigned						
Total Fund Balances	\$ 94,674	\$ 61,255	\$ 4,381	\$ 5,008	\$ 794	\$ 95,468
	\$ 145,373				35,849	\$ 251,866

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	\$ 186,511
Total Governmental Activities Deferred Outflows	<u>\$ 186,511</u>
Business-Type Activities	
Deferred outflows - pensions	\$ 30,150
Accumulated decrease in fair value of hedging derivatives	657
Unamortized balance of refunded debt	3,509
Total Business-Type Activities Deferred Outflows	<u>\$ 34,316</u>
Total deferred outflows of resources	<u><u>\$ 220,827</u></u>

Deferred Inflows of Resources

Governmental Activities	
Deferred inflows - pensions	\$ 48,215
Prepaid taxes	7,364
Uncollected property taxes	389,161
Uncollected anti-neglect fees	683
Uncollected special assessments	3,609
Uncollected grant reimbursements	51,902
Uncollected intergovernmental revenues	15,932
Uncollected project loans receivable	55,125
Other	7,087
Total Governmental Activities Deferred Inflows	<u>\$ 579,078</u>
Business-Type Activities	
Deferred inflows - pensions	\$ 34,622
Revenue collected in advance	160
Total Business-Type Activities Deferred Inflows	<u>\$ 34,782</u>
Total deferred inflows of resources	<u><u>\$ 613,860</u></u>

V. OTHER INFORMATION

A. Risk management

The City is self-insured for health and medical benefits as well as on-the-job injury (OJI) claims. The Health Insurance Internal Service Fund charges premiums to other funds (primarily to the General Fund) that are used to pay claims and to fund the accrual for “incurred but not reported” (IBNR) claims and administrative costs of its health and medical benefits program. Additionally, OJI claims payable of \$3,696 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, 2015 and 2016 are as follows:

	On the Job Injury					
	Health	OPEB	Sewer Collection and Treatment Fund	Fleet Management Fund	Storm Water Fund	Governmental Funds
Balance - June 30, 2014	9,445	5,086	19	86	84	3,762
Current year provision	(66,976)	(48,485)	(79)	(86)	(75)	(4,914)
Payments	65,766	46,928	84	-	59	4,346
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

The City did not receive insurance recoveries during the year.

B. Subsequent events

The City has evaluated subsequent events for potential recognition and disclosure through December 22, 2016.

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 plans to enter into a similar agreement in 2017. Total proceeds from the sale of receivables in 2017 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 \$9,398 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, 2016, the Senior Lien Bonds were outstanding in an aggregate principal amount of \$183,200. 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, 2016, for outstanding purchase orders and outstanding contracts reported as assigned fund balance for encumbrances in the General Fund of \$23,489. The City has committed \$20,000 to intergovernmental transactions.

The City had additional commitments totaling \$124,640 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 \$90,000; expensed components of the remediation outlays to date are approximately \$80,949. The City has determined that a contingent liability in the amount of \$10,000 can be reasonably determined. The contingent liability is presented in the government-wide financial statements Exhibit A-1 for Business-type Activities and the related expense is presented in Exhibit A-2 for Sewer Collection and Treatment within the Business-type Activities.

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

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

This information does not reflect any provisions of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* that becomes effective for fiscal years beginning after June 15, 2017 or GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans* that becomes effective for fiscal years beginning after June 15, 2016. The City has not elected to early adopt either of these standards.

As a result of the 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.

NOTES TO FINANCIAL STATEMENTS
(Thousands of Dollars)
For the fiscal year ended June 30, 2016

CITY OF MEMPHIS, TENNESSEE
(Continued)

The authority to conduct the general operation and administration of the single employer plan is vested with the City. Separate financial statements for the plan are not issued.

As of and for its year ended June 30, 2016, the City OPEB Fund reported the following net position:

ASSETS

Investments, at fair value:

Mutual funds and money market funds	\$ 2,507
Total investments	<u>2,507</u>

Equity in cash and investment pool	8,571
Interest and dividend receivables	<u>538</u>

Total assets	<u>11,616</u>
---------------------	---------------

LIABILITIES

Accounts payable and other	<u>3,683</u>
----------------------------	--------------

Total liabilities	<u>3,683</u>
--------------------------	--------------

DEFERRED INFLOWS OF RESOURCES

Revenue collected in advance	<u>1,483</u>
------------------------------	--------------

Total deferred inflows of resources	<u>1,483</u>
--	--------------

NET POSITION

Held in trust for OPEB	<u><u>\$ 6,450</u></u>
------------------------	------------------------

NOTES TO FINANCIAL STATEMENTS
(Thousands of Dollars)
For the fiscal year ended June 30, 2016

CITY OF MEMPHIS, TENNESSEE
(Continued)

As of and for its year ended June 30, 2016, the City OPEB Fund reported the following changes in net position:

ADDITIONS

Contributions:

Employer	\$ 14,799
Medicare Part D	468
Plan members	6,997
Total contributions	<u>22,264</u>

Transfers from other funds	4,557
----------------------------	-------

Other Income:

Miscellaneous income	17
Pharmacy rx rebate	535
Total other income	<u>552</u>

Investment income:

Interest and dividend income	54
Net appreciation in the fair value of investments	(15)
Total investment income	<u>39</u>

Total additions	<u>27,412</u>
------------------------	---------------

DEDUCTIONS

Benefits	27,515
Administrative expenses	3,013

Total deductions	<u>30,528</u>
-------------------------	---------------

Net increase	(3,116)
---------------------	---------

Net position - beginning of year	<u>9,566</u>
----------------------------------	--------------

Net position - end of year	<u><u>\$ 6,450</u></u>
-----------------------------------	------------------------

City of Memphis Other Postemployment Benefits (OPEB) Plan

Plan Description – The City’s OPEB Plan provides medical and life insurance benefits to eligible retired City of Memphis General, Police, Fire, and Airport Authority employees and their dependents based on firmly-established past practices.

At June 30, 2016, the number of active participants in the OPEB Plan was 6,311. Eligibility for OPEB benefits are based on two pension options: Normal retirement or disability retirement. 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.

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

- Post-65 Medicare A only eligible inactives
- Post-65 Medicare B only eligible inactives
- Post-65 Non-Medicare A and B eligible inactives
- Pre-65 deceased line-of-duty beneficiaries inactives
- Pre-65 disabled line-of-duty inactives

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

The remaining participants are non-grandfathered. The non-grandfathered participants Pre-65 coverage is access only for the PPO/Basic or POS/Premier Plan. Post 65-coverage is 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 subsidizes 25% and pays for costs in excess of the required retiree premiums.

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.

An additional \$3,500 life insurance benefit is provided to a small group of police and fire employees, which is offered at the discretion of the City and is self-insured.

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

Funding Policy – The contribution requirements of the plan members and the City are established by and may be amended by the City. OPEB eligible grandfathered members receiving benefits contribute \$225.80 to \$250.86* per month for retiree-only coverage and \$474.66 to \$497.51* per month for retiree and family coverage, depending on the medical plan coverage selected. Non-grandfathered premiums are equal to 75% of the total fully insured premiums, and eligible participants contribute as follows: Pre-65 pay access only rates, post-65 pay \$278.01*. 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.

*(not presented in thousands of dollars)

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, 2016, the value of the Trust assets within the OPEB Fund was \$11,616.

Schedule of Funding Progress

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the health care cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

The Schedule of Funding Progress, presented as required supplementary information following the Notes to the Financial Statements (Exhibit RSI-1), presents multi-year trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits. The actuarial value of assets for the period ending June 30, 2016 was \$2,470, a decrease of \$15,263 from 2015. The actuarial accrued liability was \$703,010, resulting in an unfunded actuarial accrued liability of \$700,540, an increase of \$29,704 over 2015. The actuarial accrued liability funded ratio was 0.4%. The covered payroll of \$321,988 represents

the total covered payroll for the prior calendar year, increased at a salary scale of 4.25%. For calendar year 2016 the average salary was \$52,196. The unfunded actuarial accrued liability as a percentage of payroll was 217.6% for the year ending June 30, 2016.

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

For the July 1, 2016 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.

The actuarial assumptions included a 4.50% investment rate of return (net of administrative expenses), an annual pre-Medicare health care cost trend rate of 6.56% initially, reduced by decrements to an ultimate rate of 4.50% in fiscal year 2027 and after, and annual post-Medicare health care cost trend rate of 6.53% reduced by decrements to an ultimate rate of 4.50% in fiscal year 2027 and after. All rates assume a 4.25% salary scale. The City's OPEB unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis, which means a fresh-start each year for the cumulative unrecognized amount; therefore the remaining amortization period at June 30, 2016, was 30 years. The inflation rate assumption is 3.00%.

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, 2015. The following is a summary of the changes that have occurred since the last valuation.

- Per capita costs for the self-funded basic and premier plans were updated by the City's healthcare pricing actuary.
- The per capita claims costs for the Medigap Supplement Part D and Medicare Advantage plans were updated based on actual calendar year 2016 fully insured premiums projected to the measurement date.

- Mortality rates were updated to reflect the most recent study of projection scales from the Society of Actuaries.
- The assumption for the percentage of current Pre-65 retirees that will be eligible for Medicare upon reaching age 65 was updated from 60% to 84% based on recent actual experience.
- The assumption for the percentage of future retirees that will cover a spouse after retirement was updated from 68%/43%/68% to 49%/10%/46% for General Males, General Females, and Police and Fire, respectively, based on recent actual experience.

There were no other changes in assumptions or methods since the prior year.

Changes in Plan Provisions – There were no changes in the Plan Provisions since the prior year.

Schedule of Contributions – The Schedule of Employer Contributions, presented as required supplementary information following the Notes to the Financial Statements (Exhibit RSI-2), presents multi-year information that shows the Annual Required Contribution (ARC) compared to the actual employer contributions.

The ARC is the City's periodic required contribution to a defined benefit OPEB plan determined in accordance with the plan provision, demographic participant data, actuarial assumptions, actuarial cost method, and other actuarial methods prescribed by GASB Statement No. 45. The ARC will generally increase with benefit cost increases and participant growth; however, gains or losses resulting from demographic and or assumption changes will also alter the ARC. For fiscal year 2016, the City's contribution of \$21,336 represented 58.4% of the \$36,554 ARC.

Annual OPEB Cost – The Annual OPEB Cost (AOC) consisted of the following:

Annual Required Contribution (ARC)	\$ 36,554
Interest on beginning of year accrual	11,138
Amortization of beginning of year accrual	(8,540)
Interest on the amortization	<u>(384)</u>
Annual OPEB Cost (AOC)	<u>\$ 38,768</u>

Annual Net OPEB Obligation – The annual Net OPEB Obligation (NOO) is an accounting measure of the employer’s liability (or asset) related to the benefit plan. If the obligation is fully funded each year then the NOO would be \$0. The NOO for fiscal year 2016 is calculated as follows:

Annual OPEB Cost (AOC)	\$ 38,768
Employer Contributions	<u>(21,336)</u>
Change in NOO	17,432
Net OPEB Obligation – beginning of year	<u>247,500</u>
Net OPEB Obligation – end of year	<u>\$264,932</u>

OPEB Cost Contributed – the percentage of OPEB Cost Contributed (OCC) for fiscal year 2016 was 55.0%, based on AOC of \$38,768 and employer contributions of \$21,336.

Disclosure regarding the current and two preceding years of the OPEB cost, percentage of the cost contributed, and the net OPEB obligation is as follows:

Fiscal Year Ending June 30	Annual OPEB Cost	Percentage of OPEB Cost Contributed	Net OPEB Obligation
2014	\$37,090	109.0%	\$247,515
2015	\$37,964	100.0%	\$247,500
2016	\$38,768	55.0%	\$264,932

The three-year trend information for the AOC, NOO, and percentage of OCC is presented in the Required Supplementary Information section of this report as Exhibit RSI-3.

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 the 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, 2016

CITY OF MEMPHIS, TENNESSEE
(Continued)

As of and for its year ended December 31, 2015, MLGW Reported the following OPEB net position:

	Memphis Light, Gas and Water OPEB Trust
ASSETS	
Cash and cash equivalents	\$ 2,727
Investments, at fair value:	
Common stock - domestic	103,131
Common stock - foreign	44,557
Mutual funds and money market funds	32,500
Government bond mutual fund - international	13,607
Corporate bond mutual funds - domestic	13,365
Corporate bond mutual funds - international	13,964
Convertible bond mutual fund - domestic	14,389
Investments in real estate	11,323
Investments in high yield bond fund	3,276
Investments in private equities	2,672
Investments in international equity fund	5,858
Investments in international bond fund	22,832
Distressed debt funds - domestic	5,588
Distressed debt funds - foreign	14,519
Total investments	<u>301,581</u>
Interest and dividend receivables	258
Receivable for securities sold	513
Employer and employee contributions receivable	599
Collateral held in trust for securities on loan	<u>32,956</u>
Total assets	<u>338,634</u>
LIABILITIES	
Accounts payable and other	1,588
Collateral subject to return to borrowers	<u>32,956</u>
Total liabilities	<u>34,544</u>
NET POSITION	
Held in trust for pension benefits, pool participants and OPEB	<u><u>\$ 304,090</u></u>

NOTES TO FINANCIAL STATEMENTS
(Thousands of Dollars)
For the fiscal year ended June 30, 2016

CITY OF MEMPHIS, TENNESSEE
(Continued)

As of and for its year ended December 31, 2015, MLGW reported the following changes in OPEB net position:

	Memphis Light, Gas and Water OPEB Trust
ADDITIONS	
Contributions:	
Employer	\$ 38,438
Plan members	6,848
Total contributions	<u>45,286</u>
Investment income:	
Interest and dividend income	5,687
Securities lending income	97
Other investment income	10
Investment activity expense	(743)
Net appreciation in the fair value of investments	(12,291)
Total investment income	<u>(7,240)</u>
Total additions	<u>38,046</u>
DEDUCTIONS	
Benefits	31,584
Administrative expenses	921
Total deductions	<u>32,505</u>
Net increase	5,541
Net position - beginning of year	<u>298,549</u>
Net position - end of year	<u><u>\$ 304,090</u></u>

See accompanying notes to financial statements.

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 2015 and 2014, employer contributions were \$38,438 and \$42,100 to the Plan, respectively. In 2015, plan members receiving benefits contributed \$6,848 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 2014, plan members receiving benefits contributed \$6,293 through their required contribution of \$72.08 to \$499.90 (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 2015:

	2015	2014
Annual required contribution	\$ 38,187	\$ 38,386
Interest on net OPEB obligation	(186)	-
Adjustment to annual required contribution	175	-
Annual OPEB cost	38,176	38,386
Contributions made	(38,438)	(42,100)
Change in net OPEB (asset) obligation	(262)	(3,714)
Net OPEB obligation at beginning of fiscal year	(2,488)	1,226
Net OPEB (asset) obligation at end of fiscal year	\$ (2,750)	\$ (2,488)

NOTES TO FINANCIAL STATEMENTS
(Thousands of Dollars)
For the fiscal year ended June 30, 2016

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 2015 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, 2015	\$ 38,176	100.7%	\$ (2,750)
December 31, 2014	\$ 38,386	109.7%	\$ (2,488)
December 31, 2013	\$ 42,854	100.4%	\$ 1,226

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, 2015	\$ 38,176	\$ 38,438	100.7%
December 31, 2014	\$ 38,386	\$ 42,100	109.7%
December 31, 2013	\$ 42,854	\$ 43,043	100.4%

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	30 years as of December 31, 2015
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 Board 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. The Pension Investment 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. Guidance is established in the *City Of Memphis Retirement System Statement of Investment Objectives*.

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.

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

NOTES TO FINANCIAL STATEMENTS
(Thousands of Dollars)
For the fiscal year ended June 30, 2016

CITY OF MEMPHIS, TENNESSEE
(Continued)

As of and for its year ended June 30, 2016 the City Retirement System reported the following net position:

	City Retirement System
ASSETS	
Cash and cash equivalents	\$ 50,306
Investments, at fair value:	
U.S. government securities - long-term	159,844
Common stock - domestic	588,751
Common stock - foreign	117,708
Corporate bonds - domestic	339,361
Corporate bonds - foreign	120,798
Mutual funds and money market funds	19,008
Collateralized mortgage obligations	6,512
Asset-backed pooled securities	3,436
Mortgage-backed pooled securities	43,891
Investments in index funds	143,970
Investments in limited partnerships	47,839
Investments in real estate	145,594
Investments in international equity fund	360,169
Total investments	<u>2,096,881</u>
Equity in cash and investment pool	1,535
Interest and dividend receivables	7,013
Receivable for securities sold	197,736
Collateral held in trust for securities on loan	<u>52,569</u>
Total assets	<u>2,406,040</u>
LIABILITIES	
Accounts payable and other	274,164
Collateral subject to return to borrowers	<u>52,569</u>
Total liabilities	<u>326,733</u>
NET POSITION	
Held in trust for pension benefits, pool participants and OPEB	<u>\$ 2,079,307</u>

NOTES TO FINANCIAL STATEMENTS
(Thousands of Dollars)
For the fiscal year ended June 30, 2016

CITY OF MEMPHIS, TENNESSEE
(Continued)

As of and for its year ended June 30, 2016 the City Retirement System reported the following changes in net position:

	<u>City Retirement System</u>
ADDITIONS	
Contributions:	
Employer	\$ 51,875
Plan members	23,912
Total contributions	<u>75,787</u>
Investment income:	
Interest and dividend income	53,554
Securities lending income	475
Other investment income	753
Gain on real estate investments	4,641
Net appreciation in the fair value of investments	<u>(62,586)</u>
Total investment income	<u>(3,163)</u>
Total additions	<u>72,624</u>
DEDUCTIONS	
Benefits	159,448
Administrative expenses	14,767
Refunds of contributions	<u>17,118</u>
Total deductions	<u>191,333</u>
Net increase	(118,709)
Net position - beginning of year	2,200,507
Prior Period Adjustment	<u>(2,491)</u>
Net position - end of year	<u><u>\$ 2,079,307</u></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 and Enterprise Fund MLGW) 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, 2016, active employees included 3,753 grandfathered participants. Non-grandfathered participants will move 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.

NOTES TO FINANCIAL STATEMENTS
(Thousands of Dollars)
For the fiscal year ended June 30, 2016

CITY OF MEMPHIS, TENNESSEE
(Continued)

At June 30, 2016, the Retirement System membership consisted of:

Retired members, beneficiaries and DROP enrollees receiving benefits	4,427*
Disabled members receiving benefits	632
Terminated (vested and nonvested) plan members entitled to but not yet receiving benefits	798
Active employees:	
Fully vested	2,972
Non-vested	<u>2,738</u>
Total	<u>11,567</u>

*Includes 206 employees currently participating in the Deferred Retirement Option Plan (DROP) and 88 employees who temporarily froze participation in the DROP Program effective November 1, 2015.

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% 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% 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% 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% 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% continuation to his/her spouse upon the participant's death. For the 1948 plan participants, 100% 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% of compensation. General Employees in the 1978 Plan must contribute 8% of compensation. General Employees in the 2016 Plan must contribute 2% of compensation to the cash balance account and 6% 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%, depending on years of service. The contributions under the 1978 Plan range from 6.2% to 8% depending on date of hire. The contribution rate for current non-vested employees as of July 1, 2012, will increase annually in 0.5% increments beginning July 1, 2012 until the contribution rate reaches 8%. Fire and Police employees in the 2016 Plan must contribute 2% to the cash balance account and 6% 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, 2016, 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 Board the authority to make investments including but not limited to stocks, bonds, mutual funds, notes and units of any commingled, collective, common pooled or mutual trust fund. The City of Memphis Retirement System had no individual investments in excess of 5% of plan net position.

Rate of Return - For the year ended June 30, 2016, the annual money-weighted rate of return on the City’s pension plan investments, net of pension plan investment expense, was 0.32% compared to the assumed discount rate of 7.5%.

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

The employer contribution is 6% of compensation, as determined by the Pension Ordinance. Employer contributions as a percentage of actual covered payroll for the year ended June 30, 2016, were 17.3%. For its year ended June 30, 2016, the City of Memphis Retirement System reported total employer and plan member contributions of \$51,875 and \$23,912 respectively.

Actual covered employee payroll is defined under GASB 82 to be payroll on which contributions to a pension plan are based.

NOTES TO FINANCIAL STATEMENTS
(Thousands of Dollars)
For the fiscal year ended June 30, 2016

CITY OF MEMPHIS, TENNESSEE
(Continued)

The three-year trend contribution information for the City Retirement System is presented in the Required Supplementary Information section of this report as Exhibit RSI-7.

The Total Pension Liability (TPL), Plan Fiduciary Net Position (FNP), and Net Pension Liability (NPL) for the year ended June 30, 2016 are as follows:

City of Memphis Retirement System	
TPL - beginning balance	\$ 2,582,865
Service cost	44,343
Interest cost	190,419
Experience(gains)/losses	(12,367)
Assumption changes	(9,882)
Benefit payments	(176,566)
TPL - ending balance	<u>\$ 2,618,812</u>
FNP - beginning balance	\$ 2,200,549
Employer contributions	51,875
Employee contributions	23,912
Investment return	(5,956)
Benefit payments	(176,566)
Administrative expenses	(2,228)
FNP - ending balance	<u>\$ 2,091,586</u>
Total Pension Liability (TPL)	\$ 2,618,812
Plan Fiduciary Net Positon (FNP)	(2,091,586)
Net Pension Liability (NPL)	\$ 527,226
Net Pension Liability of Memphis and Shelby County Public Library	15,043
Subtotal of Net Pension Liability	<u>\$ 542,269</u>
Less Allocated:	
MSCAA Component Unit	(16,977)
Business Type	
Sewer	(14,776)
Storm Water	(8,711)
Unallocated	2,169
Total Governmental Pension Liability	<u>\$ 503,974</u>
For City of Memphis Retirement System:	
FNP as a percentage of the TPL	-79.9%
Actual Covered Employee Payroll	\$ 300,123
NPL as a percentage of Payroll	175.7%

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, 2016 increased \$144,910 from prior year due to unfavorable 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 0.32% compared to the assumed 7.5% 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-4, RSI-5, and RSI-6 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% 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% 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, 2016.

Mortality rates used for calculation NPL for General Employees are based on the Fully Generational RP-2014 Mortality Table for males and females with MP-2015 projection scale from 2014 forward and adjusted by a 1-year set forward. Police and Fire Employees' mortality rates are based on the Fully Generational RP-2014 Mortality Table with Blue Collar adjustment for males and females with MP-2015 projection scale from 2014 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-2015 projection scale from 2014 forward and adjusted by a 3-year set back.

Account balances under the 2016 Plan (effective July 1, 2016) are converted at 5.0% 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% of male General Employees, 50% of female General Employees, and 80% 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% as of June 30, 2016, 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% 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%, as well as what the City’s net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.5%) or 1 percentage point higher (8.5%) than the current rate:

	<u>1% Decrease (6.5%)</u>	<u>Current Rate (7.5%)</u>	<u>1% Increase (8.5%)</u>
Net pension liability	\$816,872	\$527,226	\$283,984

NOTES TO FINANCIAL STATEMENTS
(Thousands of Dollars)
For the fiscal year ended June 30, 2016

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 \$53,570 and \$195,250 respectively. The determination of resources of deferred inflows and resources of deferred outflows for the fiscal year ending June 30, 2016, is as follows:

Determination of Resources of Deferred Outflows and Deferred Inflows				Balances at June 30, 2016		
	Established in Fiscal Year ending June 30	Loss	(Gain)	Cumulative Amounts Recognized in Expense through June 20, 2016	Deferred Outflows of Resources	Deferred Inflows of Resources
a. Experience (gains) and Losses	2015		(\$60,057)	(\$24,168)	-	(\$35,889)
	2016		(12,367)	(2,539)	-	(9,828)
					-	(\$45,717)
b. Changes in assumptions	2015				-	-
	2016		(\$9,882)	(\$2,029)	-	(\$7,853)
					-	(\$7,853)
c. Investment (gains) and losses	2015	\$102,573		\$41,030	61,543	-
	2016	167,134		33,427	133,707	-
					\$ 195,250	\$ -
d. Collective deferred outflows/(inflows) of resources: a + b + c					\$ 195,250	(\$53,570)

Allocated Deferred Outflows and Deferred Inflows		Allocated Balances at June 30, 2016	
		Deferred Outflows	Deferred Inflows
Governmental Activities		\$ 178,857	\$ (44,805)
Business Type - Sewer		5,582	(1,325)
Business Type - Storm Water		3,190	(798)
Component Unit - MSCAA		7,621	(6,642)
Total		\$ 195,250	\$ (53,570)

NOTES TO FINANCIAL STATEMENTS
(Thousands of Dollars)
For the fiscal year ended June 30, 2016

CITY OF MEMPHIS, TENNESSEE
(Continued)

Future Amortization of 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
2017	\$ 37,290	\$ 33,513	\$ 1,064	\$ 598	\$ 163
2018	37,290	33,513	1,064	598	163
2019	37,651	33,513	1,064	598	190
2020	29,449	33,513	1,065	598	463
2021	-	-	-	-	-
Thereafter	-	-	-	-	-
	<u>\$ 141,680</u>	<u>\$ 134,052</u>	<u>\$ 4,257</u>	<u>\$ 2,392</u>	<u>\$ 979</u>

Pension Expense – The pension expense under GASB 68 for the fiscal year ending June 30, 2016 is as follows:

Fiscal Year 2016	Total	Governmental Activities	Business Type Sewer	Business Type Storm Water	Component Unit MSCAA
Net employer service cost	\$22,659	\$20,877	\$680	\$373	\$730
Interest cost	190,419	180,965	190	3,133	6,131
Expected return on assets	(161,178)	(153,175)	(161)	(2,652)	(5,190)
Changes in benefit terms	-	-	-	-	-
Recognition of deferred (inflows)/outflows	37,290	37,080	433	(228)	5
Total collective pension expense	<u>\$89,190</u>	<u>\$85,746</u>	<u>\$1,142</u>	<u>\$626</u>	<u>\$1,676</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 (25%) of the 90-day Treasury Bill yield published in the last Wall Street Journal of such quarter. After participation in the DROP ceases, the City will begin to pay the employee his or her monthly benefit and also pay the employee in a lump sum the balance in his or her DROP account as of the end of the last quarter. The lump sum payment of the DROP account may be rolled over at the participant's direction. The DROP Program account balance as of June 30, 2016, is \$18,479.

