

**NEW ISSUES - BOOK-ENTRY ONLY****RATINGS: Moody's: Aa1****(See "RATINGS" herein) Standard & Poor's: AAA**

*In the opinion of Bond Counsel, based on existing law and assuming compliance with certain tax covenants of the City of Bartlett, Tennessee, interest on the Bonds will be excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; however, such interest is taken into account in determining the adjusted current earnings of certain corporations for purposes of the alternative minimum tax on corporations. For an explanation of certain tax consequences under federal law which may result from the ownership of the Bonds, see the discussion under the heading "TAX MATTERS" herein. Under existing law, the Bonds and the income therefrom will be exempt from all state, county and municipal taxation in the State of Tennessee, except inheritance, transfer and estate taxes, and Tennessee franchise and excise taxes. (See "TAX MATTERS" herein).*

**\$6,695,000****CITY OF BARTLETT, TENNESSEE****\$4,690,000 GENERAL OBLIGATION REFUNDING AND IMPROVEMENT BONDS, SERIES 2013****\$2,005,000 WATER AND SEWER REVENUE AND TAX REFUNDING AND IMPROVEMENT BONDS, SERIES 2013**

Dated: Date of Delivery

Due: September 1, as shown on the inside front cover

**The Bonds** Interest on the City of Bartlett, Tennessee (the "City") General Obligation Refunding and Improvement Bonds, Series 2013 (the "Public Improvement Bonds") and Water and Sewer Revenue and Tax Refunding and Improvement Bonds, Series 2013 (the "Water and Sewer Bonds" and collectively, with the Public Improvement Bonds, the "Bonds") is payable on March 1, 2014, and each March 1 and September 1, thereafter.

Denominations are \$5,000 or any integral multiple thereof.

**Book-Entry Only System** The Depository Trust Company. See "BOOK ENTRY ONLY SYSTEM" herein.

**Security** The Public Improvement Bonds are payable from unlimited ad valorem taxes to be levied on all taxable property within the corporate limits of the City. The Water and Sewer Bonds are payable primarily from revenues derived from the operation of the City's water and sewer system (the "System"), subject to certain expenses and to prior pledges of such revenues to certain outstanding bonds of the City as described herein, and, in the event of deficiency, unlimited ad valorem taxes to be levied on all taxable property within the corporate limits of the City as more fully described herein. See "THE BONDS - Security" herein.

**Redemption** The Bonds are subject to optional and mandatory redemption as described herein. See "THE BONDS - Optional Redemption" and "THE BONDS - Mandatory Redemption" herein.

**Tax Matters** Interest on the Bonds is excludable from gross income for Federal income tax purposes to the extent and subject to the conditions, limitations and continuing compliance with tax covenants as described herein. The Bonds and the interest thereon are free from Tennessee taxes, subject to certain exceptions. See "TAX MATTERS" herein.

**Bond Counsel** Bass, Berry & Sims PLC, Nashville, Tennessee.

**Delivery Date** It is expected that the Bonds will be available for delivery in New York, New York, through the facilities of The Depository Trust Company on or about October 23, 2013.

*This cover page contains certain information for quick reference only. It is not a summary of the issues. Investors must read the entire Official Statement to obtain information essential to making an informed investment decision. The Bonds are offered, subject to prior sale, when, as and if issued and received by the Underwriter and subject to certain conditions, including the issuance of the approving opinions of Bass, Berry & Sims PLC, Bond Counsel, Nashville, Tennessee. Certain legal matters will be passed upon for the City by its counsel, Ed McKenney, Jr., Esquire.*

October 8, 2013

## CITY OF BARTLETT, TENNESSEE

### \$4,690,000 General Obligation Refunding and Improvement Bonds, Series 2013

<u>Due September 1</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>CUSIP No.*</u>
2014	\$535,000	3.000%	0.250%	069383Y35
2015	560,000	3.000	0.400	069383Y43
2016	575,000	3.000	0.700	069383Y50
2017	590,000	3.000	1.000	069383Y68
2018	615,000	3.000	1.250	069383Y76
2019	95,000	3.000	1.500	069383Y84
2020	100,000	3.000	1.700	069383Y92
2021	105,000	3.000	1.950	069383Z26
2022	105,000	3.000	2.050	069383Z34
2023	110,000	3.000	2.200	069383Z42
2024	115,000	3.000	2.400**	069383Z59
2029	130,000	3.250	3.150**	069383Z83

\$ 235,000 3.000% Term Bond, due September 1, 2026, Yield 2.750%\*\* CUSIP 069383Z67\*

\$ 250,000 3.000% Term Bond, due September 1, 2028, Yield 3.000% CUSIP 069383Z75\*

