I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(A) Reporting Entity

Shelby County, Tennessee (the County) is governed by an elected mayor and a thirteen member Board of Commissioners. As required by generally accepted accounting principles, these financial statements present the County (the primary government) and its component units, entities for which the County is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of a government's operations. The County has no blended component units. Each discreetly presented component unit (see notes below for descriptions) is reported in a separate column in government-wide financial statements to emphasize that they are legally separate from the government. Each discretely presented component unit has a June 30 year-end and their separate financial statements are available as indicated below. The significant accounting policies followed by component units are generally the same as those followed by the primary government.

Discretely Presented Component Units:

Shelby County Board of Education (the Board of Education) – The Board of Education is a legally separate organization that includes all the public schools within the Memphis City limits and the unincorporated areas of Shelby County. The Board of Education has a separately elected governing board but is fiscally dependent on the County. The County levies taxes for the Board's operation, approves its operating budget and issues debt for its capital projects. The operations of the Shelby County Board of Education are reported as a governmental component unit. Financial statements for the Board can be obtained from Shelby County Board of Education, 160 South Hollywood, Memphis, Tennessee 38112, (901) 321-2500.

Shelby County Health Care Corporation, d/b/a Regional One Health – Regional One Health (previously The Med) provides both inpatient and outpatient hospital services to residents of Shelby County and the surrounding area. The Regional One Health Board of Directors is appointed by the County Mayor and confirmed by the County Board of Commissioners. Substantial funding is provided by the County. Regional One Health is reported as a proprietary component unit. Financial statements for Regional One Health can be obtained from Shelby County Health Care Corporation, C/O Regional One, 877 Jefferson Avenue, Memphis, Tennessee 38103, (901) 545-7100.

Agricenter International, Inc. (the Agricenter) – Agricenter International is a component unit of the Agricenter Commission. The Agricenter Commission has no separate assets, liabilities, revenues or expenditures; therefore, the summary information provided only relates to Agricenter International. The purpose of the Agricenter is to promote educational and applied research endeavors intended for the improvement of agriculture by the establishment of one convenient location for exhibition, demonstration, research, education and meetings by agribusiness industry, related organizations, and government agencies. The five Agricenter Commission members are appointed by the County Mayor and confirmed by the County Board of Commissioners. There are also two ex-officio voting members. Some funding is provided by the County and the land and buildings used by the Agricenter are property of the County. Agricenter International, Inc. is reported as a proprietary component unit. Financial statements for the Agricenter can be obtained from Agricenter International, Inc., Suite 9, 7777 Walnut Grove Road, Memphis, Tennessee 38120, (901) 757-7777.

Emergency Communications District of Shelby County, Tennessee, d/b/a Shelby County 9-1-1 District (The District) – The District was established in 1984, pursuant to provisions of T.C.A. Title 7, Chapter 86 of the State of Tennessee. The District is responsible for establishing local emergency telephone service and a primary emergency telephone number for the residents of Shelby County. The District is governed by a nine-member board of directors, appointed by the County Mayor and approved by the County Board of

Commissioners. The District's board has the authority to levy an emergency telephone service charge to be used to fund the operation of the District. The District must obtain County Commission approval before the issuance of most debt and the County Commission has the ability to adjust the District's service charges. The District is reported as a proprietary component unit. Financial statements for the District can be obtained from Shelby County 9-1-1 District, 3150 Lenox Park #108, Memphis, Tennessee 38115, (901) 380-3911.

(B) Governmental Accounting Standards

The financial statements of the County have been prepared in accordance with *generally accepted accounting principles* (GAAP) followed in the United States of America. In the United States the Governmental Accounting Standards Board (GASB) is the established and recognized standard-setting body for governmental accounting and financial reporting. The GASB periodically issues new or revised standards that are implemented by the County.

(C) Government-wide and Fund Financial Statements

The government-wide financial statements - 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 the interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Similarly, 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 the given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

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

(D) 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, except that agency funds have no measurement focus. 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. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, long-term debt service expenditures and expenditures related to compensated absences and claims and judgments are recorded only when payment is due.

In determining availability, the government considers property taxes and in lieu of property tax payments associated with the current fiscal year to be available if they are collected within one month of the end of the current fiscal year. The government considers sales taxes, hotel taxes, car rental taxes, and gasoline taxes to be available if collected within two months of the end of the current fiscal year. Revenues from other taxes; business taxes, wheel tax, litigation tax, beverage taxes, severance tax, income tax, and privilege taxes, are considered available if collected within one month. The government considers grant and reimbursement revenues from other governments associated with grant funds in the current fiscal year to be available if collected within one year of the end of the current fiscal year. Revenues from fines, fees, permits and other imposed non-exchange transactions are considered available if collected within one month. Other revenues are either not measurable until collected or they are not collected soon enough after the current period to pay liabilities of the current period.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. In consolidating internal activities in the government-wide financial statements, direct expenses are not eliminated from the various functional categories, whereas indirect expenses are eliminated. The net effect of the interfund services provided by internal service funds is reported as an adjustment to the expenses of the functional categories using those services.

The County reports the following major governmental funds:

The *General Fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required or elected to be accounted for in another fund.

The *Debt Service Fund* accounts for the accumulation of resources for and the payment of principal, interest and related costs on long-term general obligation debt of governmental funds.

The *Capital Projects Fund* accounts for the acquisition and construction of major capital facilities and equipment.

The *Education Fund* accounts for tax collections allocated for school operations. Taxes are collected and allocated to the Shelby County Board of Education as well as to the other six municipal school districts within the County. Taxes are allocated based on the average daily attendance.

The *Grants Fund* accounts for the receipt and expenditure of federal, state, and local government grants and designated contributions to be used for approved programs.

The *Nonmajor Governmental Funds* are other funds with revenue raised for a specific purpose. The County reports the following funds as Special Revenue Funds:

- Roads and Bridges Fund accounts for the proceeds received from the County's share of State Gasoline taxes and State Gas Inspection taxes. These revenues are used for the maintenance of public roads and bridges in the unincorporated areas of the County.
- Hotel Motel Taxes Fund accounts for the proceeds received from the hotel/motel tax levied by the County on hotel/motel occupancy within the County. Hotel/Motel tax is used to first provide debt service requirements for the Sports Authority on the FedEx Forum and then funding for the Convention and Visitors Bureau as provided in State law.
- Sheriff Forfeitures Fund accounts for the proceeds from seizure and forfeiture of properties related to certain drug cases and property acquired and accumulated as a result of other criminal offenses. These funds are used to support law enforcement efforts, drug investigation enforcement, and certain non-recurring purposes.

- Data Processing Fund accounts for a separate computerization fee charged by the Courts and the County Register restricted by State statute. The funds are to be used for the purchase of computer equipment, upgrades, imaging systems, and other related supplies and maintenance to support their data processing needs.
- Car Rental Tax Fund accounts for the tax proceeds on car rentals levied by the County. The proceeds are used only to help retire debt on bonds issued by the Memphis and Shelby County Sports Authority, Inc. for construction of the FedEx Forum.
- Health Services Restricted Fees Fund accounts for proceeds received from pollution control permits and fees for specific industries. There are also fees received for vector control services as a component of the fees collected through the City of Memphis' utility services. These proceeds are used, respectively, to control pollution and control rodents, mosquitoes and other pests throughout the County.
- Storm Water Fees Fund accounts for fees collected from unincorporated portions of the County for storm water expenses as specified in the Shelby County Code of Ordinances.
- Economic Development Fund accounts for resources received that can be used only for economic development activities supported by the County.
- Restricted Court Fees Fund accounts for separate fees collected in DUI and drug related cases that are restricted by State statute for use in funding offender rehabilitation programs.

Additionally, the County reports the following fund types:

Proprietary Funds/Enterprise Funds are funds that report an activity for which a fee is charged to external users for goods or services. The County reports the following enterprise funds:

Major funds:
- Corrections Center Fund accounts for the operation of the Shelby County Corrections Center. The center incarcerates individuals serving sentences for both misdemeanors and felonies, with typical sentences between two and three years.

Nonmajor funds:
- Consolidated Codes Enforcement Fund accounts for activities of the Consolidated Codes Enforcement Office and Division of Planning and Development.
- Fire Services Fund accounts for the activities of the Shelby County Fire Department. Fire protection services are provided to the unincorporated areas of the County and to the City of Lakeland. Ambulance services are provided to unincorporated areas of the County, City of Lakeland, City of Millington, and the Town of Arlington.

Proprietary Funds/Internal Service Funds are a separate category of proprietary funds (all are nonmajor). These funds account for fleet services, telecommunications, group health insurance, other employer insurance, and tort liability insurance provided to other departments and agencies of the County, or to other governments on a cost reimbursement basis.

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 enterprise funds and of the government's internal service funds are charges to customers for sales, services, and insurance. 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.

Fiduciary Funds include the Other Postemployment Benefits (OPEB) Trust and the Shelby County Retirement System. The OPEB Trust accounts for the fund used to accumulate and provide health and life insurance to retirees. The Shelby County Retirement System accounts for the activities of the County's retirement plan, which accumulates resources for pension payments to employees. Agency Funds account for assets held by the County's charter officers and other elected officials in an agent capacity for governments, litigants, heirs and others. Agency funds are custodial in nature and do not involve measurement of results of operations.

(E) Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position/Fund Balances

Deposits and Investments
Cash and cash equivalents include cash on hand, demand deposits, savings accounts and short-term investments with maturities of three months or less at the time of purchase. The County pools substantially all of its cash and cash equivalents. Each fund participating owns a pro rata share in the pool. Investment earnings of the pool are allocated monthly to each fund based upon the average balance.

Deposits with the State Treasurer's Local Government Investment Pool (LGIP) that 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 2a-7 of the Investment Company Act of 1940. Rule 2a-7 allows SEC-registered mutual funds to use amortized cost rather than fair value to report net assets to compute share prices if certain conditions are met. State statutes require the State Treasurer to administer the LGIP under the same terms and conditions, including collateral requirements, as required for other funds invested by the Treasurer. The reported value of the pool is the same as the fair value of the pool shares.

State statutes authorize the County to make direct investments in obligations of the U.S. Treasury, obligations issued or guaranteed by any U.S. Government agency, LGIP, bonds of any state or political subdivision, repurchase agreements, prime banker's acceptances and prime commercial paper. The maximum maturity is two years. By policy investments in commercial paper must be rated A1/P1 by at least two rating services.

Investments of the government as well as its component units are stated at fair value. 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. See note IV(A) for disclosures and more information on the determination of fair values.

The OPEB Trust and the Shelby County Retirement System are authorized to invest in common and preferred stocks, corporate bonds rated B3 or better, commercial paper rated A2/P2 or better, real estate, venture capital investments, co-mingled investment funds, call option writing programs, certificates of deposit, bonds and treasury bills of the U.S. Government, limited partnerships, and international equities. Investment parameters require that no more than 70% of total investments be in stock, no more than 5% in real estate, and no more than 30% in international equities.

Receivables and Payables
Property taxes are recorded as revenues in the fiscal year for which levied. Property taxes based on property values during the current fiscal year but levied for the next fiscal year are recorded as receivables and deferred inflows of resources. Allowances for doubtful accounts are maintained for receivables which historically experience uncollectible accounts.

Inventories and Prepaid Items
Inventories are valued at cost on a first-in/first-out (FIFO) method. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and proprietary fund financial statements. In governmental funds, prepaid items are accounted for using the purchases method. As of

June 30, 2017, the County had net overpayments for the OPEB obligation. These overpayments are reported in the assets section.