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 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.

NOTES TO FINANCIAL STATEMENTS
(Thousands of Dollars)
For the fiscal year ended June 30, 2016

CITY OF MEMPHIS, TENNESSEE
(Continued)

As of and for its year ended June 30, 2016, the Retirement System for the Library reported the following net position:

	Library Retirement System
ASSETS	
Cash and cash equivalents	\$ 12,899
Investments, at fair value:	
Common stock - domestic	40,150
Mutual funds and money market funds	1,220
Total investments	<u>41,370</u>
Interest and dividend receivables	<u>5</u>
Total assets	<u>54,274</u>
NET POSITION	
Held in trust for pension benefits, pool participants and OPEB	<u>\$ 54,274</u>

NOTES TO FINANCIAL STATEMENTS
(Thousands of Dollars)
For the fiscal year ended June 30, 2016

CITY OF MEMPHIS, TENNESSEE
(Continued)

As of and for its year ended June 30, 2016, the Retirement System for the Library reported the following changes in net position:

	Library Retirement System
ADDITIONS	
Contributions:	
Employer	\$ 137
Plan members	137
Total contributions	<u>274</u>
Investment income:	
Interest and dividend income	1,472
Net appreciation in the fair value of investments	<u>(2,467)</u>
Total investment income	<u>(995)</u>
Total additions	<u>(721)</u>
DEDUCTIONS	
Benefits	3,850
Administrative expenses	<u>109</u>
Total deductions	<u>3,959</u>
Net increase	(4,680)
Net position - beginning of year	58,954
Net position - end of year	<u><u>\$ 54,274</u></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, 2016, the Retirement System for the Library membership consisted of:

Retired members, beneficiaries and disabled members receiving benefits	160
Terminated vested plan members entitled to but not yet receiving benefits	19
Active employees:	
Fully vested	<u>125</u>
Total	<u><u>304</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% of average compensation multiplied by years of credited service not in excess of 25 plus 1% of average compensation for the next 10 years with a maximum benefit of 72.5% 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% 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% 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% of average compensation times years of service up to 25. The benefit shall not exceed 62.5% 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% of average compensation per year of service with a minimum of 60% and a maximum of 72.5% 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% 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% 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% or greater than 62.5% 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% or 100% 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% 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% of compensation to Plan I of the retirement plan. Effective January 1, 2000, this percentage decreased to 3.0% 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% of average compensation multiplied by years of credited service not in excess of

25 plus 1% of average compensation multiplied by years of service greater than 25 but less than 35, with a maximum benefit of 72.5% 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% 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% 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% of average compensation per year of service with a minimum of 60% and a maximum of 72.5% 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% 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% 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% or greater than 62.5% 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% Joint and Survivor Annuity. For unmarried participants, the normal form of payment is the Single Life Annuity. Other available options include the 50% or 100% 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% 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% of compensation to Plan II of the retirement plan. Effective January 1, 2000, this percentage decreased to 3.0% 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, 2016, 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, 2016 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, 2016 and reflects the plan provision effective January 1, 2016, 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% of plan net position.

Rate of Return – For the year ended June 30, 2016, the annual money-weighted rate of return on Library pension plan investments, net of pension plan investment expense, was -5.02% compared to the assumed discount rate of 7.5%.

Contributions – For both Plan I and Plan II, effective January 1, 1993, employees contribute 5.0% of compensation to the retirement plan. Effective January 1, 2000, this percentage decreased to 3.0% of compensation. The Library contributes no less than what employees contribute. For the year ended June 30, 2016, the Library contributions of \$150 represented 3.0% of actual covered payroll of \$5,014. The actual covered employee payroll is defined under GASB 82 to be payroll on which contributions to a pension plan are based.

The three-year trend contribution information for the Library Retirement System is presented in the Required Supplementary Information section of this report as Exhibit RSI-11.

Total Pension Liability – The Retirement System of the Library Total Pension Liability (TPL) for the year ended June 30, 2016 is \$68,781. The components of the TPL are as follows:

TPL - beginning balance	\$ 67,820
Service cost	440
Interest cost	4,976
Experience (gains)/losses	(164)
Assumption changes	(475)
Benefit payments	<u>(3,816)</u>
TPL – ending balance	<u>\$ 68,781</u>

NOTES TO FINANCIAL STATEMENTS
(Thousands of Dollars)
For the fiscal year ended June 30, 2016

CITY OF MEMPHIS, TENNESSEE
(Continued)

Plan Fiduciary Net Position – The Retirement System of the Library Plan Fiduciary Net Position (FNP) for the year ended June 30, 2016 is \$53,738. The components of the FNP are as follows:

FNP - beginning balance		\$	60,331
Employer contributions			150
Employee contributions			150
Investment return			
Expected return	\$ 4,419		
Investment gain/(loss)	<u>(7,358)</u>		
Total investment return	(2,939)		
Investment expenses	<u>(30)</u>		
Net investment return	(2,969)	(2,969)
Benefit payments		(3,816)
Administrative expenses		<u>(</u>	<u>108)</u>
FNP – ending balance		\$	<u>53,738</u>

Net Pension Liability – The Net Pension Liability (NPL) for the Retirement System of the Library for the year ended June 30, 2016 is \$15,043. The components of the Net Pension Liability (NPL) at June 30, 2016 are as follows:

Total Pension Liability	\$	68,781
Plan Fiduciary Net Position	<u>(53,738)</u>	
Net Pension liability	\$	<u>15,043</u>
FNP as a percentage of the TPL		78.1%
Actual Covered Employee Payroll	\$	5,014
Net Pension Liability as a percentage of the covered payroll		300.0%

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, 2016 increased \$7,554 from prior year due to actuarial gains/losses in the pension liability in conjunction with unfavorable asset experience (net investment return). Assets returned -5.0% compared to the assumed 7.5% 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-8, RSI-9, and RSI-10 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 2015 projection scale from 2014 forward and adjusted by a one year set forward. The disabled mortality assumption utilized the Fully Generational RP 2014 Disabled Mortality Table with MP 2015 projection scale from 2014 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, 2016, 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 Barclay's 20-year municipal bond index as of January 1, 2016, of 2.59%.

NOTES TO FINANCIAL STATEMENTS
(Thousands of Dollars)
For the fiscal year ended June 30, 2016

CITY OF MEMPHIS, TENNESSEE
(Continued)

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%, 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	\$23,445	\$15,043	\$8,063

NOTES TO FINANCIAL STATEMENTS
(Thousands of Dollars)
For the fiscal year ended June 30, 2016

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 \$1,913 and \$7,653 respectively. The net of the deferred inflows and outflows for the fiscal year is \$5,740. The determination of resources of deferred inflows and resources of deferred outflows for the fiscal year ending June 30, 2016, is as follows:

Determination of Resources of Deferred Outflows and Resources of Deferred Inflows				Balances at June 30, 2016		
	Established in Fiscal Year ending June 30	Loss	(Gain)	Cumulative Amounts Recognized in Expense through June 20, 2016	Deferred Outflows of Resources	Deferred Inflows of Resources
	2015					
a. Experience (gains) and Losses	2015		\$ (1,691)	\$ (1,034)	\$ -	\$ (657)
	2016		(164)	(55)	-	(109)
					<u>\$ -</u>	<u>\$ (766)</u>
b. Changes in assumptions	2015		\$ (2,142)	\$ (1,310)	\$ -	\$ (832)
	2016		(475)	(160)	-	(315)
					<u>\$ -</u>	<u>\$ (1,147)</u>
c. Investment (gains) and losses	2015	\$ 2,905		\$ 1,162	\$ 1,743	\$ -
	2016	7,387		1,477	5,910	-
					<u>\$ 7,653</u>	<u>\$ -</u>
d. Collective deferred outflows/(inflows) of resources:					<u><u>\$ 7,653</u></u>	<u><u>\$ (1,913)</u></u>

Future Amortization of 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	
2017	\$ 671
2018	1,533
2019	2,058
2020	1,478
2021	-
Thereafter	-
	<u>\$ 5,740</u>

Pension Expense – The pension expense under GASB 68 for the fiscal year ending June 30, 2016 is \$1,627. It was developed using a measurement date of January 1, 2016, as permitted under paragraph 20 of GASB 68, not adjusted to the fiscal year-end for passage of time.

Employer service cost	\$ 399
Interest cost	4,976
Expected return on assets	(4,419)
Changes in benefit terms	-
Recognition of deferred (inflows)/outflows	<u>(671)</u>
Total collective pension expense	<u>\$ 1,627</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.

Information presented for the following table contains information that was measured as of December 31, 2014. By election of the MLGW Division, the following information is presented as of December 31, 2014 and 2013.

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, 2014 and 2013:

	2014	2013
Retirees and beneficiaries receiving benefits	2,597	2,567
Participants inactive during year ended December 31 with vested rights	45	48
Active plan members fully vested	1,112	1,132
Active members not vested	1,414	1,424
Total	<u>5,168</u>	<u>5,171</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%

The annual retirement allowance of a 1948 Plan or the 1978 Plan member who was a member at the time of the adoption of the MLGW Pension Plan shall not be less than the annual retirement allowance the member would have had under the 1948 Plan or the 1978 Plan in effect on June 30, 1988. A member of the 1948 Plan at the time of adoption of the MLGW Pension Plan may retire at less than age fifty-five with twenty-five or more years of creditable service with benefits computed only under the 1948 Plan. For the purpose of determining whether the benefit under the 1948 Plan or the 1978 Plan is more or less than the benefit under the MLGW Pension Plan, the benefit shall be measured by the retirement allowance for the retiring member.

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 2015 minimum monthly retirement benefit for all members is the greater of \$50 per month per year of service or \$500. Additionally, 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 or a handicapped child receiving death benefits shall be entitled to

a cost of living adjustment if the surviving spouse or handicapped child has attained age fifty-six (56) and the deceased participant has separated from service at least twelve (12) months prior to the beginning of the plan year.

Cost of Living Adjustments - The cost of living adjustment shall be equal to the product of the monthly benefit payable to the participant, the surviving spouse, or handicapped child under the MLGW Pension Plan for the immediately preceding plan year multiplied by the applicable percentage increase in the Consumer Price Index 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:

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

The cost of living adjustment for any retired participant, surviving spouse, or handicapped child in any plan year shall not exceed five percent (5%) of the retired participant's, surviving spouse's, or handicapped child'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, surviving spouse, or handicapped child.

Contributions - Members covered under the MLGW Pension Plan are required to contribute eight percent (8.0%) of pensionable earnings each payroll period to the MLGW Pension Plan. Members with thirty-five (35) or more years of creditable service or an annual retirement allowance of 85.0% shall contribute the applicable percentage only on that portion of their compensation which is in excess of their annual compensation at the time they attained their thirty-five (35) years of creditable service or an annual retirement allowance of 85.0%. Benefit and contribution provisions may be amended only by the Pension Board, MLGW Board of Commissioners and the Memphis City Council. The annual required contribution for the current year was determined as part of the January 1, 2015, actuarial valuation using the entry age normal cost method. For 2015, MLGW contributed 14.0% of the annual covered payroll. Employer contributions recognized by the MLGW Pension Plan during 2015 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
2006	\$ 19,512	\$ 19,630	\$ (118)	\$ 143,929	13.64%
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%

Actuarial Methods and Assumptions – The actuarial assumption used in the valuation as of December 31, 2014 are based on the results of an experience study for the period January 1, 2009 to December 31, 2013.

Additional information as of the latest actuarial valuation is as follows:

Valuation Date	January 1, 2015
Actuarial cost Method	Entry Age Normal Cost Method
Amortization Method	Level percent of payroll, with amortization at 2.00% of pay
Remaining Amortization Period	25 years remaining as of January 1, 2015
Asset Valuation Method	Market value of assets less unrecognized returns in the last five years. Unrecognized return is equal to the difference between the actual market return and the expected return on the actuarial value, and is recognized over a five-year period, further adjusted, if necessary, to be within 30% of the market value.
Actuarial Assumptions:	
Inflation	2.75%
Salary increases	Inflation plus merit increases that vary by age and service
Projected 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

NOTES TO FINANCIAL STATEMENTS
(Thousands of Dollars)
For the fiscal year ended June 30, 2016

CITY OF MEMPHIS, TENNESSEE
(Continued)

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:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	39%	6.93%
International Equity	12%	8.21%
Fixed Income	26%	2.27%
Alternatives	8%	3.83%
Real Estate	13%	4.73%
Short Term Investments	2%	1.23%
Total	100%	

By election of the MLGW Division, the following information is presented as of December 31, 2014 and 2013.

Discount Rate – The discount rate used to measure the total pension liability is 7.50% as of December 31, 2014. 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 Division contributions will equal to the a difference between actuarially determined contribution rates and the employee rate. 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, 2014.

Discount Rate Sensitivity – The following presents the net pension liability of MLGW as of December 31, 2014, 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	\$159,492	\$3,610	\$(126,412)

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 paid in accordance with the Plan’s provisions.

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”). The objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. The Statement requires governments to more comprehensively and comparably measure the annual cost of pension benefits. This Statement also enhances accountability and transparency through revised and new note disclosures and required supplementary information. The implementation of this Statement results in the recognition of a net pension liability for the Statements of Net Position; a change in the pension expense calculation for the Statements of Revenues, Expenses and Changes in Net Position; and additional note disclosures and required supplementary information.

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, 2016

CITY OF MEMPHIS, TENNESSEE
(Continued)

By election of the MLGW Division, the following information is presented as of December 31, 2014 and 2013.

	Total Pension Liability	Increase (Decrease) Plan Fiduciary Net Position	Net Pension Liability
	<u> </u>	<u> </u>	<u> </u>
Balance at December 31, 2013	\$1,389,271	\$1,342,683	\$46,588
Service cost	31,786	-	31,786
Interest cost	100,436	-	100,436
Difference between expected and actual experience	(16,338)	-	(16,338)
Changes of assumptions	(22,112)	-	(22,112)
Employer contributions	-	26,804	(26,804)
Employee contributions	-	11,729	(11,729)
Net investment income	-	98,931	(98,931)
Benefit payments including refunds of employee contributions	(100,249)	(100,249)	-
Administrative expenses	-	(714)	714
Net change in plan fiduciary net position	<u>\$(6,477)</u>	<u>\$36,501</u>	<u>\$(42,978)</u>
Balance at December 31, 2014	<u><u>\$1,382,794</u></u>	<u><u>\$1,379,184</u></u>	<u><u>\$3,610</u></u>

NOTES TO FINANCIAL STATEMENTS
(Thousands of Dollars)
For the fiscal year ended June 30, 2016

CITY OF MEMPHIS, TENNESSEE
(Continued)

MLGW's net pension liability was measured as of December 31, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2015.

Pension Expense – Pension expense for the year ended December 31, 2015 is as follows:

Pension Expense for the year ended December 31, 2015

Service cost	\$31,786
Interest on total pension liability	100,436
Employee contributions	(11,729)
Administrative expenses	714
Expected return on assets	(98,360)
Expensed portion of current year period differences between expected and actual experience in total pension liability	(2,723)
Expensed portion of current year period assumption changes	(3,685)
Expensed portion of current year period differences between projected and actual investment earnings	(114)
Total expense	<u><u>\$16,325</u></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. The cumulative effect of applying this statement resulted

NOTES TO FINANCIAL STATEMENTS
(Thousands of Dollars)
For the fiscal year ended June 30, 2016

CITY OF MEMPHIS, TENNESSEE
(Continued)

in a reduction in the beginning net position of all three divisions. Beginning net position in the Electric, Gas, and Water Divisions declined by \$11,356, \$5,065, and \$3,363, respectively.

	Deferred Outflows Of Resources	Deferred Inflows Of Resources
Contributions subsequent to measurement date	\$21,378	\$ -
Net difference between projected and actual earnings on pension plan investments	-	(457)
Net difference between projected and actual experience in total Pension Liability	-	(13,615)
Assumption changes	-	(18,427)
	<u>\$21,378</u>	<u>\$(32,499)</u>
Total		

Note: The \$21,378 contribution made subsequent to the measurement date will be recognized as a reduction of the net pension liability in 2016.

Projected Recognition of Deferred Outflows/(Inflows)

	Year Established	Outstanding Balance January 1, 2015	Amount Recognized During FYE December 31, 2015	Outstanding Balance at December 31,2015	Deferred Outflows/(Inflows) Recognized in Future Years					
					2016	2017	2018	2019	2020	2021 and Thereafter
					Fiscal year Outflows	-	-	-	-	-
Total Outflows	-	-	-	-	-	-	-	-	-	-
Fiscal year Inflows										
Investment	2015	\$ (571)	\$ (114)	\$ (457)	\$ (114)	\$ (114)	\$ (114)	\$ (114)		
Demographic	2015	(16,338)	(2,723)	(13,615)	(2,723)	(2,723)	(2,723)	(2,723)	(2,723)	
Assumption	2015	(22,112)	(3,685)	(18,427)	(3,685)	(3,685)	(3,685)	(3,685)	(3,685)	
Total Inflows		\$ (39,021)	\$ (6,522)	\$ (32,499)	\$ (6,522)	\$ (6,522)	\$ (6,522)	\$ (6,522)	\$ (6,408)	
Total		\$ (39,021)	\$ (6,522)	\$ (32,499)	\$ (6,522)	\$ (6,522)	\$ (6,522)	\$ (6,522)	\$ (6,408)	\$ -

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 employee 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 (6) years.

G. Component units

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

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, 2016, 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, 2016, 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, 2016

CITY OF MEMPHIS, TENNESSEE
(Continued)

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

	MATA	PROPRIETARY TYPE MSCAA	TOTAL	ZOO	COMPONENT UNITS TOTAL
Current Assets	\$16,837	\$151,882	\$168,719	\$13,559	\$182,278
Property, plant and equipment (net of accumulated depreciation)	121,300	900,782	1,022,082	55	1,022,137
Other assets	13	28,210	28,223	884	29,107
Total assets	<u>138,150</u>	<u>1,080,874</u>	<u>1,219,024</u>	<u>14,498</u>	<u>1,233,522</u>
Deferred outflows - pension contribution	4,708	-	4,708	-	4,708
Deferred outflows - pension expense	10,409	-	10,409	-	10,409
Deferred outflows - charges on refundings	-	10,400	10,400	-	10,400
Total assets and deferred outflows	<u>\$153,267</u>	<u>\$1,091,274</u>	<u>\$1,244,541</u>	<u>\$14,498</u>	<u>\$1,259,039</u>
Current liabilities	\$5,517	\$55,761	\$61,278	\$4,646	\$65,924
Long-term liabilities	49,391	377,988	427,379	-	427,379
Total liabilities	<u>54,908</u>	<u>433,749</u>	<u>488,657</u>	<u>4,646</u>	<u>493,303</u>
Deferred inflows- revenue received in advance of expense	871	6,642	7,513	-	7,513
Net position	97,488	650,883	748,371	9,852	758,223
Total liabilities, deferred inflows, and net position	<u>\$153,267</u>	<u>\$1,091,274</u>	<u>\$1,244,541</u>	<u>\$14,498</u>	<u>\$1,259,039</u>
Operating revenues	\$8,969	\$104,820	\$113,789	\$17,052	\$130,841
Operating expenses	53,167	56,310	109,477	28,921	138,398
Operating income (loss) before depreciation and amortization	<u>(44,198)</u>	<u>48,510</u>	<u>4,312</u>	<u>(11,869)</u>	<u>(7,557)</u>
Depreciation and amortization	(14,883)	(62,176)	(77,059)	(3)	(77,062)
Grants and contributions not restricted	4,182	15,781	19,963	2,023	21,986
City of Memphis subsidy	23,661	-	23,661	-	23,661
Federal and State grant revenues	19,938	-	19,938	3	19,941
Interest and investment income (loss)	-	2,158	2,158	(400)	1,758
Interest expense	-	(16,386)	(16,386)	-	(16,386)
Other revenue (expense)	102	6,521	6,623	64	6,687
Change in net assets	<u>(11,198)</u>	<u>(5,592)</u>	<u>(16,790)</u>	<u>(10,182)</u>	<u>(26,972)</u>
Net position - beginning of year, as restated	108,686	656,475	765,161	20,034	785,195
Net position - end of year	<u>\$97,488</u>	<u>\$650,883</u>	<u>\$748,371</u>	<u>\$9,852</u>	<u>\$758,223</u>



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

REQUIRED SUPPLEMENTARY INFORMATION

**SCHEDULE OF FUNDING PROGRESS
OTHER POSTEMPLOYMENT BENEFITS (OPEB)
(Thousands of Dollars)
For the fiscal year ended June 30, 2016**

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

Schedule of Funding Progress

Fiscal Year Ending June 30	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	AAL Funded Ratio	Covered Payroll ¹	UAAL as a Percentage of Covered Payroll ¹
2014	\$17,486	\$733,654	\$716,168	2.4%	\$284,407	251.8%
2015	\$17,733	\$747,977	\$730,244	2.4%	\$296,494	246.3%
2016	\$2,470	\$703,010	\$700,540	0.4%	\$321,988	217.6%

¹ This amount represents the total covered payroll for the prior calendar year, increased at salary scale. Where a salary amount was not provided, an average salary for that year was assumed. For calendar year 2016, the average salary was \$52,196.

**SCHEDULE OF EMPLOYER CONTRIBUTIONS
OTHER POST EMPLOYMENT BENEFITS (OPEB)**

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

(Thousands of Dollars)

For the fiscal year ended June 30, 2016

Schedule of Employer Contributions

Year Ending June 30	Annual Required Contribution (ARC)	Actual Employer Contribution	Percentage Contributed
(1) 2011	\$95,376	\$36,089	37.8%
(2) 2012	\$86,304	\$35,813	41.5%
(3) 2013	\$84,826	\$45,705	53.9%
(4) 2014	\$34,847	\$40,443	116.1%
(4) 2015	\$35,750	\$37,979	106.2%
(4) 2016	\$36,554	\$21,336	58.4%

- (1) Includes a \$3,541 contribution in excess of net employer benefit payments
- (2) Includes a \$5,825 contribution in excess of the net employee benefit payments and does not include additional sources of funding that the City received from ERRP revenue of \$3,671 and Medicare Part D reimbursements of \$2,012
- (3) Includes an \$11,233 contribution in excess of the net employer benefit payments
- (4) Includes \$0 contribution in excess of the net employer benefit payments

**THREE YEAR SCHEDULE OF PERCENTAGE OF OPEB COST CONTRIBUTED
OTHER POSTEMPLOYMENT BENEFITS (OPEB)**

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

(Thousands of Dollars)

For the fiscal year ended June 30, 2016

Three Year Schedule of Percentage of OPEB Cost Contributed

Fiscal Year Ending June 30	Annual OPEB Cost	Actual Employer Contribution	Percentage of OPEB Cost Contributed	Net OPEB Obligation
2014	\$37,090	\$40,443	109.0%	\$247,515
2015	\$37,964	\$37,979	100.0%	\$247,500
2016	\$38,768	\$21,336	55.0%	\$264,932

**SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS
CITY RETIREMENT SYSTEM (1)**

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

(Thousands of Dollars)

For the fiscal year ended June 30, 2016

Total Pension Liability (2)

Year Ending June 30	Beginning Total Pension Liability	Service Cost (3)	Interest (4)	Experience (Gains)/ Losses (5)	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

(1) Amounts reported include the Memphis - Shelby County Airport Authority Component Unit.

(2) 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 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.

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

(4) For the current fiscal year, includes interest at 7.5% on the beginning of year Total Pension Liability, after reflecting the change in benefit terms, and service cost offset by interest on benefit payments.

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

SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIO
CITY RETIREMENT SYSTEM
(Thousands of Dollars)
For the fiscal year ended June 30, 2016

CITY OF MEMPHIS, TENNESSEE
Exhibit RSI-5

Plan Fiduciary Net Position (1)

Year Ending June 30	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

(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 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
CITY RETIREMENT SYSTEM

(Thousands of Dollars)

For the fiscal year ended June 30, 2016

Net Pension Liability (1)

Year Ending June 30	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%

(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 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 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 July 1, 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
LIBRARY RETIREMENT SYSTEM**

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

(Thousands of Dollars)

For the fiscal year ended June 30, 2016

Schedule of Contributions

Year Ending June 30	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%

(1) The schedule is presented to illustrate the requirement to show information regarding the schedule of contributions for 10 years. 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 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 July 1, 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
LIBRARY RETIREMENT SYSTEM**
(Thousands of Dollars)

**CITY OF MEMPHIS, TENNESSEE
Exhibit RS1-8**

For the fiscal year ended June 30, 2016

Total Pension Liability (1)

Year Ending June 30	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
2014	66,666	552	4,919	(1,187)	2,397	-	(3,250)	70,097
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

(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, 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 contributory portion of the benefit earned during the measurement period.

