



CITY OF MEMPHIS

COMPREHENSIVE ANNUAL FINANCIAL REPORT

YEAR ENDED JUNE 30, 2018

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COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED JUNE 30, 2018

City of Memphis

Tennessee

Jim Strickland

Mayor

PREPARED BY DIVISION OF FINANCE



Jim Strickland

December 27, 2018

Dear Fellow Memphians,

I am excited to share with you the FY2018 Comprehensive Annual Financial Report. Throughout this report, you will see that your city government's financial status is strong and getting stronger with each passing year.

I would like to say thank you to the members of the Memphis City Council and our city employees for their hard work and diligent stewardship. Because of their commitment, our budget was balanced without property tax increase for the third time since taking office. All the while, we continue to make significant investments, not only in Memphis, but in Memphians -- libraries are open longer hours, more roads are being paved, and we continue to rebuild the Memphis Police Department. In addition, 16,000 more Memphians are working today since January 2016. \$15 billion in recent, current and future developments are occurring, and we've doubled spending with minority and women-owned businesses.

As we move into the new year, I look forward to our continued partnership and cooperation with the Memphis City Council, as we work to keep our city's financial picture moving in the right direction. Our city's future is bright, and I am excited about the promise that 2019 brings.

Sincerely,

A handwritten signature in black ink that reads 'Jim Strickland'.

Jim Strickland

INTRODUCTORY SECTION

CITY OF MEMPHIS

T E N N E S S E E

INTRODUCTORY
SECTION

December 27, 2018

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, 2018, 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, 2018. The independent auditor's report is located at the front of the financial section of this report.

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

Profile of the Government

The City of Memphis is a home rule city under State law and was incorporated in 1826. The present Charter was adopted in 1968 and provides for a Mayor-Council form of government. The Charter provides for the election of a mayor and thirteen council members. The City currently occupies a land area of approximately 350 square miles and serves an estimated population of 652,236. The City is empowered to levy a property tax on both real and personal property located within its boundaries.

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

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

The City evaluates its financial reporting entity in accordance with GASB requirements to identify the various organizations as: (1) organizations which are part of the City's legal entity; (2) organizations that are legally separate and for which the City appoints a voting majority of the organization's governing body and the City is either able to impose its will or has the potential of receiving financial benefit or realizing a financial burden from the organization; and (3) organizations that are fiscally dependent on the City.

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

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

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

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

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

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

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

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

Budget Process

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

Economic Condition Assessment

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

The National Economy

- The U.S. economy grew for the eighth year in a row in 2017. The year once again began slowly, perhaps due to lingering uncertainty after the presidential election: GDP grew at an anemic 1.2 percent seasonally-adjusted rate in the first quarter, followed by solid projected growth of 3.1, 3.3, and 2.7 percent in the second, third, and fourth quarters. It is notable that growth in the third and fourth quarters is expected to have remained strong even in the wake of two major hurricanes that were expected to have larger impacts on growth. Economic expansion throughout the year can be explained by strong economic fundamentals: a tight labor market, strong growth in consumption, respectable growth in business investment and a stronger global economy.
- The labor market continued to tighten in 2017, with the national unemployment rate likely falling to an average of 4.4 percent for the year and payroll employment growing 1.5 percent. The economy will have 8.4 million more jobs than before the Great Recession at the end of 2017.
- The national unemployment rate continued its downward trend in 2017, down to a projected 4.4 percent for the year, from 4.9 percent in 2016 and 5.3 percent in 2015. However, the labor force participation rate remains below relatively recent historical levels. The labor force participation rate is expected to tick up marginally to 62.9 percent in 2017 from 62.8 percent in 2016.
- Consumer spending continues to drive the economy: increases in consumer spending are anticipated to account for 1.9 percentage points of the 2.3 percent growth in 2017. The strongest quarter for consumer spending was the second quarter, when it grew 3.3 percent compared to growing 1.9 percent in the first quarter, 2.3 percent in the third quarter, and a predicted 2.8 percent in the fourth quarter.
- The federal government's deficit will remain high at \$665.7 billion in nominal terms. Although this deficit is large, it is only 47 percent of the deficit incurred in 2009 right after the recession began. Nevertheless, every year's federal deficit contributes to the federal debt, which likely rose to \$20.7 trillion in nominal terms, making 2017 the sixth-year federal debt has been larger than 100 percent of GDP. Tax reform bears the risk of significant increases in debt over the next decade that would contribute to rising interest rates and higher interest rate costs for the federal government.

The Local Economy

The Memphis Metropolitan Statistical Area (MSA) is comprised of eight counties – Shelby, Tipton, and Fayette, TN; DeSoto, Marshall, Tate, and Tunica, MS; and Crittenden, AR. The City of Memphis contains about 48% of the MSA’s population, and Shelby County accounts for roughly 70%.

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

- Economic growth in Tennessee has outpaced national growth in recent quarters.
- The Tennessee economy is expected to continue to expand through the short-term forecast horizon extending through the fourth quarter of 2020. Barring an unforeseen economic downturn for the national economy, this would mark the longest economic expansion on record in the post-World War II era. The economy’s fundamentals are strong, and there are no broad-based weaknesses that would precipitate a recession.
- Nominal personal income, which includes all income from all sources earned by Tennesseans, was up 3.6 percent, matching the rate of growth for the nation. Tennessee had 1.6 percent growth in nonfarm jobs, ahead of the 1.4 percent national average and placing the state fourth in the region.
- The Tennessee labor market has demonstrated exceptional strength, with strong employment growth and a new record low unemployment rate at a remarkably low 3.0 percent in October, the lowest rate on record, tied with the previous month.
- Tennessee’s inflation-adjusted GDP is projected to advance at a 2.1 percent rate in 2018 and see 2.0 percent growth in the following year. U.S. GDP is expected to see slightly higher growth of 2.6 percent and 2.3 percent in the same years. The slower performance of the state economy is due to the fact that many sectors, like transportation equipment, have limited capacity for growth especially in the face of a weakened sales outlook.

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

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

The nation’s unemployment rate decreased 11.4% percent year over year from 5.1 to 4.4. The unemployment rate for Tennessee and the Memphis MSA increased slightly. Tennessee’s August 2018 unemployment rate reflects a 9.1 percent increase from August 2017. The Memphis MSA unemployment rate increased to 4.4 in August 2018, up 4.8 percent from the same period a year ago.

Unemployment Rates (Seasonally Adjusted) 2017-2018

Region	August 2017	August 2018	Percent Change
Memphis MSA	4.2	4.4	4.8%
TN	3.3	3.6	9.1%
US	4.4	3.9	-11.4%

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

When comparing September 2018 real estate statistics to the same period in 2017, the Memphis real estate market showed a mix of modest improvements and slight progressions. Total home sales decreased by 3.2 percent. The average sales price slightly increased by 1.8% while the median sales price increased by 3.4 percent. Overall, the market activity continues to be encouraging with no significant set-backs noted per the comparative.

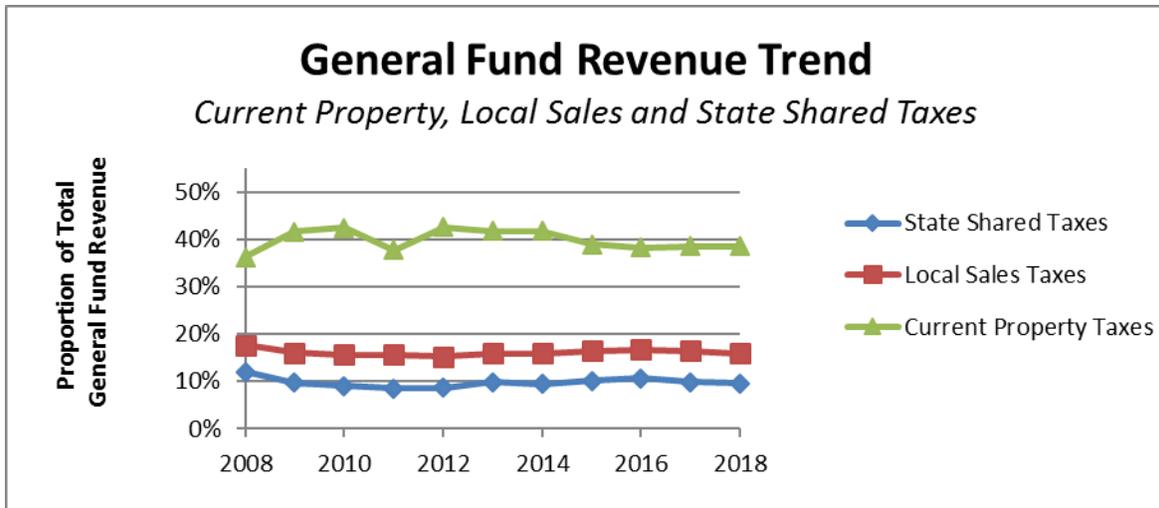
Home Sales in Memphis, Comparative September 2017-2018

	FY2017	FY2018	Change %
Home Sales	1,606	1,554	-3.2%
Median Sales Price	145,000	150,000	3.4%
Average Sales Price	179,936	183,092	1.8%
Active Listings	4,627	4,519	-2.3%

Source: Memphis Area Association of Realtors – Memphis Area Homes Sales Report September 2018

The following chart shows the General Fund revenue trends from fiscal year 2008 through 2018. Explanations for notable trends for the last five years are as follows:

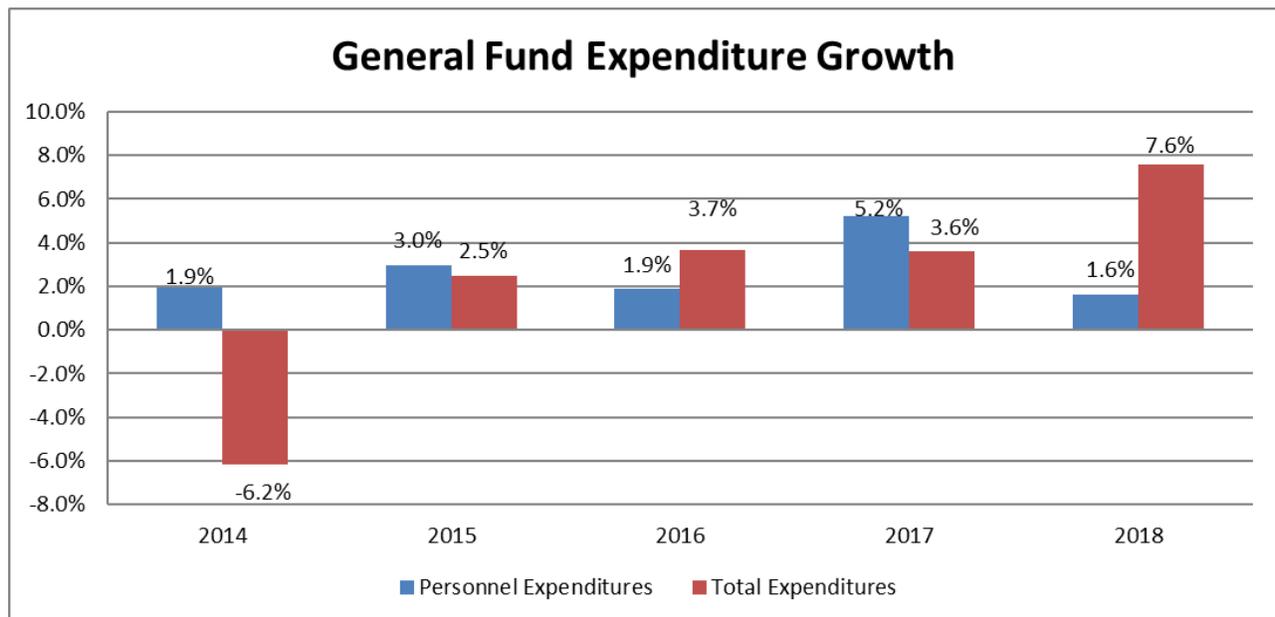
- Despite decreased collections from prior year, fiscal year's 2013 current property taxes remained constant as a percentage of total revenues year over year. The total current property tax revenue collections decreased in fiscal year 2013 due to the elimination of the one-time \$0.18 cents general fund property tax rate allocation levied in fiscal year 2012 and the reduction of the overall base property tax rate in fiscal year 2013 to \$3.11 from \$3.19. Total revenues were further reduced by a decrease in transfers in from the Debt Service Fund and the MLGW division. The MLGW transfer decrease was primarily the result of MLGW remitting amounts directly to Shelby County that historically had been transferred to the City as a pass-thru to Shelby County. State shared revenues and local sales taxes increased slightly as a percentage of revenues due to increased collections in State Hall income tax collections and as a function of the lower overall total revenue base, respectively.
- While 2014 revenue increased slightly over 2013 in current property tax and local sales tax collections, both categories remained constant as a percentage of total revenue year over year. State shared revenue for 2014 decreased slightly from 2013 due to lower collections in both the Hall income and the professional athletes' privilege taxes. However, state shared revenue collections still accounted for the same relative percentage of total revenue.
- From 2013 through 2014, the percentage of total revenues generated within the City from Property taxes, Local Sales Tax and State Shared Taxes remained constant. In 2015, the City did realize a decrease in Property Taxes due to the reallocation of \$.17 of the property tax rate to the debt service fund from the general fund.
- In 2017, general fund revenues increased over 2016, primarily as a result of greater than expected revenue from current property taxes. Current Property Taxes have increased year over year from 38 percent to 39 percent.
- In 2018, the percentage of total revenues generated within the City from Property Taxes, State Shared Taxes and Local Sales Taxes remained constant. Although percentages remained steady, revenue from these Property Taxes, State Shared Taxes, and Local Sales Taxes increased year over year.



With 68 percent of the City’s expense budget dedicated to personnel expenditures for the provision of City services; employment, healthcare, and retirement costs are a constant source of concern. For retirement costs, newly enacted Tennessee state laws required the City to significantly increase annual contributions to the pension fund, with the requirement being that the City pays the full Actuarially Determined Contribution by the year 2020.

- In fiscal year 2014, total expenditures decreased 5.8 percent over fiscal year 2013, marking the third consecutive year of decreases. Total personnel expenditures increased 6 percent over prior year, with the increase primarily attributed to the realignment of personnel from the Fleet Fund to the General Fund. The overall decrease in expenditures was driven by a reduction in total transfers out of the General Fund due in large part to the elimination of the transfer of approximately \$51 million to Memphis City Schools.
- In fiscal year 2015, the increase in total expenditures is due to \$13.5 million transfer to the OPEB Trust Fund to cover the cost of extending for six months health benefits for employees who retired before the age of 65 (pre-65). Additionally, the initial settlement payment of \$8 million for the lawsuit brought against the City by Memphis City Schools was paid out of the General Fund.
- In fiscal year 2016, total expenditures increased by \$16.5 million. Increases were largely attributable to increases in personnel services for Police and Fire and a related increase in the materials and supplies category. The City also increased Memphis Area Transit Authority (MATA) funding by \$4 million.

- In fiscal year 2017, total expenditures increased by 3.6 percent. This increase was partially due to a \$23,472 (5.2 percent) increase in personnel services as the City continues to meet the mandate for the ADC and rebuilds the staffing of the Memphis Police Division. The City also experienced a \$17,797 (16.4 percent) increase in material and supplies across the City Divisions.
- In fiscal year 2018, total expenditures increased by 7.6 percent. This increase was partially due to the new Pre-K funding initiative for \$3 million. The city plan takes a significant step toward fully funding needs-based Pre-Kindergarten for Memphis children. \$2 million was transferred to Solid Waste Fund for the increased Trash Service Level Initiative.



Recent Developments:

- In September 2017, the City proposed additional grants to surviving 68 Sanitation Workers. One-time only \$70,000 grants were awarded to each full-time city sanitation employee in February 1968 when the historic strike began. These employees sacrificed so much on this mission. The grant comes before the 50th anniversary of the strike that brought civil rights leader Martin Luther King, Jr. to Memphis for what became his final campaign ending with his assassination in Memphis.
- April 4, 2018 marked the 50th anniversary of the tragic assassination of Martin Luther King, Jr. The I AM A MAN Plaza was unveiled to the public honoring all 1,300 striking sanitation workers from 1968, who are included on the granite wall. The plaza is located adjacent to Clayborn Temple at 280 Hernando St.

The Dr. Martin Luther King Jr. Reflection Park was also opened as another reminder to our future generations of the impact Dr. King's work had on Memphis and the world. The bronze sculpture, "I Have Been to the Mountaintop" was relocated to the park. Never seen before photos of MLK also will be housed there. The Reflection Site is located at the corner of Martin Luther King Jr. Blvd and Second Street. With the I AM A MAN Plaza, the National Civil Rights Museum, the MLK Reflection Park, and the Lorraine Motel, we are advancing the commemoration of what Dr. King meant to Memphis. His legacy will forever live on.

- In March 2018, the City took a significant step toward fully funding needs-based Pre-Kindergarten for Memphis children. Using funds from expiring tax incentives (PILOTS) and dedicating the equivalent of revenues from one cent of the current property tax rate toward a Pre-K fund, the City plan will generate \$6 million per year of City of Memphis funding toward Pre-K by 2022. This funding initiative is to ensure every child has a better opportunity to read, take advantage of the momentum our city offers, and receives a level shot at a better outcome for their life.
- In December 2017, Mploy Memphis began the application process to assist children in finding fulfilling employment over the summer. 1,250 kids received paying jobs working with some of the city's biggest companies such as Moore Tech, St. Jude, First Tennessee, etc. This six week program helps match teens with jobs of their interests and skills. This program is designed in hope to help steer kids away from crime. Shortly after Mploy Memphis was launched, Hire Memphis became the new initiative to launch. This program provides local youth ages 16-24 with job opportunities. There are 30,000 youth ages 16-24 who are neither employed nor in school. The hope is for youth to find information for professional growth, employment, and internships on the website. Only Memphis-area youth are allowed to apply for open positions.
- In February 2018, St. Jude announced a new era of scientific advancement is emerging at St. Jude Children's Research Hospital with the development of a \$412 million advanced research center. This research center will attract scientists and clinicians with more than 625,000 square feet to explore, research and discover. St. Jude is creating an environment where scientists and clinicians will have ready access to leading-edge resources and opportunities to pursue breakthroughs in hopes of accelerating progress in treating and curing catastrophic pediatric diseases. Ground breaking started in Spring 2018 and the center is scheduled to open in 2021.
- Redevelopment of historic Central Station Project is underway. This project includes renovations for a 135 room boutique hotel and commercial space, 6-screen Malco Theatre, three new apartment complexes on 17 acres with more than 200 apartment units and reconfiguration of existing Farmers Market that will result in more vending space.

- In March 2018, FedEx Corporation announced that \$1 billion will be invested in the Memphis Hub to modernize the facility with new sort systems, automation, and expanding our truck and unloading capabilities. This investment will change the nature of the jobs and allow jobs to be much more oriented toward technology, automation, modernization and transformational for Memphis.
- In October 2017, construction on Phase II of the Tennessee Brewery development was approved. The Tap Room at the Brewery will include 128 apartments, a pool, courtyard, and 1,300 square feet of commercial space.

Long-term Financial Planning

The Fiscal Year 2018 Operating Budget brought many budgeting challenges to the City in its goal of restoring and maintaining financial stability while addressing some of its biggest financial issues. While these difficult financial times forced the City to prioritize and closely monitor operating expenditures, the City has strategically funded its budget to place emphasis on its essential priorities: to create safe and vibrant neighborhoods, grow prosperity and opportunity for its citizens, invest in the youth of the City, and advance a culture of excellence in government and providing good fiscal stewardship of the City's assets.

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

Major Initiatives

In addition to the annual operating budget, the City also adopts a Capital Improvement Program (CIP) that is a multi-year plan for capital expenditures to replace and expand the City's infrastructure, vehicles and equipment. The program is updated annually to reflect the latest priorities, updated cost estimates and available revenue sources. Various sources of revenue include general obligation bonds, federal grants, state grants, user fees and private funds. Projects are reviewed based on need, impact on the area, quality of life in our neighborhoods and the general economic climate of the City. Highlights of the CIP budget plan for 2018-2022 are as follows:

The City's planned CIP spending aligns with current priorities that are focused on projects that enhance the City's economic development strategy, leverage federal or private funding, projects that maintain existing facilities, and projects mandated by law. The FY2018 CIP Budget for General Obligation Bond (G.O.) spending is \$81.3 million. The CIP budget also includes \$18.5 million for asphalt paving activities performed by or contracted by the City.

In the General Services Division, City Wide Fleet Acquisitions were increased \$10 million predominantly for Fire and Police Department. Project Funding is also provided for major modifications, renovations, and improvements to City facilities other than City Hall in the amount of \$5 million. \$2.1 million will be provided for City Hall improvements. In the division of Housing and Community Development the MHA Foote-Future Hope VI project is included in the amount of \$6 million. This project will remove the last public housing project in the City (Foote Homes).

Capital Planning Process

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

The benefits of a successfully managed CIP strategy include preservation of capital assets, improvement of infrastructure, coordination of capital needs and operating budgets, stabilization of debt costs and improvement of the City's credit rating. With the objective of developing an effective capital improvement program, a CIP Committee was established during fiscal year 2006 for planning and oversight.

The committee responsibilities include, but are not limited to, the following:

- Identify and determine status of previously approved projects and funding sources for each project.
- Evaluate the merits of the division/department requests for CIP projects and equipment.
- Establish a priority list of capital need projects and a timeline for completion.
- Create a CIP funding plan that designates a revenue source/method of financing for each proposed project.
- Submit a CIP funding plan to the Mayor and City Council to include in next year's capital budget and capital expenditure plan for the next four (4) years.

As part of the evaluation of capital improvement projects, the City employs both quantitative and qualitative analysis.

Capital Expenditure Analysis

The reviews of Capital Improvement Projects are undertaken to ensure that all major capital expenditures are not only necessary and appropriate but also fall into categories that include, but are not limited to:

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

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

Awards and Acknowledgements

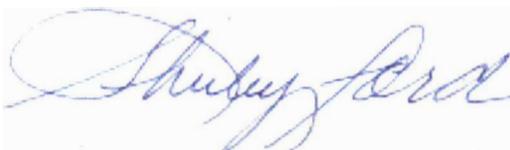
The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Memphis for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2017. This was the 41st consecutive year 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, 2017, the 20th consecutive year for this award.

The preparation of this report could not have been accomplished without the dedicated efforts of the staff of the City's Finance Division and the City's independent public accountants, Banks, Finley, White & Co, CPAs. The City wishes to express its appreciation to both, with particular thanks to City Deputy Comptrollers, Crystal Givens and Starr Nichols.

Respectfully submitted,



Shirley Ford, CPA, CMFO
Chief Financial Officer



Candi Burton, EMST
Interim Comptroller





Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**City of Memphis
Tennessee**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2017

Christopher P. Morrill

Executive Director/CEO

CITY OF MEMPHIS, TENNESSEE

CITY OFFICIALS

Jim Strickland, Mayor

CITY COUNCIL

Berlin Boyd, Chairman (District 7)

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

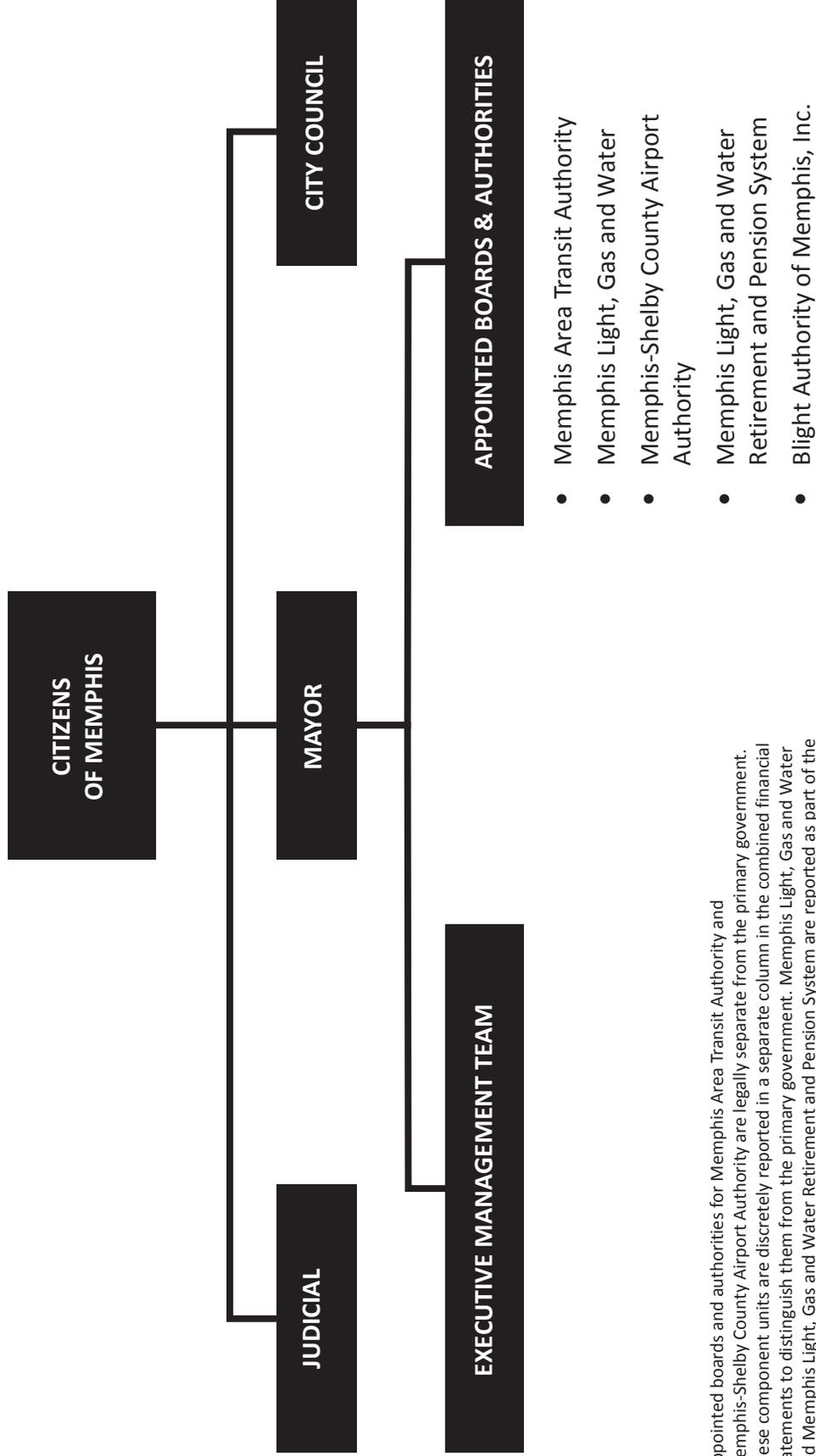
Antonio Adams	Director, General Services
Debbie Banks	Director, Internal Audit
Manny Belen	Director, City Engineer
Candi Burton	Interim Comptroller
Richard Copeland	Director, Office of Planning and Development
Shirley Ford	Chief Financial Officer
Robert Knecht	Director, Public Works
Ursula Madden	Chief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



City of Memphis, Tennessee

ORGANIZATION CHART

Primary Government and Discretely Presented Component Units

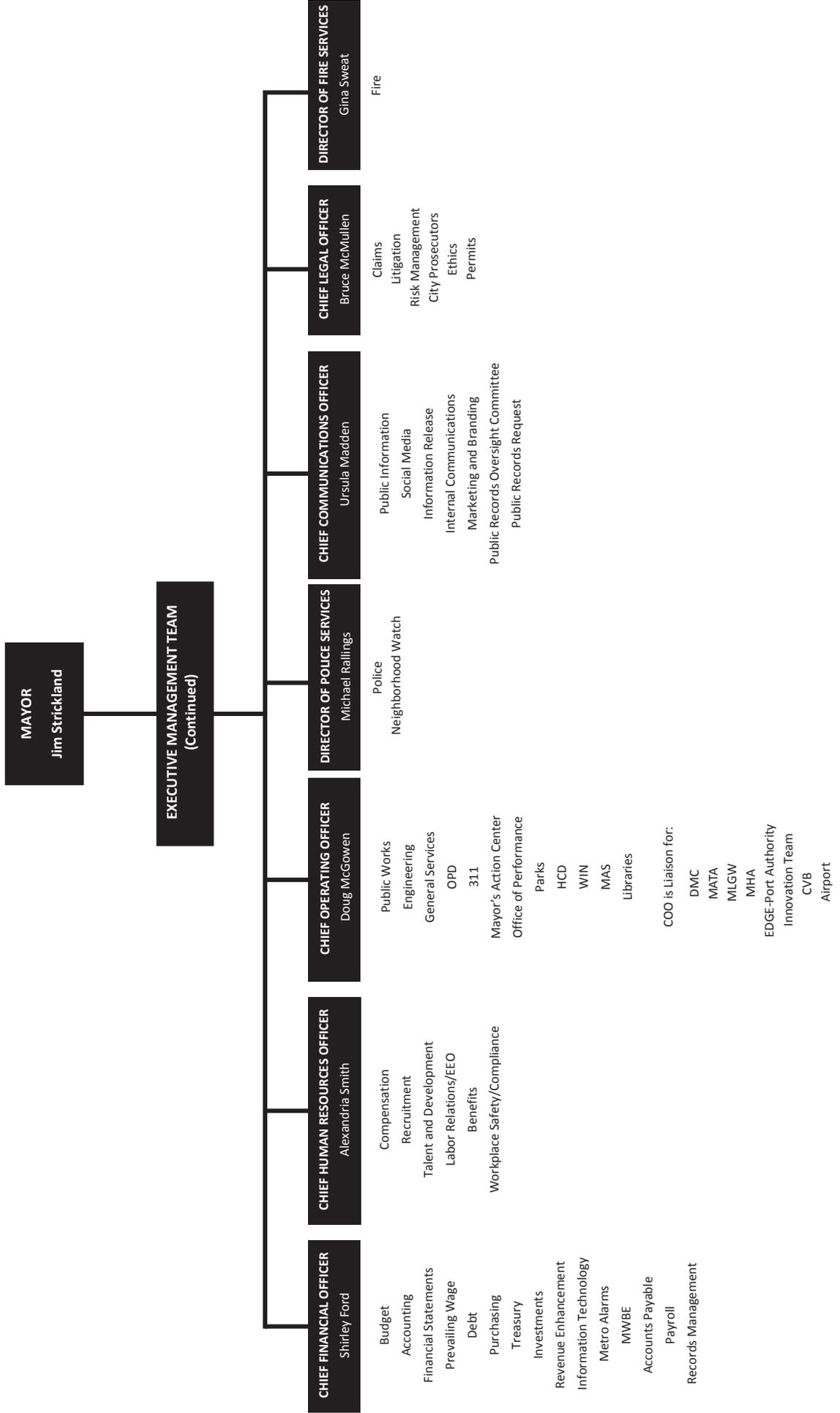


(1) Appointed boards and authorities for Memphis Area Transit Authority and Memphis-Shelby County Airport Authority are legally separate from the primary government. These component units are discretely reported in a separate column in the combined financial statements to distinguish them from the primary government. Memphis Light, Gas and Water and Memphis Light, Gas and Water Retirement and Pension System are reported as part of the primary government. Certain other boards and commissions not listed above do not meet the definition of component units as presented in GASB Statement 61. These entities are further explained as related organizations, jointly governed organizations, and joint ventures in the Letter of Transmittal and Note 1 of the notes to the financial statements.

City of Memphis, Tennessee

ORGANIZATION CHART

Primary Government and Discretely Presented Component Units (continued)





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, 2018, 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 Memphis-Shelby County Airport Authority and the Memphis Zoological Society, which represent 89%, 96%, and 72%, respectively, of the assets, net position, and revenues of the aggregately discretely presented component units. We did not audit the financial statements of the Electric, Gas and Water Divisions of Memphis Light, Gas and Water Division, a major proprietary fund. The Electric, Gas and Water Divisions of Memphis Light, Gas and Water Division represents 78%, 78%, and 92%, respectively, of the assets, net position and revenues of the business-type activities of the primary government. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the aggregate discretely presented component units and the business-type activities of the primary government, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.



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

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

Opinions

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, the statements of revenues and other sources and expenditures and other uses on basis of budgeting for the general fund, and the aggregate remaining fund information of the City of Memphis, Tennessee, as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 21 through 37 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.



Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, other supplementary information, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards and state financial assistance is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The other supplementary information and the schedule of expenditures of federal awards and state financial assistance are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us and other auditors. In our opinion, based on our audit, the procedures performed as described above, and the report of the other auditors, the combining and individual nonmajor fund financial statements 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 27, 2018, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's 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.

A handwritten signature in black ink that reads "Bobby J. White, Jr." followed by a stylized flourish.

Memphis, Tennessee
December 27, 2018

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, 2018. We encourage readers to consider the information presented here in conjunction with the detailed financial statement disclosures and the additional information that is furnished in the letter of transmittal and notes to the financial statements. All amounts, unless otherwise indicated, are expressed in thousands of dollars.

Financial Highlights

- The primary government's total assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources at June 30, 2018 by \$2,079,765 (net position). Total government-wide net position increased by \$134,191 in fiscal year 2018.
- At June 30, 2018, the City's governmental activities reported ending net position of a negative \$332,248 compared to a negative \$451,330 as restated from the prior year. The governmental activities change in net position for fiscal year 2018 was an increase of \$119,082 or 26.38% from prior year's beginning balance as restated.
- The City's business-type activities reported a June 30, 2018 ending net position of \$2,412,013 an increase of \$15,109 or .63% from prior year beginning balance as restated.
- At June 30, 2018, the fund balance for the general fund was \$141,201 a decrease of \$6,182 or 4.19% from prior year's balance. The unassigned portion of the fund balance at fiscal year-end was \$98,283 an increase of \$2,940 over the prior year.
- The City's total general obligation, other debt, and revenue bond debt increased by \$148,930 or 9.9% during the current fiscal year for governmental activities, and increased \$70,147 or 11.6% for the business-type activities.
- The City's total liabilities of \$3,512,147 which include, among other items, pension and other post-employment benefits liabilities, decreased by \$72,014 or 2.0 % from prior year total liabilities of \$3,584,161.
- Deferred Outflows decreased from \$303,942 to \$211,854 for a change of \$92,088. Year over year changes are primarily attributable to changes in actuarial assumptions.
- Deferred Inflows increased from \$731,523 to \$837,179 for a change of \$105,656. Year over year changes are primarily attributable to changes in deferred inflows related to the airport's implementation of GASB 74 and GASB 75 related to OPEB.

Overview of the Financial Statements

This discussion and analysis document is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information to provide greater detail of data presented in the basic financial statements.

Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The statement of net position presents information on all of the City's assets, liabilities and deferred outflows of resources and deferred inflows of resources. Net position is the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The statement of activities presents information showing how the City's net position changed during the year ended June 30, 2018. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flow in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety, community services, transportation, and environment. The business-type activities of the City include the operations of the regional sewer collection and treatment facilities, the distribution of electricity, gas and water, and the operation of the storm water system.

The government-wide financial statements include not only the City itself (the primary government), but also the Memphis Area Transit Authority, the Memphis Cook Convention Center, the Memphis Shelby County Airport Authority, Blight Authority of Memphis, Inc. 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 seventeen 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 thirteen governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements (Exhibit B-1 and B-2).

The City adopts an annual appropriated budget for its general, special revenue (except Workforce Investment Network Fund, Community Service Fund, Community Development Fund, Central Business Improvement District Fund and Community Redevelopment Agency Fund), and debt service funds. Budgetary comparison statements are provided to demonstrate compliance with this budget. Effective for the Fiscal Year 2018 Budget, the City adopted an annual appropriated budget for all funds.

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

Proprietary Funds

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

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

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

Fiduciary Funds

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

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

Notes to the Financial Statements

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

Combining and Individual Fund Statements and Schedules

Combining schedules provide detail in connection with nonmajor governmental funds and internal service funds referred to earlier. Individual fund statements provide greater detail. Combining and individual fund statements and schedules are presented as Exhibits B through F.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The City's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$2,079,765 at June 30, 2018.

Condensed Statement of Net Position

	Governmental activities		Business-type activities		Total	
	2018	2017	2018	2017	2018	2017
Current and other assets	\$ 1,140,952	975,447	981,381	1,053,444	2,122,333	2,028,891
Capital assets	1,593,220	1,556,127	2,501,684	2,372,298	4,094,904	3,928,425
Total assets	2,734,172	2,531,574	3,483,065	3,425,742	6,217,237	5,957,316
Deferred outflows of resources	128,763	200,008	83,091	103,934	211,854	303,942
Long-term liabilities outstanding	1,526,478	1,389,128	554,102	406,006	2,080,580	1,795,134
Other liabilities	884,115	1,095,455	547,452	693,572	1,431,567	1,789,027
Total liabilities	2,410,593	2,484,583	1,101,554	1,099,578	3,512,147	3,584,161
Deferred inflows of resources	784,590	698,329	52,589	33,194	837,179	731,523
Net positions:						
Net investment in capital assets	340,474	304,799	1,958,252	2,020,550	2,298,726	2,325,349
Restricted	358,736	162,682	112,352	117,162	471,088	279,844
Unrestricted	(1,031,458)	(918,811)	341,409	259,192	(690,049)	(659,619)
Total net position as restated	\$ (332,248)	(451,330)	2,412,013	2,396,904	2,079,765	1,945,574

* For comparative purposes, the 2017 presentation has not been revised to encompass the prior period adjustments that occurred in 2018 due to the reclassification of presentation of the Community Redevelopment Agency (CRA) Fund.

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 \$2,298,726. 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 \$471,088 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 \$690,049.

Condensed Statement of Changes in Net Positions

	Governmental activities		Business-type activities		Total	
	2018	2017	2018	2017	2018	2017
Revenues:						
Program Revenues:						
Charges for services	\$ 144,783	144,324	1,691,685	1,678,402	1,836,468	1,822,726
Operating grants and contributions	50,416	41,666	537	547	50,953	42,213
Capital grants and contributions	1,668	8,934	946	1,133	2,614	10,067
General revenues:						
Local taxes	607,148	580,750	-	-	607,148	580,750
State taxes (local share)	105,895	82,519	-	-	105,895	82,519
Hotel/motel tax	17,176	15,513	-	-	17,176	15,513
Sale of Capital Assets	-	-	-	-	-	-
Unrestricted investment earnings	4,960	1,574	14,949	18,059	19,909	19,633
Other	4,275	41,881	35,216	35,083	39,491	76,964
Total revenues	936,321	917,161	1,743,333	1,733,224	2,679,654	2,650,385
Expenses:						
General government	197,380	91,718	-	-	197,380	91,718
Public safety	310,961	133,750	-	-	310,961	133,750
Community services	78,865	46,935	-	-	78,865	46,935
Transportation and environment	50,649	28,469	-	-	50,649	28,469
Education	82	112	-	-	82	112
Interest on long-term debt	59,933	64,586	-	-	59,933	64,586
Redemption of serial bonds and notes	92,535	90,782	-	-	92,535	90,782
Sewer collection and treatment	-	-	75,739	62,347	75,739	62,347
Memphis Light, Gas and Water	-	-	1,561,085	1,561,282	1,561,085	1,561,282
Miscellaneous	153,437	-	-	-	153,437	-
Storm Water	-	-	16,556	8,502	16,556	8,502
Total expenses	943,842	456,352	1,653,380	1,632,131	2,597,222	2,088,483
Increase (decrease) in net position before transfers	(7,521)	460,809	89,953	101,093	82,432	561,902
Transfers	111,631	(131,119)	(74,844)	(70,897)	36,787	(202,016)
Increase (decrease) in net position	104,110	329,690	15,109	30,196	119,219	359,886
Net position - July 1	(436,358)	(407,176)	2,396,904	2,410,678	1,960,546	2,003,502
Prior Period Adjustment	-	(373,844)	-	(43,970)	-	(417,814)
Net position - July 1, as restated	(436,358)	(781,020)	2,396,904	2,366,708	1,960,546	1,585,688
Net position - June 30	\$ (332,248)	(451,330)	2,412,013	2,396,904	2,079,765	1,945,574

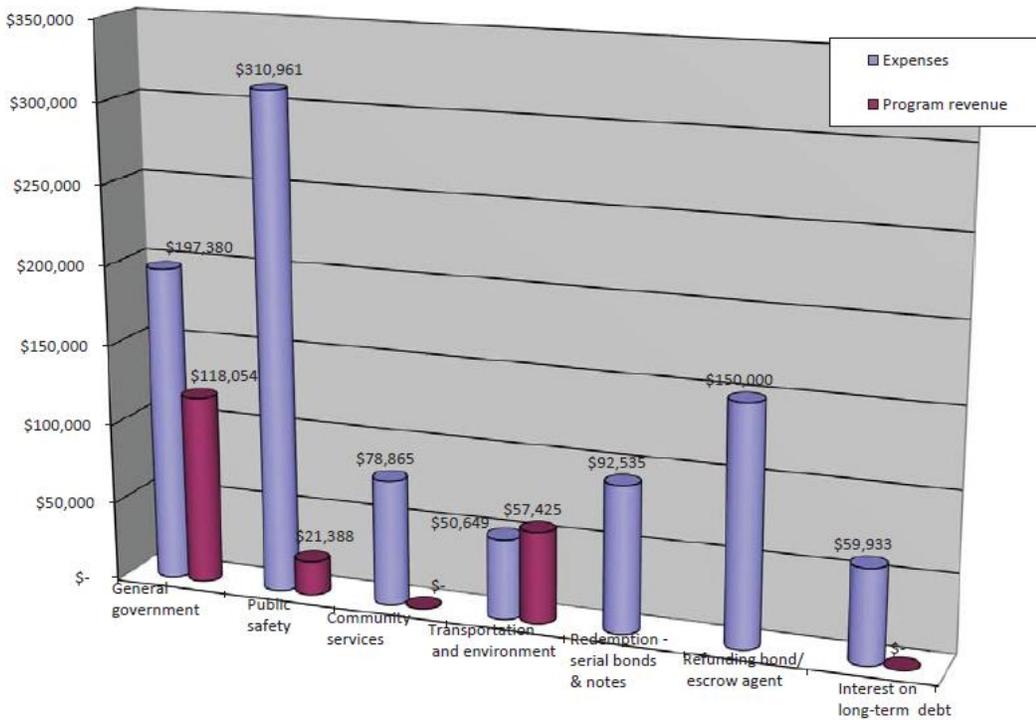
* For comparative purposes, the 2017 presentation has not been revised to encompass the prior period adjustments that occurred in 2018 due to the reclassification of presentation of the Community Redevelopment Agency (CRA) Fund.

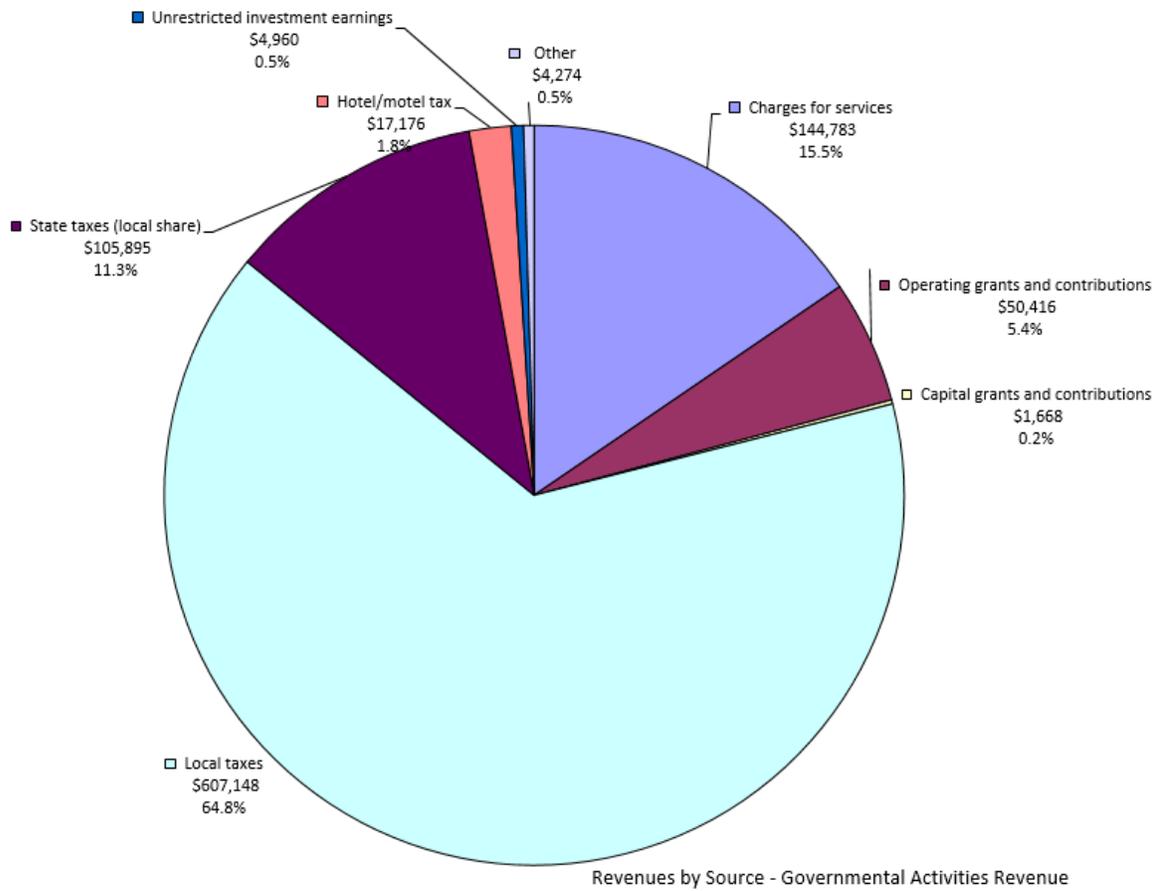
Governmental Activities

During fiscal year 2018, governmental activities increased the City’s net position by \$106,458. Key elements of the governmental activities are discussed below:

- During fiscal year 2018, total revenues increased by \$19,160. Relevant factors include an increase in local and state taxes (local share) of \$26,398 and \$23,376 respectively. Additionally, there were decreases of \$37,606 and \$7,266 for other revenues and capital grants and contributions, respectively. There was a minimal year over year increase for both hotel/motel taxes and charges for services, with a total increase of \$2,122.
- Total governmental activities expenses increased \$487,490. Governmental activities program expenses are detailed in Exhibit A-2.

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



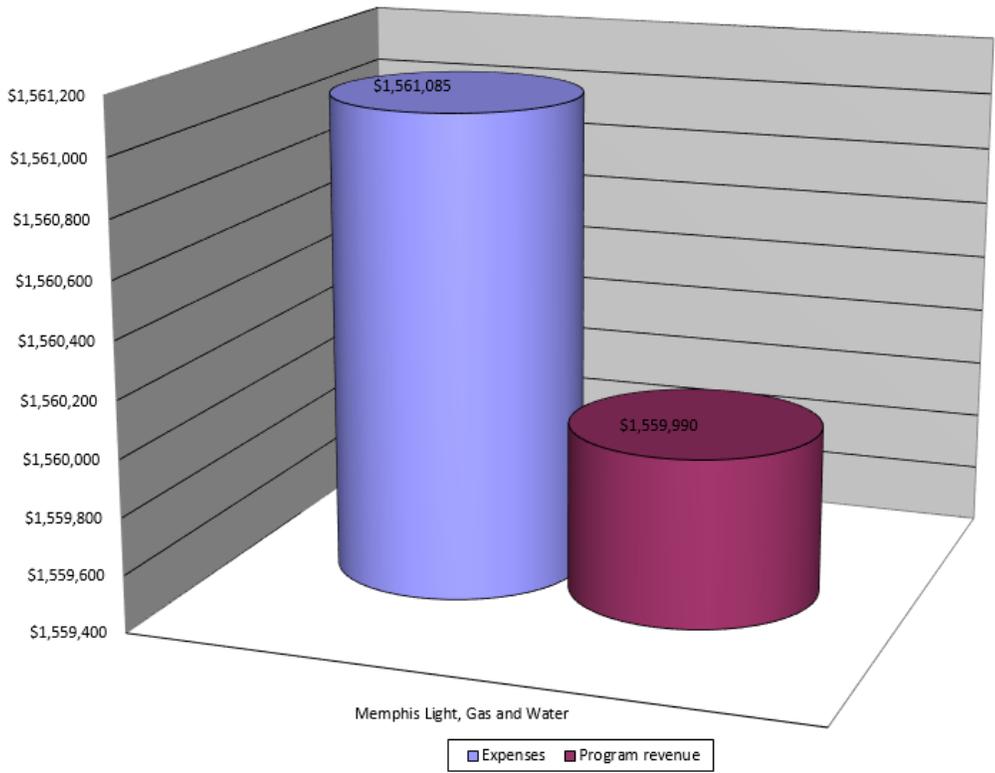


Business-type Activities

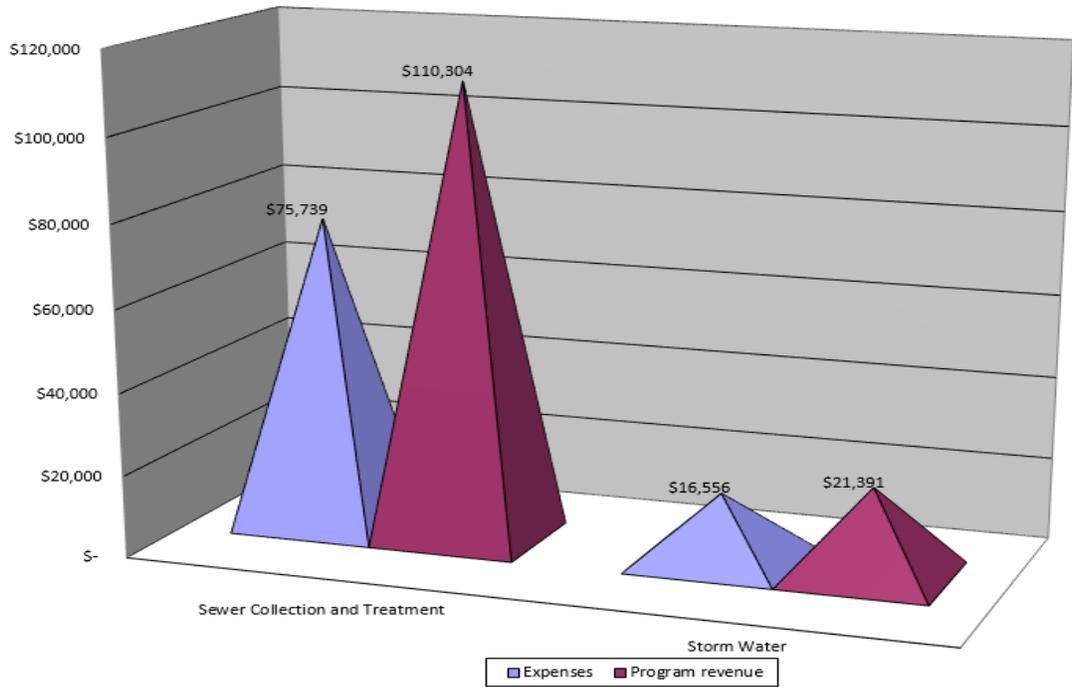
Business-type activities increased the City’s net position by \$15,109. Key elements of the increase are as follows:

- Total revenues for the business-type activities increased by \$10,109 year over year. The most significant variance was a \$13,283 increase in charges for services largely attributable to Memphis Light Gas & Water.
- Total business-type expenses increased \$21,249 year over year. The increase in expenses occurred in the Sewer Collection and Treatment Fund and the Storm Water Fund. MLGW expenses remained virtually the same year over year. Business-type program expenses are detailed in Exhibit A-2.