Capital Assets
Capital assets, which include artwork, land, land improvements, buildings, building improvements, equipment and infrastructure assets, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Infrastructure includes roads, bridges, sidewalks, and similar items. Equipment includes software and communications systems. Capital assets are defined by the government as assets with an initial, individual cost of $5,000 or more and an estimated useful life in excess of two years. Land is included regardless of cost. Capital assets are recorded at historical cost if purchased or constructed. Donated capital assets, donated works of art, and similar items, and capital assets received in service concession arrangements are recorded at estimated acquisition value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Land improvements, buildings, building improvements, equipment and infrastructure of the primary government, as well as the component units, are depreciated using the straight line method. The following estimated useful lives are used:

Assets	Years
Land Improvement	10-30
Buildings	30-40
Building improvements	10-30
Equipment	3-20
Infrastructure	10-50

Deferred Outflows of Resources
In addition to assets, the *Statement of Net Position* includes a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources,* represents a consumption of net position that applies to a future period and so is not recognized as an outflow of resources (expense/expenditure) until then.

Claims and Judgments
Claims and judgments which can be reasonably estimated and could result in probable material losses to the County have been given proper recognition under U.S. generally accepted accounting principles. For governmental funds and similar fund types, the liability is recognized within the applicable fund if it is expected to be liquidated with expendable, available financial resources. All other material unpaid claims and judgments are recorded as a liability in the governmental activities of the primary government. In proprietary and similar fund types, probable and measurable loss contingencies are recorded as incurred within the applicable fund.

Landfill Postclosure Care Costs
State and federal laws and regulations require the County to perform certain maintenance and monitoring functions for thirty years after closure of its landfill sites. The amount reported as postclosure care liability at year-end represents the estimated postclosure care costs that have not been paid for the Walnut Grove and Shake Rag Road landfills. The estimate is based on what it would cost to perform all postclosure care as of the year-end. Actual future costs may differ due to inflation, changes in technology, or changes in regulations. The landfills have been closed and the County has no landfills currently in operation. No County assets are restricted for landfill postclosure costs. However, the County has entered into a surety contract in lieu of a performance bond as a commitment to comply with the terms set forth in its 30 year postclosure maintenance plan for the Shake Rag Road landfill. This surety

contract is with the State of Tennessee under the State's cooperative agreement with the Environmental Protection Agency (EPA). There is no surety contract pertaining to the Walnut Grove landfill.

Compensated Absences
County employees are granted sick, annual, and compensatory overtime leave in varying amounts in accordance with administrative policies and union memorandums of understanding. Accumulated vacation days are required to be used annually, with a maximum accumulation of one and one-half times the amount of leave an employee can earn in a year. In the event of termination or retirement, the employees are paid for accumulated vacation days. Generally, employees are paid for accumulated sick leave, not to exceed the lesser of 75 days or $5,772, only upon retirement. Compensatory overtime is "banked" and paid out in accordance with the guidelines of the Fair Labor Standards Act. Certain exceptions to this policy occur in accordance with the terms of various union agreements.

All sick, annual, and compensatory pay is accrued when earned in the government-wide, proprietary, and fiduciary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

Long-term Obligations
In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt 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.

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.

Deferred Inflows of Resources
In addition to liabilities, the *Statement of Net Position* and the *Governmental Funds Balance Sheet* report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources,* represents an increase to net position or fund balance that applies to a future period and is not recognized as an inflow of resources (revenue) until that time.

Net Position and Fund Balance
Government-wide and proprietary fund net position is classified into three components. "Net investment in capital assets" consists of capital assets net of accumulated depreciation and reduced by outstanding debt used to finance purchase or construction of those assets. "Restricted" net position is noncapital net assets that must be used for a particular purpose as specified by creditors, grantors, or contributors external to the County. "Unrestricted" net position is remaining net assets that do not meet the definition of the other two categories.

In the governmental fund financial statements, fund balance is reported as either Nonspendable, Restricted, Committed, Assigned and/or Unassigned fund balances.

- Nonspendable fund balance reflects amounts not in spendable form or amounts that legally or contractually must be maintained intact.
- Restricted fund balance reflects amounts subject to external enforceable legal restrictions that are either 1) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or 2) imposed by law through constitutional provisions or enabling legislation.

- Committed fund balance reflects amounts whose use is constrained by limitations that the County imposes upon itself by the Shelby County Commission through resolution and shall remain binding unless removed in the same manner. The County Commission is the County's highest level of decision-making authority.
- Assigned fund balance reflects the County's intended use of resources. It allows decision making authority to be delegated to some other body or official, such as division directors or department administrators. This authority is delegated by approved County Commission resolution. No formal action is required to remove this authority.
- Unassigned fund balance is the residual net resources. The General Fund is the only fund that can report positive unassigned fund balance. By their nature the fund balance of other funds is at least assigned to the purpose of that fund. Only negative unassigned fund balances can be reported in other funds.

Use of Net Position and Use of Fund Balance
When both restricted and unrestricted net position is available for use, it is the County's policy to use restricted net position or resources first. When an expenditure is incurred for purposes for which both restricted and unrestricted (committed, assigned or unassigned) fund balance amounts are available, it shall be the policy of the County to generally consider restricted amounts to have been reduced first. When an expenditure is incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used, it shall be the policy of the County that committed amounts would be reduced first, followed by assigned amounts and then unassigned amounts. In both instances when a proposed expenditure is made with specific net position or fund balances identified as the source of the funding, that specific net position or fund balance will be used.

Minimum Fund Balance Policy
The County Board of Commissioners, the County's legislative body, has by resolution adopted a formal fund balance policy. The policy specifies a minimum unassigned fund balance of between 20-30% of revenues for the General Fund and minimum committed fund balance of between 20-30% of revenues for the Debt Service Fund. For all other funds, fund balances will be maintained at a level equal to 30 to 90 days of working capital, depending on the specific nature of the revenues and expenditures for that fund.

Interest Rate Swaps
Shelby County has entered into several interest rate swap agreements to modify interest rates on outstanding debt. Amounts received to enter swap agreements are recorded as revenue in the Debt Service Fund. In the government-wide financial statements, such amounts are amortized over the life of the swap agreement. These agreements provide for net interest payments to or from the County which are also recorded in the Debt Service Fund.

Estimates
The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, and net position or fund balances. Estimates also affect the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

(A) Explanation of Certain Differences Between the Governmental Fund Balance Sheet and the Government-wide Statement of Net Position

The governmental fund Balance Sheet includes reconciliation between *fund balance – total governmental funds* and *net position – 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." Internal service funds include $(7,571,356) of long-term liabilities and are not part of this reconciling amount.

The details of this $(1,088,700,077) are as follows:

Bonds and loans payable	$	(989,746,532)
Net premium on bonds issued		(68,124,480)
Compensated absences		(23,024,997)
Landfill postclosure		(2,146,447)
Claims and judgments		(260,153)
Capital lease obligation		(5,397,468)
Net adjustment to reduce *fund balance – total governmental funds* to arrive at *net position – governmental activities*	$	(1,088,700,077)

Another element of that reconciliation states that "amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be amortized and recognized as components of pension expense in future years." Internal service funds include $819,529 of deferred outflows of resources and $(23,463) of deferred inflows of resources and are not part of this reconciling amount. The details of this $209,369,143 are as follows:

Deferred outflows of resources:		
Current year pension contributions	$	35,145,294
Changes in assumptions		88,373,704
Difference between projected and actual experience on investments of the plan		92,153,283
Deferred inflows of resources:		
Difference between expected and actual experience on investments of the plan		(6,303,138)
Net adjustment to increase *fund balance – total governmental funds* to arrive at *net position – governmental activities*	$	209,369,143

(B) Explanation of Certain Differences Between the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balances and the Government-wide Statement of Activities

The governmental fund Statement of Revenues, Expenditures and Changes in Fund Balances includes a reconciliation between *net change in fund balance – total governmental funds* and *change 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 this $49,489,479 difference are as follows:

Capital outlay	$	39,417,426
Loss on asset disposals		(362,498)
Capital contributions		37,781,679
Depreciation expense		(27,347,128)
Net adjustment to increase *net change in fund balance – total governmental funds to* arrive at *change in net position of governmental activities*	$	49,489,479

Another element of that reconciliation states that "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."

The details of this $15,989,150 difference are as follows:

Debt issued or incurred:		
Issuance of bonds	$	(83,405,000)
Premium on bonds issued		(17,243,257)
Amortization of bond premiums		17,265,296
Accretion of zero coupon bonds		7,288,059
Principal repayments on debt		92,084,052
Net adjustment to increase *net change in fund balance – total governmental funds* to arrive at *change in net position of governmental activities*	$	15,989,150

Another element of that reconciliation is "changes in other long-term liabilities other than in internal service funds."

The details of this $(1,329,816) difference are as follows:

Landfill post closure costs	$	212,286
Claims and judgements		75,802
Sick and annual leave		(1,617,904)
Net adjustment to decrease *net change in fund balance – total governmental funds* to arrive at *change in net position of governmental activities*	$	(1,329,816)

III. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

(A) Budgetary Information

The revenues and expenditures accounted for in each of the General Fund, Special Revenue Funds, Debt Service Fund and Enterprise Funds have legally adopted budgets and are controlled by a formal integrated budgetary accounting system in accordance with various legal requirements that govern County operations. The County Board of Commissioners approves and appropriates the budgets for these funds annually.

Expenditures may not exceed appropriations by line item at the department level. The County Mayor is authorized to transfer budgeted amounts between line items of the same category (i.e. revenue, personnel related expenditures or other expenditures) of the same division (group of departments). Any adjustments that increase the total budget, or require transfers between divisions, categories or funds must be approved by the County Board of Commissioners. The reported budgetary data has been revised for amendments authorized during the year.

All funds requiring legally adopted budgets have budgets which are adopted on a basis consistent with U.S. generally accepted accounting principles. This is also the basis for the budgetary comparison statements. All annual appropriations lapse at fiscal year-end. Project-length financial plans are adopted for all Capital Projects Funds. Encumbrances represent significant commitments related to unperformed purchase orders, contracts, or other commitments for goods or services. Encumbrance accounting - under which purchase orders, contracts, and other commitments for future expenditures of funds are recorded in order to reserve that portion of the applicable appropriation - is utilized during the year to facilitate effective budgetary control. Encumbrances outstanding at year-end do not constitute expenditures or liabilities because the commitments will be honored during the subsequent year.

(B) Excess Expenditures over Appropriations

A negative variance appears in the General Fund Budgetary Comparison Statement for the General Government due to salary restrictions. Salary restrictions are planned reductions to budgeted salaries that allow for the savings from vacancies and normal attrition expected to occur throughout the year. These restrictions are partially allocated by department based on historical trends, with the remainder allocated to Central Operations within the division of General Government. As a management tool, the salary restriction adjusts the budget to a more realistic expenditure level to prevent "over budgeting" of salaries and the budget surplus that would otherwise occur. Actual salaries are monitored on a monthly basis to ensure that the restriction is met. Total General Fund salaries were within the total salaries budget net of the salary restriction.

(C) Deficit Net Position

The deficits in enterprise funds are the result of the implementation of GASB 68 *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*. Without the effect of GASB 68 the fund balances of the enterprise funds would be as follows:

	Non-major Enterprise Funds		
	Codes Enforcement Fund	Fire Services Fund	Corrections Center Fund
Total net position	$ (1,323,106)	$ (3,157,812)	$ (6,518,392)
Unfunded pension obligation	14,335,775	22,953,432	57,600,124
Pension related deferred inflows	180,071	288,317	723,512
Pension related deferred outflows	(6,199,781)	(10,147,315)	(24,526,939)
	$ 6,992,959	$ 9,936,622	$ 27,278,305

(D) Tax Abatements

The County is subject to property tax abatements granted by two jointly governed organizations; Memphis Center City Revenue Finance Corporation (Finance Corporation), Economic development Growth Engine Industrial Development Board of the City of Memphis and County of Shelby, Tennessee (EDGE), by one related organization, Health, Housing and Education Facilities Board, and by Industrial Development Boards of various municipal governments in Shelby County.