(3) Assumption changes include the following:

a. For 2016, the update in the mortality assumption resulted in an actuarial gain of \$(475).

b. For 2015, the change in the discount rate assumption from 6.75% to 7.50% and an update in the mortality assumption resulted in an actuarial gain of \$(6,174) and an actuarial loss of \$4,032, respectively.

**SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIO
LIBRARY RETIREMENT SYSTEM
(Thousands of Dollars)
For the fiscal year ended June 30, 2016**

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

Plan Fiduciary Net Position (1)

Year Ending June 30	Beginning Fiduciary Net Position	Employer Contribution	Employee Contribution	Investment Return	Benefit Payments	Administrative Expenses	Investment Expenses	Ending Fiduciary Net Position
2014	57,330	174	174	7,818	(3,250)	(108)	(28)	62,110
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

(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, 2014 for GASB 67 purposes and prospectively from fiscal year ending June 30, 2015 for GASB 68 purposes.

For the fiscal year ended June 30, 2016

Net Pension Liability (1)

Year Ending June 30	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	70,097	62,110	7,987	88.6%	5,788	138.0%
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%

(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, 2014 for GASB 67 purposes and prospectively from 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, 2016**

Schedule of Contributions (1)

Year Ending June 30	Actuarially Determined Contribution (2)	Actual Employer Contributions	Contribution Excess/Deficiency	Actual Covered Employee Payroll (3)	Contributions as a Percentage of Covered Payroll
2014	\$ 1,216	\$ 174	\$ (1,042)	5,788	3.0%
2015	\$ 509	\$ 161	\$ (348)	5,349	3.0%
2016	\$ 958	\$ 150	\$ (808)	5,014	3.0%

- (1) This schedule is presented to illustrate the requirement to show information regarding the Schedule of Contributions for 10 years. It was prepared prospectively from the 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 7.5%.
- (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 AND
BLENDED COMPONENT UNIT**

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 in the training of qualified individuals.

BLENDED COMPONENT UNIT

Memphis Cook Convention Center – The Center provides convention space to promote the economy of Memphis and Shelby County.

NONMAJOR FUNDS & BLENDED COMPONENT UNIT
 COMBINING BALANCE SHEET
 (Thousands of Dollars)
 June 30, 2016

CITY OF MEMPHIS, TENNESSEE
 Exhibit B-1

	Memphis Cook Convention Center	Nonmajor Special Revenue Funds	Total
ASSETS			
Cash and cash equivalents	\$ 1,347	\$ 2,461	\$ 3,809
Equity in cash and investment pool	-	42,145	42,145
Receivables (net of allowance for uncollectibles):			
Property taxes:			
Delinquent property taxes	-	1,011	1,011
Special assessments:			
Current special assessments	-	3,055	3,055
Delinquent special assessments	-	510	510
Federal grants and entitlements	-	7,523	7,523
State grants and entitlements	-	3,405	3,405
Other	765	2,384	3,150
Due from other agencies and governments	-	22,216	22,216
Prepaid expenditures	107	-	107
Total assets	\$ 2,219	\$ 84,710	\$ 86,931
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	548	11,661	12,210
Accrued liabilities	181	736	917
Contract retainage	-	18	18
Due to other funds	-	3,140	3,140
Unearned revenue	34	1,684	1,719
Other	662	-	662
Total liabilities	1,425	17,239	18,666
Deferred Inflows:			
Uncollected property taxes	-	1,011	1,011
Uncollected special assessments	-	3,609	3,609
Uncollected grant reimbursements	-	11,864	11,864
Uncollected intergovernmental receivables	-	15,932	15,932
Total deferred inflows	-	32,416	32,416
Fund balances:			
Restricted	-	28,221	28,221
Committed	-	6,834	6,834
Unrestricted	794	-	794
Total fund balances	794	35,055	35,849
Total liabilities, deferred inflows, and fund balances	\$ 2,219	\$ 84,710	\$ 86,931

NONMAJOR FUNDS
 COMBINING BALANCE SHEET
 (Thousands of Dollars)
 June 30, 2016

	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	327	1,308	813	11,157	164	9,097	1,908
Receivables (net of allowance for uncollectibles):							
Property taxes:							
Delinquent property taxes	-	-	-	-	1,011	-	-
Special assessments:							
Current special assessments	3,055	-	-	-	-	-	-
Delinquent special assessments	510	-	-	-	-	-	-
Federal grants and entitlements	-	-	-	-	-	-	-
State grants and entitlements	-	-	-	-	-	-	-
Other	-	-	-	2	-	7	17
Due from other agencies and governments	-	15,932	-	-	-	1,593	-
Total assets	\$ 3,892	\$ 17,240	\$ 813	\$ 11,424	\$ 1,175	\$ 10,697	\$ 1,925
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts payable	\$ 326	\$ 93	\$ -	\$ 144	\$ 164	\$ 7,932	\$ 3
Accrued liabilities	-	-	-	-	-	-	-
Contract retainage	-	-	-	-	-	-	-
Due to other funds	-	-	-	-	-	-	-
Unearned revenue	-	-	-	1,203	-	-	-
Total liabilities	326	93	-	1,347	164	7,932	3
Deferred inflows:							
Uncollected property taxes	-	-	-	-	1,011	-	-
Uncollected special assessments	3,566	-	-	-	-	-	-
Uncollected grant reimbursements	-	-	-	-	-	-	-
Uncollected intergovernmental receivables	-	15,932	-	-	-	-	-
Total deferred inflows	3,566	15,932	-	-	1,011	-	-
Fund balances:							
Restricted	-	-	-	10,077	-	-	-
Committed	-	1,215	813	-	-	2,765	1,922
Total fund balances	-	1,215	813	10,077	-	2,765	1,922
Total liabilities, deferred inflows, and fund balances	\$ 3,892	\$ 17,240	\$ 813	\$ 11,424	\$ 1,175	\$ 10,697	\$ 1,925

Miscellaneous Grants	New Memphis Arena	Solid Waste Management	State Street Aid	Workforce Investment Network	Total	
						ASSETS
\$ 1	\$ -	\$ 2,195	\$ -	\$ -	\$ 2,461	Cash and cash equivalents
6,520	119	10,997	-	(265)	42,145	Equity in cash and investment pool
						Receivables (net of allowance for uncollectibles):
						Property taxes:
-	-	-	-	-	1,011	Delinquent property taxes
						Special assessments:
-	-	-	-	-	3,055	Current special assessments
-	-	-	-	-	510	Delinquent special assessments
3,570	-	805	-	3,148	7,523	Federal grants and entitlements
142	-	123	3,140	-	3,405	State grants and entitlements
2,312	-	46	-	-	2,384	Other
-	-	4,691	-	-	22,216	Due from other agencies and governments
<u>\$ 12,545</u>	<u>\$ 119</u>	<u>\$ 18,857</u>	<u>\$ 3,140</u>	<u>\$ 2,883</u>	<u>\$ 84,710</u>	Total assets
						LIABILITIES AND FUND BALANCES
						Liabilities:
\$ 582	\$ -	\$ 2,015	\$ -	\$ 402	\$ 11,661	Accounts payable
736	-	-	-	-	736	Accrued liabilities
18	-	-	-	-	18	Contract retainage
-	-	-	3,140	-	3,140	Due to other funds
-	-	-	-	481	1,684	Unearned revenue
<u>1,336</u>	<u>-</u>	<u>2,015</u>	<u>3,140</u>	<u>883</u>	<u>17,239</u>	Total liabilities
						Deferred Inflows:
-	-	-	-	-	1,011	Uncollected property taxes
-	-	43	-	-	3,609	Uncollected special assessments
10,936	-	928	-	-	11,864	Uncollected grant reimbursements
-	-	-	-	-	15,932	Uncollected intergovernmental receivables
<u>10,936</u>	<u>-</u>	<u>971</u>	<u>-</u>	<u>-</u>	<u>32,416</u>	Total deferred inflows
						Fund balances:
273	-	15,871	-	2,000	28,221	Restricted
-	119	-	-	-	6,834	Committed
<u>273</u>	<u>119</u>	<u>15,871</u>	<u>-</u>	<u>2,000</u>	<u>35,055</u>	Total fund balances
<u>\$ 12,545</u>	<u>\$ 119</u>	<u>\$ 18,857</u>	<u>\$ 3,140</u>	<u>\$ 2,883</u>	<u>\$ 84,710</u>	Total liabilities, deferred inflows, and fund balances

NONMAJOR FUNDS & BLENDED COMPONENT UNIT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 (Thousands of Dollars)
 For the fiscal year ended June 30, 2016

CITY OF MEMPHIS, TENNESSEE
 Exhibit B-3

	Memphis Cook Convention Center	Nonmajor Special Revenue Funds	Total
REVENUES			
Local taxes:			
Property taxes	\$ -	\$ 353	\$ 353
Special assessments - current	-	2,863	2,863
Special assessments - prior	-	49	49
Sales tax general	-	3,694	3,694
Other local taxes	-	259	259
Total local taxes	<u>-</u>	<u>7,218</u>	<u>7,218</u>
State taxes (local share):			
Gas and motor fuel tax	-	12,227	12,227
Gas 3 cent	-	3,653	3,653
Gas 1989	-	1,961	1,961
Hotel/motel tax	-	10,726	10,726
Licenses and Permits	-	415	415
Fines and forfeitures	-	3,293	3,293
Charges for services	-	56,318	56,318
Investment income	-	122	122
Federal grants and entitlements	-	15,642	15,642
State grants	-	3,722	3,722
Operating revenues	4,506	-	4,506
Other	-	331	331
Total revenues	<u>4,506</u>	<u>115,628</u>	<u>120,134</u>
EXPENDITURES			
General government	-	44,098	44,098
Public safety	-	3,105	3,105
Community service	-	7,909	7,909
Transportation & environment	-	53,669	53,669
Education	-	154	154
Interest expense	2	-	2
Operating expense	6,259	-	6,259
Total expenditures	<u>6,261</u>	<u>108,935</u>	<u>115,196</u>
Revenues over (under) expenditures	<u>(1,755)</u>	<u>6,693</u>	<u>4,938</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	-	14,453	14,453
Transfers out	-	(18,212)	(18,212)
Capital leases	-	2,000	2,000
Total other financing sources and uses	<u>-</u>	<u>(1,759)</u>	<u>(1,759)</u>
Net change in fund balances	<u>(1,755)</u>	<u>4,934</u>	<u>3,179</u>
Fund balances - beginning of year	-	30,569	30,569
Prior period adjustment	2,549	(448)	2,101
beginning of year after prior period adjustment	<u>2,549</u>	<u>30,121</u>	<u>32,670</u>
Fund balances - end of year	<u>\$ 794</u>	<u>\$ 35,055</u>	<u>\$ 35,849</u>



NONMAJOR FUNDS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 (Thousands of Dollars)
 For the fiscal year ended June 30, 2016

CITY OF MEMPHIS, TENNESSEE
 Exhibit B-4

	Central Business Improvement District	Community Redevelopment	Community Services	Drug Enforcement	Education	Hotel/ Motel Tax	Metro Alarm
REVENUES							
Local taxes:							
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ 154	\$ -	\$ -
Special assessments - current	2,863	-	-	-	-	-	-
Special assessments - prior	49	-	-	-	-	-	-
Sales tax general	-	-	-	-	-	-	-
Other local taxes	89	199	-	-	-	-	-
Total local taxes	3,001	199	-	-	154	-	-
State taxes (local share):							
Gas and motor fuel tax	-	-	-	-	-	-	-
Gas 3 cent	-	-	-	-	-	-	-
Gas 1989	-	-	-	-	-	-	-
Hotel/motel tax	-	-	-	-	-	10,726	-
Licenses and Permits	-	-	-	-	-	-	415
Fines and forfeitures	-	-	-	3,293	-	-	-
Charges for services	-	-	162	-	-	-	-
Investment income	-	-	-	52	-	-	9
Federal grants and entitlements	-	-	-	133	-	-	-
State grants	-	-	-	-	-	-	-
Other	-	4	-	74	-	-	16
Total revenues	3,001	203	162	3,552	154	10,726	440
EXPENDITURES							
General government	3,001	2,679	-	-	-	7,932	488
Public safety	-	-	-	3,105	-	-	-
Community service	-	-	-	-	-	-	-
Transportation & environment	-	-	-	-	-	-	-
Education	-	-	-	-	154	-	-
Total expenditures	3,001	2,679	-	3,105	154	7,932	488
Revenues over (under) expenditures	-	(2,476)	162	447	-	2,794	(48)
OTHER FINANCING SOURCES (USES)							
Transfers in	-	2,351	-	-	-	3,694	-
Transfers out	-	-	-	-	-	(3,723)	-
Capital leases	-	-	-	-	-	-	-
Total other financing sources and uses	-	2,351	-	-	-	(29)	-
Net change in fund balances	-	(125)	162	447	-	2,765	(48)
Fund balances - beginning of year	-	1,340	651	9,630	448	-	1,970
Prior period adjustment	-	-	-	-	(448)	-	-
Fund balance - beginning of year after prior period adjustment	-	1,340	651	9,630	-	-	1,970
Fund balances - end of year	\$ -	\$ 1,215	\$ 813	\$ 10,077	\$ -	\$ 2,765	\$ 1,922

NONMAJOR FUNDS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 (Thousands of Dollars)
 For the fiscal year ended June 30, 2016

CITY OF MEMPHIS, TENNESSEE
 Exhibit B-4
 (Continued)

Miscellaneous Grants	New Memphis Arena	Solid Waste Management	State Street Aid	Workforce Investment Network	Total	
						REVENUES
						Local taxes:
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 154	Property taxes
-	-	-	-	-	2,863	Special assessments - current
-	-	-	-	-	49	Special assessments - prior
-	3,694	-	-	-	3,694	Sales tax general
-	-	170	-	-	458	Other local taxes
-	3,694	170	-	-	7,218	Total local taxes
						State taxes (local share):
-	-	-	12,227	-	12,227	Gas and motor fuel tax
-	-	-	3,653	-	3,653	Gas 3 cent
-	-	-	1,961	-	1,961	Gas 1989
-	-	-	-	-	10,726	Hotel/motel tax
-	-	-	-	-	415	Licenses and Permits
-	-	-	-	-	3,293	Fines and forfeitures
-	-	56,156	-	-	56,318	Charges for services
-	-	61	-	-	122	Investment income
7,600	-	-	-	7,909	15,642	Federal grants and entitlements
3,598	-	124	-	-	3,722	State grants
215	-	22	-	-	331	Other
11,413	3,694	56,533	17,841	7,909	115,628	Total revenues
						EXPENDITURES
11,425	2,500	-	16,073	-	44,098	General government
-	-	-	-	-	3,105	Public safety
-	-	-	-	7,909	7,909	Community service
-	-	53,669	-	-	53,669	Transportation & environment
-	-	-	-	-	154	Education
11,425	2,500	53,669	16,073	7,909	108,935	Total expenditures
(12)	1,194	2,864	1,768	-	6,693	Revenues over (under) expenditures
						OTHER FINANCING SOURCES (USES)
214	6,194	-	-	2,000	14,453	Transfers in
(202)	(7,388)	(5,131)	(1,768)	-	(18,212)	Transfers out
-	-	2,000	-	-	2,000	Capital leases
12	(1,194)	(3,131)	(1,768)	2,000	(1,759)	Total other financing sources and uses
-	-	(267)	-	2,000	4,934	Net change in fund balances
273	119	16,138	-	-	30,569	Fund balances - beginning of year
-	-	-	-	-	(448)	Prior period adjustment
273	119	16,138	-	-	30,121	Fund balance - beginning of year after prior period adjustment
\$ 273	\$ 119	\$ 15,871	\$ -	\$ 2,000	\$ 35,055	Fund balances - end of year

**NONMAJOR SPECIAL REVENUE FUNDS
 COMBINING SCHEDULE OF REVENUES AND EXPENDITURES -
 BUDGET AND ACTUAL (WITH ANNUAL BUDGETS)
 (Thousands of Dollars)
 For the fiscal year ended June 30, 2016**

	<u>Budget Amounts</u>			<u>Variance with Final Budget- Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
COMMUNITY REDEVELOPMENT				
Revenues:				
Property taxes	\$ -	\$ -	\$ 199	\$ 199
State grants	-	(5)	-	5
Other	-	-	4	4
Total revenues	-	(5)	203	208
Expenditures:				
General government	2,739	2,739	2,679	60
Total expenditures	2,739	2,739	2,679	60
Other financing sources (uses):				
Transfers in	2,739	2,739	2,351	(388)
Total other financing sources (uses)	2,739	2,739	2,351	(388)
Revenues over (under) expenditures and other financing sources (uses)	\$ -	\$ (5)	\$ (125)	\$ (120)
DRUG ENFORCEMENT FUND				
Revenues:				
Investment income	\$ -	\$ -	\$ 52	\$ 52
Fines and forfeitures	3,344	3,344	3,293	(51)
Federal grants and entitlements	150	150	133	(17)
Other	734	734	74	(660)
Total revenues	4,228	4,228	3,552	(676)
Expenditures:				
Public safety	4,228	4,322	3,105	1,217
Total expenditures	4,228	4,322	3,105	1,217
Revenues over (under) expenditures	\$ -	\$ (94)	\$ 447	\$ 541
HOTEL/MOTEL TAX				
Revenues:				
Hotel/motel tax	\$ 4,500	\$ 4,500	\$ 10,726	\$ 6,226
Total revenues	4,500	4,500	10,726	6,226
Expenditures:				
General government	3,314	3,314	7,932	(4,618)
Total expenditures	3,314	3,314	7,932	(4,618)
Other financing sources (uses):				
Transfers in	1,055	1,055	3,694	2,639
Transfers out	(2,241)	(2,241)	(3,723)	(1,482)
Total other financing sources (uses)	(1,186)	(1,186)	(29)	1,157
Revenues over (under) expenditures and other financing sources (uses)	\$ -	\$ -	\$ 2,765	\$ 2,765

(Continued)

**NONMAJOR SPECIAL REVENUE FUNDS
 COMBINING SCHEDULE OF REVENUES AND EXPENDITURES -
 BUDGET AND ACTUAL (WITH ANNUAL BUDGETS)
 (Thousands of Dollars)
 For the fiscal year ended June 30, 2016**

	<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	\$ 433	\$ 483	\$ 415	\$ (68)
Investment income	-	-	9	9
Other	5	5	16	11
Total revenues	<u>438</u>	<u>488</u>	<u>440</u>	<u>(48)</u>
Expenditures:				
General government	<u>439</u>	<u>499</u>	<u>488</u>	<u>11</u>
Total expenditures	<u>439</u>	<u>499</u>	<u>488</u>	<u>11</u>
Revenues over (under) expenditures	<u>\$ (1)</u>	<u>\$ (11)</u>	<u>\$ (48)</u>	<u>\$ (37)</u>
MISCELLANEOUS GRANTS				
Revenues:				
Federal grants and entitlements	\$ -	\$ -	\$ 7,600	\$ 7,600
State grants	-	-	3,598	3,598
Other	-	-	215	215
Total revenues	<u>-</u>	<u>-</u>	<u>11,413</u>	<u>11,413</u>
Expenditures:				
General government	<u>1</u>	<u>7,733</u>	<u>11,425</u>	<u>(3,692)</u>
Total expenditures	<u>1</u>	<u>7,733</u>	<u>11,425</u>	<u>(3,692)</u>
Other financing sources (uses):				
Transfers in	-	-	214	214
Transfers out	-	-	(202)	(202)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>12</u>	<u>12</u>
Revenues over (under) expenditures and other financing sources (uses)	<u>\$ (1)</u>	<u>\$ (7,733)</u>	<u>\$ -</u>	<u>\$ 7,733</u>

(Continued)

NONMAJOR SPECIAL REVENUE FUNDS
COMBINING SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL (WITH ANNUAL BUDGETS)
(Thousands of Dollars)
For the fiscal year ended June 30, 2016

CITY OF MEMPHIS, TENNESSEE
Exhibit B-5
(Continued)

	<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	\$ 3,555	\$ 3,555	\$ 3,694	\$ 139
Total revenues	<u>3,555</u>	<u>3,555</u>	<u>3,694</u>	<u>139</u>
Expenditures:				
General government	<u>2,500</u>	<u>2,500</u>	<u>2,500</u>	<u>-</u>
Total expenditures	<u>2,500</u>	<u>2,500</u>	<u>2,500</u>	<u>-</u>
Other financing sources (uses):				
Transfers in	1,055	1,055	6,194	5,139
Transfers out	(2,055)	(2,055)	(7,388)	(5,333)
Total other financing sources (uses)	<u>(1,000)</u>	<u>(1,000)</u>	<u>(1,194)</u>	<u>(194)</u>
Revenues over (under) expenditures and other financing sources (uses)	<u>\$ 55</u>	<u>\$ 55</u>	<u>\$ -</u>	<u>\$ (55)</u>
SOLID WASTE MANAGEMENT FUND				
Revenues:				
Other local taxes	\$ 114	\$ 114	\$ 170	\$ 56
Charges for services	55,774	55,774	56,156	382
Investment income	-	-	61	61
State grants	73	73	124	51
Other	7,261	7,261	22	(7,239)
Total revenues	<u>63,222</u>	<u>63,222</u>	<u>56,533</u>	<u>(6,689)</u>
Expenditures:				
Transportation and environment	<u>58,165</u>	<u>60,918</u>	<u>53,669</u>	<u>7,249</u>
Total expenditures	<u>58,165</u>	<u>60,918</u>	<u>53,669</u>	<u>7,249</u>
Other financing sources (uses):				
Transfers out	(5,056)	(5,131)	(5,131)	-
Capital leases	-	-	2,000	2,000
Total other financing sources (uses)	<u>(5,056)</u>	<u>(5,131)</u>	<u>(3,131)</u>	<u>2,000</u>
Revenues over (under) expenditures and other financing sources (uses)	<u>\$ 1</u>	<u>\$ (2,827)</u>	<u>\$ (267)</u>	<u>\$ 2,560</u>

(Continued)

NONMAJOR SPECIAL REVENUE FUNDS
COMBINING SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL (WITH ANNUAL BUDGETS)
(Thousands of Dollars)
For the fiscal year ended June 30, 2016

	<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	\$ 11,294	\$ 11,294	\$ 12,227	\$ 933
Gas 3 cent	3,374	3,374	3,653	279
Gas 1989	1,900	1,900	1,961	61
Total revenues	<u>16,568</u>	<u>16,568</u>	<u>17,841</u>	<u>1,273</u>
Expenditures:				
General government	14,800	14,800	16,073	(1,273)
Total expenditures	<u>14,800</u>	<u>14,800</u>	<u>16,073</u>	<u>(1,273)</u>
Other financing uses:				
Transfers out	(1,768)	(1,768)	(1,768)	-
Total other financing uses	<u>(1,768)</u>	<u>(1,768)</u>	<u>(1,768)</u>	<u>-</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	\$ -	\$ -	\$ 7,909	\$ 7,909
Total revenues	<u>-</u>	<u>-</u>	<u>7,909</u>	<u>7,909</u>
Expenditures:				
Community service	-	4,236	7,909	(3,673)
Total expenditures	<u>-</u>	<u>4,236</u>	<u>7,909</u>	<u>(3,673)</u>
Other financing sources (uses):				
Transfers in	-	2,000	2,000	-
Total other financing sources (uses)	<u>-</u>	<u>2,000</u>	<u>2,000</u>	<u>-</u>
Revenues over (under) expenditures	<u>\$ -</u>	<u>\$ (2,236)</u>	<u>\$ 2,000</u>	<u>\$ 4,236</u>

(Continued)

NONMAJOR SPECIAL REVENUE FUNDS
COMBINING SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL (WITH ANNUAL BUDGETS)
(Thousands of Dollars)
For the fiscal year ended June 30, 2016

	<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:				
Property taxes	\$ -	\$ -	\$ 199	\$ 199
Sales tax general	3,555	3,555	3,694	139
Other local taxes	114	114	170	56
State taxes (local share):				
Gas and motor fuel tax	11,294	11,294	12,227	933
Gas 3 cent	3,374	3,374	3,653	279
Gas 1989	1,900	1,900	1,961	61
Hotel/motel tax	4,500	4,500	10,726	6,226
Licenses and permits	433	483	415	(68)
Fines and forfeitures	3,344	3,344	3,293	(51)
Charges for services	55,774	55,774	56,156	382
Investment income	-	-	122	122
Federal grants and entitlements	150	150	15,642	15,492
State grants	73	68	3,722	3,654
Other	8,000	8,000	331	(7,669)
Total revenues	<u>92,511</u>	<u>92,556</u>	<u>112,311</u>	<u>19,755</u>
Expenditures:				
General government	23,793	31,585	41,097	(9,512)
Public safety	4,228	4,322	3,105	1,217
Community service	-	4,236	7,909	(3,673)
Transportation and environment	58,165	60,918	53,669	7,249
Total expenditures	<u>86,186</u>	<u>101,061</u>	<u>105,780</u>	<u>(4,719)</u>
Other financing sources (uses)				
Transfers in	4,849	6,849	14,453	7,604
Transfers out	(11,120)	(11,195)	(18,212)	(7,017)
Capital leases	-	-	2,000	2,000
Total other financing sources (uses)	<u>(6,271)</u>	<u>(4,346)</u>	<u>(1,759)</u>	<u>2,587</u>
Revenues over (under) expenditures and other financing sources (uses)	<u>\$ 54</u>	<u>\$ (12,851)</u>	<u>\$ 4,772</u>	<u>\$ 17,623</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, 2016