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



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



Financial Analysis of the Government's Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. 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, 2018, the City's total governmental funds reported combined ending fund balance of \$457,019 an increase of \$198,994 or 77.12% in comparison with the prior year. The change also contained an element to account for the \$681 reclassification of the Community Redevelopment Agency Fund from a nonmajor governmental fund to a fiduciary fund. Approximately 21.5% or \$98,283 of the fund balance constitutes unassigned fund balance, which is available for spending at the government's discretion. Approximately 14.4% or \$65,583 of the fund balance is considered restricted to indicate the amount is subject to external enforceable legal restrictions. Additionally, \$261,003 or 57.1% 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 \$32,150 or 7.0% has been assigned by the administration to indicate that it is not available for new spending primarily because it has already been obligated to intergovernmental activities and to liquidate contracts and purchase orders of the prior period.

The general fund is the chief operating fund of the City. At June 30, 2018, unassigned fund balance of the general fund was \$98,283 or 69.6% of the total fund balance of \$141,201. 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 15.7% of total general fund expenditures, while total general fund balance represents 22.5% of the fund expenditures.

The fund balance of the City's general fund decreased by \$6,182 or -4.19% during the fiscal year ended June 30, 2018. Key factors of the change in the general fund are as follows:

- Total General Fund Revenues resulted in an increase of \$33,329 over the prior year. The primary variances that comprise the increase are revenue categories local taxes (increase of \$19,818), other (increase of \$7,035) and federal grants and entitlements (increase of \$3,665).
- Transfers In and transfers out increased by \$9,846 and \$15,790, respectively, from fiscal year 2017.
- Total expenditures increased by \$33,845 or 5.17% over prior year. Increases were across the categories of general government services, public safety, community services and transportation and environment. Increases were largely attributable to a \$15,597 increase in general government expenditures and continued increases in expenditures for public safety with an increase of \$8,922.

The fund balance of the City's Debt Service fund increased by \$28,080 to \$76,878 during the fiscal year ended June 30, 2018. Key factors resulting in this change are as follows:

- Total revenues increased by \$15,836 year over the year. The increase is primarily due to increase \$9,182 in local taxes and an increase of \$6,548 in other revenue. Other revenue includes \$7,312 in commercial paper proceeds that were allocated to the storm water fund in fiscal year 2016.
- Expenditures related to debt service decreased \$4,812 for fiscal year 2018.
- Total other financing sources and uses increased \$19,889. Activities included a use of sources in the amount of \$150,000 for payments to refunded bond escrow agent, which was offset in part by the receipt of \$137,596 from the refunding bonds/issuance of debt. The fund also experienced an increase of the premium on general obligation bonds in the amount of \$4,770.

The fund balance of the City's Capital Project fund increased by \$148,597 for fiscal year ended June 30, 2018. Major elements of fund balance change are:

- Revenue decreased \$3,400 from prior year, largely attributable to a significant decrease in federal grant and entitlements.
- Expenditures increased \$22,026 or 30.89% due to a significant increase in capital outlay.
- Other financing sources in the form of refunding of bonds / issuance of debt increased from \$75,000 to \$246,658 over the prior year.

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

Proprietary Funds

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

Unrestricted net position of \$341,409 on Exhibit A-1 is comprised of a positive \$357,586 for Memphis Light, Gas and Water, which can be used for on-going operations of the public utility system, the remaining negative balance represents the unrestricted deficit net position of the Sewer Fund in the amount of \$1,388 and the Storm Water Fund in the amount of \$13,019. 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 2018 anticipated a use of fund balance of \$3,346. Actual use of fund balance for fiscal year 2018 was \$6,182.

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

- Revenues budget increased by \$19,319.
- Expenditures budget was increased \$51,813 which encompassed a decreased adjustment for encumbrances year over year. The general government budget was increased \$25,840, the public safety budget was increased \$12,705, and transportation and environment expenditures increased by \$10,237.

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, 2018, totaled \$3,893,951 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, equipment, roads, highways, and other infrastructure. The total decrease in the City's capital assets for the current fiscal year was \$34,474 or 0.9%. The governmental activities contributed an increase of \$37,093 and the offset decrease of business-type activities was \$71,567.

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

	Governmental activities		Business-type activities		Total	
	2018	2017	2018	2017	2018	2017
Land and buildings	\$ 333,337	345,651	29,695	30,834	363,032	376,485
Improvements other than buildings	527,273	531,574	313,624	313,721	840,897	845,295
Equipment	44,189	50,875	15,876	16,373	60,065	67,248
Construction in progress	688,421	628,027	304,953	255,398	993,374	883,425
Memphis Light, Gas and Water	-	-	1,636,583	1,755,972	1,636,583	1,755,972
Total	\$ 1,593,220	1,556,127	2,300,731	2,372,298	3,893,951	3,928,425

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

- Continued anti-blight initiatives.
- Purchase of police in-car video equipment, mobile command 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.
- Improvements and repairs to the Cook Convention Center.

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

Long-term Debt

At June 30, 2018, the City had total bonded debt outstanding of \$2,321,525. Of this amount, \$1,646,597 comprises debt backed by the full faith and credit of the government. The remaining balance of \$674,927 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	
	2018	2017	2018	2017	2018	2017
General obligation bonds	1,407,029	1,169,577	-	-	1,407,029	1,169,577
Commercial Paper	-	75,000	-	-	-	75,000
Capital lease obligations	30,410	31,618	-	-	30,410	31,618
Settlement obligations	15,999	17,332	-	-	15,999	17,332
Guarantee obligations	193,159	204,140	-	-	193,159	204,140
Revenue bonds	-	-	591,030	557,657	591,030	557,657
State loans	-	-	83,898	47,124	83,898	47,124
Total	\$ 1,646,597	1,497,667	674,928	604,781	2,321,525	2,102,448

The City's total revenue bond debt remained relatively unchanged during fiscal year 2018. In May 2018, the City issued \$309,255 of general obligation bonds to finance various capital projects and to refund \$150,000 of commercial paper notes. Total debt includes general obligation bonds, bond anticipation notes, commercial paper, capital lease obligations, revenue bonds, state loans, and other debt obligations as indicated in the table above. Governmental activities' and business-type activities' debt totals increased by \$148,930 and \$70,147, respectively.

The City has long held a high grade bond rating on indebtedness from the major credit rating services. As of June 30, 2018, the City held ratings of Aa2 by Moody's Investor Service, AA by S&P Global Rating Service. Some of the factors most commonly cited by these firms in support of the credit rating assigned to the City's general obligation bonds include a stable and expanding economic climate, broad revenue base, and well-managed finances. In addition, the City has maintained good relations with the rating services and the major investment institutions through comprehensive disclosure of financial data and direct meetings with rating agency officials. The City continues to follow prudent fiscal policies and practices while expanding its financial base.

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

Separate financial statements for MLGW are issued as of and for its year-end December 31, and can be obtained by writing to MLGW Financial Statements, P.O. Box 430, Memphis, Tennessee 38101-0430 or via www.mlgw.com.

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

Economic Factors and Next Year's Budgets

Factors considered in preparing the City's budget for the 2019 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 \$1,242,579 against revenues of \$1,249,967.
- The adopted operating budget for the general fund is \$685,320 in revenues and \$685,320 in expenditures.

Requests for Information

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information may be addressed to the Office of the Chief Financial Officer, Room 368, City of Memphis, 125 North Main, Memphis, Tennessee 38103. The Comprehensive Annual Financial Report, the 2018 Operating Budget and 5 Year Capital Improvement Program, and other general information about the City may be found on the City's website, www.memphistn.gov.



CITY OF MEMPHIS

T E N N E S S E E

BASIC FINANCIAL STATEMENTS

**BASIC FINANCIAL
STATEMENTS**



STATEMENT OF NET POSITION
(Thousands of Dollars)
June 30, 2018

CITY OF MEMPHIS, TENNESSEE
EXHIBIT A-1

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Cash and cash equivalents	\$ 188,937	\$ 166,410	\$ 355,347	\$ 50,305
Investments	5,188	150,919	156,107	17,180
Equity in cash and investment pool	285,387	59,621	345,008	-
Restricted funds	-	91,641	91,641	185,764
Receivables (net of allowance for uncollectibles):				
Property taxes	431,950	-	431,950	-
Sales, income, and other taxes	44,468	-	44,468	-
Special assessments	4,132	-	4,132	-
Federal and state grants	51,579	-	51,579	8,877
Interest and dividends on investments	236	6	242	-
Notes and accounts receivable	-	165,538	165,538	-
Housing rehabilitation loans	46,307	-	46,307	-
Other	49,387	-	49,387	7,362
Internal balances	-	(1,770)	(1,770)	-
Due from other agencies and governments	5,797	-	5,797	43
Inventories	1,086	43,492	44,578	5,285
Unbilled revenues	-	83,224	83,224	-
Prepaid expense	26,498	112,822	139,320	3,575
Restricted assets:				
Investments	-	57,492	57,492	27,428
Non-depreciable capital assets	764,265	318,617	1,082,882	215,674
Depreciable capital assets (net of accumulated depreciation)	828,955	2,183,067	3,012,022	746,942
Other assets	-	51,986	51,986	5,148
Total Assets	2,734,172	3,483,065	6,217,237	1,273,583
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows - pensions	104,807	80,604	185,411	5,582
Deferred outflows - OPEB	23,956	2,078	26,034	760
Deferred outflows - other	-	409	409	1,816
Total assets and deferred outflows of resources	2,862,935	3,566,156	6,429,091	1,281,741

(Continued)

STATEMENT OF NET POSITION
(Thousands of Dollars)
June 30, 2018

CITY OF MEMPHIS, TENNESSEE
EXHIBIT A-1

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
LIABILITIES				
Accounts payable and accrued liabilities	\$ 68,543	\$ 150,150	\$ 218,693	\$ 24,965
Accrued interest payable	15,724	61,099	76,823	-
Insurance claims payable	6,512	-	6,512	-
Due to other agencies and governments	3,049	-	3,049	7,169
Refundable bonds and deposits	1,850	-	1,850	-
Unearned revenue	13,940	103	14,043	7,987
Other liabilities	93,225	107,721	200,946	-
Noncurrent liabilities:				
Due within one year	121,409	141,907	263,316	26,346
Due in more than one year	1,526,478	533,020	2,059,498	390,242
Net OPEB liability - due in more than one year	300,262	25,271	325,533	99,081
Net pension liability - due in more than one year	259,601	82,283	341,884	9,752
Total Liabilities	<u>2,410,593</u>	<u>1,101,554</u>	<u>3,512,147</u>	<u>565,542</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows - pension	220,050	47,703	267,753	11,875
Deferred inflows - OPEB	61,643	4,886	66,529	5,851
Deferred inflows - other	502,897	-	502,897	-
Total liabilities and deferred inflows of resources	<u>3,195,183</u>	<u>1,154,143</u>	<u>4,349,326</u>	<u>583,268</u>
NET POSITION				
Net investment in capital assets	340,474	1,958,252	2,298,726	501,380
Restricted for:				
Debt service	76,888	103,345	180,233	-
Capital acquisitions/projects	191,471	-	191,471	243,272
Construction	-	9,007	9,007	-
Solid waste management	10,783	-	10,783	-
Drug enforcement	9,426	-	9,426	-
Other	70,168	-	70,168	8,178
Self insurance	-	-	-	509
Unrestricted:	(1,031,458)	341,409	(690,049)	(54,866)
Total Net Position	<u>\$ (332,248)</u>	<u>\$ 2,412,013</u>	<u>\$ 2,079,765</u>	<u>\$ 698,473</u>

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

STATEMENT OF ACTIVITIES
(Thousands of Dollars)

For the fiscal year ended June 30, 2018

	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	\$ 197,380	\$ 65,970	\$ 50,416	\$ 1,668	\$ (79,326)	\$ -	\$ (79,326)	\$ -	-
Public safety	310,961	21,388	-	-	(289,573)	-	(289,573)	-	-
Community services	78,865	-	-	-	(78,865)	-	(78,865)	-	-
Transportation and environment	50,649	57,425	-	-	6,776	-	6,776	-	-
Education	82	-	-	-	(82)	-	(82)	-	-
Redemption of serial bonds and notes	92,535	-	-	-	(92,535)	-	(92,535)	-	-
Miscellaneous	3,436	-	-	-	(3,436)	-	(3,436)	-	-
Refunding Bond/ Escrow Agent	150,000	-	-	-	(150,000)	-	(150,000)	-	-
Interest on long-term debt	59,933	-	-	-	(59,933)	-	(59,933)	-	-
Total governmental activities	943,841	144,783	50,416	1,668	(746,974)	-	(746,974)	-	-
Business-type activities:									
Sewer collection and treatment	75,739	110,304	537	946	-	36,048	36,048	-	-
Memphis Light, Gas and Water	1,561,085	1,559,990	-	-	-	(1,095)	(1,095)	-	-
Storm water	16,556	21,391	-	-	-	4,835	4,835	-	-
Total business-type activities	1,653,380	1,691,685	537	946	-	39,788	39,788	-	-
Total primary government	\$ 2,597,221	\$ 1,836,468	\$ 50,953	\$ 2,614	\$ (746,974)	\$ 39,788	\$ (707,186)	\$ -	-
Component units:									
Memphis Area Transit Authority	72,570	7,299	-	6,972	-	-	-	(58,299)	(58,299)
Memphis Zoological Society	18,759	17,105	402	461	-	-	-	(791)	(791)
Memphis Cook Convention Center	7,823	5,707	-	-	-	-	-	(2,116)	(2,116)
Blight Authority Memphis, Inc.	99	-	-	-	-	-	-	(99)	(99)
Memphis-Shelby County Airport Authority	134,723	107,166	-	28,228	-	-	-	671	671
Total component units	\$ 233,974	\$ 137,277	\$ 402	\$ 35,661	\$ -	\$ -	\$ -	\$ (60,634)	\$ (60,634)

STATEMENT OF ACTIVITIES
(Thousands of Dollars)

For the fiscal year ended June 30, 2018

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

	Program Revenues			Net (Expense) Revenue and Changes in Net Position			Component Units
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-Type Activities	
General revenues:							
Local taxes:							
Property taxes - levied for education					82		82
Property taxes - levied for debt service					138,958		138,958
Property taxes - levied for capital projects					398		398
Property taxes - levied for general government					276,405		276,405
Interest, penalties and commission - property taxes					6,321		6,321
Sales tax, general					115,614		115,614
Sales tax, beer					15,577		15,577
Gross receipts tax					14,840		14,840
Franchise tax					7,672		7,672
Other local taxes					31,281		31,281
State taxes-unrestricted:							
Sales tax					56,156		56,156
Income tax					9,153		9,153
Beer tax					302		302
Alcoholic beverage tax					376		376
Petroleum products tax					23,137		23,137
State taxes - Debt service					16,771		16,771
Hotel/motel tax					17,176		17,176
Grants and contributions not restricted to specific programs					-		-
City of Memphis subsidy					-		-
Investment income					4,960	14,949	19,909
Federal grants and entitlements					-		-
State grants					-		-
Other					4,274	35,216	39,490
Transfers					111,631	(74,844)	36,787
Total general revenues and transfers					851,084	(24,679)	826,405
Changes in net position					104,110	15,109	119,219
Net position - beginning, as restated					(436,358)	2,396,904	1,960,546
Net position - ending					(332,248)	2,412,013	2,079,765
					\$	\$	\$

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

BALANCE SHEET
GOVERNMENTAL FUNDS
(Thousands of Dollars)
June 30, 2018

CITY OF MEMPHIS, TENNESSEE
EXHIBIT A-3

	General	Debt Service	Capital Projects	Community Development	Nonmajor Funds	Total Governmental Funds
ASSETS						
Cash and cash equivalents	\$ 62	\$ 17,008	\$ 161,193	\$ 6,005	\$ 4,667	\$ 188,935
Investments	-	-	5,188	-	-	5,188
Equity in cash and investment pool	135,820	27,669	45,648	2,306	43,289	254,732
Receivables (net of allowance for uncollectibles):						
Property taxes:						
Current property taxes	264,481	124,529	379	-	1,222	390,611
Delinquent property taxes	29,698	11,580	35	-	26	41,339
Special assessments:						
Current special assessments	-	-	-	-	3,898	3,898
Delinquent special assessments	271	-	-	-	(37)	234
Sales, income, and other taxes	43,003	1,465	-	-	-	44,468
Federal and state grants	1,589	-	6,941	39,939	3,110	51,579
Interest and dividends on investments	-	-	-	236	-	236
Housing rehabilitation loans	-	-	-	46,307	-	46,307
Other	32,141	3,710	-	115	6,558	42,524
Due from other funds	8,028	7,157	-	-	-	15,185
Due from other agencies and governments	370	-	-	-	5,426	5,796
Escrows - debt funding	-	25,804	694	-	-	26,498
Total assets	\$ 515,463	\$ 218,922	\$ 220,078	\$ 94,908	\$ 68,159	\$ 1,117,530
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable and accrued liabilities	\$ 47,194	\$ 191	\$ 12,648	\$ 590	\$ 6,864	\$ 67,487
Contract retainage	-	-	(47)	2	(8)	(53)
Due to other funds	-	-	-	4,495	3,828	8,323
Due to other agencies and governments	3,049	-	-	-	-	3,049
Refundable bonds and deposits	1,850	-	-	-	-	1,850
Unearned revenue	-	-	12,532	-	1,408	13,940
Total liabilities	52,093	191	25,133	5,087	12,092	94,596
Deferred inflows:						
Prepaid taxes	1,173	-	-	-	-	1,173
Uncollected property taxes	294,379	137,459	401	-	1,248	433,487
Uncollected anti-neglect fees	587	-	-	-	-	587
Uncollected traffic fines	18,295	-	-	-	-	18,295
Uncollected ambulance fees	6,384	-	-	-	-	6,384
Uncollected special assessments	-	-	-	-	4,002	4,002
Uncollected grant reimbursements	-	-	-	-	8,357	8,357
Uncollected intergovernmental revenue	-	-	-	38,506	-	38,506
Uncollected project loans receivable	-	-	-	46,307	-	46,307
Other deferred inflows	1,351	4,394	3,072	-	-	8,817
Total deferred inflows	322,169	141,853	3,473	84,813	13,607	565,915
Total liabilities and deferred inflows	374,262	142,044	28,606	89,900	25,699	660,511
Fund balances:						
Restricted	10,768	20,766	-	5,008	29,041	65,583
Committed	-	56,112	191,472	-	13,419	261,003
Assigned	32,150	-	-	-	-	32,150
Unassigned	98,283	-	-	-	-	98,283
Total fund balances	141,201	76,878	191,472	5,008	42,460	457,019
Total liabilities, deferred inflows and fund balances	\$ 515,463	\$ 218,922	\$ 220,078	\$ 94,908	\$ 68,159	\$ 1,117,530

See accompanying notes to financial statements.

**RECONCILIATION OF THE BALANCE SHEET TO THE
STATEMENT OF NET POSITION
(Thousands of Dollars)
June 30, 2018**

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

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

Total governmental fund balances	\$ 457,019
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	1,593,220
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	66,951
Net pension liabilities should be reported as a liability in the government-wide statement of net position. This is the cumulative amount by which the City has underfunded its pension obligations.	(374,844)
Net OPEB liabilities should be reported as a liability in the government-wide statement of net position. This is the cumulative amount by which the City has underfunded its OPEB obligations.	(337,195)
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.	17,563
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	<u>(1,754,962)</u>
Net position of governmental activities	<u>\$ (332,248)</u>

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

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 GOVERNMENTAL FUNDS
 (Thousands of Dollars)
 For the fiscal year ended June 30, 2018

CITY OF MEMPHIS, TENNESSEE
 EXHIBIT A-5

	General	Debt Service	Capital Projects	Community Development	Nonmajor Funds	Total Governmental Funds
REVENUES						
Local taxes	\$ 462,251	\$ 138,958	\$ 398	\$ -	\$ 8,339	\$ 609,946
State taxes (local share)	67,290	16,771	-	-	21,834	105,895
Hotel/motel tax	-	-	-	-	17,176	17,176
Licenses and permits	13,388	-	-	-	1,912	15,300
Fines and forfeitures	14,551	-	-	-	2,675	17,226
Charges for services	34,193	-	-	-	57,425	91,618
Investment income	2,342	1,150	869	-	213	4,574
Federal grants and entitlements	5,682	2,362	1,668	18,305	19,457	47,474
State grants	1,618	-	1	-	2,991	4,610
Intergovernmental revenues	8,661	-	-	-	-	8,661
Other	16,761	10,706	6,771	-	4,750	38,988
Total revenues	626,737	169,947	9,707	18,305	136,772	961,468
EXPENDITURES						
Current:						
General government	168,662	-	-	-	50,804	219,466
Public safety	441,500	-	-	-	3,697	445,197
Community services	58,283	-	-	18,305	8,592	85,180
Transportation and environment	19,433	-	-	-	62,621	82,054
Education	-	-	-	-	82	82
Capital outlay	-	-	91,963	-	-	91,963
Debt service:						
Redemption of serial bonds and notes	-	92,535	-	-	-	92,535
Lease payments	990	4,618	-	-	-	5,608
Interest	-	59,848	-	-	-	59,848
Bond issuance cost	-	877	1,357	-	-	2,234
Service charges	-	1,198	4	-	-	1,202
Total expenditures	688,868	159,076	93,324	18,305	125,796	1,085,369
Revenues over (under) expenditures	(62,131)	10,871	(83,617)	-	10,976	(123,901)
OTHER FINANCING SOURCES (USES)						
Sale of capital assets	60	-	-	-	-	60
Transfers in	79,653	16,619	7,027	-	7,664	110,963
Transfers out	(23,764)	-	(7,027)	-	(13,074)	(43,865)
Capital leases	-	-	-	-	4,400	4,400
Payment to refunded bond escrow agent	-	(150,000)	-	-	-	(150,000)
Refunding bonds/issuance of debt	-	137,596	246,658	-	-	384,254
Premium on general obligation bonds	-	12,994	4,770	-	-	17,764
Total other financing sources (uses)	55,949	17,209	251,428	-	(1,010)	323,576
Net change in fund balances	(6,182)	28,080	167,811	-	9,966	199,675
Fund balances - beginning of year (1)	147,383	48,798	23,661	5,008	32,494	257,344
Fund balances - end of year	\$ 141,201	\$ 76,878	\$ 191,472	\$ 5,008	\$ 42,460	\$ 457,019

(1) The beginning of year fund balance is different due to a change in reporting of the Community Redevelopment Fund.

**RECONCILIATION OF THE STATEMENT OF REVENUES
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**
(Thousands of Dollars)
For the fiscal year ended June 30, 2018

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

Net change in fund balances - total governmental funds	\$ 199,675
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.	37,093
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(3,658)
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.	(148,930)
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.	3,604
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.	26,464
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>(10,138)</u>
Change in net position of governmental activities	<u>\$ 104,110</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, 2018

CITY OF MEMPHIS, TENNESSEE
Exhibit A-7

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
REVENUES				
Local taxes:				
Property taxes	\$ 263,758	\$ 272,605	\$ 275,581	\$ 2,976
Interest, penalties and commission - property taxes	5,870	5,870	6,321	451
Receipts in lieu of taxes contractual	11,300	11,300	11,832	532
Sales tax general	113,163	113,163	111,195	(1,968)
Sales tax beer	17,500	17,500	15,577	(1,923)
Alcoholic beverage tax	5,000	5,000	5,487	487
Liquor by the drink tax	7,400	8,200	8,122	(78)
Gross receipts tax	14,600	14,600	14,840	240
Excise tax	954	954	1,064	110
Franchise tax	8,300	8,300	7,672	(628)
Tourism development zone tax	1,980	4,100	3,639	(461)
Other local taxes	1,001	1,001	921	(80)
Total local taxes	<u>450,826</u>	<u>462,593</u>	<u>462,251</u>	<u>(342)</u>
State taxes (local share):				
Sales tax	55,055	55,055	56,156	1,101
Income taxes	11,000	11,000	9,153	(1,847)
Beer taxes	315	315	302	(13)
Alcoholic beverage tax	340	340	376	36
Petroleum special tax	1,300	1,300	1,303	3
Total state taxes (local share)	<u>68,010</u>	<u>68,010</u>	<u>67,290</u>	<u>(720)</u>
Licenses and permits:				
Auto licenses	12,500	12,500	12,382	(118)
Dog licenses	375	375	368	(7)
Liquor by the drink licenses	215	215	238	23
Other	405	405	400	(5)
Total licenses and permits	<u>13,495</u>	<u>13,495</u>	<u>13,388</u>	<u>(107)</u>
Fines and forfeitures:				
City courts	14,761	14,724	14,191	(533)
Library	400	400	360	(40)
Total fines and forfeitures	<u>15,161</u>	<u>15,124</u>	<u>14,551</u>	<u>(573)</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, 2018

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	\$ 186	\$ 96
Park commission revenues	6,097	6,097	4,852	(1,245)
Parking meter revenues	850	850	1,228	378
Ambulance service fees	21,260	21,560	21,388	(172)
Rents	2,403	2,403	3,088	685
Tax sale attorney fees	525	525	563	38
Wrecker and storage fees	1,500	1,500	1,463	(37)
Police special events	250	250	732	482
Other	826	826	693	(133)
Total charges for services	33,801	34,101	34,193	92
Investment income:				
Interest on investments	281	1,550	2,245	695
Other	120	120	97	(23)
Total investment income	401	1,670	2,342	672
Federal grants	329	4,099	5,682	1,583
State grants	1,630	1,630	1,618	(12)
Intergovernmental revenues	8,543	8,642	8,661	19
Other:				
Auctions	1,600	1,600	2,042	442
Property insurance recoveries	524	374	270	(104)
Local shared revenue	2,516	2,516	2,463	(53)
Miscellaneous	3,341	5,642	11,986	6,344
Total other	7,981	10,132	16,761	6,629
Total revenues	\$ 600,177	\$ 619,496	\$ 626,737	\$ 7,241
Other sources and transfers in:				
Sale of capital assets	\$ -	\$ -	\$ 60	\$ 60
Transfers in:				
Solid waste management	-	75	75	-
Sewer collection and treatment fund	6,800	6,800	8,395	1,595
MLG&W fund	58,700	58,700	60,006	1,306
Hotel/Motel	38	38	58	20
Storm water	-	75	150	75
Metro alarm	100	271	442	171
Capital Projects fund	-	10,000	7,027	(2,973)
Community redevelopment fund	-	22	-	(22)
Unemployment	1,000	1,000	1,000	-
Municipal State Aid fund	-	2,500	2,500	-
Total transfers in	66,638	79,481	79,653	172
Total other sources and transfers in	\$ 66,638	\$ 79,481	\$ 79,713	\$ 232
Total Revenues, Other Sources & Transfers In	\$ 666,815	\$ 698,977	\$ 706,450	\$ 7,473

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, 2018

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	\$ 1,539	\$ 1,651	\$ 1,597	\$ 54
Materials and supplies	612	735	556	179
Total legislative	<u>2,151</u>	<u>2,386</u>	<u>2,153</u>	<u>233</u>
Judicial:				
Personnel services	591	591	583	8
Materials and supplies	54	53	48	5
Total judicial	<u>645</u>	<u>644</u>	<u>631</u>	<u>13</u>
Court clerk:				
Personnel services	3,564	3,592	3,452	140
Materials and supplies	2,772	3,483	2,088	1,395
Capital outlay	50	50	65	(15)
Total court clerk	<u>6,386</u>	<u>7,125</u>	<u>5,605</u>	<u>1,520</u>
Executive:				
Personnel services	8,602	8,505	8,543	(38)
Materials and supplies	4,015	5,656	5,066	590
Capital outlay	-	1,875	1,819	56
Grants and subsidies	2,808	3,244	3,080	164
Expense reimbursement	-	(90)	(90)	-
Total executive	<u>15,425</u>	<u>19,190</u>	<u>18,418</u>	<u>772</u>
Finance and administration:				
Personnel services	6,805	6,803	6,535	268
Materials and supplies	1,614	2,243	2,099	144
Capital outlay	1	2	2	-
Grants and subsidies	3,489	8,843	8,993	(150)
Expense reimbursement	(940)	(940)	(1,064)	124
Total finance and administration	<u>10,969</u>	<u>16,951</u>	<u>16,565</u>	<u>386</u>
City attorney:				
Personnel services	5,451	5,451	5,157	294
Materials and supplies	9,482	11,003	8,558	2,445
Capital outlay	-	-	2	(2)
Grants and subsidies	-	-	506	(506)
Expense reimbursement	(3,410)	(3,850)	(3,849)	(1)
Total city attorney	<u>11,523</u>	<u>12,604</u>	<u>10,374</u>	<u>2,230</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, 2018

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

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget-Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
City engineer:				
Personnel services	\$ 8,611	\$ 8,611	\$ 8,499	\$ 112
Materials and supplies	3,980	4,768	3,136	1,632
Capital outlay	85	95	101	(6)
Expense reimbursement	(4,831)	(4,831)	(4,207)	(624)
Total city engineer	7,845	8,643	7,529	1,114
Information systems:				
Personnel services	1,926	1,926	1,781	145
Materials and supplies	21,232	27,523	22,161	5,362
Expense reimbursement	-	(1,300)	(1,663)	363
Total information systems	23,158	28,149	22,279	5,870
Human resources:				
Personnel services	5,453	5,081	4,917	164
Materials and supplies	2,710	5,262	3,786	1,476
Capital outlay	48	48	168	(120)
Expense reimbursement	(1,006)	(1,046)	(977)	(69)
Total human resources	7,205	9,345	7,894	1,451
General services:				
Personnel services	20,978	20,807	18,638	2,169
Materials and supplies	10,035	10,824	8,933	1,891
Capital outlay	50	51	3	48
Expense reimbursement	(8,380)	(8,376)	(7,380)	(996)
Total general services	22,683	23,306	20,194	3,112
Special appropriations:				
Materials and supplies	-	-	3	(3)
Grants and subsidies	54,202	59,689	57,165	2,524
Expense reimbursement	(5,032)	(5,032)	(7,648)	2,616
Total special appropriations	49,170	54,657	49,520	5,137
Total general government	\$ 157,160	\$ 183,000	\$ 161,162	\$ 21,838

(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, 2018

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

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget- Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Public safety:				
Police:				
Personnel services	\$ 228,019	\$ 227,190	\$ 229,992	\$ (2,802)
Materials and supplies	28,174	34,737	31,182	3,555
Capital outlay	549	880	386	494
Grants and subsidies	150	150	145	5
Expense reimbursement	(1,728)	(1,728)	(1,601)	(127)
Total police	255,164	261,229	260,104	1,125
Fire:				
Personnel services	158,182	161,210	163,039	(1,829)
Materials and supplies	15,312	18,837	15,424	3,413
Capital outlay	132	219	147	72
Expense reimbursement	(200)	(200)	(551)	351
Total fire	173,426	180,066	178,059	2,007
Total public safety	\$ 428,590	\$ 441,295	\$ 438,163	\$ 3,132
Community services:				
Library:				
Personnel services	14,630	15,130	14,171	959
Materials and supplies	5,223	5,573	4,488	1,085
Expense reimbursement	-	(500)	-	(500)
Total library	19,853	20,203	18,659	1,544
Parks and recreation:				
Personnel services	17,437	16,967	16,224	743
Materials and supplies	18,136	19,455	18,825	630
Capital outlay	12	187	(18)	205
Inventory	380	574	512	62
Expense reimbursement	(56)	(56)	-	(56)
Total parks and recreation	35,909	37,127	35,543	1,584
Community development:				
Personnel services	302	385	266	119
Materials and supplies	186	369	269	100
Grants and subsidies	4,059	5,232	4,653	579
Total community development	4,547	5,986	5,188	798
Public service				
Materials and supplies	-	21	(19)	40
Total public service	-	21	(19)	40

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, 2018

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

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget- Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Community Enhancement				
Materials and supplies	-	3	1	2
Total community enhancement	-	3	1	2
Total community services	\$ 60,309	\$ 63,340	\$ 59,372	\$ 3,968
Transportation and environment:				
Public works:				
Personnel services	\$ 12,935	\$ 12,935	\$ 12,800	\$ 135
Materials and supplies	16,635	24,117	16,389	7,728
Capital outlay	120	120	20	100
Grants and subsidies	-	2,755	3,363	(608)
Expense reimbursement	(13,859)	(13,859)	(13,710)	(149)
Total public works	15,831	26,068	18,862	7,206
Total transportation and environment	\$ 15,831	\$ 26,068	\$ 18,862	\$ 7,206
Total Expenditures	<u>\$ 661,890</u>	<u>\$ 713,703</u>	<u>\$ 677,559</u>	<u>\$ 36,144</u>
OTHER USES				
Transfers out				
Miscellaneous grants fund	\$ 5	\$ 23	\$ 4	\$ 19
Community redevelopment fund	2,739	2,739	2,977	(238)
Debt service fund	4,727	4,727	4,727	-
Capital projects fund	-	10,285	7,027	3,258
OPEB fund	-	3,069	3,069	-
Library retirement fund	800	800	800	-
E-ticket citation fee fund	-	160	160	-
Pre-K fund	-	3,000	3,000	-
Solid waste management fund	-	2,000	2,000	-
Total transfers out	8,271	26,803	23,764	3,039
Total other uses	<u>\$ 8,271</u>	<u>\$ 26,803</u>	<u>\$ 23,764</u>	<u>\$ 3,039</u>
Total Expenditures and Other Uses	<u>\$ 670,161</u>	<u>\$ 740,506</u>	<u>\$ 701,323</u>	<u>\$ 39,183</u>
Net Change in Fund balances (Budgetary)	<u>\$ (3,346)</u>	<u>\$ (41,529)</u>	<u>\$ 5,127</u>	<u>\$ (31,710)</u>
Adjustment for encumbrances			(11,309)	
Revenues over expenditures GAAP basis			(6,182)	
Fund Balance - beginning			147,383	
Fund Balance - ending			<u>\$ 141,201</u>	

See accompanying notes to financial statements.

STATEMENT OF NET POSITION
 PROPRIETARY FUNDS
 (Thousands of Dollars)
 June 30, 2018

CITY OF MEMPHIS, TENNESSEE
 Exhibit A-9

	Business Type Activities - Enterprise Funds					Total	Governmental
	Major Funds						Internal
	Sewer Col- lection and Treatment	MLGW Electric Division	MLGW Gas Division	MLGW Water Division	Non-Major Fund		
ASSETS							
Current assets:							
Cash and cash equivalents	\$ 1	\$ 105,004	\$ 44,900	\$ 16,504	\$ 1	\$ 166,410	\$ 2
Investments	17,229	85,123	35,184	13,371	-	150,907	-
Equity in cash and investment pool	47,851	-	-	-	11,770	59,621	30,655
Derivative financial instruments	-	-	18	-	-	18	-
Restricted funds	-	68,698	17,943	5,000	-	91,641	-
Receivables:							
Notes and accounts	11,250	97,175	37,055	16,658	3,393	165,531	1
Interest on investments	7	-	-	-	-	7	-
Due from other agencies	-	-	-	-	-	-	1
Unbilled revenues	-	56,453	22,671	4,100	-	83,224	-
Prepaid power cost	-	112,822	-	-	-	112,822	-
Unrecovered purchased power cost	-	3,350	788	-	-	4,138	-
Prepaid expenses	1,992	-	-	-	-	1,992	-
Inventories of materials and supplies	-	30,375	8,581	4,536	-	43,492	1,086
Other current assets	-	4,531	3,797	1,031	-	9,359	-
Total current assets	78,330	563,531	170,937	61,200	15,164	889,162	31,745
Non-current assets:							
Restricted assets:							
Investments, less current portion	-	36,049	13,048	8,395	-	57,492	-
Total restricted assets	-	36,049	13,048	8,395	-	57,492	-
Capital assets:							
Land	13,627	-	-	-	37	13,664	-
Buildings	105,196	-	-	-	907	106,103	-
Utility plant	-	1,892,060	718,485	526,462	-	3,137,007	-
Improvements other than buildings	586,548	-	-	-	57,137	643,685	-
Machinery and equipment	35,339	-	-	-	19,285	54,624	291
Less accumulated depreciation and amortization	(428,176)	(782,462)	(318,335)	(198,674)	(30,705)	(1,758,352)	(291)
Total capital assets	312,534	1,109,598	400,150	327,788	46,661	2,196,731	-
Construction in progress	236,335	-	-	-	68,618	304,953	-
Net capital assets	548,869	1,109,598	400,150	327,788	115,279	2,501,684	-
Other non-current assets:							
Prepayments in lieu of taxes	-	1,715	40	-	-	1,755	-
Unamortized debt expense	-	1,339	672	686	-	2,697	-
Other prepayments	-	10,933	14,054	2,465	-	27,452	-
Notes receivable	-	-	2,809	1,784	-	4,593	-
Total other non-current assets	-	13,987	17,575	4,935	-	36,497	-
Total non-current assets	548,869	1,159,634	430,773	341,118	115,279	2,595,673	-
Total assets	627,199	1,723,165	601,710	402,318	130,443	3,484,835	31,745
DEFERRED OUTFLOWS OF RESOURCES							
Deferred outflows related to pensions	3,323	43,166	19,331	12,801	1,983	80,604	-
Deferred outflows related to OPEB	1,322	-	-	-	756	2,078	63
Unamortized balance of refunded debt	-	409	-	-	-	409	-
Total assets and deferred outflows of resources	\$ 631,844	\$ 1,766,740	\$ 621,041	\$ 415,119	\$ 133,182	\$ 3,567,926	\$ 31,808

(Continued)

STATEMENT OF NET POSITION
 PROPRIETARY FUNDS
 (Thousands of Dollars)
 June 30, 2018

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

	Business Type Activities - Enterprise Funds						Governmental
	Major Funds						Activities
	Sewer Col- lection and Treatment	MLGW Electric Division	MLGW Gas Division	MLGW Water Division	Non-Major Fund	Total	Internal Service Funds
LIABILITIES							
Current liabilities:							
Accounts payable and accrued expenses	\$ 14,372	\$ 110,516	\$ 22,378	\$ -	\$ 2,884	\$ 150,150	\$ 1,056
Bonds and notes payable	-	116,218	2,348	2,406	-	120,972	-
Accrued liabilities	-	36,101	13,037	11,961	-	61,099	-
Payables due from restricted assets	-	23,367	7,462	4,560	-	35,389	-
Bonds payable - principal from restricted assets	-	10,947	217	224	-	11,388	-
Bonds payable - interest from restricted assets	-	1,199	299	194	-	1,692	-
Insurance claims payable	-	-	-	-	-	-	6,512
Contract retainage	139	-	-	-	-	139	6
Unearned revenue	103	-	-	-	-	103	-
Current installment of revenue bonds payable	8,930	-	-	-	-	8,930	-
State loans payable - current	617	-	-	-	-	617	-
Net OPEB Liability	16,092	-	-	-	9,179	25,271	747
Vacation, sick and other leave benefits	3,578	8,902	3,676	2,610	1,758	20,524	151
Total current liabilities	43,831	307,250	49,417	21,955	13,821	436,274	8,472
Long-term liabilities:							
Revenue bonds payable	69,491	213,179	89,988	70,219	-	442,877	-
State loans payable	83,281	-	-	-	-	83,281	-
Net pension liability	7,910	39,754	17,818	11,792	5,009	82,283	-
Customer common deposits	-	23,705	3,895	1,295	-	28,895	-
Other	-	8,701	7,011	5,370	6,862	27,944	-
Total long-term liabilities	160,682	285,339	118,712	88,676	11,871	665,280	-
Total liabilities	204,513	592,589	168,129	110,631	25,692	1,101,554	8,472
DEFERRED INFLOWS OF RESOURCES							
Deferred inflows related to pensions	6,369	21,684	9,689	6,422	3,539	47,703	-
Deferred inflows related to OPEB	3,195	-	-	-	1,691	4,886	70
Revenue collected in advance	-	-	-	-	-	-	5,703
Total liabilities and deferred inflows of resources	214,077	614,273	177,818	117,053	30,922	1,154,143	14,245
NET POSITION							
Net investment in capital assets	386,550	892,669	308,334	255,420	115,279	1,958,252	-
Restricted for debt service	23,598	52,963	19,662	7,122	-	103,345	-
Restricted for construction	9,007	-	-	-	-	9,007	-
Unrestricted (deficit)	(1,388)	206,835	115,227	35,524	(13,019)	343,179	17,563
Total net position (deficit)	\$ 417,767	\$ 1,152,467	\$ 443,223	\$ 298,066	\$ 102,260	\$ 2,413,783	\$ 17,563
Adjustment to reflect the consolidation of internal service funds related to enterprise funds						(1,770)	
Net position of business-type activities						\$ 2,412,013	

See accompanying notes to financial statements.

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
 PROPRIETARY FUNDS
 (Thousands of Dollars)
 For the fiscal year ended June 30, 2018

CITY OF MEMPHIS, TENNESSEE
 Exhibit A-10

	Business Type Activities - Enterprise Funds					Total	Governmental
	Major Funds						Internal
	Sewer Col- lection and Treatment	MLGW Electric Division	MLGW Gas Division	MLGW Water Division	Non-Major Fund		Service Funds
Charges for services	\$ 110,304	\$ 1,234,074	\$ 226,403	\$ 99,513	\$ 25,987	\$ 1,696,281	\$ 96,963
Operating revenues	110,304	1,234,074	226,403	99,513	25,987	1,696,281	96,963
Operating expenses other than depreciation and amortization:							
Personnel services	21,372	-	-	-	9,632	31,004	3,206
Materials, supplies, services, and other	36,514	-	-	-	4,244	40,758	15,469
Capital outlay	372	-	-	-	-	372	-
Purchased power and gas for resale	-	991,526	105,729	-	-	1,097,255	-
Production	-	-	-	14,713	-	14,713	-
Operation	-	138,541	83,982	53,731	-	276,254	-
Maintenance	-	44,763	8,087	12,587	-	65,437	-
In lieu of taxes	-	6,423	1,107	-	-	7,530	-
Death benefits	-	-	-	-	-	-	82
PCORI tax	-	-	-	-	-	-	32
Inventories	-	-	-	-	-	-	12,043
Claims incurred	-	-	-	-	-	-	64,359
Total operating expenses other than depreciation and amortization	58,258	1,181,253	198,905	81,031	13,876	1,533,323	95,191
Operating income (loss) before depreciation and amortization	52,046	52,821	27,498	18,482	12,111	162,958	1,772
Depreciation and amortization	12,978	55,556	19,756	8,725	2,426	99,441	1
Operating income (loss)	39,068	(2,735)	7,742	9,757	9,685	63,517	1,771
Non-operating revenues:							
Transmission credits	-	33,989	-	-	-	33,989	-
Investment income	630	13,364	(186)	1,000	141	14,949	386
Federal grants	537	-	-	-	-	537	-
Other	336	-	-	-	891	1,227	-
Total non-operating revenues	1,503	47,353	(186)	1,000	1,032	50,702	386
Non-operating expenses:							
Loss on disposal of assets	291	-	-	-	-	291	-
Interest on bonded indebtedness	3,623	13,032	1,469	1,358	254	19,736	-
Interest on state loan	589	-	-	-	-	589	-
Total non-operating expenses	4,503	13,032	1,469	1,358	254	20,616	-
Income (loss) before capital contributions and transfers	36,068	31,586	6,087	9,399	10,463	93,603	2,157
Transfers out	(8,395)	(41,681)	(18,325)	(4,400)	(2,043)	(74,844)	(7,699)
Capital contributions	946	-	-	-	-	946	-
Change in net position (deficit)	28,619	(10,095)	(12,238)	4,999	8,420	19,705	(5,542)
Total net position (deficit) - beginning of year	389,148	1,162,562	455,461	293,067	93,840		23,105
Total net position - end of year	\$ 417,767	\$ 1,152,467	\$ 443,223	\$ 298,066	\$ 102,260		\$ 17,563
Adjustment to reflect the consolidation of internal service funds related to enterprise funds						(4,595)	
Change in net position of business-type activities						\$ 15,110	

See accompanying notes to financial statements.



STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
(Thousands of Dollars)
For the fiscal year ended June 30, 2018

	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	\$ 107,610	\$ 1,223,014	\$ 218,562	\$ 101,259	\$ 25,352	\$ 1,675,797	\$ 205
Receipts from other division funds	-	-	-	-	-	-	22,613
Receipts from other agency funds	-	-	-	-	-	-	(52)
Miscellaneous income	167	-	-	-	-	167	427
Employee contributions	-	-	-	-	-	-	18,359
Employer contributions	-	-	-	-	-	-	54,334
Pharmacy rx rebates	-	-	-	-	-	-	1,838
Payments to suppliers	(41,253)	(913,357)	(134,108)	(35,934)	(2,409)	(1,127,061)	(15,253)
Payments to/on behalf of employees	(21,791)	(108,059)	(66,476)	(44,327)	(9,744)	(250,397)	(3,188)
Payments from / (to) other divisions or funds	-	(4,820)	(2,875)	(4,112)	-	(11,807)	-
Payments per Affordable Care Act (Re-insurance fees, PCORI tax)	-	-	-	-	-	-	(32)
Payments for taxes	-	(6,736)	(1,286)	-	-	(8,022)	-
Payments for inventory	-	-	-	-	-	-	(12,222)
Payments due to other agencies	-	-	-	-	(5)	(5)	(25)
Payments for death benefits	-	-	-	-	-	-	(82)
Payments for claims incurred	-	-	-	-	-	-	(64,981)
Net cash provided by (used in) operating activities (1)	44,733	190,042	13,817	16,886	13,194	278,672	1,941
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:							
Transfers to City	-	(42,963)	(19,645)	(4,400)	-	(67,008)	-
Receipt of miscellaneous income	-	-	-	-	39	39	-
Principal payments on long-term debt	(37)	(114,975)	-	-	-	(115,012)	-
Interest expense on bonds	-	(11,385)	-	-	-	(11,385)	-
Transfers from other funds	-	-	-	-	(2,043)	(2,043)	-
Local shared revenue	-	-	-	-	15	15	-
Transfers to other funds	(8,395)	-	-	-	-	(8,395)	(7,699)
Net cash (used in) provided by non-capital financing activities	(8,432)	(169,323)	(19,645)	(4,400)	(1,989)	(203,789)	(7,699)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:							
Bond issue costs	(468)	-	-	-	-	(468)	-
Acquisition and construction of capital assets	(55,760)	(121,145)	(50,468)	(49,317)	(7,466)	(284,156)	-
Principal payments on long term commercial paper debt	-	-	-	-	(1,592)	(1,592)	-
Interest payments on long term commercial paper debt	-	-	-	-	(254)	(254)	-
Contributions in aid of construction	-	27,553	2,565	3,576	-	33,694	-
Proceeds from issuance of long term debt	-	101,053	46,381	27,389	-	174,823	-
Receipts from federal grants	537	-	-	-	6	543	-
Receipts from state grants	-	-	-	-	831	831	-
Principal payments on capital debt	(11,230)	(3,795)	(1,275)	(1,700)	-	(18,000)	-
Interest payments on capital debt	(4,173)	(5,259)	(2,093)	(1,522)	-	(13,047)	-
Capital contributions	946	-	-	-	-	946	-
State Revolving Fund (SRF) loans on capital debt	36,774	-	-	-	-	36,774	-
Net cash used in capital and related financing activities	(33,374)	(1,593)	(4,890)	(21,574)	(8,475)	(69,906)	-
CASH FLOWS FROM INVESTING ACTIVITIES:							
Sales and maturities of investments	163	95,710	56,274	28,316	-	180,463	-
Purchase of investments	(232)	(88,968)	(37,548)	(15,911)	-	(142,659)	-
Payments received on notes receivable	-	-	-	88	-	88	-
Income earned on investments	511	2,116	811	307	141	3,886	386
Net cash provided by (used in) investing activities	442	8,858	19,537	12,800	141	41,778	386
Net increase (decrease) in cash and cash equivalents	3,369	27,984	8,819	3,712	2,871	46,755	(5,372)
Cash and cash equivalents, beginning of year	44,483	170,256	61,473	22,277	8,900	307,389	36,029
Cash and cash equivalents, end of year	\$ 47,852	\$ 198,240	\$ 70,292	\$ 25,989	\$ 11,771	\$ 354,144	\$ 30,657

(Continued)

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
(Thousands of Dollars)
For the fiscal year ended June 30, 2018

	Sewer Collection 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 by operating activities:							
Operating income (loss)	\$ 39,068	\$ (2,735)	\$ 7,742	\$ 9,757	\$ 9,685	\$ 63,517	\$ 1,771
Adjustments to reconcile operating income to net cash provided by operating activities:							
Depreciation expense	12,978	55,556	19,756	8,725	2,426	99,441	1
Transmission credits	-	33,989	-	-	-	33,989	-
Prepay power credits	-	8,880	-	-	-	8,880	-
Other income	-	2,197	(1,017)	637	-	1,817	-
(Increase) decrease in assets:							
Accounts receivable	(2,694)	(15,254)	(651)	959	(498)	(18,138)	(52)
Deferred outflows - Pension	1,731	-	-	-	916	2,647	-
Deferred outflows - OPEB	387	-	(4,470)	(256)	205	592	8
Unbilled revenues	-	(3,865)	-	-	-	(8,591)	-
Prepaid power cost	-	119,695	-	-	-	119,695	-
Prepayments - in lieu of taxes	-	24	1	-	-	25	-
Unrecovered purchased power and gas inventories	-	(121)	(563)	-	-	(684)	-
Other assets	-	(7,088)	(1,441)	(1,447)	-	(9,976)	(178)
Increase (decrease) in liabilities:							
Accounts payable	(4,289)	(5,175)	(3,572)	-	-	(13,036)	404
Other accrued expenses	(116)	(6,046)	(5,958)	(3,877)	1,841	(14,156)	-
Accrued payment in lieu of taxes	-	-	1	-	-	1	-
Customer deposits	-	1,786	(424)	509	-	1,871	-
Insurance reserves	-	556	(337)	(484)	-	(265)	-
Medical benefit accrual	-	(215)	(24)	(49)	-	(288)	-
Deferred inflows - Pension	1,844	-	-	-	976	2,820	-
Deferred inflows - OPEB	3,184	-	-	-	1,685	4,869	69
Net pension liability	(3,825)	-	-	-	(2,024)	(5,849)	-
Net OPEB liability	(3,813)	-	-	-	(2,018)	(5,831)	(82)
Accrued vacation/sick leave	111	-	-	-	-	111	-
Other	-	(257)	(92)	135	-	(214)	-
Total adjustments	5,498	192,777	6,075	7,129	3,509	214,988	170
Net cash provided by (used in) operating activities (1)	\$ 44,566	\$ 190,042	\$ 13,817	\$ 16,886	\$ 13,194	\$ 278,505	\$ 1,941
Reconciliation of cash and cash equivalents per statements of cash flows to the balance sheets:							
Restricted funds	\$ -	\$ 104,747	\$ 30,991	\$ 13,395	\$ -	\$ 149,133	\$ -
Less investments included in restricted funds	-	(11,511)	(5,599)	(3,910)	-	(21,020)	-
Cash and cash equivalents included in restricted funds	-	93,236	25,392	9,485	-	128,113	-
Current assets - cash and cash equivalents	1	105,004	44,900	16,504	1	166,410	2
Current assets - equity in cash and investment pool	47,851	-	-	-	11,770	59,621	30,655
Total cash and cash equivalents	\$ 47,852	\$ 198,240	\$ 70,292	\$ 25,989	\$ 11,771	\$ 354,144	\$ 30,657

See accompanying notes to financial statements.