Finance Corporation Tax Abatements
County property tax revenue was reduced by $8,996,604 under agreements entered into by Finance Corporation for the tax year 2016.

EDGE Tax Abatements
County property tax revenue was reduced by $25,162,294 under agreements entered into by EDGE for the tax year 2016.

Health, Housing and Education Facilities Board Tax Abatements
County property tax revenue was reduced by $4,083,352 under agreements entered into by Health, Housing, and Education Facilities Board for the tax year 2016.

Tax Abatement Agreements Entered into by Industrial Development Board of Various Municipal Governments

Industrial Development Board Municipality	Amount of Tax Abated for the Tax Year 2016
Industrial Development Board of Arlington	$ 329,041
Industrial Development Board of Bartlett	1,327,232
Industrial Development Board of Collierville	2,233,012
Industrial Development Board of Germantown	78,150
Industrial Development Board of Millington	252,251

IV. DETAILED NOTES ON ALL FUNDS

(A) Deposits and Investments

Shelby County Government, except for the Retirement System and OPEB Trust:
The County, including agency funds but excluding the Retirement System and the OPEB Trust, had the following investments at June 30, 2017; of the total investments per financial reports, $176,795,427 is reported on the Statement of Net Position and $3,650,000 is reported on the Combined Schedule of Changes in Assets and Liabilities for the county charter officers' agency funds.

Not included in the investment amounts are the funds on deposit with the State Treasurer's Local Government Investment Pool (LGIP). The County's pro rata share of LGIP as of June 30, 2017 was $31,316,167 which is included in the cash and cash equivalents on the Statement of Net Position. All other investments are stated at fair value as disclosed in Note I(E) above.

Fair value:
GASB established a hierarchy of inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The hierarchy has only three levels.

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities the County has the ability to access.
- Level 2 – Other than quoted prices included within level 1, inputs can be corroborated by observable market data, such as quoted prices for similar assets or liabilities; quoted prices in inactive markets.
- Level 3 – Inputs are unobservable for the assets and liabilities and rely on management's assumptions that market participants would use in pricing the asset or liability.

The fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. To determine fair value, the County utilizes valuation techniques that maximize the use of observable inputs and minimizes the use of unobservable inputs to the extent possible.

For the County, level 1 investments are valued using prices quoted in active markets for those investments. Level 2 investments are valued based on the investments relationship to benchmark quoted prices. Level 3 commercial paper is valued using either a discounted cash flow or market comparable techniques.

The method described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair value. Further, while the County believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

At June 30, 2017, the County had the following fair value measurements:

	Level 1	Level 2	Level 3	Total
CDARS	$ 22,429,940	$ ---	$ ---	$ 22,429,940
CDs	30,528,084	---	---	30,528,084
Agencies	---	77,494,877	---	77,494,877
Commercial paper	---	---	44,333,756	44,333,756
Pass through securities	---	2,008,770	---	2,008,770
Total investments at fair value	$ 52,958,024	$ 79,503,647	$ 44,333,756	$ 176,795,427

Custodial credit risk. Bank deposits and certificates of deposit of the County, consistent with State statutes, are covered by federal depository insurance (FDIC) or are collateralized by a multiple financial institution collateral pool administered by the Treasurer of the State of Tennessee. On limited occasions the County may have deposits with financial institutions that do not participate in the State collateral pool; in these instances separate collateral equal to at least 105% of the uninsured deposit is collateralized and held in the County's name by a third party. These provisions covered all County deposits at year-end.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Both State statutes and the County's investment policy limit investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. All investments mature in two years or less.

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Both State statutes and the County's investment policy limit permissible investments or impose collateral and custody provisions as specified above or in Note I(E) to significantly limit credit risk. By policy, investments in commercial paper must be rated A1/P1 by at least two rating services. Although the LGIP itself is unrated, its types of investments and maturities provide a similar level of credit risk.

The County Trustee handles Shelby County Board of Education's investments. Those investments are not included above but are reported in the component units' figures within this report and are disclosed in the separately issued financial report of the Shelby County Board of Education.

Shelby County Retirement System (Fiduciary Fund):
At June 30, 2017 the Retirement System had deposits of $51,936,932 in money-market mutual funds that were not insured and were uncollateralized. At June 30, 2017 the Retirement System reported the following investments with carrying amounts as shown:

Domestic equity	$	296,020,349
International equity		191,866,686
Fixed income		206,552,259
Global low-volitility equity		51,336,801
Hedge funds		132,620,471
Private real estate and infrastructure		19,754,010
Limited partnership interest		95,156,885
Master limited partnership		94,850,896
Total investments	$	1,088,158,357

The fair values of fixed income investments grouped by maturity at June 30, 2017 were as follows:

Current to one year	$	8,106,790
One to two years		20,795,713
Two to three years		9,448,344
Three to four years		8,553,639
Four to five years		2,931,047
Five years or more		156,716,726
Total	$	206,552,259

At June 30, 2017, the investments of the Retirement System within the fair value hierarchy were as follows:

	Level 1	Level 2	Level 3	Total
Equity securities				
Consumer discretionary	$ 46,438,525	$ ---	$ ---	$ 46,438,525
Consumer staples	10,619,224	---	---	10,619,224
Energy	6,038,764	---	---	6,038,764
Financials	21,136,653	---	---	21,136,653
Health care	24,698,320	---	---	24,698,320
Industrial	37,447,849	---	---	37,447,849
Information technology	36,618,586	---	---	36,618,586
Materials	8,431,119	---	---	8,431,119
Real estate	3,805,761	---	---	3,805,761
Telecommunication services	3,372,541	---	---	3,372,541
Utilities	740,930	---	---	740,930
Miscellaneous	56,949,806	231,520,712	51,405,046	339,875,564
Total equity securities	256,298,078	231,520,712	51,405,046	539,223,836
Fixed Income				
Asset backed securities	---	1,011,975	---	1,011,975
Commercial mortgage-backed securities	---	38,177	---	38,177
Corporate bonds	---	38,934,716	40,713,599	79,648,315
Funds - other fixed income	---	38,004,105	---	38,004,105
Government agencies	---	12,814,247	---	12,814,247
Government bonds	---	68,594,632	---	68,594,632
Government mortgage-backed securities	---	397,323	---	397,323
Municipal/provincial bonds	---	4,382,240	---	4,382,240
Non-government backed C.M.O.s	---	1,661,245	---	1,661,245
Total fixed income	---	165,838,660	40,713,599	206,552,259
Hedge funds	---	62,540,358	70,080,113	132,620,471
Real estate	---	---	19,754,010	19,754,010
Master limited partnerships	94,850,896	---	---	94,850,896
Venture capital and partnerships	---	---	95,156,885	95,156,885
Total investments measured at fair value	$ 351,148,974	$ 459,899,730	$ 277,109,653	$1,088,158,357

At June 30, 2017 the Retirement System had $99,524,375 of investments with exposure to foreign currency risk.

The above information was taken from the publicly available financial report of the Retirement System for the year ended June 30, 2017. The report includes more information on the credit quality of investments in fixed income debt securities and the investments with foreign currency risk. The report may be obtained from the Shelby County Retirement System, Suite 701, 160 N. Main Street, Memphis, Tennessee 38103.

Shelby County OPEB Trust (Fiduciary Fund):
At June 30, 2017 the OPEB Trust had no deposits that were not insured and were uncollateralized. At June 30, 2017 the OPEB Trust reported the following investments with carrying amounts as shown:

Domestic equity	$	90,501,418
Fixed income		39,976,435
International equity		32,933,817
Private real estate		5,110,511
Alternative investments		21,353,379
Global low-volitility equity		14,717,627
Master limited partnership		19,399,124
Total investments	$	223,992,311

At June 30, 2017, the investments of the OPEB Trust within the fair value hierarchy were as follows:

	Level 1	Level 2	Level 3	Total
Equities				
Consumer discretionary	$ 1,738,552	$ ---	$ ---	$ 1,738,552
Consumer staples	1,541,100	---	---	1,541,100
Energy	881,837	---	---	881,837
Financials	2,199,287	---	---	2,199,287
Health care	1,161,192	---	---	1,161,192
Industrial	2,427,020	---	---	2,427,020
Information technology	616,240	---	---	616,240
Materials	481,038	---	---	481,038
Real estate	383,408	---	---	383,408
Telecommunication services	552,214	---	---	552,214
Utilities	122,341	---	---	122,341
Miscellaneous	---	54,542,558	71,506,075	126,048,633
Total equities	12,104,229	54,542,558	71,506,075	138,152,862
Fixed income				
Corporate bond	---	7,527,419	13,438,309	20,965,728
Government bond	---	---	10,819,241	10,819,241
Other fixed income funds	---	---	8,191,466	8,191,466
Total investment funds	---	7,527,419	32,449,016	39,976,435
Alternative investments	---	---	21,353,379	21,353,379
Real estate	---	---	5,110,511	5,110,511
Master limited partnership	---	19,399,124	---	19,399,124
Total investments measured at fair value	$ 12,104,229	$ 81,469,101	$ 130,418,981	$ 223,992,311

(B) Property Taxes Receivable

Property taxes attach an enforceable lien on property on January 1 of each year. The levy is made July 1. The various types of property are assessed at a percentage of market value as follows:

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

The assessed value on which the fiscal 2017 tax bills were based was $18,102,855,449. The estimated market value was $60,418,966,162, making the overall assessed value 29.96% of the estimated market value. Taxes are due October 1 and delinquent March 1 of the following year. Current tax collections for the year were 96.27% of the original tax levy and 96.71% of the adjusted tax levy. The property tax levy has no legal limit. The rate, as permitted by Tennessee state law and County charter, is set annually on or after July 1 by the County Board of Commissioners and collected by the County Trustee.

The County allocated the property tax per $100 of the assessed value as follows:

General Fund	$ 1.45
Debt Service Funds	.78
Education Fund	2.14
Countywide tax rate	$ 4.37

Property taxes receivable as of year-end, including the applicable allowances for uncollectible accounts, are as follows:

	General Fund	Debt Service Fund	Education Fund	Total
Property taxes receivable	$ 313,500,749	$ 144,299,281	$ 414,483,884	$ 872,283,914
Less allowance for uncollectibles	(17,081,368)	(8,462,678)	(23,759,344)	(49,303,390)
	$ 296,419,381	$ 135,836,603	$ 390,724,540	$ 822,980,524

Note IV(G) includes detail of deferred inflows of resources relating to property taxes.

(C) Notes Receivable

Notes receivable consist of the following:

	Amount	Collateral
General Fund		
Property loans receivable due in various installments at 6.5% interest	$ 22,244	Land & Building
Debt Service Fund		
Mortgage loans receivable due in various monthly installments at interest rates ranging from 3.125% to 8.125% through 2020	$ 1,413,892	Land & Building
Grants Fund		
Mortgage loans receivable due in various installments at 0% to 5% interest through 2021	$ 3,281,713	Land & Building

Note IV(G) includes details of deferred inflows of resources relating to notes receivable.

(D) Leases Receivable

The County leases certain real property described as Butcher Shop, LLC for the sum of $225,750 annually. The term of the lease commenced on May 1, 2013. There are two additional option terms of five years each available. The option term currently in effect will expire in 2018. The rental income is recognized as revenue in the Debt Service Fund.

The County leases certain real property described as 150 Washington Avenue to the Shelby County Federal Credit Union for the sum of $30,000 annually over a period of five years. The term of the lease commenced on October 1, 2014 and will end September 30, 2019. There is one additional option term of five years. The rental income is recognized as revenue in the General Fund.

The County leases certain real property located at 4921 Hickory Hill Road to Yardworks, a privately owned business. The term of the lease commenced on September 22, 2016 for an annual rental amount of $24,000. This is for a five year term ending September 21, 2021. The rental income is recognized as revenue in the Grants Fund.