CITY OF MEMPHIS, TENNESSEE
Exhibit C-1

	<u>Storm Water</u>
ASSETS	
Current assets:	
Cash	\$ 1
Equity in cash and investment pool	5,936
Accounts receivable	<u>3,443</u>
Total current assets	9,380
Capital assets:	
Land	37
Buildings	907
Improvements other than buildings	42,206
Machinery and equipment	18,304
Less accumulated depreciation and amortization	<u>(25,987)</u>
Total capital assets	35,467
Construction in progress	<u>72,878</u>
Net capital assets	<u>108,345</u>
Total assets	<u>117,725</u>
DEFERRED OUTFLOWS OF RESOURCES	
Pension	3,190
Total assets and deferred inflows of resources	<u>120,915</u>
LIABILITIES	
Current liabilities:	
Accounts payable and accrued expenses	1,840
Other post employment benefits	1,477
Vacation, sick and other leave benefits	<u>1,549</u>
Total current liabilities	4,866
Long Term liabilities:	
Net Pension Liability	8,711
Long Term Commercial Paper	10,000
Total liabilities	23,577
DEFERRED INFLOWS OF RESOURCES	
Pension	798
Revenue received in advance of expense	<u>160</u>
Total liabilities and deferred inflows of resources	<u>24,535</u>
NET POSITION	
Net investment in capital assets	108,345
Unrestricted	<u>(11,965)</u>
Total net position	<u>\$ 96,380</u>

ENTERPRISE FUND
STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN FUND NET POSITION (Thousands of Dollars)
For the fiscal year ended June 30, 2016

CITY OF MEMPHIS, TENNESSEE
Exhibit C-2

	<u>Storm Water</u>
Operating revenues-charges for services	\$ 24,289
Operating expenses other than depreciation and amortization:	
Personnel services	10,591
Materials, supplies, services, and other	<u>6,373</u>
Total operating expenses other than depreciation and amortization	<u>16,964</u>
Operating income before depreciation and amortization	<u>7,325</u>
Depreciation and amortization	<u>2,325</u>
Operating income (loss)	<u>5,000</u>
Non-operating revenues:	
Investment income	16
Other revenue	<u>548</u>
Total non-operating revenues	564
Income (loss) before non-operating expenses, transfers, and capital contributions	<u>5,564</u>
Non-operating expense:	
Pension	626
Death Benefits	<u>5</u>
Total non-operating expenses	631
Transfers in	-
Transfers out	(1,968)
Capital contribution - federal	1,728
Capital contribution - state	<u>272</u>
Change in net position	4,965
Total net position - beginning of year	<u>91,415</u>
Total net position - end of year	<u><u>\$ 96,380</u></u>

	Storm Water
CASH FLOWS FROM OPERATING ACTIVITIES:	
Receipts from customers and users	\$ 23,982
Payments to suppliers	(5,581)
Payments to employees	(9,863)
Net cash provided by operating activities	<u>8,538</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:	
Local shared revenue	549
Issuance of long term commercial paper	10,000
Transfers to other funds	(1,969)
Net cash provided by non-capital financing activities	<u>8,580</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Acquisition and construction of capital assets	(16,646)
Gain (loss) on Sale of Asset	-
Capital contribution - federal	1,728
Capital contribution - state	271
Net cash used in capital and related financing activities	<u>(14,647)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Income earned on investments	16
Net cash provided by investing activities	<u>16</u>
Net change in cash and cash equivalents	2,487
Cash and cash equivalents, beginning of year	3,450
Cash and cash equivalents, end of year	<u>\$ 5,937</u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 5,000
Adjustments to reconcile operating income to net cash provided by operating activities	
Depreciation expense	2,325
Employer pension contributions	
Change in assets:	
Accounts receivable	(250)
Change in liabilities:	
Accounts payable and accrued expenses	1,463
Total adjustments	<u>3,538</u>
Net cash provided by operating activities	<u>\$ 8,538</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, 2016

CITY OF MEMPHIS, TENNESSEE
 Exhibit D-1

	Fleet Management	Health Insurance	Unemployment Compensation	Total
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 1	\$ 1	\$ -	\$ 2
Equity in cash and investment pool	3,628	28,215	1,551	33,394
Receivables	-	1,107	-	1,107
Due from other funds	133	24	-	157
Due from other agencies	-	-	-	-
Inventories	799	-	-	799
Total current assets	4,561	29,347	1,551	35,459
Capital assets:				
Machinery and equipment	2,254	-	-	2,254
Less accumulated depreciation	(2,250)	-	-	(2,250)
Net capital assets	4	-	-	4
Total assets	4,565	29,347	1,551	35,463
LIABILITIES				
Current liabilities:				
Accounts payable and accrued expenses	1,005	156	44	1,205
Insurance claims payable	-	7,518	-	7,518
Other post-employment benefits	-	122	-	122
Vacation, sick and other leave benefits	-	86	-	86
Total current liabilities	1,005	7,882	44	8,931
DEFERRED INFLOWS OF RESOURCES				
Revenue collected in advance	-	6,278	-	6,278
Total deferred inflows of resources	-	6,278	-	6,278
NET POSITION				
Net investment in capital assets	4	-	-	4
Unrestricted (deficit)	3,556	15,187	1,507	20,250
Total net position	\$ 3,560	\$ 15,187	\$ 1,507	\$ 20,254

INTERNAL SERVICE FUNDS
 COMBINING STATEMENT OF REVENUES, EXPENSES
 AND CHANGES IN FUND NET POSITION
 (Thousands of Dollars)
 For the fiscal year ended June 30, 2016

CITY OF MEMPHIS, TENNESSEE
 Exhibit D-2

	Fleet Management	Health Insurance	Unemployment Compensation	Total
Operating revenues:				
Charges for services	\$ 20,525	\$ -	\$ -	\$ 20,525
Miscellaneous income	100	23	-	123
Pharmacy Rx rebates	-	1,107	-	1,107
Employee contributions	-	23,887	-	23,887
Employer contributions	-	53,123	707	53,830
Total operating revenues	20,625	78,140	707	99,472
Operating expenses other than depreciation:				
Personnel services	-	436	-	436
Materials and supplies	9,884	4,065	-	13,949
Capital outlay	-	-	-	-
Death benefits	-	158	-	158
Re-insurance fees	-	-	-	-
PCORI tax	-	33	-	33
Inventories	10,042	-	-	10,042
Claims incurred	-	60,799	357	61,156
Total operating expenses other than depreciation	19,926	65,491	357	85,774
Operating income (loss) before depreciation	699	12,649	350	13,698
Depreciation	10	-	-	10
Operating income (loss)	689	12,649	350	13,688
Non-operating revenues:				
Investment income	15	123	8	146
Total non-operating revenues	15	123	8	146
Income (loss) before transfers	704	12,772	358	13,834
Transfers in/(out), net	-	(3,001)	-	(3,001)
Change in net position	704	9,771	358	10,833
Total net position (deficit) - beginning of year	2,856	5,416	1,149	9,421
Total net position - end of year	\$ 3,560	\$ 15,187	\$ 1,507	\$ 20,254

INTERNAL SERVICE FUNDS
 COMBINING STATEMENT OF CASH FLOWS
 (Thousands of Dollars)
 For the fiscal year ended June 30, 2016

CITY OF MEMPHIS, TENNESSEE
 Exhibit D-3

	Fleet Management	Health Insurance	Unemployment Compensation	Total
CASH FLOWS FROM OPERATING ACTIVITIES:				
Receipts from customers and users	\$ 232	\$ -	\$ -	\$ 232
Receipts from other division funds	20,281	-	706	20,987
Receipts from other agency funds	-	207	-	207
Miscellaneous income	101	24	-	125
Employee contributions	-	23,887	-	23,887
Employer contributions	-	52,845	-	52,845
Payments to suppliers	(9,631)	(4,488)	-	(14,119)
Payments to employees	-	(472)	-	(472)
Payments per Affordable Care Act	-	(33)	-	(33)
Payments for inventory	(10,120)	-	-	(10,120)
Payments due to other agencies and funds	-	-	24	24
Payments for death benefits	-	(159)	-	(159)
Payments for claims incurred	-	(61,516)	(374)	(61,890)
Net cash (used in) provided by operating activities	<u>863</u>	<u>10,295</u>	<u>356</u>	<u>11,514</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:				
Transfers to other funds	-	(3,001)	-	(3,001)
Net cash provided by non-capital financing activities	<u>-</u>	<u>(3,001)</u>	<u>-</u>	<u>(3,001)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:				
Income earned on investments	15	123	8	146
Net cash provided by investing activities	<u>15</u>	<u>123</u>	<u>8</u>	<u>146</u>
Net increase (decrease) in cash and cash equivalents	878	7,417	364	8,659
Cash and cash equivalents, beginning of year	2,751	20,799	1,187	24,737
Cash and cash equivalents, end of year	<u>\$ 3,629</u>	<u>\$ 28,216</u>	<u>\$ 1,551</u>	<u>\$ 33,396</u>
Reconciliation of operating income (loss) to net cash (used in) provided by operating activities:				
Operating income (loss)	\$ 689	\$ 12,649	\$ 350	\$ 13,688
Adjustments to reconcile operating income (loss) to net cash (used in) provided by operating activities:				
Depreciation expense	10	-	-	10
(Increase) decrease in assets:				
Inventories	(62)	-	-	(62)
Accounts receivable	(12)	(900)	-	(912)
Recovery on Fixed Assets	(15)	-	-	(15)
Increase (decrease) in liabilities:				
Accounts payable and accrued expenses	253	(1,454)	6	(1,195)
Total adjustments	<u>174</u>	<u>(2,354)</u>	<u>6</u>	<u>(2,174)</u>
Net cash (used in) provided by operating activities	<u>\$ 863</u>	<u>\$ 10,295</u>	<u>\$ 356</u>	<u>\$ 11,514</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, 2016

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	\$ 50,306	\$ 12,899	\$ 14,974	\$ -	\$ 2,727	\$ 80,906
Investments, at fair value:						
U.S. government securities - long-term	159,844	-	92,081	-	-	251,925
Common stock - domestic	588,751	40,150	234,905	-	103,131	966,937
Common stock - foreign	117,708	-	102,073	-	44,557	264,338
Preferred stock - domestic	-	-	-	-	-	-
Preferred stock - foreign	-	-	2,317	-	-	2,317
Corporate bonds - domestic	339,361	-	50,050	-	-	389,411
Corporate bonds - foreign	120,798	-	11,270	-	-	132,068
Mutual funds and money market funds	19,008	1,220	7,383	2,507	32,500	62,618
Government bond mutual fund - international	-	-	-	-	13,607	13,607
Corporate bond mutual funds - domestic	-	-	63,768	-	13,365	77,133
Corporate bond mutual funds - international	-	-	-	-	13,964	13,964
Convertible bond mutual fund - domestic	-	-	-	-	14,389	14,389
Collateralized mortgage obligations	6,512	-	24,349	-	-	30,861
Asset-backed pooled securities	3,436	-	-	-	-	3,436
Mortgage-backed pooled securities	43,891	-	44,729	-	-	88,620
Investments in index funds	143,970	-	315,934	-	-	459,904
Investments in limited partnerships	47,839	-	-	-	-	47,839
Investments in real estate	145,594	-	174,834	-	11,323	331,751
Investments in high yield bond fund	-	-	10,572	-	3,276	13,848
Investments in private equities	-	-	43,060	-	2,672	45,732
Investments in international equity fund	360,169	-	-	-	5,858	366,027
Investments in international bond fund	-	-	-	-	22,832	22,832
Hedge funds	-	-	76,958	-	-	76,958
Distressed debt funds - domestic	-	-	40,165	-	5,588	45,753
Distressed debt funds - foreign	-	-	-	-	14,519	14,519
Total investments	2,096,881	41,370	1,294,448	2,507	301,581	3,736,787
Equity in cash and investment pool	1,535	-	-	8,571	-	10,106
Interest and dividend receivables	7,013	5	2,249	2	258	9,527
Receivable for securities sold	197,736	-	27,155	-	513	225,404
Employer and employee contributions receivable	-	-	930	-	599	1,529
Other Receivables	-	-	-	536	-	536
Collateral held in trust for securities on loan	52,569	-	154,803	-	32,956	240,328
Total assets	2,406,040	54,274	1,494,559	11,616	338,634	4,305,123
LIABILITIES						
Accounts payable and other	274,164	-	12,140	3,683	1,588	291,575
Collateral subject to return to borrowers	52,569	-	154,803	-	32,956	240,328
Total liabilities	326,733	-	166,943	3,683	34,544	531,903
DEFERRED INFLOWS OF RESOURCES						
Revenue collected in advance	-	-	-	1,483	-	1,483
Total deferred inflows of resources	-	-	-	1,483	-	1,483
NET POSITION						
Held in trust for pension benefits, pool participants and OPEB	\$ 2,079,307	\$ 54,274	\$ 1,327,616	\$ 6,450	\$ 304,090	\$ 3,771,737

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, 2016

CITY OF MEMPHIS, TENNESSEE
 Exhibit E-2

	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	\$ 51,875	\$ 137	\$ 21,390	\$ 15,352	\$ 38,438	\$ 127,192
Medicare Part D	-	-	-	468	-	468
Plan members	23,912	137	12,310	6,997	6,848	50,204
Total contributions	75,787	274	33,700	22,817	45,286	177,864
Transfer from other fund	-	-	-	4,556	-	4,556
Investment income:						
Interest and dividend income	53,554	1,472	23,222	54	5,687	83,989
Securities lending income	475	-	930	-	97	1,502
Other investment income	753	-	3	-	10	766
Gain on real estate investments	4,641	-	-	-	-	4,641
Net appreciation in the fair value of investments	(62,586)	(2,467)	(4,902)	(15)	(12,291)	(82,261)
Total investment income	(3,163)	(995)	19,253	39	(6,497)	8,637
Total additions	72,624	(721)	52,953	27,412	38,789	191,057
DEDUCTIONS						
Benefits	159,448	3,850	97,026	27,515	31,584	319,423
Administrative expenses	14,767	109	4,781	3,013	1,664	24,334
Refunds of contributions	17,118	-	3,502	-	-	20,620
Total deductions	191,333	3,959	105,309	30,528	33,248	364,377
Net increase / (decrease)	(118,709)	(4,680)	(52,356)	(3,116)	5,541	(173,320)
Net position - beginning of year	2,200,507	58,954	1,379,972	9,566	298,549	3,947,548
Prior Period Adjustment	(2,491)	-	-	-	-	(2,491)
Net position - end of year	\$ 2,079,307	\$ 54,274	\$ 1,327,616	\$ 6,450	\$ 304,090	\$ 3,771,737

See accompanying notes to financial statements.

	Sold Property Tax Receivable Agency Fund			
	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance</u>
ASSETS				
Equity in cash and investment pool	\$ 954	\$ 13,902	\$ 12,546	\$ 2,310
Property tax receivable - current	-	8,725	8,725	-
Property tax receivable - delinquent	15,970	3,664	3,730	15,904
Total Assets	<u>\$ 16,924</u>	<u>\$ 26,291</u>	<u>\$ 25,001</u>	<u>\$ 18,214</u>
LIABILITIES				
Accounts payable & other liabilities	\$ 1,066	\$ 15,263	\$ 13,907	\$ 2,422
Total Liabilities	<u>\$ 1,066</u>	<u>\$ 15,263</u>	<u>\$ 13,907</u>	<u>\$ 2,422</u>
DEFERRED INFLOWS OF RESOURCES				
Revenue collected in advance	\$ 15,858	\$ 12,389	\$ 12,455	\$ 15,792
Total deferred inflows of resources	<u>\$ 15,858</u>	<u>\$ 12,389</u>	<u>\$ 12,455</u>	<u>\$ 15,792</u>
NET POSITION	<u>\$ -</u>	<u>\$ 1,361</u>	<u>\$ (1,361)</u>	<u>\$ -</u>



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, 2016

CITY OF MEMPHIS, TENNESSEE
 Exhibit F-1

Tax Year	General	Debt Service	Capital Projects	Education	Total (1)
2006	\$ 659	240	1	286	1,186
2007	789	287	1	341	1,418
2008	1,240	380	2	115	1,737
2009	1,797	559	2	146	2,504
2010	2,865	892	4	234	3,995
2011	3,904	1,128	5	-	5,037
2012	5,042	1,574	7	226	6,849
2013	5,026	1,837	7	-	6,870
2014	6,361	2,964	9	-	9,334
2015	8,128	2,989	8	-	11,125
Total delinquent property taxes receivable	35,811	12,850	46	1,348	50,055
Allowance for uncollectibles	7,305	2,681	10	337	10,333
Net delinquent property taxes receivable	\$ 28,506	10,169	36	1,011	39,722
Special assessment tax, net of allowance					510
Total tax, net of allowance					\$ 40,232

(1) During fiscal year 2016, \$14,344 of delinquent taxes were submitted to Chancery Court for further collections.

SCHEDULE OF REVENUE DEBT BY ISSUE
(Thousands of Dollars)
For the fiscal year ended June 30, 2016

CITY OF MEMPHIS, TENNESSEE
Exhibit F-2

Description	Interest Rates	Date of Issue	Date of		Original Issue	Redemptions	Principal Amount Outstanding June 30, 2016	Interest to Maturity as of June 30, 2016
			Final Maturity	Issue				
REVENUE BONDS PAYABLE (Business-Type Activities)								
Sanitary Sewerage System Revenue Refunding Bonds, Series 2007	3.00-4.00	Jul. 01, 2014	Jul. 01, 2025		18,930	-	18,930	3,473
Sanitary Sewerage System Revenue Refunding Bonds, Series 2009A	4.00-5.00	Oct. 03, 2013	Oct. 01, 2024		21,410	4,845	16,565	3,681
Sanitary Sewerage System Revenue Refunding Bonds, Series 2009B	3.00-5.00	Jun. 29, 2011	Oct. 01, 2021		15,165	4,180	10,985	1,640
Sanitary Sewerage System Revenue Bonds (RZEDB), Series 2010B	3.36-6.10	Dec. 07, 2011	Oct. 01, 2030		16,450	3,295	13,155	6,180
Sanitary Sewerage System Revenue Bonds (BABs), Series 2009B	6.30	Nov. 24, 2009	Oct. 01, 2029		12,360	-	12,360	7,270
Sanitary Sewerage System Revenue Bonds, Series 2009A	4.00	Nov. 24, 2009	Oct. 01, 2019		7,640	3,940	3,700	299
Sanitary Sewerage System Revenue Bonds, Series 2007	4.00-4.50	Dec. 18, 2007	Oct. 01, 2027		20,000	5,970	14,030	3,925
Sanitary Sewerage System Revenue Refunding Bonds, Series 2009A	5.00	Sep. 06, 2006	May 01, 2020		20,220	9,365	10,855	1,109
Total Revenue Bonds Payable (Business-Type Activities)					132,175	31,595	100,580	27,577
SEWER STATE LOANS (Business-Type Activities)								
TN Sewer State Loan	75-2.59	Jul. 19, 2013	Jul. 20, 2033		4,941	354	4,587	842
TN Sewer State Loan	0.75	Mar. 21, 2016	Mar. 21, 2035		6,757	-	6,757	1,233
Total Sewer State Loans (Business-Type Activities)					11,698	354	11,344	2,075
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	1,288,000	4,170	420
Electric System Revenue Bonds, Series 2008	4.00-5.00	Jun. 13, 2008	Dec. 01, 2018		96,930	-	96,930	12,171
Electric System Revenue Bonds, Series 2010	2.50-5.00	Feb. 17, 2010	Dec. 01, 2018		460,050	208,695	251,355	21,892
Electric System Revenue Bonds, Series 2014	2.00-5.00	May 20, 2014	Dec. 01, 2034		71,000	2,425	68,575	36,163
Water System Revenue Bonds, Series 2014	2.00-5.00	May 20, 2014	Dec. 01, 2034		15,000	560	14,440	5,978
Total Revenue Bonds Payable (Memphis Light Gas & Water)					1,935,150	1,499,680	435,470	76,624
Total Revenue Debt Payable					\$ 2,079,023	\$ 1,531,629	\$ 547,394	\$ 106,276

(1) All Memphis Light Gas Water bonds reflect amounts outstanding at December 31, 2015.

SCHEDULE OF GENERAL OBLIGATION DEBT PAYABLE BY ISSUE
 (Thousands of Dollars)
 For the fiscal year ended June 30, 2016

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, 2016	Interest to Maturity as of June 30, 2016
GENERAL OBLIGATION BONDS PAYABLE							
General Improvement Refunding Bonds, Series 2016	2.50-5.00	Jun. 14, 2016	May 01, 2041	69,885	-	69,885	35,943
General Improvement Refunding Bonds, Series 2015C	4.00-5.00	May 19, 2015	Apr. 01, 2045	67,845	-	67,845	68,899
General Improvement Refunding Bonds, Series 2015B (Taxable)	2.69-2.94	May 19, 2015	Apr. 01, 2025	54,390	-	54,390	13,216
General Improvement Refunding Bonds, Series 2015A	5.00	May 19, 2015	Apr. 01, 2026	76,820	-	76,820	37,214
General Improvement Refunding Bonds, Series 2014B	4.00-5.00	Mar. 25, 2014	Apr. 01, 2044	208,230	14,125	194,105	165,116
General Improvement Refunding Bonds, Series 2014A	5.00	Mar. 25, 2014	Nov. 01, 2025	103,955	-	103,955	27,492
General Improvement and Refunding Bonds, Series 2012B	1.65 - 3.70	Mar. 29, 2012	Apr. 01, 2024	5,145	2,140	3,005	405
General Improvement and Refunding Bonds, Series 2012A	3.25 - 4.13	Mar. 29, 2012	Apr. 01, 2042	93,595	-	93,595	27,077
General Improvement and Refunding Bonds, Series 2011	4.25 - 5.00	Jun. 14, 2011	May 01, 2036	86,190	13,660	72,530	38,746
General Improvement Bonds, Series 2010F (RZEDB)	6.04	Jun. 29, 2010	Jul. 01, 2034	11,160	-	11,160	12,143
General Improvement Refunding Bonds, Series 2010E (Taxable)	3.31 - 3.92	Jun. 29, 2010	Jul. 01, 2018	55,295	11,015	44,280	3,037
General Improvement and Refunding Bonds, Series 2010D	5.00	Jun. 29, 2010	Jul. 01, 2023	121,205	-	121,205	32,609
General Improvement Bonds, Series 2010C (BABs)	4.16 - 5.94	Jun. 29, 2010	Jul. 01, 2032	62,550	-	62,550	36,449
General Improvement Bonds, Series 2010B (BABs)	5.32 - 6.14	May 04, 2010	May 01, 2030	39,950	-	39,950	24,049
General Improvement Bonds, Series 2010A	3.00 - 5.00	May 04, 2010	May 01, 2021	27,880	14,690	13,190	1,669
General Improvement Bonds, Series 2009	4.00 - 5.00	Jun. 02, 2009	Apr. 01, 2024	76,025	63,105	12,920	2,251
General Improvement Bonds, Series 2008	4.00 - 5.00	May 01, 2008	Apr. 01, 2018	99,735	89,745	9,990	706
General Improvement Bonds, Series 2007A	5.00	May 01, 2007	Apr. 01, 2017	94,935	89,085	5,850	293
General Improvement Refunding Bonds, Series 2005	5.00 - 5.25	Mar. 16, 2005	Oct. 01, 2019	166,880	107,930	58,950	6,919
General Improvement Refunding Bonds, Series 2005B	5.25	Jun. 22, 2005	Oct. 01, 2018	115,635	47,270	68,365	6,149
General Improvement Refunding Bonds, Series 2004	5.00	Feb. 19, 2004	Oct. 01, 2017	34,160	23,525	10,635	539
General Improvement Refunding Bonds, Series 2001	5.00	Nov. 8, 2001	Nov. 01, 2016	92,985	88,210	4,775	119
Total General Obligation Bonds Payable				1,764,450	564,500	1,199,950	541,040
BOND ANTICIPATION NOTES PAYABLE							
General Obligation Commercial Paper, Series 2014	variable	Apr. 04, 2014	Jul. 27, 2018	95,000	95,000	-	-
Total Bond Anticipation Notes Payable				95,000	95,000	-	-
SETTLEMENT OBLIGATION							
Settlement Obligation		Jan. 30, 2015	Feb. 15, 2031	20,000	1,334	18,666	-
Total Settlement Obligation				20,000	1,334	18,666	-
Total General Obligation Debt Payable				\$ 1,879,450	660,834	1,218,616	541,040

SCHEDULE OF GENERAL OBLIGATION DEBT - BY USE
(Thousands of Dollars)
For the fiscal year ended June 30, 2016

CITY OF MEMPHIS, TENNESSEE
Exhibit F-4

Use	Balance Outstanding At Year End
<hr/>	
GENERAL OBLIGATION BONDS	
General Improvement	\$ 1,199,950
Bond Premiums	73,155
Total general obligation bonds	1,273,105
TOTAL GENERAL OBLIGATION DEBT	<u>\$ 1,273,105</u>

SCHEDULE OF CAPITAL LEASES PAYABLE BY ISSUE
 (Thousands of Dollars)
 For the fiscal year ended June 30, 2016

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, 2016	Interest to Maturity as of June 30, 2016
CAPITAL LEASES							
Sports Facility Revenue Bonds, Series 2014B	1.900% - 4.970%	Mar. 28, 2014	Feb. 01, 2030	5,720,000	950,000	4,770,000	1,562,509
Sports Facility Revenue Bonds, Series 2014A	2.000% - 5.000%	Mar. 28, 2014	Feb. 01, 2029	17,925,000	1,415,000	16,510,000	5,658,150
Solid Waste 2016	1.336%	Apr. 22, 2016	Apr. 22, 2021	2,000,000	-	2,000,000	74,225
Solid Waste 2014	1.384%	Dec. 11, 2014	Dec. 11, 2019	15,416,204	4,513,795	10,902,409	303,749
Red Light 2014	1.678%	Aug. 15, 2014	Aug. 15, 2019	3,300,000	1,177,999	2,122,001	58,360
Parking Meters 2013	1.325%	Nov. 15, 2013	Nov. 15, 2018	1,572,617	773,326	799,291	15,959
Solid Waste 2011	1.300%	Sep. 22, 2011	Aug. 01, 2016	8,963,200	8,042,220	920,980	5,984
Red Light 2010	2.772%	Dec. 10, 2010	Dec. 30, 2015	2,250,000	2,250,000	-	-
Total Capital Leases Payable				57,147,021	19,122,340	38,024,681	7,678,936