\$ 275,000 3.500% Term Bond, due September 1, 2031, Yield 3.450%\*\* CUSIP 069383Z91\*

\$ 295,000 3.625% Term Bond, due September 1, 2033, Yield 3.625% CUSIP 069383Z83\*

### \$2,005,000 Water and Sewer Revenue and Tax Refunding and Improvement Bonds, Series 2013

<u>Due September 1</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>CUSIP No.*</u>
2014	\$165,000	3.000%	0.250%	0693832B2
2015	175,000	3.000	0.400	0693832C0
2016	185,000	3.000	0.700	0693832D8
2017	190,000	3.000	1.000	0693832E6
2018	190,000	3.000	1.250	0693832F3
2019	60,000	3.000	1.500	0693832G1
2020	60,000	3.000	1.700	0693832H9
2021	65,000	3.000	1.950	0693832J5
2022	65,000	3.000	2.050	0693832K2
2023	65,000	3.000	2.200	0693832L0
2024	70,000	3.000	2.400**	0693832M8

\$ 215,000 3.000% Term Bond, due September 1, 2027, Yield 2.850%\*\* CUSIP 0693832N6\*

\$ 235,000 3.400% Term Bond, due September 1, 2030, Yield 3.400% CUSIP 0693832P1\*

\$ 265,000 3.625% Term Bond, due September 1, 2033, Yield 3.625% CUSIP 0693832Q9\*

\* These CUSIP numbers have been assigned by Standard & Poor's CUSIP Service Bureau, a Division of The McGraw Hill Companies, Inc., and are included solely for the convenience of the Bondholders. Neither the Underwriter nor the City is responsible for the selection or use of these CUSIP numbers, nor is any representation made as to their correctness on the Bonds or as indicated herein. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Bonds as a result of various subsequent actions, including, but not limited to, a refunding in whole or in part of such maturity or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Bonds.

\*\* Yield to call date of September 1, 2023

No dealer, salesperson or other person has been authorized to give any information or to make any representations other than those in the Official Statement in connection with the offering contained herein; and if given or made, such information or representations must not be relied upon. The Official Statement does not constitute an offer of the securities offered hereby to any jurisdiction where such offer or solicitation of such offer would be unlawful. The information set forth herein has been provided by the City and other sources that are believed to be reliable, but the accuracy or completeness of the information is not guaranteed by and is not to be construed as a representation by the Financial Advisor of the City. The delivery of the Official Statement at any time does not imply that information herein is correct as of any time subsequent to its date.

This Official Statement is not to be construed as a contract or agreement between the City and any purchaser of any of the Bonds. Any statements made herein involving matters of opinion, whether or not expressly so stated, are intended merely as opinion and not as representations of fact. The information contained herein is subject to change without notice and neither the delivery hereof nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the City, or its agencies and authorities, since the date hereof.

This Official Statement has been prepared only in connection with the initial offering and sale of the Bonds and may not be reproduced or used in whole or in part for any other purpose.

Questions regarding information in this Official Statement should be directed to Mark S. Brown, Chief Administrative Officer or Dick Phebus, Director of Finance, P.O. Box 341148, Bartlett, Tennessee, 38134 (901/385-6400) or Lauren Lowe, Public Financial Management, Inc., Financial Advisor to the City, 530 Oak Court Drive, Suite 160, Memphis, Tennessee, 38117 (901/682-8356).

This Official Statement has been prepared by the City in connection with the original offering for sale by it of the Bonds referred to above. See "INTRODUCTION" for a discussion of the financial and other information contained herein and the appendices which are to be used as part of this Official Statement.

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**CITY OFFICIALS**

**MAYOR**

A. Keith McDonald

**ALDERMEN**

W. C. "Bubba" Pleasant

Emily Elliott

David Parsons

Bobby Simmons

Jack Young

Paula Sedgwick

Chief Administrative Officer

Mark S. Brown

Administrative Assistant

Jeanie Underwood

City Attorney

Ed McKenney, Jr.