The County leases certain real property located at 3757 Wilkinsville Road to Sneed Farms Inc., a privately owned business. The term of the lease commenced on January 1, 2014 for an annual rental amount of $75,000. This is for a five year term ending December 31, 2018. The rental income is recognized as revenue in the Grants Fund.

The following is a schedule by years of future minimum rentals required under operating leases that have initial or remaining non-cancellable lease terms in excess of one year as of June 30, 2017:

Fiscal Year	Minimun Rental
2018	$ 242,125
2019	54,000
2020	31,500
2021	24,000
2022	6,000
Total	$ 357,625

(E) Capital Assets

Capital asset activity of the primary government for the year ended June 30, 2017 is detailed below.

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Governmental activities:					
Capital assets not being depreciated:					
Land	$ 25,981,649	$ 28,176,906	$ ---	$ ---	$ 54,158,555
Artwork collection	---	23,340	---	---	23,340
Construction in progress	42,539,599	13,254,572	(3,000)	(29,945,965)	25,845,206
Total not being depreciated	68,521,248	41,454,818	(3,000)	(29,945,965)	80,027,101
Capital assets being depreciated:					
Land improvements	25,059,795	912,073	---	---	25,971,868
Buildings	289,165,165	10,223,483	---	849,566	300,238,214
Equipment	118,433,402	6,542,855	(3,600,230)	9,233,006	130,609,033
Infrastructure	535,783,017	18,985,150	---	20,564,856	575,333,023
Total being depreciated	968,441,379	36,663,561	(3,600,230)	30,647,428	1,032,152,138
Less accumulated depreciation:					
Land improvements	8,465,796	684,347	---	---	9,150,143
Buildings	150,140,882	8,734,390	---	---	158,875,272
Equipment	77,561,590	6,613,047	(3,222,430)	693,033	81,645,240
Infrastructure	247,056,438	11,557,790	---	---	258,614,228
Total accumulated depreciation	483,224,706	27,589,574	(3,222,430)	693,033	508,284,883
Total capital assets being depreciated, net	485,216,673	9,073,987	(377,800)	29,954,395	523,867,255
Governmental activities capital assets, net	$ 553,737,921	$ 50,528,805	$ (380,800)	$ 8,430	$ 603,894,356

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Business-type activities:					
Capital assets not being depreciated:					
Land	$ 5,300	$ ---	$ ---	$ ---	$ 5,300
Construction in progress	---	339,179	---	(266,590)	72,589
Total not being depreciated	5,300	339,179	---	(266,590)	77,889
Capital assets being depreciated:					
Land improvements	127,111	---	---	---	127,111
Buildings	50,140,284	6,200	---	266,590	50,413,074
Equipment	13,195,794	2,087,744	(249,778)	(701,463)	14,332,297
Total being depreciated	63,463,189	2,093,944	(249,778)	(434,873)	64,872,482
Less accumulated depreciation:					
Land improvements	33,676	11,646	---	---	45,322
Buildings	31,937,719	1,171,769	---	---	33,109,488
Equipment	6,618,593	529,448	(244,752)	(693,033)	6,210,256
Total accumulated depreciation	38,589,988	1,712,863	(244,752)	(693,033)	39,365,066
Total capital assets being depreciated, net	24,873,201	381,081	(5,026)	258,160	25,507,416
Business-type activities capital assets, net	$ 24,878,501	$ 720,260	$ (5,026)	$ (8,430)	$ 25,585,305

Depreciable land improvements consist of renovations to public park lands and parking lots.

A summary of governmental capital assets, net and depreciation expense by function follows:

	Capital Assets Net	Depreciation Expense
Depreciable assets:		
General Government	$ 14,566,898	$ 1,787,599
Planning and Development	58,065	33,043
Public Works	406,613,612	14,788,039
Corrections	1,385,934	110,882
Health Services	15,841,090	792,027
Community Services	73,164	230,223
Law Enforcement	68,205,767	5,859,935
Judicial	13,954,820	2,247,095
Other Elected Officials	3,167,905	1,740,731
Depreciable assets total	523,867,255	27,589,574
Non-depreciable assets:		
Land	54,158,555	---
Artwork collection	23,340	---
Construction in progress	25,845,206	---
Non-depreciable assets total	80,027,101	---
Governmental activities total	$ 603,894,356	$ 27,589,574

(F) Lease Obligations

Operating Leases
The County leases office space and other equipment under operating leases expiring during the next five years. Rent expense for the year ended June 30, 2017 was $2,850,628 for the primary government.

Capital Leases
The County has entered into a capital lease agreement with the State of Tennessee for a new Regional Forensic Center. The State issued bonds in March 2013 for the long term funding of construction costs. The lease agreement provides that the County's lease payments will be the amount required to fund debt service requirements for $8 million of the bonds issued by the State. The remaining amount owed for this lease is included with long term debts. The estimated annual capital lease cost, including interest, will be approximately $400,000 to $515,000 per year. The remaining balance on this lease is $5,397,468.

The following is a schedule by years of future minimum rental payments required under operating leases and capital leases that have initial or remaining non-cancellable lease terms in excess of one year as of June 30, 2017:

Fiscal Year	Operating Leases	Capital Leases
2018	$ 724,798	$ 471,724
2019	632,794	455,868
2020	469,149	440,012
2021	91,928	424,155
2022	23,705	411,470
2023-2027	---	1,952,699
2028-2032	---	1,748,550
2033-2037	---	321,882
Total mimimum lease payments	1,942,374	6,226,360
Less: amount representing interest	---	(828,892)
Present value of mimimum lease payments	$ 1,942,374	$ 5,397,468

(G) Deferred Inflows of Resources

Deferred inflows of resources shown on the Balance Sheet as unavailable revenue consist of the following:

	General Fund	Debt Service Fund	Capital Projects Fund	Education Fund	Grants Fund	Nonmajor Governmental Fund	Totals
Fiscal year 2018 property tax assessment	$ 282,180,228	$ 128,613,016	$ ---	$ 370,927,394	$ ---	$ ---	$ 781,720,638
Current and prior years' property taxes receivable	13,246,629	6,672,420	---	18,336,993	---	---	38,256,042
Due from Federal Government	17,373	---	---	---	---	419,387	436,760
Due from State	1,400,909	---	190,324	---	---	---	1,591,233
Due from City of Memphis	2,639,610	---	---	---	---	---	2,639,610
Due from other local governments	684,131	---	---	---	---	71,669	755,800
Notes receivable	22,244	1,413,892	---	---	3,272,540	---	4,708,676
Other receivables	1,356,781	---	---	---	---	35,427	1,392,208
	$ 301,547,905	$ 136,699,328	$ 190,324	$ 389,264,387	$ 3,272,540	$ 526,483	$ 831,500,967

Refer to Note I(D) regarding revenue recognition policy on deferred inflows of resources.

(H) Debt and Long-term Liabilities

Debt issued during current year:
In June 2017, the County issued General Obligation Public Improvement and School Bonds 2017 Series A in a principal amount of $83,405,000. The bonds were issued to refinance $100,000,000 of the County's outstanding Capital Outlay Extendible Municipal Commercial Paper (EMCP bond anticipation) Notes, 2015 Series A Program.

Changes in long-term liabilities:
Changes in long-term liabilities for the year were:

	Balance June 30, 2016	Additions	Reductions	Balance June 30, 2017	Due Within One Year
Governmental activities:					
Bonds and loans payable	$ 1,005,348,672	$ 83,405,000	$ (99,007,140)	$ 989,746,532	$ 99,706,321
Capital lease obligations	5,762,440	---	(364,972)	5,397,468	360,521
Net premium of bonds issued	68,146,518	17,243,257	(17,265,295)	68,124,480	15,967,143
Bond anticipation notes	50,000,000	50,000,000	(100,000,000)	---	---
Claims and judgments	4,664,048	1,933,161	(725,890)	5,871,319	687,126
Landfill postclosure care costs	2,358,733	---	(212,286)	2,146,447	233,043
Sick and annual leave	21,506,891	8,444,207	(6,833,772)	23,117,326	16,679,497
Net unfunded pension obligation	329,592,280	172,112,545	---	501,704,825	---
Total governmental activities	$ 1,487,379,582	$ 333,138,170	$ (224,409,355)	$ 1,596,108,397	$ 133,633,651
Business-type activities:					
Sick and annual leave	$ 4,813,344	$ 6,196,977	$ (5,938,824)	$ 5,071,497	$ 3,589,316
Net unfunded pension obligation	64,531,652	30,357,679	---	94,889,331	---
Total business-type activities	$ 69,344,996	$ 36,554,656	$ (5,938,824)	$ 99,960,828	$ 3,589,316

Internal service funds predominantly serve the governmental funds. Accordingly, long-term liabilities for them are included as part of the above totals for governmental activities. At year-end, $92,329 of sick and annual leave payable, and $5,611,166 of claims and judgments payable, which includes the current portions of long term claims in the Tort Liability Fund and Employer Insurance Fund, from the internal service funds are included in the above amounts. All other long-term liabilities of governmental activities other than debt are liquidated by the general fund.

Bonds and other long-term debt:
These are all obligations of the County, and those noted below as direct general obligations are backed by its full faith and credit and the unlimited taxing power of the County. QSCB debt were bonds issued by the State of Tennessee whereas the Port Commission bonds were issued by the Memphis and Shelby County Port Commission at the request of the County. In each of these cases the County has agreed to provide funds for the payment of principal and interest. The following bonds issued and loans payable were outstanding:

Description	Date Issued	Interest Rates	Principal Balance	Last Maturity Date
2006B Public Imp/Schools (a), (b)	02/22/2006	Variable	152,165,000	03/01/2031
2009A Refunding Issue (b)	04/02/2009	2.75 - 5.0	68,975,000	04/01/2022
2009B Public Imp/Schools (b)	09/30/2009	2.25-5.0	33,670,000	04/01/2024
2009C Public Imp/Schools (b)	09/30/2009	5.625 - 5.75	60,000,000	04/01/2034
2009 Qualified School Construction Loans	12/01/2009	1.515	31,330,803	09/01/2026
2010 Qualified School Construction Loans	10/01/2010	1.515	42,428,230	09/15/2027
2011A Refunding Bonds (b)	03/30/2011	4.00-5.00	67,410,000	03/01/2025
2011 Port Commission Loan	09/07/2011	2.00-5.00	17,407,500	04/01/2036
2012A Refunding Bonds (b)	03/01/2012	3.00-5.00	222,624,999	03/01/2028
2012B GO Refunding (Rural Schools) (b)	03/01/2012	2.00-4.00	3,065,000	03/01/2019
2015A Refunding Bonds (b)	01/28/2015	2.00-5.00	139,620,000	04/01/2027
2016A Refunding Bonds (b)	02/26/2016	1.50-5.00	67,645,000	04/01/2027
2017A Public Imp/Schools (b)	06/21/2017	5.00	83,405,000	04/01/2037
	Total bonds and loans payable		$ 989,746,532	

(a) Interest rate swap agreements are in place related to this bond issue, as explained below in this note.
(b) Direct general obligation bonds of the County

This debt represents borrowings for the following:

General government	$ 172,737,832
Education	817,008,700
	$ 989,746,532

Interest expense in the governmental funds during the fiscal year ended June 30, 2017 was $55,766,974 (current financial resources measurement focus and modified accrual basis of accounting). Entity wide interest was $47,567,862 (economic resources measurement focus and accrual basis of accounting) which includes interest paid for the Debt Service Fund and interest paid on the loans.

The County is indebted for serial bonds and capital appreciation bonds and notes and variable bonds with interest rates varying from 1.515% to 5.00%. In the Debt Service Fund the County accrued interest on the variable rate bonds only. All fixed rate unmatured interest is recognized as an expenditure when due.