(1) Noted difference of \$167 is due to adjustment made to miscellaneous income

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
(Thousands of Dollars)
June 30, 2018

CITY OF MEMPHIS, TENNESSEE
Exhibit A-12

	Pension and OPEB Trust Funds	Sold Property Tax Receivable Agency Fund	Community Redevelopment Agency Fund
ASSETS			
Cash and cash equivalents	\$ 82,426	\$ -	\$ -
Investments, at fair value:			
U.S. government securities - long-term	127,852	-	-
Common stock - domestic	1,305,685	-	-
Common stock - foreign	312,104	-	-
Preferred stock - foreign	4,753	-	-
Corporate bonds - domestic	395,509	-	-
Corporate bonds - foreign	135,773	-	-
Mutual funds and money market funds	130,586	-	-
Equity ETF	199,177	-	-
Government bonds - domestic	25,326	-	-
Global bond - international	73,392	-	-
Emerging market bonds ETF	77,215	-	-
Corporate bond mutual funds - domestic	29,207	-	-
Corporate bond mutual funds - international	15,446	-	-
Convertible bond mutual fund - domestic	7,817	-	-
Collateralized mortgage obligations	8,106	-	-
Asset-backed pooled securities	19,325	-	-
Mortgage-backed pooled securities	52,899	-	-
Securitized asset fund	492	-	-
Investments in index funds	97,713	-	-
Investments in limited partnerships	131,945	-	-
Investments in real estate	364,041	-	-
Multi-asset - domestic	12,521	-	-
Private debt funds - domestic	3,088	-	-
Private equity - domestic	82,996	-	-
Private equity - international	1,858	-	-
Investments in international equity fund	532,711	-	-
Investments in international bond fund	18,805	-	-
Distressed debt funds - domestic	52,312	-	-
Distressed debt funds - international	43,705	-	-
Life Settlement fund	43,232	-	-
Investments in short sales & written options	(237)	-	-
Total investments	4,305,354	-	-
Equity in cash and investment pool	4,102	2,361	682
Interest and dividend receivables	9,697	-	-
Receivable for securities sold	151,406	-	-
Property tax receivable - current	-	7,530	-
Property tax receivable - delinquent	-	5,076	-
Employer and employee contributions receivable	2,002	-	-
Other receivables	-	-	20,048
Collateral held in trust for securities on loan	232,733	-	-
Total assets	4,787,720	14,967	20,730
LIABILITIES			
Accounts payable and other liabilities	229,849	2,377	-
Collateral subject to return to borrowers	232,733	-	-
Total liabilities	462,582	2,377	-
DEFERRED INFLOWS OF RESOURCES			
Revenue collected in advance	574	12,590	20,049
Total deferred inflows of resources	574	12,590	20,049
NET POSITION			
Held in trust for pension benefits, pool participants, and OPEB	\$ 4,324,564	\$ -	\$ 681

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, 2018

CITY OF MEMPHIS, TENNESSEE
Exhibit A-13

	Pension and OPEB Trust Funds	Community Redevelopment Agency Fund
ADDITIONS		
Contributions:		
Employer	\$ 127,403	\$ -
Medicare Part D	504	-
Plan members	33,484	-
Total contributions	<u>161,391</u>	<u>-</u>
Transfer from other fund	10,568	-
Pharmacy rebates	431	-
Local taxes	-	1,750
Other revenues	-	<u>70</u>
Total Revenues	-	1,820
Investment income:		
Interest and dividend income	77,734	-
Securities lending income	1,131	-
Other investment income	2,073	-
Gain on real estate investments	13,536	-
Net appreciation in the fair value of investments	394,015	-
Total investment income	<u>488,489</u>	<u>-</u>
Total additions	<u>660,879</u>	<u>1,820</u>
DEDUCTIONS		
Grants and subsidies	-	3,851
Project costs	-	627
Bond issue costs	-	282
Benefits	304,458	-
Administrative expenses	32,689	37
Refunds of contributions	18,662	-
Total deductions	<u>355,809</u>	<u>4,797</u>
OTHER FINANCING SOURCES		
Operating Transfer in - General Fund	-	2,977
Net (decrease)/increase	305,070	-
Net position - beginning of year	4,019,029	681
Prior period adjustment	465	-
Net position - beginning of year as restated	<u>4,019,494</u>	<u>681</u>
Net position - end of year	<u>\$ 4,324,564</u>	<u>\$ 681</u>

See accompanying notes to financial statements.

COMBINING STATEMENT OF NET POSITION
 COMPONENT UNITS
 (Thousands of Dollars)
 June 30, 2018

CITY OF MEMPHIS, TENNESSEE
 Exhibit A-14

	Memphis Area Transit Authority	Memphis - Shelby County Airport Authority	Memphis Cook Convention Center	Blight Authority of Memphis (1)	Memphis Zoological Society	Total
ASSETS						
Current unrestricted assets:						
Cash and cash equivalents	\$ 4,190	\$ 37,719	\$ 2,248	\$ 10	\$ 6,138	\$ 50,305
Investments	-	9,860	-	-	7,320	17,180
Receivables:						
Federal and state grants	8,876	1	-	-	-	8,877
Accounts receivable	284	4,895	513	100	1,570	7,362
Due from other agencies and governments	-	-	-	-	43	43
Inventories of materials and supplies	3,175	1,854	-	-	256	5,285
Prepaid expenses	440	2,711	41	-	383	3,575
Total current unrestricted assets	16,965	57,040	2,802	110	15,710	92,627
Current restricted assets:						
Cash and cash equivalents	-	91,892	-	-	1,000	92,892
Investments	-	83,584	-	-	-	83,584
Accounts receivable	-	8,647	-	-	-	8,647
Accrued interest	-	641	-	-	-	641
Total current restricted assets	-	184,764	-	-	1,000	185,764
Total current assets	16,965	241,804	2,802	110	16,710	278,391
Non-current restricted assets:						
Investments	510	26,918	-	-	-	27,428
Other assets	12	-	-	-	-	12
Net pension asset	5,136	-	-	-	-	5,136
Total non-current restricted assets	5,658	26,918	-	-	-	32,576
Capital assets:						
Land	2,731	159,875	643	-	-	163,249
Buildings	176,945	573,934	44,075	-	-	794,954
Avigation easements	-	46,679	-	-	-	46,679
Improvements other than buildings	-	954,534	-	-	-	954,534
Machinery, buses and equipment	100,277	126,250	8,822	-	-	235,349
Less accumulated depreciation and amortization	(169,881)	(1,066,071)	(48,622)	-	-	(1,284,574)
Total capital assets, net	110,072	795,201	4,918	-	-	910,191
Construction in progress	980	51,380	17	-	48	52,425
Net capital assets	111,052	846,581	4,935	-	48	962,616
Total assets	133,675	1,115,303	7,737	110	16,758	1,273,583
DEFERRED OUTFLOWS						
Deferred charges on refundings	-	1,816	-	-	-	1,816
Deferred actuarial losses-pensions	2,948	2,634	-	-	-	5,582
Deferred actuarial losses-OPEB	-	760	-	-	-	760
Total assets and deferred outflows	136,623	1,120,513	7,737	110	16,758	1,281,741

(Continued)

COMBINING STATEMENT OF NET POSITION
 COMPONENT UNITS
 (Thousands of Dollars)
 June 30, 2018

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

	Memphis Area Transit Authority	Memphis - Shelby County Airport Authority	Memphis Cook Convention Center	Blight Authority of Memphis	Memphis Zoological Society	Total
LIABILITIES						
Current:						
Notes and accounts payable	\$ 2,633	\$ 9,611	\$ 514	\$ 13	\$ 1,561	14,332
Due to other agencies and governments	1,167	-	2	-	-	1,169
Due to City of Memphis	6,000	-	-	-	-	6,000
Accrued liabilities	140	9,347	205	-	941	10,633
Unearned revenue	238	6,230	11	-	1,508	7,987
Current installment of revenue bonds payable and future events	-	25,912	434	-	-	26,346
Total current liabilities	10,178	51,100	1,166	13	4,010	66,467
Long-term (net of current maturities):						
Lease revenue received in advance	-	62,507	-	-	-	62,507
Net pension liability	-	9,752	-	-	-	9,752
Net OPEB liability	91,110	7,971	-	-	-	99,081
Revenue bonds payable	-	326,516	-	-	-	326,516
Other long-term obligations	-	1,219	-	-	-	1,219
Total long-term liabilities	91,110	407,965	-	-	-	499,075
Total liabilities	101,288	459,065	1,166	13	4,010	565,542
DEFERRED INFLOWS						
Pension	4,794	7,081	-	-	-	11,875
OPEB	3,527	2,324	-	-	-	5,851
Total deferred inflows	8,321	9,405	-	-	-	17,726
Total liabilities and deferred inflows	109,609	468,470	1,166	13	4,010	583,268
NET POSITION						
Net investment in capital assets	-	496,445	4,935	-	-	501,380
Restricted for:						
Capital acquisition/projects	111,052	132,220	-	-	-	243,272
Self-insurance	509	-	-	-	-	509
Other	-	-	-	100	8,078	8,178
Unrestricted	(84,547)	23,378	1,636	(3)	4,670	(54,866)
Total Net Position	27,014	652,043	6,571	97	12,748	698,473
Total liabilities, deferred inflows and net position	\$ 136,623	\$ 1,120,513	\$ 7,737	\$ 110	\$ 16,758	\$ 1,281,741

See accompanying notes to financial statements.

(1) Blight Authority of Memphis data reported as of June 30, 2017.

COMBINING STATEMENT OF ACTIVITIES
 COMPONENT UNITS (Thousands of Dollars)
 For the fiscal year ended June 30, 2018

CITY OF MEMPHIS, TENNESSEE
 Exhibit A-15

Component units:	Program Revenues			Net (Expense) Revenue and Changes in Net Position					Total	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Memphis Area Transit Authority	Blight Authority of Memphis (1)	Memphis Cook Convention Center	Memphis-Shelby County		
								Airport Authority		Zoological Society
Memphis Area Transit Authority	\$ 72,570	\$ 7,299	\$ -	\$ 6,972	\$ (58,299)	\$ -	\$ -	\$ -	\$ -	\$ (58,299)
Blight Authority of Memphis (1)	99	-	-	-	-	(99)	-	-	-	(99)
Memphis Zoological Society	18,759	17,105	402	461	-	-	-	-	(791)	(791)
Memphis Cook Convention Center	7,823	5,707	-	-	-	-	(2,116)	-	-	(2,116)
Memphis-Shelby County Airport Authority	134,723	107,166	-	28,228	-	-	-	671	-	671
Total component units	\$ 233,974	\$ 137,277	\$ 402	\$ 35,661	\$ (58,299)	\$ (99)	\$ (2,116)	\$ 671	\$ (791)	\$ (60,634)
General revenues:										
Grants and contributions not restricted to specific programs						187		28		215
City of Memphis subsidy					28,918		2,732			31,650
Investment income (loss)					-		1	3,221	458	3,680
Federal grants and entitlements					15,259					15,259
State grants					7,684					7,684
Other					558			6,448	35	7,041
Total general revenues and special items					52,419	187	2,733	9,697	493	65,529
Change in net position					(5,880)	88	617	10,368	(298)	4,895
Net position - beginning					87,636	9	5,954	641,675	13,046	748,320
Prior period adjustment					(54,742)					(54,742)
Net position - beginning, as restated					32,894	9	5,954	641,675	13,046	693,578
Net position - ending					\$ 27,014	\$ 97	\$ 6,571	\$ 652,043	\$ 12,748	\$ 698,473

See accompanying notes to financial statements.

(1) Blight Authority of Memphis data reported as of June 30, 2017.

CITY OF MEMPHIS

T E N N E S S E E

NOTES TO FINANCIAL STATEMENTS

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I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting entity

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

Fiscal Year-End

The City of Memphis maintains a fiscal year of July 1 – June 30. Memphis Light, Gas and Water (MLGW), a division of the primary government, has a fiscal year-end of December 31. Thus, the amounts and disclosures for the MLGW Enterprise Funds, the MLGW Other Post Employment Benefits Trust Fund and the MLGW Retirement System Fund are as of December 31, 2017. The disclosures for other divisions, component units, and joint ventures are as of their June 30 fiscal year-end.

Discretely Presented Component Units

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

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

While the Center self-reports as an Enterprise Fund, for City reporting purposes the Center is considered a discretely presented component unit. In fiscal year 2016, the City opted to disclose the Memphis Cook Convention Center as a blended component unit under the guidelines of Governmental Accounting Standards Board Statement No. 61 (GASB 61); however upon further analysis, the City has determined that the Memphis Cook Convention Center meets the requirements of a discretely presented component unit under GASB 14. Complete financial statements for the Center may be obtained at The City of Memphis, 125 North Main Street - Third Floor, Room 368, Memphis, TN 38103 Phone: 901-636-6657.

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

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

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

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

Memphis Zoological Society (MZS) – MZS was created as a nonprofit in April 1951 by Charter to manage and support the Memphis Zoo and Aquarium in its efforts to preserve wildlife through education, conservation and research. All land, buildings, exhibits and other physical assets used by MZS are the property of the City of Memphis. MZS operates on a 52-53 week fiscal year ending on the last Sunday in the month of June. The year ended June 24, 2018, 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.

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 Other Post-Employment Benefits Trust Fund

City Retirement System Fund

Community Redevelopment Agency Fund

Library Retirement System Fund

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

Memphis Light, Gas and Water Retirement System Fund

Sold Property Tax Receivable Agency Fund

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

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

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

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

New Accounting Standards Adopted

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Issued in January 2017, Statement No. 84 *Fiduciary Activities* seeks to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement established criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. The Statement is applicable for fiscal years beginning after December 15, 2018. The City decided to implement this Statement for fiscal year ending June 30, 2018.

In March 2017 GASB issued Statement No. 85 *Omnibus 2017*. The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB pronouncements. This Statement addresses a variety of topics including issues related to blended component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other post employment benefits [OPEB]). The City conducted a review of the impact of this pronouncement on its financial statements and determined that the City is not affected by Statement No. 85.

In May 2017 GASB issued Statement No. 86 *Certain Debt Extinguishment Issues*. The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources – resources other than the proceeds of refunding debt – are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt extinguished and notes to financial statements for debt that is defeased in substance. The City conducted a review of the impact of this pronouncement on its financial statements and determined that the City is not affected by Statement No. 86 for fiscal year 2018.

Future Accounting Pronouncements

In November 2016, GASB issued Statement No. 83 *Certain Asset Retirement Obligations*. This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement. This Statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs. This Statement requires that recognition occur when the liability is both incurred and reasonably estimable. This Statement requires the measurement of an ARO to be based on the best estimate of the current value of outlays expected to be incurred. This Statement requires the current value of a government's AROs to be adjusted for the effects of general inflation or deflation at least annually. In addition, it requires a government to evaluate all relevant factors at least annually to determine whether the effects of one or more of the factors are expected to significantly change the estimated asset retirement outlays. This Statement also requires disclosure of information about the nature of a government's AROs, the methods and assumptions used for the estimates of the liabilities, and the estimated remaining useful life of the associated tangible capital assets. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018.

In June 2017, GASB issued Statement No. 87, *Leases*. This Statement increases the usefulness of governments' financial statements by requiring recognition of lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The City will implement this statement in 2021.

In April 2018 GASB issued Statement No. 88 *Certain Disclosures Related to Debt, Including Direct Borrowing and Direct Placements*. The primary objective of this Statement is to improve the information that is disclosed in notes to governmental financial statements related to debt. Statement No. 88 defines debt for purposes of disclosures in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established. This Statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018.

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 uncollectible accounts. The receivables collected during the current fiscal year and those collected by August 31, 2018, related to tax levies for fiscal year 2018 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 after August 31, 2018, are recorded as deferred inflows at June 30, 2018.

Interfund Receivables and Payables

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

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

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

All interfund transactions except those that represent interfund services provided and used are accounted for as transfers in or transfers out. Non-recurring or non-routine transfers of equity between funds are considered equity transfers.

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

Inventories and Prepaid Expenditures

Inventories in the Proprietary Funds are stated at cost determined principally by the first-in/first-out (FIFO) method. General Fund inventories are recorded as expenditures when purchased, and there were no significant inventories on hand at June 30, 2018. All other inventories are recorded as expenditures when consumed rather than when purchased (Consumption Method).

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

Capital Assets

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

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset 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 \$4,212. 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.1.).

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, pre-paid); or (b) legally or contractually required to remain intact (e.g., endowments).

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

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

Assigned Fund balance includes amounts a government intends to use for a particular purpose. Intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority. The City’s Finance Director (Chief Financial Officer) was delegated the authority by a City Council resolution to assign fund balance. Refer to section IV.I. Fund Balance By Purpose for details of Governmental Fund balances.

Unassigned Fund balance represents general fund amounts not classified elsewhere.

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

Reclassification of Net Position

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

Net position at June 30, 2017	\$ 258,025
Reclassification of Community Redevelopment Agency Fund	<u>(681)</u>
Restated net position at June 30, 2017	<u>\$ 257,344</u>

Restated net positions appear on Exhibits A-5.

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 \$1,754,962 difference are as follows:

Bonds payable	\$ 1,340,578
Settlement obligation	15,999
Unamortized loan costs	66,451
Capital lease obligations	30,410
Related party loan	150,880
Related party loan premium	16,041
Related party debt obligation	25,885
Related party debt premium	353
Accrued interest	15,724
Claims and judgments liability	8,500
On the job injury	3,360
Compensated absences	<u>80,781</u>
Net adjustment to reduce fund balance-total governmental funds to arrive at net position-governmental activities	<u>\$ 1,754,962</u>

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

The governmental funds statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances as reflected on the total governmental funds balance sheet and changes in net position of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains that “governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.”

The details of the \$37,093 difference are as follows:

Capital outlay	\$ 101,460
Retirement	(22,500)
Depreciation Expense	<u>(41,867)</u>
Net adjustment to increase net changes in fund balances-total governmental funds to arrive at change in net position of governmental activities	<u>\$ 37,093</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 \$(148,930) difference are as follows:

Debt issued or incurred:	
General obligation bonds	\$(312,393)
Commercial paper	(75,000)
Capital lease	(4,400)
Related party debt	(2,143)
General obligation bonds	92,705
Commercial paper	150,000
Related party	11,687
Capital leases	5,608
Related party premiums	1,437
Settlement obligation	1,333
Premium on related party	<u>(17,764)</u>
Net adjustment to increase net changes in fund balances- total governmental funds to arrive at changes in net position of governmental activities	<u>\$ (148,930)</u>

Another element of that reconciliation states that “some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.” The details of this \$22,860 difference are as follows:

Liability Changes:	
Claims and judgments liability	\$ (2,894)
Accrued interest expense	85
Personnel cost (OJI, Vacation, Sick, Other)	<u>(795)</u>
	<u>(3,604)</u>
Net pension liability adjustment	13,556
Net OPEB liability adjustment	<u>12,908</u>
	<u>26,464</u>
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at change in net position of governmental activities	<u>\$ 22,860</u>

III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary information

The City Council annually approves the budget ordinance for the General Fund, Enterprise Funds, Internal Service Funds, Debt Service Fund, and Special Revenue Funds (except the Community Development Fund and the Central Business Improvement District Fund) of the City.

During the fiscal year, budgetary control is maintained at a program level. The City Mayor has the authority to approve transfers between line items within the total amounts of each program category (Personnel Services, Materials and Supplies, Capital Outlay, Grants and Subsidies, Inventory and Expense Reimbursements). The City Mayor also has the authority to approve transfers between program categories within the total amounts of each program; however, each transfer shall have a maximum limit of \$50 and each program shall have an annual cumulative limit of \$100 for transfers between categories within the total amounts of each program. During the fiscal year, any transfer of appropriations between programs can be made only upon the authorization by ordinance or resolution of the City Council.

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

Encumbrance accounting is utilized in governmental funds. Encumbrances (e.g., purchase orders, contracts) outstanding at year-end are typically designated by the Finance Director (CFO) with the approval of the Mayor as an assignment of fund balances and do not constitute expenditures or liabilities because the commitments will be re-appropriated and honored during the subsequent year. The basis of accounting applied to budgetary data presented is not consistent with generally accepted accounting principles for governmental funds, as actual expenditures are increased by current year encumbrances in order to be consistent with the basis of budgeting used.

B. Excess of expenditures over appropriations

In demonstrating compliance with the City's legally prescribed budgetary requirements, expenditures at June 30, 2018, did not exceed appropriations at the program level. The comparison of actual expenditures to the budget for the General Fund reflects no unfavorable variances from budget at the program level.

C. Deficit net position

No funds had a deficit net position at the end of fiscal year 2018.

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, 2018 all deposits were insured or collateralized as required by policy. The City's investment policy provides that all securities purchased by the City or held as collateral on either deposits or investments shall be held in third-party safekeeping at a financial institution.

Deposits held by the C&I Pool at June 30, 2018, totaled \$2,511.

The investments held by the pool consist of the following at June 30, 2018:

<u>Description</u>	<u>Maturity Dates</u>	<u>Interest Rates</u>	<u>Fair Value</u>	<u>Duration</u>
U.S. Government Obligations	July 2018 - January 2023	.0% - 2.540%	\$ 317,468	.08 - 4.55
Cash Equivalents	July 2018 - September 2018	0%	29,699	.03 - .230
Certificate of Deposit	May 2020 - May 2023	1.95% - 3.200%	2,214	1.84 - 4.90
Corporate Bonds	May 2021	3.370%	261	2.88
Total Investments			<u>\$ 349,642</u>	

The C&I Pool does not issue separate financial statements. Condensed financial information as of June 30, 2018, is as follows (dollar amounts and share amounts are the same):

Condensed Statement of Net Position

Cash deposits	\$ 2,511
Investments	<u>349,642</u>
Net position	<u>\$ 352,153</u>
Net position held in trust for pool participants:	
Internal participants	<u>352,153</u>
Total net position held in trust for pool participants	<u>\$ 352,153</u>

Condensed Statement of Changes in Net Position

Additions:	
Investment income	\$ 6,193
Purchase of units	1,440,474
Total additions	<u>1,446,667</u>
Deduction:	
Redemption of units	1,415,343
Net increase	31,324
Net position held in trust for pool participants:	
Beginning of year	<u>320,829</u>
End of year	<u><u>\$ 352,153</u></u>

Investments Outside of the Pool

Several funds in the primary government own investments outside of the C&I Pool. The Capital Projects Fund’s investments were purchased from the unexpended portion of general obligation bond issues, which require the City to maintain separate investments for arbitrage purposes. The Sewer Collection and Treatment Fund’s investments were purchased to set aside funds to satisfy certain revenue bond covenants. Investments in these funds are generally of the same type as in the C&I Pool with the addition of collateralized certificates of deposit. These funds also are required to deposit funds relating to certain construction projects in the State of Tennessee Treasurer’s Local Government Investment Pool (“LGIP”).

Deposits with the LGIP, which may be withdrawn with a maximum of one day’s notice, are classified as cash equivalents and are valued at cost. The LGIP is not registered with the SEC as an investment company; however, the LGIP has a policy that it will, and does, operate in a manner consistent with the SEC’s Rule 2a7 of the Investment Company Act of 1940. Rule 2a7 allows SEC-registered mutual funds to use amortized cost rather than fair value to report net position to compute share prices if certain conditions are met. State statutes require the State Treasurer to administer the LGIP under the same terms and conditions, including collateral requirements, as required for other funds invested by the Treasurer. The reported value of the pool is the same as the fair value of the pool shares. Although the LGIP itself is unrated, its types of investments and maturities provide a level of credit risk similar to that detailed in the aforementioned credit risk section.

All of MLGW’s investments are outside of the C&I Pool. MLGW’s investments are invested under a cash management program which provides for the investment of excess cash balances in short-term investments and the investment of debt service funds in instruments maturing as the related debt matures. These investments are similar to those described above with the addition of commercial paper and mutual funds.

The MLGW Statement of Investment Policy has been adopted and approved by the MLGW Board of Commissioners. This policy sets forth the investment and operational policies for the management of the public funds of MLGW. The Board of Commissioners has the power to invest and reinvest MLGW funds in accordance with the prudent investor rule. The Board members exercise authority and control over MLGW’s investment

portfolio by setting policies that MLGW's investment staff executes either internally or through the use of external prudent experts.

Investments in the City Retirement Fund, the Library Retirement Fund, and the MLGW Retirement and Pension System include stocks, corporate and government bonds, mortgage-backed securities, mutual funds, limited partnerships, real estate investments and commercial paper in addition to the money market securities mentioned above.

Deposits and cash on hand held by the primary government outside of the C&I Pool at June 30, 2018, totaled \$483,460.

The investments held by the primary government outside the C&I Pool at June 30, 2018:

<u>Description</u>	<u>Fair Value</u>
Short-term investments	\$ 8,071
Money market	126
U.S. Government securities	74,655
Federal Agency securities	93,647
Total	<u>\$ 176,499</u>
Investments not subject to categorization:	
State of Tennessee LGIP	616
Total Investments	<u>\$ 177,115</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	\$ 2,511
C&I Pool investments	349,642
Other deposits and cash on hand	483,460
Other investments	177,115
Total	1,012,728
Equity in C&I Pool – Agency funds	(3,043)
Equity in C&I Pool – Fiduciary funds	(4,102)
Total	<u>\$ 1,005,583</u>
Cash and cash equivalents	\$ 355,347
Investments	156,095
Equity in cash and investment pool	345,008
Restricted special fund-customer deposits	91,641
Restricted investments	57,492
Total	<u>\$ 1,005,583</u>

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

Memphis Area Transportation Authority (MATA) as of June 30, 2018

Cash and Cash Equivalents	\$ 4,190
Restricted Investments	
Federal Home Loan Mortgage Obligation	\$ 510
Total Investments	\$ 510

Memphis Cook Convention Center (MCCC) as of June 30, 2018

Cash and Cash Equivalents	\$ 2,248
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Memphis Shelby County Airport Authority (MSCAA) as of June 30, 2018

Deposits

Cash deposits	\$ 37,716
Cash on hand	3
Total Deposits and cash on hand	\$ 37,719

Restricted Cash

Bonds, construction and other miscellaneous	\$ 91,892
Total Investments	\$ 91,892

Investments

U.S. Government agencies	\$ 96,522
Investments not subject to categorization:	
Forward purchase agreement	23,840
Total Investments	\$ 120,362

Memphis Zoological Society (MZS) as of June 24, 2018

Cash and Cash Equivalents	<u>\$ 6,138</u>
Restricted Cash	
Construction of new parking	<u>\$ 1,000</u>
Total Restricted Cash	<u>\$ 1,000</u>
Investments	
Community Foundation of Greater Memphis funds	<u>\$ 7,320</u>
Total Investments	<u>\$ 7,320</u>

Blight Authority of Memphis (BAM) as of June 30, 2017, (1)

Cash and Cash Equivalents	<u>\$ 10</u>
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(1) Blight Authority of Memphis (BAM) financial data is as of June 30, 2017.

City of Memphis Retirement System – Deposits and Investments

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

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

	<u>Minimum</u>	<u>Maximum</u>
Cash equivalents	0%	5%
Real estate	5%	10%
Private equity	2%	6%
Hedge Fund of Funds	2%	6%
Domestic equities	14%	28%
International equities	24%	38%
Fixed income	20%	36%

In exceptional circumstances, deviations from these may occur on a limited basis.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment or deposit. Duration is the measure of the price sensitivity of a fixed income portfolio to changes in interest rates. The longer the duration of a portfolio, the greater is its price sensitivity to changes in interest rates. The City Plan limits its exposure to interest rate risk by diversifying its investments by security type and institution.

The fair values of fixed income investments, grouped by maturity at June 30, 2018, are as follows:

Current to one year	\$	176,483
One to two years		33,680
Two to three years		37,084
Three to four years		42,780
Four to five years		53,884
Five or more years		<u>363,607</u>
		707,518
Funds with indeterminable maturities		<u>11,106</u>
	\$	<u>718,624</u>

Credit Risk

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

The City Plan's exposure to credit risk at June 30, 2018, 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	\$ 43,367	AAA	6.03%
	76,885	AA+	10.70%
Non-government-backed CMOs	6,594	AAA	0.92%
	834	AA+	0.12%
	268	A-	0.04%
	410	BBB+	0.06%
Asset-backed securities	1,486	AAA	0.21%
	970	A	0.13%
	2,857	BBB	0.40%
	359	BB+	0.05%
	494	BB-	0.07%
Corporate bonds and index funds	96,769	AAA	13.47%
	70,158	AA+	9.76%
	4,994	AA	0.69%
	11,521	AA-	1.60%
	6,917	A+	0.96%
	22,364	A	3.11%
	67,170	A-	9.35%
	25,233	BBB+	3.51%
	40,726	BBB	5.67%
	16,816	BBB-	2.34%
	39,714	BB+	5.53%
	22,610	BB	3.15%
	22,787	BB-	3.17%
	20,474	B+	2.85%
	16,969	B	2.36%
	11,237	B-	1.56%
5,842	CCC+	0.81%	
1,568	CCC	0.22%	
745	CCC-	0.10%	
53,042	NR	7.38%	
Government mortgage-backed securities	17,407	AAA	2.42%
	9,037	AA+	1.26%
Total Fixed Income	\$ 718,624		100.00%

Foreign currency risk

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

The City Plan's exposure to foreign currency risk – in U.S. Dollars – as of June 30, 2018, is as follows:

Currency	Equities	Corporate Bonds	Total
Australian dollar	\$ 7,734	\$ 12,409	\$ 20,143
Brazilian real	313	-	313
British pound sterling	26,229	20,546	46,775
Canadian dollar	11,414	9,852	21,266
Cayman Islands dollar	-	461	461
Chinese yuan (renminbi)	2,692	1,003	3,695
Danish krone	3,095	-	3,095
Euro	44,246	6,933	51,179
Hong Kong dollar	4,582	-	4,582
Israeli shekel	2,990	-	2,990
Japanese yen	31,293	565	31,858
Mexican peso	-	29,984	29,984
Norwegian krone	1,497	-	1,497
Panamanian balboa	-	14,661	14,661
Polish zloty	-	11,724	11,724
Qatari riyal	-	1,348	1,348
Singapore dollar	1,207	-	1,207
Thailand baht	228	-	228
South African rand	203	13,236	13,439
South Korean won	970	423	1,393
Swedish krona	4,419	-	4,419
Swiss franc	9,776	1,064	10,840
Total securities subject to foreign credit risk	\$ 152,888	\$ 124,209	\$ 277,097
International portfolio in U.S dollars	526,974	-	526,974
	\$ 679,862	\$ 124,209	\$ 804,071

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 loan 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 \$270 during the year ended June 30, 2018.

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, 2018 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, 2018 the collateral held and the market value of the securities on loan was \$105,741 and \$102,534 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, 2018 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 2018 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 \$97,132 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, 2018, were as follows:

<u>Description</u>	<u>Fair Value</u>
Mutual Funds	\$3,010

Financial Instruments Reported At Fair Value

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

Disclosures concerning financial instruments that are reported at fair value are presented below. Fair value has been determined based on the City's assessment of available market information and appropriate valuation methodologies. The market approach uses prices and other relevant information generated by market transactions involving identical or comparable assets, liabilities, or a group of assets and liabilities. The following table summarizes fair value disclosures and measurements at June 30, 2018:

NOTES TO FINANCIAL STATEMENTS
(Thousands of Dollars)
For the fiscal year ended June 30, 2018

CITY OF MEMPHIS, TENNESSEE
(Continued)

	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	\$ 41,105	\$ 127	\$ 14,475	\$ 26,503
Convertible Securities	2,691	-	2,691	-
Equities	660,001	608,702	49,700	1,599
Equity Mutual Funds	49,735	-	49,735	-
Fixed Income Securities	633,824	124,502	497,268	12,054
Fixed Income Mutual Funds	11,926	-	11,926	-
Futures Contracts	5	5	-	-
Real Estate Funds	122,486	-	-	122,486
Partnerships	131,945	-	-	131,945
REIT	1,489	655	834	-
Preferred Securities	258	-	258	-
	<u>\$ 1,655,465</u>	<u>\$ 733,991</u>	<u>\$ 626,887</u>	<u>\$ 294,587</u>
LGIP	6			
NAV Expedient:	<u>\$ 809,010</u>			
Total Leveling, NAV, LGIP	\$ 2,464,481			
Less Cash Equivalents	(17,483)			
Net Leveling	<u>\$ 2,446,998</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 estimates 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 a 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 institutional 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, 2018. 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, 2018

CITY OF MEMPHIS, TENNESSEE
(Continued)

B. Receivables

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

	General	Debt Service	Capital Projects	Sewer Collection and Treatment	Memphis Light, Gas and Water	Community Development	Nonmajor and Other Funds	Total
Receivables:								
Property taxes	\$ 309,934	\$ 143,114	\$ 442	\$ -	\$ -	\$ -	\$ 2,323	\$ 455,813
Special assessments	-	-	-	-	-	-	4,154	4,154
Sales, income, and other taxes	43,003	1,465	-	-	-	-	-	44,468
Federal and state grants	1,589	-	6,941	-	-	39,939	9,518	57,987
Interest and dividends on investments	-	-	-	7	-	236	-	243
Notes and accounts receivable	-	-	-	11,362	167,459	-	3,393	182,214
Housing and rehabilitation loans	-	-	-	-	-	57,883	-	57,883
Due from other funds	8,028	7,157	-	-	-	-	-	15,185
Other	158,867	3,710	-	-	-	115	5,436	168,128
Gross receivables	521,421	155,446	7,383	11,369	167,459	98,173	24,824	986,075
Less allowance for uncollectibles	(141,840)	(7,005)	(28)	(112)	(11,978)	(11,576)	(1,228)	(173,767)
Net total receivables	\$ 379,581	\$ 148,441	\$ 7,355	\$ 11,257	\$ 155,481	\$ 86,597	\$ 23,596	\$ 812,308

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, 2018, 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 year 2018 levy was based was approximately \$12.6 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, 2018, were 95.18% of the tax levy.

At June 30, 2018, the allowance for uncollectible property taxes by fund was as follows:

General Fund	\$ 15,483
Debt Service Fund	7,005
Schools	503
Pre-K Fund	64
Capital Projects Fund	29
Total	<u>\$ 23,084</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, 2018, as follows:

General Fund	2.163984
Debt Service Fund	1.018900
Capital Projects Fund	0.003102
Pre-K Fund	0.010000
Total	<u>3.195986</u>

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

Tax Abatements

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

Tax abatements (cont.)

<p><i>City of Memphis Tax Abatement Disclosure as required by Statement No. 77 of the Governmental Accounting Standards Board</i></p>	<p>Downtown Memphis Commission (PILOT Program administered by Center City Revenue Finance Corporation)</p>
<p>Purpose of Program</p>	<p>Financial incentive designed to encourage commercial real estate development in and around the Downtown Memphis area.</p>
<p>Tax being abated</p>	<p>Real and/or personal property taxes</p>
<p>Authority under which abatement agreements are entered into</p>	<p>Tennessee Code Annotated 7-53-102</p>
<p>Criteria to be eligible to receive abatement.</p>	<p>In order to be eligible for the Program, applicants must meet the following requirements:</p> <ul style="list-style-type: none"> - The project should be located within the Central Business Improvement District (CBID), and/or within the Parkways (Appendix II). - The value of the proposed building renovations, site improvements or new construction must be equal to or greater than 60 percent of the total project cost. - The project must pass a "but for" test that determines that the project would not be financially feasible without a PILOT. - Applicant must own the property or have an option or other right to purchase the property. - Residential projects with 51 units or more are subject to the DMC's affordable housing requirement. This requirement stipulates that at least 20 percent of the residential rental units shall be occupied by, or held available solely for, individuals and families of low or moderate income, defined as no more than 80 percent of the median gross income for Shelby County, Tennessee. - No project on Mud Island south of A. W. Willis Avenue shall be considered for a PILOT without consideration of the Riverfront Development Corporation's recommendation. - Only multi-family projects or mixed-use developments that include a multi-family component are eligible for a PILOT outside of the CBID. - Apartment and mixed-use projects shall not utilize electric resistance heat systems. <ul style="list-style-type: none"> o Projects should incorporate natural gas, heat pumps, or another high-efficiency system as deemed adequate by DMC staff and Memphis Light, Gas & Water (MLGW) staff. This requirement applies to both new construction and building renovation projects. o The only exception to this requirement will be for instances where using natural gas, heat pumps, or another high-efficiency system is deemed technically infeasible by MLGW staff due to unavoidable characteristics of the project, use, building, or site.
<p>How recipients' taxes are reduced</p>	<p>Taxes are reduced by 75% of the increase in the assessment from the date of the PILOT closing</p>
<p>How amount of abatement is determined</p>	<p>Payments shall be based on the predevelopment assessment, plus 25 percent of the increase in the assessment from the date of the PILOT closing.</p>
<p>Provisions for recapturing abated taxes</p>	<p>N/A</p>
<p>Types of commitments made by the City other than to reduce taxes</p>	<p>N/A</p>
<p>Fiscal Year 2018 Gross dollar amount, on accrual basis, by which the City's tax revenues were reduced as a result of abatement agreements</p>	<p>3,949</p>

NOTES TO FINANCIAL STATEMENTS
(Thousands of Dollars)
For the fiscal year ended June 30, 2018

CITY OF MEMPHIS, TENNESSEE
(Continued)

Tax abatements (cont.)

Programs Administered by Economic Development Growth Engine (Industrial Development Board)			
<i>City of Memphis Tax Abatement Disclosure as required by Statement No. 77 of the Governmental Accounting Standards Board</i>	Community Builder PILOT	Destination Retail PILOT	Expansion PILOT
Purpose of Program:	The intent of the program is to spur investment and job creation in distressed areas of the City of Memphis and unincorporated Shelby County, which areas are defined as Eligible Census Tracts eligible for the federal New Markets Tax Credit Program.	The intent of the program is to increase employment within the State of Tennessee.	The intent of the program is to increase employment within the State of Tennessee.
Tax being abated:	Real and/or personal property taxes	Real and/or personal property taxes	Real and/or personal property taxes
Authority under which abatement agreements are entered into:	Tennessee Code Annotated section 7-53-101, et seq	Tennessee Code Annotated section 7-53-101, et seq	Tennessee Code Annotated section 7-53-101, et seq
Criteria to be eligible to receive abatement:	<ol style="list-style-type: none"> 1) Only eligible uses proposed by the applicant for locations in, contiguous to or adjacent to New Markets Tax Credit Program Eligible Census Tracts. 2) No designated site will be awarded a PILOT unless said award is recommended in writing by the Mayor of the City of Memphis and the Mayor of Shelby County. The Mayor of Shelby County shall not alone, if the designated site is located in the unincorporated area of Shelby County. 3) Applicants must demonstrate compliance with the payment of all municipal, county and state taxes due for all properties owned by it and located in Shelby County at the time of closing the Lease Agreement and during the entire PILOT Term. 4) All projects must comply with the Local Business Participation Program. 	<ol style="list-style-type: none"> 1) A project must create at least one hundred (100) Net New Jobs. 2) A Capital Investment of at least \$50M is required. 3) The project must be applicant's only comparable retail location within 200 miles of Shelby County. Comparable retail locations will be determined by the Board, in its sole discretion, based on the size, investment, number of jobs, intended market and/or other criteria. 4) The project must comply with Local Business Participation Program requirements. 	<ol style="list-style-type: none"> 1) The project must result in the retention of at least one hundred (100) retained jobs. 2) A capital investment of at least \$10M is required. 3) The applicant must have been operating and directly employing workers in Shelby County for ten (10) consecutive years prior to applying. 4) The applicant must comply with the Local Business Participation Program requirements. 5) In order to be considered, the project must be one of the specified types of projects.
How recipients' taxes are reduced:	Through a reduction of the property's assessed value.	Through a reduction of the property's assessed value.	Through a reduction of the property's assessed value.
How amount of abatement is determined:	Payments are based on one hundred percent (100%) of the property taxes which would otherwise be collected and attributable to the unimproved property and twenty-five percent (25%) of the property taxes which would otherwise be collected and attributable to the real property improvements at the time EDGE takes title of the property. For tangible personal property utilized for the project, such payments are to be based on twenty-five percent (25%) of the property taxes that would otherwise be collected and attributable to the tangible property being utilized for the project.	The payments are based on one-hundred percent (100%) of the property taxes which would otherwise be collected and attributable to the land and a fraction of the property taxes which would otherwise be collected and attributable to the real property improvements resulting from the project at the time EDGE takes title of the property. At the present time, the minimum allowable fraction is subject to change from time to time by action of the Memphis City Council, Shelby County Commission and/or Shelby County Commission, and/or EDGE Board, but no such change shall be applied retroactively to any previously approved PILOT. The minimum allowable PILOT payment for real property is twenty-five percent (25%) for the City of Memphis, if located in whole or in part within the City of Memphis, and twenty-five percent (25%) for Shelby County.	The payments are based on one-hundred percent (100%) of the property taxes which would otherwise be collected and attributable to the land and a fraction of the property taxes which would otherwise be collected and attributable to the real property improvements resulting from the Project at the time EDGE takes title of the property. The minimum allowable fraction is subject to change from time to time by action of the Memphis City Council, Shelby County Commission and/or EDGE Board, but no such change shall be applied retroactively to any previously approved PILOT. The minimum allowable PILOT payment for real property improvements is twenty-five percent (25%) for the City of Memphis, if located in whole or in part within the City of Memphis, and twenty-five percent (25%) for Shelby County.
Provisions for recapturing abated taxes:	N/A	N/A	N/A
Types of commitments made by the City other than to reduce taxes:	N/A	N/A	N/A
Gross dollar amount, on accrual basis, by which the City's tax revenues were reduced as a result of abatement agreements:	N/A	N/A	N/A

See next page.

Tax abatement (cont.)

<p><i>City of Memphis Tax Abatement Disclosure as required by Statement No. 77 of the Governmental Accounting Standards Board</i></p>	<p>LCH (Health, Education & Housing Facility Board)</p>
<p>Purpose of Program</p>	<p>The purpose of the program is to issue bonds for the purpose of financing the acquisition and development of qualified multi-family residential facilities for low and moderate-income families.</p>
<p>Tax being abated</p>	<p>Real and/or personal property taxes</p>
<p>Authority under which abatement agreements are entered into</p>	<p>Tennessee Code Annotated Section 48-101-301 <i>et seq</i></p>
<p>Criteria to be eligible to receive abatement.</p>	<p>1) The value of the building renovations, site improvements or new construction must be equal to or greater fifty-percent (50%) of the property acquisition cost. 2) The applicant must have site control which shall be the equivalent of fee simple title, 99 year lease, or an option to purchase with no contingencies except financing. 3) Applicant must have evidence of financing commitment for total project costs. 4) 20% of the applicant's units must be occupied by individuals whose income is 50% less of the median gross income or 40% more of the units must be occupied by individuals whose income is 60% less of the median gross income. 5) Applicant must provide written projection of how tax abatement savings will directly benefit tenants through one or more of the following - additional property improvements, rent reduction or stabilization, and tenant services to include any special social services.</p>
<p>How recipients' taxes are reduced</p>	<p>The taxes being abated are fifty percent (50%) of the real property taxes of the qualified multi-family housing property at the time that the PILOT Agreement and PILOT Lease Agreement are entered into.</p>
<p>How amount of abatement is determined</p>	<p>The current assessed value of the qualified multi-family housing property is frozen at fifty percent for the full-term of the PILOT and is used to determine the amount of the annual PILOT payments due to the City of Memphis and Shelby County.</p>
<p>Provisions for recapturing abated taxes Types of commitments made by the City other than to reduce taxes</p>	<p>N/A N/A</p>
<p>Fiscal Year 2018 Gross dollar amount, on accrual basis, by which the City's tax revenues were reduced as a result of abatement agreements</p>	<p>2,557</p>

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

D. Capital assets

Capital asset activity for the year ended June 30, 2018, was as follows:

Primary Government

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Governmental Activities:					
Capital assets not being depreciated:					
Land	\$ 70,102	\$ 5,920	\$ (178)	\$ -	\$ 75,844
Construction in progress	628,027	73,152	(12,758)	-	688,421
Total capital assets not being depreciated	698,129	79,072	(12,936)	-	764,265
Capital assets being depreciated:					
Buildings	576,678	3,358	(8,695)	-	571,341
Improvements other than buildings	880,415	14,424	(2,730)	-	892,109
Machinery and equipment	402,494	4,606	(254,731)	(96)	152,273
Total capital assets being depreciated	1,859,587	22,388	(266,156)	(96)	1,615,723
Less accumulated depreciation for:					
Buildings	(301,129)	(13,387)	668	-	(313,848)
Improvements other than buildings	(348,841)	(17,226)	1,231	-	(364,836)
Machinery and equipment	(351,619)	(11,254)	254,693	96	(108,084)
Total accumulated depreciation	(1,001,589)	(41,867)	256,592	96	(786,768)
Total capital assets being depreciated, net	857,998	(19,479)	(9,564)	-	828,955
Governmental activities capital assets, net	\$ 1,556,127	\$ 59,593	\$ (22,500)	\$ -	\$ 1,593,220

NOTES TO FINANCIAL STATEMENTS
(Thousands of Dollars)
For the fiscal year ended June 30, 2018

CITY OF MEMPHIS, TENNESSEE
(Continued)

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Business-type Activities:					
Capital assets not being depreciated:					
Land	\$ 13,732	\$ -	\$ (68)	\$ -	\$ 13,664
Construction in progress	255,398	59,009	(9,454)	-	304,953
Memphis Light, Gas and Water assets	259,595	168,076	(226,718)	-	200,953
Total capital assets not being depreciated	528,725	227,085	(236,240)	-	519,570
Capital assets being depreciated:					
Buildings	106,103	-	-	-	106,103
Improvements other than buildings	637,539	10,399	(4,253)	-	643,685
Machinery and equipment	53,242	3,542	(2,256)	96	54,624
Memphis Light, Gas and Water assets	2,757,026	227,672	(48,644)	-	2,936,054
Total capital assets being depreciated	3,553,910	241,613	(55,153)	96	3,740,466
Less accumulated depreciation for:					
Buildings	(89,001)	(1,071)	-	-	(90,072)
Improvements other than buildings	(323,818)	(10,314)	4,071	-	(330,061)
Machinery and equipment	(36,869)	(4,039)	2,256	(96)	(38,748)
Memphis Light, Gas and Water depreciation*	(1,260,649)	(109,487)	70,665	-	(1,299,471)
Total accumulated depreciation	(1,710,337)	(124,911)	76,992	(96)	(1,758,352)
Total capital assets being depreciated, net	1,843,573	116,702	21,839	-	1,982,114
Business-type activities capital assets, net	\$ 2,372,298	\$ 343,787	\$ (214,401)	\$ -	\$ 2,501,684

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

Construction Commitments

The government had active construction projects as of June 30, 2018. At year-end, the government's commitments with contractors were as follows:

<u>Function/Activity</u>	<u>Commitment</u>
Executive	\$ 5,227
Fire services	5,583
Police services	5,614
Park services	4,321
Public works	11,604
Public services	2,056
General services	16,634
Housing and Community Development	18,385
Engineering	5,769
Information systems	593
Storm Water	13,324
Sewer	16,564
	<u>\$ 105,674</u>

Depreciation Expense

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

Governmental activities:		
Human Resources	\$	1
Engineering		618
Executive		130
Finance		2,944
Fire services		3,099
General services		4,802
Housing and Community Development		1,376
Information services		3,044
Library		4,346
Park services		8,001
Police services		2,360
Public services		521
Public works		10,240
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>1</u>
Total depreciation expense - Governmental activities	\$	<u>41,483</u>
Business-type activities:		
Sewer	\$	12,978
Storm Water		2,426
Memphis Light, Gas and Water		<u>84,037</u>
Total depreciation expense - Business-type activities	\$	<u>99,441</u>

The reported MLGW depreciation expense shows a small difference between depreciation expense in the Statement of Revenue, Expenses, and Changes in Net Position – Proprietary Funds (Exhibit A-10) and the schedule listed below. The difference is attributed to a small amount of depreciation expense being recorded in the maintenance expense category on the Statement of Revenues, Expenses and Changes in Net Position. All reported amounts are derived from the MLGW 2017 Annual Report.