SCHEDULE OF GUARANTEE OBLIGATIONS PAYABLE BY ISSUE
 (Thousands of Dollars)
 For the fiscal year ended June 30, 2016

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, 2016	Interest to Maturity as of June 30, 2016
GUARANTEE OBLIGATIONS							
For General Purposes:							
Development Revenue Bonds, Series 2011	2.500% - 5.250%	9/7/11	Apr. 01, 2036	20,397,500	2,417,500	17,980,000	10,018,000
Subordinate Revenue Bonds, Series 2011C (Pyramid/ Pinch District)	2.390% - 4.180%	Sep. 30, 2011	Nov. 01, 2021	56,150,000	12,565,000	43,585,000	4,993,069
Subordinate Revenue Bonds, Series 2011B (Pyramid/ Pinch District)	4.000% - 5.250%	Sep. 30, 2011	Nov. 01, 2030	100,245,000	-	100,245,000	51,969,363
Senior Revenue Bonds, Series 2011A (Pyramid/ Pinch District)	2.54% - 5.530%	Sep. 30, 2011	Nov. 01, 2030	40,540,000	1,630,000	38,910,000	18,779,948
Qualified Energy Conservation Bonds, Series 2015A	3.720%	Feb. 28, 2015	Jan. 05, 2025	8,316,000	831,600	7,484,400	1,392,098
Revenue Bonds, Series 2015 (Conv. Cntr Proj.)	1.870%	Mar. 03, 2015	Jan. 05, 2020	1,585,450	317,090	1,268,360	59,296
Qualified Energy Conservation Bonds, Series 2015C	3.910%	Apr. 29, 2015	Jan. 05, 2025	340,700	34,070	306,630	59,946
Qualified Energy Conservation Bonds, Series 2015B	3.910%	Apr. 29, 2015	Jan. 05, 2025	2,015,300	201,530	1,813,770	354,592
Revenue Bonds, Series 2016 (Conv. Cntr Proj.)	1.950%	Jan. 13, 2016	Jan. 05, 2020	1,561,500	-	1,561,500	69,018
Total Guarantee Obligations Payable				231,151,450	17,996,790	213,154,660	87,695,330

LONG TERM DEBT PRINCIPAL AND INTEREST REQUIREMENTS
 REVENUE DEBT PAYABLE
 (Thousands of Dollars)
 For the fiscal year ended June 30, 2016

CITY OF MEMPHIS, TENNESSEE
 Exhibit F-7

Year Ending June 30	Revenue Bonds Sewer Collection and Treatment Fund		Revenue Bonds Memphis Light Gas Water (1)		Sewer State Loans Sewer Collection and Treatment Fund		Total
	Principal	Interest	Principal	Interest	Principal	Interest	
2016	\$ -	-	\$ 115,975	20,696	\$ -	-	\$ 136,671
2017	11,390	4,532	120,295	15,038	166	154	151,575
2018	11,230	4,052	125,540	9,150	171	150	150,293
2019	8,930	3,573	3,330	3,255	175	145	19,408
2020	9,885	3,181	3,710	2,877	180	141	19,974
2021	8,745	2,721	3,710	2,877	184	136	18,373
2022	9,140	2,291	3,710	2,877	189	131	18,338
2023	7,055	1,896	3,710	2,877	194	126	15,858
2024	7,350	1,555	3,710	2,878	199	121	15,813
2025	7,630	1,215	4,620	1,968	205	116	15,754
2026	5,725	917	4,620	1,968	210	111	13,551
2027	3,655	687	4,620	1,968	215	105	11,250
2028	3,805	480	4,620	1,969	221	100	11,195
2029	2,430	299	4,620	1,969	227	94	9,639
2030	2,525	145	5,736	851	233	88	9,578
2031	1,085	33	5,736	851	239	82	8,026
2032	-	-	5,736	851	245	75	6,907
2033	-	-	5,736	852	252	69	6,909
2034	-	-	5,736	852	1,081	66	7,735
2035	-	-	-	-	6,758	65	6,823
	\$ 100,580	\$ 27,577	\$ 435,470	\$ 76,624	\$ 11,344	\$ 2,075	\$ 653,670

(1) All Memphis Light Gas Water bonds reflect amounts outstanding at December 31, 2015.

LONG TERM DEBT PRINCIPAL AND INTEREST REQUIREMENTS
GOVERNMENTAL DEBT PAYABLE
(Thousands of Dollars)

CITY OF MEMPHIS, TENNESSEE
Exhibit F-8

For the fiscal year ended June 30, 2016

Year Ending June 30	General Obligation Bonds		Settlement Obligation		Total
	Principal	Interest	Principal	Interest	
2017	80,915	54,579	1,334	-	136,828
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
	\$ 1,199,950	\$ 541,040	\$ 18,666	\$ -	\$ 1,759,656

SCHEDULE OF INTERFUND BALANCES
(Thousands of Dollars)
For the fiscal year ended June 30, 2016

CITY OF MEMPHIS, TENNESSEE
Exhibit F-9

	Primary Government				
	Governmental Fund Types		Proprietary Fund Types		Total Payables - Reporting Entity
	General Fund	Debt Service	Enterprise	Internal Service	
			Sewer	Fleet Management	
GOVERNMENTAL FUND TYPES					
Special Revenue:					
Community Development	\$ 351	\$ -	\$ -	\$ 133	\$ 484
State Street Aid	2,845	295	-	-	3,140
Total receivables - primary government	<u>3,196</u>	<u>295</u>	<u>-</u>	<u>133</u>	<u>3,624</u>
Total receivables - reporting entity	<u>\$ 3,196</u>	<u>\$ 295</u>	<u>\$ -</u>	<u>\$ 133</u>	<u>\$ 3,624</u>

	Primary Government													
	Governmental Fund Types						Proprietary Fund Types						Fiduciary	
	General Fund	Debt Service	Capital Projects	Miscellaneous Grants	Hotel/Motel Tax	WIN Fund	Nonmajor Special Revenue	Community Development	New Memphis Arena	Community Redevelopment	Enterprise	Internal Service	OPEB Trust Fund	Total Transfers Out
GOVERNMENTAL FUND TYPES														
General Fund	\$ -	\$ 5,314	\$ 2,341	\$ 214	\$ -	\$ 2,000	\$ 5,000	\$ -	\$ 2,351	\$ -	\$ -	\$ -	\$ 1,555	\$ 18,775
Debt Service Fund	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Capital Projects Fund	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Special Revenue:														
State Street Aid	-	1,768	-	-	-	-	-	-	-	-	-	-	-	1,768
Miscellaneous Grants	8	194	-	-	-	-	-	-	-	-	-	-	-	202
Midtown Corridor	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Solid Waste	75	5,056	-	-	-	-	-	-	-	-	-	-	-	5,131
Community Redevelopment	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Hotel/Motel Tax	29	-	-	-	-	-	-	3,694	-	-	-	-	-	3,723
New Memphis Arena	-	3,694	-	-	-	-	-	-	-	-	-	-	-	7,388
Total Governmental Fund Types	112	16,026	2,341	214	3,694	2,000	5,000	3,694	2,351	-	-	-	1,555	36,987
PROPRIETARY FUND TYPES														
Enterprise:														
Sewer Collection and Treatment	6,889	-	-	-	-	-	-	-	-	-	-	-	-	6,889
Memphis Light, Gas and Water	52,282	-	-	-	-	-	-	2,500	-	-	-	-	-	54,782
Storm Water	75	1,893	-	-	-	-	-	-	-	-	-	-	-	1,968
Internal Service:														
Health Insurance	-	-	-	-	-	-	-	-	-	-	-	-	3,001	3,001
Total Proprietary Fund Types	59,246	1,893	-	-	-	-	-	2,500	-	-	-	-	3,001	66,640
Total Transfers In	\$ 59,358	\$ 17,919	\$ 2,341	\$ 214	\$ 3,694	\$ 2,000	\$ 5,000	\$ 6,194	\$ 2,351	\$ -	\$ -	\$ -	\$ 4,556	\$ 103,627

COMBINED SCHEDULE OF DEPOSITS AND INVESTMENTS
 HELD OUTSIDE OF THE CASH AND INVESTMENT POOL - CARRYING AMOUNT
 (Thousands of Dollars)
 For the fiscal year ended June 30, 2016

CITY OF MEMPHIS, TENNESSEE
 Exhibit F-11

	Governmental Fund Types				Proprietary Funds			Internal Service Funds		Fiduciary Fund Types								
	General	Special Revenue	Community Development	Capital Projects	Sewer	MLGW	Internal Service Funds		Trust and Agency									
							MLGW	Total	City Retirement System	Library Retirement System	MLGW Retirement System	City OPEB Trust	Memphis Light, Gas and Water OPEB Trust	Total				
Deposits:																		
Cash and cash equivalents	\$ 66	\$ 3,809	\$ 953	\$ -	\$ -	\$ 323,045	2	\$ 327,876	\$ 50,306	\$ 12,899	\$ 14,974	\$ -	\$ 2,727	\$ 80,906				
Total deposits	66	3,809	953	-	1	323,045	2	327,876	50,306	12,899	14,974	-	2,727	80,906				
Investments:																		
U.S. government securities - long-term	-	-	-	-	12,682	-	-	12,682	159,844	-	92,081	-	-	251,925				
Common stock - domestic	-	-	-	-	-	-	-	-	588,751	40,150	234,905	-	103,131	966,937				
Common stock - foreign	-	-	-	-	-	-	-	-	117,708	-	102,073	-	44,557	264,338				
Preferred stock - domestic	-	-	-	-	-	-	-	-	-	-	-	-	-	-				
Preferred stock - foreign	-	-	-	-	-	-	-	-	-	-	2,317	-	-	2,317				
Corporate bonds - domestic	-	-	-	-	-	-	-	-	339,361	-	50,050	-	-	389,411				
Corporate bonds - foreign	-	-	-	-	-	-	-	-	120,798	-	11,270	-	-	132,068				
Mutual funds and money market funds	-	-	-	-	18	-	-	18	19,008	1,220	7,383	2,507	32,500	62,618				
Government bond mutual fund - international	-	-	-	-	-	-	-	-	-	-	-	-	13,607	13,607				
Corporate bond mutual funds - domestic	-	-	-	-	-	-	-	-	-	-	63,768	-	13,365	77,133				
Corporate bond mutual fund - international	-	-	-	-	-	-	-	-	-	-	-	-	13,964	13,964				
Convertible bond mutual fund - domestic	-	-	-	-	-	-	-	-	-	-	-	-	14,389	14,389				
Collateralized mortgage obligations	-	-	-	-	-	-	-	-	-	-	-	-	-	-				
Asset-backed pooled securities	-	-	-	-	-	-	-	-	6,512	-	24,349	-	-	30,861				
Mortgage-backed pooled securities	-	-	-	-	-	-	-	-	3,436	-	-	-	-	3,436				
Investments in index funds	-	-	-	-	-	-	-	-	43,891	-	44,729	-	-	88,620				
Investments in limited partnerships	-	-	-	-	-	-	-	-	143,970	-	315,934	-	-	459,904				
Investments in real estate	-	-	-	-	-	-	-	-	47,839	-	-	-	-	47,839				
Investments in high yield bond fund	-	-	-	-	-	-	-	-	145,594	-	174,834	-	11,323	331,751				
Investments in private equities	-	-	-	-	-	-	-	-	-	-	10,572	-	3,276	13,848				
Investments in international equity fund	-	-	-	-	-	-	-	-	-	-	43,060	-	2,672	45,732				
Investments in international bond fund	-	-	-	-	-	-	-	-	360,169	-	-	-	5,858	366,027				
Hedge funds	-	-	-	-	-	-	-	-	-	-	-	-	22,832	22,832				
Distressed debt funds - domestic	-	-	-	-	-	-	-	-	-	-	76,958	-	-	76,958				
Distressed debt funds - foreign	-	-	-	-	-	-	-	-	-	-	40,165	-	5,588	45,753				
State of TN Local Gov't Investment Pool	-	-	-	622	6	-	-	628	-	-	-	-	-	14,519				
Commercial paper	-	-	-	-	3,488	-	-	3,488	-	-	-	-	-	-				
U.S. Treasuries	-	-	-	-	-	128,827	-	128,827	-	-	-	-	-	-				
Federal agency (Fixed Rate)	-	-	-	-	-	22,416	-	22,416	-	-	-	-	-	-				
Federal agency (Callable)	-	-	-	-	-	1,914	-	1,914	-	-	-	-	-	-				
Certificates of Deposit	-	-	-	-	1,000	4,999	-	5,999	-	-	-	-	-	-				
Total investments	-	-	-	622	17,194	158,156	-	175,972	2,096,881	41,370	1,294,448	2,507	301,581	3,736,787				
Total deposits and investments	\$ 66	\$ 3,809	\$ 953	\$ 622	\$ 17,195	\$ 481,201	\$ 2	\$ 503,848	\$ 2,147,187	\$ 54,269	\$ 1,309,422	\$ 2,507	\$ 304,308	\$ 3,817,693				

**SCHEDULE OF ADDITIONS AND RETIREMENTS
TO UTILITY PLANT
(Thousands of Dollars)
For the fiscal year ended June 30, 2016**

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

MEMPHIS LIGHT, GAS AND WATER DIVISION ¹

	<u>Balance January 1, 2015</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers</u>	<u>Balance December 31, 2015</u>
Electric Division	\$ 1,608,765	\$ 52,695	\$ (14,545)	\$ -	\$ 1,646,915
Gas Division	586,645	18,127	(7,043)	-	597,729
Water Division	442,263	8,626	(2,566)	-	448,323
Total	<u>\$ 2,637,673</u>	<u>\$ 79,448</u>	<u>\$ (24,154)</u>	<u>\$ -</u>	<u>\$ 2,692,967</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, 2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>Transfers</u>	<u>Balance June 30, 2016</u>
Land and buildings	\$ 118,891	\$ -	\$ -	\$ -	\$ 118,891
Improvements other than buildings	557,732	19,789	(11,057)	-	566,464
Machinery and equipment	29,862	8,188	(7,483)	(8)	30,559
Construction work in progress	72,516	69,244	(11,281)	-	130,479
	<u>\$ 779,001</u>	<u>\$ 97,221</u>	<u>\$ (29,821)</u>	<u>\$ (8)</u>	<u>\$ 846,393</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, 2016

CITY OF MEMPHIS, TENNESSEE
EXHIBIT F-13

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget- Positive (Negative)</u>
REVENUES				
Local taxes	\$ 127,777	\$ 127,777	\$ 128,624	\$ 847
State taxes (local share)	13,750	13,750	16,818	3,068
Investment income	125	125	348	223
Federal grants	2,338	2,338	2,354	16
Other	2,623	2,623	2,804	181
Total revenues	<u>146,613</u>	<u>146,613</u>	<u>150,948</u>	<u>4,335</u>
EXPENDITURES				
Redemption of serial bonds and notes	93,985	93,985	93,770	215
Interest	66,005	66,005	65,401	604
Other	1,244	1,248	1,644	(396)
Total expenditures	<u>161,234</u>	<u>161,238</u>	<u>160,815</u>	<u>423</u>
Revenues over expenditures	<u>(14,621)</u>	<u>(14,625)</u>	<u>(9,867)</u>	<u>4,758</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	15,264	15,264	17,919	2,655
Issuance of refunding debt	-	-	69,575	69,575
Retirement of general obligation bonds	-	-	(75,000)	(75,000)
Premium on debt issue	-	-	5,805	5,805
Contribution to Fund Balance	(2,329)	(2,329)	-	2,329
Contributed From Fund Balance	1,686	1,686	-	(1,686)
Total other financing sources and uses	<u>14,621</u>	<u>14,621</u>	<u>18,299</u>	<u>3,678</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ (4)</u>	<u>\$ 8,432</u>	<u>\$ 8,436</u>
Fund balance - beginning of year			<u>52,823</u>	
Fund balance - end of year			<u>\$ 61,255</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, 2016

CITY OF MEMPHIS, TENNESSEE
Exhibit F-14

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
REVENUES				
Local taxes	\$ 430,319	\$ 438,842	\$ 439,805	\$ 963
State taxes (local share)	60,075	65,075	69,328	4,253
Licenses and permits	11,474	12,474	13,171	697
Fines and forfeitures	19,603	19,603	16,570	(3,033)
Charges for services	30,602	32,302	34,757	2,455
Investment income	378	378	997	619
Federal grants	117	117	524	407
State grants	1,630	1,630	1,283	(347)
Intergovernmental revenues	3,517	6,008	5,996	(12)
Other	7,361	7,576	10,549	2,973
Total revenues	<u>565,076</u>	<u>584,005</u>	<u>592,980</u>	<u>8,975</u>
EXPENDITURES				
General government	149,761	174,789	140,292	34,497
Public safety	418,559	427,112	408,165	18,947
Community services	56,018	58,379	54,639	3,740
Transportation and environment	22,442	27,972	10,572	17,400
Total expenditures	<u>646,780</u>	<u>688,252</u>	<u>613,668</u>	<u>74,584</u>
Revenues under expenditures	<u>(81,704)</u>	<u>(104,247)</u>	<u>(20,688)</u>	<u>(65,609)</u>
OTHER FINANCING SOURCES (USES)				
Sale of capital assets	-	-	3	3
Capital leases	-	-	-	-
Transfers in	80,215	80,365	59,358	(21,007)
Transfers out	(11,444)	(17,316)	(18,775)	1,459
Special Items	-	-	(6,250)	6,250
Total other financing sources and uses	<u>68,771</u>	<u>63,049</u>	<u>34,336</u>	<u>(13,295)</u>
Net change in fund balances (budgetary basis)	<u>\$ (12,933)</u>	<u>\$ (41,198)</u>	<u>\$ 13,648</u>	<u>\$ (78,904)</u>
Adjustment for encumbrances - prior year			(24,030)	
Adjustment for encumbrances - current year			23,489	
Revenues over expenditures (GAAP basis)			<u>\$ 13,107</u>	
Fund balance - beginning			132,266	
Fund balance - ending			<u>\$ 145,373</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

	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Governmental activities:										
Invested in capital assets, net of related debt	\$ 162,807	\$ 98,113	\$ 103,451	\$ 24,027	\$ 6,912	\$ 131,384	\$ 203,581	121,045	2,611,833	293,259
Restricted for:										
Debt service	-	-	-	-	-	-	36,268	50,603	52,823	61,255
Construction	-	-	-	-	-	-	-	-	26,076	-
Capital acquisitions/ projects	-	-	-	-	-	-	-	-	-	4,381
Solid waste management	-	-	-	-	-	-	17,175	15,222	16,138	15,871
Drug enforcement	-	-	-	-	-	-	9,530	9,676	9,630	10,077
Donor/Statutory restrictions	-	-	-	-	-	-	2,343	15,503	35,085	59,814
Other	-	-	-	-	14,783	181,192	-	-	10,000	-
Unrestricted:										
Net pension asset	64,471	50,825	42,560	-	-	-	-	-	-	-
Unrestricted, other	(8,886)	(4,974)	(52,761)	(110,079)	(278,095)	(724,294)	(814,583)	(724,643)	(3,216,914)	(851,833)
Total governmental activities net position	218,392	143,964	93,250	(86,052)	(256,400)	(411,718)	(545,686)	(512,594)	(455,329)	(407,176)
Business-type activities:										
Net investment in capital assets	1,512,730	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
Restricted for debt service	118,799	88,703	91,215	75,615	64,909	68,846	69,689	41,902	99,797	64,173
Restricted for construction	-	-	-	-	-	-	-	29,119	7,268	8,456
Unrestricted	215,600	232,880	208,828	253,616	334,093	355,220	350,750	340,416	377,219	320,158
Total business-type activities net position	1,847,129	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
Primary government:										
Invested in capital assets, net of related debt	1,675,537	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
Restricted for:										
Debt service	118,799	88,703	91,215	75,615	64,909	68,846	105,957	92,505	152,620	125,428
Construction	-	-	-	-	-	-	-	29,119	33,344	8,456
Capital acquisitions/ projects	-	-	-	-	-	-	-	-	-	4,381
Solid waste management	-	-	-	-	-	-	17,175	15,222	16,138	15,871
Drug enforcement	-	-	-	-	-	-	9,530	9,676	9,630	10,077
Donor/Statutory restrictions	-	-	-	-	-	-	2,343	15,503	35,085	59,814
Other	-	-	-	-	14,783	181,192	-	-	10,000	-
Unrestricted	271,185	278,731	198,627	143,537	55,998	(369,074)	(463,833)	(384,227)	(2,839,695)	(531,675)
Total primary government net position	\$ 2,065,521	\$ 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

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

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Program Revenues										
Governmental activities:										
Charges for services:										
General government	\$ 71,939	\$ 71,398	\$ 67,880	\$ 73,768	\$ 79,691	\$ 77,154	\$ 76,664	\$ 22,420	\$ 89,038	\$ 72,499
Public Safety	4,584	5,203	6,420	4,230	3,637	7,768	7,456	3,928	3,383	22,329
Community services	125	147	137	137	174	136	139	103	-	-
Transportation and environment	47,937	47,790	50,391	50,438	59,268	59,745	60,180	122,078	55,832	56,318
Operating grants and contributions	49,415	49,822	56,402	69,135	61,098	63,854	81,913	63,416	57,732	38,719
Capital grants and contributions	1,201	3,217	3,217	3,217	7,490	23,639	11,123	9,811	12,627	23,610
Total governmental activities program revenues	175,201	177,577	184,447	200,925	211,358	232,296	237,475	221,756	218,612	213,475
Business-type activities:										
Charges for services:										
Sewer collection and treatment	52,543	52,510	53,778	56,162	98,559	104,031	106,007	103,900	103,299	96,845
Memphis Light, Gas and Water	1,603,383	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
Golf	2,963	-	-	-	-	-	-	-	-	-
Storm water	12,988	16,983	19,680	21,897	23,661	23,723	24,108	24,332	24,309	24,289
Operating grants and contributions	24,117	25,185	26,705	28,377	30,321	30,909	29,792	31,330	562	555
Capital grants and contributions	6,306	1,766	524	800	1,398	728	663	2,950	3,022	3,009
Total business-type activities program revenues	1,702,300	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
Total primary government program revenues	1,877,501	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
Expenses										
Governmental Activities:										
General government	200,184	271,906	249,707	223,773	251,039	253,138	217,086	203,055	134,182	212,054
Public safety	362,050	394,476	410,303	482,281	510,529	500,082	503,011	472,154	425,128	437,430
Community services	108,341	96,130	114,776	129,722	121,927	118,406	96,442	90,463	93,383	92,365
Transportation and environment	72,106	81,492	79,396	81,539	82,546	87,665	82,834	79,747	85,675	71,286
Education	91,405	91,392	21,846	117,118	80,775	71,452	62,507	(475)	(151)	154
Interest on long term debt	44,772	50,250	48,046	58,472	52,497	75,075	58,403	45,634	83,005	64,151
Total governmental activities expenses	878,858	985,646	924,074	1,092,905	1,099,313	1,105,818	1,020,283	890,578	821,222	877,440
Business-type activities:										
Sewer collection and treatment	47,852	51,507	57,802	55,584	61,401	62,915	65,921	62,556	63,049	70,163
Memphis Light, Gas and Water	1,577,503	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
Golf	3,893	-	-	-	-	-	-	-	-	-
Storm water	7,223	13,480	13,419	12,571	13,160	15,623	15,464	15,048	17,027	19,289
Total business-type activities expenses	1,636,471	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
Total primary government expenses	2,515,329	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
Net (expense)/revenue										
Governmental activities	(703,657)	(808,069)	(739,627)	(891,980)	(887,955)	(873,522)	(782,808)	(668,822)	(602,610)	(663,965)
Business-type activities	65,829	51,032	57,071	65,435	126,253	103,212	67,246	104,293	121,305	84,197
Total primary government net expense	(637,828)	(757,037)	(682,556)	(826,545)	(761,702)	(770,310)	(715,562)	(564,529)	(481,305)	(579,768)
General Revenues and Other Changes in Net Position										
Governmental activities										
Taxes										
Local taxes	541,795	549,149	531,339	540,970	540,150	528,219	533,190	545,713	571,583	542,475
State taxes (local share)	92,554	96,193	88,203	87,751	87,523	85,612	71,115	71,633	77,129	103,987
Hotel/motel tax	4,607	4,740	4,244	4,017	3,537	4,524	4,189	4,223	4,612	10,726
Unrestricted investment earnings	7,907	7,367	5,614	1,402	861	761	671	754	813	1,654
Intergovernmental revenues	14,171	9,315	4,163	4,944	6,492	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	8,947	1,481	-	-	-
Other	11,569	13,140	8,315	8,597	12,124	22,405	17,250	15,290	19,563	28,662
Transfers	59,966	59,113	46,998	64,997	66,929	67,962	42,738	57,783	68,302	25,097
Total governmental activities	732,569	739,017	688,876	712,678	717,616	718,430	670,634	695,396	742,002	712,601
Business-type activities:										
Investment earnings	69,910	74,064	62,356	50,516	41,520	40,324	32,883	27,054	24,816	21,998
Other	-	-	-	-	-	155	437	1,350	3,991	10,003
Transfers	(59,966)	(61,759)	(59,437)	(64,997)	(66,929)	(67,962)	(40,938)	(57,780)	(68,302)	(66,505)
Total business-type activities	9,944	12,305	2,919	(14,481)	(25,409)	(27,483)	(7,618)	(29,376)	(39,495)	(34,504)
Total primary government	742,513	751,322	691,795	698,197	692,207	690,947	663,016	666,020	702,507	678,097
Change in Net Position										
Government activities	28,912	(69,052)	(50,751)	(179,302)	(170,339)	(155,092)	(112,174)	26,574	139,392	48,636
Business-type activities	75,773	63,337	59,990	50,944	100,844	75,729	59,628	74,917	81,810	49,693
Total primary government	\$ 104,685	\$ (5,715)	\$ 9,239	\$ (128,358)	\$ (69,495)	\$ (79,363)	\$ (52,546)	\$ 101,491	\$ 221,202	\$ 98,329

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

CITY OF MEMPHIS, TENNESSEE
EXHIBIT X-3

	Fiscal Year									
	2007	2008	2009*	2010	2011	2012	2013	2014	2015	2016
General fund										
Restricted	\$ -	\$ -	\$ -	\$ -	\$ 1,684	\$ 1,907	\$ 2,088	\$ 5,724	\$ 6,246	\$ 7,210
Committed	-	-	-	-	-	19,572	12,134	-	-	-
Assigned	-	-	-	-	8,252	12,924	-	20,384	34,030	43,489
Unassigned	-	-	-	-	81,125	61,667	56,149	82,230	91,990	94,674
Reserved	6,747	8,945	9,691	8,299	-	-	-	-	-	-
Unreserved	72,093	89,613	96,912	76,271	-	-	-	-	-	-
Total general fund	78,840	98,558	106,603	84,570	91,061	96,070	70,371	108,338	132,266	145,373
All other governmental funds										
Restricted	-	-	-	-	13,099	54,308	63,228	59,035	56,130	62,616
Committed	-	-	-	-	72,186	92,481	80,109	72,943	53,346	43,083
Unassigned	-	-	-	-	(5,086)	(4,138)	-	-	-	794
Reserved	-	-	-	-	-	-	-	-	-	-
Unreserved, reported in:										
Debt service fund	53,793	58,716	46,488	34,680	-	-	-	-	-	-
Capital projects fund	(32,527)	12,673	67,239	74,030	-	-	-	-	-	-
Special revenue funds	6,602	6,305	4,888	6,179	-	-	-	-	-	-
Total all other governmental funds	27,868	77,694	118,615	114,889	80,199	142,651	143,337	131,978	109,476	106,493
Total governmental funds	\$ 106,708	\$ 176,252	\$ 225,218	\$ 199,459	\$ 171,260	\$ 238,721	\$ 213,708	\$ 240,316	\$ 241,742	\$ 251,866

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 \$ 964 year-over-year increase is primarily attributable to \$830 restricted to cover repairs to the Bass Pro property and \$160 for E-traffic citation fees collected and set aside for the Police Division and the Court Clerk to spend on technology upgrades in accordance with the State of Tennessee Senate bill no. 2368.