All unmatured interest which is due in future years is disclosed in the table below. The County has no legal debt limit. Debt service requirements for principal and interest in future years, using the actual rate on fixed rate bonds and a rate of 4.43% for variable rate bonds, as explained in the swap agreement terms below, are as follows:

Years Ended June 30	Principal	Interest	Total
2018	$ 99,706,321	$ 46,588,351	$ 146,294,672
2019	95,221,321	43,181,084	138,402,405
2020	93,441,321	38,961,188	132,402,509
2021	91,413,821	34,794,183	126,208,004
2022	88,701,321	30,828,186	119,529,507
2023-2027	362,625,888	100,664,307	463,290,195
2028-2032	110,964,039	27,510,826	138,474,865
2033-2037	47,672,500	6,262,200	53,934,700
Total long-term debt	$ 989,746,532	$ 328,790,325	$ 1,318,536,857

Interest rate swap agreements:
As of June 30, 2017 Shelby County has two (2) interest rate swap agreements shown below. Interest rate swap agreements are accounted for at fair value in accordance with GASB Statement No. 53 *Accounting and Financial Reporting for Derivative Instruments.*

	Changes in Fair Value		Fair Value at June 30, 2017		
	Classification	Amount	Classification	Amount	Notional Amount
Governmental activities					
Cash flow hedges:					
Pay-fixed interest rate swap	Deferred outflow	$ (3,375,297)	Derivative instruments	$ (8,577,368)	$ 38,138,980
Pay-fixed interest rate swap	Deferred outflow	(10,091,296)	Derivative instruments	(25,644,190)	114,026,020
		$(13,466,593)		$(34,221,558)	$ 152,165,000

Swap One and Two: Executed with Goldman Sachs Mitsui Marines Derivative Products (Goldman) and Morgan Keegan Financial Products, Inc. (MKFP) on 2/14/06 in connection with 2006 Series B General Obligation Variable Rate Demand Public Improvement and School Bonds.

Swap Objective: The County entered into this fixed payer swap in order to hedge variable rate exposure on the underlying bonds.

Swap Terms:

Executed Date	Swap Effective Date	Swap Maturity Date	Notional Amount	Fixed Payer Rate	Floating Rate Index
2/14/2006	2/22/2006	3/1/2031	$152,165,000	3.503% until 3/1/2016 4.43% thereafter	SIFMA

On 2/14/2006, the County entered into a fixed payer swap with an effective date of 2/22/2006. Under the terms of the swap, the County paid a fixed rate of 3.503% until 3/1/2016 and 4.43% thereafter to the counterparties, Goldman and MKFP. In return, the County receives the SIFMA index. Goldman's portion of the original swap was $119,590,000 and MKFP's portion was $40,000,000. As of 6/30/2017 the notional amounts of the 2006B Goldman swap and the 2006B MKFP swap are $114,026,020 and $38,138,980 respectively.

Fair Value of Swap: The swaps, as of 6/30/2017 have a net value of ($32,077,233). The fair value was ($34,221,558) of which approximately ($2,144,325) is accrued interest from 6/01/2017 to the valuation date, 6/30/2017. This fair value was measured using an option pricing model technique under the income approach in which the future net settlement swap payments were calculated and discounted to the valuation date using future spot interest rates. The observability of inputs used to perform the measurement results in the swap fair values being categorized as level 2.

Associated Debt and Swap Payments: This swap is in conjunction with 2006 Series B General Obligation Variable Rate Demand Public Improvement and School Bonds. This analysis assumes both swaps stay in place until maturity in 2031. The cash flows below assume that for both swaps SIFMA equals its current level, as of 6/30/2017 of 0.91%. Interest and net swap payments will fluctuate as SIFMA changes.

Fiscal Year	Variable Rate Bonds		Net Swap	
Ended June 30	Principal	Interest	Payments	Total
2018	$ 2,020,000	$ 1,374,157	$ 5,356,208	$ 8,750,365
2019	---	1,355,926	5,285,104	6,641,030
2020	2,705,000	1,355,926	5,281,361	9,342,287
2021	8,505,000	1,331,378	5,189,888	15,026,266
2022	9,575,000	1,254,619	4,890,512	15,720,131
2023	7,130,000	1,168,202	4,553,472	12,851,674
2024	7,450,000	1,103,853	4,299,449	12,853,302
2025	23,900,000	1,036,243	4,040,256	28,976,499
2026	26,130,000	820,541	3,198,976	30,149,517
2027	20,110,000	584,712	2,279,200	22,973,912
2028	6,625,000	403,216	1,570,215	8,598,431
2029	12,680,000	343,093	1,338,128	14,361,221
2030	6,055,000	228,654	891,792	7,175,446
2031	19,280,000	174,006	678,656	20,132,662
Total	$ 152,165,000	$ 12,534,526	$ 48,853,217	$ 213,552,743

Credit Risk: Because the swap has a negative value on 6/30/2017, the County does not have credit risk. However, if swap rates increase and the fair value of the swap moves in favor of the County, credit risk would be present.

Termination Risk: Goldman and MKFP did not exercise the optional termination rights on 3/1/2016 and the terms and condition of the trade confirmation remain in effect with the termination date of 3/1/2031.

Interest Rate Risk: Currently, the County does not have interest rate risk because it is paying a fixed rate on the swap. However, if for some unforeseen reason the swap is terminated prior to maturity; the County will have interest rate risk associated with the outstanding variable rate bonds until maturity in 2031.

Basis Risk: As long as there is not a direct relationship between the floating rate received from the counterparties, Goldman or MKFP, and the rate at which the variable rate bonds remarket, the County is exposed to basis risk. Basis risk exists if the County's bonds remarket higher than SIFMA, which is the rate received from the counterparties. Thus, the expected cost savings may not be achieved.

<u>Claims and Judgments</u>
The County has recognized long-term liabilities for claims and judgments of $5,871,319 in accordance with its accounting policy explained in Note I(E). The liabilities are based on property damage and personal injury lawsuits arising in the course of operations. The County believes this is a reasonable measure of the ultimate settlement of these matters.

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal and state governments. Any disallowed claims, including amounts already collected may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the County expects such amounts, if any, to be immaterial.

(I) Fund Balances by Purpose

Following is more detailed information on the governmental fund balances**:**

	General Fund	Debt Service Fund	Capital Projects Fund	Grants Fund	Nonmajor Governmental Funds	Total
Fund balances:						
Restricted for:						
Road and construction projects	$ ---	$ ---	$ ---	$ 266,178	$ 11,099,994	$ 11,366,172
Economic and cultural projects	---	---	---	2,304,147	4,895,740	7,199,887
Law enforcement activities	---	---	---	---	3,280,327	3,280,327
Data and forms processing activities	48,612	---	---	---	1,085,082	1,133,694
Environmental and health activities	---	---	---	2,074,917	371,725	2,446,642
Rehabilitation and community service programs	---	---	---	995,066	1,303,879	2,298,945
Debt on school construction	---	3,203,200	---	---	---	3,203,200
Conservation projects	---	---	85,939	589,319	1,708,244	2,383,502
Other grants and sponsored projects	---	---	---	10,071,158	---	10,071,158
Committed to:						
Approved carryforward appropriations	926,102	---	33,954,124	---	---	34,880,226
Subsequent year operations	3,338,759	---	---	---	---	3,338,759
Economic and cultural projects	---	---	---	---	3,753,748	3,753,748
Environmental activities	66,249	---	---	---	1,028,184	1,094,433
Debt on public improvement and educational projects	---	57,528,284	---	---	---	57,528,284
Assigned to:						
Purchase order encumbrances	1,376,907	---	---	---	---	1,376,907
Unassigned	109,849,713	---	---	---	---	109,849,713
Total fund balances	$115,606,342	$ 60,731,484	$ 34,040,063	$ 16,300,785	$ 28,526,923	$ 255,205,597

For flow assumption policy regarding use of fund balance types refer to Note I(E).

(J) Interfund Receivables, Payables and Transfers

Interfund receivables and payables consist of the following:

Due to/from other funds consist of the following:

Receivable Fund	Payable Fund	Amount
General Fund	Nonmajor Governmental Funds	$ 95
Debt Service Fund	General Fund	122,371
Education Fund	General Fund	3,035,954
Nonmajor Governmental Funds	General Fund	2,175,083
Total		$ 5,333,503

Advances to/from other funds (interfund loans) consist of the following:

Receivable Fund	Payable Fund	Amount
General Fund	Nonmajor Enterprise Fund	$ 2,250,000
Total		$ 2,250,000

Due to/From Component Units consists of the following:

Receivable Entity	Payable Entity	Amount
Board of Education (component unit)	Capital Projects Fund	$ 2,049,435
	Education Fund	12,826,090
Total		$ 14,875,525

The interfund amounts payable by the General Fund result from collection of fees and taxes by a designated elected official that are revenue of the receivable funds; however the custody of the funds at year-end was with the collecting official and funds were not yet available to the receiving funds.

The advance from the General Fund to the Fire Services Fund was made to facilitate the purchase of ambulances. It is a three year note bearing 1% interest, payable in January of each year. Repayment consists of two payments of $450,000 principal plus accrued interest and one final payment of $1,350,000 plus accrued interest due in January 2020.

The amount payable to the Board of Education (component unit) from the Education Fund represents property and wheel taxes accrued at year-end but not yet paid to the Shelby County Board of Education.

The total due to component units disclosed here, $14,875,525, is less than the amount disclosed on the Statement of Net Position due to $14,288,185 of deferred inflows of resources in the funds that are earned but unavailable and are payable to the component unit when they become available.

Transfers during the year were as follows:

Transfers Out:	Transfers In:	Amounts
General Fund	Grants Fund	$ 2,585,001
	Corrections Center Fund	8,900,000
	Nonmajor Enterprise Funds	1,500,000
	Internal Service Funds	250,000
	Education Fund	2,500,000
Debt Service Fund	Capital Projects Fund	6,680,000
Grants Fund	General Fund	1,275,566
	Nonmajor Governmental Funds	257,673
Nonmajor Governmental Funds	Grants Fund	189,254
	Capital Projects Fund	47,033
Total transfers out of govermental fund types		24,184,527
Corrections Center Fund	Grants Fund	273,300
Nonmajor Enterprise Funds	Grants Fund	198,494
	Internal Service Funds	8,430
Internal Service Funds	General Fund	245,500
Total transfers out of proprietary fund types		725,724
Total all fund types		$ 24,910,251

Transfers are used to (1) move revenue from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and (2) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. The nature of transfers from Grants Fund to General Fund and Nonmajor Governmental Funds include reimbursements for salaries, fringe benefits and other expenditures incurred in those funds in prior years related to the grant programs.

(K) Other Revenue

The other revenue classification is used in the combined, combining and individual fund financial statements and in the supplemental schedules and statistical section of the comprehensive annual financial report. This category is one of the revenue line items included in the legally adopted budget approved annually by the Board of Commissioners. Certain revenue accounts which are not accurately described by any of the other revenue classifications included in the budget (property taxes, other local taxes, state revenue, federal and local revenue, charges for services, fines, fees and permits, investment income) are classified as other revenue.

Other revenue for the year ended June 30, 2017 is detailed below:

	General Fund	Debt Service Fund	Grants Fund	Nonmajor Governmental Funds	Total Governmental Funds
Private donor grants	$ 218	$ ---	$ 589,593	$ ---	$ 589,811
Miscelleanous income	1,459,917	---	1,361	13,093	1,474,371
Forfeitures and seizures	---	---	---	2,481,550	2,481,550
Housing principal & interest	---	576,879	227,871	---	804,750
Total other revenue	$ 1,460,135	$ 576,879	$ 818,825	$ 2,494,643	$ 5,350,482

Miscellaneous income includes refunds and recoveries of prior year expenditures, unclaimed property, and various other small payments received for which there is no other suitable category.