	MLGW			
	Electric	MLGW Gas	MLGW Water	Total
	Division	Division	Division	Division
Statement of Revenues, Expense and Changes in Net Position (<i>Dollars in Thousands</i>):				
Depreciation expense	\$ 52,416	\$ 17,676	\$ 9,257	\$ 79,349
Transportation costs	1,422	1,642	322	3,386
Salvage returns	9,254	13,208	1,845	24,307
Retirements	(9,268)	(13,214)	(1,845)	(24,327)
Amortization	1,732	444	110	2,286
SCBPU amortization	-	-	(964)	(964)
Statement of Cash Flows, Depreciation Expense	<u>\$ 55,556</u>	<u>\$ 19,756</u>	<u>\$ 8,725</u>	<u>\$ 84,037</u>
Per MLGW Annual Report F-6 Statement of Cash Flows (<i>Dollars in Thousands</i>):				
Depreciation of utility plant	<u>\$ 55,556</u>	<u>\$ 19,756</u>	<u>\$ 8,725</u>	<u>\$ 84,037</u>

Discretely Presented Component Units

Activity for the Memphis Area Transit Authority for the year ended June 30, 2018, was as follows:

	Beginning Balance (restated)	Increases	Decreases	Transfers	Ending Balance
Capital assets not being depreciated:					
Land	\$ 2,731	\$ -	\$ -	\$ -	\$ 2,731
Construction in progress	404	980	-	(404)	980
Total capital assets not being depreciated	<u>3,135</u>	<u>980</u>	<u>-</u>	<u>(404)</u>	<u>3,711</u>
Capital assets being depreciated:					
Buildings and improvements	175,674	1,271	-	-	176,945
Buses and other revenue vehicles	74,288	5,512	(7,151)	(43)	72,606
Machinery and equipment	27,204	527	(60)	-	27,671
Total capital assets being depreciated	<u>277,166</u>	<u>7,310</u>	<u>(7,211)</u>	<u>(43)</u>	<u>277,222</u>
Less accumulated depreciation for:					
Buildings and improvements	(96,271)	(6,303)	-	-	(102,574)
Buses and other revenue vehicles	(44,861)	(5,007)	6,704	59	(43,105)
Machinery and equipment	(23,179)	(1,019)	55	(59)	(24,202)
Total accumulated depreciation	<u>(164,311)</u>	<u>(12,329)</u>	<u>6,759</u>	<u>-</u>	<u>(169,881)</u>
Total capital assets being depreciated, net	<u>112,855</u>	<u>(5,019)</u>	<u>(452)</u>	<u>(43)</u>	<u>107,341</u>
Capital assets, net	<u>\$ 115,990</u>	<u>\$ (4,039)</u>	<u>\$ (452)</u>	<u>\$ (447)</u>	<u>\$ 111,052</u>

NOTES TO FINANCIAL STATEMENTS
(Thousands of Dollars)
For the fiscal year ended June 30, 2018

CITY OF MEMPHIS, TENNESSEE
(Continued)

Activity for the Memphis-Shelby County Airport for the year ended June 30, 2018, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	\$ 159,875	\$ -	\$ -	\$ 159,875
Avigation easements	46,679	-	-	46,679
Construction in progress	25,439	44,689	(18,748)	51,380
Total capital assets not being depreciated	231,993	44,689	(18,748)	257,934
Capital assets being depreciated:				
Runways, taxiways, aprons and airfield lighting	776,080	-	(3)	776,077
Buildings	563,506	10,428	-	573,934
Facilities constructed for tenants	104,078	-	-	104,078
Roads, bridges and fences	74,073	306	-	74,379
Equipment and utility systems	118,419	8,017	(186)	126,250
Total capital assets being depreciated	1,636,156	18,751	(189)	1,654,718
Less accumulated depreciation for:				
Runways, taxiways, aprons and airfield lighting	(485,743)	(31,061)	-	(516,804)
Buildings	(327,462)	(18,297)	-	(345,759)
Facilities constructed for tenants	(50,639)	(2,801)	-	(53,440)
Roads, bridges and fences	(44,421)	(3,909)	-	(48,330)
Equipment and utility systems	(95,348)	(6,576)	186	(101,738)
Total accumulated depreciation	(1,003,613)	(62,644)	186	(1,066,071)
Total capital assets being depreciated, net	632,543	(43,893)	(3)	588,647
Capital assets, net	\$ 864,536	\$ 796	\$ (18,751)	\$ 846,581

NOTES TO FINANCIAL STATEMENTS
(Thousands of Dollars)
For the fiscal year ended June 30, 2018

CITY OF MEMPHIS, TENNESSEE
(Continued)

E. Interfund receivables, payables, and transfers

The composition of the interfund transfers for the year ended June 30, 2018, is as follows:

	Transfers In													Total Transfers Out
	Nonmajor Special Revenue												Fiduciary	
	General Fund	Debt Service	Capital Projects	Community Development	Miscellaneous Grants	New Memphis Arena	Electronic Traffic Citation Fee	Pre-K Fund	Solid Waste	Community Redevelopment	Library Retirement Trust Fund	OPEB Trust Fund		
General Fund	\$ -	\$ 4,727	\$ 7,027	\$ -	\$ 4	\$ -	\$ 160	\$ 3,000	\$ 2,000	\$ 2,977	\$ 800	\$ 3,069	\$ 23,764	
Capital Projects Fund	7,027	-	-	-	-	-	-	-	-	-	-	-	7,027	
Nonmajor Special Revenue	2,500	1,768	-	-	-	-	-	-	-	-	-	-	4,268	
State Street Aid	-	195	-	-	-	-	-	-	-	-	-	-	195	
Miscellaneous Grants	75	3,617	-	-	-	-	-	-	-	-	-	-	3,692	
Solid Waste	58	-	-	-	-	-	-	-	-	-	-	-	58	
Hotel/Motel Tax	-	4,419	-	-	-	-	-	-	-	-	-	-	4,419	
New Memphis Arena	442	-	-	-	-	-	-	-	-	-	-	-	442	
Metro Alarm	-	-	-	-	-	-	-	-	-	-	-	-	-	
Total Nonmajor Special Revenue	3,075	9,999	-	-	-	-	-	-	-	-	-	-	13,074	
PROPRIETARY FUND TYPES														
Enterprise:	8,395	-	-	-	-	-	-	-	-	-	-	-	8,395	
Sewer Collection and Treatment	60,006	-	-	-	-	2,500	-	-	-	-	-	-	62,506 (1)	
Memphis Light, Gas and Water	150	1,893	-	-	-	-	-	-	-	-	-	-	2,043	
Storm Water	-	-	-	-	-	-	-	-	-	-	-	-	-	
Internal Service:	-	-	-	-	-	-	-	-	-	-	-	6,699	6,699	
Health Insurance	1,000	-	-	-	-	-	-	-	-	-	-	-	1,000	
Unemployment	-	-	-	-	-	-	-	-	-	-	-	-	-	
Total Proprietary Fund Types	69,551	1,893	-	-	-	2,500	-	-	-	-	-	6,699	80,643	
Total Transfers In	\$ 79,653	\$ 16,619	\$ 7,027	\$ -	\$ 4	\$ 2,500	\$ 160	\$ 3,000	\$ 2,000	\$ 2,977	\$ 800	\$ 9,768	\$ 124,508	

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

The composition of interfund balances as of June 30, 2018 is as follows:

Due to/from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
GOVERNMENTAL FUND TYPES		
General		
	State Street Aid	\$ 3,533
	Community Development	4,495
		<u>8,028</u>
Debt Service		
	State Street Aid	295
	Storm Water	6,862
		<u>7,157</u>
Total		<u>\$ 15,185</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	\$ 37,691
Facility	23,645
Accumulated Depreciation	<u>(30,926)</u>
Total	<u>\$ 30,410</u>

The remaining debt service requirement for capital lease obligations for the City at June 30, 2018, is as follows:

Fiscal Year	
2019	\$ 7,389
2020	5,092
2021	3,424
2022	3,057
2023	3,105
2024-2030	14,356
Less Interest	<u>(6,013)</u>
Present Value of Payments	<u>\$ 30,410</u>

G. Long-term debt

General Obligation Bonds

The City's full faith and credit and unlimited taxing power has been pledged that 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, 2018, the City's bond ratings were as follows: Aa2 by Moody's Investors Service, Inc. and AA by S&P Global Ratings as it relates to the Series 2018 Bonds.

In May 2018, the City issued \$309,255 of General Improvement Bonds, Series 2018 to finance various capital projects of the City and to refund \$150,000 for Commercial Paper Notes issued in July 2015. The issue resulted in net proceeds of \$325,000 (after the payment of \$1,325 in underwriter's discount and \$695 cost of issuance).

The proceeds of debt related to capital improvements as well as the associated issue costs paid by the City were recorded in the Capital Projects Fund. The proceeds and extinguishment of debt related to Commercial Paper as well as the associated issue costs paid by the City were recorded in the Debt Service Fund.

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, 2018, the outstanding balance is \$0.

Revenue Bonds

No Revenue Bond issues occurred in fiscal year 2018.

State Loans

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

February 05, 2018 obligation of \$11,000 with an interest rate of 0.81% payable over a 20-year period. There were no installments related to the February 05, 2018 obligation as of June 30, 2018.

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, 2018, a total of approximately \$233,010 bonds outstanding was considered defeased.

Center City Revenue Finance Corporation

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

County under the laws of the State of Tennessee. CCRFC provides various forms of financial assistance to development projects.

Pursuant to the Indenture, the proceeds of the Series 2016 CCRFC Bonds were used to, among other things, provide funds to make a loan (the "Series 2016 Loan") to the City pursuant to that certain Loan Agreement dated as of March 29, 2016 (the "Loan Agreement") between the Corporation and the City. The City used the proceeds of the Series 2016 Loan to: (a) pay costs of capital additions and improvements to and capital equipment for the Memphis Cook Convention Center, constituting a public facility within an area designated by the City as the center city area (the “Project”); (b) pay certain expenses incurred in connection with the issuance of the Series 2016 CCRFC Bonds. The bonds mature annually through January 5, 2020 with semiannual interest payments. The City is required to pay the remaining portion of the CCRFC’s debt service payments based on this guarantee. City of Memphis has paid \$781 in principal and \$46 in interest on the guarantee through June 30, 2018. The amount of liability recognized is the best estimate of the discounted present value of the future outflows expected to be incurred as a result of the guarantee.

June 30, 2017	Increases	Decreases	June 30, 2018
\$1,172	\$0	\$391	\$781

Pursuant to the Trust Indenture dated as of March 3, 2015 (the “Indenture”), 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.

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”); and (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 \$951 in principal and \$67 in interest on the guarantee through June 30, 2018.

The amount of liability recognized is the best estimate of the discounted present value of the future outflows expected to be incurred as a result of the guarantee.

June 30, 2017	Increases	Decreases	June 30,2018
\$951	\$0	\$317	\$634

Qualified Energy Conservation Bonds (QECB) are issued by 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 QECB, 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 \$2,495 in principal and \$798 in interest on the guarantee through June 30, 2018. The amount of liability recognized is the best estimate of the discounted present value of the future outflows expected to be incurred as a result of the guarantee.

June 30, 2017	Increases	Decreases	June 30, 2018
\$6,652	\$0	\$832	\$5,820

The City entered a loan agreement with CCRFC on April 29, 2015 whereby the City would receive an amount not to exceed \$2,015 of the proceeds from CCRFC QECB, Series 2015B. Actual proceeds totaled \$2,015. Interest on the loan is 3.91%, and the loan matures in 2025. Under the provisions of the agreement, the proceeds of the loan must be spent on specific authorized projects within a limited time period. The proceeds are held in an escrow account. As allowable expenditures are incurred, the developer will submit expenditures to the City. Upon approval of expenditures, the City will request the release of the funds from the escrow account to

reimburse the developer. The bonds mature annually through January 5, 2025 with semiannual interest payments.

June 30, 2017	Increases	Decreases	June 30, 2018
\$1,612	\$0	\$201	\$1,411

The City entered into a loan agreement with CCRFC on April 29, 2015 whereby the City would receive an amount not to exceed \$340 of the proceeds from CCRFC QECB, Series 2015C. Actual proceeds totaled \$340. Interest on the loan is 3.91%, and the loan matures in 2025. Under the provisions of the agreement, the proceeds of the loan must be spent on specific authorized projects within a limited time period. The proceeds are held in an escrow account. As allowable expenditures are incurred, the developer will submit expenditures to the City. Upon approval of expenditures, the City will request the release of the funds from the escrow account to reimburse the developer. The bonds mature annually through January 5, 2025 with semiannual interest payments. The City is required to pay the remaining portion of the CCRFC's debt service payments based on this guarantee. City of Memphis has paid \$102 in principal and \$32 in interest on the guarantee through June

30, 2018. The amount of liability recognized is the best estimate of the discounted present value of the future outflows expected to be incurred as a result of the guarantee.

June 30, 2017	Increases	Decreases	June 30, 2018
\$272	\$0	\$34	\$238

Economic Development Growth Engine

Pursuant to a Trust Indenture dated as of May 18, 2017 (the "Indenture"), the Economic Development Growth Engine Industrial Development Board of the City of Memphis and County of Shelby, Tennessee (EDGE) issued its \$36,215 Federally Taxable Senior Revenue Bonds, Series 2017A, its \$87,725 Tax-Exempt Subordinate Revenue Bonds, Series 2017B and its \$34,300 Federally Taxable Subordinate Revenue Bonds, Series 2017C. The Series 2017 EDGE Bonds are payable principally from distributions of state and local sales and use taxes in a tourist development zone that includes the Pyramid Arena, the Pinch District of the City and the Memphis Cook Convention Center.

Pursuant to the Indenture, the proceeds of the Series 2017 EDGE Bonds were used to, among other things, provide funds to make a loan (the "Series 2017 Loan") to the City pursuant to that certain Loan Agreement dated as of May 18, 2017 (the "Loan Agreement") between EDGE and the City. The City used the proceeds of the Series 2017 Loan to: (a) refund and defease the Refunded Bonds, Memphis Center City Revenue Finance Corporation of Memphis, Tennessee (CCRFC), Series 2011; and (b) pay the costs of issuance with respect to the Series 2017 EDGE Bonds.

The bonds mature annually through November 1, 2030, with semiannual interest payments. The City is required to pay the remaining portion of the EDGE's debt service payments based on this guarantee.

City of Memphis has paid \$8,775 in principal and \$5,415 in interest on the guarantee obligation through June 30, 2018. The amount of liability recognized is the best estimate of the discounted present value of the future outflows expected to be incurred as a result of the guarantee.

June 30, 2017	Increases	Decreases	June 30, 2018
\$ 158,240	\$ 0	\$ 8,775	\$ 149,465

The City entered into a financing lease agreement with Economic Development Growth Engine on September 18, 2017 whereby the City would receive an amount not to exceed \$2,143 of the proceeds from EDGE, Series 2017. Actual proceeds totaled \$2,143. Interest on the loan is 2.4%, and the loan matures in 2021. 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, 2021 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 \$536 in principal and \$16 in interest on the guarantee through June 30, 2018. The amount of liability recognized is the best estimate of the discounted present value of the future outflows expected to be incurred as a result of the guarantee.

June 30, 2017	Increases	Decreases	June 30, 2018
\$0	\$2,143	\$536	\$1,607

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 \$3,590 in principal and \$5,605 in interest on the guarantee obligation through June 30, 2018. 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, 2017	Increases	Decreases	June 30, 2018
\$17,407	\$0	\$600	\$16,807

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, 2018:

	General Obligation Bonds (1)	Bond Anticipation Notes / Commercial Paper	Capital Lease Obligations	Settlement Obligation	Guarantee Obligations	Revenue Bonds	State Loans	Total
Governmental Funds	\$ 1,407,029	-	30,410	15,999	193,159	-	-	1,646,597
Enterprise Funds	-	-	-	-	-	591,029	83,898	674,927
Total long-term debt	\$ 1,407,029	-	30,410	15,999	193,159	591,029	83,898	2,321,524

(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, 2018

CITY OF MEMPHIS, TENNESSEE
(Continued)

Long-term liability activity for the year ended June 30, 2018, was as follows:

	<u>Balance</u> <u>June 30, 2017</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2018</u>	<u>Due Within</u> <u>One Year</u>
Governmental Activities:					
<i>Bonds and Other Obligations:</i>					
General obligation bonds payable	\$ 1,109,035	309,255	(80,850)	1,337,440	85,785
General Oblig Bonds Payable Allocation	-	3,138	-	3,138	-
Premium on general obligation bonds	60,542	17,764	(11,855)	66,451	13,638
Commercial Paper	75,000	75,000	(150,000)	-	-
Capital lease agreements	31,618	4,400	(5,608)	30,410	6,420
Settlement Obligation	17,332	-	(1,333)	15,999	1,334
	<u>\$ 1,293,527</u>	<u>409,557</u>	<u>(249,646)</u>	<u>1,453,438</u>	<u>107,177</u>
<i>Guarantee Obligations:</i>					
Related party loan	\$ 160,363	-	(9,483)	150,880	9,127
Related party loan premium	17,401	-	(1,360)	16,041	1,520
Related party debt obligation	25,946	2,143	(2,204)	25,885	2,218
Related party debt obligation premium	430	-	(77)	353	77
	<u>\$ 204,140</u>	<u>2,143</u>	<u>(13,123)</u>	<u>193,159</u>	<u>12,942</u>
Subtotal	<u>\$ 1,497,667</u>	<u>411,700</u>	<u>(262,769)</u>	<u>1,646,597</u>	<u>120,119</u>
<i>Other Liabilities:</i>					
Legal Claims and Judgments	11,394	-	(2,894)	8,500	982
Accrued Interest	15,639	85	-	15,724	-
Vacation, sick and other leave benefits	81,692	43,475	(44,386)	80,781	308
On the Job Injury	3,244	4,751	(4,635)	3,360	-
	<u>\$ 111,969</u>	<u>48,311</u>	<u>(51,915)</u>	<u>108,365</u>	<u>1,290</u>
Total	<u>1,609,636</u>	<u>460,011</u>	<u>(314,684)</u>	<u>1,754,962</u>	<u>121,409</u>
Business-Type Activities:					
Revenue bonds	\$ 89,190	-	(11,230)	77,960	8,930
General Oblig Bonds Payable Allocation	10,000	-	(3,138)	6,862	1,640
Net premium/discount on revenue bonds	929	-	(468)	461	-
MLGW revenue bonds	425,325	155,000	(121,745)	458,580	132,360
Premium on MLGW revenue bonds	32,213	21,168	(6,215)	47,166	-
Sewer State Loan	47,124	37,091	(317)	83,898	617
Subtotal	<u>604,781</u>	<u>213,259</u>	<u>(143,113)</u>	<u>674,928</u>	<u>143,547</u>
<i>Other Liabilities:</i>					
Vacation, sick and other leave benefits	19,814	24,410	(2,618)	41,606	-
Total	<u>\$ 624,595</u>	<u>237,669</u>	<u>(145,731)</u>	<u>716,534</u>	<u>287,094</u>

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

The compound interest bonds are subject to optional redemption by the City prior to their maturities at stated redemption prices which are calculated based upon the compounded accreted value at the date of redemption. A summary of General Obligation, Other Debt and Revenue Bonds at June 30, 2018 follows:

Description	Interest Rates(%)	Original Issue	Balance Outstanding at Year End
General Obligation Debt:			
General City Government Serial Bonds	2.91-6.14	\$ 1,885,785	\$ 1,337,440
General Oblig Bonds Payable Allocation	2.91-6.14	3,138	3,138
Bond Anticipation Notes-Commercial Paper	variable	150,000	-
Net Premium/(Discount) on General Obligation Debt		<u>159,169</u>	<u>66,451</u>
Total General Obligation Debt		2,198,092	1,407,029
Capital Lease Obligations	3.75-4.32	50,334	30,410
Settlement Obligation		20,000	15,999
Guarantee Obligations	variable	194,599	176,765
Net Premium/(Discount) on Guarantee Obligations		<u>18,433</u>	<u>16,394</u>
		213,032	193,159
Total Governmental Funds Debt		\$ 2,481,458	\$ 1,646,596
Business-Type Debt:			
General Oblig Bonds Payable Allocation	2.91-6.14	\$ 10,000	6,862
Sanitary Sewerage System	3.00-6.30	132,175	77,960
Electric Division, MLG&W (1), (2)	2.00-5.00	837,980	391,410
Water Division, MLG&W (1)	2.00-5.00	70,000	67,170
Net Premium/(Discount) on revenue bonds		54,012	47,627
State Loans	.75-2.59	<u>84,735</u>	<u>83,898</u>
Total Business-Type Debt		\$ 1,188,902	674,927
Total		3,670,360	2,321,523

(1) All MLG&W bonds reflect amounts outstanding at December 31, 2017.

(2) MLG&W's outstanding Electric System debt is not related to the acquisition of capital assets. The proceeds from the 2003A and 2003B Electric System bond issues were used to prepay the cost of future power purchases from TVA. In 2008, the Series 2003B bonds were refunded by the Series 2008 bonds. In 2010, the callable portion of the 2003A Series bonds were refunded by the Series 2010 Bonds. In 2016, the remaining principal balance of the Series 2003A bonds were redeemed early.

NOTES TO FINANCIAL STATEMENTS
(Thousands of Dollars)
For the fiscal year ended June 30, 2018

CITY OF MEMPHIS, TENNESSEE
(Continued)

Debt service requirements to maturity for governmental long-term indebtedness at June 30, 2018 are as follows:

Fiscal Year	Total Long-term Indebtedness																		
	General Obligation						Revenue												
	General Obligations		Capital Lease		Settlement Obligation (3)		Guarantee Obligations		Sewer System		State Loan		MLG&W(2)						
	Principal (4) (5)	Interest(1)	Principal	Interest	Principal	Interest	Principal (4)	Interest	Principal (4)	Interest(1)	Principal	Interest	Principal (4)	Interest	Principal	Interest	Total		
2018	-	-	-	-	-	-	-	-	-	-	-	-	-	-	132,360	19,986	132,360	19,986	152,346
2019	85,785	60,967	6,421	968	1,334	1,334	11,344	6,902	8,930	3,573	616	749	12,380	13,903	126,810	87,062	213,872	87,062	213,872
2020	87,210	56,043	4,227	865	1,334	1,334	11,950	6,643	9,885	3,181	625	740	12,810	13,477	128,041	80,949	208,990	80,949	208,990
2021	87,120	52,638	2,643	781	1,334	1,334	11,470	6,354	8,745	2,722	632	732	13,330	12,948	125,274	76,175	201,449	76,175	201,449
2022	87,860	48,393	2,357	701	1,333	1,333	11,172	6,056	9,140	2,291	641	723	13,905	12,379	126,408	70,543	196,951	70,543	196,951
2023	88,845	43,788	2,487	618	1,333	1,333	12,417	5,731	7,055	1,896	649	715	14,515	11,767	127,301	64,515	191,816	64,515	191,816
2024	89,500	39,634	1,660	547	1,333	1,333	12,747	5,362	7,350	1,555	657	706	15,205	11,077	128,452	58,881	187,333	58,881	187,333
2025	91,105	36,483	1,765	491	1,333	1,333	13,172	4,891	7,630	1,216	667	697	15,915	10,368	131,587	54,146	185,733	54,146	185,733
2026	89,900	32,605	1,910	403	1,333	1,333	12,685	4,274	5,725	917	675	688	16,670	9,609	128,898	48,496	177,394	48,496	177,394
2027	30,955	28,321	2,060	308	1,333	1,333	13,323	3,633	3,655	687	684	678	17,445	8,832	69,455	42,459	111,914	42,459	111,914
2028	32,325	26,784	2,220	205	1,333	1,333	14,000	2,960	3,805	480	693	669	18,260	8,022	72,636	39,120	111,756	39,120	111,756
2029	33,725	25,179	2,375	113	1,333	1,333	14,708	2,252	2,430	299	703	659	19,095	7,184	74,368	35,686	110,054	35,686	110,054
2030	35,215	23,496	285	14	1,333	1,333	15,450	1,509	2,525	145	712	649	19,970	6,308	75,490	32,121	107,611	32,121	107,611
2031	31,290	21,811	-	-	-	-	16,230	728	1,085	33	722	639	20,930	5,349	70,257	28,560	98,817	28,560	98,817
2032	32,585	20,409	-	-	-	-	1,103	296	-	-	732	629	21,790	4,494	56,210	25,828	82,038	25,828	82,038
2033	33,970	18,911	-	-	-	-	1,158	241	-	-	742	618	22,690	3,596	58,560	23,366	81,926	23,366	81,926
2034	35,055	17,386	-	-	-	-	1,218	183	-	-	1,575	610	23,590	2,682	61,438	20,861	82,299	20,861	82,299
2035	36,515	15,782	-	-	-	-	1,278	123	-	-	40,839	606	17,950	1,741	96,582	18,252	114,834	18,252	114,834
2036	32,115	14,326	-	-	-	-	1,340	59	-	-	502	9	18,620	1,073	52,577	15,467	68,044	15,467	68,044
2037	28,690	12,980	-	-	-	-	-	-	-	-	505	5	11,150	399	40,345	13,384	53,729	13,384	53,729
2038	29,860	11,813	-	-	-	-	-	-	-	-	30,327	1	-	-	60,187	11,814	72,001	11,814	72,001
2039	31,075	10,590	-	-	-	-	-	-	-	-	-	-	-	-	31,075	10,590	41,665	10,590	41,665
2040	32,350	9,305	-	-	-	-	-	-	-	-	-	-	-	-	32,350	9,305	41,655	9,305	41,655
2041	33,715	7,952	-	-	-	-	-	-	-	-	-	-	-	-	33,715	7,952	41,667	7,952	41,667
2042	30,940	6,492	-	-	-	-	-	-	-	-	-	-	-	-	30,940	6,492	37,432	6,492	37,432
2043	31,520	5,122	-	-	-	-	-	-	-	-	-	-	-	-	31,520	5,122	36,642	5,122	36,642
2044	29,460	3,723	-	-	-	-	-	-	-	-	-	-	-	-	29,460	3,723	33,183	3,723	33,183
2045	17,660	2,400	-	-	-	-	-	-	-	-	-	-	-	-	17,660	2,400	20,060	2,400	20,060
2046	13,165	1,644	-	-	-	-	-	-	-	-	-	-	-	-	13,165	1,644	14,809	1,644	14,809
2047	13,690	1,117	-	-	-	-	-	-	-	-	-	-	-	-	13,690	1,117	14,807	1,117	14,807
2048	14,240	570	-	-	-	-	-	-	-	-	-	-	-	-	14,240	570	14,810	570	14,810
TOTAL	\$ 1,347,440	656,664	30,410	6,014	15,999	176,765	58,197	77,960	18,995	83,898	11,522	458,580	165,194	2,191,051	916,586	3,107,637	916,586	3,107,637	

(1) Interest on variable general obligation bonds is estimated.
(2) At 12-31-17
(3) No interest associated with the Settlement Obligation
(4) Excludes premiums and/or discounts
(5) Per City of Memphis resolution, \$10 million of Series 2016 was allocated to the Storm Water Fund

H. Restricted assets

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

Insurance reserves – injuries and damages	\$10,267
Insurance reserves – casualties and general	36,699
Medical benefits	12,322
Customer deposits	33,592
Bond reserve and debt service	<u>56,253</u>
Total	<u>\$149,133</u>

NOTES TO FINANCIAL STATEMENTS
(Thousands of Dollars)
For the fiscal year ended June 30, 2018

CITY OF MEMPHIS, TENNESSEE
(Continued)

I. Fund balance by purpose

Following is more detailed information on the governmental fund balances.

Equity - Fund Balances:	General	Debt Service	Capital Projects	Community Development	Nonmajor	Total Governmental Funds
Restricted						
Parks Special Services	\$ 2,182	-	-	-	-	2,182
Vacant Property Registry	55	-	-	-	-	55
Photo Enforcement	5,907	-	-	-	-	5,907
Bass Pto	2,120	-	-	-	-	2,120
Miscellaneous Activities	504	-	-	-	-	504
E-Traffic Citation Fee	-	-	-	-	577	577
Debt Service - Related Party Loan	-	17,008	-	-	-	17,008
Debt Service - Capital Lease	-	3,600	-	-	-	3,600
Debt Service-Plugged TDZ Revenue	-	158	-	-	-	158
Solid Waste Management	-	-	-	-	10,783	10,783
Miscellaneous Grants	-	-	-	-	273	273
Drug Enforcement	-	-	-	-	9,426	9,426
Community Development	-	-	-	5,008	-	5,008
Workforce Investment Network	-	-	-	-	2,000	2,000
Beale Street	-	-	-	-	882	882
Fire EMS	-	-	-	-	2,100	2,100
Pre-K	-	-	-	-	3,000	3,000
Committed						
Debt Service Requirements	-	56,112	-	-	-	56,112
Metro Alarms	-	-	-	-	1,534	1,534
Casino Gaming Commission	-	-	-	-	7	7
Beale Street	-	-	-	-	705	705
New Memphis Arena	-	-	-	-	119	119
Hotel/Motel Tax	-	-	-	-	11,054	11,054
Capital Projects	-	-	191,472	-	-	191,472
Assigned						
Agency Fund Buy Back	2,700	-	-	-	-	2,700
Encumbrances for Purchase Orders	9,450	-	-	-	-	9,450
Intergovernmental	20,000	-	-	-	-	20,000
Unassigned	98,283	-	-	-	-	98,283
Total Fund Balances	\$ 141,201	76,878	191,472	5,008	42,460	\$ 457,019

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	\$104,807
Deferred outflows - OPEB	23,956
Total Governmental Activities Deferred Outflows	<u>\$128,763</u>

Business-Type Activities

Deferred outflows - pensions	\$80,604
Deferred outflows - OPEB	2,078
Unamortized balance of refunded debt	409
Total Business-Type Activities Deferred Outflows	<u>\$83,091</u>

Total Deferred Outflows of Resources	<u><u>\$211,854</u></u>
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Deferred Inflows of Resources

Governmental Activities

Deferred inflows - pensions	\$220,050
Deferred inflows - OPEB	61,643
Prepaid taxes	6,876
Uncollected property taxes	391,349
Uncollected anti-neglect fees	587
Uncollected special assessments	4,002
Uncollected grant reimbursements	8,357
Uncollected intergovernmental revenues	38,506
Uncollected project loans receivable	46,307
Other	6,912
Total Governmental Activities Deferred Inflows	<u>\$784,589</u>

Business-Type Activities

Deferred inflows - pensions	\$47,703
Deferred inflows - OPEB	4,886
Total Business-Type Activities Deferred Inflows	<u>\$52,589</u>

Total Deferred Inflows of Resources	<u><u>\$837,178</u></u>
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V. OTHER INFORMATION

A. Risk management

The City is self-insured for health and medical benefits as well as on-the-job injury (OJI) claims. The Health Insurance Internal Service Fund charges premiums to other funds (primarily to the General Fund) that are used to pay claims and to fund the accrual for “incurred but not reported” (IBNR) claims and administrative costs of its health and medical benefits program. Additionally, OJI claims payable of \$3,360 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, 2017 and 2018 are as follows:

	On the Job Injury				
	Health	OPEB	Sewer Collection and Treatment Fund	Storm Water Fund	Governmental Funds
Balance - June 30, 2016	\$ 7,518	3,222	74	121	3,696
Current year provision	(62,108)	(23,624)	(114)	(106)	(4,665)
Payments	61,674	22,569	157	-	4,213
Balance - June 30, 2017	\$ 7,084	2,167	117	15	3,244
Current year provision	(64,834)	(9,143)	(177)	(32)	(4,961)
Payments	64,195	7,402	120	32	5,077
Balance - June 30, 2018	\$ 6,445	426	60	15	3,360

The City did not receive insurance recoveries during the year. Fleet Management had no payments for 2017 and 2018.

B. Subsequent events

The City has evaluated subsequent events for potential recognition and disclosure through (Date of Audit Report Issuance - TBD).

On May 11, 2018, the State Workforce Development Board (SWDB) voted to realign the State's Workforce Development System to coordinate service delivery and program activities with the Tennessee Departments of Education, Human Resources, and Economic and Community Development. This coordination with multiple State Departments is intended to promote structural consistency with the Tennessee Department of Economic and Community Development "base camps" (ECOD base camps). Due to this realignment, effective July 1, 2018, the responsibility of fiscal agent was transferred from the City to Shelby County.

In September 2018, the U.S. Department of Housing and Urban Development (HUD) concluded a compliance review of the HOME grant program and determined that, for fiscal year 2012, the City was non-compliant with the requirements of the HOME program as it relates to committed funds. In October 2018, the City's Housing and Community Development Division (HCD) provided additional supporting documentation for further review to the U.S. Department of Housing and Urban Development to refute the findings. Currently, the documentation provided by HUD is still in review. Based on the outcome, the City may face deobligations of future funding.

On September 25, 2018, the City Council passed a resolution to create a separate division for Solid Waste operations. Solid Waste is a large operation that impacts close to 200,000 citizens directly on a weekly basis and all citizens daily. Prior to the passing of the resolution, the organizational structure was comprised of over 500+ employees, which were a part of an even larger Public Works division with 1,300+ employees. The result of this structure was the sharing of limited leadership resource time. The desired outcome of creating a separate division for Solid Waste is that the change will right size the most public facing, major operations of the City and allow the City to identify additional dedicated leadership resources with experience and credentials in solid waste operations.

In November 2018, the City issued \$69,480 of Series 2018 Sanitary Sewerage System Revenue and Revenue Refunding Bonds (Series 2018 Bonds). The Series 2018 Bonds were issued for financing improvements, additions and extensions to the City's sanitary sewerage system, refunding all or a portion of the City's outstanding Sanitary Sewerage System Revenue Bonds, Series 2007 and Sanitary Sewerage Revenue Bonds, Series 2009B Direct Payment Build America Bonds and paying the costs of issuance of the Series 2018 Bonds.

In previous years, the City entered into agreements with a vendor to sell a portion of the City's tax year delinquent property tax receivables. The City is evaluating a plan to enter a similar agreement in 2019. Total proceeds from the sale of receivables in 2019 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 \$8,500 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, 2018, the Senior Lien Bonds were outstanding in an aggregate principal amount of \$167,360. 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, 2018, for outstanding purchase orders and outstanding contracts reported as assigned fund balance for encumbrances in the General Fund of \$9,450. The City has assigned \$20,000 to intergovernmental transactions, and \$2,700 for a buy-back of the 2014 factored delinquent tax receivables.

The City had additional commitments totaling \$105,674 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 (TDEC), 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 \$122,000; expensed components of the remediation outlays to date are approximately \$112,000. 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, 2491 Winchester Road, Suite 113, Memphis, TN 38116-3856.

E. Other postemployment benefits

City of Memphis Other Postemployment Benefits Trust Fund

The City's other postemployment benefits (OPEB) is a defined contribution plan in accordance with GASB Statement No. 74, *Financial Reporting for Postemployment Benefits Other Than Pensions* and GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*.

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

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

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

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

The funding of postemployment benefits is long term in nature; therefore, the investment of Trust assets shall have a long term focus. It is a recognized principle of investment management that there are risks inherent in investing in the securities markets. These risks are acceptable so long as the Trust Fund is invested primarily for capital appreciation over the long term. The return objective of the Trust Fund should be primarily long term in nature and focused on meeting or exceeding the actuarial discount rate used to value the obligation.

The Tennessee Other Post Employment Benefit Investment Trust Act of 2006 permits an OPEB Trust investment committee to adopt an investment policy authorizing assets in the OPEB Trust to be invested and managed in accordance with the investment policy the City utilizes to manage pension assets.

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

As of and for its year ended June 30, 2018, the City OPEB Fund reported the following net position:

ASSETS

Investments, at fair value:

Mutual funds and money market funds	\$ 3,010
Total investments	<u>3,010</u>

Equity in cash and investment pool	1,991
Interest and dividend receivables	<u>2</u>

Total assets	<u>5,003</u>
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LIABILITIES

Accounts payable and other	<u>477</u>
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Total liabilities	<u>477</u>
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DEFERRED INFLOWS OF RESOURCES

Revenue collected in advance	<u>574</u>
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Total deferred inflows of resources	<u>574</u>
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NET POSITION

Held in trust for OPEB	\$ <u><u>3,952</u></u>
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NOTES TO FINANCIAL STATEMENTS
(Thousands of Dollars)
For the fiscal year ended June 30, 2018

CITY OF MEMPHIS, TENNESSEE
(Continued)

As of and for its year ended June 30, 2018, the City OPEB Fund reported the following changes in net position:

ADDITIONS

Contributions:

Employer	\$	4,652
Medicare Part D		504
Plan members		1,829
Total contributions		<u>6,985</u>

Transfers from other funds for employer contributions	9,768
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Pharmacy rebates	431
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Investment income:

Interest and dividend income	66
Other investment income	42
Net appreciation in the fair value of investments	<u>148</u>
Total investment income	<u>256</u>

Total additions	<u>17,440</u>
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DEDUCTIONS

Benefits	7,402
Administrative expenses	<u>9,289</u>

Total deductions	<u>16,691</u>
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Net increase (decrease)	749
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Net position - beginning of year	<u>3,203</u>
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Net position - end of year	<u>\$ <u>3,952</u></u>
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City of Memphis Other Postemployment Benefits (OPEB) Plan

Plan Description – The City’s OPEB Benefit Plan is a single-employer plan for GASB accounting purposes. This Plan provides medical and life insurance benefits to eligible retired City of Memphis General, Police, Fire, and Airport Authority employees and their dependents based on firmly-established past practices.

At June 30, 2018, the number of active participants in the OPEB Plan was 6,941. There were 4,716 inactive participants eligible, of which 3,086 were enrolled. Eligibility for OPEB benefits are based on two pension options: Normal retirement or disability retirement. The applicable pension plan provisions are as follows:

General Employees – 1948 Plan Participants

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

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

General Employees – 1978 Plan Participants

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

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

General Employees 2012 and 2016 Plan Participants

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

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

Police and Fire (Uniform) 1948 Plan Participants

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

Disability – Line-of-Duty, no service requirement

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

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

Disability – Line-of-Duty, no service requirement

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

Summary of Plan Provisions

Medical Benefits

During fiscal year 2018, the Pre-65 Line-of-Duty Disabled and Grandfathered Post-65 Retirees without Medicare received postretirement medical and drug coverage through the City’s self-insured Select or Choice Plans. The City paid for costs in excess of required retiree premiums.

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

		Annual HRA Amount	
		Retiree	Spouse
Line of Duty	Pre-65	10,000	10,000
	Post-65	2,000	1,000
Other	Pre-65	5,000	5,000
	Post-65	1,000	500

Life Benefits

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

Summary of Accounting Policies – The financial statements of the OPEB Plan are prepared using the accrual basis of accounting. In fiscal year 2017, the City adopted the new statement of financial accounting standards issued by the Governmental Accounting Standards Board (GASB) Statement No. 74 *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, and also adopted the early implementation of Governmental Accounting Standards Board (GASB) Statement No. 75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Financial statement reporting information for the City’s fiscal year ended June 30, 2018 is in accordance with GASB 74 and GASB 75. Required disclosures under GASB 74 and GASB 75 implementation are presented herein and in the Required Supplementary Information section of this report. Investments of the City of Memphis OPEB Plan are reported at fair value. For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB and OPEB expenses or expenditures, information about the fiduciary net position, and the additions to and deductions from the Plan’s fiduciary net position, have been determined in accordance with GASB 74 and GASB75 implementation and are disclosed herein.

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

In fiscal year 2009, the City adopted and established an OPEB Trust for the exclusive purpose of pre-funding and providing for payment of OPEB benefits under the plan. At June 30, 2018, the value of the Trust assets within the OPEB Fund was \$5,003. The current fiscal year includes interest at 3.13% on the beginning of year total OPEB liability and service cost offset by a half-year of interest on benefit payments. For the 2018 fiscal year, the net investment return for the year was \$257 compared to the expected return on assets of \$0.

Schedule of Contributions

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the health care cost trend. Amounts determined regarding the funded status of the plan and the contractual contribution of the employer are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The City is contractually required to pay benefits as they come due and make HRA contributions to participants enrolled in OneExchange or an allowable plan.

The Schedule of Contributions under GASB 74 and GASB 75, presented in the Required Supplementary Information section following the Notes to the Financial Statements Exhibit RSI-4, is presented for those years for which it is available and was prepared prospectively from the Plan’s fiscal year ending June 30, 2018 for GASB 75 purposes. The City is contractually required to pay benefits as they come due and make HRA contributions to participants enrolled in an allowable plan. The actual covered payroll of \$368,922 represents the total covered payroll for the prior calendar year, increased at a salary scale of 4.25%. For calendar year 2018 the average salary was \$52,760. The net OPEB liability as a percentage of covered payroll was 90.4% for the year ending June 30, 2018.

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

<u>City of Memphis OPEB Plan</u>	
Total OPEB Liability - beginning balance	\$ 417,891
Total Service Cost	8,035
Interest Cost	13,113
Experience (Gains)/Losses	(11,621)
Assumption Changes	(76,034)
Changes of Benefit Terms	-
Net Benefit Payments	<u>(13,928)</u>
Total OPEB Liability - ending balance	<u>337,456</u>
OPEB Fiduciary Net Position - beginning balance	\$ 3,203
Employer Contribution	14,420
Employee Contribution	1,829
Investment Return	257
Benefit Payments	(6,468)
Administrative Expenses	<u>(9,289)</u>
Fiduciary Net Position - ending balance	<u>3,952</u>
Total OPEB Liability	\$ 337,456
Net Fiduciary Position	<u>3,952</u>
Net OPEB Liability	<u>333,504</u>
Fiduciary Net Position as a % of Total OPEB Liability	1.2%
Actual Covered Employee Payroll	\$ 368,922
Net OPEB Liability as a % of Covered Payroll	90.4%

Actuarial Methods and Assumptions

The City of Memphis retained PricewaterhouseCoopers LLP (PwC) to perform an actuarial valuation of the OPEB Plan for the purpose of calculating accounting results in accordance with Governmental Accounting Standards Board Statement No. 74 (GASB 74) and Governmental Accounting Standards Board Statement No. 75 (GASB 75) for the Plan's fiscal year ending December 31, 2017 and the City's fiscal year ending June 30, 2018 respectively. GASB 74 and GASB 75 require that each significant assumption reflect the best estimate of the City's future experience solely with respect to that assumption. The valuation year spanned July 1, 2017 – June 30, 2018. The date of the census data was July 1, 2018.

For the July 1, 2018 actuarial valuation, the Entry Age Normal Actuarial Cost Method was used. This method determines a normal cost rate as a fixed percentage of compensation for each active participant. The current year's normal cost is the participant's compensation multiplied by the normal cost rate. Annual contributions in this amount, from the date the participant entered the plan (or would have entered, if the plan had always been in effect and the participant had entered at the earliest possible date) until retirement, would be sufficient to provide for the actuarial present value of the participant's plan benefits. The total normal cost is the sum of the normal costs for all active participants.

Other actuarial assumptions are as follows:

Mortality

- General – Fully Generational RP-2014 Total Dataset Mortality Table (with MP-2014 improvement removed) with MP-2017 projection scale from 2006 forward and adjusted by a one year set forward.
- Police and Fire – Fully Generational RP-2014 Blue Collar Mortality Table (with MP-2014 improvement removed) with MP-2017 projection scale from 2006 forward and adjusted by a one year set forward.
- Disabled - Fully Generational RP-2014 Disabled Mortality Table (with MP-2014 improvement removed) with MP-2017 projection scale from 2006 forward and adjusted by a three year set back.

Disability

Disability rates are set based on the Plan's historical experience and future expectations with periodic monitoring of observed gains and losses caused by disability patterns different than assumed. The assumption for 2018 used the 1968 Social Security Experience Table with ages ranging from 20 – 55+ and combined male/female percentages ranging from 0.10% - 1.33%.

Termination

Termination rates are set based on the Plan's historical experience and future expectations with periodic monitoring of observed gains and losses caused by termination patterns different than assumed. The assumption for 2018 used Select and Ultimate rates based on age and years of service for Police and Fire males, General males, and General Police and Fire females.

Retirement Rates

Retirement rates are set based on the Plan's historical experience and future expectations with periodic monitoring of observed gains and losses caused by retirement patterns different than assumed. The assumption for 2018 for both General employees and Police and Fire employees, assumed rates that vary by age, gender, and pension plan grandfathered status.

Participation Rates

Participation rates are set based on the Plan's historical experience and future expectations with periodic monitoring of observed gains and losses caused by participation patterns different than assumed. The assumptions used for 2018 are as follows:

- 30% and 55% of active employees are assumed to elect Pre-65 and Post-65 Retiree Exchange coverage upon retirement, respectively.
- 20% and 0% of current Pre-65 and Post-65 Retirees that have opted out of Retiree Exchange coverage are assumed to elect coverage in future years, respectively.
- 56% of future participating male General Employee Retirees, 15% of future participating female General Employee Retirees, and 46% of Police and Fire Employee Retirees are assumed to have spouses that elect to be covered.

Future Salary Increases

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

Per Capita Costs

The per capita claims cost for the self-insured preferred and premier plans were developed by PwC based on historical 2016 - July 2017 claims experience for City of Memphis retired participants adjusted for enrollment and plan design provisions. The 2019 calendar year annual per capita costs used to develop per capita costs for the fiscal year beginning July 1, 2018 are:

- Line-of-Duty Disabled – Select Plan \$9,996, Choice Plan \$11,484
- No Medicare – Select Plan \$11,616, Choice Plan \$15,036

Self-Insured Premiums

2019 calendar year monthly Retiree premiums were used to develop per capita cost for the fiscal year beginning July 1, 2018 as provided below:

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

Tobacco Surcharge

The tobacco surcharge rates are set based on the Plan's historical experience and future expectations with periodic monitoring of observed gains and losses caused by tobacco usage patterns different than assumed. Assumption for 2018 is \$120 per month per family; based on current inactive experience, 10% of future inactive participants are assumed to pay the tobacco surcharge.

Life Insurance Per Capita Costs

Assumption for 2018 is based on current face amount of \$5,000.00.

Administrative Expenses

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

Medicare Eligibility

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

Persistence Assumption

Persistence rates are set based on the Plan's historical experience and future expectations with periodic monitoring of observed gains and losses caused by persistence patterns different than assumed. For 2018 the assumption is that all inactive participants are assumed to continue to receive retiree medical coverage for their lifetime.

Spouse Age Difference

Material rates are based on the Plan's historical experience and future expectations with periodic monitoring of observed gains and losses caused by marital patterns different than assumed. The assumption for 2018 is that husbands are assumed to be three years older than wives for future Retirees who are married and assume to cover a spouse.

Discount Rate

The discount rate used to measure the total OPEB liability was 2.98% as of June 30, 2018, which is equal to the single rate of return developed pursuant to GASB 75. GASB 75 requires that projected benefit payments expected to be satisfied by the plan's fiduciary net position be discounted using the long-term rate of return on OPEB plan investments and that projected benefit payments not expected to be satisfied by the plan's fiduciary net position be discounted using a yield or index rate of a 20-year tax-exempt general obligation municipal bond rated AA/Aa or higher. Based on the City's current funding policy effective June 30, 2018 the OPEB Plan's fiduciary net position is not projected to be available to make all projected future benefit payments of current plan members. The discount rate assumption for determining the total OPEB liability was based on the S&P Municipal Bond 20-Year High Grade Rate Index as of June 30, 2018.

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

	<u>1% Decrease (1.98%)</u>	<u>Current Rate (2.98%)</u>	<u>1% Increase (3.98%)</u>
Net OPEB Liability	\$383,587	\$333,504	\$293,683

Annual Health Care Trend Rate

Annual health care trend assumptions represent a blend of medical and drug trends and are set based on the Plan’s historical experience and future industry expectations with periodic monitoring of observed gains and losses caused by trend patterns different than assumed. The actuarial assumption for the annual health care trend rate beginning in year 2019 was 6.28% with declining rates for years 2020 - 2027+ ranging from 6.06% to 4.5%. HRA amounts are not assumed to increase in the future.

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

	<u>1% Decrease</u>	<u>Current Trend Rates</u>	<u>1% Increase</u>
Net OPEB Liability	\$306,754	\$333,504	\$366,897

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, 2017. The following is a summary of the changes that have occurred since the last valuation.

- Per capita claims costs and premiums for the self-funded preferred and premier plans were updated based on recent claims experience.
- The healthy mortality assumption was changed for the Fully Generational RP-2014 Mortality Table with MP-2016 projection scale adjusted by a one year set forward to the Fully Generational RP-2014 Mortality Table adjusted to 2006 with MP-2017 projection scale adjusted by one year set forward.
- The disabled mortality assumption was changed from the Fully Generational RP-2014 Disabled Mortality Table with MP-2016 projection scale by a three-year set back to the Fully Generational RP-2014 Disabled Mortality Table adjusted to 2006 with MP-2017 projection scale adjusted by a three-year set back.
- The participation assumptions changed based on recent plan experience under the new plan designs and the City’s best estimate of long-term enrollment rates:
 - 30% of future Retirees are assumed to elect Pre-65 coverage (down from 80%)
 - 20% of current Pre-65 Retirees and 0% of current Post-65 Retirees that have opted out of Retiree Exchange coverage as of July 1, 2018 will elect coverage for the next year (down from 67% and 10%).
- The discount rate assumption changed from 3.13% as of June 30, 2017 to 2.98% as of June 30, 2018 based on the change in the S&P Municipal Bond Rate Index at the measurement date.

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

Changes in Plan Provisions

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

Change in Plan Experience

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

<u>City of Memphis OPEB Plan</u>	<u>Census Data</u>	
	<u>June 30, 2017</u>	<u>June 30, 2018</u>
Active		
Number of Participants	7,063	6,941
Average Age of Participants	45.57	45.27
Average Years of Service	13.5	13.2
Actual Covered Payroll (000's)	\$ 379,324	\$ 368,922
Inactive *		
Number Eligible (Retiree/Disabled)	5,006	4,716
Number Enrolled (Retiree/Disabled)	2,253	2,269
Number Enrolled (Dependent Spouse)	1,040	817
Number Enrolled (Total)	3,293	3,086

*Retirees, Disabled, and Dependent Spouses

Deferred Outflows of Resources and Deferred Inflows of Resources

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

Determination of resources of deferred outflows and resources of deferred inflows for the fiscal year ended June 30, 2018 is provided below.

NOTES TO FINANCIAL STATEMENTS
(Thousands of Dollars)
For the fiscal year ended June 30, 2018

CITY OF MEMPHIS, TENNESSEE
(Continued)

City of Memphis OPEB Plan

Determination of Resources of Deferred Outflows and Deferred Inflows						Balances at June 30, 2018	
	Established in Fiscal Year Ending June 30	Loss	(Gain)	Cumulative Amounts Recognized in Expense through June 30, 2018	Deferred Outflows of Resources	Deferred Inflows of Resources	
a. Experience (Gains) and Losses	2017	\$ 18,838	\$ -	\$ 7,476	\$ 11,362	\$ -	
	2018		(11,621)	(2,543)	-	(9,078)	
					\$ 11,362	\$ (9,078)	
b. Changes in Assumptions	2017	\$ 25,586	\$ -	\$ 10,154	\$ 15,432	-	
	2018		(76,034)	(16,638)	-	(59,396)	
					\$ 15,432	\$ (59,396)	
c. Investment (Gains) and Losses	2017	\$ -	\$ (289)	\$ (116)	\$ -	\$ (173)	
	2018		(257)	(51)	-	(206)	
					\$ -	\$ (379)	
d. Collective deferred outflows/(inflows) of resources: a + b + c					\$ 26,794	\$ (68,853)	

Allocated Deferred Outflows and Deferred Inflows

	Deferred Outflows	Deferred Inflows
Governmental Activities	\$ 23,893	\$ (61,573)
Business Type - Sewer	1,322	(3,195)
Business Type - Storm Water	756	(1,691)
Internal Service Fund - Health Care	63	(70)
Component Unit - MSCAA	760	(2,324)
Total	\$ 26,794	\$ (68,853)

NOTES TO FINANCIAL STATEMENTS
(Thousands of Dollars)
For the fiscal year ended June 30, 2018

CITY OF MEMPHIS, TENNESSEE
(Continued)

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

City of Memphis OPEB Plan

Year Ending June 30	Total	Governmental Activities	Business Type Sewer Fund	Business Type Storm Water	Internal Service Fund Health Care	Component Unit MSCAA
2019	\$ (10,475)	\$ (9,261)	\$ (503)	\$ (262)	\$ (10)	\$ (439)
2020	(10,475)	(9,261)	(503)	(262)	(10)	(439)
2021	(10,474)	(9,260)	(503)	(262)	(10)	(439)
2022	(10,635)	(9,601)	(510)	(266)	(11)	(247)
2023	-	-	-	-	-	-
Thereafter	-	-	-	-	-	-
	<u>\$ (42,059)</u>	<u>\$ (37,383)</u>	<u>\$ (2,019)</u>	<u>\$ (1,052)</u>	<u>\$ (41)</u>	<u>\$ (1,564)</u>

The schedule of OPEB expense under GASB 74 and GASB 75 for the fiscal year ended June 30, 2018 is provided below.