(2) The \$ 9,459 year-over-year increase is attributable to a \$20,000 reserve for intergovernmental activity.

(3) The \$2,684 year-over-year increase is attributable to better than anticipated revenues, and expenditures under projected budget for FY16.

(4) The \$6,486 year-over-year increase is attributed to cash flow inflows issued to WIN and HCD in the amounts of \$2,000 and \$5,000 respectively.

(5) The \$10,263 year-over-year decrease is primarily attributable to a \$21,694 decrease in planned capital expenditures and a \$9,126 increase in debt service requirements.

(6) The \$794 addition to unassigned fund balance is attributable to the City reporting the Memphis Cook Convention Center (Convention Center) as a blended component unit. The \$794 represents the unassigned fund balance less interfund activity between the Convention Center and the City.

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

CITY OF MEMPHIS, TENNESSEE
EXHIBIT X-4

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Revenues										
Local taxes	540,282	548,095	525,468	534,141	546,446	540,761	532,902	550,660	568,619	576,294
State taxes (local share)	92,554	96,193	88,203	87,751	87,523	85,612	89,798	89,767	94,058	103,987
Hotel/motel tax	4,607	4,740	4,244	4,017	3,537	4,524	4,189	4,223	4,612	10,726
Licenses and permits	11,918	11,934	11,427	11,119	11,393	10,986	11,436	12,489	12,694	13,586
Fines and forfeitures	13,422	15,243	16,657	16,392	16,961	16,866	19,119	20,596	19,546	19,863
Charges for services	72,307	76,788	78,339	82,851	89,388	91,231	91,231	87,272	87,058	91,075
Investment income	7,411	7,367	5,183	1,301	798	725	652	721	769	1,508
Federal grants and entitlements	41,673	37,359	40,175	58,123	59,398	66,172	58,563	49,898	44,287	52,758
State grants	4,449	7,908	12,456	5,929	6,359	15,421	12,422	4,328	5,839	9,571
Intergovernmental revenues	14,705	11,207	6,055	6,836	6,492	6,155	4,136	3,928	3,411	5,996
Operating revenues	-	-	-	-	-	-	-	-	-	-
Other	14,548	18,420	13,430	13,696	14,016	22,576	21,328	17,000	22,525	16,661
Total revenues	817,876	835,254	801,637	822,156	842,311	861,219	845,776	840,882	863,418	906,531
Expenditures										
General government	141,541	167,215	185,741	177,049	179,292	150,362	165,735	177,009	176,173	183,995
Public safety	323,691	347,366	367,366	374,182	388,071	373,590	383,181	384,594	400,632	408,809
Community services	91,404	91,945	97,700	109,092	101,360	98,619	79,562	75,407	84,247	77,099
Transportation and environment	68,199	74,256	76,725	73,687	74,042	86,410	70,675	67,310	79,189	68,281
Education	91,952	92,438	23,919	62,825	82,400	72,526	63,720	276	-	154
Capital outlay	62,416	79,089	91,800	86,656	100,550	225,201	123,544	124,566	85,120	97,966
Operating expenditures	-	-	-	-	-	-	-	-	-	6,259
Debt service:										
Redemption of serial bonds and notes	36,528	42,925	58,565	61,803	24,100	36,874	66,812	74,099	86,421	86,733
Lease payments	-	-	-	-	-	-	3,799	2,386	3,294	7,037
Interest	46,738	49,015	52,451	53,866	52,303	64,709	66,390	61,595	67,465	65,403
Bond issuance cost	940	1,932	1,399	2,783	1,012	5,538	7	3,303	2,773	895
Service charges	1,308	581	523	196	194	229	616	1,327	1,019	966
Total expenditures	864,717	946,762	956,189	1,002,139	1,003,324	1,114,058	1,024,041	971,872	986,333	1,003,597
Excess of revenues over (under) expenditures	(46,841)	(111,508)	(154,552)	(179,983)	(161,013)	(252,839)	(178,265)	(130,990)	(122,915)	(97,066)
Other financing sources (uses)										
Sale of capital assets	-	-	-	-	-	8,947	1,481	431	691	-
Transfers in	82,184	70,310	87,226	120,557	187,613	162,405	152,176	104,545	86,542	99,071
Transfers out	(22,218)	(11,197)	(25,143)	(55,560)	(120,684)	(94,443)	(115,405)	(58,371)	(30,161)	(36,987)
Proceeds from issuance of debt	220,712	189,735	284,495	393,440	60,824	-	-	-	-	-
Capital leases	-	-	-	-	-	8,963	-	23,600	18,716	2,003
Special items	-	-	-	-	-	-	-	-	-	(6,250)
Issuance of debt	-	-	-	-	-	-	115,000	-	-	-
Issuance of refunding debt	-	-	-	-	25,366	98,740	430,652	-	244,055	114,885
Related party loan	-	-	-	-	-	20,397	-	-	1,585	1,562
Proceeds from related party debt	-	-	-	-	-	196,936	-	-	-	-
Retirement of refunded debt obligation	(175,172)	(70,000)	(150,000)	(322,487)	(27,108)	(173,496)	-	(343,259)	(222,171)	(75,000)
Bond issuance cost	(788)	-	-	-	-	-	-	-	-	-
Premium on debt issue	12,855	2,204	6,903	18,274	6,803	19,876	-	-	25,084	5,805
Total other financing sources	117,573	181,052	203,481	154,224	132,814	320,300	153,252	157,598	124,341	105,089
Net change in fund balances/(deficit)	70,732	69,544	48,929	(25,759)	(28,199)	67,461	(25,013)	26,608	1,426	8,023
Debt service as a percentage of noncapital expenditures	10.4%	10.6%	12.8%	12.6%	8.5%	11.4%	15.2%	16.3%	17.4%	17.6%

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

CITY OF MEMPHIS, TENNESSEE
 Exhibit X-5

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
General Government										
Legislative	\$ 1,541	\$ 1,598	\$ 1,560	\$ 1,515	\$ 1,572	\$ 1,498	\$ 1,502	\$ 1,426	\$ 1,501	\$ 1,443
Judicial	523	623	587	576	606	586	588	619	624	643
Court clerk	2,796	3,393	3,378	4,042	4,675	4,551	4,508	4,454	9,160	6,250
Executive	2,862	8,257	7,688	6,545	6,390	4,785	4,835	5,272	7,101	8,413
Finance and administration	4,004	4,627	5,141	5,018	5,196	4,656	4,557	4,649	5,100	7,489
City attorney	13,040	13,945	17,789	14,506	14,978	14,126	11,158	10,793	9,131	10,140
City engineer	4,980	5,146	6,224	5,327	5,981	5,674	5,773	5,030	5,230	6,640
Information systems	13,983	17,224	17,699	18,850	19,158	15,449	14,587	14,510	14,474	15,949
Human resources	4,708	6,188	8,116	7,787	5,367	5,055	5,554	4,638	5,731	7,343
General services	10,365	10,834	12,348	11,730	12,941	11,724	21,156	19,540	20,628	21,701
Special appropriations	56,554	61,039	73,116	66,797	64,989	53,096	42,362	64,627	55,521	53,886
Total general government	115,356	132,874	153,646	142,693	141,853	121,200	116,580	135,558	134,201	139,897
Public Safety										
Police	181,512	193,024	206,326	212,492	224,752	218,643	226,569	227,401	234,108	240,431
Fire	138,394	149,747	156,772	157,063	159,488	152,013	153,423	154,070	163,014	165,273
Total public safety	319,906	342,771	363,098	369,555	384,240	370,656	379,992	381,471	397,122	405,704
Community Services										
Library	-	-	-	-	-	-	-	-	-	-
Parks and recreation	23,307	31,017	29,678	29,992	28,593	29,033	42,706	46,118	49,815	49,709
Public Service	24,687	21,627	22,557	21,821	22,661	22,944	-	2	-	373
Community development	5,763	4,743	4,717	5,093	4,498	5,385	4,194	3,705	4,726	3,914
Community enhancement	-	2,684	6,860	7,280	7,387	6,312	-	36	-	-
Total community services	53,757	60,071	63,812	64,186	63,139	63,674	46,900	49,861	54,541	53,996
Transportation and Environment										
Public works	5,769	6,676	8,460	6,458	6,321	10,145	19,068	12,241	11,847	14,612
Total transportation and environment	5,769	6,676	8,460	6,458	6,321	10,145	19,068	12,241	11,847	14,612
Transfers out	13,177	3,448	8,383	45,662	66,722	78,107	78,732	22,464	19,005	18,775
Special items	-	-	-	-	-	-	-	-	-	6,250
Total	\$ 507,965	\$ 545,840	\$ 597,399	\$ 628,554	\$ 662,275	\$ 643,782	\$ 641,272	\$ 601,595	\$ 616,716	\$ 639,234

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			
2006	2007	4,911,984,475	19,647,937,900	4,279,098,355	10,884,205,500	1,043,440,480	3,475,008,700	921,568,343	1,675,578,805	11,156,091,653	35,682,730,905	31.26%	3.4332
2007	2008	5,135,189,100	20,540,756,400	4,291,102,795	10,921,043,300	1,031,524,225	3,434,824,100	911,976,305	1,658,138,736	11,369,792,425	36,554,762,536	31.10%	3.4332
2008	2009	5,199,303,925	20,797,215,700	4,320,668,495	11,005,511,900	1,037,557,855	3,455,649,100	835,038,281	1,518,251,420	11,392,568,556	36,776,628,120	30.98%	3.2500
2009	2010	5,476,099,925	21,904,399,700	4,893,771,265	12,450,961,410	1,196,861,700	3,986,490,000	775,027,935	1,409,141,700	12,341,760,825	39,750,992,810	31.05%	3.1957
2010	2011	5,359,781,600	21,439,126,400	4,743,781,550	12,089,810,000	1,133,365,185	3,774,783,400	816,425,195	1,484,409,445	12,053,353,530	38,788,129,245	31.07%	3.1957
2011	2012	5,301,771,500	21,207,086,000	4,507,983,385	11,506,347,200	1,128,790,635	3,760,225,200	877,932,058	1,596,240,105	11,816,477,578	38,069,898,505	31.04%	3.1889
2012	2013	5,248,101,650	20,992,406,600	4,371,602,915	11,161,458,700	1,178,853,370	3,927,663,000	922,004,864	1,676,372,480	11,720,562,799	37,757,900,780	31.04%	3.1100
2013	2014	4,731,533,025	18,926,132,100	4,532,007,925	11,566,004,400	1,273,218,610	4,242,350,800	946,724,202	1,721,316,731	11,483,483,762	36,455,804,031	31.50%	3.4000
2014	2015	4,680,381,500	18,721,526,000	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	18,991,682,900	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

(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 Fiscal Year	2006 2007	2007 2008	2008 2009	2009 2010	2010 2011	2011 2012 *	2012 2013	2013 2014 *	2014 2015	2015 2016
City Direct Rates										
General Fund	1.9088 \$	1.9088 \$	2.3427 \$	2.2917 \$	2.2917 \$	2.4717 \$	2.2917 \$	2.4874	2.3125	2.3125
Debt Service	0.6941	0.6941	0.7141	0.7141	0.7141	0.7141	0.7152	0.9093	1.0842	1.0842
CIP	0.0032	0.0032	0.0032	0.0031	0.0031	0.0031	0.0031	0.0033	0.0033	0.0033
Education	0.8271	0.8271	0.1900	0.1868	0.1868	0.0000	0.1000	0.0000	0.0000	0.0000
Total City Direct Rate	3.4332	3.4332	3.2500	3.1957	3.1957	3.1889	3.1100	3.4000	3.4000	3.4000
County Direct Rates										
General Fund	1.22	1.22	1.22	1.23	1.33	1.36	1.36	1.45	1.45	1.45
Debt Service	0.80	0.80	0.80	0.81	0.79	0.75	0.75	0.79	0.78	0.78
Education	2.02	2.02	2.02	1.98	1.90	1.91	1.91	2.14	2.14	2.14
Total County Direct Rate	4.04	4.04	4.04	4.02	4.02	4.02	4.02	4.38	4.37	4.37
Total Overlapping Rate	7.4732	7.4732	7.2900	7.2157	7.2157	7.2089	7.1300	7.7800	7.7700	7.7700
Tax Levies										
(1) City	\$ 384,877,389	\$ 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
County	704,279,575	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
Total Tax Levies	1,089,156,964	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) 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 2016		Fiscal Year 2007	
	Taxable Assessed Value	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Percentage of Total Taxable Assessed Value
Federal Express	\$ 721,951,507	6.36	\$ 440,530,252	3.87
Bell South Telecommunications	74,831,652	0.66	119,670,334	1.05
Wolfchase Galleria, LTD	52,923,480	0.47	53,210,400	0.47
Smith & Nephew Inc.	45,867,380	0.40	38,720,000	0.34
AMISUB (St. Francis Hospital)	44,015,950	0.39	34,248,416	0.30
BNSF Railway Company	40,341,282	0.36	27,116,125	0.24
Illinois Central Railroad	39,463,609	0.35	23,947,089	0.21
Union Pacific Railroad Company	27,617,644	0.24	21,992,070	0.19
SOLAE LLC	26,740,230	0.24	21,564,320	0.19
AT & T Mobility LLC	25,588,090	0.23	19,974,560	0.18
Total Assessed Valuation of Top 10 Taxpayers	1,099,340,824	9.69	800,973,566	7.04
Balance of Assessed Valuation	10,246,640,152	90.31	10,568,818,859	92.96
	<u>\$ 11,345,980,976</u>	<u>100.00</u>	<u>\$ 11,369,792,425</u>	<u>100.00</u>

Source: City of Memphis Tax System

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

CITY OF MEMPHIS, TENNESSEE
EXHIBIT X-9

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
2006	2007	384,877,389	361,358,644	93.89	16,264,065	377,622,709	98.12	30,620,012	7.96
2007	2008	392,477,211	368,298,361	93.84	15,852,825	384,151,186	97.88	32,281,474	8.23
2008	2009	375,803,751	352,497,179	93.80	14,750,644	367,247,823	97.72	34,538,869	9.19
2009	2010	389,347,038	363,573,869	93.38	13,566,861	377,140,730	96.86	38,682,060	9.94
2010	2011 (A)	380,186,210	359,918,827	94.67	17,476,145	377,394,972	99.27	37,327,820	9.82
2011	2012 (B)	* 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

Taxes are normally due on June 1 and delinquent on September 1 each year and may be paid in two installments (June 1 through June 30 and August 1 through August 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 government sold the majority of the 2011 tax year (which funds fiscal year 2012) real property taxes outstanding to an outside party. The sale generated property tax revenue and a reduction of the property tax receivable balance of \$17,737,009 for fiscal year 2012, which is reflected in tax collections.

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

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

(E) In December 2014, the government 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 some 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 \$8,622,852.24 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 \$2,431,705.25 which is reflected in "Prior Years Outstanding Delinquent Taxes."

Source: City of Memphis Tax System

SPECIAL ASSESSMENT COLLECTIONS
Last Ten Fiscal Years

CITY OF MEMPHIS, TENNESSEE
EXHIBIT X-10

Fiscal Year	Collections			Promotional Costs	Total
	Construction	Interest			
2007	2,533	1,415		838	4,786
2008	2,533	1,415		-	3,948
2009	9,281	1,436		-	10,717
2010	-	-		-	-
2011	-	-		-	-
2012	-	-		-	-
2013	-	-		-	-
2014	-	-		-	-
2015	-	-		-	-
2016	-	-		-	-

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

RATIOS OF OUTSTANDING DEBT BY TYPE
Last Ten Fiscal Years
(Thousands of Dollars)

Fiscal Year	Governmental Activities										Business-Type Activities										Total Primary Government	Percentage of Personal Income ⁽²⁾	Per Capita ⁽²⁾
	General Obligation Bonds ⁽¹⁾	Bond Premiums ⁽¹⁾	Bond Anticipation Notes / Commercial Paper ⁽¹⁾	Guarantee Obligations ⁽¹⁾	Guarantee Obligations Premiums ⁽¹⁾	Settlement Obligation ⁽¹⁾	Notes Payable	Capital Leases ⁽¹⁾	Sewer Revenue Bonds ⁽¹⁾	Sewer Revenue Premiums ⁽¹⁾	Sewer State Loans ⁽¹⁾	Electric Revenue Bonds ⁽¹⁾	Electric Revenue Premiums ⁽¹⁾	Gas Bond Anticipation Notes	Water Revenue Bonds ⁽¹⁾	Water Revenue Premiums ⁽¹⁾							
2007	971,679	-	70,000	-	-	-	-	133,700	-	-	-	1,212,702	-	-	13,940	-	2,402,021	5.33%	3,564				
2008	1,030,302	-	90,000	-	-	-	7,510	145,410	-	-	-	1,131,360	-	40,000	10,965	-	2,455,547	5.44%	3,643				
2009	1,047,274	-	148,470	-	-	-	6,058	137,125	-	-	-	1,043,030	-	35,000	7,865	-	2,424,822	5.10%	3,625				
2010	1,144,493	-	75,400	-	-	-	4,628	148,270	-	3,881	953,664	-	15,000	3,165	-	-	2,348,501	4.69%	3,469				
2011	1,181,468	-	75,400	-	-	-	5,182	155,540	-	3,881	848,305	-	-	1,625	-	-	2,271,401	4.49%	3,511				
2012	1,158,085	-	71,975	217,050	-	-	11,286	145,575	-	3,881	757,885	-	-	1,625	-	-	2,367,362	4.78%	3,631				
2013	1,091,780	-	186,975	216,543	-	-	7,487	135,095	-	3,881	662,695	-	-	-	-	-	2,304,456	6.05%	3,508				
2014	1,221,320	-	50,000	216,018	-	-	30,319	123,245	-	3,847	562,995	-	-	-	-	-	2,207,744	5.53%	3,381				
2015	1,208,825	79,464	20,000	220,765	2,370	20,000	43,062	111,510	3,124	4,749	531,230	29,573	-	15,000	-	944	2,290,615	5.64%	3,486				
2016	1,199,950	73,155	-	213,155	2,171	18,666	38,025	100,580	10,000	11,344	421,030	20,122	-	14,440	-	869	2,123,507	5.06%	3,252				

⁽¹⁾ Sources: City of Memphis and MLG&W financial records.

⁽²⁾ Source: Bureau of Economic Analysis

**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

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Estimated population (3)	674,028	674,028	669,651	676,640	646,889	652,050	657,457	653,450	656,861	653,480
Appraised property valuation (2) (4)	\$ 35,682,731	\$ 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
Assessed valuation (2) (4)	11,156,092	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
General obligation debt (1) (2)	1,042,744	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
Bond Premiums (2) (5)									79,464	73,155
Less self supporting debt (1a) (2)	10,855	7,435	5,725	3,920	2,015	-	-	-	-	-
Net Debt (1a)	1,031,889	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
Bonded debt per capita - total debt	1,547	1,662	1,786	1,803	1,943	1,886	1,770	1,946	1,992	1,948
Bonded debt per capita - net debt	1,531	1,651	1,777	1,797	1,940	1,886	1,770	1,946	1,992	1,948
Bonded debt to appraised valuation -total debt	2.92%	3.06%	3.25%	3.07%	3.24%	3.23%	3.08%	3.49%	3.69% *	3.54%
Bonded debt to appraised valuation -net debt	2.89%	3.04%	3.24%	3.06%	3.24%	3.23%	3.08%	3.49%	3.69%	3.54%
Bonded debt to assessed valuation -total debt	9.35%	9.85%	10.50%	9.88%	10.43%	10.41%	9.93%	11.07%	11.74% *	11.22%
Bonded debt to assessed valuation -net debt	9.25%	9.79%	10.45%	9.85%	10.41%	10.41%	9.93%	11.07%	11.74%	11.22%

(1) Debt includes City general obligation bonds, bond anticipation notes, and commercial paper (2007-2016).
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 2015.

(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, 2016
(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⁾	\$ 1,199,950	100.0%	\$ 1,199,950
Bond Premiums	73,155	100.0%	73,155
Capital lease obligations	38,025	100.0%	38,025
Guarantee Obligations	213,155	100.0%	213,155
Guarantee Obligation Premiums	2,171	100.0%	2,171
Settlement Obligation	<u>18,666</u>	100.0%	<u>18,666</u>
Total direct government indebtedness ⁽³⁾	1,545,122		1,545,122
<u>Overlapping bonded indebtedness:</u>			
Shelby County debt	<u>1,005,349</u>	63.2%	<u>635,810</u>
Total overlapping bonded indebtedness	1,005,349		635,810
Total direct and overlapping debt ⁽⁴⁾	<u><u>\$ 2,550,471</u></u>		<u><u>\$ 2,180,931</u></u>

⁽¹⁾ Determined by ratio of assessed valuation of property subject to taxation in City of Memphis to valuation of property subject to taxation in Shelby County.

⁽²⁾ Amount in debt outstanding column multiplied by percentage applicable.