(L) Risk Financing and Related Insurance Issues

Shelby County maintains a self-insured Group Health Insurance Fund for its active employees and their dependents, funded by participation of both the County and its employees. Claims liabilities for the Group Health Insurance Fund were estimated based on prior years' claims expense and the current year's actual claims incurred. The schedule below presents the changes in claims liabilities for the past two years for the Group Health Insurance Fund:

	2017	2016
Insurance claims liabilities at the beginning of the fiscal year	$ 3,968,034	$ 3,589,444
Incurred claims and claim adjustment expenses	38,587,114	42,511,470
Payment of claims and claim adjustment expenses	(39,118,378)	(42,132,880)
Claims and claim adjustment liabilities at the end of the fiscal year	$ 3,436,770	$ 3,968,034

The County maintains a self-insured Tort Liability Fund funded by premiums paid by departments using County vehicles and by transfers from the General Fund. Claims liabilities of the Tort Liability Fund were estimated based on prior years' claims expense, current year's actual claims, and a review of pending litigation through the County Attorney. The schedule below presents the changes in claims liabilities for the past two years for the Tort Liability Fund:

	2017	2016
Claims and claim adjustment liabilities at the beginning of the fiscal year	$ 1,867,896	$ 1,147,112
Incurred claims and claim adjustment expenses	1,881,272	1,307,169
Payment of claims and claim adjustment expenses	(530,755)	(586,385)
Claims and claim adjustment liabilities at the end of the fiscal year	$ 3,218,413	$ 1,867,896

The County is listed as defendant in several lawsuits all related to the selection and implementation of court case software. The software was implemented on or about November 2016. Complaints began to be filed around that time and in early 2017 alleging civil rights violations under 42 U.S.C. section 1983 and Tennessee Common Law as a result of the software implementation. The County is vigorously defending the claims. As of June 30, 2017 it is too early in the litigation process to assess any potential liability arising from claims in these cases. These claims would be paid by the Tort Liability Fund.

The County maintains a self-insured Employer Insurance Fund for on-the-job injuries and unemployment compensation, funded by premiums paid by County departments based on a percentage of salary costs. Claims liabilities of the Employer Insurance Fund were estimated based on prior year's claims expense and current year's actual claims incurred. The schedule below presents the changes in claims liabilities for the past two years for the Employer Insurance Fund:

	2017	2016
Claims and claim adjustment liabilities at the beginning of the fiscal year	$ 4,399,228	$ 4,479,293
Incurred claims and claim adjustment expenses	1,034,040	2,043,047
Payment of claims and claim adjustment expenses	(1,581,109)	(2,123,112)
Claims and claim adjustment liabilities at the end of the fiscal year	$ 3,852,159	$ 4,399,228

The total of claims liability disclosed here, $10,507,342, differs from the sum of claims reported on the Statement of Net Position and the long-term claims disclosed in Note IV(H) due to $143,109 of claims in General Fund and $52,000 in the Corrections Fund that are solely short term in nature and a $260,153 long term liability to be paid by the General Fund.

(M) Contingencies and Commitments

The County's governmental funds have obligations at fiscal year-end, contingent upon contractors' and vendors' performance, for outstanding purchase orders and outstanding contracts. These obligations are included in the restricted, committed, or assigned fund balances in the governmental funds.

The amounts of these encumbrances are as follows:

General Fund	Capital Projects Fund	Grants Fund	Nonmajor Governmental Funds	Total
$ 926,102	$ 11,710,279	$ 23,424,681	$ 983,001	$ 37,044,063

The Capital Projects Fund had additional commitments specific to capital projects of $46,698,846 as of June 30, 2017.

The Memphis and Shelby County Sports Authority, Inc. is a joint venture organization that has issued revenue bonds for construction of a sports and entertainment facility. Although the City of Memphis and Shelby County are not legally liable for the debt, they have agreed to share equally in the payment of the debt if the Authority is unable to pay. See further explanations in Note IV(N).

(N) Joint Ventures, Jointly Governed Organizations and Related Organizations

Joint Ventures:
Joint ventures are defined in generally accepted accounting principles as organizations owned, operated or governed by two or more participants where no single participant has the ability to unilaterally control the financial or operating policies of the joint venture. Participants must maintain an ongoing financial responsibility for, or financial interest in, the joint venture. The following organizations qualify as joint ventures of Shelby County. References to the appointment of members of boards or commissions include both those appointed and those serving ex officio. Appointment usually includes confirmation by the appropriate legislative body.

Memphis and Shelby County Sports Authority, Inc. (the Authority)
The Authority was chartered in 1997 under a State statute that permits sports authorities to receive certain sales taxes generated by major league sports franchises. In 2001 the City of Memphis and Shelby County entered into the "Memphis Arena Project Agreement" to bring an NBA professional team to Memphis. A major part of that agreement required the construction of a new multipurpose sports and entertainment facility. Financing for construction of this facility (now known as FedEx Forum) has been done through the Authority. The Authority has issued long-term debt with principal balance of $184,230,678, net of discounted bond issuance, owed as of December 31, 2016. Title to the facility is held by the New Memphis Arena Public Building Authority of Memphis and Shelby County, a joint venture; see below for more information on that entity. The Authority's revenue bonds are payable from seat rental fees, certain state sales taxes generated by the professional basketball team, car rental taxes, City and County-wide hotel/motel taxes, and in lieu of tax payments by the Memphis Light Gas and Water Division.

The Authority is a joint venture between the City of Memphis and the County and has a board whose members are jointly appointed by the City and the County. Although the bond indentures state that the City and County are not legally liable for the indebtedness of the Authority, under agreement the City and County have agreed to pay, in equal amounts, the debt if the Authority is unable to pay. During the year ended June 30, 2017 the County transferred to the Sports Authority for debt service purposes the amount of $2,249,924 from car rental taxes and $6,884,181 from hotel/motel taxes. Financial statements for the Memphis and Shelby County Sports Authority, Inc. may be obtained from the Administrator of Finance, Shelby County Government, 160 N. Main Street, Suite 800, Memphis, Tennessee 38103.

The following is a summary of the financial information of the Authority as of the most recent financial statements available:

	Memphis and Shelby County Sports Authority, Inc. (December 31,2016)
Assets	$ 67,102,619
Liabilities	191,110,728
Net position	(124,008,109)
Operating expenses	13,801,047
General revenues	24,784,282
Change in net position	10,983,235

New Memphis Arena Public Building Authority of Memphis and Shelby County (New PBA)
The New PBA was created in August 2001 by Shelby County and the City of Memphis. It is a nonprofit corporation established under statutes of the State of Tennessee. In June 2001 the City of Memphis, Shelby County, and HOOPS, L.P. (the previous NBA franchise ownership entity) entered into the "Memphis Arena Project Agreement." Under

this agreement a new arena would be constructed and leased to HOOPS, L.P. as part of the agreement to bring a professional basketball (NBA) team to Memphis. The primary purpose of the New PBA was to construct and hold title to this new multi-purpose sports and entertainment facility (now known as FedEx Forum). Upon completion of the facility, it was leased to and operated by HOOPS, LP. In 2012, Memphis Basketball, LLC purchased the NBA franchise from HOOPS, L.P. and now leases and operates FedEx Forum.

Funding for construction of the facility was provided primarily through the Memphis and Shelby County Sports Authority, Inc., a separate joint venture as explained above. However, the New PBA holds title to the building.

The New PBA is a joint venture between the City of Memphis and the County. It is governed by a Board of Directors whose members are jointly appointed by the City of Memphis and Shelby County. The City and County maintain an ongoing financial responsibility for subsidies to finance the New PBA's capital expenditures and operations. The County also paid $141,178 for insurance on the facility. Since the PBA's only assets are the ownership rights to the FedEx Forum Arena, and since there has been no financial activity for the fiscal year, the Tennessee Comptroller of the Treasury has granted approval for an exemption from the annual audit requirement. As of December 31, 2007 - the most recent financial statements available - the PBA reported assets of $209,123,653 and net assets of $209,123,653.

Jointly Governed Organizations:

The County in conjunction with the City of Memphis has joint control of the following organizations through the appointment of their boards. They are not considered joint ventures because the County and the City retain no ongoing financial responsibility or financial interest.

Memphis and Shelby County Community Redevelopment Agency (CRA) is jointly governed by the City of Memphis and the County. The CRA is empowered to do all things necessary to plan, finance and implement development and redevelopment activities in blighted areas of Memphis and Shelby County. The CRA monitors trusts established to fund debt issued with repayment to be provided by tax increment financing for the Uptown Redevelopment project and the Highland Row project. Three board members are appointed by the City mayor with approval of the City Council, three members are appointed by the County mayor with approval of the County Commission and one member is jointly appointed by the City and County mayors with joint approval by the City Council and County Commission. All board member terms are for four years. Financial Statements for the Community Redevelopment Agency may be obtained from the City of Memphis Division of Planning and Development, 125 N. Main, Suite 468, Memphis, Tennessee 38103.

Economic Development Growth Engine Industrial Development Board of the City of Memphis and County of Shelby, Tennessee (EDGE) was created in 2011 by joint resolutions of the City of Memphis and Shelby County Government to have a single entity perform economic development activities on behalf of the governments. EDGE has its own nine-member Board of Directors and Certificate of Incorporation; board members are jointly appointed by the City and the County. EDGE replaced the Industrial Development Board of Memphis and Shelby County, the Depot Redevelopment Corporation of Memphis and Shelby County, Foreign Trade Zone 77, the Memphis and Shelby County Port Commission and the Office of Economic Development of Memphis and Shelby County; inasmuch as all these entities could not immediately be terminated for various reasons, all the entities now have a common governing board so they all essentially operate as one entity. Memphis and Shelby County have no ongoing financial responsibility for EDGE or the related entities now operated under the EDGE umbrella, but may voluntarily agree to such. During FY 2012, at the request of Shelby County, EDGE agreed to issue through the Port Commission their bonds in the amount of $20,397,500; these funds were loaned to the County to partially finance a new manufacturing facility for a newly recruited business. The County agreed to provide to EDGE/Port Commission the funds necessary to repay the debt. This obligation is reported as long-term debt in the County's Statement of Net Position (see also Note IV(H)).

The *Memphis and Shelby County Center City Commission* is responsible for promotion and redevelopment of the Memphis Center City area. The mayors of the City and County appoint the twenty board members for three-year terms, with approval by the City Council and the County Commission.

The *Memphis and Shelby County Center City Downtown Parking Authority* manages five downtown parking garages and establishes and coordinates uniform parking policies and parking management in the downtown Memphis area. The mayors of the City and County appoint the seven-member board.

The *Memphis Center City Revenue Finance Corporation (Finance Corporation)* is a nonprofit corporation established jointly by the City and the County under the laws of the State of Tennessee. The Finance Corporation provides various forms of financial assistance to development projects. The City appoints four board members, the County appoints four members and one is jointly appointed by the City and County for six-year terms, with approval by the City Council and the County Commission.

The *Memphis and Shelby County Music Commission* was jointly established by the City of Memphis and Shelby County Government with the responsibility of promoting and preserving all phases of our musical heritage, economy and industry. The City and County each appoint ten (10) members of the board and each government has one *ex officio* board member.

The *Memphis and Shelby County Film and Television Commission* was jointly established by the City of Memphis and Shelby County Government to initiate, recommend and/or support policies, programs, projects and events that support the film and television production industry. The City and the County each appoint eleven (11) members of the Commission board.

Related Organizations:

The *Shelby County Health, Housing and Education Facilities Board* was established to assist in the financing of health facilities, educational facilities, and housing facilities for low and moderate income families, disabled individuals and the elderly. The financings are accomplished through the issuance of revenue bonds payable solely from the revenues of the project. The taxpayers and the County of Shelby are never liable for the repayment of the bonds. The County Mayor appoints all nine members of the Board but the County is not financially accountable for the organization.