City of Memphis OPEB Expense Fiscal Year 2018	Total	Governmental Activities	Business Type Sewer	Business Type Storm Water	Internal Service Health Care	Component Unit MSCAA
Service Cost	\$ 8,035	\$ 7,245	\$ 386	\$ 204	\$ 8	\$ 192
Interest Cost						
Interest on Total OPEB Liability at beginning of year	\$ 13,080					
Interest on Service Cost	251					
Half-year Interest on Benefit Payments	(218)					
Total	13,113	11,825	629	333	13	313
Expected Return on Assets	-					
Change of Benefit Terms	-	-	-	-	-	-
Recognition of deferred (inflows) and outflows of resources related to Liability Experience (Gains)/Losses	\$ 1,195					29
Assumption Changes (Gains)/Losses	(11,561)					(276)
Investment (Gains)/Losses	(109)					(3)
Changes in proportion of net OPEB liability and deferred (inflows) / outflows						(144)
Changes in actual contributions and proportionate share of contributions						(45)
Total	(10,475)	(9,257)	(503)	(266)	(10)	(439)
Total OPEB Expense (Income)	<u>\$ 10,673</u>	<u>9,813</u>	<u>512</u>	<u>271</u>	<u>11</u>	<u>66</u>

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.

In June 2015, GASB issued Statement No. 75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. It replaces Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. MLGW did not early implement this standard. The provisions for this statement are effective for financial statements for periods beginning after June 15, 2017. MLGW has not completed the process of evaluating the impact of the statement on its financial statements.

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

The Plan provides postemployment coverage for health care, life insurance, accident/death and dismemberment (AD&D), medical, and prescription drugs to eligible retirees and their dependents. Benefits are payable to retirees and their spouses for their lifetime. Qualified dependents will continue to receive benefits as long as they are qualified under the Plan. Dental, dependent life insurance, cancer, accident, and long-term care benefits are available, but are 100% paid by the retiree.

Employees retired under the MLGW Pension Plan, or disabled with five years of service at any age, or disabled in the line of duty at any age with no years of service restriction, are eligible for OPEB benefits. Health care benefits are also offered to qualifying survivors of 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, 2018

CITY OF MEMPHIS, TENNESSEE
(Continued)

As of December 31, 2017, MLGW reported the following OPEB net position:

	Memphis Light, Gas and Water OPEB Trust
ASSETS	
Cash and cash equivalents	\$ 22,159
Investments, at fair value:	
Common stock - domestic	101,697
Common stock - foreign	62,582
Mutual funds and money market funds	38,448
Equity ETF	32,739
Corporate bond mutual funds - domestic	29,207
Corporate bond mutual funds - international	15,446
Convertible bond mutual fund - domestic	7,817
Investments in real estate	29,967
Private debt funds - domestic	3,088
Private equity - domestic	19,847
Investments in international equity fund	5,737
Investments in international bond fund	18,805
Distressed debt funds - domestic	8,721
Distressed debt funds - international	17,582
Life Settlement fund	6,307
Total investments	<u>397,990</u>
Interest and dividend receivables	230
Receivable for securities sold	298
Employer and employee contributions receivable	671
Collateral held in trust for securities on loan	<u>3,251</u>
Total assets	<u>424,599</u>
LIABILITIES	
Accounts payable and other	1,622
Collateral subject to return to borrowers	<u>3,251</u>
Total liabilities	<u>4,873</u>
NET POSITION	
Held in trust for pension benefits, pool participants and OPEB	<u>\$ 419,726</u>

As of and for its year ended December 31, 2017, MLGW reported the following changes in OPEB net position:

	Memphis Light, Gas and Water OPEB Trust
ADDITIONS	
Contributions:	
Employer	\$ 45,184
Total contributions	45,184
Investment income:	
Interest and dividend income	6,418
Securities lending income	22
Other investment income	20
Gain on real estate investments	665
Net appreciation in the fair value of investments	50,653
Total investment income	57,778
Total additions	102,962
DEDUCTIONS	
Benefits	28,765
Administrative expenses	799
Total deductions	29,564
Net increase / decrease	73,398
Net position - beginning of year	346,328
Net position - end of year	\$ 419,726

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. In 2017, the employer contribution rate was based on the ARC, not to exceed the approved budget for OPEB funding. For fiscal years 2017 and 2016, employer contributions were \$46,338 and \$41,343 to the Plan, respectively. In 2017, plan members receiving benefits contributed \$6,452 through their required contribution of \$64.62 to \$526.64 (dollars) per month depending on the coverage (employee only, employee and spouse, or family) and the health plan selected. In 2016, plan members receiving benefits contributed \$6,811 through their required contribution of \$79.70 to \$521.42 (dollars) per month.

MLGW Annual OPEB Cost and Net OPEB Obligation

An actuarial valuation of MLGW’s post-employment welfare benefit program was performed for the Plan as of December 31, 2017. 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 2017:

	2017	2016
Annual required contribution	\$ 46,978	\$ 45,289
Interest on net OPEB obligation	87	(206)
Adjustment to annual required contribution	(70)	164
Annual OPEB cost	<u>46,995</u>	<u>45,247</u>
Contributions made	<u>(46,338)</u>	<u>(41,343)</u>
Change in net OPEB (asset) obligation	657	3,904
Net OPEB obligation at beginning of fiscal year	<u>1,154</u>	<u>(2,750)</u>
Net OPEB (asset) obligation at end of fiscal year	<u>\$ 1,811</u>	<u>\$ 1,154</u>

The OPEB obligation for MLGW is not reported in the government-wide statement of net position.

MLGW’s annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB (asset) obligation for fiscal year 2017 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, 2017	\$ 46,995	98.6%	\$ 1,811
December 31, 2016	\$ 45,247	91.4%	\$ 1,154
December 31, 2015	\$ 38,176	100.7%	\$ (2,750)

MLGW Funded Status and Funding Progress

As of December 31, 2017, the most recent actuarial valuation date, the plan was 62.21% funded. The actuarial accrued liability (“AAL”) for benefits was \$653,587 and the actuarial value of assets was \$406,591, resulting in an unfunded actuarial accrued liability (“UAAL”) of \$246,996. The covered payroll (annual payroll of active employees covered by the Plan) was \$167,221, and the ratio of the UAAL to the covered payroll was 147.7%.

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, shown below, 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.

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, 2017	\$ 406,591	\$ 653,587	\$ 246,996	62.2%	\$ 167,221	147.7%
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%

Fiscal Year Ended	Annual OPEB Cost	Employer Contributions	Percentage of Annual OPEB Cost Contributed
December 31, 2017	\$ 46,995	\$ 46,338	98.6%
December 31, 2016	\$ 45,247	\$ 41,343	91.4%
December 31, 2015	\$ 38,176	\$ 38,438	100.7%

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	12/31/2017
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percent of pay, 30 years
Remaining Amortization Period	29 years as of December 31, 2016
Asset Valuation Method	Market value of assets less unrecognized returns in each of the last five years (applied prospectively beginning with 2014). Unrecognized return is equal to the difference between the actual market return and expected market return, and is recognized over a five-year period, further adjusted, if necessary, to be within 20% 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	7.00% graded to 4.50% over 10 years
Drug Cost Trend Rate	9.00% graded to 4.50% over 10 years

F. Pension and retirement plans

City of Memphis Retirement System

General - The City's Retirement System is established under Chapter 25, Code of Ordinances, City of Memphis, Tennessee, and is administered by a Board of Administration under the direction of the Mayor. The purpose of the fund established for the investment of the City of Memphis Retirement is to provide retirement income to pension plan participants. Fund assets shall be invested for the exclusive benefit of the plan participants and solely in their interest.

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

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

NOTES TO FINANCIAL STATEMENTS
(Thousands of Dollars)
For the fiscal year ended June 30, 2018

CITY OF MEMPHIS, TENNESSEE
(Continued)

As of June 30, 2018, the City Retirement System Fiduciary Trust Fund reported the following net position:

	City Retirement System
ASSETS	
Cash and cash equivalents	\$ 26,464
Investments, at fair value:	
U.S. government securities - long-term	120,252
Common stock - domestic	673,219
Common stock - foreign	152,888
Corporate bonds - domestic	335,734
Corporate bonds - foreign	124,209
Mutual funds and money market funds	22,313
Collateralized mortgage obligations	8,106
Asset-backed pooled securities	6,166
Mortgage-backed pooled securities	26,444
Investments in index funds	97,713
Investments in limited partnerships	131,945
Investments in real estate	142,192
Investments in international equity fund	526,974
Investments in short sales & written options	(237)
Total investments	<u>2,367,918</u>
Equity in cash and investment pool	2,111
Interest and dividend receivables	6,912
Receivable for securities sold	150,737
Employer and employee contributions receivable	368
Collateral held in trust for securities on loan	<u>105,741</u>
Total assets	<u>2,660,251</u>
LIABILITIES	
Accounts payable and other	224,708
Collateral subject to return to borrowers	<u>105,741</u>
Total liabilities	<u>330,449</u>
NET POSITION	
Held in trust for pension benefits, pool participants and OPEB	<u>\$ 2,329,802</u>

NOTES TO FINANCIAL STATEMENTS
(Thousands of Dollars)
For the fiscal year ended June 30, 2018

CITY OF MEMPHIS, TENNESSEE
(Continued)

As of and for its year ended June 30, 2018, the City Retirement System Fiduciary Trust Fund reported the following changes in net position:

	City Retirement System
ADDITIONS	
Contributions:	
Employer	\$ 55,059
Medicare Part D	
Plan members	18,578
Total contributions	<u>73,637</u>
Transfer from other fund	-
Investment income:	
Interest and dividend income	49,499
Securities lending income	270
Other investment income	403
Gain on real estate investments	6,194
Net appreciation in the	
fair value of investments	148,884
Total investment income	<u>205,250</u>
Total additions	<u>278,887</u>
DEDUCTIONS	
Benefits	162,946
Administrative expenses	17,218
Refunds of contributions	15,922
Total deductions	<u>196,086</u>
Net increase	82,801
Net position - beginning of year	<u>2,247,001</u>
Net position - end of year	<u>\$ 2,329,802</u>

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

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

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

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

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

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

Under City Ordinances, trust assets are reported in one trust fund and not segregated between the benefit plans. Permanent, full-time employees in job classifications covered by contract with the Social Security Administration are not participants of the Retirement System as they are covered under the Federal Insurance Contribution Act (Social Security).

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

The plan was amended effective July 1, 2016, to encompass a new hybrid plan design. Participants with seven and one-half (7½) years of service or more will be grandfathered into their current plan, and all other employees will participate in the new hybrid plan design. As of June 30, 2018, active employees included 3,296 grandfathered participants. Non-grandfathered participants will be included in a hybrid defined benefit formula that includes both a market based cash balance component and a defined contribution component.

At June 30, 2018, the Retirement System membership consisted of:

*Retired members, beneficiaries and DROP enrollees receiving benefits	4,502
Disabled members receiving benefits	684
Terminated (vested and nonvested) plan members entitled to but not yet receiving benefits	958
Active employees:	
Fully vested	3,175
Non-vested	<u>2,766</u>
Total	<u><u>12,085</u></u>

*Includes 162 employees currently participating in the Deferred Retirement Option Plan (DROP) and 97 employees who temporarily froze participation in the DROP Program effective November 2015 or November 2016.

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

Summary of Plan Provisions

Normal Retirement

Under the 1948 Plan, General Employees may retire after completion of 25 years of service or, if earlier, after age 60 and the completion of 10 years of service.

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

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

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

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

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

Elected and appointed participants hired before November 1, 2004 may retire the first day of the 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 is calculated as the highest average monthly compensation received for any three consecutive years of service.

Average Monthly Compensation

For both 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 6.25% 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, 2018, is in accordance with Government Accounting Standards Board Statement No. 68 (GASB 68), as amended by GASB Statement No. 82.

Method Used to Value Investments - All investments of the City of Memphis Retirement System are reported at fair value. Short-term investments are reported at cost, which approximates fair value. All other investments are valued based upon quoted market prices except for real estate investments, which are appraised by independent appraisals. Ordinance Section 25-31 grants the Committee the authority to make investments including but not limited to stocks, bonds, mutual funds, notes and units of any commingled, collective, common pooled or mutual trust fund. The City of Memphis Retirement System had no individual investments in excess of 5% of plan net position.

Rate of Return - For the year ended June 30, 2018, the annual money-weighted rate of return on the City's pension plan investments, net of pension plan investment expense, was 11.36% 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 Actuarially Determined Contribution (ADC) for fiscal year 2018 was \$62,433, of which the City contributed 88%.

In accordance with Tennessee state laws, the City is required to increase annual contributions to the pension fund, and pay the full ADC by the year 2020. The City is also required to appropriate funds for the trust fund as necessary to pay all costs and expenses of the Plans.

Employer contributions as a percentage of actual covered payroll for the year ended June 30, 2018, were 16.5%. For its year ended June 30, 2018, the City of Memphis Retirement System reported total employer and plan member contributions of \$55,059 and \$18,578 respectively.

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

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

NOTES TO FINANCIAL STATEMENTS
(Thousands of Dollars)
For the fiscal year ended June 30, 2018

CITY OF MEMPHIS, TENNESSEE
(Continued)

The Total Pension Liability (TPL), Plan Fiduciary Net Position (FNP), and Net Pension Liability (NPL) for the year ended June 30, 2018 are as follows:

Total Pension Liability

Total Pension Liability - Beginning of year	2,680,855
Service Cost ¹	44,158
Interest Cost ²	197,627
Experience (gains)/losses	(64,966)
Assumption Changes	(13,322)
Changes of Benefit Terms	-
Benefit Payments	(179,985)
Member Reassignments	-
Total Pension Liability - End of year	<u>2,664,367</u>

Plan Fiduciary Net Position

Plan Fiduciary Net Position - Beginning of year	2,261,585
Employer Contributions	55,059
Employee Contributions	18,578
Non-employer contributing entity contributions	-
Investment return	
Expected Investment Return ³	165,631
Investment Gain/(Loss)	<u>70,941</u>
Net Investment Return	236,572
Benefit Payments	(179,985)
Member Reassignments	-
Administrative Expenses	<u>(3,700)</u>
Plan Fiduciary Net Position - End of year	<u>2,388,109</u>

Net Pension Liability

Net Pension Liability	276,258
Plan Fiduciary Net Position as Percentage of the Total Pension Liability	89.60%

¹ Determined as of the beginning of the year

² Includes interest of 7.50% on the beginning of year service cost

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

The Net Pension Liability represents the funded status of the City Plan as of the measurement date. The NPL for fiscal year ended June 30, 2018 decreased \$143,012 from prior year due to favorable asset experience (net investment return), changes in assumptions, plan experience due to updated census, and plan experience due to difference in actual and expected salary. Assets returned 11.36% 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-5, RSI-6, and RSI-7 respectively.

Actuarial Methods and Assumptions – The City obtains annually an actuarial valuation of the Retirement System for the purpose of calculating the necessary information for accounting and reporting requirements in accordance with Governmental Accounting Standards. The actuarial asset valuation method is the Entry Age Normal Actuarial Cost Method. This method determines a normal cost rate as a fixed percentage of compensation for each active participant. The current year's normal cost is the participant's compensation multiplied by the normal cost rate. Annual contributions in this amount, from the date the participant entered the plan (or would have entered, if the plan had always been in effect and the participant had entered at the earliest possible date) until retirement, would be sufficient to provide for the actuarial present value of the participant's plan benefits. The total normal cost is the sum of the normal costs for all active participants.

Significant actuarial assumptions include: (a) a rate of return on the investment of present and future assets of 7.5% 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; and (e) measurement and valuation date as of July 1, 2018.

Mortality rates used for calculating NPL for General Employees are based on the Fully Generational RP-2014 Total Dataset Mortality Table (with MP-2014 improvement removed) with MP-2017 projection scale from 2006 forward and adjusted by a 1-year set forward. Police and Fire Employees' mortality rates are based on the Fully Generational RP-2014 Blue Collar Mortality Table (with MP-2014 improvement removed) with MP-2017 projection scale from 2006 forward and adjusted by a 1-year set forward. Disabled Employees' rates are based on the Fully Generational RP-2014 Disabled Mortality Table (with MP-2014 improvement removed) with MP-2017 projection scale from 2006 forward and adjusted by a 3-year set back.

Account balances under the 2016 Plan (effective July 1, 2016) are converted at 5.0% 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.
- **Changes in Assumptions** – The mortality assumptions were updated from the use of the MP-2016 projection scale to the MP-2017 projection scale.

Discount Rate – The discount rate used to measure the total pension liability was 7.5% as of July 1, 2017, and is equal to the long-term expected return on plan investments. The projection of cash flows used to determine the discount rate assumed that City contributions would be made at the actuarially calculated amount computed in accordance with the current funding policy adopted by the City, which requires payment of the normal cost and amortization of the unfunded actuarially accrued liability in level dollar installments over 30 years utilizing a closed-period approach. Pursuant to The Public Employee Defined Benefit Financial Security Act of 2014, the City will phase into funding 100% 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	\$561,703	\$276,258	\$35,439

NOTES TO FINANCIAL STATEMENTS
(Thousands of Dollars)
For the fiscal year ended June 30, 2018

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 \$(234,380) and \$112,294 respectively. The determination of resources of deferred inflows and resources of deferred outflows for the fiscal year ending June 30, 2018, is as follows:

Determination of Resources of Deferred Outflows and Resources of Deferred Inflows				Balances at June 30, 2018		
	Established in Fiscal Year ending June 30	Loss (a)	(Gain) (b)	Cumulative Amounts Recognized in Expense through June 30, 2018 (c)	Deferred Outflows of Resources (d) = (a - c)	Deferred Inflows of Resources e = (b - c)
a. Experience (Gains) and Losses	2015		(60,057)	(48,336)	-	(11,721)
	2016		(12,367)	(7,617)	-	(4,750)
	2017	44,176		19,248	24,928	
	2018	(64,966)		(14,001)		(50,965)
					24,928	(67,436)
b. Changes in Assumptions	2016		(9,882)	(6,087)		(3,795)
	2017		(41,610)	(18,130)		(23,480)
	2018		(13,322)	(2,871)		(10,451)
						(37,726)
c. Investment (Gains) and losses	2015	102,573		82,060	20,513	
	2016	167,134		100,281	66,853	
	2017			(48,310)		(72,465)
	2018			(70,941)	(14,188)	(56,753)
					87,366	(129,218)
d. Collective Deferred Outflows/(Inflows) of Resources: (a) + (b) + (c)					112,294	(234,380)

¹ Deferred outflows of resources are presented as positive amounts. Deferred inflows of resources are presented as negative amounts.

Allocated Deferred Outflows and Deferred Inflows		Allocated Balances at June 30, 2018	
		Deferred Outflows	Deferred Inflows
Governmental Activities		101,270	(214,307)
Business Type - Sewer		3,323	(6,369)
Business Type - Storm Water		1,983	(3,539)
Component Unit - MSCAA		5,718	(10,165)
Total		112,294	(234,380)

NOTES TO FINANCIAL STATEMENTS
(Thousands of Dollars)
For the fiscal year ended June 30, 2018

CITY OF MEMPHIS, TENNESSEE
(Continued)

Future Amortization of Net Deferred Outflows and Deferred Inflows – The amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions 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
2019	\$ (17,005)	\$ (14,764)	\$ (508)	\$ (270)	\$ (1,463)
2020	(25,207)	(23,255)	(717)	(381)	(855)
2021	(54,885)	(51,035)	(1,550)	(823)	(1,477)
2022	(24,989)	(23,258)	(705)	(374)	(652)
2023	-	-	-	-	-
Thereafter	-	-	-	-	-
	<u>\$ (122,086)</u>	<u>\$ (112,312)</u>	<u>\$ (3,480)</u>	<u>\$ (1,847)</u>	<u>\$ (4,447)</u>

Pension Expense – The pension expense under GASB 68 for the fiscal year ending June 30, 2018 is as follows:

Fiscal Year 2018	Total	Governmental Activities	Business Type Sewer Fund	Business Type Storm Water	Component Unit MSCAA
Net employer service cost	\$ 29,280	\$ 27,057	\$ 777	\$ 412	\$ 1,034
Interest cost	197,627	182,625	5,243	2,784	6,976
Expected return on assets	(165,631)	(153,057)	(4,394)	(2,333)	(5,847)
Changes of benefit terms	-	-	-	-	-
Recognition of deferred (inflows)/ outflows	(17,366)	(15,192)	(436)	(232)	(1,506)
Total collective pension expense	<u>\$ 43,910</u>	<u>\$ 41,433</u>	<u>\$ 1,189</u>	<u>\$ 631</u>	<u>\$ 657</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 25 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 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 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, 2018, is \$16,785.

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 Center (the Library) is established under Chapter 18, Code of Ordinances, City of Memphis, Tennessee, and is administered by a Board of Administration under the direction of the Library Board of Trustees and City Council.

As of June 30, 2018, the Retirement System for the Library reported the following net position:

	Library Retirement System
ASSETS	
Investments, at fair value:	
Mutual funds and money market funds	\$ 58,841
Total investments	<u>58,841</u>
Interest and dividend receivables	<u>6</u>
Total assets	<u>58,847</u>
NET POSITION	
Held in trust for pension benefits	<u>\$ 58,847</u>

As of and for its year ended June 30, 2018, the Retirement System for the Library reported the following changes in net position:

	Library Retirement System
ADDITIONS	
Contributions:	
Employer	\$ 118
Plan members	118
Total contributions	<u>236</u>
Transfer from General Fund for contributions	800
Investment income:	
Interest and dividend income	1,531
Net appreciation in the fair value of investments	<u>2,735</u>
Total investment income	<u>4,266</u>
Total additions	<u>5,302</u>
DEDUCTIONS	
Benefits	3,166
Administrative expenses	<u>81</u>
Total deductions	<u>3,247</u>
Net increase	2,055
Net position - beginning of year	<u>56,792</u>
Net position - end of year	<u><u>\$ 58,847</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, 2018, the Retirement System for the Library membership consisted of:

Retired members, beneficiaries and disabled members receiving benefits	170
Terminated vested plan members entitled to but not yet receiving benefits	22
Active employees:	
Fully vested	<u>100</u>
Total	<u><u>292</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 his 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 65 days (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, 2018, 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, 2018 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, 2018 and reflects the plan provision effective January 1, 2018, 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, 2018, the annual money-weighted rate of return on Library pension plan investments, net of pension plan investment expense, was 14.75% 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 employer contributes no less than what employees contribute. For the plan year ended June 30, 2018, the employer contributions of \$918 represented 23.4% of actual covered payroll of \$3,917 under GASB 68. The actual covered employee payroll is defined under GASB 82 to be payroll on which contributions to a pension plan are based. Pensionable pay is used for determining contributions under the plan; the pensionable pay disclosed on Exhibit RSI-12 is shown starting January 1, 2016. Prior to January 1, 2016 the gross payroll is shown consistent with the requirement prior to the release of GASB 82. The actual covered employee payroll is for the year immediately preceding the valuation date. Per GASB 68, contributions to the pension plan from the employer subsequent to the measurement date of the net pension liability (January 1) and before the end of the reporting period (June 30) should be reported as a deferred inflow of resources related to pensions. At June 30, 2018, the employer reported a payable of \$875 for the outstanding amount of contributions to the pension plan subsequent to the measurement date of the net pension liability (January 1, 2018) and before the end of the reporting period (June 30, 2018).

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

Total Pension Liability – The Retirement System of the Library Total Pension Liability (TPL) for the year ended June 30, 2018 is \$66,323. The components of the TPL are as follows:

TPL - beginning balance	\$	66,090
Service cost		338
Interest cost		4,834
Experience (gains)/losses		(503)
Assumption changes		(481)
Benefit payments		(3,955)
TPL – ending balance	\$	<u>66,323</u>

Plan Fiduciary Net Position – The Retirement System of the Library Plan Fiduciary Net Position (FNP) for the year ended June 30, 2018 is \$60,311. The components of the FNP are as follows:

FNP - beginning balance		\$	55,470
Employer contributions			818
Employee contributions			118
Investment return			
Expected return	\$	4,047	
Investment gain/(loss)		3,878	
Net investment return			7,925
Benefit payments			(3,954)
Administrative expenses			(66)
FNP – ending balance		\$	<u>60,311</u>

Net Pension Liability – The Net Pension Liability (NPL) for the Retirement System of the Library for the year ended June 30, 2018 is \$6,012. The components of the NPL at June 30, 2018 are as follows:

Total Pension Liability	\$	66,323
Plan Fiduciary Net Position		<u>(60,311)</u>
Net Pension liability	\$	<u>6,012</u>
FNP as a percentage of the TPL		90.9%
Actual Covered Employee Payroll		3,943
Net Pension Liability as a percentage of the covered payroll		152.5%

The Net Pension Liability represents the funded status of the Library Plan as of the measurement date. The NPL decreased from \$10.6 million to \$6.0 million due to actuarial experience gains in the pension liability in conjunction with contributions to the Plan and favorable asset experience. Assets returned 14.75% 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-9, RSI-10, and RSI-11 respectively.

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

The healthy mortality assumption utilized the Fully Generational RP 2014 Mortality Table for males and females with MP 2017 projection scale from 2006 forward and adjusted by a one year set forward. The disabled mortality assumption utilized the Fully Generational RP 2014 Disabled Mortality Table with MP 2017 projection scale from 2006 forward and adjusted by a three-year set back.

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 if married and single life annuity if single. Their spouse gender is assumed to be the opposite gender of the member.
- Change in Assumptions – The healthy mortality assumption was changed from using the MP-2016 projection scale to the MP-2017 projection scale. The disabled mortality assumption was changed from using the MP-2016 projection scale to the MP-2017 projection scale.

Discount Rate – The discount rate used to measure the total pension liability was 7.5% as of January 1, 2018, which is equal to the single rate of return developed pursuant to paragraphs 40 – 45 under GASB 67 and paragraphs 26-31 of GASB 68. GASB 67/68 requires that projected benefit payments expected to be satisfied by the plan's fiduciary net position (i.e. assets) be discounted using the long-term rate of return on pension plan investments and that projected benefit payments not expected to be satisfied by the plan's fiduciary net position be discounted using a yield or index rate of a 20-year municipal bond rated AA/Aa or higher. For this purpose, the City has selected a long-term rate of return on pension plan assets of 7.5% and S&P Municipal Bond 20-Year High Grade Rate Index as of January 1, 2018 of 3.18%.

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	\$13,563	\$6,013	\$(334)

NOTES TO FINANCIAL STATEMENTS
(Thousands of Dollars)
For the fiscal year ended June 30, 2018

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 (\$5,743) and \$3,536 respectively. The net of the deferred inflows and outflows for the fiscal year is (\$2,207). The determination of resources of deferred inflows and resources of deferred outflows for the fiscal year ending June 30, 2018, is as follows:

					<u>Balances at June 30, 2018</u>	
	Established in Fiscal Year ending June 30	Loss	(Gain)	Cumulative Amounts Recognized in Expense through June 30, 2018	Deferred Outflows of Resources	Deferred Inflows of Resources
		(a)	(b)	(c)	(d) = (a - c)	e = (b - c)
a. Experience (Gains) and Losses	2015		\$ (1,691)	\$ (1,691)		
	2016		\$ (165)	\$ (165)		
	2017		\$ (672)	\$ (494)		\$ (178)
	2018		\$ (504)	\$ (179)		\$ (325)
					\$ -	\$ (503)
b. Changes in Assumptions	2015		\$ (2,142)	\$ (2,142)		
	2016		\$ (475)	\$ (475)		
	2017		\$ (3,549)	\$ (2,610)		\$ (939)
	2018		\$ (481)	\$ (170)		\$ (311)
					\$ -	\$ (1,250)
c. Investment (Gains) and Losses	2015	\$ 2,905	\$ -	\$ 2,324	\$ 581	
	2016	\$ 7,388	\$ -	\$ 4,433	\$ 2,955	
	2017	\$ -	\$ (1,480)	\$ (592)		\$ (888)
	2018	\$ -	\$ (3,877)	\$ (775)		\$ (3,102)
					\$ 3,536	\$ (3,990)
d. Collective Deferred Outflows/(Inflows) of Resources: a + b + c					<u>\$ 3,536</u>	<u>\$ (5,743)</u>

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

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

Year Ending June 30	
2019	\$ (479)
2020	120
2021	(1,072)
2022	(776)
2023	-
Thereafter	-
	<u>\$ (2,207)</u>

Pension Expense – The pension expense under GASB 68 for the fiscal year ending June 30, 2018 is (\$366). It was developed using a measurement date of January 1, 2018, as permitted under paragraph 20 of GASB 68, not adjusted to the fiscal year-end for passage of time. Pension expense calculation includes one year of interest on service cost less one-half year of interest on actual benefit payments, an assumption of a 7.5% investment return (net of investment expenses), and assuming benefit payments and contributions occur at mid-year.

Employer Service Cost	\$	286
Interest Cost		4,834
Expected Return on Assets		(4,047)
Changes in Benefit Terms		-
Recognition of deferred (inflows)/outflows		<u>(1,439)</u>
Total collective pension expense	\$	<u>(366)</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-ended December 31, and can be obtained by writing to the MLGW Manager of Risk Management & Employee Benefits, P.O. Box 430, Memphis, Tennessee 38101.

Plan Description – The Memphis Light, Gas and Water Division Pension Board is the administrator of a single employer retirement system established by the Division to provide retirement benefits for its employees. Prior to 1988, the retirement system included two contributory defined benefit plans (the “1948 Plan” and the “1978 Plan”). The 1948 Plan and the 1978 Plan were amended and superseded as of July 1, 1988.

All employees who were members of the 1948 Plan and the 1978 Plan automatically became members of the amended, restated, and consolidated Memphis Light, Gas and Water Division Retirement and Pension System (the MLGW Pension Plan), a division of the City of Memphis, Tennessee. The MLGW Pension Plan was amended and restated effective January 1, 2015. Participants in the 1948 Plan (which includes those employees hired before July 1, 1978) are entitled to the greater of their retirement benefit determined under the 1948 Plan or their retirement benefit under the MLGW Pension Plan.

Employees Covered – The MLGW Pension Plan covers permanent full-time employees and appointed commissioners who opt to participate. Plan membership consisted of the following participants as of December 31, 2016 and 2015:

	2016	2015
Retirees and beneficiaries receiving benefits	2,643	2,617
Participants inactive during year ended December 31 with vested rights	44	44
Active plan members fully vested	1,074	1,116
Active members not vested	1,536	1,427
Total	<u>5,297</u>	<u>5,204</u>

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

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

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

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

Final average compensation is the member’s basic earnings (which includes member contributions pursuant to Section 414(h) and Section 457 of the Internal Revenue Code (the “Code”) for the three (3) consecutive years of creditable service if less than thirty (30) years, two (2) consecutive years if more than thirty (30) years and one (1) year if 35 or more years of creditable service during which the compensation was the highest) plus work out of classification pay, shift differential pay, and automobile allowance for such employees designated by Resolution of the Board of Commissioners. The annual retirement allowance shall not exceed 85.0% of the member’s final average compensation. The 2017 minimum monthly retirement benefit for all members is the greater of \$50 per month per year of service or \$500.

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

Consumer Price Index (CPI) for the immediately preceding calendar year. The applicable percentage increase shall be determined based on the age of the participant, surviving spouse, or handicapped child as of the first day of July of the plan year in which the adjustment is made as follows:

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

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

Contributions – The contribution requirements of pension plan members and MLGW are established and may be amended and approved by the MLGW Pension Board, the MLGW Board of Commissioners and the Memphis City Council. Pension plan members are required to contribute 8% of their annual covered salary. Under Article III, Section 3.2 of the pension plan, MLGW shall contribute to the pension fund such amounts as from time to time are estimated by the actuary. MLGW also funds the 8% pension plan member’s contributions on behalf of the president and vice presidents. For 2017, MLGW contributed 13.39% of the annual covered payroll. Employer contributions recognized by the MLGW Pension Plan during 2017 totaled \$22,390.

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)	Estimated Covered Employee Payroll	Contributions as a Percentage of Covered Employee Payroll
2008	\$ 10,541	\$ 18,467	\$ (7,926)	\$ 150,253	12.29%
2009	\$ 22,401	\$ 21,388	\$ 1,013	\$ 154,057	13.88%
2010	\$ 27,381	\$ 27,385	\$ (4)	\$ 153,509	17.84%
2011	\$ 26,208	\$ 26,213	\$ (5)	\$ 154,036	17.02%
2012	\$ 30,067	\$ 30,063	\$ 4	\$ 154,347	19.48%
2013	\$ 30,705	\$ 30,706	\$ (1)	\$ 154,759	19.84%
2014	\$ 26,812	\$ 26,804	\$ 8	\$ 152,368	17.59%
2015	\$ 21,390	\$ 21,390	\$ -	\$ 160,641	13.32%
2016	\$ 21,390	\$ 21,390	\$ -	\$ 161,926	13.21%
2017	\$ 22,390	\$ 22,390	\$ -	\$ 167,221	13.39%

Net Pension Liability – MLGW’s net pension liability was measured as of December 31, 2016 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2017.

Actuarial Methods and Assumptions – The actuarial assumption used in the valuation as of December 31, 2016 are based on the results of an experience study for the period January 1, 2009 to December 31, 2013.

Inflation	2.75%
Salary increases	Inflation plus merit increases that vary by age and service, ranging from 0.00% to 6.75%
Investment rate of return	7.50%, including inflation, net of investment expenses
Cost of living adjustments	0.83% for ages 56-58 1.65% for ages 59-61 2.06% for ages 62 and older, and all disabled participants

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

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity	39%	7.17%
International Equity	12%	8.70%
Fixed Income	29%	3.04%
Alternatives	8%	4.37%
Real Estate	10%	5.67%
Short Term Investments	2%	1.56%
Total	100%	

Discount Rate – The discount rate used to measure the total pension liability is 7.50% as of December 31, 2016. The projection of cash flows used to determine the discount rate assumes employee contributions will be made at the current 8.00% of pay contribution rate and that MLGW contributions will equal to the actuarially determined contribution. For this purpose, only employee and employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Based on those assumptions, the MLGW Pension Plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability as of December 31, 2016.

Discount Rate Sensitivity – The following presents the net pension liability of MLGW as of December 31, 2016, calculated using the discount rate of 7.5%, as well as what MLGW’s net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.5%) or 1 percentage point higher (8.5%) than the current rate:

	<u>1% Decrease (6.5%)</u>	<u>Current Rate (7.5%)</u>	<u>1% Increase (8.5%)</u>
Net pension liability (asset)	\$230,296	\$69,364	\$(64,936)

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

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

Summary of Accounting Policies - 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 Memphis Light, Gas and Water Retirement and Pension System (the “MLGW Pension Plan”) and additions to and deductions from the MLGW Pension Plan’s fiduciary net position have been determined on the same basis as they are reported by the MLGW Pension Plan. For this purpose, 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.

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.

	Total Pension Liability	Increase (Decrease) Plan Fiduciary Net Position	Net Pension Liability
Balance at December 31, 2015	\$ 1,414,620	\$ 1,327,616	\$ 87,004
Service cost	32,591	-	32,591
Interest cost	102,248	-	102,248
Difference between expected and actual experience	(11,298)	-	(11,298)
Changes of assumptions	-	-	-
Employer contributions	-	21,390	(21,390)
Employee contributions	-	12,513	(12,513)
Net investment income	-	108,007	(108,007)
Benefit payments including refunds of employee contributions	(102,628)	(102,628)	-
Administrative expenses	-	(729)	729
Net change in plan fiduciary net position	\$ 20,913	\$ 38,553	\$ (17,640)
Balance at December 31, 2016	\$ 1,435,533	\$ 1,366,169	\$ 69,364

NOTES TO FINANCIAL STATEMENTS
(Thousands of Dollars)
For the fiscal year ended June 30, 2018

CITY OF MEMPHIS, TENNESSEE
(Continued)

Required Schedule of Changes in Net Pension Liability

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Total Pension Liability				
Service Cost	\$ 32,591	\$ 30,139	\$ 31,786	\$ 33,122
Interest Cost	102,248	99,940	100,436	98,818
Changes of Benefit Terms	-	-	-	-
Difference between expected and actual experience	(11,298)	2,275	(16,338)	(14,280)
Changes in assumptions	-	-	(22,112)	-
Benefit Payments, including refunds of employee contributions	<u>(102,628)</u>	<u>(100,528)</u>	<u>(100,249)</u>	<u>(91,931)</u>
Net change in total pension liability	20,913	31,826	(6,477)	25,730
Total pension liability - beginning	<u>1,414,620</u>	<u>1,382,794</u>	<u>1,389,271</u>	<u>1,363,542</u>
Total pension liability - ending (a)	<u>\$ 1,435,533</u>	<u>\$ 1,414,620</u>	<u>\$ 1,382,794</u>	<u>\$ 1,389,271</u>
Plan Fiduciary Net Position				
Employer Contributions	\$ 21,390	\$ 21,390	\$ 26,804	\$ 30,706
Employee Contributions	12,513	12,310	11,729	12,000
Net investment income	108,007	15,231	98,931	185,707
Benefit Payments including refunds of employee contributions	(102,628)	(100,528)	(100,249)	(91,931)
Administrative Expenses	<u>(729)</u>	<u>(759)</u>	<u>(714)</u>	<u>(657)</u>
Net change in plan fiduciary net position	\$ 38,553	\$ (52,356)	\$ 36,501	\$ 135,825
Other Adjustments	-	788	-	-
Plan fiduciary net position - beginning	<u>1,327,616</u>	<u>1,379,184</u>	<u>1,342,683</u>	<u>1,206,858</u>
Plan fiduciary net position - ending (b)	<u>\$ 1,366,169</u>	<u>\$ 1,327,616</u>	<u>\$ 1,379,184</u>	<u>\$ 1,342,683</u>
System's net pension liability - ending	<u>\$ 69,364</u>	<u>\$ 87,004</u>	<u>\$ 3,610</u>	<u>\$ 46,588</u>
Plan fiduciary net position as a percentage of the total pension liability	95.17%	93.85%	99.74%	96.65%
Covered employee payroll	\$ 161,926	\$ 160,641	\$ 152,368	\$ 154,759
System's net pension liability as a percentage of covered employee payroll	42.84%	54.16%	2.37%	30.10%

*This schedule will be expanded in future years to include up to ten years of historical data as the required information becomes available.

Pension Expense – Pension expense for the year ended December 31, 2017 is as follows:

Service cost	\$	32,591
Interest on total pension liability		102,248
Employee contributions		(12,513)
Administrative expenses		729
Expected return on assets		(96,871)
Expensed portion of current year period differences between expected and actual experience in total pension liability		(1,883)
Expensed portion of current year period assumption changes		-
Current year plan changes		-
Expensed portion of current year period differences between projected and actual investment earnings		(2,227)
Current year recognition of deferred inflows and outflows established in prior years		10,991
Total expense	\$	<u>33,065</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.

	<u>Deferred Outflows Of Resources</u>	<u>Deferred Inflows Of Resources</u>
Contributions subsequent to measurement date	\$ 22,378	\$ -
Net difference between projected and actual earnings on pension plan investments	51,404	(9,137)
Net difference between projected and actual experience in total Pension Liability	1,516	(17,584)
Assumption changes	-	(11,056)
	<u>\$ 75,298</u>	<u>\$ (37,777)</u>
Total		

Note: The \$22,378 contribution made subsequent to the measurement date will be recognized as a reduction of the net pension liability in 2018.

NOTES TO FINANCIAL STATEMENTS
(Thousands of Dollars)
For the fiscal year ended June 30, 2018

CITY OF MEMPHIS, TENNESSEE
(Continued)

Projected Recognition of Deferred Outflows/(Inflows)

Fiscal year Outflows	Year Established	Original Balance	Original Amortization Period (Years)	Outstanding Balance December 31, 2016	Amount Recognized During FYE December 31, 2017	Outstanding Balance at December 31, 2017	Deferred Outflows/(Inflows) Recognized in Future Years							
							2018	2019	2020	2021	2022 and Thereafter			
Investment	2016	\$ 85,673	5.00	\$ 68,539	\$ 17,135	\$ 51,404	\$ 17,135	\$ 17,135	\$ 17,134	\$ -	\$ -	\$ -	\$ -	\$ -
Demographic	2016	2,275	6.00	1,896	379	1,517	379	379	379	380	-	-	-	-
Total Outflows					17,514	52,921	\$ 17,514	\$ 17,514	\$ 17,513	\$ 380	\$ -	\$ -	\$ -	\$ -

Fiscal year Inflows	Year Established	Original Balance	Original Amortization Period (Years)	Outstanding Balance December 31, 2016	Amount Recognized During FYE December 31, 2017	Outstanding Balance at December 31, 2017	Deferred Outflows/(Inflows) Recognized in Future Years							
							2018	2019	2020	2021	2022 and Thereafter			
Investment	2017	\$ (11,136)	5.00	\$ -	\$ (2,227)	\$ (8,909)	\$ (2,227)	\$ (2,227)	\$ (2,227)	\$ (2,228)	\$ -	\$ -	\$ -	\$ -
Demographic	2017	(11,298)	6.00	-	(1,883)	(9,415)	(1,883)	(1,883)	(1,883)	(1,883)	(1,883)	(1,883)	(1,883)	(1,883)
Investment	2015	(571)	5.00	(343)	(114)	(229)	(114)	(115)	-	-	-	-	-	-
Demographic	2015	(16,338)	6.00	(10,892)	(2,723)	(8,169)	(2,723)	(2,723)	(2,723)	(2,723)	(2,723)	(2,723)	(2,723)	(2,723)
Assumption	2015	(21,112)	6.00	(14,741)	(3,685)	(11,056)	(3,685)	(3,685)	(3,686)	(3,686)	(3,686)	(3,686)	(3,686)	(3,686)
Total Inflows					\$ (10,632)	\$ (37,778)	\$ (10,632)	\$ (10,633)	\$ (10,519)	\$ (4,111)	\$ (1,883)	\$ (1,883)	\$ (1,883)	\$ (1,883)
Total					\$ 6,882	\$ 15,143	\$ 6,882	\$ 6,881	\$ 6,994	\$ (3,731)	\$ (1,883)	\$ (1,883)	\$ (1,883)	\$ (1,883)

Note: In accordance with Paragraph 71 of GASB Statement 68, the difference between projected and actual earnings on investments is recognized over a closed five-year period. The difference between expected and actual total pension liability experience (noted as "Demographic" in the chart above) and the assumption changes (noted as "Assumption" in the chart above) are each recognized over a closed period equal to the average of the expected remaining service lives of all employees who are provided with pensions through the pension plan (active employees and inactive employees) determined as of the beginning of the measurement period. For 2016, the period is six years.

G. Component units

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

Memphis Cook Convention Center - The Memphis Cook Convention Center was formed in 1917 under the Tennessee Private Act (TPA) of 1917, Chapter 420, as subsequently amended. On August 25, 2011, the City became the sole owner of the Center and the deficit is now solely funded by the City. Memphis Management Group, LLC, a wholly owned subsidiary of Memphis Convention and Visitors Bureau, manages the facility. In fiscal year 2016, the City opted to disclose the Memphis Cook Convention Center as a blended component unit under the guidelines of Governmental Accounting Standards Board Statement No. 61 (GASB 61); however upon further analysis, the City has determined that the Memphis Cook Convention Center meets the requirements of a discretely presented component unit under GASB 14. Complete financial statements for the Center may be obtained at The City of Memphis, 125 North Main Street - Third Floor, Room 368, Memphis, TN 38102 Phone: 901-636-6657.

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

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

Memphis Zoological Society (MZS) – MZS was created as a nonprofit in April 1951 by Charter to manage and support the Memphis Zoo and Aquarium in its efforts to preserve wildlife through education, conservation and research. All land, buildings, exhibits and other physical assets used by MZS are the property of the City of Memphis.

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

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.

NOTES TO FINANCIAL STATEMENTS
(Thousands of Dollars)
For the fiscal year ended June 30, 2018

CITY OF MEMPHIS, TENNESSEE
(Continued)

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

	PROPRIETARY TYPE				TOTAL	ZOO	COMPONENT
	MATA	MSCAA	MCCC	BAM (1)			UNITS
							TOTAL
Current Assets	\$ 16,965	\$ 241,804	\$ 2,802	\$ 110	\$ 261,681	\$ 16,710	\$ 278,391
Property, plant and equipment (net of accumulated depreciation)	111,052	846,581	4,935	-	962,568	48	962,616
Other assets	5,658	26,918	-	-	32,576	-	32,576
Total assets	<u>133,675</u>	<u>1,115,303</u>	<u>7,737</u>	<u>110</u>	<u>1,256,825</u>	<u>16,758</u>	<u>1,273,583</u>
Deferred outflows - charges on refunding	-	1,816	-	-	1,816	-	1,816
Deferred actuarial losses - pension	2,948	2,634	-	-	5,582	-	5,582
Deferred actuarial losses - OPEB	-	760	-	-	760	-	760
Total assets and deferred outflows	<u>\$ 136,623</u>	<u>\$ 1,120,513</u>	<u>\$ 7,737</u>	<u>\$ 110</u>	<u>\$ 1,264,983</u>	<u>\$ 16,758</u>	<u>\$ 1,281,741</u>
Current liabilities	\$ 10,178	\$ 51,100	\$ 1,166	\$ 13	\$ 62,457	\$ 4,010	\$ 66,467
Long-term liabilities	91,110	407,965	-	97	499,172	-	499,172
Total liabilities	<u>101,288</u>	<u>459,065</u>	<u>1,166</u>	<u>110</u>	<u>561,629</u>	<u>4,010</u>	<u>565,639</u>
Deferred inflows - revenue received in advance of expense	8,321	9,405	-	-	17,726	-	17,726
Net position	27,014	652,043	6,571	97	685,725	12,748	698,473
Total liabilities, deferred inflows, and net position	<u>\$ 136,623</u>	<u>\$ 1,120,513</u>	<u>\$ 7,737</u>	<u>\$ 207</u>	<u>\$ 1,265,080</u>	<u>\$ 16,758</u>	<u>\$ 1,281,838</u>
Operating revenues	\$ 7,299	\$ 107,166	\$ 5,707	\$ -	\$ 120,172	\$ 17,105	\$ 137,277
Operating expenses	60,235	72,079	7,184	99	139,597	18,759	158,356
Operating income (loss) before depreciation and amortization	<u>(52,936)</u>	<u>35,087</u>	<u>(1,477)</u>	<u>(99)</u>	<u>(19,425)</u>	<u>(1,654)</u>	<u>(21,079)</u>
Depreciation and amortization	(12,333)	(62,644)	(639)	-	(75,616)	-	(75,616)
Grants and contributions not restricted	-	28	-	187	215	-	215
City of Memphis subsidy	28,918	-	2,732	-	31,650	-	31,650
Federal and State grant revenues	22,942	-	-	-	22,942	-	22,942
Interest and investment income (loss)	-	3,221	1	-	3,222	458	3,680
Other revenue (expense)	7,529	34,676	-	-	42,205	898	43,103
Change in net position	(5,880)	10,368	617	88	5,193	(298)	4,895
Net position - beginning of year, as restated	32,894	641,675	5,954	9	680,532	13,046	693,578
Net position - end of year	<u>\$ 27,014</u>	<u>\$ 652,043</u>	<u>\$ 6,571</u>	<u>\$ 97</u>	<u>\$ 685,725</u>	<u>\$ 12,748</u>	<u>\$ 698,473</u>

(1) Blight Authority of Memphis data reported as of June 30, 2017.

FINANCIAL SECTION

CITY OF MEMPHIS

T E N N E S S E E

REQUIRED SUPPLEMENTARY INFORMATION

REQUIRED SUPPLEMENTARY
INFORMATION

SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY AND RELATED RATIOS UNDER GASB 74 AND GASB 75
OTHER POSTEMPLOYMENT BENEFITS (OPEB)

(Thousands of Dollars)

For the fiscal year ended June 30, 2018

Total OPEB Liability

Fiscal Year Ending June 30 (1)	Beginning Total OPEB Liability	Total Service Cost	Interest (2)	Experience (Gains) / Losses	Assumption Changes (3)	Changes of Benefit Terms (4)	Net Benefit Payments (5)	Ending Total OPEB Liability
2017	\$ 691,738	\$ 14,943	\$ 18,877	\$ 18,838	\$ 25,586	\$ (331,901)	\$ (20,190)	\$ 417,891
2018	\$ 417,891	\$ 8,035	\$ 13,113	\$ (11,621)	\$ (76,034)	\$ -	\$ (13,928)	\$ 337,456

(1) The schedule is prepared to satisfy the requirement to show information regarding the Net OPEB Liability and Related Ratios for 10 years. It was prepared prospectively from the Plan's fiscal year ending June 30, 2018 for GASB 75 purposes.

(2) For the current fiscal year, includes interest at 3.13% on the beginning of year Total OPEB Liability and service cost offset by a half-year of interest on benefit payments.

(3) Assumption changes for the most recent fiscal year reflect changes to the participation, mortality, per capita costs, and discount rate assumptions.

(4) For the current fiscal year, no changes in benefit terms were reflected.

(5) Paid claims including administrative expenses less retiree contributions.

SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY AND RELATED RATIOS UNDER GASB 74 AND GASB 75
OTHER POSTEMPLOYMENT BENEFITS (OPEB)

(Thousands of Dollars)

For the fiscal year ended June 30, 2018

Plan Fiduciary Net Position

Fiscal Year Ending June 30 (1)	Beginning Fiduciary Net Position	Employer Contribution	Employee Contribution	Investment Return	Benefit Payments	Administrative Expenses	Investment Expenses	Ending Fiduciary Net Position
2017	\$ 6,450	\$ 16,654	\$ 5,531	\$ 289	\$ (21,476)	\$ (4,245)	\$ -	\$ 3,203
2018	\$ 3,203	\$ 14,420	\$ 1,829	\$ 257	\$ (6,468)	\$ (9,289)	\$ -	\$ 3,952

(1) The schedule is prepared to satisfy the requirement to show information regarding the Net OPEB Liability and Related Ratios for 10 years. It was prepared prospectively from the Plan's fiscal year ending June 30, 2018 for GASB 75 purposes.

SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY AND RELATED RATIOS UNDER GASB 74 AND GASB 75
OTHER POSTEMPLOYMENT BENEFITS (OPEB)
(Thousands of Dollars)
For the fiscal year ended June 30, 2018

Net OPEB Liability

Fiscal Year Ending June 30 (1)	Total OPEB Liability	Net Fiduciary Position	Net OPEB Liability	Fiduciary Net Position as % of Total OPEB Liability	Actual Covered Employee Payroll (2)	Net OPEB Liability as a Percentage of Covered Payroll
2017	\$ 417,891	\$ 3,203	\$ 414,688	0.8%	\$ 379,324	109.3%
2018	\$ 337,456	\$ 3,952	\$ 333,504	1.2%	\$ 368,922	90.4%

(1) The schedule is prepared to satisfy the requirement to show information regarding the Net OPEB Liability and Related Ratios for 10 years. It was prepared prospectively from the Plan's fiscal year ending June 30, 2018 for GASB 75 purposes.

(2) The actual covered payroll represents the total covered payroll for the prior calendar year, increased by the salary scale. Where a salary amount was not provided, an average salary of the participants for the year was assumed. For calendar year 2018, the average salary was \$52,760.

**SCHEDULE OF CONTRIBUTIONS UNDER GASB 74 AND GASB 75
OTHER POSTEMPLOYMENT BENEFITS (OPEB)
(Thousands of Dollars)
For the fiscal year ended June 30, 2018**

Schedule of Contributions

Fiscal Year Ending June 30 (1)	Contractual Contribution (2)	Actual Employer Contributions	Contribution Excess / (Deficiency)	Actual Covered Employee Payroll (3)	Contributions as a Percentage of Covered Payroll
2017	\$ 16,654	\$ 16,654	\$ -	\$ 379,324	4.4%
2018	\$ 14,420	\$ 14,420	\$ -	\$ 368,922	3.9%

(1) The schedule is prepared to satisfy the requirement to show information regarding the Net OPEB Liability and Related Ratios for 10 years. It was prepared prospectively from the Plan's fiscal year ending June 30, 2018 for GASB 75 purposes.

(2) The City is contractually required to pay benefits as they come due and make HRA contributions to participants enrolled in an allowable plan. Any difference between actual benefits paid and employer contributions is due to a timing difference plus retiree contributions.

(3) The actual covered payroll represents the total covered payroll for the prior calendar year, increased by the salary scale. Where a salary amount was not provided, an average salary of the other participants for that year was assumed. For calendar year 2018, the average salary was \$52,760.

SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS UNDER GASB 67 AND 68
CITY RETIREMENT SYSTEM
(Thousands of Dollars)
For the fiscal year ended June 30, 2018

Total Pension Liability

Year Ending June 30 (1)	Beginning Total Pension Liability	Service Cost (2)	Interest (3)	Experience (Gains)/ Losses (4)	Assumption Changes	Changes of Benefit Terms	Benefit Payments	Ending Total Pension Liability
2014	\$ 2,592,987	\$ 55,409	\$ 192,223	\$ 58,245	\$ (128,961)	\$ -	\$ (170,833)	\$ 2,599,070
2015	\$ 2,599,070	\$ 48,189	\$ 190,459	\$ (60,057)	\$ -	\$ (20,805)	\$ (173,991)	\$ 2,582,865
2016	\$ 2,582,865	\$ 44,343	\$ 190,419	\$ (12,367)	\$ (9,882)	\$ -	\$ (176,566)	\$ 2,618,812
2017	\$ 2,618,812	\$ 42,678	\$ 193,004	\$ 44,176	\$ (41,610)	\$ -	\$ (176,205)	\$ 2,680,855
2018	\$ 2,680,855	\$ 44,158	\$ 197,627	\$ (64,966)	\$ (13,322)	\$ -	\$ (179,985)	\$ 2,664,367

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

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

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

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

SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS UNDER GASB 67 AND 68
CITY RETIREMENT SYSTEM
(Thousands of Dollars)
For the fiscal year ended June 30, 2018

CITY OF MEMPHIS, TENNESSEE
Exhibit RSI-6

Plan Fiduciary Net Position

Year Ending June 30 (1)	Beginning Fiduciary Net Position	Employer Contribution	Employee Contribution	Investment Return	Benefit Payment	Administrative Expenses	Investment Expenses	Ending Fiduciary Net Position
2014	\$ 2,040,069	\$ 19,440	\$ 24,173	\$ 342,614	\$ (170,833)	\$ (1,478)	\$ (8,827)	\$ 2,245,158
2015	\$ 2,245,158	\$ 46,215	\$ 23,319	\$ 70,687	\$ (173,991)	\$ (1,975)	\$ (8,864)	\$ 2,200,549
2016	\$ 2,200,549	\$ 51,875	\$ 23,912	\$ 6,890	\$ (176,566)	\$ (2,228)	\$ (12,846)	\$ 2,091,586
2017	\$ 2,091,586	\$ 55,441	\$ 20,016	\$ 286,536	\$ (176,205)	\$ (3,119)	\$ (12,670)	\$ 2,261,585
2018	\$ 2,261,585	\$ 55,059	\$ 18,578	\$ 249,844	\$ (179,985)	\$ (3,700)	\$ (13,272)	\$ 2,388,109

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

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

CITY RETIREMENT SYSTEM

(Thousands of Dollars)

For the fiscal year ended June 30, 2018

Net Pension Liability

Year Ending June 30 (1)	Total Pension Liability	Net Fiduciary Position	Net Pension Liability	Fiduciary Net Position as % of Total Pension Liability	Actual Covered Employee Payroll (2)	Net Pension Liability as a Percentage of Covered Payroll
2014	\$ 2,599,070	\$ 2,245,158	\$ 353,912	86.4%	\$ 324,000	109.2%
2015	\$ 2,582,865	\$ 2,200,549	\$ 382,316	85.2%	\$ 327,627	116.7%
2016	\$ 2,618,812	\$ 2,091,586	\$ 527,226	79.9%	\$ 300,123	175.7%
2017	\$ 2,680,855	\$ 2,261,585	\$ 419,270	84.4%	\$ 336,505	124.6%
2018	\$ 2,664,367	\$ 2,388,109	\$ 276,258	89.6%	\$ 333,171	82.9%

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

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

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

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

For the fiscal year ended June 30, 2018

Schedule of Contributions

Year Ending June 30 (1)	Actuarially Determined Contribution (2)	Actual Employer Contributions	Contribution Excess/(Deficiency)	Actual Covered Employee Payroll (3)	Contributions as a Percentage of Covered Payroll
2014	\$ 96,024	\$ 19,440	\$ (76,584)	\$ 324,000	6.0%
2015	\$ 79,742	\$ 46,215	\$ (33,527)	\$ 327,627	14.1%
2016	\$ 73,913	\$ 51,875	\$ (22,038)	\$ 300,123	17.3%
2017	\$ 58,185	\$ 55,441	\$ (2,744)	\$ 336,505	16.5%
2018	\$ 62,433	\$ 55,059	\$ (7,374)	\$ 333,171	16.5%

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

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

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

SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS UNDER GASB 67 AND 68
LIBRARY RETIREMENT SYSTEM
(Thousands of Dollars)
For the fiscal year ended June 30, 2018

CITY OF MEMPHIS, TENNESSEE
Exhibit RSI-9

Total Pension Liability

Year Ending June 30 (1)	Beginning Total Pension Liability	Service Cost (2)	Interest Cost	Experience (Gains)/ Losses	Assumption Changes (3)	Changes of Benefit Terms	Benefit Payments	Ending Total Pension Liability
2015	\$ 70,097	\$ 585	\$ 4,647	\$ (1,692)	\$ (2,142)	\$ -	\$ (3,675)	\$ 67,820
2016	\$ 67,820	\$ 440	\$ 4,976	\$ (164)	\$ (475)	\$ -	\$ (3,816)	\$ 68,781
2017	\$ 68,781	\$ 334	\$ 5,039	\$ (671)	\$ (3,549)	\$ -	\$ (3,844)	\$ 66,090
2018	\$ 66,090	\$ 338	\$ 4,834	\$ (503)	\$ (481)	\$ -	\$ (3,955)	\$ 66,323

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

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

(3) Assumption changes include the following:

- a. For 2018, the update in the mortality assumption resulted in an actuarial gain of \$(481).
- b. For 2017, the updates in the mortality assumption and retirement assumption resulted in actuarial gains of \$(1,710) and \$(1,839) respectively.
- c. For 2016, the update in the mortality assumption resulted in an actuarial gain of \$(475).
- d. For 2015, the change in the discount rate assumption from 6.75% to 7.50% resulted in an actuarial gain of \$(6,174) and an update in the mortality assumption resulted in an actuarial loss of \$4,032.

SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS UNDER GASB 67 AND 68
LIBRARY RETIREMENT SYSTEM
 (Thousands of Dollars)
 For the fiscal year ended June 30, 2018

CITY OF MEMPHIS, TENNESSEE
 Exhibit RSI-10

Plan Fiduciary Net Position

Year Ending June 30 (1)	Beginning Fiduciary Net Position	Employer Contribution	Employee Contribution	Investment Return	Benefit Payments	Administrative Expenses	Investment Expenses	Ending Fiduciary Net Position
2015	\$ 62,110	\$ 160	\$ 160	\$ 1,687	\$ (3,675)	\$ (80)	\$ (31)	\$ 60,331
2016	\$ 60,331	\$ 150	\$ 150	\$ (2,939)	\$ (3,817)	\$ (108)	\$ (29)	\$ 53,738
2017	\$ 53,738	\$ 132	\$ 132	\$ 5,404	\$ (3,844)	\$ (64)	\$ (28)	\$ 55,470
2018	\$ 55,470	\$ 818	\$ 118	\$ 7,954	\$ (3,954)	\$ (66)	\$ (29)	\$ 60,311

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

**SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS UNDER GASB 67 AND 68
LIBRARY RETIREMENT SYSTEM
(Thousands of Dollars)
For the fiscal year ended June 30, 2018**

Net Pension Liability

Year Ending June 30 (1)	Total Pension Liability	Net Fiduciary Position	Net Pension Liability	Fiduciary Net Position as % of Total Pension Liability	Actual Covered Employee Payroll (2)	Net Pension Liability as a Percentage of Covered Payroll
2015	\$ 67,820	\$ 60,331	\$ 7,489	89.0%	\$ 5,349	140.0%
2016	\$ 68,781	\$ 53,738	\$ 15,043	78.1%	\$ 5,014	300.0%
2017	\$ 66,090	\$ 55,470	\$ 10,620	83.9%	\$ 4,400	241.4%
2018	\$ 66,323	\$ 60,311	\$ 6,012	90.9%	\$ 3,943	152.5%

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

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

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

For the fiscal year ended June 30, 2018

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

Schedule of Contributions under GASB 68

Year Ending June 30 (1)	Actuarially Determined Contribution (2)	Actual Employer Contributions	Contribution Excess/(Deficiency)	Actual Covered Employee Payroll (3)	Contributions as a Percentage of Covered Payroll
2015	\$ 517	\$ 155	\$ (362)	\$ 5,182	3.0%
2016	\$ 517	\$ 141	\$ (376)	\$ 4,707	3.0%
2017	\$ 958	\$ 821	\$ (137)	\$ 4,048	20.3%
2018	\$ 1,502	\$ 918	\$ (584)	\$ 3,917	23.4%

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

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

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

CITY OF MEMPHIS

T E N N E S S E E

COMBINING NONMAJOR FUNDS

SPECIAL REVENUE FUNDS

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

Community 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.

Fire EMS- The Fire Emergency Medical Services Fund accounts for revenue and expenditures to enhance services with the purchase of medical equipment and transportation.

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.

Pre-K- The Pre-K Education Fund accounts for property taxes collected by the City designated to fund Pre-K needs-based enrollment.

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.



NONMAJOR FUNDS
 COMBINING BALANCE SHEET
 (Thousands of Dollars)
 June 30, 2018

CITY OF MEMPHIS, TENNESSEE
 Exhibit B-1

	Central Business Improvement District	Community Services	Drug Enforcement	Education	Fire EMS	Hotel/ Motel Tax	Metro Alarm
ASSETS							
Cash and cash equivalents	\$ -	\$ -	\$ 266	\$ -	\$ -	\$ -	\$ -
Equity in cash and investment pool	85	2,171	10,567	96	2,100	11,512	1,574
Receivables (net of allowance for uncollectibles):							
Property taxes:							
Current property taxes	-	-	-	-	-	-	-
Delinquent property taxes	-	-	-	26	-	-	-
Special assessments:							
Current special assessments	3,898	-	-	-	-	-	-
Delinquent special assessments	(37)	-	-	-	-	-	-
Federal grants and entitlements	-	-	-	-	-	-	-
State grants and entitlements	-	-	-	-	-	-	-
Other	(2)	-	2	-	-	-	1
Due from other agencies and governments	-	-	-	-	-	653	-
Total assets	\$ 3,944	\$ 2,171	\$ 10,835	\$ 122	\$ 2,100	\$ 12,165	\$ 1,575
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts payable	\$ (20)	\$ -	\$ 521	\$ 96	\$ -	\$ 1,111	\$ 41
Accrued liabilities	103	-	-	-	-	-	-
Contract retainage	-	-	-	-	-	-	-
Due to other funds	-	-	-	-	-	-	-
Unearned revenue	-	-	888	-	-	-	-
Total liabilities	83	-	1,409	96	-	1,111	41
Deferred Inflows:							
Uncollected property taxes	-	-	-	26	-	-	-
Uncollected special assessments	3,861	-	-	-	-	-	-
Uncollected grant reimbursements	-	-	-	-	-	-	-
Total deferred inflows	3,861	-	-	26	-	-	-
Fund balances:							
Restricted	-	1,459	9,426	-	2,100	-	-
Committed	-	712	-	-	-	11,054	1,534
Total fund balances	-	2,171	9,426	-	2,100	11,054	1,534
Total liabilities, deferred inflows, and fund balances	\$ 3,944	\$ 2,171	\$ 10,835	\$ 122	\$ 2,100	\$ 12,165	\$ 1,575

Miscellaneous Grants	New Memphis Arena	Pre-K	Solid Waste Management	State Street Aid	Workforce Investment Network	Total	
\$ -	\$ -	\$ -	\$ 4,401	\$ -	\$ -	\$ 4,667	ASSETS
4,394	1,369	3,000	4,953	-	1,468	43,289	Cash and cash equivalents
-	-	-	-	-	-	-	Equity in cash and investment pool
-	-	1,222	-	-	-	1,222	Receivables (net of allowance for uncollectibles):
-	-	-	-	-	-	26	Property taxes:
-	-	-	-	-	-	3,898	Current property taxes
1,095	-	-	-	-	1,873	2,968	Delinquent property taxes
142	-	-	-	-	-	142	Special assessments:
2,589	-	-	140	3,828	-	6,558	Current special assessments
-	-	-	4,773	-	-	5,426	Delinquent special assessments
-	-	-	-	-	-	-	Federal grants and entitlements
-	-	-	-	-	-	-	State grants and entitlements
-	-	-	-	-	-	-	Other
-	-	-	-	-	-	-	Due from other agencies and governments
<u>\$ 8,220</u>	<u>\$ 1,369</u>	<u>\$ 4,222</u>	<u>\$ 14,267</u>	<u>\$ 3,828</u>	<u>\$ 3,341</u>	<u>\$ 68,159</u>	Total assets
LIABILITIES AND FUND BALANCES							
\$ 337	\$ 1,250	\$ -	\$ 3,343	\$ -	\$ 821	\$ 7,500	Liabilities:
(739)	-	-	-	-	-	(636)	Accounts payable
(8)	-	-	-	-	-	(8)	Accrued liabilities
-	-	-	-	3,828	-	3,828	Contract retainage
-	-	-	-	-	520	1,408	Due to other funds
-	-	-	-	-	-	-	Unearned revenue
<u>(410)</u>	<u>1,250</u>	<u>-</u>	<u>3,343</u>	<u>3,828</u>	<u>1,341</u>	<u>12,092</u>	Total liabilities
-	-	1,222	-	-	-	1,248	Deferred inflows:
-	-	-	141	-	-	4,002	Uncollected property taxes
8,357	-	-	-	-	-	8,357	Uncollected special assessments
<u>8,357</u>	<u>-</u>	<u>1,222</u>	<u>141</u>	<u>-</u>	<u>-</u>	<u>13,607</u>	Total deferred inflows
273	-	3,000	10,783	-	2,000	29,041	Fund balances:
-	119	-	-	-	-	13,419	Restricted
<u>273</u>	<u>119</u>	<u>3,000</u>	<u>10,783</u>	<u>-</u>	<u>2,000</u>	<u>42,460</u>	Committed
<u>\$ 8,220</u>	<u>\$ 1,369</u>	<u>\$ 4,222</u>	<u>\$ 14,267</u>	<u>\$ 3,828</u>	<u>\$ 3,341</u>	<u>\$ 68,159</u>	Total fund balances
							Total liabilities, deferred inflows, and fund balances

NONMAJOR FUNDS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 (Thousands of Dollars)
 For the fiscal year ended June 30, 2018

CITY OF MEMPHIS, TENNESSEE
 Exhibit B-2

	Central Business Improvement District	Community Services	Drug Enforcement	Education	Fire EMS	Hotel/ Motel Tax	Metro Alarm
REVENUES							
Local taxes:							
Property taxes	\$ -	\$ -	\$ -	\$ 82	\$ -	\$ -	\$ -
Special assessments - current	3,527	-	-	-	-	-	-
Special assessments - prior	95	-	-	-	-	-	-
Sales tax general	-	-	-	-	-	-	-
Other local taxes	65	-	-	-	-	-	-
Total local taxes	3,687	-	-	82	-	-	-
State taxes (local share):							
Gas and motor fuel tax	-	-	-	-	-	-	-
Gas 3 cent	-	-	-	-	-	-	-
Gas 1989	-	-	-	-	-	-	-
Gas 2017	-	-	-	-	-	-	-
Hotel/motel tax	-	-	-	-	-	17,176	-
Licenses and Permits	-	-	-	-	-	-	1,912
Fines and forfeitures	-	270	2,405	-	-	-	-
Charges for services	-	167	-	-	-	-	-
Investment income	-	5	122	-	-	-	14
Federal grants and entitlements	-	-	44	-	2,651	-	-
State grants	-	-	-	-	-	-	-
Other	-	416	21	-	-	-	5
Total revenues	3,687	858	2,592	82	2,651	17,176	1,931
EXPENDITURES							
General government	3,687	116	-	-	-	11,453	418
Public safety	-	-	3,146	-	551	-	-
Community service	-	-	-	-	-	-	-
Transportation & environment	-	-	-	-	-	-	-
Education	-	-	-	82	-	-	-
Total expenditures	3,687	116	3,146	82	551	11,453	418
Revenues over (under) expenditures	-	742	(554)	-	2,100	5,723	1,513
OTHER FINANCING SOURCES (USES)							
Transfers in	-	160	-	-	-	-	-
Transfers out	-	-	-	-	-	(58)	(442)
Capital leases	-	-	-	-	-	-	-
Total other financing sources and uses	-	160	-	-	-	(58)	(442)
Net change in fund balances	-	902	(554)	-	2,100	5,665	1,071
Fund balances - beginning of year	-	1,269	9,980	-	-	5,389	463
Fund balances - end of year	\$ -	\$ 2,171	\$ 9,426	\$ -	\$ 2,100	\$ 11,054	\$ 1,534

NONMAJOR FUNDS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 (Thousands of Dollars)
 For the fiscal year ended June 30, 2018

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

Miscellaneous Grants	New Memphis Arena	Pre-K	Solid Waste Management	State Street Aid	Workforce Investment Network	Total	
							REVENUES
							Local taxes:
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 82	Property taxes
-	-	-	-	-	-	3,527	Special assessments - current
-	-	-	-	-	-	95	Special assessments - prior
-	4,419	-	-	-	-	4,419	Sales tax general
-	-	-	151	-	-	216	Other local taxes
-	4,419	-	151	-	-	8,339	Total local taxes
							State taxes (local share):
-	-	-	-	12,494	-	12,494	Gas and motor fuel tax
-	-	-	-	3,709	-	3,709	Gas 3 cent
-	-	-	-	2,003	-	2,003	Gas 1989
-	-	-	-	3,628	-	3,628	Gas 2017
-	-	-	-	-	-	17,176	Hotel/motel tax
-	-	-	-	-	-	1,912	Licenses and Permits
-	-	-	-	-	-	2,675	Fines and forfeitures
-	-	-	57,258	-	-	57,425	Charges for services
-	-	-	72	-	-	213	Investment income
8,759	-	-	-	-	8,003	19,457	Federal grants and entitlements
2,715	-	-	145	-	-	131	State grants
3,781	-	-	69	-	458	4,750	Other
15,255	4,419	-	57,695	21,834	8,592	136,772	Total revenues
							EXPENDITURES
15,064	2,500	-	-	17,566	-	50,804	General government
-	-	-	-	-	-	3,697	Public safety
-	-	-	-	-	8,592	8,592	Community service
-	-	-	62,621	-	-	62,621	Transportation & environment
-	-	-	-	-	-	82	Education
15,064	2,500	-	62,621	17,566	8,592	125,796	Total expenditures
191	1,919	-	(4,926)	4,268	-	10,976	Revenues over (under) expenditures
							OTHER FINANCING SOURCES (USES)
4	2,500	3,000	2,000	-	-	7,664	Transfers in
(195)	(4,419)	-	(3,692)	(4,268)	-	(13,074)	Transfers out
-	-	-	4,400	-	-	4,400	Capital leases
(191)	(1,919)	3,000	2,708	(4,268)	-	(1,010)	Total other financing sources and uses
-	-	3,000	(2,218)	-	-	9,966	Net change in fund balances
273	119	-	13,001	-	2,000	32,494	Fund balances - beginning of year (1)
\$ 273	\$ 119	\$ 3,000	\$ 10,783	\$ -	\$ 2,000	\$ 42,460	Fund balances - end of year

(1) The beginning of year fund balance is different due to a change in reporting of the Community Redevelopment Fund.

NONMAJOR SPECIAL REVENUE FUNDS
 COMBINING SCHEDULE OF REVENUES AND EXPENDITURES -
 BUDGET AND ACTUAL ON BASIS OF BUDGETING
 (WITH ANNUAL BUDGETS)
 (Thousands of Dollars)
 For the fiscal year ended June 30, 2018

CITY OF MEMPHIS, TENNESSEE
 Exhibit B-3

	Budget Amounts		Actual	Variance with Final Budget- Positive (Negative)
	Original	Final		
DRUG ENFORCEMENT FUND				
Revenues:				
Investment income	\$ -	\$ -	\$ 122	\$ 122
Fines and forfeitures	2,760	2,760	2,405	(355)
Federal grants and entitlements	100	100	44	(56)
Other	54	54	21	(33)
Total revenues	<u>2,914</u>	<u>2,914</u>	<u>2,592</u>	<u>(322)</u>
Expenditures:				
Public safety	<u>3,753</u>	<u>4,653</u>	<u>3,146</u>	<u>1,507</u>
Total expenditures	<u>3,753</u>	<u>4,653</u>	<u>3,146</u>	<u>1,507</u>
Revenues over (under) expenditures	<u>\$ (839)</u>	<u>\$ (1,739)</u>	<u>\$ (554)</u>	<u>\$ 1,185</u>
Fire EMS				
Revenues:				
Federal grants and entitlements	-	3,437	\$ 2,651	\$ (786)
Total revenues	-	3,437	2,651	(786)
Expenditures:				
General government	-	550	551	(1)
Total expenditures	-	550	551	(1)
Revenues over (under) expenditures	<u>\$ -</u>	<u>\$ 2,887</u>	<u>\$ 2,100</u>	<u>\$ (787)</u>
HOTEL/MOTEL TAX				
Revenues:				
Hotel/motel tax	\$ 11,650	\$ 11,650	\$ 17,176	\$ 5,526
Total revenues	<u>11,650</u>	<u>11,650</u>	<u>17,176</u>	<u>5,526</u>
Expenditures:				
General government	<u>16,509</u>	<u>16,509</u>	<u>11,453</u>	<u>5,056</u>
Total expenditures	<u>16,509</u>	<u>16,509</u>	<u>11,453</u>	<u>5,056</u>
Other financing sources (uses):				
Transfers in	4,859	4,859	-	(4,859)
Transfers out	(4,897)	(4,897)	(58)	4,839
Total other financing sources (uses)	<u>(38)</u>	<u>(38)</u>	<u>(58)</u>	<u>(20)</u>
Revenues over (under) expenditures and other financing sources (uses)	<u>\$ (4,897)</u>	<u>\$ (4,897)</u>	<u>\$ 5,665</u>	<u>\$ 10,562</u>

(Continued)

NONMAJOR SPECIAL REVENUE FUNDS
 COMBINING SCHEDULE OF REVENUES AND EXPENDITURES -
 BUDGET AND ACTUAL ON BASIS OF BUDGETING
 (WITH ANNUAL BUDGETS)
 (Thousands of Dollars)
 For the fiscal year ended June 30, 2018

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

	Budget Amounts		Actual	Variance with Final Budget- Positive(Negative)
	Original	Final		
METRO ALARM				
Revenues:				
Licenses and permits	\$ 591	\$ 591	\$ 1,912	\$ 1,321
Investment income	-	-	14	14
Other	9	9	5	(4)
Total revenues	<u>600</u>	<u>600</u>	<u>1,931</u>	<u>1,331</u>
Expenditures:				
General government	<u>500</u>	<u>555</u>	<u>418</u>	<u>137</u>
Total expenditures	<u>500</u>	<u>555</u>	<u>418</u>	<u>137</u>
Other financing uses:				
Transfers out	<u>(100)</u>	<u>(271)</u>	<u>(442)</u>	<u>(171)</u>
Total other financing uses	<u>(100)</u>	<u>(271)</u>	<u>(442)</u>	<u>(171)</u>
Revenues over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ (226)</u>	<u>\$ 1,071</u>	<u>\$ 1,468</u>
MISCELLANEOUS GRANTS				
Revenues:				
Federal grants and entitlements	\$ -	\$ -	\$ 8,759	\$ 8,759
State grants	-	-	2,715	2,715
Other	-	-	3,781	3,781
Total revenues	<u>-</u>	<u>-</u>	<u>15,255</u>	<u>15,255</u>
Expenditures:				
General government	-	8,629	15,064	(6,435)
Total expenditures	<u>-</u>	<u>8,629</u>	<u>15,064</u>	<u>(6,435)</u>
Other financing sources (uses):				
Transfers in	-	18	4	(14)
Transfers out	-	-	(195)	(195)
Total other financing sources (uses)	<u>-</u>	<u>18</u>	<u>(191)</u>	<u>(209)</u>
Revenues over (under) expenditures and other financing sources (uses)	<u>\$ -</u>	<u>\$ (8,611)</u>	<u>\$ -</u>	<u>\$ 8,611</u>

(Continued)

NONMAJOR SPECIAL REVENUE FUNDS
 COMBINING SCHEDULE OF REVENUES AND EXPENDITURES -
 BUDGET AND ACTUAL ON BASIS OF BUDGETING
 (WITH ANNUAL BUDGETS)
 (Thousands of Dollars)
 For the fiscal year ended June 30, 2018

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

	Budget Amounts			Variance with Final Budget- Positive(Negative)
	Original	Final	Actual	
NEW MEMPHIS ARENA				
Revenues:				
Sales tax general	\$ 4,859	\$ 4,859	\$ 4,419	\$ (440)
Total revenues	<u>4,859</u>	<u>4,859</u>	<u>4,419</u>	<u>(440)</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	7,359	7,359	2,500	(4,859)
Transfers out	(9,717)	(9,259)	(4,419)	4,840
Total other financing sources (uses)	<u>(2,358)</u>	<u>(1,900)</u>	<u>(1,919)</u>	<u>(19)</u>
Revenues over (under) expenditures and other financing sources (uses)	<u>\$ 1</u>	<u>\$ 459</u>	<u>\$ -</u>	<u>\$ (459)</u>
PRE-K				
Other financing sources (uses):				
Transfers in	-	3,000	3,000	-
Transfers out	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>3,000</u>	<u>3,000</u>	<u>-</u>
Revenues over (under) expenditures and other financing sources (uses)	<u>\$ -</u>	<u>\$ 3,000</u>	<u>\$ 3,000</u>	<u>\$ -</u>
SOLID WASTE MANAGEMENT FUND				
Revenues:				
Other local taxes	\$ 120	\$ 120	\$ 151	\$ 31
Charges for services	56,195	56,195	57,258	1,063
Investment income	-	-	72	72
State grants	268	268	145	(123)
Other	24	24	69	45
Total revenues	<u>56,607</u>	<u>56,607</u>	<u>57,695</u>	<u>1,088</u>
Expenditures:				
Transportation and environment	<u>54,459</u>	<u>61,747</u>	<u>62,621</u>	<u>(874)</u>
Total expenditures	<u>54,459</u>	<u>61,747</u>	<u>62,621</u>	<u>(874)</u>
Other financing sources (uses):				
Transfers in	-	2,000	2,000	-
Transfers out	(4,554)	(4,629)	(3,692)	937
Capital leases	-	-	4,400	4,400
Total other financing sources (uses)	<u>(4,554)</u>	<u>(2,629)</u>	<u>2,708</u>	<u>5,337</u>
Revenues over (under) expenditures and other financing sources (uses)	<u>\$ (2,406)</u>	<u>\$ (7,769)</u>	<u>\$ (2,218)</u>	<u>\$ 5,551</u>

(Continued)

NONMAJOR SPECIAL REVENUE FUNDS
 COMBINING SCHEDULE OF REVENUES AND EXPENDITURES -
 BUDGET AND ACTUAL ON BASIS OF BUDGETING
 (WITH ANNUAL BUDGETS)
 (Thousands of Dollars)
 For the fiscal year ended June 30, 2018

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

	Budget Amounts		Actual	Variance with Final Budget- Positive(Negative)
	Original	Final		
STATE STREET AID FUND				
Revenues:				
State gasoline tax (local share):				
Gas and motor fuel tax	\$ 11,000	\$ 11,000	\$ 12,494	\$ 1,494
Gas 3 cent	3,500	3,500	3,709	209
Gas 1989	1,900	1,900	2,003	103
Gas 2017	-	2,500	3,628	1,128
Total revenues	<u>16,400</u>	<u>18,900</u>	<u>21,834</u>	<u>2,934</u>
Expenditures:				
General government	<u>16,400</u>	<u>16,400</u>	<u>17,566</u>	<u>(1,166)</u>
Total expenditures	<u>16,400</u>	<u>16,400</u>	<u>17,566</u>	<u>(1,166)</u>
Other financing uses:				
Transfers out	<u>(4,553)</u>	<u>(4,268)</u>	<u>(4,268)</u>	<u>-</u>
Total other financing uses	<u>(4,553)</u>	<u>(4,268)</u>	<u>(4,268)</u>	<u>-</u>
Revenues over (under) expenditures and other financing uses	<u>\$ (4,553)</u>	<u>\$ (1,768)</u>	<u>\$ -</u>	<u>\$ 1,768</u>
WORKFORCE INVESTMENT NETWORK				
Revenues:				
Federal grants and entitlements	\$ -	\$ -	\$ 8,003	\$ 8,003
State grants	-	-	131	131
Other	-	-	458	458
Total revenues	<u>-</u>	<u>-</u>	<u>8,592</u>	<u>8,592</u>
Expenditures:				
Community service	<u>-</u>	<u>1,822</u>	<u>8,592</u>	<u>(6,770)</u>
Total expenditures	<u>-</u>	<u>1,822</u>	<u>8,592</u>	<u>(6,770)</u>
Revenues over (under) expenditures	<u>\$ -</u>	<u>\$ (1,822)</u>	<u>\$ -</u>	<u>\$ 1,822</u>

(Continued)

NONMAJOR SPECIAL REVENUE FUNDS
COMBINING SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL ON BASIS OF BUDGETING
(WITH ANNUAL BUDGETS)
(Thousands of Dollars)
For the fiscal year ended June 30, 2018

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

	Budget Amounts		Actual	Variance with Final Budget- Positive(Negative)
	Original	Final		
TOTAL NONMAJOR SPECIAL REVENUE FUNDS				
Revenues:				
Local taxes:				
Sales tax general	\$ 4,859	\$ 4,859	\$ 4,419	\$ (440)
Other local taxes	120	120	151	31
State taxes (local share):				
Gas and motor fuel tax	11,000	11,000	12,494	1,494
Gas 3 cent	3,500	3,500	3,709	209
Gas 1989	1,900	1,900	2,003	103
Gas 2017	-	2,500	3,628	1,128
Hotel/motel tax	11,650	11,650	17,176	5,526
Licenses and permits	591	591	1,912	1,321
Fines and forfeitures	2,760	2,760	2,405	(355)
Charges for services	56,195	56,195	57,258	1,063
Investment income	-	-	208	208
Federal grants and entitlements	100	3,537	19,457	15,920
State grants	268	268	2,991	2,723
Other	87	87	4,334	4,247
Total revenues	93,030	98,967	132,145	33,178
Expenditures:				
General government	35,909	45,143	47,552	(2,409)
Public safety	3,753	4,653	3,146	1,507
Community service	-	1,822	8,592	(6,770)
Transportation and environment	54,459	61,747	62,621	(874)
Total expenditures	94,121	113,365	121,911	(8,546)
Other financing sources (uses)				
Transfers in	12,218	17,236	7,504	(9,732)
Transfers out	(23,821)	(23,324)	(13,074)	10,250
Capital leases	-	-	4,400	4,400
Total other financing sources (uses)	(11,603)	(6,088)	(1,170)	4,918
Revenues over (under) expenditures and other financing sources (uses)	\$ (12,694)	\$ (20,486)	\$ 9,064	\$ 29,550

This schedule includes only Nonmajor Special Revenue Funds that have an annual budget. The following funds are not included in this schedule: Community Services, Central Business Improvement District, and Education.

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)
June 30, 2018

CITY OF MEMPHIS, TENNESSEE
Exhibit C-1

	<u>Storm Water</u>
ASSETS	
Current assets:	
Cash	\$ 1
Equity in cash and investment pool	11,770
Accounts receivable	3,393
Total current assets	<u>15,164</u>
Capital assets:	
Land	37
Buildings	907
Improvements other than buildings	57,137
Machinery and equipment	19,285
Less accumulated depreciation and amortization	<u>(30,705)</u>
Total capital assets	46,661
Construction in progress	<u>68,618</u>
Net capital assets	<u>115,279</u>
Total assets	<u>130,443</u>
DEFERRED OUTFLOWS OF RESOURCES	
Pension	1,983
OPEB	756
Total assets and deferred outflows of resources	<u>133,182</u>
LIABILITIES	
Current liabilities:	
Accounts payable and accrued expenses	2,884
Net OPEB liability	9,179
Vacation, sick and other leave benefits	1,758
Total current liabilities	<u>13,821</u>
Long Term liabilities:	
Net Pension Liability	5,009
Long Term Commercial Paper	6,862
Total long term liabilities	<u>11,871</u>
Total liabilities	25,692
DEFERRED INFLOWS OF RESOURCES	
Pension	3,539
OPEB	1,691
Total liabilities and deferred inflows of resources	<u>30,922</u>
NET POSITION	
Net investment in capital assets	115,279
Unrestricted	<u>(13,019)</u>
Total net position	<u>\$ 102,260</u>

ENTERPRISE FUND
STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN FUND NET POSITION
(Thousands of Dollars)
For the fiscal year ended June 30, 2018

CITY OF MEMPHIS, TENNESSEE
Exhibit C-2

	<u>Storm Water</u>
Operating revenues-charges for services	\$ 25,987
Operating expenses other than depreciation and amortization:	
Personnel services	9,632
Materials, supplies, services, and other	<u>4,244</u>
Total operating expenses other than depreciation and amortization	<u>13,876</u>
Operating income before depreciation and amortization	<u>12,111</u>
Depreciation and amortization	<u>2,426</u>
Operating income (loss)	<u>9,685</u>
Non-operating revenues:	
Investment income	141
Other revenue	<u>891</u>
Total non-operating revenues	1,032
Income (loss) before non-operating expenses, transfers, and capital contributions	<u>10,717</u>
Non-operating expense:	
Interest on bond indebtedness	<u>254</u>
Total non-operating expenses	254
Transfers out	<u>(2,043)</u>
Change in net position	8,420
Total net position (deficit) - beginning of year	<u>93,840</u>
Total net position (deficit) - beginning of year as restated	<u>93,840</u>
Total net position (deficit) - end of year	<u>\$ 102,260</u>

ENTERPRISE FUNDS
STATEMENT OF CASH FLOWS
(Thousands of Dollars)
For the fiscal year ended June 30, 2018

CITY OF MEMPHIS, TENNESSEE
Exhibit C-3

	<u>Storm Water</u>
CASH FLOWS FROM OPERATING ACTIVITIES:	
Receipts from customers and users	\$ 25,352
Payments to suppliers	(2,409)
Payments to employees	(9,744)
Payments for Death Benefits	(5)
Net cash provided by operating activities	<u>13,194</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:	
Transfers to other funds	(2,043)
Miscellaneous income	39
Local shared revenue	15
Net cash used by non-capital financing activities	<u>(1,989)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Acquisition and construction of capital assets	(7,466)
Principal payment on long term commercial paper loan	(1,592)
Interest payment on long term commercial paper loan	(254)
Receipts from federal grants	6
Receipts from state grants	831
Net cash used in capital and related financing activities	<u>(8,475)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Income earned on investments	141
Net cash provided by investing activities	<u>141</u>
Net change in cash and cash equivalents	2,871
Cash and cash equivalents, beginning of year	8,900
Cash and cash equivalents, end of year	<u>\$ 11,771</u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 9,685
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation expense	2,426
(Increase) decrease in assets:	
Accounts receivable	(498)
Deferred outflows Pension	916
Deferred outflows OPEB	205
Increase (decrease) in liabilities:	
Accounts payable and accrued expenses	1,841
Deferred inflows Pension	976
Deferred inflows OPEB	1,685
Net pension liability	(2,024)
Net OPEB liability	(2,018)
Total adjustments	<u>3,509</u>
Net cash provided by operating activities	<u>\$ 13,194</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, 2018

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	5,057	24,387	1,211	30,655
Receivables	-	1	-	1
Due from other agencies	-	1	-	1
Inventories	1,086	-	-	1,086
Total current assets	6,144	24,390	1,211	31,745
Capital assets:				
Machinery and equipment	291	-	-	291
Less accumulated depreciation	(291)	-	-	(291)
Net capital assets	-	-	-	-
Deferred Outflows of Resources				
Deferred Outflows - OPEB	-	63	-	63
Total deferred outflows of resources	-	63	-	63
Total assets	6,144	24,453	1,211	31,808
LIABILITIES				
Current liabilities:				
Accounts payable and accrued expenses	742	278	36	1,056
Insurance claims payable	-	6,445	67	6,512
Contract retainage	-	6	-	6
Net OPEB liability	-	747	-	747
Vacation, sick and other leave benefits	-	151	-	151
Total current liabilities	742	7,627	103	8,472
DEFERRED INFLOWS OF RESOURCES				
Deferred Inflows - OPEB	-	70	-	70
Revenue collected in advance	-	5,703	-	5,703
Total deferred inflows of resources	-	5,773	-	5,773
NET POSITION				
Unrestricted (deficit)	5,402	11,053	1,108	17,563
Total net position	\$ 5,402	\$ 11,053	\$ 1,108	\$ 17,563

INTERNAL SERVICE FUNDS
 COMBINING STATEMENT OF REVENUES, EXPENSES
 AND CHANGES IN FUND NET POSITION
 (Thousands of Dollars)
 For the fiscal year ended June 30, 2018

CITY OF MEMPHIS, TENNESSEE
 Exhibit D-2

	Fleet Management	Health Insurance	Unemployment Compensation	Total
Operating revenues:				
Charges for services	\$ 22,818	\$ -	\$ -	\$ 22,818
Miscellaneous income	-	185	-	185
Pharmacy Rx rebates	-	1,838	-	1,838
Employee contributions	-	18,359	-	18,359
Employer contributions	-	53,259	504	53,763
Total operating revenues	22,818	73,641	504	96,963
Operating expenses other than depreciation:				
Personnel services	-	3,206	-	3,206
Materials and supplies	9,647	5,822	-	15,469
Death benefits	-	82	-	82
PCORI tax	-	32	-	32
Inventories	12,043	-	-	12,043
Claims incurred	-	64,195	164	64,359
Total operating expenses other than depreciation	21,690	73,337	164	95,191
Operating income (loss) before depreciation	1,128	304	340	1,772
Depreciation	1	-	-	1
Operating income (loss)	1,127	304	340	1,771
Non-operating revenues:				
Investment income	49	318	19	386
Total non-operating revenues	49	318	19	386
Income (loss) before transfers	1,176	622	359	2,157
Transfers in/(out), net	-	(6,699)	(1,000)	(7,699)
Change in net position	1,176	(6,077)	(641)	(5,542)
Total net position (deficit) - beginning of year	4,226	17,130	1,749	23,105
Total net position (deficit) - end of year	\$ 5,402	\$ 11,053	\$ 1,108	\$ 17,563

INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
(Thousands of Dollars)
For the fiscal year ended June 30, 2018

CITY OF MEMPHIS, TENNESSEE
Exhibit D-3

	Fleet Management	Health Insurance	Unemployment Compensation	Total
CASH FLOWS FROM OPERATING ACTIVITIES:				
Receipts from customers and users	\$ 205	\$ -	\$ -	\$ 205
Receipts from other division funds	22,613	-	-	22,613
Receipts from other agency funds	-	(52)	-	(52)
Miscellaneous income	-	427	-	427
Employee contributions	-	18,359	-	18,359
Employer contributions	-	53,830	504	54,334
Pharmacy rx rebates	-	1,838	-	1,838
Payments to suppliers	(9,443)	(5,810)	-	(15,253)
Payments to employees	-	(3,188)	-	(3,188)
Payments per Affordable Care Act	-	(32)	-	(32)
Payments for inventory	(12,222)	-	-	(12,222)
Payments due to other agencies and funds	-	-	(25)	(25)
Payments for death benefits	-	(82)	-	(82)
Payments for claims incurred	-	(64,834)	(147)	(64,981)
Net cash (used in) provided by operating activities	<u>1,153</u>	<u>456</u>	<u>332</u>	<u>1,941</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:				
Transfers to other funds	-	(6,699)	(1,000)	(7,699)
Net cash provided by non-capital financing activities	<u>-</u>	<u>(6,699)</u>	<u>(1,000)</u>	<u>(7,699)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:				
Income earned on investments	49	318	19	386
Net cash provided by investing activities	<u>49</u>	<u>318</u>	<u>19</u>	<u>386</u>
Net increase (decrease) in cash and cash equivalents	1,202	(5,925)	(649)	(5,372)
Cash and cash equivalents, beginning of year	3,857	30,312	1,860	36,029
Cash and cash equivalents, end of year	<u>\$ 5,059</u>	<u>\$ 24,387</u>	<u>\$ 1,211</u>	<u>\$ 30,657</u>
Reconciliation of operating income (loss) to net cash (used in) provided by operating activities:				
Operating income (loss)	\$ 1,127	\$ 304	\$ 340	\$ 1,771
Adjustments to reconcile operating income (loss) to net cash (used in) provided by operating activities:				
Depreciation expense	1	-	-	1
(Increase) decrease in assets:				
Accounts receivable	-	(52)	-	(52)
Deferred outflows - OPEB	-	8	-	8
Inventories	(178)	-	-	(178)
Increase (decrease) in liabilities:				
Accounts payable and accrued expenses	203	209	(8)	404
Deferred inflows - OPEB	-	69	-	69
Net OPEB liability	-	(82)	-	(82)
Total adjustments	<u>26</u>	<u>152</u>	<u>(8)</u>	<u>170</u>
Net cash (used in) provided by operating activities	<u>\$ 1,153</u>	<u>\$ 456</u>	<u>\$ 332</u>	<u>\$ 1,941</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:

City 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.

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

STATEMENT OF FIDUCIARY NET POSITION
 FIDUCIARY TRUST FUNDS (Thousands of Dollars)
 June 30, 2018

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	\$ 26,464	\$ -	\$ 33,803	\$ -	\$ 22,159	\$ 82,426
Investments, at fair value:						
U.S. government securities - long-term	120,252	-	7,600	-	-	127,852
Common stock - domestic	673,219	-	530,769	-	101,697	1,305,685
Common stock - foreign	152,888	-	96,634	-	62,582	312,104
Preferred stock - foreign	-	-	4,753	-	-	4,753
Corporate bonds - domestic	335,734	-	59,775	-	-	395,509
Corporate bonds - foreign	124,209	-	11,564	-	-	135,773
Mutual funds and money market funds	22,313	58,841	7,974	3,010	38,448	130,586
Equity ETF	-	-	166,438	-	32,739	199,177
Government bonds - domestic	-	-	25,326	-	-	25,326
Global bond - international	-	-	73,392	-	-	73,392
Emerging market bonds ETF	-	-	77,215	-	-	77,215
Corporate bond mutual funds - domestic	-	-	-	-	29,207	29,207
Corporate bond mutual funds - international	-	-	-	-	15,446	15,446
Convertible bond mutual fund - domestic	-	-	-	-	7,817	7,817
Collateralized mortgage obligations	8,106	-	-	-	-	8,106
Asset-backed pooled securities	6,166	-	13,159	-	-	19,325
Mortgage-backed pooled securities	26,444	-	26,455	-	-	52,899
Securitized asset fund	-	-	492	-	-	492
Investments in index funds	97,713	-	-	-	-	97,713
Investments in limited partnerships	131,945	-	-	-	-	131,945
Investments in real estate	142,192	-	191,882	-	29,967	364,041
Multi-asset - domestic	-	-	12,521	-	-	12,521
Private debt funds - domestic	-	-	-	-	3,088	3,088
Private equity - domestic	-	-	63,149	-	19,847	82,996
Private equity - international	-	-	1,858	-	-	1,858
Investments in international equity fund	526,974	-	-	-	5,737	532,711
Investments in international bond fund	-	-	-	-	18,805	18,805
Distressed debt funds - domestic	-	-	43,591	-	8,721	52,312
Distressed debt funds - international	-	-	26,123	-	17,582	43,705
Life Settlement fund	-	-	36,925	-	6,307	43,232
Investments in short sales & written options	(237)	-	-	-	-	(237)
Total investments	2,367,918	58,841	1,477,595	3,010	397,990	4,305,354
Equity in cash and investment pool	2,111	-	-	1,991	-	4,102
Interest and dividend receivables	6,912	6	2,547	2	230	9,697
Receivable for securities sold	150,737	-	371	-	298	151,406
Employer and employee contributions receivable	368	-	963	-	671	2,002
Collateral held in trust for securities on loan	105,741	-	123,741	-	3,251	232,733
Total assets	2,660,251	58,847	1,639,020	5,003	424,599	4,787,720
LIABILITIES						
Accounts payable and other	224,708	-	3,042	477	1,622	229,849
Collateral subject to return to borrowers	105,741	-	123,741	-	3,251	232,733
Total liabilities	330,449	-	126,783	477	4,873	462,582
DEFERRED INFLOWS OF RESOURCES						
Revenue collected in advance	-	-	-	574	-	574
Total deferred inflows of resources	-	-	-	574	-	574
NET POSITION						
Held in trust for pension benefits, pool participants and OPEB	\$ 2,329,802	\$ 58,847	\$ 1,512,237	\$ 3,952	\$ 419,726	\$ 4,324,564

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, 2018

CITY OF MEMPHIS, TENNESSEE
 Exhibit E-2

	Pension Trust					
	City Retirement System	Library Retirement System	Memphis Light, Gas and Water Retirement System	City OPEB Fund	Memphis Light, Gas and Water OPEB Trust	Total Pension and OPEB Trust Funds
ADDITIONS						
Contributions:						
Employer	\$ 55,059	\$ 118	\$ 22,390	\$ 4,652	\$ 45,184	\$ 127,403
Medicare Part D	-	-	-	504	-	504
Plan members	18,578	118	12,959	1,829	-	33,484
Total contributions	73,637	236	35,349	6,985	45,184	161,391
Transfer from other fund	-	800	-	9,768	-	10,568
Pharmacy rebate	-	-	-	431	-	431
Investment income:						
Interest and dividend income	49,499	1,531	20,220	66	6,418	77,734
Securities lending income	270	-	839	-	22	1,131
Other investment income	403	-	1,608	42	20	2,073
Gain on real estate investments	6,194	-	6,677	-	665	13,536
Net appreciation in the fair value of investments	148,884	2,735	191,595	148	50,653	394,015
Total investment income	205,250	4,266	220,939	256	57,778	488,489
Total additions	278,887	5,302	256,288	17,440	102,962	660,879
DEDUCTIONS						
Benefits	162,946	3,166	102,179	7,402	28,765	304,458
Administrative expenses	17,218	81	5,302	9,289	799	32,689
Refunds of contributions	15,922	-	2,740	-	-	18,662
Total deductions	196,086	3,247	110,221	16,691	29,564	355,809
Net increase / decrease	82,801	2,055	146,067	749	73,398	305,070
Net position - beginning of year	2,247,001	56,792	1,365,705	3,203	346,328	4,019,029
Prior period adjustment	-	-	465	-	-	465
Net position - beginning of year as restated	2,247,001	56,792	1,366,170	3,203	346,328	4,019,494
Net position - end of year	\$ 2,329,802	\$ 58,847	\$ 1,512,237	\$ 3,952	\$ 419,726	\$ 4,324,564

See accompanying notes to financial statements.