⁽³⁾ Has not been adjusted for the \$31,867 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									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Debt capacity limit	\$ 1,364,375	\$ 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
Total net debt applicable to limit (3)	1,033,129	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
Legal debt capacity margin balance	\$ 331,246	\$ 252,861	\$ 290,346	\$ 232,455	\$ 158,679	\$ 176,408	\$ 242,713	\$ 106,698	\$ 28,781	\$ 88,413
Total net debt applicable to the limit as a percentage of debt limit	75.72%	81.50%	80.40%	83.93%	88.81%	87.46%	82.74%	92.26%	97.85%	93.51%

Debt Margin Calculation for Fiscal Year 2016

Total assessed value (1)	\$ 11,345,981
Debt capacity limit (12% of total assessed value) (2)	1,361,518
Debt applicable to limit:	
Total bonded debt	\$ 1,273,105
Total net debt applicable to limit	1,273,105
Debt capacity margin balance	\$ 88,413

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

(2) Source: City of Memphis Debt Management Policy

(3) Total net debt applicable to limit omitted in 2015

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)					
2005	1,076,882	886,428	190,454	138,202	1.38
2006	1,180,252	990,437	189,815	138,796	1.37
2007	1,217,396	1,025,267	192,129	140,301	1.37
2008	1,296,758	1,144,136	152,622	140,820 (3)	1.08
2009	1,284,863	1,134,821	150,042	140,796	1.07
2010	1,348,346	1,193,617	154,729	610,778	0.25
2011	1,385,433	1,247,530	137,903	131,619	1.05
2012	1,331,536	1,221,769	109,767	132,217	0.83
2013	1,303,319	1,181,316	122,003	131,990	0.92
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
GAS DIVISION (1)					
2005	486,503	450,367	36,136	-	N/A
2006	435,679	417,510	18,169	-	N/A
2007	448,258	430,325	17,933	-	N/A
2008	527,102	470,593	56,509	6,255 (4)	9.03
2009	361,271	314,213	47,058	20,674	2.28
2010	341,350	292,481	48,869	15,126	3.23
2011	288,409	250,812	37,597	-	N/A
2012	226,395	200,483	25,912	-	N/A
2013	284,362	255,229	29,133	-	N/A
2014	333,596	293,100	40,496	-	N/A
2015	250,231	212,097	38,134	-	N/A
WATER DIVISION (1)					
2005	75,279	55,158	20,121	6,565	3.06
2006	79,559	58,606	20,953	3,554	5.90
2007	81,175	63,471	17,704	3,546	4.99
2008	82,433	65,470	16,963	3,545	4.79
2009	80,295	65,676	14,619	5,133	2.85
2010	84,957	71,908	13,049	1,706	7.65
2011	86,887	72,029	14,858	43	345.53
2012	85,265	74,395	10,870	1,668	6.52
2013	85,430	69,457	15,973	-	N/A
2014	86,903	70,379	16,524	253	65.31
2015	85,169	74,604	10,565	1,072	9.86
SEWER COLLECTION AND TREATMENT FUND (2)					
2006	50,278	30,782	19,496	14,920	1.31
2007	54,218	31,210	23,008	14,216	1.62
2008	54,123	32,774	21,349	14,927	1.43
2009	54,443	38,646	15,797	14,899	1.06
2010	56,810	35,972	20,838	15,587	1.34
2011	100,931	39,919	61,012	17,384	3.51
2012	106,910	42,244	64,666	16,880	3.83
2013	106,993	44,546	62,447	16,806	3.72
2014	105,258	43,929	61,329	16,817	3.65
2015	104,592	50,944	53,648	16,028	3.35
2016	97,854	55,031	42,823	15,922	2.69

(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
2006	677,345	44,758,000	35,113	33.6	120,162	6.2
2007	674,028	45,107,701	35,470	33.4	120,275	6.4
2008	669,651	47,515,739	37,147	33.4	117,349	5.2
2009	676,640	50,093,990	38,577	33.8	107,041	10.0
2010	646,889	50,613,401	35,775	33.5	106,656	10.9
2011	652,050	49,519,474	37,569	34.5	102,798	9.9
2012	657,457	38,116,646	37,546	33.4	101,696	9.5
2013	653,450	39,896,975	42,409	33.1	149,928	9.3
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

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	2016		2007		
	Employees	Percentage of Total City Employment	Employees	Percentage of Total City Employment	
Federal Express Corporation	32,000	5.57%	Federal Express Corporation	30,000	5.34%
Shelby County Schools	16,000	2.78%	Memphis City Schools	15,240	2.71%
Tennessee State Government	14,400	2.51%	United States Government	15,000	2.67%
United States Government	13,900	2.42%	Methodist Healthcare	7,369	1.31%
Methodist LeBonheur Healthcare	10,175	1.77%	Memphis City Government	6,667	1.19%
Baptist Memorial Health Care Corp.	8,587	1.49%	Shelby County Government	6,513	1.16%
Memphis City Government	6,848	1.19%	Baptist Memorial Healthcare Cor	6,463	1.15%
Wal-Mart Stores, Inc.	6,000	1.04%	Naval Support Activity Mid-Soutl	6,372	1.13%
Shelby County Government	5,662	0.99%	Wal-Mart Stores, Inc.	6,000	1.07%
Shelby Co. Board of Education	5,400	0.94%	Harrah's Entertainment	5,541	0.99%
Total	118,972	20.70%	Total	105,165	18.71%

Source - City of Memphis Comprehensive Annual Financial Report FY 2007, The Greater Memphis Chamber & Tennessee Department of Labor & Workforce Development

FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION
 Last Ten Fiscal Years

CITY OF MEMPHIS, TENNESSEE
 EXHIBIT X-18

Function and Activity	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
General government	828	1,231	1,340	1,261	1,147	1,147	724	669	640	652
Public safety										
Police										
Officers	2,018	2,385	2,273	2,444	2,550	2,550	2,554	2,521	2,299	2,110
Civilians	667	483	482	447	478	478	478	411	397	664
Fire										
Firefighters and officers	1,553	1,721	1,729	1,758	1,678	1,740	1,709	1,616	1,576	1,391
Civilians	255	168	147	116	184	122	122	218	213	398
Highways and streets										
Engineering	186	186	152	146	124	124	120	117	117	116
Maintenance	301	311	309	287	274	274	389	382	391	393
Sanitation	653	653	653	611	604	604	621	619	619	615
Culture and recreation	318	346	264	261	240	240	510	507	508	506
Sewer	289	290	290	290	289	289	299	299	305	341

Source - City of Memphis Operating Budget Book FY 2016

Function	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Police										
Physical arrests	48,746	57,304	65,734	61,322	82,003	48,357	46,116	89,478	58,247	53,269
Parking violations	90,005	86,497	97,554	92,433	89,374	77,398	87,536	62,595	62,916	48,623
Traffic violations	222,745	217,766	250,284	224,647	222,435	215,658	178,934	179,599	152,773	179,374
Fire										
Number of calls answered	27,597	24,974	24,974	24,974	23,892	24,522	126,789	131,542	118,928	124,320
Inspections	N/A	N/A	N/A	N/A	N/A	206,142	206,881	53,980	51,159	45,240
Highways and streets										
Street resurfacing (miles)	101.00	144.88	123.25	99.12	137.93	147.04	131.60	139.05	113.90	177.80
Potholes repaired	993	1,499	1,230	946	982	973	39,280	47,504	76,482	3,882
Sanitation										
Refuse collected (tons/day)	1,174	1,086	1,005	1,121	1,161	1,131	1,117	1,401	928	920
Recyclables collected (tons/day)	466	377	488	435	374	429	407	495	392	489
Culture and recreation										
Athletic field permits issued	892	1,054	1,093	1,465	1,786	999	982	1,445	1,129	1,154
Community center admissions	1,561,281	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
Water										
Average daily consumption (thousands of gallons)	128,149	125,972	122,267	115,519	118,768	115,295	112,216	108,564	104,620	100,055
Wastewater										
Average daily sewage treatment (thousands of gallons)	151,000	172,400	154,000	169,000	172,950	175,900	150,000	150,000	146,000	146,000

Source: City of Memphis Operating Budget Book FY 2016 and /or Internal Division Operating Reports

Function and Activity	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Public Safety:										
Police:										
Stations	9	10	10	10	10	10	9	9	9	10
Community policing offices	15	14	14	14	14	14	14	9	9	9
Patrol units	800	800	825	800	1,056	877	730	692	741	740
Fire:										
Stations	55	56	56	56	57	57	57	57	56	56
Trucks (ladder)	26	27	27	27	27	27	27	21	21	21
Solid Waste Management:										
Collection trucks	296	296	296	253	253	227	227	227	227	214
Solid waste disposed (tons)	420,306	396,606	389,762	406,191	424,025	405,686	396,309	364,159	343,114	366,483
Streets and Highways:										
Streets (miles)	6,750	6,750	6,750	6,750	6,750	6,750	6,750	6,818	6,818	6,818
Curb & gutter (miles)	3,590	3,590	3,590	3,950	3,950	3,950	3,590	6,306	6,306	6,306
Streetlights	77,689	80,570	81,900	82,640	82,706	82,774	83,750	83,000	83,437	83,800
Traffic signals	821	825	825	830	770	769	771	770	772	770
Roadside ditches	580	580	580	580	580	580	580	512	512	512
Community Services:										
Parks acreage	5,387	5,387	5,387	5,387	5,387	5,387	3,219	3,219	3,219	4,002
Parks	187	187	187	187	187	187	166	166	166	167
Golf courses	8	8	8	8	8	8	8	8	8	8
Community centers	28	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	18	17	17	17	17	17	17
Water:										
Water mains (miles)	3,672	3,700	3,710	3,716	3,716	3,716	3,716	3,874	3,877	3,879
Fire hydrants	29,665	29,050	30,221	30,423	30,423	30,423	30,423	30,819	30,937	31,018
Daily storage capacity (millions of gallons)	437.5	437.5	437.5	437.5	437.5	437.5	437.5	437.5	437.5	438
Sanitary Sewer and Storm:										
Miles of sewer lines	3,610	3,615	3,620	3,625	3,630	3,635	2,400	2,400	2,400	2,400
Miles of storm drainage	3,988	3,988	3,988	3,988	3,988	3,995	3,900	1,997	1,997	1,936

Source - City of Memphis Operating Budget Book FY 2016 and/or Internal Division Operating Reports.

GENERAL FUND EXPENDITURES ON STATE STREET AID
(Thousands of Dollars)
For the Fiscal Year Ended June 30, 2016

CITY OF MEMPHIS, TENNESSEE
Exhibit X- 21

	<u>2016</u>
Revenues	
State taxes (local share)	\$ 16,073
Total revenues	<u>16,073</u>
Expenditures	
Traffic engineering	1,884
Street signs and markings	2,652
Mass transit	29,420
Traffic signal maintenance	2,993
Street maintenance	7,466
Grounds maintenance	<u>3,935</u>
Total expenditures	<u>48,350</u>
Excess of expenditures over revenues	<u><u>\$ 32,277</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 AND STATE AWARDS
For the fiscal year ended June 30, 2016**

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

Federal CFDA Number	Grant Number	Receivable (Deferral) June 30, 2015	Receipts FY 16	Expenditures FY 16	Receivable (Deferral) June 30, 2016
FEDERAL GOVERNMENT AWARDS					
DEPARTMENT OF HOMELAND SECURITY					
97.025	0205	\$ -	(\$ 8,668)	\$ 444	\$ 10,312
97.025	0205	-	43,218	0.00	(43,218)
97.025	0205	-	142,821	(650.00)	(143,471)
97.025	0205	(8,301)	(31)	-	(8,270)
97.025	0205	(323,377)	-	-	(323,377)
97.025	0205	(22,884)	(5)	(1,691)	(24,570)
97.025	0205	143,774	(7,678)	(4,819)	146,633
97.025	0205	-	-	395	395
97.025	0205	-	-	(72,284)	(72,284)
97.025	0205	-	381,249	423,169	41,920
97.025	0205	205,707	791,236	588,058	2,529
		Subtotal (97.025)	1,340,942	932,622	(413,401)
97.039	0671	\$ (26,611)	\$ 2,155,782	\$ 1,628,952	\$ (53,441)
97.039	0671	-	91,055	-	(91,055)
97.053	0205	12,012	-	-	12,012
97.056	0205	84,901	17,798	80,597	147,700
97.056	0205	-	3,177	-	-
97.056	0205	-	-	27,256	27,256
97.056	0205	-	30,982	315,761	284,779
97.071	0205	(260,485)	-	260,485	-
97.036	0111	719,876	-	-	719,876
97.036	0111,0204	506,576	-	-	506,576
97.036	0111,0204	3,097,589	-	-	3,097,589
97.036	0111,0204	462,133	-	-	462,133
		Subtotal (97.036)	-	-	4,786,174
		TOTAL DEPARTMENT OF HOMELAND SECURITY	3,639,735	3,248,850	4,200,024
DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT					
<i>Entitlement Grants Cluster:</i>					
14.218	0221	\$ 8,544,514	\$ 1,807,219	\$ 1,600,317	\$ 8,337,612
14.218	0221	-	4,665,105	5,144,370	479,265
14.218	0221	2,316,846	250,139	276,990	2,343,697
14.253	0221	(10,840)	-	-	(10,840)
		Subtotal (14.218, 14.253)	6,722,463	7,021,677	11,149,734
14.900	0221	\$ (67,235)	\$ -	\$ (1,526)	\$ (68,761)
14.905	0221	(339,354)	-	4,281	(335,073)
14.905	0221	131,228	1,067,003	1,145,534	209,759
14.905	0221	-	14,627	140,765	126,138
14.231	0221	319,971	238,816	89,467	170,622
14.231	0221	-	271,251	405,934	134,683

**SUPPLEMENTAL SCHEDULE OF EXPENDITURES
OF FEDERAL AND STATE AWARDS
For the fiscal year ended June 30, 2016**

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

Federal CFDA Number	Grant Number	Receipts FY 16	Expenditures FY 16	Receivable (Deferral) June 30, 2015	Receivable (Deferral) June 30, 2016
JAG 08	2008-DJ-BX-0465	(4,047)	-	(4,047)	(4,047)
JAG 09	2009-G9418-TN-DJ	(11,897)	840	(11,057)	(11,057)
JAG 10	2010-DJ-BX-1543.BJA-2013-3599	1,205	339,821	1,205	341,026
JAG 14	BJA-2014-3879	-	151,768	(419,166)	(267,398)
State and Community Development Program		14,329	163,201	-	148,872
Networking for Overcoming Violence (NOVA)	2011-MU-MU-5005	-	26,127	-	26,127
Sexual Assault Kit Reduction	NONE	144,958	-	144,959	-
Subtotal (16,738)		159,288	682,013	(289,203)	233,522
ARRA JAG FY09 RECOVERY	2009-F2956-TN-SU,2009-SB-B9-2466	74,929	-	74,929	74,929
Total JAG Program Cluster		(214,274)	682,013	(214,274)	308,451
2015 Sexual Assault Kit Initiative		-	-	-	440,624
Subtotal (16,833)		-	440,624	-	440,624
TOTAL DEPARTMENT OF JUSTICE		(2,097,914)	773,178	(2,097,914)	770,313
DEPARTMENT OF LABOR					
Passed through Tennessee Department of Labor WIA Cluster:					
Workforce Investment Act - Adult	DA0400062,07-13-PY6-113-ADMIN,0913FY9213ADULT,LW13ST91ADULT09,LW13P091ADULT10F	(877,768)	64,452	21,978	42,741
Workforce Investment Act - Adult	LW13P141ADULT15	21,978	19,377	634,974	7,120
Workforce Investment Act - Adult	LW13F151ADULT15	-	704,872	-	(33,391)
ARRA Workforce Investment Act - Adult	DA0400062,LW13ST91ADULT09, 08-13-FY8-213-ADULT, 08-13-PY7-213-Adult, 07-13-FY7-213-AL	39,841	379,981	39,841	1,447,231
Workforce Investment Act - Youth	LW13P141YOUTH15	301,275	1,546,951	301,275	1,007,815
Workforce Investment Act - Youth	LW13P141YUSWA15	8,213	34,190	8,213	-
Workforce Investment Act - Youth	LW13P151YOUTH16	-	6,412	-	108,442
Workforce Investment Act - Youth	LW13P131NCSWA14	-	5,391	-	-
Workforce Investment Act - Youth	07-13-PY6-313-YOUTH	-	969	-	969
ARRA Workforce Investment Act - Youth	DA0400062,LW13ST91YOUTH09	(1,373,787)	3,721	(1,373,787)	(1,377,508)
Workforce Investment Act - Youth	LW13P131YOUTH14	1,997,424	264,086	1,997,424	1,740,290
Workforce Investment Act - Dislocated	08-13-FY8-413-DSLWK	(15,638)	-	(15,638)	15,638
Workforce Investment Act - Statewide Activities Funds	08-13-FY8-11W-State	(10,874)	-	(10,874)	10,874
Workforce Investment Act - Title I Incentive Funds	LW13P12NCONTV13, LW13P112NCONTV12	(21,254)	472	(21,254)	396
Workforce Investment Act - Title I Incentive Funds/ec	LW13P12NCONTV13	13,170	-	13,170	-
Workforce Investment Act - Memphis Bioworks Sub grantee	Contract# 29215	-	87,685	-	(87,685)
Workforce Investment Act - Memphis Bioworks Sub grantee	Contract # 32071	-	53,468	-	15,165
Workforce Investment Act - Dislocated	DA0400062,06-13-FY6-413-DLSLWK,09-13-FY8-413-DLSLWK,09-13-FY9-413-DLSLWK, LW13F111DS	1,483,137	(46,584)	1,483,137	1,365,377
Workforce Investment Act - Dislocated	LW13F141DLSLWK14, LW13P121DLSLWK13, LW13F131DLSLWK13	(609,920)	(51,348)	(609,920)	(558,459)
Workforce Investment Act - Dislocated	LW13P131DLSLWK14	(38,767)	9,576	(38,767)	(48,343)
Workforce Investment Act - Dislocated	LW13F133WRSP13	25,000	-	25,000	-
Workforce Investment Act - Dislocated	LW13F122DWRSP12	(40,615)	(3,623)	(40,615)	(36,972)
Workforce Investment Act - Dislocated	09-13-FY9-413-DLSLWK	22,735	-	22,735	22,735
Workforce Investment Act - Dislocated	LW13P141DLSLWK15	298,170	248,616	298,170	757
Workforce Investment Act - Dislocated	LW13F151DLSLWK15	2,331,681	1,822,829	2,331,681	(15,411)
Workforce Investment Act - Dislocated	LW13F151WRSP15	77,444	-	77,444	-
Workforce Investment Act - Dislocated	LW13F121WRSP12	(310)	-	(310)	310
Workforce Investment Act - Dislocated	LW13F111WRSP11	(16,314)	2,272	(16,314)	18,586
Workforce Investment Act - Dislocated	LW13F161DLSLWK16	76,290	106,829	76,290	30,539
Workforce Investment Act - Dislocated	LW13P151DLSLWK16	155,798	169,090	155,798	13,292
Workforce Investment Act - Dislocated	LW13F142FRSP14	-	22,400	-	22,400
Workforce Investment Act - Dislocated	08-13-PY7-413-DLSLWK	(7,969)	-	(7,969)	7,969
ARRA Workforce Investment Act - Dislocated	DA0400062,LW13ST91DLSLWK09	(12,678)	(7,891)	(12,678)	783
Total WIA Cluster		6,666,001	7,307,005	2,116,710	2,757,714

**SUPPLEMENTAL SCHEDULE OF EXPENDITURES
OF FEDERAL AND STATE AWARDS
For the fiscal year ended June 30, 2016**

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

	Federal CFDA Number	Federal CFDA Number	Grant Number	Receipts FY 16	Expenditures FY 16	Receivable (Deferral) June 30, 2015	Receivable (Deferral) June 30, 2016
DDOT surface Transportation							
Walker Ave. Streetscape	20.205	0400	STP-EN-9409 (1111) PIN	-	169,895	-	169,895
Shelby Farms Greenline Bridge	20.205	0400	STP-EN-9409 (1111) PIN	79,464	284,288	-	204,824
Transportation Alternative	20.205	0400	PIN 119937	1,912	4,188	-	2,276
TDOT Plough/Winchester	20.205	0400	N/A	-	8,249	-	8,249
Mississippi River Cycling Corridor	20.219	0400	PIN 102619	176	7,115	-	6,939
Total Highway Planning and Construction Cluster		0400	EN-STP-7900(16)	7,001,098	8,516,080	7,882,317	(2,728)
GH50 FY07 Multiple Violation							
GH50 FY09 CARD	20.600	0205	Z07035691	-	1,466	-	-
Governor Highway Network FY10	20.600	0205	Z09214633	-	136	-	136
GH50 Network FY16	20.600	0205	PT-10-31	-	2,130	-	2,130
GH50 Network Coordinator Law FY11	20.600	0205	PT-16-36	1,895	2,665	-	770
Highway Safety FY2013	20.600	0205	Z11GHS265,Z13GHS209	3,533	-	3,533	3,533
Subtotal (20.600)	20.600	0205	Z15GHS235	10,272	3,101	(3,730)	2,839
Governor Highway Network							
GH50 FY09 Network Law	20.601	0205	Z0802398600	-	-	1,067	1,067
GH50 FY10 CARD	20.601	0205	Z09214366	-	746	-	746
GH50 FY10 CARD	20.601	0205	K8-10-80,Z13GHS209	-	-	(41,144)	(41,144)
Subtotal (20.601)	20.601	0205		-	-	-	-
GH50 FY08 Alcohol Award							
GH50 Alcohol Saturation	20.607	0205	Z-08-024037-00	-	-	3,915	3,915
GH50 Alcohol Saturation FY15	20.607	0205	Z11GHS004,Z12GHS197,Z12GHS198,2012,Z13GHS208	-	150,749	(543,690)	(694,439)
GH50 Alcohol Saturation FY16	20.607	0205	Z15GHS234	721,509	149,545	(617,757)	149,545
Card FY15	20.607	0205	154AL-16-46	25,708	27,719	-	2,011
GH50 High Visibility Enforcement	20.607	0205	Z15GHS232	92,689	-	(15,301)	(107,990)
High Visibility Enforcement	20.607	0205	154-AL-238	-	4,995	-	4,995
Subtotal (20.607)	20.607	0205		844,774	4,868	(751,618)	337,876
Governor Highway Network							
GH50 FY09 Alcohol Saturation	20.600,20.607	0205	Z0802367600	-	-	(731)	(731)
Subtotal (20.600, 20.607)	20.600,20.607	0205	Z09214632	-	-	10,639	10,639
Passed through Shelby County State of Tennessee							
Governor Highway Network	20.600,20.601	0205	Z-08-023692-00	-	-	(46,078)	(46,078)
Governor Highway Network	20.606	0205	Z12GHS196	-	-	(9,670)	(9,670)
GH50: CARD	20.616	0205	Z14GHS230	-	-	-	-
Tiger Grant -Main to Main	20.932	0400,0671	79961-3516-94	8,492,500	11,076,512	1,070,030	3,654,042
TOTAL DEPARTMENT OF TRANSPORTATION				16,350,539	19,937,700	6,608,350	10,195,511
DEPARTMENT OF INTERIOR NATIONAL PARK SERVICE							
Aquatic Facilities Major Maintenance	15.406	0400	47-CTY-1620-0101	-	-	(43,940)	(43,940)
TOTAL DEPARTMENT OF INTERIOR NATIONAL PARK SERVICE				-	-	(43,940)	(43,940)
INSTITUTE OF MUSEUM AND LIBRARY SERVICES							
Library State Grant	45.310	0205	30504-00812	-	145	(144)	1
Library State Grant	45.310	0205	NONE	39,001	45,500	-	6,499
State Collection Fed	45.310	0205	NONE	1,116	-	1,116	-
State Collection Fed	45.310	0205	NONE	5,905	6,400	-	495
2016 Tech Grant Cycle	45.310	0205	NONE	9,975	9,450	-	(525)
2015 Tech Grant Cycle	45.310	0205	NONE	-	368	(368)	-
TOTAL INSTITUTE OF MUSEUM AND LIBRARY SERVICES				55,997	61,863	604	6,470
EXECUTIVE OFFICE OF THE PRESIDENT							
HDTA	95.001	0205	G10GCC0005A,G11GCC0005A	-	91,102	(86,759)	4,343
HDTA	95.001	0205	G12GCC0005A	(372)	48,698	(49,070)	-

**SUPPLEMENTAL SCHEDULE OF EXPENDITURES
OF FEDERAL AND STATE AWARDS
For the fiscal year ended June 30, 2016**

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

Federal CFDA Number	Grant Number	Receipts FY 16	Expenditures FY 16	Receivable (Deferral) June 30, 2015	Receivable (Deferral) June 30, 2016
95.001	0205	372	13,404	(13,032)	-
HIDTA	G13GC005A				
HIDTA FY14	NONE	8,992	8,899	(1,955)	(2,048)
HIDTA Gulf Coast FY16	NONE	7,896	-	-	(7,896)
TOTAL EXECUTIVE OFFICE OF THE PRESIDENT		16,888	162,103	(150,816)	(5,601)
NATIONAL ENDOWMENT FOR THE HUMANITIES					
National Endowment for the Humanities					
TOTAL NATIONAL ENDOWMENT FOR THE HUMANITIES					
NATIONAL ENDOWMENT FOR THE ARTS					
National Endowment for the Arts					
TOTAL NATIONAL ENDOWMENT FOR THE ARTS					
ENVIRONMENTAL PROTECTION AGENCY, OFFICE OF WATER					
Passed through Tennessee Department of Environment and Conservation					
Capitalization Grant for Clean Water State Revolving Fund					
TOTAL ENVIRONMENT PROTECTION AGENCY, OFFICE OF WATER					
TOTAL FEDERAL GRANTS		50,298,596	91,395,988	17,019,954	58,117,345
STATE GOVERNMENT GRANTS					
Memphis Fire Division In-service Training Supplement	0205			63,306	1,440
Memphis Fire Division In-service Training Supplement 05	0205			(9,450)	9,450
Memphis Fire Division In-service Training Supplement 06	0205			(1,400)	1,400
Memphis Fire Division In-service Training Supplement	0205			(2,570)	(2,570)
Memphis Fire Division In-service Training Supplement	0205			852,000	852,600
Memphis Police Division In-service Training Supplement	0205			(35,306)	(35,306)
Memphis Police Division In-service Training	0205			(20,400)	(2,400)
Local Emergency Planning Committee	0205			211,281	211,281
Stop Violence Against Women	0205			23,797	-
Stop Domestic Violence Training	0205			-	19,500
Landmarks Commission Training - Historic Zoning	0205			(3,600)	-
Landmarks Commission Training - Historic Zoning	0205			2,235	807
Landmarks Commission Training - Historic Zoning	0205			3,388	-
Landmarks Commission Training - Historic Zoning	0205			-	3,388
Memphis Landmarks Commission Training	0205			1,728	(1,550)
Enterprise Zone	0205			27,474	27,474
TIIP Project - Cleveland Track Material	0205			(58,707)	(58,707)
Planning Grant	0205			(569)	(1)
Memphis Survey Grant	0205			212,012	202,279
Memphis Survey Grant FY06	0205			53,267	53,267
Plough Boulevard	0205			(17,716)	(27,284)
Plough Blvd Landscape Phase I	0400			(228,554)	25,030
Raleigh Lagrange-Sycamore	0400			(92,228)	(203,524)
Cobblestone Walkway	0400			(345,881)	-
Martyrs Park Riverwalk Improvement	0400			(710,637)	(345,881)
Parkways Maintenance/Renovation	0205			(97,745)	(710,637)
Bicycling Network Phase I	0400			232,993	232,993
Fast Track - KITG Substation	0400			33,485	33,485
Deploy Traffic Signal Systems FY07	0400			212,067	-
Backyard Wildlife	0205			3,311	1,270
Highway Safety	0205			363	-
Victims of Crime FY06-FY09	0205			(245)	(245)
STOP FY06-FY09	0205			119,156	-
Household Hazardous Waste	0205			(20,067)	-
Enhancement Grant Program	0205			(9,457)	2,917
Internet/Crimes Against Children	0205			41,067	-
				(188,802)	(187,057)