The *Memphis and Shelby County Airport Authority* owns and operates Memphis International Airport and two general aviation airports. Six of the seven board members are appointed by the City of Memphis mayor and one by the County mayor, all for seven-year terms, subject to confirmation by the Memphis City Council. The Airport Authority is a component unit of the City of Memphis.

(O) Other Postemployment Benefits

Retired employees of the County and former employees receiving long-term disability benefits through the County's program may participate in postemployment benefits (health and life insurance) through the Shelby County OPEB Trust (Trust). The Trust is a single-employer defined benefit plan. The benefits provided are health insurance and life insurance. Audited GAAP financial statements for the Trust can be obtained from Administrator of Finance, Shelby County Government, 160 N. Main Street, Suite 800, Memphis, Tennessee 38103.

Annual OPEB Cost and Net OPEB Obligations
The County's OPEB cost and net OPEB obligations to the Trust for the current year were as follows:

Annual Required Contribution (ARC)	$	13,717,466
Interest on Net OPEB Obligation		(738,772)
Adjustment to ARC		1,065,873
Annual OPEB Cost		14,044,567
Contributions made		(15,873,291)
Decrease in net OPEB Obligation		(1,828,724)
Net OPEB Obligation beginning of year		(14,071,851)
Net OPEB Obligation end of year	$	(15,900,575)

The OPEB Trust has been in existence for ten years. Note that a special, one-time employer contribution of $23,892,191 was made in FY 2008.

Fiscal Year Ended	Annual OPEB Costs (AOC)	Actual Contributions	Percentage of AOC Contributed	Net OPEB Obligation/(Asset)
June 30, 2017	$ 14,044,566	$ 15,873,291	113.0%	$ (15,900,575)
June 30, 2016	13,110,694	21,265,925	162.2%	(14,071,851)
June 30, 2015	15,616,829	31,445,399	201.4%	(5,916,620)
June 30, 2014	28,942,589	36,731,249	126.9%	9,912,490
June 30, 2013	32,983,377	29,265,521	88.7%	17,667,548
June 30, 2012	26,928,000	31,914,109	118.5%	13,950,693
June 30, 2011	30,122,000	24,850,458	82.5%	18,936,802
June 30, 2010	29,007,000	20,611,575	71.1%	13,665,260
June 30, 2009	31,600,000	18,329,123	58.0%	5,269,835
June 30, 2008	34,227,000	42,228,042	123.4%	(8,001,042)

For government-wide and proprietary funds, the County reports OPEB expenses and net OPEB obligation using the economic resources measurement focus and the accrual basis of accounting. In governmental funds, expenses are reported at amounts paid or payable to the Trust in the current year.

Funded Status and Funding Progress:
As of June 30, 2017, the most recent actuarial valuation date, the plan was 84.1% funded. The actuarial accrued liability for benefits was $279 million, and the actuarial value of assets was $232 million, resulting in an unfunded actuarial accrued liability; (UAAL) of $47 million. The covered payroll (annual payroll of active employees covered by the plan) was $245 million and the ratio of the UAAL to the covered payroll was 19.0%.

Actuarial calculations of the OPEB plan reflect a long-term perspective. These calculations are based on the OPEB benefits provided under the terms of the substantive plan in effect at the time of each valuation and on the pattern of sharing of costs between the employer and plan members to that point. Actuarial valuations for OPEB plans involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. These actuarially determined amounts are subject to continual revision as results are compared to past expectations and new estimates are made about the future.
The schedule of funding progress, presented as required supplemental information (RSI) following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Actuarial Valuation, Method and Assumptions

Valuation date	June 30, 2017
Actuarial cost method	Entry age normal
Amortization method	Level dollar closed
Remaining amortization period	20 years
Asset valuation method	Market value of assets
Rate of inflation	2.75%
Rate of investment return	5.25%
Projected salary increases	2.75% - 5.75%

	Pre Medicare	Medicare
Healthcare cost trend rate	7.75%	5.75%
Ultimate trend rate	5.00%	5.00%
Year of Ultimate trend rate	2023	2020

(P) Pensions

Shelby County Retirement System

Plan Description
The Shelby County Retirement System (the System) is a single employer defined benefit public employee retirement system (PERS) established by Shelby County, Tennessee. The system is administered by a board, the majority of whose members are nominated by the Shelby County Mayor, subject to approval by the Shelby County Board of Commissioners. The system issues a publicly available financial report that includes financial statements and required supplemental information. Audited GAAP financial statements may be obtained by writing to the Shelby County Retirement System, Suite 701, 160 N. Main, Memphis, TN 38103 or calling (901) 222-1950.

Substantially all full-time and permanent part-time employees of the county are required, as a condition of employment, to participate in the System. Once becoming a participant, a person will continue to participate as long as he or she is an employee of the County.

Benefits Provided
The System consists of four plans (Plans A, B, C and D) which are legally one reporting entity. All System plans are contributory. All plans provide retirement as well as survivor and disability defined benefits.

Plan A is for employees hired between December 1, 1978 and February 28, 2005, and those employees that elected to transfer to Plan A from Plan B before January 1, 1981. Retirement benefits are calculated based upon number of years of credited service, age at the time pension payments begin, and final average earnings as defined in the plan as an average of the earnings in the 36 consecutive month period of employment in which the earnings were highest. Survivor benefits generally are payable to the employee's spouse in an amount equal to 75% of the calculated pension due the employee once the spouse attains age 65. Other options and restrictions apply to pensions and survivor benefits as detailed in the plan. Disability pension benefits are generally provided through a separate insurance contract maintained by the County. Plan A does not provide any disability benefits for participants who were active employees on January 1, 2002 except in certain circumstances as outlined in the plan.

Benefit terms provide for annual cost-of-living adjustments to each employee's retirement allowance beginning the calendar year after a pensioned participant attains age 65. The adjustment is the lesser of the percentage increase in the federally-calculated Consumer Price Index – All Urban for the 12-month period ending on the previous September 30 or 4%.

Plan B is for employees hired prior to December 1, 1978. Retirement benefits are calculated based upon 2.7% of final average earnings multiplied by the lesser of years of credited service or 25 years, plus 1% of final average earnings multiplied by years of credited service in excess of 25 but no more than 35. Survivor benefits are generally payable to the employee's spouse or in the absence of a spouse, the employee's eligible children as defined in the plan, an amount equal to 100% of the benefits payable to the employee. Other options and restrictions apply to pensions and survivor benefits as detailed in the plan. Disability pension benefits are only available to those employees who incur line-of-duty disability.

Benefit terms provide for annual cost-of-living adjustments to each employee's retirement allowance beginning the calendar year after a pensioned participant attains age 65. The adjustment is the lesser of the percentage increase in the federally-calculated Consumer Price Index – All Urban for the 12-month period ending on the previous September 30 or 1%.

Plan C became effective September 1, 2005 for all employees hired after February 28, 2005 but before July 1, 2011 and includes all full-time, part-time and elected employees, and employees of all joint City/County agencies administrated by Shelby County, and members of Plan A electing to transfer to Plan C. CETA employees, Board of Education employees, employees electing Social Security coverage, and Joint City/County agencies not administered by Shelby County cannot participate. Retirement benefits are calculated in one of two ways, whichever produces the highest benefit to the employee; (1) based upon number of years of credited service, final average earnings as defined in the plan as an average of the earnings in the 36 consecutive month period of employment in which the earnings were highest, and a percentage determined by options detailed in the plan – maximum of 2.35%, (2) the "Life Annuity Equivalent" based upon the employee's age when payments begin, using actuarial factors contained in the plan document, applied to the employee's benefit accrual account under the plan. Survivor benefits are generally payable as follows: (1) any dependent children as defined in the plan receive 50% of final average earnings to be divided equally for as long as they remain dependent, (2) a spouse, as defined in the plan, will receive the greater of 75% of the amount calculated based on credited years of service, average final earnings, and 2.35% or the "Life Annuity Equivalent" based upon the spouse's age and actuarial factors contained in the plan. Other options and restrictions apply to pensions and survivor benefits as detailed in the plan. Disability pension benefits are generally provided through a separate insurance contract maintained by the County. Plan C does not provide any disability benefits for participants except under a single exception applicable only to former employees who transferred to City of Memphis employment as outlined in the plan.

Benefit terms provide for annual cost-of-living adjustments to each employee's retirement allowance beginning the calendar year after a pensioned participant attains age 65. The adjustment is the lesser of the percentage increase in the federally-calculated Consumer Price Index – All Urban for the 12-month period ending on the previous September 30 or 4%.

Plan D includes all employees hired on or after July 1, 2011. Retirement benefits are calculated using the average over the 5 highest consecutive years of earnings and are eligible for early retirement at age 62 (at age 50 with the last 20 years of credited service in a public safety classification) and normal retirement at age 67 (at age 55 with the last 7.5 years of credited service in a public safety classification). Survivor benefits for the eligible beneficiary will be based on years of credited service and determination of in line-of-duty or not in line-of-duty death. A surviving spouse, as defined in the plan, will receive 75% of the participant's pension at age 67, if participant dies after completion of 15 years of credited service. Disability pension benefits are generally provided through a separate insurance contract maintained by the County, except for transfers as outlined in the plan.

Benefit terms provide for annual cost-of-living adjustments to each employee's retirement allowance beginning the calendar year after a pensioned participant attains age 67. The adjustment is the lesser of the percentage increase in the federally-calculated Consumer Price Index – All Urban for the 12-month period ending on the previous September 30 with a maximum of 2%.

Employees covered by benefit terms
The following table summarizes the membership of the System as of June 30, 2016, the valuation and measurement date:

	Plan A	Plan B	Plan C	Plan D	Total
Inactive employees and beneficiaries currently receiving benefits	1,876	979	853	---	3,708
Inactive employees and beneficiaries entitled to but not yet receiving benefits	155	---	53	1	209
Inactive participants entitled to a refund of contributions	23	---	79	112	214
County to City transfers	165	---	12	2	179
Active participants	1,446	8	2,272	1,382	5,108
Total	3,665	987	3,269	1,497	9,418

Contributions
Contributions for participants in the System are established by the Board of Administration of the Shelby County, Tennessee Retirement System (the Board) based on actuarial valuations. Contribution requirements for the employer are based on the same actuarial valuations used by the Board and are established by the Shelby County Board of Commissioners in the fiscal year budget appropriations which can be amended by resolution. The County does not receive the actuarial report until several months into the fiscal year to which the report relates. Due to budgetary procedures the County makes contributions based on the latest actuarial report received at the date a new fiscal year's budget is being prepared. Contributions for fiscal year 2017 were based on the actuarial report as of June 30, 2015.

In accordance with the actuarial valuation as of June 30, 2015, the System employer rate required was 15.87% of covered payroll participants. Plan B, Plan C, and Plan D participants contribute 8% of their earnings, with some exceptions of employees of Plan B with more than 35 years of service. Plan A participants contribute 2.0%. This resulted in total contributions of $57,575,356 ($41,887,837 employer contributions and $15,687,519 of employee contributions).

The net pension liability for all plans was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by actuarial valuations as of that date.

Actuarial assumptions

System:

Inflation	2.75	percent
Salary Increases	2.75 - 5.75	percent, including inflation
Investment rate of return	7.00	percent, net of pension plan investment expense, including inflation
Cost-of-Living Adjustment	1.00	percent per year, compounded for Plan B
	2.75	percent per year, compounded for Plan A and Plan C
	2.00	percent per year, compounded for Plan D

Mortality rates for the System were based on the RP-2000 Combined Mortality Table set forward three years for males and set forward one year for females and using a Scale AA projection to 2025 for the period after service retirement and for dependent beneficiaries as well as for deaths in active service. The RP-2000 Disability Mortality Table set forward six years for males and set forward nine years for females and using a Scale AA projection to 2015 is used for the period after disability retirement.