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
 FIDUCIARY AGENCY FUND
 (Thousands of Dollars)
 For the fiscal year ended June 30, 2018

CITY OF MEMPHIS, TENNESSEE
 EXHIBIT E-3

	Sold Property Tax Receivable Agency Fund			
	Beginning Balance	Additions	Deductions	Ending Balance
ASSETS				
Equity in cash and investment pool	\$ 593	\$ 10,107	\$ 8,339	\$ 2,361
Property tax receivable - current	11,458	9,298	13,226	7,530
Property tax receivable - delinquent	1,932	12,449	9,305	5,076
Total Assets	\$ 13,983	\$ 31,854	\$ 30,870	\$ 14,967
LIABILITIES				
Accounts payable & other liabilities	\$ 593	\$ 10,125	\$ 8,341	\$ 2,377
Total Liabilities	\$ 593	\$ 10,125	\$ 8,341	\$ 2,377
DEFERRED INFLOWS OF RESOURCES				
Revenue collected in advance	\$ 13,390	\$ 21,747	\$ 22,547	\$ 12,590
Total deferred inflows of resources	\$ 13,390	\$ 21,747	\$ 22,547	\$ 12,590
NET POSITION	\$ -	\$ 18	\$ (18)	\$ -

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY TRUST FUND (Thousands of Dollars)
June 30, 2018

CITY OF MEMPHIS, TENNESSEE
Exhibit E-4

	<u>Community Redevelopment Agency Fund</u>
ASSETS	
Equity in cash and investment pool	\$ 682
Due from other agencies and governments	<u>20,048</u>
Total assets	<u>20,730</u>
DEFERRED INFLOWS OF RESOURCES	
Revenue collected in advance	<u>20,049</u>
Total deferred inflows of resources	<u>20,049</u>
NET POSITION	<u><u>\$ 681</u></u>

See accompanying notes to financial statements.

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
 FIDUCIARY TRUST FUND (Thousands of Dollars)
 For the fiscal year ended June 30, 2018

CITY OF MEMPHIS, TENNESSEE
 Exhibit E-5

	<u>Community Redevelopment Agency Fund</u>
REVENUES	
Local Taxes	\$ 1,750
Other Revenues	<u>70</u>
Total revenues	<u>1,820</u>
EXPENSES	
Personnel Services	23
Materials and Supplies	14
Grants and Subsidies	3,851
Project Costs	627
Bond Issue Costs	<u>282</u>
Total expenses	<u>4,797</u>
OTHER FINANCING SOURCES	
Oper Transfer in - General Fund	<u>2,977</u>
Total other financing sources	<u>2,977</u>
Net increase / decrease	-
Net position - beginning of year	<u>681</u>
Net position - end of year	<u>\$ 681</u>

See accompanying notes to financial statements.



FINANCIAL SECTION

CITY OF MEMPHIS

T E N N E S S E E

SUPPLEMENTARY SCHEDULES

SUPPLEMENTARY
SCHEDULES

ALL FUNDS
 COMBINED SCHEDULE OF DELINQUENT
 PROPERTY TAXES RECEIVABLE
 (Thousands of Dollars)
 June 30, 2018

CITY OF MEMPHIS, TENNESSEE
 Exhibit F-1

<u>Tax Year</u>	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Education</u>	<u>Total</u>
2008	863	266	1	85	1,215
2009	1,247	388	2	102	1,739
2010	2,140	666	3	174	2,983
2011	3,453	1,076	5	-	4,534
2012	3,727	1,164	5	168	5,064
2013	3,164	1,157	4	-	4,325
2014	2,237	1,031	3	-	3,271
2015	3,339	1,542	5	-	4,886
2016	4,666	2,162	7	-	6,835
2017	6,425	2,582	9	-	9,016
Total delinquent property taxes receivable	31,261	12,034	44	529	43,868
Allowance for uncollectibles	1,563	455	9	503	2,530
Net delinquent property taxes receivable	<u>\$ 29,698</u>	<u>11,579</u>	<u>35</u>	<u>26</u>	<u>41,338</u>
Special assessment tax, net of allowance				<u>271</u>	
Total tax, net of allowance				<u>\$ 41,609</u>	

Note: During fiscal year 2018, \$13,638 of delinquent taxes were submitted to Chancery Court for further collections.

CITY OF MEMPHIS, TENNESSEE
Exhibit F-2

SCHEDULE OF REVENUE DEBT BY ISSUE
(Thousands of Dollars)
For the fiscal year ended June 30, 2018

Description	Interest Rates	Date of Issue	Date of Final Maturity	Original Issue	Redemptions	Principal Amount Outstanding June 30, 2018	Interest to Maturity as of June 30, 2018
REVENUE BONDS PAYABLE (Business-Type Activities)							
Sanitary Sewerage System Revenue Refunding Bonds, Series 2014	3.00-4.00	Jul. 01, 2014	Jul. 01, 2025	18,930	3,220	15,710	2,215
Sanitary Sewerage System Revenue Refunding Bonds, Series 2013	4.00-5.00	Oct. 03, 2013	Oct. 01, 2024	21,410	8,515	12,895	2,309
Sanitary Sewerage System Revenue Refunding Bonds, Series 2011	3.00-5.00	Jun. 29, 2011	Oct. 01, 2021	15,165	6,860	8,305	835
Sanitary Sewerage System Revenue Bonds (RZEDB), Series 2010B	3.36-6.10	Dec. 07, 2011	Oct. 01, 2030	16,450	4,750	11,700	4,807
Sanitary Sewerage System Revenue Bonds (BABS), Series 2009B	6.30	Nov. 24, 2009	Oct. 01, 2029	12,360	-	12,360	5,712
Sanitary Sewerage System Revenue Bonds, Series 2009A	4.00	Nov. 24, 2009	Oct. 01, 2019	7,640	5,715	1,925	77
Sanitary Sewerage System Revenue Bonds, Series 2007	4.00-4.50	Dec. 18, 2007	Oct. 01, 2027	20,000	7,855	12,145	2,819
Sanitary Sewerage System Revenue Refunding Bonds, Series 2006	5.00	Sep. 06, 2006	May 01, 2020	20,220	17,300	2,920	221
Total Revenue Bonds Payable (Business-Type Activities)				132,175	54,215	77,960	18,995
SEWER STATE LOANS (Business-Type Activities) (1)							
TN Sewer State Loan SRF 13-309	0.75	Feb. 04, 2013	Feb. 03, 2033	9,466	146	9,320	783
TN Sewer State Loan SRF 06195	.75-2.59	Jul. 19, 2013	Jul. 20, 2033	3,881	691	3,190	667
TN Sewer State Loan SRF 13-311	0.75	Mar. 21, 2016	Mar. 21, 2035	71,388	-	71,388	10,072
Total Sewer State Loans (Business-Type Activities)				84,735	837	83,898	11,522
REVENUE BONDS PAYABLE (Memphis Light Gas & Water) (2)							
Electric System Revenue Bonds, Series 2008	4.00-5.00	Jun. 13, 2008	Dec. 01, 2018	96,930	31,625	65,305	3,043
Electric System Revenue Bonds, Series 2010	2.50-5.00	Feb. 17, 2010	Dec. 01, 2018	460,050	404,980	55,070	2,653
Electric System Revenue Bonds, Series 2014	2.00-5.00	May 20, 2014	Dec. 01, 2034	71,000	7,415	63,585	30,130
Electric System Revenue Bonds, Series 2016	3.00-5.00	Sep. 01, 2016	Dec. 01, 2036	40,000	1,275	38,725	19,251
Electric System Revenue Bonds, Series 2017	3.00-5.00	Sep. 01, 2017	Dec. 01, 2037	90,000	-	90,000	43,193
Gas System Revenue Bonds, Series 2016	3.00-5.00	Sep. 01, 2016	Dec. 01, 2036	40,000	1,275	38,725	19,250
Gas System Revenue Bonds, Series 2017	3.00-5.00	Sep. 01, 2017	Dec. 01, 2037	40,000	-	40,000	21,545
Water System Revenue Bonds, Series 2014	2.00-5.00	May 20, 2014	Dec. 01, 2034	15,000	1,710	13,290	4,982
Water System Revenue Bonds, Series 2016	2.00-4.00	Sep. 01, 2016	Dec. 01, 2036	30,000	1,120	28,880	9,998
Water System Revenue Bonds, Series 2017	2.00-5.00	Sep. 01, 2017	Dec. 01, 2037	25,000	-	25,000	11,149
Total Revenue Bonds Payable (Memphis Light Gas & Water)				907,980	449,400	458,580	165,194
Total Revenue Debt Payable				\$ 1,124,890	504,452	620,438	195,711

(1) Adjustment in the amount of \$1,060 made to Original Issue for SRF 06195 and SRF 13-311 to reclass installments.
(2) All Memphis Light Gas & Water bonds reflect amounts outstanding at December 31, 2017.

SCHEDULE OF GENERAL OBLIGATION DEBT PAYABLE BY ISSUE
(Thousands of Dollars)
For the fiscal year ended June 30, 2018

CITY OF MEMPHIS, TENNESSEE
Exhibit F-3

Description	Interest Rates	Date of Issue	Date of Final Maturity	Original Issue	Redemptions	Principal Amount Outstanding June 30, 2018	Interest to Maturity as of June 30, 2018
GENERAL OBLIGATION BONDS PAYABLE							
General Improvement Bonds, Series 2018	3.45-5.00	Apr. 17, 2018	Jul. 01, 2048	309,255	-	309,255	221,341
General Improvement Refunding Bonds, Series 2016	2.50-5.00	Jun. 14, 2016	May 01, 2041	69,885	3,750	66,135	31,224
General Improvement Refunding Bonds, Series 2015C	4.00-5.00	May 19, 2015	Apr. 01, 2045	67,845	-	67,845	62,307
General Improvement Refunding Bonds, Series 2015B (Taxable)	2.69-2.94	May 19, 2015	Apr. 01, 2025	54,390	-	54,390	10,083
General Improvement Refunding Bonds, Series 2015A	5.00	May 19, 2015	Apr. 01, 2026	76,820	-	76,820	29,532
General Improvement Refunding Bonds, Series 2014B	4.00-5.00	Mar. 25, 2014	Apr. 01, 2044	208,230	21,605	186,625	146,976
General Improvement Refunding Bonds, Series 2014A	5.00	Mar. 25, 2014	Nov. 01, 2025	103,955	12,605	91,350	17,858
General Improvement and Refunding Bonds, Series 2012B	1.65 - 3.70	Mar. 29, 2012	Apr. 01, 2024	5,145	3,005	2,140	251
General Improvement and Refunding Bonds, Series 2012A	3.25 - 4.13	Mar. 29, 2012	Apr. 01, 2042	93,595	6,915	86,680	18,649
General Improvement and Refunding Bonds, Series 2011	4.25 - 5.00	Jun. 14, 2011	May 01, 2036	86,190	13,660	72,530	31,782
General Improvement Bonds, Series 2010F (RZEDB)	6.04	Jun. 29, 2010	Jul. 01, 2034	11,160	-	11,160	10,796
General Improvement Refunding Bonds, Series 2010E (Taxable)	3.31 - 3.92	Jun. 29, 2010	Jul. 01, 2018	55,295	34,920	20,375	399
General Improvement and Refunding Bonds, Series 2010D	5.00	Jun. 29, 2010	Jul. 01, 2023	121,205	-	121,205	21,114
General Improvement Bonds, Series 2010C (BABs)	4.16 - 5.94	Jun. 29, 2010	Jul. 01, 2032	62,550	-	62,550	29,815
General Improvement Bonds, Series 2010B (BABs)	5.32 - 6.14	May 04, 2010	May 01, 2030	39,950	-	39,950	19,427
General Improvement Bonds, Series 2010A	3.00 - 5.00	May 04, 2010	May 01, 2021	27,880	21,055	6,825	690
General Improvement Bonds, Series 2009	4.00 - 5.00	Jun. 02, 2009	Apr. 01, 2024	76,025	70,275	5,750	1,255
General Improvement Bonds, Series 2008	4.00 - 5.00	May 01, 2008	Apr. 01, 2018	99,735	99,735	-	-
General Improvement Refunding Bonds, Series 2005	5.00 - 5.25	Mar. 16, 2005	Oct. 01, 2019	166,880	129,150	37,730	2,427
General Improvement Refunding Bonds, Series 2005B	5.25	Jun. 22, 2005	Oct. 01, 2018	115,635	87,510	28,125	738
General Improvement Refunding Bonds, Series 2004	5.00	Feb. 19, 2004	Oct. 01, 2017	34,160	34,160	-	-
Total General Obligation Bonds Payable				1,885,785	538,345	1,347,440	656,664
SETTLEMENT OBLIGATION							
Settlement Obligation	-	Jan. 30, 2015	Feb. 15, 2031	20,000	4,001	15,999	-
Total Settlement Obligation				20,000	4,001	15,999	-
Total General Obligation Debt Payable				\$ 1,905,785	542,346	1,363,439	656,664

SCHEDULE OF GENERAL OBLIGATION DEBT - BY USE
(Thousands of Dollars)
For the fiscal year ended June 30, 2018

CITY OF MEMPHIS, TENNESSEE
Exhibit F-4

Use	Balance Outstanding At Year End
<hr/>	
GENERAL OBLIGATION BONDS	
General Improvement	\$ 1,347,440
Bond Premiums	<u>66,452</u>
Total general obligation bonds	1,413,892
TOTAL GENERAL OBLIGATION DEBT	<u><u>\$ 1,413,892</u></u>

SCHEDULE OF CAPITAL LEASES PAYABLE BY ISSUE
For the fiscal year ended June 30, 2018

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, 2018	Interest to Maturity as of June 30, 2018
CAPITAL LEASES							
Sports Facility Revenue Bonds, Series 2014A	2.000% - 5.000%	Mar. 28, 2014	Feb. 01, 2029	17,925,000	2,940,000	14,985,000	4,364,775
Sports Facility Revenue Bonds, Series 2014B	1.900% - 4.970%	Mar. 28, 2014	Feb. 01, 2030	5,720,000	1,605,000	4,115,000	1,209,998
Solid Waste 2018	2.8240% - 3.5979%	Jun. 07, 2018	May 1, 2023	4,400,000	-	4,400,000	335,664
Solid Waste 2016	1.336%	Apr. 22, 2016	Apr. 22, 2021	2,000,000	784,056	1,215,944	28,591
Solid Waste 2014	1.384%	Dec. 11, 2014	Dec. 11, 2019	15,416,204	10,679,251	4,736,953	65,686
Red Light 2014	1.678%	Aug. 15, 2014	Aug. 15, 2019	3,300,000	2,505,071	794,929	8,362
Parking Meters 2013	1.325%	Nov. 15, 2013	Nov. 15, 2018	1,572,617	1,410,640	161,977	1,073
Total Capital Leases Payable				50,333,821	19,924,018	30,409,803	6,014,149

SCHEDULE OF GUARANTEE OBLIGATIONS PAYABLE BY ISSUE
For the fiscal year ended June 30, 2018

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, 2018	Interest to Maturity as of June 30, 2018
GUARANTEE OBLIGATIONS							
For General Purposes:							
Development Revenue Bonds, Series 2011	2.500% - 5.250%	Sep. 07, 2011	Apr. 01, 2036	20,397,500	3,590,000	16,807,500	8,389,775
Qualified Energy Conservation Bonds, Series 2015A	3.720%	Feb. 28, 2015	Jan. 05, 2025	8,316,000	2,494,800	5,821,200	866,195
Revenue Bonds, Series 2015 (Conv. Cntr Proj.)	1.870%	Mar. 03, 2015	Jan. 05, 2020	1,585,450	951,270	634,180	17,789
Qualified Energy Conservation Bonds, Series 2015B	3.910%	Apr. 29, 2015	Jan. 05, 2025	2,015,300	604,590	1,410,710	220,635
Qualified Energy Conservation Bonds, Series 2015C	3.910%	Apr. 29, 2015	Jan. 05, 2025	340,700	102,210	238,490	37,300
Revenue Bonds, Series 2016 (Conv. Cntr Proj.)	1.950%	Jan. 13, 2016	Jan. 05, 2020	1,561,500	780,750	780,750	22,837
Economic Development Growth Engine Bonds, Series 2017A	1.670%-2.500%	Jun. 01, 2017	Nov. 01, 2021	36,215,000	8,775,000	27,440,000	925,431
Economic Development Growth Engine Bonds, Series 2017B	5.000%	Jun. 01, 2017	Nov. 01, 2030	87,725,000	-	87,725,000	43,214,875
Economic Development Growth Engine Bonds, Series 2017C	2.358%-2.931	Jun. 01, 2017	Nov. 01, 2024	34,300,000	-	34,300,000	4,424,194
Qualified Energy Conservation Bonds, Series 2017	2.400%	Sep. 01, 2017	Jan. 05, 2021	2,142,850	535,713	1,607,137	78,250
Total Guarantee Obligations Payable				194,599,300	17,834,333	176,764,967	58,197,281

LONG TERM DEBT PRINCIPAL AND INTEREST REQUIREMENTS
 REVENUE DEBT PAYABLE
 (Thousands of Dollars)
 For the fiscal year ended June 30, 2018

CITY OF MEMPHIS, TENNESSEE
 Exhibit F-7

Year Ending June 30	Revenue Bonds		Revenue Bonds		Sewer State Loans		Total
	Sewer Collection and Treatment Fund	Interest	Memphis Light Gas Water (1)	Interest	Sewer Collection and Treatment Fund	Interest	
	Principal		Principal		Principal		
2018			132,360	19,988	617	749	152,348
2019	8,930	3,573	12,380	13,903	625	740	40,152
2020	9,885	3,181	12,810	13,477	632	732	40,718
2021	8,745	2,722	13,330	12,948	641	723	39,109
2022	9,140	2,291	13,905	12,379	649	715	39,079
2023	7,055	1,896	14,515	11,767	657	706	36,597
2024	7,350	1,555	15,205	11,077	667	697	36,550
2025	7,630	1,216	15,915	10,368	675	688	36,493
2026	5,725	917	16,670	9,609	684	678	34,284
2027	3,655	687	17,445	8,832	693	669	31,981
2028	3,805	480	18,260	8,022	703	659	31,929
2029	2,430	299	19,095	7,184	712	649	30,370
2030	2,525	145	19,970	6,308	722	639	30,309
2031	1,085	33	20,930	5,349	732	629	28,758
2032	-	-	21,790	4,494	742	618	27,645
2033	-	-	22,690	3,596	1,575	610	27,646
2034	-	-	23,590	2,682	70,827	606	28,457
2035	-	-	17,950	1,741	501	9	91,124
2036	-	-	18,620	1,073	505	5	20,203
2037	-	-	11,150	397	339	1	12,057
2038	-	-	-	-	-	-	340
	\$ 77,960	\$ 18,995	\$ 458,580	\$ 165,194	\$ 83,898	\$ 11,522	\$ 816,149

(1) All Memphis Light Gas Water bonds reflect amounts outstanding at December 31, 2017.

LONG TERM DEBT PRINCIPAL AND INTEREST REQUIREMENTS
GOVERNMENTAL DEBT PAYABLE
(Thousands of Dollars)
For the fiscal year ended June 30, 2018

CITY OF MEMPHIS, TENNESSEE
Exhibit F-8

Year Ending June 30	General Obligation Bonds		Settlement Obligation		Total
	Principal	Interest	Principal	Interest	
2019	85,785	60,966	1,334	-	148,085
2020	87,210	56,043	1,334	-	144,587
2021	87,120	52,638	1,334	-	141,092
2022	87,860	48,393	1,333	-	137,586
2023	88,845	43,788	1,333	-	133,966
2024	89,500	39,634	1,333	-	130,467
2025	91,105	36,483	1,333	-	128,921
2026	89,900	32,605	1,333	-	123,838
2027	30,955	28,321	1,333	-	60,609
2028	32,325	26,784	1,333	-	60,442
2029	33,725	25,179	1,333	-	60,237
2030	35,215	23,497	1,333	-	60,045
2031	31,290	21,811	-	-	53,101
2032	32,585	20,409	-	-	52,994
2033	33,970	18,911	-	-	52,881
2034	35,055	17,386	-	-	52,441
2035	36,515	15,782	-	-	52,297
2036	32,115	14,326	-	-	46,441
2037	28,690	12,980	-	-	41,670
2038	29,860	11,813	-	-	41,673
2039	31,075	10,590	-	-	41,665
2040	32,350	9,305	-	-	41,655
2041	33,715	7,952	-	-	41,667
2042	30,940	6,492	-	-	37,432
2043	31,520	5,122	-	-	36,642
2044	29,460	3,723	-	-	33,183
2045	17,660	2,400	-	-	20,060
2046	13,165	1,644	-	-	14,809
2047	13,690	1,117	-	-	14,807
2048	14,240	570	-	-	14,810
	\$ 1,347,440	\$ 656,664	\$ 15,999	\$ -	\$ 2,020,103

SCHEDULE OF INTERFUND BALANCES
(Thousands of Dollars)
For the fiscal year ended June 30, 2018

CITY OF MEMPHIS, TENNESSEE
Exhibit F-9

	<u>Primary Government</u>		<u>Total Payables - Reporting Entity</u>
	<u>Governmental Fund Types</u>		
	<u>General Fund</u>	<u>Debt Service</u>	
GOVERNMENTAL FUND TYPES			
Special Revenue:			
State Street Aid	\$ 3,533	\$ 295	\$ 3,828
Community Development	4,495	-	4,495
PROPRIETARY FUND TYPES			
Enterprise:			
Storm Water	-	6,862	6,862
Total receivables - primary government	<u>8,028</u>	<u>7,157</u>	<u>15,185</u>
Total receivables - reporting entity	<u>\$ 8,028</u>	<u>\$ 7,157</u>	<u>\$ 15,185</u>

Note: In Debt Service Fund, there is an asset recorded for allocation of Commercial Paper issuance to Storm Water issued in 2016. There is a liability in Storm Water in the amount of \$6,862. The presentation is consistent with Generally Accepted Accounting Principles.

CITY OF MEMPHIS, TENNESSEE
Exhibit F-10

SCHEDULE OF INTERFUND TRANSFERS
(Thousands of Dollars)
For the fiscal year ended June 30, 2018

	Primary Government												
	Governmental Fund Types										Fiduciary		
	General Fund	Debt Service	Capital Projects	Miscellaneous Grants	New Memphis Arena	Nonmajor Special Revenue				Community Redevelopment	Library Retirement Trust Fund	OPEB Trust Fund	Total Transfers Out
Electronic Citation Fee						Pre-K Fund	Solid Waste						
GOVERNMENTAL FUND TYPES													
General Fund	\$ -	\$ 4,727	\$ 7,027	\$ 4	\$ -	\$ 160	\$ 3,000	\$ 2,000	\$ 2,977	\$ 800	\$ 3,069	\$ 23,764	
Capital Projects Fund	7,027	-	-	-	-	-	-	-	-	-	-	7,027	
Special Revenue:													
State Street Aid	2,500	1,768	-	-	-	-	-	-	-	-	-	4,268	
Miscellaneous Grants	-	195	-	-	-	-	-	-	-	-	-	195	
Solid Waste	75	3,617	-	-	-	-	-	-	-	-	-	3,692	
Hotel/Motel Tax	58	-	-	-	-	-	-	-	-	-	-	58	
New Memphis Arena	-	4,419	-	-	-	-	-	-	-	-	-	4,419	
Metro Alarm	442	-	-	-	-	-	-	-	-	-	-	442	
Total Governmental Fund Types	10,102	14,726	7,027	4	-	160	3,000	2,000	2,977	800	3,069	43,865	
PROPRIETARY FUND TYPES													
Enterprise:													
Sewer Collection and Treatment	8,395	-	-	-	-	-	-	-	-	-	-	8,395	
Memphis Light, Gas and Water	60,006	-	-	2,500	-	-	-	-	-	-	-	62,506	
Storm Water	150	1,893	-	-	-	-	-	-	-	-	-	2,043	
Internal Service:													
Health Insurance	-	-	-	-	-	-	-	-	-	-	6,699	6,699	
Unemployment	1,000	-	-	-	-	-	-	-	-	-	-	1,000	
Total Proprietary Fund Types	69,551	1,893	-	2,500	-	-	-	-	-	-	6,699	80,643	
Total Transfers In	\$ 79,653	\$ 16,619	\$ 7,027	\$ 4	\$ 2,500	\$ 160	\$ 3,000	\$ 2,000	\$ 2,977	\$ 800	\$ 9,768	\$ 124,508	

**SCHEDULE OF ADDITIONS AND RETIREMENTS
TO UTILITY PLANT
(Thousands of Dollars)
For the fiscal year ended June 30, 2018**

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

MEMPHIS LIGHT, GAS AND WATER DIVISION ¹

	<u>Balance January 1, 2017</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers</u>	<u>Balance December 31, 2017</u>
Electric Division	\$ 1,830,389	\$ 175,283	\$ (113,612)	\$ -	\$ 1,892,060
Gas Division	694,715	137,173	(113,403)	-	718,485
Water Division	493,921	82,328	(49,787)	-	526,462
Total	<u>\$ 3,019,025</u>	<u>\$ 394,784</u>	<u>\$ (276,802)</u>	<u>\$ -</u>	<u>\$ 3,137,007</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, 2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>Transfers</u>	<u>Balance June 30, 2018</u>
Land and buildings	\$ 118,891	\$ -	\$ (68)	\$ -	\$ 118,823
Improvements other than buildings	581,042	9,758	(4,253)	-	586,547
Machinery and equipment	34,834	2,850	(2,235)	(111)	35,338
Construction work in progress	192,894	52,254	(8,813)	-	236,335
	<u>\$ 927,661</u>	<u>\$ 64,862</u>	<u>\$ (15,369)</u>	<u>\$ (111)</u>	<u>\$ 977,043</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, 2018

CITY OF MEMPHIS, TENNESSEE
EXHIBIT F-13

	Original Budget	Final Budget	Actual	Variance with Final Budget- Positive (Negative)
REVENUES				
Local taxes	\$ 130,965	\$ 130,965	\$ 138,958	\$ 7,993
State taxes (local share)	17,500	16,770	16,771	1
Investment income	145	145	1,150	1,005
Federal grants	2,327	2,327	2,362	35
Other	2,003	2,003	10,706	8,703
Total revenues	<u>152,940</u>	<u>152,210</u>	<u>169,947</u>	<u>17,737</u>
EXPENDITURES				
Redemption of serial bonds and notes	97,238	98,163	97,153	1,010
Interest	62,994	60,619	59,848	771
Other	1,253	1,471	2,075	(604)
Total expenditures	<u>161,485</u>	<u>160,253</u>	<u>159,076</u>	<u>1,177</u>
Revenues over expenditures	<u>(8,545)</u>	<u>(8,043)</u>	<u>10,871</u>	<u>18,914</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	19,646	19,188	16,619	(2,569)
Transfers out	-	-	-	-
Issuance of refunding debt	-	-	137,596	137,596
Retirement of general obligation bonds	-	-	(150,000)	(150,000)
Premium on debt issue	-	-	12,994	12,994
Contribution to Fund Balance	(11,101)	(11,149)	-	11,149
Total other financing sources and uses	<u>8,545</u>	<u>8,039</u>	<u>17,209</u>	<u>9,170</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ (4)</u>	<u>\$ 28,080</u>	<u>\$ 28,084</u>
Fund balance - beginning of year			48,798	
Fund balance - end of year			<u>\$ 76,878</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, 2018

CITY OF MEMPHIS, TENNESSEE
Exhibit F-14

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget-Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Local taxes	\$ 450,826	\$ 462,593	\$ 462,251	\$ (342)
State taxes (local share)	68,010	68,010	67,290	(720)
Licenses and permits	13,495	13,495	13,388	(107)
Fines and forfeitures	15,161	15,124	14,551	(573)
Charges for services	33,801	34,101	34,193	92
Investment income	401	1,670	2,342	672
Federal grants	329	4,099	5,682	1,583
State grants	1,630	1,630	1,618	(12)
Intergovernmental revenues	8,543	8,642	8,661	19
Other	7,981	10,132	16,761	6,629
Total revenues	<u>600,177</u>	<u>619,496</u>	<u>626,737</u>	<u>7,241</u>
EXPENDITURES				
General government	157,160	183,000	161,162	21,838
Public safety	428,590	441,295	438,163	3,132
Community services	60,309	63,340	59,372	3,968
Transportation and environment	15,831	26,068	18,862	7,206
Total expenditures	<u>661,890</u>	<u>713,703</u>	<u>677,559</u>	<u>36,144</u>
Revenues under expenditures	<u>(61,713)</u>	<u>(94,207)</u>	<u>(50,822)</u>	<u>(28,903)</u>
OTHER FINANCING SOURCES (USES)				
Sale of capital assets	-	-	60	60
Transfers in	66,638	79,481	79,653	172
Transfers out	<u>(8,271)</u>	<u>(26,803)</u>	<u>(23,764)</u>	<u>(3,039)</u>
Total other financing sources and uses	<u>58,367</u>	<u>52,678</u>	<u>55,949</u>	<u>(2,807)</u>
Net change in fund balances (budgetary basis)	<u>\$ (3,346)</u>	<u>\$ (41,529)</u>	<u>\$ 5,127</u>	<u>\$ (31,710)</u>
Adjustment for encumbrances - prior year			(20,759)	
Adjustment for encumbrances - current year			9,450	
Revenues over expenditures (GAAP basis)			<u>\$ (6,182)</u>	
Fund balance - beginning			<u>147,383</u>	
Fund balance - ending			<u>\$ 141,201</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

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Governmental activities:										
Net investments in capital assets	\$ 103,451	\$ 24,027	\$ 6,912	\$ 131,384	\$ 203,581	\$ 121,045	\$ 2,611,833	\$ 293,259	\$ 304,799	\$ 340,474
Restricted for:										
Debt service	-	-	-	-	36,268	50,603	52,823	61,255	48,798	76,888
Construction	-	-	-	-	-	-	26,076	-	-	-
Capital acquisitions/ projects	-	-	-	-	-	-	-	4,381	23,661	191,471
Solid waste management	-	-	-	-	17,175	15,222	16,138	15,871	13,001	10,783
Drug enforcement	-	-	-	-	9,530	9,676	9,630	10,077	9,980	9,426
Donor/Statutory restrictions	-	-	-	-	2,343	15,503	35,085	59,814	67,242	-
Other	-	-	14,783	181,192	-	-	10,000	-	-	70,168
Unrestricted:										
Net pension asset	42,560	-	-	-	-	-	-	-	-	-
Unrestricted, other	(52,761)	(110,079)	(278,095)	(724,294)	(814,583)	(724,643)	(3,216,914)	(851,833)	(918,811)	(1,031,458)
Total governmental activities net position	93,250	(86,052)	(256,400)	(411,718)	(545,686)	(512,594)	(455,329)	(407,176)	(451,330)	(332,248)
Business-type activities:										
Net investment in capital assets	1,633,163	1,664,684	1,705,138	1,755,661	1,818,916	1,902,835	1,896,485	2,017,891	2,020,550	1,958,252
Restricted for debt service	91,215	75,615	64,909	68,846	69,689	41,902	99,797	64,173	108,387	103,345
Restricted for construction	-	-	-	-	-	29,119	7,268	8,456	8,775	9,007
Unrestricted	208,828	253,616	334,093	355,220	350,750	340,416	377,219	320,158	259,192	341,409
Total business-type activities net position	1,933,206	1,993,915	2,104,140	2,179,727	2,239,355	2,314,272	2,380,769	2,410,678	2,396,904	2,412,013
Primary government:										
Net investment in capital assets	1,736,614	1,688,711	1,712,050	1,887,045	2,022,497	2,023,880	4,508,318	2,311,150	2,325,349	2,298,726
Restricted for:										
Debt service	91,215	75,615	64,909	68,846	105,957	92,505	152,620	125,428	157,185	180,233
Construction	-	-	-	-	-	29,119	33,344	8,456	8,775	9,007
Capital acquisitions/ projects	-	-	-	-	-	-	-	4,381	23,661	191,471
Solid waste management	-	-	-	-	17,175	15,222	16,138	15,871	13,001	10,783
Drug enforcement	-	-	-	-	9,530	9,676	9,630	10,077	9,980	9,426
Donor/Statutory restrictions	-	-	-	-	2,343	15,503	35,085	59,814	67,242	-
Other	-	-	14,783	181,192	-	-	10,000	-	-	70,168
Unrestricted	198,627	143,537	55,998	(369,074)	(463,833)	(384,227)	(2,839,695)	(531,675)	(659,619)	(690,049)
Total primary government net position	\$ 2,026,456	\$ 1,907,863	\$ 1,847,740	\$ 1,768,009	\$ 1,693,669	\$ 1,801,678	\$ 1,925,440	\$ 2,003,502	\$ 1,945,574	\$ 2,079,765

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

CITY OF MEMPHIS, TENNESSEE
EXHIBIT X-2

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Program Revenues										
Governmental activities:										
Charges for services:										
General government	\$ 67,880	\$ 73,768	\$ 79,691	\$ 77,154	\$ 76,664	\$ 22,420	\$ 89,038	\$ 72,499	\$ 65,436	\$ 65,970
Public Safety	6,420	4,230	3,637	7,768	7,456	3,928	3,383	22,329	22,069	21,388
Community services	137	137	174	136	139	103	-	-	-	-
Transportation and environment	50,391	50,438	59,268	59,745	60,180	122,078	55,832	56,318	56,819	57,425
Operating grants and contributions	56,402	69,135	61,098	63,854	81,913	63,416	57,732	38,719	41,666	50,416
Capital grants and contributions	3,217	3,217	7,490	23,639	11,123	9,811	12,627	23,610	8,934	1,668
Total governmental activities program revenues	184,447	200,925	211,358	232,296	237,475	221,756	218,612	213,475	194,924	196,867
Business-type activities:										
Charges for services:										
Sewer collection and treatment	53,778	56,162	98,559	104,031	106,007	103,900	103,299	96,845	98,726	110,304
Memphis Light, Gas and Water	1,818,104	1,648,194	1,705,513	1,692,246	1,581,272	1,615,477	1,700,897	1,602,957	1,555,258	1,559,990
Storm water	19,680	21,897	23,661	23,723	24,108	24,332	24,309	24,289	24,418	21,391
Operating grants and contributions	26,705	28,377	30,321	30,909	29,792	31,330	562	555	547	537
Capital grants and contributions	524	800	1,398	728	663	2,950	3,022	3,009	1,133	946
Total business-type activities program revenues	1,918,791	1,755,430	1,859,452	1,851,637	1,741,842	1,777,989	1,832,089	1,727,655	1,680,082	1,693,168
Total primary government program revenues	2,103,238	1,956,355	2,070,810	2,083,933	1,979,317	1,999,745	2,050,701	1,941,130	1,875,006	1,890,035
Expenses										
Governmental Activities:										
General government	249,707	223,773	251,039	253,138	217,086	203,055	134,182	212,054	91,718	197,380
Public safety	410,303	482,281	510,529	500,082	503,011	472,154	425,128	437,430	133,750	310,961
Community services	114,776	129,722	121,927	118,406	96,442	90,463	93,383	92,365	46,935	78,865
Transportation and environment	79,396	81,539	82,546	87,665	82,834	79,747	85,675	71,286	28,469	50,649
Education	21,846	117,118	80,775	71,452	62,507	(475)	(151)	154	112	82
Redemption of serial bonds and notes	-	-	-	-	-	-	-	-	90,782	92,535
Refunding bond/ escrow agent	-	-	-	-	-	-	-	-	-	150,000
Miscellaneous	-	-	-	-	-	-	-	-	-	3,436
Interest on long term debt	48,046	58,472	52,497	75,075	58,403	45,634	83,005	64,151	64,586	59,933
Total governmental activities expenses	924,074	1,092,905	1,099,313	1,105,818	1,020,283	890,578	821,222	877,440	456,352	943,841
Business-type activities:										
Sewer collection and treatment	57,802	55,584	61,401	62,915	65,921	62,556	63,049	70,163	62,347	75,739
Memphis Light, Gas and Water	1,790,499	1,621,840	1,658,638	1,669,887	1,593,211	1,596,092	1,630,708	1,554,006	1,561,282	1,561,085
Storm water	13,419	12,571	13,160	15,623	15,464	15,048	17,027	19,289	8,502	16,556
Total business-type activities expenses	1,861,720	1,689,995	1,733,199	1,748,425	1,674,596	1,673,696	1,710,784	1,643,458	1,632,131	1,653,380
Total primary government expenses	2,785,794	2,782,900	2,832,512	2,854,243	2,694,879	2,564,274	2,532,006	2,520,898	2,088,483	2,597,221
Net (expense)/revenue										
Governmental activities	(739,627)	(891,980)	(887,955)	(873,522)	(782,808)	(668,822)	(602,610)	(663,965)	(261,428)	(746,974)
Business-type activities	57,071	65,435	126,253	103,212	67,246	104,293	121,305	84,197	47,951	39,788
Total primary government net expense	(682,556)	(826,545)	(761,702)	(770,310)	(715,562)	(564,529)	(481,305)	(579,768)	(213,477)	(707,186)
General Revenues and Other Changes in Net Position										
Governmental activities										
Taxes										
Local taxes	531,339	540,970	540,150	528,219	533,190	545,713	571,583	542,475	580,750	607,148
State taxes (local share)	88,203	87,751	87,523	85,612	71,115	71,633	77,129	103,987	82,519	105,895
Hotel/motel tax	4,244	4,017	3,537	4,524	4,189	4,223	4,612	10,726	15,513	17,176
Unrestricted investment earnings	5,614	1,402	861	761	671	754	813	1,654	1,574	4,960
Intergovernmental revenues	4,163	4,944	6,492	-	-	-	-	-	-	-
Sale of capital assets	-	-	-	8,947	1,481	-	-	-	-	-
Other	8,315	8,597	12,124	22,405	17,250	15,290	19,563	28,662	41,881	4,274
Transfers	46,998	64,997	66,929	67,962	42,738	57,783	68,302	25,097	(131,119)	111,631
Total governmental activities	688,876	712,678	717,616	718,430	670,634	695,396	742,002	712,601	591,118	851,084
Business-type activities:										
Investment earnings	62,356	50,516	41,520	40,324	32,883	27,054	24,816	21,998	18,059	14,949
Other	-	-	-	155	437	1,350	3,991	10,003	33,910	35,216
Transfers	(59,437)	(64,997)	(66,929)	(67,962)	(40,938)	(57,780)	(68,302)	(66,505)	(70,897)	(74,844)
Total business-type activities	2,919	(14,481)	(25,409)	(27,483)	(7,618)	(29,376)	(39,495)	(34,504)	(18,928)	(24,679)
Total primary government	691,795	698,197	692,207	690,947	663,016	666,020	702,507	678,097	572,190	826,405
Change in Net Position										
Governmental activities	(50,751)	(179,302)	(170,339)	(155,092)	(112,174)	26,574	139,392	48,636	329,690	104,110
Business-type activities	59,990	50,944	100,844	75,729	59,628	74,917	81,810	49,693	30,196	15,109
Total primary government	\$ 9,239	\$ (128,358)	\$ (69,495)	\$ (79,363)	\$ (52,546)	\$ 101,491	\$ 221,202	\$ 98,329	\$ 359,886	\$ 119,219

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

CITY OF MEMPHIS, TENNESSEE
EXHIBIT X-3

	Fiscal Year									
	2009*	2010	2011	2012	2013	2014	2015	2016	2017	2018
General fund										
Restricted	\$ -	\$ -	\$ 1,684	\$ 1,907	\$ 2,088	\$ 5,724	\$ 6,246	\$ 7,210	\$ 8,281	\$ 10,768
Committed	-	-	-	19,572	12,134	-	-	-	-	-
Assigned	-	-	8,252	12,924	-	20,384	34,030	43,489	43,759	32,150
Unassigned	-	-	81,125	61,667	56,149	82,230	91,990	94,674	95,343	98,283
Reserved	9,691	8,299	-	-	-	-	-	-	-	-
Unreserved	96,912	76,271	-	-	-	-	-	-	-	-
Total general fund	106,603	84,570	91,061	96,070	70,371	108,338	132,266	145,373	147,383	141,201
All other governmental funds										
Restricted	-	-	13,099	54,308	63,228	59,035	56,130	62,616	46,688	54,815
Committed	-	-	72,186	92,481	80,109	72,943	53,346	43,083	63,954	261,003
Unassigned	-	-	(5,086)	(4,138)	-	-	-	794	-	-
Unreserved, reported in:										
Debt service fund	46,488	34,680	-	-	-	-	-	-	-	-
Capital projects fund	67,239	74,030	-	-	-	-	-	-	-	-
Special revenue funds	4,888	6,179	-	-	-	-	-	-	-	-
Total all other governmental funds	118,615	114,889	80,199	142,651	143,337	131,978	109,476	106,493	110,642	315,818
Total governmental funds	\$ 225,218	\$ 199,459	\$ 171,260	\$ 238,721	\$ 213,708	\$ 240,316	\$ 241,742	\$ 251,866	\$ 258,025	\$ 457,019

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 \$2,487 year-over-year increase is primarily attributable to \$818 restricted to cover repairs to the Bass Pro property and \$1,325 for automated photo enforcement - red light cameras.
- (2) The \$11,609 year-over-year decrease is attributable to \$11,309 decrease in encumbrances for purchase orders.
- (3) The \$2,940 year-over-year increase is attributable to revenue recovery for \$3,890 offset by Agency Fund Buy Back for \$2,700.
- (4) The \$8,127 year-over-year increase is primarily attributable to new established funds for Emergency Medical Services for \$2,100 and Pre-K Fund for \$3,000.
- (5) The \$197,049 year-over-year increase is primarily attributable to a \$176,429 increase in bonds proceeds due to Series 2018 Bond issuance for the Convention Center project and \$207,705 increase in project cost expenditures.

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

CITY OF MEMPHIS, TENNESSEE
EXHIBIT X-4

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Revenues										
Local taxes	525,468	534,141	546,446	540,761	532,902	550,660	568,619	576,294	580,750	609,946
State taxes (local share)	88,203	87,751	87,523	85,612	89,798	89,767	94,058	103,987	100,397	105,895
Hotel/motel tax	4,244	4,017	3,537	4,524	4,189	4,223	4,612	10,726	15,513	17,176
Licenses and permits	11,427	11,119	11,393	10,886	11,436	12,489	12,694	13,586	14,161	15,300
Fines and forfeitures	16,657	16,392	16,961	16,866	19,119	20,596	19,546	19,863	17,731	17,226
Charges for services	78,339	82,851	89,388	91,421	91,231	87,272	87,058	91,075	90,924	91,618
Investment income	5,183	1,301	798	725	652	721	769	1,508	1,421	4,574
Federal grants and entitlements	40,175	58,123	59,398	66,172	58,563	49,898	44,287	52,758	45,596	47,474
State grants	12,456	5,929	6,359	15,421	12,422	4,328	5,839	9,571	5,004	4,610
Intergovernmental revenues	6,055	6,836	6,492	6,155	4,136	3,928	3,411	5,996	9,409	8,661
Operating revenues	-	-	-	-	-	-	-	4,506	-	-
Other	13,430	13,696	14,016	22,576	21,328	17,000	22,525	16,661	20,321	38,988
Total revenues	801,637	822,156	842,311	861,219	845,776	840,882	863,418	906,531	901,227	961,468
Expenditures										
General government	185,741	177,049	179,292	150,362	165,735	177,009	176,173	183,995	198,706	219,466
Public safety	367,366	374,182	388,071	373,590	383,181	384,594	400,632	408,809	435,763	445,196
Community services	97,700	109,092	101,360	98,619	79,562	75,407	84,247	77,099	80,562	85,180
Transportation and environment	76,725	73,687	74,042	86,410	70,675	67,310	79,189	68,281	74,196	82,055
Education	23,919	62,825	82,400	72,526	63,720	276	-	154	112	82
Capital outlay	91,800	86,656	100,550	225,201	123,544	124,566	85,120	97,966	71,108	91,963
Operating expenditures	-	-	-	-	-	-	-	6,259	-	-
Debt service:										
Redemption of serial bonds and notes	58,565	61,803	24,100	36,874	66,812	74,099	86,421	86,733	90,782	92,535
Lease payments	-	-	-	-	3,799	2,386	3,294	7,037	6,406	5,608
Interest	52,451	53,866	52,303	64,709	66,390	61,595	67,465	65,403	65,051	59,848
Bond issuance cost	1,399	2,783	1,012	5,538	7	3,303	2,773	895	1,699	2,234
Service charges	523	196	194	229	616	1,327	1,019	966	1,115	1,202
Total expenditures	956,189	1,002,139	1,003,324	1,114,058	1,024,041	971,872	986,333	1,003,597	1,025,500	1,085,369
Excess of revenues over (under) expenditures	(154,552)	(179,983)	(161,013)	(252,839)	(178,265)	(130,990)	(122,915)	(97,066)	(124,273)	(123,901)
Other financing sources (uses)										
Sale of capital assets	-	-	-	8,947	1,481	431	691	-	1,792	60
Transfers in	87,226	120,557	187,613	162,405	152,176	104,545	86,542	99,071	95,190	110,963
Transfers out	(25,143)	(55,143)	(120,684)	(94,443)	(115,405)	(58,371)	(30,161)	(36,987)	(23,817)	(43,865)
Proceeds from issuance of debt	284,495	393,440	60,824	-	-	-	-	-	-	-
Capital leases	-	-	-	8,963	-	23,600	18,716	2,003	3,250	4,400
Special items	-	-	-	-	-	-	-	(6,250)	-	-
Issuance of debt	-	-	-	71,975	115,000	-	-	-	-	-
Issuance of refunding debt	-	-	25,366	98,740	-	430,652	244,055	114,885	233,240	384,254
Related party loan	-	-	-	20,397	-	-	1,585	-	-	-
Proceeds from related party debt	-	-	-	196,936	-	-	-	-	-	-
Retirement of refunded party debt	(150,000)	(322,487)	(27,108)	(173,496)	(343,259)	(343,259)	(222,171)	(75,000)	(195,830)	(150,000)
Premium on debt issue	6,903	18,274	6,803	19,876	-	-	25,084	5,805	17,401	17,764
Total other financing sources	203,481	154,224	132,814	320,300	153,252	157,598	124,341	105,089	131,226	323,576
Net change in fund balances/(deficit)	48,929	(25,759)	(28,199)	67,461	(25,013)	26,608	1,426	8,023	6,953	199,675
Debt service as a percentage of noncapital expenditures	12.8%	12.6%	8.5%	11.4%	15.2%	16.3%	17.4%	17.6%	17.0%	15.9%

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

CITY OF MEMPHIS, TENNESSEE
 Exhibit X-5

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
General Government										
Legislative	\$ 1,560	\$ 1,515	\$ 1,572	\$ 1,498	\$ 1,502	\$ 1,426	\$ 1,501	\$ 1,443	\$ 1,547	\$ 1,932
Judicial	587	576	606	586	588	619	624	643	645	631
Court clerk	3,378	4,042	4,675	4,551	4,508	4,454	9,160	6,250	6,354	6,098
Executive	7,688	6,545	6,390	4,785	4,835	5,272	7,101	8,413	12,970	18,605
Finance and administration	5,141	5,018	5,196	4,656	4,557	4,649	5,100	7,489	9,278	16,648
City attorney	17,789	14,506	14,978	14,126	11,158	10,793	9,131	10,140	11,892	10,385
City engineer	6,224	5,327	5,981	5,674	5,773	5,030	5,230	6,640	7,776	7,916
Information systems	17,699	18,850	19,158	15,449	14,587	14,510	14,474	15,949	21,378	27,836
Human resources	8,116	7,787	5,367	5,055	5,554	4,638	5,731	7,343	8,090	9,351
General services	12,348	11,730	12,941	11,724	21,156	19,540	20,628	21,701	24,273	20,217
Special appropriations	73,116	66,797	64,989	53,096	42,362	64,627	55,521	53,886	49,837	50,033
Total general government	153,646	142,693	141,853	121,200	116,580	135,558	134,201	139,897	154,040	169,652
Public Safety										
Police	206,326	212,492	224,752	218,643	226,569	227,401	234,108	240,431	256,476	262,684
Fire	156,772	157,063	159,488	152,013	153,423	154,070	163,014	165,273	176,102	178,816
Total public safety	363,098	369,555	384,240	370,656	379,992	381,471	397,122	405,704	432,578	441,500
Community Services										
Library	-	-	-	-	-	-	-	-	17,547	18,698
Parks and recreation	29,678	29,992	28,593	29,033	42,706	46,118	49,815	49,709	31,901	35,126
Public Service	22,557	21,821	22,661	22,944	-	2	-	373	(2)	1
Community development	4,717	5,093	4,498	5,385	4,194	3,705	4,726	3,914	4,792	4,457
Community enhancement	6,860	7,280	7,387	6,312	-	36	-	-	5	1
Total community services	63,812	64,186	63,139	63,674	46,900	49,861	54,541	53,996	54,243	58,283
Transportation and Environment										
Public works	8,460	6,458	6,321	10,145	19,068	12,241	11,847	14,612	14,162	19,433
Total transportation and environment	8,460	6,458	6,321	10,145	19,068	12,241	11,847	14,612	14,162	19,433
Transfers out	8,383	45,662	66,722	78,107	78,732	22,464	19,005	18,775	7,974	23,764
Special items	-	-	-	-	-	-	-	6,250	-	-
Total	\$ 597,399	\$ 628,554	\$ 662,275	\$ 643,782	\$ 641,272	\$ 601,595	\$ 616,716	\$ 639,234	\$ 662,997	\$ 712,632

CITY OF MEMPHIS, TENNESSEE
EXHIBIT X-6

ASSESSED AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
Last Ten Fiscal Years

Tax Year	Fiscal Year	Real Property			Personal Property			Utilities and Carriers (55%) (Real and Personal) (1)			Total Assessed to Total Market Value	Total Direct Tax Rate	
		Farm and Residential(25%)	Commercial and Industrial(40%)(3)	Commercial and Industrial(30%)(2)	Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value			Assessed Value
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	4,507,983,365	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
2016	2017	4,751,997,850	19,007,991,400	4,352,967,258	11,139,231,800	1,195,454,995	3,979,910,300	1,074,179,569	1,953,053,762	11,374,599,672	36,080,187,262	31.53%	3,4000
2017	2018	5,158,704,825	20,634,819,300	5,130,873,210	13,104,786,500	1,232,142,320	4,105,025,400	1,075,298,505	1,955,088,191	12,597,018,860	39,799,719,391	31.65%	3,2715

(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	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Fiscal Year	2009	2010	2011	2012 *	2013	2014 *	2015	2016	2017	2018	
City Direct Rates											
General Fund	\$ 2.3427	\$ 2.2917	\$ 2.2917	\$ 2.4717	\$ 2.2917	\$ 2.4874	\$ 2.3125	\$ 2.3125	\$ 2.3125	\$ 2.3125	2.2251
Debt Service	0.7141	0.7141	0.7141	0.7141	0.7152	0.9093	1.0842	1.0842	1.0842	1.0842	1.0432
CIP	0.0032	0.0031	0.0031	0.0031	0.0031	0.0033	0.0033	0.0033	0.0033	0.0033	0.0032
Education	0.1900	0.1868	0.1868	0.0000	0.1000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
Total City Direct Rate	3.2500	3.1957	3.1957	3.1889	3.1100	3.4000	3.4000	3.4000	3.4000	3.4000	3.2715
County Direct Rates											
General Fund	1.22	1.23	1.33	1.36	1.36	1.45	1.45	1.45	1.45	1.45	1.43
Debt Service	0.80	0.81	0.79	0.75	0.75	0.79	0.78	0.78	0.78	0.78	0.69
Education	2.02	1.98	1.90	1.91	1.91	2.14	2.14	2.14	2.14	2.14	1.99
Total County Direct Rate	4.04	4.02	4.02	4.02	4.02	4.38	4.37	4.37	4.37	4.37	4.11
Total Overlapping Rate	7.2900	7.2157	7.2157	7.2089	7.1300	7.7800	7.7700	7.7700	7.7700	7.7700	7.3815
Tax Levies											
(1) City	\$ 375,803,751	\$ 389,347,038	\$ 380,172,801	\$ 378,505,905	\$ 369,997,811	\$ 386,414,917	\$ 390,901,305	\$ 389,694,995	\$ 395,497,816	\$ 420,342,211	
County	730,042,595	768,641,959	756,936,983	754,262,345	750,562,710	775,606,738	778,641,703	780,513,345	787,557,182	823,187,542	
Total Tax Levies	1,105,846,346	1,157,988,997	1,137,109,784	1,132,768,250	1,120,560,521	1,162,021,655	1,169,543,008	1,170,208,340	1,183,054,998	1,243,529,753	

(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 2018		Name of Taxpayer	Fiscal Year 2009	
	Taxable Assessed Value	Percentage of Total Taxable Assessed Value		Taxable Assessed Value	Percentage of Total Taxable Assessed Value
FedEx Corporation	\$ 765,828,585	6.08	Federal Express	\$ 399,133,347	3.22
Wolfchase Galleria, LTD	64,134,520	0.51	Bell South Telecommunications	105,529,365	0.86
BNSF Railway Company	48,678,699	0.39	Wolfchase Galleria, LTD	61,846,400	0.50
Illinois Central Railroad	38,516,101	0.31	Pinnacle Airlines, Inc.	42,866,040	0.35
Smith & Nephew Inc.	38,045,020	0.30	AMISUB (St. Francis Hospital) Inc.	33,828,323	0.27
MDH Memphis Portfolio LLC	35,084,160	0.28	AT & T Mobility LLC	31,974,670	0.26
TMF II Riverset LLC	32,984,560	0.26	Northwest Airlines, Inc.	27,116,493	0.22
AT & T Mobility LLC	32,847,798	0.26	Shopping Center Associates	26,058,360	0.21
Bell South Telecommunications	32,539,362	0.26	Cargill	25,545,747	0.21
Union Pacific Railroad Company	32,353,273	0.26	DRA CRT Germantown Center LP	24,171,960	0.20
Total Assessed Valuation of Top 10 Taxpayers	1,121,012,078	8.90		778,070,705	6.30
Balance of Assessed Valuation	11,476,006,782	91.10		11,563,690,120	93.70
	\$ 12,597,018,860	100.00		\$ 12,341,760,825	100.00

Source: City of Memphis Tax System

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

CITY OF MEMPHIS, TENNESSEE
EXHIBIT X-9

Tax Year	Fiscal Year	Adjusted Tax Levy	Current Tax Collections	Percent Collected	Delinquent Tax Collections	Total Tax Collections	Total Collections as Percent of Current Levy	Prior Years Outstanding Delinquent Taxes	Outstanding Delinquent Taxes as Percent of Current Levy
2008	2009	375,803,751	352,497,179	93.80	14,750,644	367,247,823	97.72	34,538,869	9.19
2009	2010	389,347,038	363,573,869	93.38	13,566,861	377,140,730	96.86	38,682,060	9.94
2010	2011 (A)	380,186,210	359,918,827	94.67	17,476,145	377,394,972	99.27	37,327,820	9.82
2011	2012 (B)	* 378,505,905	357,439,955	* 94.43	7,157,948	364,597,903	* 96.33	* 38,518,840	* 10.18
2012	2013 (C)	369,997,811	351,568,012	95.02	4,609,428	356,177,440	96.26	37,920,407	10.25
2013	2014 (D)	* 386,414,817	* 373,811,552	* 96.74	4,475,138	* 378,286,690	* 97.90	* 40,240,356	* 10.41
2014	2015 (E)	390,901,305	372,601,741	* 95.32	9,154,932	* 381,756,673	* 97.66	* 37,980,066	* 9.72
2015	2016 (F)	389,694,995	371,180,561	95.25	9,372,759	380,553,320	97.65	38,934,491	9.99
2016	2017 (G)	395,497,816	376,155,872	95.11	5,759,219	381,915,091	96.57	41,089,159	10.39
2017	2018 (H)	420,342,211	400,081,997	95.18	7,091,826	407,173,822	96.87	40,252,452	9.58

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

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

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

(E) In December 2014, the City sold the majority of the 2014 tax year (which funds fiscal year 2015) real property taxes outstanding to an outside party. The sale generated property tax revenue and a reduction of the property tax receivable balance of \$14,917,354 for fiscal year 2015, which is reflected in tax collections.