**SUPPLEMENTAL SCHEDULE OF EXPENDITURES
OF FEDERAL AND STATE AWARDS
For the fiscal year ended June 30, 2016**

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

Federal CFDA Number	Grant Number	Receivable (Deferral) June 30, 2015	Receipts FY 16	Expenditures FY 16	Receivable (Deferral) June 30, 2016
SVEP & EMT Training		2,623	2,623	-	-
Workforce Development MOU	NONE	(4,050)	-	-	(4,050)
Workforce Development MOU	GG0712740	1,170	-	-	1,170
Rape Prevention and Education Proj	GR0822660	(1,471)	-	1,471	-
Severe Storms, Tornados, Straight-Line Winds	RF5 343.52-893.09	(1)	-	-	(1)
Severe Storms, Tornados, Straight-Line Winds	34101-0000003054	71,120	-	-	71,120
Severe Storms, Tornados, Straight-Line Winds	34101-00000006297	81,636	-	-	81,636
Severe Storms, Tornados, Straight-Line Winds	0111.0204 34101-0000008732	526,779	-	-	526,779
Severe Storms, Tornados, Straight-Line Winds	0111.0204 34101-0000010457	74,515	-	-	74,515
Library Services, Library Materials for the Dis0205	0111.0204 34101-0000009230	-	-	-	-
Riviana Foods Fast Track	0205 45.310 35743	(1,777,739)	-	-	(1,777,739)
Mitsubishi Electric Power	0400 GG-09-27651	-	624,336	-	(624,336)
Nucor Steel Memphis Fast Track	0400 GG-08-24188-00	(1,463,101)	-	-	(1,463,101)
Illinois Central Fast Track Infrastructure	0400 GG-07-21564-00	(21,993)	-	-	(21,993)
Walnut Grove	0400 STP-M-9409(98)-010620	8,739	-	(69,655)	8,739
Parks Community Enhancement	0400 NONE	78,129	-	-	8,474
FY08 Project Safe Neighborhoods	0205 2008-GP-CX-0056	57,344	-	-	57,344
Fast Track Mitsubishi	0400 GG1136259	1,872,641	1,872,640	-	1
U of M Crosswalk State	0400 NONE	111,495	205,997	166,268	71,766
HMG Airways Bridge	0671 1909-0078	(4,435)	359,297	271,492	(92,240)
Main to Main State	0400 NONE	96,699	616,441	487,787	(31,955)
Fast Track Infrastructure NIKE Grant	0400 NONE	283,496	1,150,000	866,504	-
Mailroy Neely Historic Structures Report	0400 NONE	1,800	7,200	5,400	-
Park/Goodlett Intersection Project	0400 NONE	-	-	192,245	192,245
Greenprint Subplanning	0221 TNRP0069-11	30,000	-	-	30,000
Landmarks Commission Training	0205 NONE	1,310	1,310	-	-
Internet Crimes	0205 31701-06185	(53,638)	61,383	55,905	(59,116)
State Collections FY14	0205 NONE	(3)	-	3	-
Household Hazardous Waste	0205 NONE	14,050	56,551	42,500	(1)
In-Service Training FY14	0205 NONE	(4,200)	18,000	18,000	(4,200)
Fire In-Service 2014	0205 NONE	(4,200)	-	4,200	-
ICAC FY16	0205 31701-06206	4,405	100,733	172,379	76,051
Waste Reduction	0205 NONE	-	-	93,187	93,187
FY16 JAG Equip for ICAC	0205 NONE	-	-	29,383	29,383
State of TN department of Safety	0205 NONE	-	1,300,800	1,300,200	(600)
State of TN department of Safety	0205 NONE	-	1,190,400	1,189,800	(600)
State of TN Dept of Comm and Ins	0205 NONE	-	761,400	-	(761,400)
AmeriCorps VISTA	0205 NONE	3,335	46,668	109,135	65,802
TOTAL STATE GRANTS		\$ 236,051	\$ 8,787,118	\$ 5,142,963	\$ (3,408,104)
TOTAL GRANTS		\$ 17,256,005	\$ 59,085,714	\$ 96,538,951	\$ 54,709,241

**City of Memphis
Notes to the Schedule of Expenditures of Federal and State Awards
For the Year Ended June 30, 2016**

NOTE 1 - Basis of Presentation

The accompanying schedule of expenditures of federal and state awards includes the federal and state grant activity of the City of Memphis and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of 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 amounts 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 awards 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 and state awards 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 allowed 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, \$7,816,486, 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, \$3,527,249, 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.

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)

**SUPPLEMENTAL SCHEDULE OF EXPENDITURES
OF FEDERAL AND STATE AWARDS
For the fiscal year ended June 30, 2016**

**CITY OF MEMPHIS, TENNESSEE
EXHIBIT Y-2
(Continued)**

NOTE 4 - Contingencies

The federal and state grants 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.

NOTE 5 - Sub Recipients

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

Program Title	Federal CFDA No.	Amount Provided To Sub-recipients
Community Development Block Grant Entitlement Grants	14.218	1,197,476
Home Investment Partnership Program	14.239	1,669,904
Housing Opportunities for Persons with AIDS	14.241	3,062,340
Shelter Plus Care	14.238	360,248
Community Service Grant (CSG)	14.218	275,000
Emergency Shelter Grant (ESG)	14.231	532,912
Juvenile Assistance Grant FY13	16.738	100,000
Memphis Forum on Youth	16.541	170,233
Juvenile Assistance Grant FY14	16.738	150,000
Project Safe Neighborhoods	16.609	30,000
Encourage Arrest Policies & Enforcement	16.59	763,638
State & Community Dev Prog	16.821	222,200
Juvenile Assistance Grant FY15	16.738	100,000
Memphis Sexual Assault Kit Initiative	16.833	1,724,392
Workforce Investment Act - Youth	17.259	2,477,940



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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Memphis, Tennessee (the "City"), as of and for the year ended June 30, 2016, 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 22, 2016. Our report includes a reference to other auditors who audited the financial statements of the Memphis-Shelby County Airport Authority, the Memphis Zoological Society and the Electric, Gas and Water Divisions of Memphis Light, Gas and Water Division, as described in our report on the City's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control over Financial Reporting

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

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



Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies, #2016-01 through 2016-02. #2015-01 thru 2015-07 and #2014-02 are described in the accompanying summary schedule of prior audit findings.

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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as item 2016-01.

Additionally, the audit for the fiscal year ended June 30, 2016 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 for stealing City-owned gasoline from a City Fuel facility. Amount of fraud estimated to be less than \$500.
2. General Services Division employees routinely charge usage of parts and equipment to non-current and closed work orders. This process could mask the theft of City property. No loss amount has been determined as of the date of this report.
3. Code Enforcement employee is alleged, at request of department's manager, to have deleted property violations of property owned by the manager from inspection reports. No loss amount has been determined as of the date of this report.
4. Public Works employee reported for submitting vendor invoice for payment of \$90.61 for personal use of auto parts.
5. Public Works employee reported to have received payroll payments for time not worked. No loss amount has been determined as of the date of this report.
6. Public Works employee reported to have submitted fraudulent doctor's report to support claimed leave time. Amount of fraud estimated at \$258.32.



7. Cordova Library manager reported approximately \$450 to \$550 in cash was missing when bag containing previous day's receipts and opening cash was opened to setup register.
8. Subsequent to June 30, 2016, the Library System reported approximately \$400 to \$500 in library deposits did not clear during the bank reconciliation process, and are suspected missing.

We noted other matters involving internal control and its operations that we have reported to management of the City in a separate letter dated December 22, 2016.

City's Response to Findings

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

Purpose of this Report

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

Banks, Finley, White & Co.

Memphis, Tennessee
December 22, 2016

**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 direct and material effect on each of the City's major federal programs for the year ended June 30, 2016. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of 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.



Basis for Qualified Opinion on CFDA 14.239 Home Investment Partnerships Program

As described in the accompanying schedule of findings and questioned costs, the City did not comply with requirements regarding CFDA 14.239 Home Investment Partnerships Program as described in finding number 2016-03 for Eligibility. Compliance with such requirements is necessary, in our opinion, for the City to comply with the requirements applicable to that program.

Basis for Qualified Opinion on Workforce Investment Act Cluster: CFDA 17.258, 17.259, 17.278

As described in the accompanying schedule of findings and questioned costs, the City did not comply with requirements regarding Workforce Investment Act Cluster: CFDA 17.258, 17.259, 17.278 as described in finding numbers 2016-04 and 2016-05 for Allowable Costs/Cost Principles and 2016-05 for Cash Management. Compliance with such requirements is necessary, in our opinion, for the City to comply with the requirements applicable to that program.

Qualified Opinion on CFDA 14.239 Home Investment Partnerships Program and Workforce Investment Act Cluster: CFDA 17.258, 17.259, 17.278

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, 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 CFDA 14.239 Home Investment Partnerships Program and Workforce Investment Act Cluster: CFDA 17.258, 17.259, 17.278 for the year ended June 30, 2016.

Unmodified Opinion on Each of the Other Major Federal Programs

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 other major federal programs identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs for the year ended June 30, 2016.

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



Report on Internal Control over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit 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.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2016-03, 2016-04, 2016-05, and 2016-06 to be significant deficiencies.



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

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.

Banks, Finley, White & Co.

Memphis, Tennessee
December 22, 2016

CITY OF MEMPHIS
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2016

SECTION I: SUMMARY OF AUDITOR'S RESULTS

Financial Statements:

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

Federal Awards:

- | | | |
|----|---|-----------|
| 4. | Type of auditor's report issued on compliance for major federal programs. | Qualified |
| 5. | Internal control over major programs: | |
| | a. Material weaknesses identified? | No |
| | b. Significant deficiencies identified that are not considered to be material weaknesses? | Yes |
| 6. | Any audit findings reported as required by the Uniform Guidance? | Yes |
| 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 |

- | | | |
|----|--|-------------|
| 8. | The dollar threshold used to distinguish between type A and type B programs: | \$2,741,890 |
| 9. | Auditee qualified as a low-risk auditee? | Yes |

SECTION II: FINDINGS – FINANCIAL STATEMENT AUDIT

Significant Deficiency

2016-01

CONDITION:

The results of WIA program for FY 2012 reported negative claim on cash of \$1,036,219 and unbilled revenue of \$1,799,581. During FY 2013, 2014, 2015, and 2016, revenues equaled expenditures per the general ledger. Fiscal 6/30/16 results show negative claim on cash of \$264,772 and unbilled revenue of \$1,770,397 despite a cash flow loan of \$2,000,000 in FY 2014. During FY 2016, the loan was converted to a transfer of funds from general fund to WIA fund.

CRITERIA:

Workforce Investment Act of 1998, Sec.184(a)(1) - Fiscal Controls: Each State shall establish such fiscal control and fund accounting procedures as may be necessary to assure the proper disbursement of, and accounting for, Federal funds allocated to local areas under subtitle B. Such procedures shall ensure that all financial transactions carried out under subtitle B are conducted and records maintained in accordance with generally accepted accounting principles applicable in each State.

CAUSE OF CONDITION:

Appears that billings submitted to federal agency were based on information that was not in agreement with actual expenditures per the City's general ledger.

POTENTIAL EFFECT OF CONDITION:

Possible sanctions or penalties, or lost revenue due to disallowed billings by federal agency.

RECOMMENDATION:

Internal Audit and Finance departments should continue their review, monitoring, and reporting of financial activities in WIN accounting system.

CLIENT RESPONSE:

City internal auditors initiated an investigation (currently active) to identify internal control weaknesses related to WIN expenditures and reimbursements as a result of questionable entries that were denied when presented to Accounting for posting. The City has implemented personnel changes to meet the needs of the Division. New finance personnel has dual reporting responsibility to Internal Audit and CFO of Finance Division. Also, the City's Internal Control and Compliance Manual provides guidance for management to implement procedures to ensure compliance with established policies and procedures (i.e., randomly pulling a transactions supporting documentation for reasonableness, accuracy, etc.) and to identify unauthorized and questionable activity.

2016-02

CONDITION:

Several reported cases of employees receiving overtime pay without evidence of proper documentation and approval of overtime hours worked. (we are completing test of last payroll paid in December 2016 to determine if revised overtime policies and procedures are in place and operating.)

CRITERIA (Required for financial audits performed under *Government Auditing Standards*):

City's personnel policies require overtime to be confirmed by signature of employee and signature of responsible supervisor.

CAUSE OF CONDITION:

Employees and management not following prescribed internal control procedures. Lack of monitoring of adherence to City's overtime policies and procedures.

POTENTIAL EFFECT OF CONDITION:

Loss of City funds for undocumented overtime payments. Potential violation of granting agencies requirements related to payments of overtime with grant funds.

RECOMMENDATION:

Management should implement and timely monitor significant overtime payments made to employees.

CLIENT RESPONSE:

Interim guidance for overtime accountability was issued to Division management to require monitoring of overtime for proper approvals and adequate support documentation. Evidence of monitoring activity is provided to City internal auditors on a monthly basis until a City-wide electronic timekeeping system is implemented; the project is currently in the planning phase. Also, a payroll audit is currently underway and when completed, will identify specific opportunities to further strengthen controls.

Additionally, City internal auditors will increase monitoring efforts by expanding the scope of our monthly review to include selecting a larger sample of employees from those areas with significant overtime usage to review supporting documentation. This should provide greater oversight and ensure compliance with established policies and procedures until the timekeeping system is implemented.

SECTION III: FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARDS PROGRAM

2016-03

CONDITION:

3 out of 5 Tenant-based rental assistance (TBRA) files that were tested for one of the major programs, CFDA 14.239 – Home Investment Partnerships Program (HOME), were incomplete. These files were tested at a subrecipient of the City of Memphis under the HOME program: the Cocaine & Alcohol Awareness Program (CAAP). The HOME Program is overseen by Housing & Community Development.

CRITERIA (Required for financial audits performed under *Government Auditing Standards*):

TBRA files must be appropriately documented and maintained.

CAUSE OF CONDITION:

Lack of monitoring/oversight.

POTENTIAL EFFECT OF CONDITION:

Incomplete files increase the risk that HUD regulations are not being appropriately met.

RECOMMENDATION:

Management should develop policies and procedures to ensure that its subrecipients are appropriately maintaining their files.

CLIENT RESPONSE:

Management will monitor subrecipients to ensure compliance with TBRA requirements (i.e., files are appropriately documented and maintained). Also, the City's Internal Control and Compliance Manual provides guidance for management to implement procedures to ensure compliance with established policies and procedures and to identify unauthorized and questionable activity.

2016-04

CONDITION: Unallowable costs where charged to contracts.

CRITERIA (Required for financial audits performed under *Government Auditing Standards*):

Section C.3 of the contracts between the Department of Labor and Workforce Development and Workforce Investment Network (WIN), LWIA 13 states that “the grantee shall be compensated for actual, reasonable, and necessary costs based upon the Grant budget.

CAUSE OF CONDITION:

Lack of monitoring/oversight

POTENTIAL EFFECT OF CONDITION:

Reimbursed funds for unallowable costs will have to be repaid.

RECOMMENDATION:

Management should develop policies and procedures to ensure that Workforce Investment Network is appropriately following federal regulations pursuant to the grants it receives from the Department of Labor (which are pass thru to it from the State of Tennessee).

CLIENT RESPONSE:

City internal auditors initiated an investigation (currently active) to identify internal control weaknesses related to WIN expenditures and reimbursements as a result of questionable entries that were denied when presented to Accounting for posting. The City has implemented personnel changes to meet the needs of the Division. New finance personnel has dual reporting responsibility to Internal Audit and CFO of Finance Division. Also, the City's Internal Control and Compliance Manual provides guidance for management to implement procedures to ensure compliance with established policies and procedures (i.e., randomly pulling a transactions supporting documentation for reasonableness, accuracy, etc.) and to identify unauthorized and questionable activity.

2016-05

CONDITION:

Workforce Investment Network (WIN), LWIA 13 charged expenditures to a contract that were incurred prior to the contract's effective dates. The contract number is W13P141YOUTH15.

CRITERIA (Required for financial audits performed under *Government Auditing Standards*):

Section B of the contract between the Department of Labor and Workforce Development and Workforce Investment Network (WIN), LWIA 13 states, "This Grant Contract shall be effective for the period beginning April 1, 2014 and ending on June 30, 2016. The Grantee hereby acknowledges and affirms that the State shall no obligation for Grantee services or expenditures that were not completed within the specific contract period."

CAUSE OF CONDITION: Lack of monitoring/oversight.

POTENTIAL EFFECT OF CONDITION:

Reimbursed funds for unallowable costs will have to be repaid.

RECOMMENDATION:

Management should develop policies and procedures to ensure that Workforce Investment Network is appropriately following federal regulations pursuant to the grants it receives from the Department of Labor (which are passed thru to it from the State of Tennessee).

CLIENT RESPONSE:

City internal auditors initiated an investigation (currently active) to identify internal control weaknesses related to WIN expenditures and reimbursements as a result of questionable entries that were denied when presented to Accounting for posting. The City has implemented personnel changes to meet the needs of the Division. New finance personnel has dual reporting responsibility to Internal Audit and CFO of Finance Division. Also, the City's Internal Control and Compliance Manual provides guidance for management to implement procedures to ensure compliance with established policies and procedures (i.e., randomly pulling a transactions supporting documentation for reasonableness, accuracy, etc.) and to identify unauthorized and questionable activity.

2016-06

CONDITION:

LWIA 13 did not prepare their drawdown requests based on their immediate cash needs.

CRITERIA (Required for financial audits performed under *Government Auditing Standards*):

According to the department's Supplementary Financial Guide to the One-Stop Comprehensive Financial Management Technical Assistance Guide (the Supplementary Financial Guide), "the financing of the WIA program will be on limited advance or reimbursement basis, in accordance with procedures established by the Tennessee Department of Labor and Workforce Development. The Sub recipient or contractor shall never retain funds which exceed immediate cash needs.

CAUSE OF CONDITION: Lack of monitoring/oversight.

POTENTIAL EFFECT OF CONDITION:

Incomplete financial information as expenses paid by the City of Memphis were not recorded in WIN's accounting records.

RECOMMENDATION:

Management should develop policies and procedures to ensure that Workforce Investment Network is appropriately following federal regulations pursuant to the grants it receives from the Department of Labor (which are passed thru to it from the State of Tennessee).

CLIENT RESPONSE:

City internal auditors initiated an investigation (currently active) to identify internal control weaknesses related to WIN expenditures and reimbursements as a result of questionable entries that were denied when presented to Accounting for posting. The City has implemented personnel changes to meet the needs of the Division. New finance personnel has dual reporting responsibility to Internal Audit and CFO of Finance Division. Also, the City's Internal Control and Compliance Manual provides guidance for management to implement procedures to ensure compliance with established policies and procedures (i.e., randomly pulling a transactions supporting documentation for reasonableness, accuracy, etc.) and to identify unauthorized and questionable activity.

CITY OF MEMPHIS
Prior Year Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2015

Significant Deficiency

2015-01

CONDITION:

On December 18, 2014, a fraud was reported to the State of Tennessee Comptroller concerning the City Court Clerk's Office. An employee of the City Court Clerk Office, a Senior Deputy Court Records Clerk, entered a citation into the eTims system without the tag number for a fellow City Court Clerk Office employee, also a Senior Deputy Court Records Clerk. Additionally, the citation information entered into the eTims system did not match the physical ticket.

CURRENT STATUS:

CLOSED: Disciplinary action was issued to both employees involved in the incident. Additionally, City internal auditors conducted a performance audit of the City Court Clerk's Traffic Violation Bureau and noted opportunities to strengthen controls to detect and deter unauthorized and questionable activity through increased monitoring, which was included in management's corrective action plan. Also, the City's Internal Control and Compliance Manual provides guidance for City-wide management to periodically monitor their operations to ensure compliance with established policies and procedures (i.e., review of exception reports) and to identify unauthorized and questionable activity.

2015-02

CONDITION:

On February 10, 2015, a fraud was reported to the State of Tennessee Comptroller concerning the Memphis Police Department – South Main Station. An employee of the Memphis Police Department was embezzling money by submitting false payroll time records.

CURRENT STATUS:

CLOSED: The employee involved in the incident was terminated. Additionally, interim guidance for overtime accountability was issued to Division management to require management to monitor overtime for proper approvals and adequate support documentation. Evidence of monitoring activity is provided to City internal auditors on a monthly basis with monitors selecting a sample of employees, reviewing supporting documentation and reporting the results until a City-wide electronic timekeeping system is implemented. The electronic timekeeping project is currently in the planning phase. Also, a payroll audit is currently underway and when completed, will identify specific opportunities to further strengthen controls.

2015-03

CONDITION:

On March 3, 2015, a fraud was reported to the State of Tennessee Comptroller concerning the City of Memphis Public Works Division. Two employees of the Public Works Division were reported to have frequently requested money from citizens while performing their duties.

CURRENT STATUS:

CLOSED: Disciplinary action was issued to all employees involved in the incident. Additionally, City internal auditors initiated a fraud awareness campaign to provide training, promote ethical behavior and aid in the detection and prevention of fraud. Management's corrective action plan included emphasizing employee training of pertinent City policies during staff meetings (i.e., Fraud, etc.). Also, the City's Internal Control and Compliance Manual provides guidance for management to foster an effective "tone at the top" that promotes management's commitment for honesty and integrity through their ethical behavior.

2015-04

CONDITION:

On March 27, 2015, a fraud was reported to the State of Tennessee Comptroller concerning the Memphis City Beautiful Commission. 250 cases of bottled water and other miscellaneous items were missing from the supply room.

CURRENT STATUS:

CLOSED: The incident did not identify any employees, so disciplinary action was not issued. However, management's corrective action plan included the implementation of policies and procedures and proper safeguards for inventory. Management also provided evidence of procedures implemented and inventories conducted to account for the supplies. Additionally, the City's Internal Control and Compliance Manual provides guidance for City-wide management to establish policies and procedures (i.e., periodic inventory counts) for their operations, including implementing adequate safeguards.

2015-05

CONDITION:

On March 27, 2015, a fraud was reported to the State of Tennessee Comptroller concerning the City of Memphis – East Shelby Library. An employee of the East Shelby Library was reported to have told a citizen that they owed fines in the amount of \$50. The citizen was advised that giving the employee \$20 would satisfy the \$50 fine. The citizen later called the main library branch about the incident and found out that their fine was actually only \$1.80.

CURRENT STATUS:

CLOSED: Although the employee resigned shortly after the incident was reported, City internal auditors conducted a special investigation of library revenue receipts to identify internal control weaknesses. A subsequent investigation noted opportunities to strengthen controls through increased monitoring, which was included in management's corrective action plan. Management also provided evidence of corrective actions taken to address noted findings. Also, the City's Internal Control and Compliance Manual provides guidance for City-wide management to periodically monitor their operations to ensure compliance with established policies and procedures (i.e., surprise cash counts) and to identify unauthorized and questionable activity.

2015-06

CONDITION:

On April 16, 2015, a fraud was reported to the State of Tennessee Comptroller concerning the City of Memphis Public Works Division – Neighborhood Improvement. An employee of the Public Works Division was improperly and illegally retrieving materials from properties scheduled to be demolished.

CURRENT STATUS:

CLOSED: Although unsubstantiated by Police, this incident was included in City internal auditors recent investigation of other conflict of interest situations that occurred in the same department over the past year. The investigation noted opportunities to strengthen controls for identifying and managing conflict of interest situations. Also, the City's Internal Control and Compliance Manual provides guidance for City-wide management to implement procedures to ensure compliance with established policies and procedures pertaining to conflicts of interest.

2015-07

On July 10, 2015, a fraud was reported to the State of Tennessee Comptroller concerning the City of Memphis Public Works. An employee, a ROW Foreman, of the Public Works stole City-owned gasoline from the City fuel facility located at 79 S. Flicker for their personal use.

CURRENT STATUS:

CLOSED: The employee involved in the incident was terminated. Additionally, management's corrective action plan included deactivating all gas key fobs to restrict access to the City's fuel pumping stations. Management provided evidence that all key fobs were returned to the department of issuance and are no longer assigned to the division for use. Also, the City's Internal Control and Compliance Manual provides guidance for City-wide management to implement policies, procedures and adequate safeguards to protect the City's resources against unauthorized access.

Significant Deficiency

2014-02

CONDITION:

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

CURRENT STATUS:

CLOSED: The employee involved in the incident was terminated. The City received full restitution for the total amount of damages. Additionally, the City's Internal Control and Compliance Manual provides guidance for management to implement procedures to ensure compliance with established policies and procedures and to identify unauthorized and questionable activity.