The System actuarial demographic assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2007 – June 30, 2012.The actuarial economic assumptions used in the June 30, 2016 valuation were based on the results of an Economic Experience Investigation as of June 30, 2015 with the assumed investment rate of return further reduced to 7.00 percent by the Retirement Board of Trustees on September 13, 2016.

The discount rate used to measure the total pension liability for the System at June 30, 2016 was the long term rate of return, 7.00 percent. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rates and that employer contributions will be made equal to the difference between the actuarially determined contribution and member contributions. Projected future benefit payments for all current plan members were projected through the year 2117.

Based on those assumptions, the fiduciary net position for all plans was projected to be available to make all projected future benefit payments of current plan members. 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 and a municipal bond rate was not used in determining the discount rate.

The System long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis 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 ranges 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.

The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	14.1 %	6.3 %
International Equity	10.4	6.5
Low Volatility Equity	8.2	6.5
Private Equity	6.6	8.7
Core Fixed Income	6.7	3.3
High Yield	1.0	5.0
EMD Hard Currency	6.4	5.5
Global Fixed Income	5.2	2.4
Credit Opportunities	6.4	6.2
Absolute Return	16.0	5.9
Private Real Estate	1.0	5.6
Private Real Asset	8.0	6.8
MLPs	10.0	9.0
Cash	---	1.6
Total	100.0 %	

The following presents net pension liability, calculated using the above stated discount rates, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	1% Decrease	Current Discount Rate	1% Increase
	6.00%	7.00%	8.00%
Net pension liability ($ thousands)	$ 805,654	$ 596,532	$ 422,347

Changes in the Net Pension Liability

	($ in thousands)		
	Total Pension Liability (a)	Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2015	$ 1,509,225	$ 1,115,134	$ 394,091
Changes for the year:			
Service cost	24,763	---	24,763
Interest	110,121	---	110,121
Difference between expected and actual experience	(4,524)	---	(4,524)
Changes in assumptions	90,986	---	90,986
Contributions - employer	---	35,864	(35,864)
Contributions - employee	---	15,599	(15,599)
Net investment income	---	(30,836)	30,836
Benefits payments, including refunds of employee contributions	(81,902)	(81,902)	---
Administrative expense	---	(1,722)	1,722
Net change	139,444	(62,997)	202,441
Balances at June 30, 2016	$ 1,648,669	$ 1,052,137	$ 596,532

For the year ended June 30, 2017, Shelby County Government recognized pension expense of $92,329,000 from the System.

Pension Related Deferred Outflows and Inflows
The table below provides a summary of the pension related deferred outflows and inflows as of June 30, 2016:

	($ in thousands)	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ ---	$ 7,493
Changes in assumptions	105,483	---
Net difference between projected and actual earnings on Plan investments	109,934	---
Employer contributions subsequent to the measurement date	41,888	---
Total	$ 257,305	$ 7,493

The amount shown above for "Employer contributions subsequent to the measurement date" will be recognized as a decrease to the net pension liability in the following measurement period.

Amounts reported as deferred inflows of resources related to pension will be recognized as follows:

		($ in thousands)
Year ended June 30,		
2018	$	53,773
2019		64,841
2020		35,537
2021		---
Thereafter		---

In the table above, positive amounts will increase pension expense while negative amounts will decrease pension expense.

Tennessee Consolidated Retirement System

Plan Description
Certain employees of Shelby County Government are provided a defined benefit pension plan through the Public Employee Retirement Plan, an agent multiple-employer pension plan administered by the Tennessee Consolidated Retirement System (TCRS). The TCRS Board of Trustees is responsible for the proper operation and administration of the TCRS. The Tennessee Treasury Department administers the plans of the TCRS. The TCRS issues a publicly available financial report that can be obtained at www.treasury.tn.gov/tcrs.

Benefits Provided
The TCRS includes only certain employees of Shelby County as permitted by state statutes. Members are eligible to retire at age 60 with 5 years of service credit or after 30 years of service credit. Benefits are determined by a formula using the member's highest five consecutive year average compensation and the member's years of service credit. Reduced benefits are available for early retirement at age 55 and vested. Members vest with five years of service credit. Service related and non-service related disability benefits are provided in the same manner as a service retirement benefit but are reduced 10 percent and include projected service credits. Automatic cost of living adjustments are provided after retirement.

Member and beneficiary annuitants are entitled to automatic cost of living adjustments (COLAs) after retirement. A COLA is granted each July for Annuitants retired prior to the 2nd of July of the previous year. The COLS is based on the change in the consumer price index (CPI) during the prior calendar year, capped at 3% and applied to the current benefit. No COLA is granted if the change in the CPI is less than one-half percent. A 1% COLA is granted if the CPI change is between one-half and one percent. A member who leaves employment may withdraw their employment contributions, plus any accumulated interest.

Shelby County membership in TCRS as of June 30, 2016, the valuation and measurement date, includes five inactive employees or beneficiaries currently receiving benefits, and one currently active employee.

Contributions
Contributions under the TCRS plan are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Employees contribute 5% of salary. Shelby County Government makes employer

contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. For the year ended June 30, 2017, employer contributions for Shelby County Government were $10,479 based on 9.47% of covered payroll.

The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by actuarial valuations as of that date.

Actuarial assumptions

TCRS:		
Inflation	3.0	percent
Salary Increases	3.71 - 8.97	percent based on age, including inflation, averaging 4.25 percent
Investment rate of return	7.50	percent, net of pension plan investment expense, including inflation
Cost-of-Living Adjustment	2.50	percent

Mortality rates for TCRS were based on actual experience from the June 30, 2012 actuarial experience study adjusted for some of the expected future improvement in life expectancy.

The TCRS actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period July 1, 2008 – June 30, 2012. The TCRS discount rate used to measure the total pension liability was 7.5%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rates and that employer contributions will be made equal to the difference between the actuarially determined contribution and member contributions.

Based on those assumptions, the fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. 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.

The TCRS long-term rate of return was established by the TCRS Board of Trustees in conjunction with the June 30, 2012 actuarial experience study by considering several techniques for a blended capital market projection. The blended capital market projection established 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 inflation of 3 percent.

The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation		Long-Term Expected Real Rate of Return	
US Equity	33.0	%	6.5	%
Developed Market International Equity	17.0		6.3	
Emerging Market International Equity	5.0		6.4	
Private Equity and Strategic Lending	8.0		4.6	
US Fixed Income	29.0		1.0	
Real Estate	7.0		4.7	
Short-term Securities	1.0		---	
Total	100.0	%		

The following presents net pension liability, calculated using the above stated discount rates, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	1% Decrease	Current Discount Rate	1% Increase
	6.50%	7.50%	8.50%
Net pension liability	$ 135,263	$ 62,156	$ (1,773)

Changes to the Net Pension Liability

	Total Pension Liability (a)	Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2015	$ 819,947	$ 787,015	$ 32,932
Changes for the year:			
Service cost	9,846	---	9,846
Interest	60,244	---	60,244
Difference between expected and actual experience	(4,558)	---	(4,558)
Changes in assumptions	---	---	---
Contributions - employer	---	10,479	(10,479)
Contributions - employee	---	5,524	(5,524)
Net investment income	---	20,381	(20,381)
Benefits payments, including refunds of employee contributions	(53,067)	(53,067)	---
Administrative expense	---	(76)	76
Net change	12,465	(16,759)	29,224
Balances at June 30, 2016	$ 832,412	$ 770,256	$ 62,156

For the year ended June 30, 2017, Shelby County Government recognized pension expense of $4,059 from TCRS.

Pension Related Deferred Outflows and Inflows
The table below provides a summary of the pension related deferred outflows and inflows as of June 30, 2016:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ ---	$ ---
Changes in assumptions	---	---
Net difference between projected and actual earnings on Plan investments	25,027	---
Employer contributions subsequent to the measurement date	10,479	---
Total	$ 35,506	$ ---

The amount shown above for "Employer contributions subsequent to the measurement date" will be recognized as a decrease to the net pension liability in the following measurement period.

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized as follows:

Year ended June 30,		
2018	$	1,608
2019		1,608
2020		14,358
2021		7,450
Thereafter		---

In the table above, positive amounts will increase pension expense while negative amounts will decrease pension expense.

Pension plans of the component units:

The primary government does not act in a trustee capacity for the assets of the pension plans of the component units.

Shelby County Board of Education (the Board of Education)
On behalf of its teachers, the Board of Education contributes to the State Employees, Teachers, and Higher Education Employees Pension Plan (SETHEEPP), a cost sharing multiple employer defined benefit pension plan administered by the Tennessee Consolidated Retirement System (TCRS). The TCRS issues a publicly available financial report that includes financial statements and required supplementary information for the SETHEEPP. That report may be obtained by writing to the Tennessee Treasury Department, Consolidated Retirement System, 10th Floor Andrew Jackson Building, Nashville, TN 37243-0203 or can be accessed at www.treasury.state.tn.us.

All non-teachers employed by the Board of Education are members of the Political Subdivision Pension Plan (PSPP), an agent multiple-employer defined benefit pension plan administered by TCRS. The TCRS issues a publicly available financial report that includes financial statements and required supplementary information for PSPP. That report may be obtained by writing to the Tennessee Treasury Department, Consolidated Retirement System, 10th floor Andrew Jackson Building, Nashville, TN 37243-0230 or can be accessed at www.treasury.state.tn.us.

Shelby County Health Care Corporation (Regional One Health)
Effective July 1, 1985 Regional One Health established the Regional Medical Center at Memphis Retirement Investment Plan, a defined contribution pension plan. In a defined contribution plan benefits depend solely on amounts contributed to the plan plus investment earnings. Financial statements of the Regional Medical Center at Memphis Retirement Investment Plan are available from Shelby County Health Care Corporation, 877 Jefferson Avenue, Memphis, Tennessee 38103.

More details about all plans of component units are available in the separately issued financial reports of the component units and in the separately issued financial reports of the retirement plans as noted above.

(Q) Restatement of Net Position

In fiscal year 2016 the Correction Center Fund (a major enterprise fund) estimated a higher reimbursement rate from the State than what was honored for year-end receivables. The difference in the estimated rate and the actual rate received was $3,838,920.

In fiscal year 2017 the Correction Center Fund also fully implemented a new time tracking system which allowed them to more accurately maintain compensated absences for employees. A portion of the compensated absences balance for fiscal year 2017 is attributable to prior year accumulated balances. The amount attributed to prior year compensatory time is $593,265.

These adjustments affect both the Proprietary Fund Statement of Net Position and the Business-type Activities on the government-wide Statement of Net Position.

Beginning net position for the Corrections Center Fund (a major enterprise fund) has been restated as follows:

	Net Position As previously reported June 30, 2016	Adjustment for Difference in estimated and actual receivables FY16	Adjustment for Prior periods' accumulated compensatory time accrued	Net Position as of June 30, 2016 Restated
Proprietary funds net position	$ 2,074,383	$ (3,838,920)	$ (593,265)	$ (2,357,802)
Business-type activities net position	$ 322,380	$ (3,838,920)	$ (593,265)	$ (4,109,805)

(R) Subsequent Events

In October, 2017 the County issued General Obligation Bond Anticipation Note, Series 2017, in an original aggregate principal amount of not to exceed $120,000,000 (the “Note”). The Note evidences a drawdown loan being made by STI Institutional & Government, Inc., an affiliate of Sun Trust Bank (the “Lender”), to the County pursuant to the terms of the loan agreement. The Note was issued to provide moneys to finance certain capital projects of the County, including schools, or for any other purpose permitted under the Act and the Resolutions, and to pay the costs of issuance and sale of the Note.