(F) In April 2016, the City sold a portion of the 2015 tax year (which funds fiscal year 2016) real property taxes outstanding to an outside party. The sale generated property tax revenue and a reduction of the property tax receivable balance of \$8,622,852 for fiscal year 2016, which is reflected in tax collections. Additionally, the City swapped previously sold receivables that had not yet been paid, with different delinquent receivables. The total balance of the swap was \$2,431,705 which is reflected in "Prior Years Outstanding Delinquent Taxes."

(G) In March 2017, the City sold a portion of the 2016 tax year (which funds fiscal year 2017) real property taxes outstanding to an outside party. The sale generated property tax revenue and reductions of the property tax receivable balance of \$10,884,669. Additionally, the City redeemed remaining outstanding 2012 receivables in the amount of \$1,270,078. The sale is reflected in total tax collections.

(H) In May 2018, the City sold a portion of the 2017 tax year (which funds fiscal year 2018) real property taxes outstanding to an outside party. The sale generated property tax revenue and reductions of the property tax receivable balance of \$11,000,142.91. Additionally, the City redeemed remaining outstanding 2013 receivables in the amount of \$2,945,038. The sale is reflected in total tax collections. Adjusted Tax Levy increased \$24,844,295 due to tax assessment on January 1, 2017 for fiscal year 2018. This assessment is performed every four years.

Source: City of Memphis Tax System

SPECIAL ASSESSMENT COLLECTIONS
Last Ten Fiscal Years
(Thousands of Dollars)

CITY OF MEMPHIS, TENNESSEE
EXHIBIT X-10

Fiscal Year	Collections				Total
	Construction	Interest	Promotional Costs		
2009	9,281	1,436	-		10,717
2010	-	-	-		-
2011	-	-	-		-
2012	-	-	-		-
2013	-	-	-		-
2014	-	-	-		-
2015	-	-	-		-
2016	-	-	-		-
2017	-	-	-		-
2018	-	-	-		-

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 ^(B)	Percentage of Personal Income ⁽²⁾	Per Capita ⁽²⁾
	General Obligation Bonds ⁽¹⁾	Bond Premiums ⁽¹⁾	Anticipation		Guarantee Obligations ⁽¹⁾	Guarantee Premiums ⁽¹⁾	Settlement Obligation ⁽¹⁾	Capital Leases ⁽¹⁾	Sewer Revenue Bonds ⁽¹⁾	Sewer Revenue Bond Premiums ⁽¹⁾	Sewer State Loans ⁽¹⁾	Electric Revenue Bonds ⁽¹⁾	Electric Revenue Bond Premiums ⁽¹⁾	Gas Bond Anticipation Notes	Gas Bond Anticipation Premiums	Water Revenue Bonds ⁽¹⁾	Water Revenue Bond Premiums ⁽¹⁾						
			Notes / Commercial Paper ⁽¹⁾	Notes / Paper ⁽¹⁾																			
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	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	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	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	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	3,847	531,230	-	-	-	-	-	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	11,344	421,030	29,573	-	-	15,000	944	2,290,616	5.64%	3,486			
2016	1,199,950	73,155	-	213,155	2,171	18,666	38,025	100,580	10,000	11,344	11,344	421,030	20,122	-	-	14,440	869	2,123,507	5.06%	3,252			
2017	1,119,035	60,542	75,000	186,307	17,831	17,352	31,618	89,190	929	47,124	47,124	341,455	21,016	40,000	7,866	43,870	3,331	2,102,446	4.96%	3,152			
2018	1,347,440	66,452	-	176,765	16,394	15,999	30,410	77,960	461	83,898	83,898	312,685	27,659	78,725	13,828	67,170	5,679	2,321,525	5.37%	3,561			

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

⁽²⁾ Source: Bureau of Economic Analysis

⁽³⁾ Total Primary Government Fiscal Year 2015 adjusted for rounding

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

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Estimated population (3)	669,651	676,640	646,889	652,050	657,457	653,450	656,861	653,480	666,723	652,236
Appraised property valuation (2) (4)	\$ 36,776,628	\$ 39,750,993	\$ 38,788,129	\$ 38,069,899	\$ 37,757,901	\$ 36,455,804	\$ 35,448,458	\$ 35,955,987	\$ 36,080,187	\$ 39,799,719
Assessed valuation (2) (4)	11,392,569	12,341,761	12,053,354	11,816,478	11,720,563	11,483,484	11,142,251	11,345,981	11,374,600	12,597,019
General obligation debt (1) (2)	1,195,744	1,219,893	1,256,868	1,230,060	1,163,755	1,271,320	1,228,825	1,199,950	1,119,035	1,347,440
Bond Premiums (2) (5)							79,464	73,155	60,542	66,452
Less self supporting debt (1a) (2)	5,725	3,920	2,015	-	-	-	-	-	-	-
Net Debt (1a) (2)	1,190,019	1,215,973	1,254,853	1,230,060	1,163,755	1,271,320	1,308,289	1,273,105	1,179,577	1,413,892
Bonded debt per capita - net debt	1,777	1,797	1,940	1,886	1,770	1,946	1,992	1,948	1,769	2,168
Bonded debt to appraised valuation -net debt	3.24%	3.06%	3.24%	3.23%	3.08%	3.49%	3.69%	3.54%	3.27%	3.55%
Bonded debt to assessed valuation -net debt	10.45%	9.85%	10.41%	10.41%	9.93%	11.07%	11.74%	11.22%	10.37%	11.22%

(1) Debt includes City general obligation bonds, bond anticipation notes, and commercial paper (2009-2018).
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 2017.

(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.

DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
As of June 30, 2018
(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⁾	\$ 1,347,440	100.0%	\$ 1,347,440
Bond Premiums	66,452	100.0%	66,452
Capital lease obligations	30,410	100.0%	30,410
Guarantee Obligations	176,765	100.0%	176,765
Guarantee Obligation Premiums	16,394	100.0%	16,394
Settlement Obligation	<u>15,999</u>	100.0%	<u>15,999</u>
Total direct governmental indebtedness ⁽³⁾	1,653,460		1,653,460
<u>Overlapping bonded indebtedness:</u>			
Shelby County debt	<u>890,040</u>	62.2%	<u>553,605</u>
Total overlapping bonded indebtedness	890,040		553,605
 Total direct and overlapping debt ⁽⁴⁾	 <u><u>\$ 2,543,500</u></u>		 <u><u>\$ 2,207,065</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 \$48,800 which is available for payment of principal and interest in the Debt Service Fund.

⁽⁴⁾ The City of Memphis has no legal debt margin.

LEGAL DEBT MARGIN INFORMATION
Last Ten Fiscal Years
(Thousands of Dollars)

CITY OF MEMPHIS, TENNESSEE
EXHIBIT X-14

	Fiscal Year									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Debt capacity limit	\$ 1,367,108	\$ 1,481,011	\$ 1,446,402	\$ 1,417,977	\$ 1,406,468	\$ 1,406,468	\$ 1,378,018	\$ 1,337,070	\$ 1,361,518	\$ 1,511,642
Total net debt applicable to limit	1,114,247	1,190,665	1,213,947	1,259,298	1,230,060	1,163,755	1,271,320	1,308,289	1,273,105	1,413,892
Legal debt capacity margin balance	\$ 252,861	\$ 290,346	\$ 232,455	\$ 158,679	\$ 176,408	\$ 242,713	\$ 106,698	\$ 28,781	\$ 88,413	\$ 97,750
Total net debt applicable to the limit as a percentage of debt limit	81.50%	80.40%	83.93%	88.81%	87.46%	82.74%	92.26%	97.85%	93.51%	93.53%

Debt Margin Calculation for Fiscal Year 2018

Total assessed value (1)	\$ 12,597,019
Debt capacity limit (12% of total assessed value) (2)	1,511,642
Debt applicable to limit:	
Total bonded debt	\$ 1,413,892
Total net debt applicable to limit	1,413,892
Debt capacity margin balance	\$ 97,750

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

(2) Source: City of Memphis Debt Management Policy

PLEGGED REVENUE COVERAGE - MLGW AND
SEWER COLLECTION AND TREATMENT FUND
Last Ten Fiscal Years
(Thousands of Dollars)

CITY OF MEMPHIS, TENNESSEE
Exhibit X-15

Year	Total Income (5)	Operating and Maintenance Expenses	Net Revenue Available for Debt Service	Total Debt Service	Debt Service Coverage
ELECTRIC DIVISION (1)					
2008	1,296,758	1,144,136	152,622	140,820 (3)	1.08
2009	1,284,863	1,134,821	150,042	140,796	1.07
2010	1,348,346	1,193,617	154,729	610,778	0.25
2011	1,385,433	1,247,530	137,903	131,619	1.05
2012	1,331,536	1,221,769	109,767	132,217	0.83
2013	1,303,319	1,181,316	122,003	131,990	0.92
2014	1,336,440	1,201,760	134,680	131,682	1.02
2015	1,321,726	1,193,682	128,044	135,481	0.95
2016	1,299,757	1,206,084	93,673	139,879	0.67
2017	1,281,400	1,182,661	98,739	135,414	0.73
GAS DIVISION (1)					
2008	527,102	470,593	56,509	6,255 (4)	9.03
2009	361,271	314,213	47,058	20,674	2.28
2010	341,350	292,481	48,869	15,126	3.23
2011	288,409	250,812	37,597	-	N/A
2012	226,395	200,483	25,912	-	N/A
2013	284,362	255,229	29,133	-	N/A
2014	333,596	293,100	40,496	-	N/A
2015	250,231	212,097	38,134	-	N/A
2016	205,974	186,886	19,088	443	43.09
2017	226,217	200,540	25,677	3,368	7.62
WATER DIVISION (1)					
2008	82,433	65,470	16,963	3,545	4.79
2009	80,295	65,676	14,619	5,133	2.85
2010	84,957	71,908	13,049	1,706	7.65
2011	86,887	72,029	14,858	43	345.53
2012	85,265	74,395	10,870	1,668	6.52
2013	85,430	69,457	15,973	-	N/A
2014	86,903	70,379	16,524	253	65.31
2015	85,169	74,604	10,565	1,072	9.86
2016	100,586	77,611	22,975	1,256	18.29
2017	100,513	81,352	19,161	3,222	5.95
SEWER COLLECTION AND TREATMENT FUND (2) (5)					
2009	54,443	38,646	15,797	14,899	1.06
2010	56,810	35,972	20,838	15,587	1.34
2011	100,931	39,919	61,012	17,384	3.51
2012	106,910	42,244	64,666	16,880	3.83
2013	106,993	44,546	62,447	16,806	3.72
2014	105,258	43,929	61,329	16,817	3.65
2015	104,592	50,944	53,648	16,028	3.35
2016	97,854	55,031	42,823	15,922	2.69
2017	99,859	65,332	34,527	15,900	2.17
2018	111,250	58,750	52,500	13,868	3.79

(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
2008	669,651	47,515,739	37,147	33.4	117,349	5.2
2009	676,640	50,093,990	38,577	33.8	107,041	10.0
2010	646,889	50,613,401	35,775	33.5	106,656	10.9
2011	652,050	49,519,474	37,569	34.5	102,798	9.9
2012	657,457	38,116,646	37,546	33.4	101,696	9.5
2013	653,450	39,896,975	42,409	33.1	149,928	9.3
2014	656,861	40,594,551	43,210	34.3	141,814	8.7
2015	653,480	41,968,752	44,705	34.1	116,059 (1)	6.5
2016	666,723	42,356,302	45,153	34.2	114,644	4.2
2017	652,236	43,210,184	46,234	33.5	112,808	4.7

Source - U.S. Census Bureau, 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.

Function and Activity	Fiscal Year									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
General government	1,340	1,261	1,147	1,147	724	669	640	652	725	983
Public safety										
Police										
Officers	2,273	2,444	2,550	2,550	2,554	2,521	2,299	2,042	2,290	2,283
Civilians	482	447	478	478	478	411	397	732	438	453
Fire										
Firefighters and officers	1,729	1,758	1,678	1,740	1,709	1,616	1,576	1,391	1,576	1,585
Civilians	147	116	184	122	122	218	213	398	208	199
Highways and streets										
Engineering	152	146	124	124	120	117	117	116	116	116
Maintenance	309	287	274	274	389	382	391	393	399	399
Sanitation	653	611	604	604	621	619	619	615	515	515
Culture and recreation	264	261	240	240	510	507	508	506	162	208
Sewer	290	290	289	289	299	299	305	341	341	341

Source - City of Memphis Operating Budget Book FY 2018

OPERATING INDICATORS BY FUNCTION
Last Ten Fiscal Years

CITY OF MEMPHIS, TENNESSEE
EXHIBIT X-19

Function	Fiscal Year									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Police										
Physical arrests	65,734	61,322	82,003	48,357	46,116	89,478	58,247	53,269	65,231	62,707
Parking violations	97,554	92,433	89,374	77,398	87,536	62,595	62,916	48,623	58,181	64,622
Traffic violations	250,284	224,647	222,435	215,658	178,934	179,599	152,773	179,374	111,908	167,936
Fire										
Number of calls answered	24,974	24,974	23,892	24,522	126,789	131,542	118,928	124,320	142,087	144,931
Inspections	N/A	N/A	N/A	206,142	206,881	53,980	51,159	45,240	45,022	15,822
Highways and streets										
Street resurfacing (miles)	123.25	99.12	137.93	147.04	131.60	139.05	113.90	177.80	246.30	102
Potholes repaired	1,230	946	982	973	39,280	47,504	76,482	3,882	75,000	58,871
Sanitation										
Refuse collected (tons/day)	1,005	1,121	1,161	1,131	1,117	1,401	928	920	1,117	1,868
Recyclables collected (tons/day)	488	435	374	429	407	495	392	489	337	411
Culture and recreation										
Athletic field permits issued	1,093	1,465	1,786	999	982	1,445	1,129	1,154	827	702
Community center admissions	1,419,032	1,472,891	1,653,610	1,798,532	1,929,348	1,899,388	1,818,094	1,318,919	1,676,957	1,328,117
Water										
Average daily consumption (thousands of gallons)	122,267	115,519	118,768	115,295	112,216	108,564	104,620	100,055	99,957	99,137
Wastewater										
Average daily sewage treatment (thousands of gallons)	154,000	169,000	172,950	175,900	150,000	150,000	146,000	146,000	146,000	149,200

Source: City of Memphis Operating Budget Book FY 2018 and/or Internal Division Operating Reports

Function and Activity	Fiscal Year									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Public Safety:										
Police:										
Stations	10	10	10	10	9	9	9	10	10	9
Community policing offices	14	14	14	14	14	9	9	9	9	9
Patrol units	825	800	1,056	877	730	692	741	740	677	715
Fire:										
Stations	56	56	57	57	57	57	56	56	56	57
Trucks (ladder)	27	27	27	27	27	21	21	21	21	21
Solid Waste Management:										
Collection trucks	296	253	253	227	227	227	227	214	212	212
Solid waste disposed (tons)	389,762	406,191	424,025	405,686	396,309	364,159	343,114	366,483	378,256	485,820
Streets and Highways:										
Streets (miles)	6,750	6,750	6,750	6,750	6,750	6,818	6,818	6,818	6,818	6,818
Curb & gutter (miles)	3,950	3,950	3,950	3,950	3,950	6,306	6,306	6,306	6,060	6,355
Streetlights	81,900	82,640	82,706	82,774	83,750	83,000	83,437	83,800	83,800	83,800
Traffic signals	825	830	770	769	771	770	772	770	770	782
Roadside ditches	580	580	580	580	580	512	512	512	512	512
Community Services:										
Parks acreage	5,387	5,387	5,387	5,387	3,219	3,219	3,219	4,002	4,002	3,219
Parks	187	187	187	187	166	166	166	167	167	167
Golf courses	8	8	8	8	8	8	8	8	8	8
Community centers	24	24	24	24	24	24	24	24	24	24
Tennis courts	7	7	7	7	7	7	7	7	7	7
Swimming pools	18	18	17	17	17	17	17	17	17	17
Water:										
Water mains (miles)	3,710	3,716	3,716	3,716	3,716	3,874	3,877	3,879	3,879	3,881
Fire hydrants	30,221	30,423	30,423	30,423	30,423	30,819	30,937	31,018	31,018	31,159
Daily storage capacity (millions of gallons)	437.5	437.5	437.5	437.5	437.5	437.5	437.5	438	438	438
Sanitary Sewer and Storm:										
Miles of sewer lines	3,620	3,625	3,630	3,635	2,400	2,400	2,400	2,400	2,400	3,133
Miles of storm drainage	3,988	3,988	3,988	3,995	3,900	1,997	1,997	1,936	307	1,424

Source - City of Memphis Operating Budget Book FY 2018 and/or Internal Division Operating Reports.

GENERAL FUND EXPENDITURES ON STATE STREET AID
(Thousands of Dollars)
For the Fiscal Year Ended June 30, 2018

CITY OF MEMPHIS, TENNESSEE
Exhibit X- 21

	<u>2018</u>
Revenues	
State taxes (local share)	\$ 17,764
Total revenues	<u>17,764</u>
Expenditures	
Traffic engineering	2,122
Street signs and markings	3,005
Mass transit	34,420
Traffic signal maintenance	3,025
Street maintenance	11,755
Grounds maintenance	<u>3,320</u>
Total expenditures	<u>57,647</u>
Excess of expenditures over revenues	<u><u>\$ 39,883</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

FEDERAL GRANTOR/PASS-THROUGH GRANTOR	PROGRAM/CLUSTER NAME	CFDA Number	Contract Number	Passed Through to		
				Subrecipients	Expenditures	
FEDERAL GOVERNMENT AWARDS	Urban Search and Rescue Task Force	97.025	EMW-2015-CA-00015-501	\$ -	\$ 80,776	
		97.025	EMW-2016-CA-00016	\$ -	\$ 488,805	
	Total Program 97.025			\$ -	\$ 569,581	
	HMGP Barr Avenue Buy-Outs	97.039	34101-27517	-	5,850	
		Total Program 97.039			\$ -	\$ 5,850
	AFG Exhaust System	2017 Nat'l Urban Search & Rescue Response system Subtotal (97.044)	97.044	EMW-2016-FO-04044	-	586,911
			97.044	EMW-2017-CA-00082	-	401,647
			Total Program 97.044			\$ -
	PORT SECURITY GRANT	Port Security Grant FY17	97.056	EMW-2015-PU-00279-S01	\$ -	\$ 1,567
			97.056	EMW-2015-PU-00485-S01	-	1,708
97.056			EMW-2016-PU-00441	-	536,525	
97.056			EMW-2017-PU-00676	-	137,896	
Total Program 97.056			\$ -	\$ 677,696		
TOTAL DEPARTMENT OF HOMELAND SECURITY						
<p style="text-align: center;"><i>Entitlement Grants Cluster:</i></p>						
DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT	Community Development Block Grant	14.218	B01MC470006,B03MC470006,B05MC470006,B06MC470006,B07MC470006,B08MC47C \$	-	\$ 322,527	
		14.218	B13MC470006	-	91,517	
	Community Development Block Grant	14.218	B14MC470006	37,534	534,845	
		14.218		-	1,447,245	
	Total Program 14.218			659,706	4,753,669	
	Total Program 14.218			\$ 697,240	\$ 6,523,441	
	Lead Hazard Reduction	14.905	TN1HD0281-15	-	1,425,681	
		Total Program 14.905			\$ -	\$ 1,425,681
	Emergency Shelter FY16	Emergency Shelter FY17	14.231	S15MC470002	\$ 6,537	\$ 12,272
			14.231	S16MC470002	59,687	169,325
14.231			S17MC470002	332,622	378,477	
Total Program 14.231			\$ 398,846	\$ 560,074		
Home Program	Home Program	14.239	M02,03MC470202,M98MC470202,M00MC470202,M04MC470202,M07 \$	116,793	\$ 1,201,420	
		14.239	M15MC470202	-	442,260	
		14.239	M16MC470202	23,329	864,792	
		14.239	M17MC470202	-	724,901	
Total Program 14.239			\$ 140,122	\$ 3,233,373		
Housing Opportunities for Persons with Aids	Housing Opportunities for Persons with Aids FY17	14.241	TN37H9-7F040,8F001,TNH04F001,TNH05F001,TNH06F001,TNH07F001,TNH08F001,TNH \$	-	\$ 33,512	
		14.241	TNH16F001	371,901	420,612	
		14.241	TNH17F001	2,936,777	3,043,133	
Total Program 14.241			\$ 3,308,678	\$ 3,497,257		

SUPPLEMENTAL SCHEDULE OF EXPENDITURES
OF FEDERAL AND STATE FINANCIAL ASSISTANCE
For the fiscal year ended June 30, 2018

CITY OF MEMPHIS, TENNESSEE
Exhibit Y-1

FEDERAL GRANTOR/PASS-THROUGH GRANTOR	PROGRAM/CLUSTER NAME	CFDA Number	Contract Number	Passed Through to	
				Subrecipients	Expenditures
Total Program 14.238	SPCShield, Inc	14.238	TN0111L4J011608	\$ 211,630	\$ 136,163
	Low Income Home Energy Assistance Program (LIHEAP)	81.042	DE-EE0006185 LWx	\$ -	\$ 41,481
	Low Income Home Energy Assistance Program (LIHEAP)	81.042	DE-EE0007951.0000LWx	-	11,755
	Weatherization Program (WAP) FY18	81.042	DE-EE0007951.0000	-	186,107
	Weatherization Program (WAP)	81.042	DE-EE0006185	-	11,239
	Continuum of Care (COC) Program	14.267	TN0016L4J011609	113,714	113,714
	CDBG Supplemental Disaster Recovery Funds	14.225	B-10-WF-0001	-	2,562,257
Total Program 81.042, 14.225, 14.267				\$ 113,714	\$ 2,926,553
TOTAL DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT				\$ 4,870,230	\$ 18,302,542
DEPARTMENT OF JUSTICE					
Total Program 16.000	Equitable Sharing Forfeitures	16.000	TNMPD0000	\$ -	\$ 394,083
	Equitable Sharing Forfeitures	16.000	TNMPD0000	\$ -	\$ 394,083
Total Program 16.609	Project Safe Neighborhood Housing Demo	16.609	2004-GP-CX-0704,2003-GP-CX-0515,Z-04-015253-00,2009-GP-BX-0069,2010-GP-BX-004	\$ -	\$ 62,791
	Project Safe Neighborhoods	16.609	2014-GP-BX-0001	-	36,281
Total Program 16.590	Encourage Arrest	16.590	2014-WF-AX-0049	\$ 138,911	\$ 201,434
	STOP Violence Against Women	16.588	n/a	\$ -	\$ 131,681
Total Program 16.588				\$ -	\$ 131,681
Pass-through Funding					
Passed through Shelby County State of Tennessee	JAG Program Cluster:				
	JAG 10	16.738	2010-DJ-BX-1563,BJA-2013-3599	\$ -	\$ 315,524
	JAG 14	16.738	BJA-2014-3879	-	79,645
	JAG 16	16.738		-	39,820
	Memphis LPR/GSR Technology Innovation	16.738	2016-DG-BX-K143	-	329,741
Total Program 16.738				\$ -	\$ 764,730
	Total JAG Program Cluster			\$ -	\$ 764,730
Total Program 16.833	2015 Sexual Assault Kit Initiative	16.833	2015-AK-BX-K004	\$ 277,583	\$ 386,709
	FY17 National Sexual Assault Kit Initiative (SAKI)	16.833	2017-AK-BX-0014	-	3,454
	Subtotal (16.833)			\$ 277,583	\$ 390,163
Total Program 16.751	Safeways: Old Allen Smart Policing	16.751	2009-DG-BX-0033	\$ -	\$ 237,394
	Subtotal (16.751)			\$ -	\$ 237,394
TOTAL DEPARTMENT OF JUSTICE				\$ 416,494	\$ 2,218,557

FEDERAL GRANTOR/PASS-THROUGH GRANTOR	PROGRAM/CLUSTER NAME	CFDA Number	Contract Number	Passed Through to Subrecipients	Expenditures
<i>WIA Cluster:</i>					
DEPARTMENT OF LABOR	Workforce Investment Act - Adult	17.258	DA0400062,07-13-PY6-113-ADMIN 0913FY9213ADULT,LW13ST91ADULT09,LW13P0914	\$ -	\$ -
	Workforce Investment Act - Adult	17.258	DA0400062,LW13ST91ADULT09,08-13-FY8-213-ADULT,08-13-PY7-213-Adult,07-13-FY	381,640	1,071,994
	Workforce Investment Act - Adult	17.258	LW13P171ADULT18	131,884	285,117
	Workforce Investment Act - Adult	17.258	LW13F181ADULT18	458,875	1,189,627
	Total Program 17.258			\$ 972,399	\$ 2,546,738
	Workforce Investment Act - Youth	17.259	LW13P171YOUTH18	\$ 27,530	\$ 460,286
	Workforce Investment Act - Youth	17.259	LW13P171YOUTH18	0	2,635
	Workforce Investment Act - Youth	17.259	LW13P151YOUTH16	0	4,784
	Workforce Investment Act - Youth	17.259	LW13P131YOUTH14,LW13P161YOUTH17	1,349,871	2,648,001
	Total Program 17.259			\$ 1,377,401	\$ 3,115,706
DEPARTMENT OF LABOR	Workforce Investment Act - Memphis Bioworks Sub grantee	17.268	Contract # 32071	\$ -	\$ 45,037
	Workforce Investment Act - America's Promise Job Driven Grant	17.268	HG-30131-17-60-A-47	-	71,178
	Total Program 17.268			\$ -	\$ 116,215
	Workforce Investment Act - Dislocated	17.278	DA0400062,06-13-FY6-413-DLWIK,09-13-PY8-413-DLWIK,09-13-FY9-413-DLWIK,LW11:	\$ -	\$ -
	Workforce Investment Act - Dislocated	17.278	LW13F141DSLWK14,LW13P121DSLWK13,LW13F131DSLWK13,LW13F161DSLWK16,LW	-	17,356
	Workforce Investment Act - Dislocated	17.278	LW13P161DSLWK17	152,084	277,785
	Workforce Investment Act - Dislocated	17.278	LW13F171DSLWK17	231,946	995,599
	Workforce Investment Act - Dislocated	17.278	LW13P141DSLWK15	-	122
	Workforce Investment Act - Dislocated	17.278	LW13F151DSLWK15	-	144
	Workforce Investment Act - Dislocated	17.278	LW13F181DSLWK18	-	89,413
Workforce Investment Act - Dislocated	17.278	LW13P171DSLWK18	6,479	85,003	
Workforce Investment Act - Dislocated Administrative	17.278	LW13F162MNSWA16	-	25,466	
Workforce Investment Act	17.278	LW13F171MNSWA17	-	11,500	
Workforce Investment Act - Rapid Response DW	17.278	LW13F171CBRSPI7	154	155,024	
Total Program 17.278			\$ 390,663	\$ 1,657,412	
Total WIA Cluster			\$ 2,740,463	\$ 7,436,071	
DEPARTMENT OF LABOR	Workforce Investment Act - TDOL	17.207	LW13P161WP32517	\$ -	\$ 40,529
	Workforce Investment Act (RESEA) Reemployment Services	17.225	LW13P161RESEA17	-	9,852
	Workforce Investment Act (RESEA) Reemployment Services	17.225	LW13I71RESEA17	-	28,300
	Workforce Investment Act SNAP E&T	10.561	10.561	-	150,714
	Workforce Investment Act SNAP E&T	10.561	LW13F181QSNAP18	-	28,133
	Workforce Investment Act SNAP E&T	10.561	LW13F161SNAP	104,598	1,451
	YouthBuild	17.274	YB-24715-13-60-A-47	27,697	-
	Ticket to Work	96.009	NONE	-	22,933
	Child Support Enforcement	93.564	NONE	-	44,070
	Workforce Investment Act - Mid-South Community College- sub gr:	17.282	contract # 32326	-	76,111
Total Program 17.207, 17.225, 10.561, 17.274, 96.009, 93.564, 17.282			\$ 132,295	\$ 402,093	
TOTAL DEPARTMENT OF LABOR			\$ 2,872,758	\$ 7,838,164	

FEDERAL GRANTOR/PASS-THROUGH GRANTOR	PROGRAM/CLUSTER NAME	CFDA Number	Contract Number	Passed Through to Subrecipients	Expenditures
	<i>Highway Planning and Construction Cluster:</i>				
Pass-through Funding: Tennessee Department of Transportation	Enhanced Traffic Signal Implementation	20.205	CM-STP-9409(41)-040713,(48)-040718,(141)-112905,(142)-113006,(145)-112875,(47)-0	\$ -	\$ 575,710
	STP Repaving	20.205	STP-M-9409(128,132,133),STP-EN-7900(20,79)41798	-	103,450
	Elvis Presley/Shelby/Winchester	20.205	STP-EN-09TN(003)-113028	-	1,324
	Winchester/Perkins	20.205	STP-M-9409(96,36)	-	1,595
	Walnut Bend	20.205	STP-M-9409(98)-010620	-	659
	Holmes/Millbranch, ARRA Repaving	20.205	STP-M-9409(97), STP-M-9409(149)	-	3,169
	Holmes Road East	20.205	PIN-108701-00,STP-M-9409(99)	-	188,960
	Forest Hill	20.205	STP-M-9409(90)	-	1,376
	Department of Transportation Riverfront Development	20.205	STP-EN-9409 (111) PIN 102617	-	155,544
	50-Mile Connections - Bike/Ped On-street Connections	20.205	NONE	-	896
	Memphis Bicycle Facilities	20.205	STP-M-9409(167) PIN 118411.00	-	3,948
	STP Sidewalk Program	20.205	79LPLM-F3-267 (118412)	-	7,953
	STP Group 5 Resurfacing	20.205	STP-EN-9409 (111) PIN 119539	-	15,625
	STP Group 6 Resurfacing	20.205	79LPLM-F0-417-419 PIN 120588	-	15,758
	STP Isolated Traffic Signal Improvements-Grp 2	20.205	STP-EN-9409 (111) PIN 119541	-	14,423
	STP Isolated Traffic Signal	20.205	STP-EN-9409 (111) PIN 119542	-	34,386
	Repair 14 Bridges on/over Sam Cooper B20.205Ivd	20.205	STP-EN-9409 (111) PIN 119544	-	14,746
	Repair Brooks Rd. Bridge over Days Creek	20.205	STP-M-9409(182) 119543	-	5,621
	Chelsea Ave Greenline from Washington Park to Evergreen St	20.205	79LPLM-F0-365, 79LPLM-F0-366, 79LPLM-F0-367, 79LPLM-F0-368	-	10,427
	TDOT/Elvis Presley Blvd	20.205	STP-EN-9409 (111) PIN	-	112,817
	Overton Park Trail along Poplar Avenue from Morrie Moss Drive	20.205	PIN 119836	-	4,380
	Shelby Farms Greenline Bridge	20.205	PIN 119937	-	24,243
	Transportation Alternative	20.205	N/A	-	96
	TDOT Plough/Winchester	20.205	PIN 102619	-	308,439
	TDOT Walker Ave Streetscape-Phase 2	20.205	PIN 119820	-	1,617
	HWY Rail Grade Crossing	20.205	PIN 108673.04	-	39,761
	Georgia at Riverside Dr. Intersection Imprv	20.205	PIN 125430	-	220
	Railroad Safety Improvements	20.205	STP-R-2883(2) PIN 112932	-	602,624
Total Program 20.205				\$ -	\$ 2,249,767
	Network Coordinator FY17	20.600	PT-17-36	\$ -	6,626
	THSO Alcohol Saturation & Traffic Enforcement Program	20.600	Z18THS204	-	90,681
	Highway Safety/Network Coordinator FY13	20.600	Z15GHS235	-	4,898
	FY18 Network Coordinator	20.600	Z18THS207	-	1,816
Total Program 20.600				\$ -	\$ 104,021
	GHSO Alcohol Saturation FY16	20.607	154AL-16-46	\$ -	223,273
	GHSO Alcohol Saturation FY17	20.607	154AL-17-154	-	125,635
Total Program 20.607				\$ -	\$ 348,908
	Comprehensive Alcohol Risk Reduction	20.616	MSHVE-17-13	\$ -	63,723
	GHSO CARD FY16	20.616	MSHVE-16-02	-	60,296
Total Program 20.616				\$ -	\$ 124,019
TOTAL DEPARTMENT OF TRANSPORTATION				\$ -	\$ 2,826,715

SUPPLEMENTAL SCHEDULE OF EXPENDITURES
OF FEDERAL AND STATE FINANCIAL ASSISTANCE
For the fiscal year ended June 30, 2018

CITY OF MEMPHIS, TENNESSEE
Exhibit Y-1

FEDERAL GRANTOR/PASS-THROUGH GRANTOR	PROGRAM/CLUSTER NAME	CFDA Number	Contract Number	Passed Through to Subrecipients	Expenditures
EXECUTIVE OFFICE OF THE PRESIDENT	HIDTA FY17	95.001	G16GC005A	\$ -	\$ 9,087
	High Intensity Drug Trafficking Areas Program	95.001	G17GC006A	-	21,232
TOTAL EXECUTIVE OFFICE OF THE PRESIDENT				\$ -	\$ 30,319
	Total Program 95.001				
NATIONAL ALLIANCE PRESERVATION	National Alliance of Preservation	15.904	P17AF0055	\$ -	\$ 1,541
TOTAL NATIONAL ALLIANCE PRESERVATION				\$ -	\$ 1,541
	Total Program 15.904				
Pass-through Funding					
Tennessee Department of Environment and Conservation					
Direct Funding:					
ENVIRONMENTAL PROTECTION AGENCY, OFFICE OF WATER	Capitalization Grant for Clean Water State Revolving Fund	66.458	SRF 13-311, SRF 06-195, & SRF-13-309	\$ -	\$ 31,229,402
TOTAL ENVIRONMENT PROTECTION AGENCY, OFFICE OF WATER				\$ -	\$ 31,229,402
	Total Program 66.458				
TOTAL FEDERAL GRANTS				\$ 8,159,482	\$ 64,688,925
STATE FINANCIAL ASSISTANCE					
	Memphis Fire Division In-service Training Supplement	N/A	NONE	\$ -	\$ 7,200
	Memphis Police Division In-service Training	N/A	NONE	-	1,147,800
	Domestic Violence Intervention	N/A		-	287,800
	Household Hazardous Waste	N/A	GG0712743.GG-09-25326-00.GG1339302	-	100,647
	CDBG Disaster Recovery	N/A	B-13-DS-47-0001	-	830,179
	(TEMA) HMGP Barr Avenue Buy outs	N/A		-	975
	Main to Main State	N/A	NONE	-	1,381
	In-Service Training FY17	N/A	NONE	-	765,600
	ICAC FY17	N/A	31701-06234	-	27,420
	ICAC FY18	N/A	31701-06249	-	140,419
	JAG PAL 2018	N/A	20146-MU-BX-0181	-	99,996
	Urban Forestry Program	N/A	NONE	-	59
	Urban & Community Forestry Program	N/A	NONE	-	8,019
	Competitive Bidders Prep Accelerator- sub to Prime	N/A	NONE	-	11,264
	LW13P171ESIFA18	N/A	NONE	-	604,391
	TOTAL STATE GRANTS			\$ -	\$ 4,033,150
	TOTAL GRANTS			\$ 8,159,482	\$ 68,722,075



City of Memphis
Notes to the Schedule of Expenditures of Federal Awards and State Financial Assistance
For the Year Ended June 30, 2018

NOTE 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards and state financial assistance includes the federal and state grant activity of the City of Memphis and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of the Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from presented in, or used in the preparation of the general purpose financial statements.

The accompanying schedule of expenditures of state financial assistance is included with this report. The schedule presents all state funded financial awards, as defined by the state Comptroller of the Treasury's Office, and is prepared and presented in a manner consistent with the schedule of expenditures of federal awards.

NOTE 2 - Basis of Accounting

The expenditures presented in the associated schedules of expenditures of federal awards and state financial assistance were developed from agency records and federal and state financial reports which have been reconciled to the central accounting records of the Government. Governmental funds are reported using a modified accrual basis of accounting. Proprietary funds are reported using the accrual basis of accounting.

Federal and state revenues and expenditures are included in the general fund, special revenue funds, capital projects funds, and enterprise funds in the Government's basic financial statements.

The City of Memphis has not elected to use the 10% de minimis indirect cost rate under the Uniform Guidance.

NOTE 3 - Federal Loans

The City of Memphis was approved by the Environmental Protection Agency, Office of Water, to receive a loan totaling \$100,000,000 (SRF 13-311) to improve its sewer system. The amount listed for this loan, \$71,387,637, 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, \$3,109,205, includes proceeds during the year and the outstanding loan balance from prior years. This loan has been closed out and no further draws will be made on it.

The City of Memphis was approved by the Environmental Protection Agency, Office of Water, to receive a loan totaling \$22,000,000 (SRF 13-309) to improve its sewer system. The amount listed for this loan, \$9,319,856, includes proceeds during the year.

The City of Memphis was approved by the Tennessee Dept. of Environment and Conservation to receive a loan totaling \$11,000,000 (SRF 18-409). This loan is new for FY18 and has no associated receipts or expenditures as of June 30, 2018.

Both the current and prior year loans are also reported on the City of Memphis's Statement of Net Position for Proprietary Funds. Also, the current loan payable and the long term loan payable equals the total loan amounts (see Exhibit A-9).

Note 4 - Award 11183

The actual expenditures for award 11183 for FY18 totaled \$39,818,184. However, because of the credit adjustments in the amount of \$8,588,782. made to this award, the reported expenditures totaled \$31,229,402. These adjustments were made due to the grantor disallowing certain costs on this award after the requests for reimbursement were submitted. The offset for these credit adjustments were posted to a non-federal award 11162 (Capital Pay Go).

Note 5 - Contingencies

The federal and state awards received by the government are subject to audit and adjustment. If any expenditures are disallowed by the grantor agencies as a result of such an audit, the grantor agencies could make a claim for reimbursement, which would become a liability of the Government.



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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, the statements of revenues and other sources and expenditures and other uses on basis of budgeting for the general fund, and the aggregate remaining fund information of the City of Memphis, Tennessee (the "City"), as of and for the year ended June 30, 2018, 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 27, 2018. 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 have not been 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, 2018-001 through 2018-002.

Compliance and Other Matters

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

Additionally, the audit for the fiscal year ended June 30, 2018 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 employees reported to have stolen gas for personal use. No loss amount has been determined as of the date of this report.
2. Police Services employee reported to have \$16,726 in payroll deposits incorrectly deposited into a Library employee's bank account.
3. Fire Services Division Chief reported to have negotiated payment arrangements, without authority, to continue RADAR program services after the memorandum of understanding expired in October 2017 which resulted in \$50,000 in unauthorized payments being made.
4. Public Works employee reported to have unloaded City material and spoils at a church, which was outside the employee's assigned work area. No loss amount has been determined as of the date of this report.

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 27, 2018.



City's Response to Findings

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

Purpose of this Report

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

Memphis, Tennessee
December 27, 2018

**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, 2018. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our qualified and unmodified opinions on compliance for major federal programs. 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 2018-003 for Activities Allowed or Unallowed. 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

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 CDFA 14.239 Home Investment Partnerships Program for the year ended June 30, 2018.

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, 2018.

Other Matters

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

Report on Internal Control over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit 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 have not been identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and 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 a 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 2018-003 to be a significant deficiency.

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.

Memphis, Tennessee
December 27, 2018

CITY OF MEMPHIS
 Schedule of Findings and Questioned Costs
 For the Year Ended June 30, 2018

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? | No |
| 7. | Federal programs identified as major programs: | |

WIA Cluster

- | | |
|--------|---------------------------|
| 17.258 | WIOA – Adult Program |
| 17.259 | WIOA – Youth Activities |
| 17.278 | WIOA – Dislocated Workers |

CDBG – Entitlement Grants Cluster

- | | |
|--------|---|
| 14.218 | CDBG/Entitlement Grants |
| 14.225 | CDBG/Special Purpose Grants/Insular Areas |

Other Programs

- | | |
|--------|---|
| 66.458 | Capitalization Grants for Clean Water State Revolving Funds |
| 14.239 | Home Investment Partnerships Program |
| 14.241 | Housing Opportunities for Persons with AIDS |
| 20.205 | Highway Planning and Construction |

- | | | |
|----|--|-------------|
| 8. | The dollar threshold used to distinguish between Type A and Type B programs: | \$1,940,668 |
| 9. | Auditee qualified as a low-risk auditee? | No |

SECTION II: FINDINGS – FINANCIAL STATEMENT AUDIT

SIGNIFICANT DEFICIENCY

2018-001

CONDITION:

The City's Internal Control and Compliance Manual states that the oversight body should oversee the entity's internal control system. However, the City has not provided an oversight body to conduct this internal control function.

OTHER INFORMATION:

Per the State of Tennessee Internal Control and Compliance Manual for Governmental Entities and Other Audited Entities in Tennessee (issued in December 2015):

1. Governing body refers to the county commission, city council, board of directors, or similar authorities.
2. Oversight body refers to an appointed body designated to perform oversight at the direction of the governing body.
3. Management refers to elected officials or employees who have direct responsibility for the day-to-day operations of the entity including the implementation of internal controls.

The Manual further states:

The governing body should oversee the design, implementation, and operation of the Organization's internal control system as well as take appropriate action to resolve deficiencies. The governing body may appoint a separate oversight body (such as an audit committee) that has the independence and qualifications needed to impartially evaluate, scrutinize, question activities, and oversee the design, implementation, and operation of the organization's internal control system as well as take appropriate action to resolve deficiencies. The oversight body should report regularly to the governing body. Management should be directly involved in developing the internal control system and is responsible for implementing and monitoring the system for compliance.

CAUSE OF CONDITION:

Section 1 of the City’s Charter states in part: “The Council shall not, however, exercise executive or administrative powers nor interfere in the operation of the administrative divisions.”

POTENTIAL EFFECT OF CONDITION:

The City may not be in compliance with the State of Tennessee’s Internal Control and Compliance Manual. The City may be without a key element of an adequate internal control framework that provides information that helps detect errors and fraud, and that also provides reasonable assurance that the financial reports are accurate.

RECOMMENDATION:

The City should review Section 1 of its Charter to determine the adequacy of its compliance with the State of Tennessee Internal Control and Compliance Manual.

MANAGEMENT RESPONSE:

Comment acknowledged. City of Memphis will take appropriate action for remediation of this issue.

2018-002

CONDITION:

The City lacks a management steering committee that is responsible for reviewing and approving IT plans and priorities.

CRITERIA:

The Committee of Sponsoring Organizations of the Treadway Commission (COSO) Internal Control Objective: The entity has IT Strategic Planning and risk management process in place to support its financial reporting requirements.

C9000 – A management steering committee is responsible for reviewing and approving IT plans and priorities.

CAUSE OF CONDITION:

The City of Memphis IT Governance Board’s (ITGB) last meeting was held on June 22, 2017, and the ITGB was subsequently disbanded. During the process of outsourcing of IT management to third-party consultants, City’s IT management no longer considered the ITGB necessary.

ITGB was created to act in an advisory and oversight capacity for the strategy, policy and budgets relating to the selection, planning, acquisition and performance of the Information Services Division.

The ITGB was comprised of the following:

Chief Financial Officer

Chief Human Resources Officer

Chief Information Officer

Chief Operating Officer

Director of Public Works

External Technology Representative (2)

POTENTIAL EFFECT OF CONDITION:

The City may not have adequate internal controls related to strategic planning and risk management for its IT function.

RECOMMENDATION:

The City should establish a management steering committee that is responsible for reviewing and approving IT plans and priorities. Additionally, the IT management steering committee should meet regularly (either monthly, bi-monthly or quarterly), and produce written minutes of its meetings.

MANAGEMENT RESPONSE:

Comment acknowledged. Material changes in the reporting model occurred during the fiscal year 2018 that significantly impacted the advisory and oversight strategy. Implementation to restructure this initiative has commenced and it is expected to fully execute during fiscal year 2019.

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

SIGNIFICANT DEFICIENCY

2018-003

CONDITION:

The City was found to be noncompliant by the Department of Housing and Urban Development related to the Marina Cove and Cleaborn Pointe activities under CFDA 14.239 HOME.

CRITERIA:

24 CFR 92.2(1) states that commitment means: The participating jurisdiction has executed a legally binding written agreement (that includes the date of the signature of each person signing the agreement) that meets the minimum requirements for a written agreement in Section 92.504(c). An agreement between the participating jurisdiction and a subrecipient that is controlled by the participating jurisdiction (e.g., an agency whose officials or employees are official or employees of the participating jurisdiction) does not constitute a commitment. An agreement between the representative unit and a member unit of general local government of a consortium does not constitute a commitment. Funds for administrative and planning costs of the HOME program are committed based on the amount in the program disbursement and information system for administration and planning.

CAUSE OF CONDITION:

HOME Funds were committed in IDIS for Marina Cove and Cleaborn Pointe prior to meeting the definition of commitment at 24 CFR 92.2.

Lack of oversight

POTENTIAL EFFECT OF CONDITION:

Deobligation of future HUD revenue

RECOMMENDATION:

The City creates written policies and procedures to ensure that all HOME Funds meet the definition of commitment per 24 CFR 92.2 before those funds are committed to projects. Those written policies and procedures should include expanding the role of the Grants Compliance Office to provide expertise, oversight and approval to Housing and Community Development for all HOME Funds to assure they are disbursed in accordance with HUD policy.

MANAGEMENT RESPONSE:

Correspondence dated September 4, 2018, from the U.S Department of Housing and Urban Development was submitted to the City of Memphis, Memphis Division of Housing and Community Development (HCD) regarding the finding of non-compliance with the HOME program requirements. The City has implemented measures to correct deficiencies in the City's administration of the HOME Program and to ensure compliance with all regulations.

CITY OF MEMPHIS
Schedule of Prior Year Findings and Questioned Costs
For the Year Ended June 30, 2018

Prior Year Finding Number	Finding Title	Status/Current Year Finding Number
2016-002	Unsubstantiated Overtime Pay	Partially Corrected