City Clerk

Stefanie McGee

Director of Planning and Economic Development

Terry Emerick

Director of Finance

Dick Phebus

Director of Police Services

Gary Rikard

Director of Fire Services

Terry Wiggins

Director of Public Works

Bill Yearwood

Director of Personnel

Peter Voss

City Engineer

William R. McClanahan

Director of Parks and Recreation

David Thompson

Chief Codes Enforcement Officer

Jim Brown

Court Clerk

Bill Lloyd

Director of the Performing Arts Center

Ron Jewell

**BOND COUNSEL**

Bass, Berry & Sims PLC  
Nashville, Tennessee

**FINANCIAL ADVISOR**

Public Financial Management, Inc.  
Memphis, Tennessee

**REGISTRATION & PAYING AGENT**

U.S. Bank National Association  
Nashville, Tennessee

**CERTIFIED PUBLIC ACCOUNTANTS TO THE CITY**

Watkins Uiberall, PLLC  
Memphis, Tennessee

**LEGAL COUNSEL TO THE CITY**

Ed McKenney, Jr., Esquire  
Memphis, Tennessee

## **INTRODUCTION**

This Official Statement, including the cover page and Appendices hereto, of the City of Bartlett, Tennessee (the "City"), is provided for the purpose of setting forth certain information concerning the sale by the City of its \$4,690,000 General Obligation Refunding and Improvement Bonds, Series 2013 (the "Public Improvement Bonds") and \$2,005,000 Water and Sewer Revenue and Tax Refunding and Improvement Bonds, Series 2013 (the "Water and Sewer Bonds" and collectively with the Public Improvement Bonds, the "Bonds").

All financial and other information presented herein and in the Appendices hereto has been provided by the City from its records, except for information expressly attributed to other sources. The presentation of information is intended to show recent historic information and is not intended to indicate future or continuing trends in the financial position or other affairs of the City. No representation is made that past experience, as might be shown by such financial and other information, will necessarily continue or be repeated in the future.

## **THE BONDS**

### **DESCRIPTION**

The Bonds are dated as of their date of delivery, and will bear interest from that date to their respective maturities in the amounts and at the rates set forth on the inside cover. The Bonds are issued only as fully registered Bonds in the denomination of \$5,000 or any integral multiple thereof. Interest on the Bonds is payable semiannually on March 1, and September 1, commencing March 1, 2014, based on a 360-day year of twelve 30-day months.

The Bonds are issuable as fully registered bonds, and, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"), which will act as securities depository for the Bonds. So long as DTC or its nominee, Cede & Co., is the registered owner of the Bonds, payments of principal of and interest on the Bonds will be made directly to DTC. Disbursement of such payments to the individual purchasers ("Beneficial Owners") is the responsibility of DTC Participants or Indirect Participants (as such terms are defined in "BOOK-ENTRY ONLY SYSTEM" herein) as more fully described herein. Individual purchases of the Bonds will be made in book-entry form only. Beneficial Owners of the Bonds will not receive physical delivery of bond certificates.

So long as Cede & Co. is the registered owner of the Bonds, as nominee of DTC, references herein to the bondholders, holders or registered owners of the Bonds shall mean Cede & Co. and shall not mean the Beneficial Owners of the Bonds. See "BOOK-ENTRY ONLY SYSTEM."

U.S. Bank National Association, Nashville, Tennessee (the "Registration Agent"), will make all interest payments with respect to the Bonds on each interest payment date directly to the registered owners as shown on the Bond registration records maintained by the Registration Agent as of the close of business on the fifteenth day of the month next preceding the interest payment date (the "Regular Record Date") by check or draft mailed to such owners at their addresses shown on said registration records, without, except for final payment, the presentation or surrender of such registered Bonds, and all such payments shall discharge the obligations of the City in respect of such Bonds to the extent of the payments so made. Payment of principal of the Bonds shall be made upon presentation and surrender of such Bonds to the Registration Agent as the same shall become due and payable. In the event the Bonds are no longer registered in the name of DTC or its successor or assigns, if requested by the owner of at least \$1,000,000 in aggregate principal amount of the Bonds, payment of interest on such Bonds shall be paid by wire transfer to a bank within the continental United States or deposited to a designated account if such account is maintained with the Registration Agent and written notice of any such election and designated account is given to the Registration Agent prior to the record date.

Any interest on any Bond which is payable but is not punctually paid or duly provided for on any interest payment date (hereinafter "Defaulted Interest") shall forthwith cease to be payable to the registered owner on the relevant Regular Record Date; and, in lieu thereof, such Defaulted Interest shall be paid by the City to the persons in whose names the Bonds are registered at the close of business on a date (the "Special Record Date") for the payment of such Defaulted Interest, which shall be fixed in the following manner: The City shall notify the Registration Agent in writing of the amount of Defaulted Interest proposed to be paid on each Bond and the date of the proposed payment, and at the same time the City shall deposit with the Registration Agent an amount of money equal to the aggregate amount proposed to be paid in respect of such Defaulted Interest or shall make arrangements satisfactory to the Registration Agent for such deposit prior to the date of the proposed payment, such money when deposited to be held in trust for the benefit of the persons entitled to such Defaulted Interest. Thereupon, not less than ten (10) days after the receipt by the Registration Agent of the notice of the proposed payment, the Registration Agent shall

fix a Special Record Date for the payment of such Defaulted Interest which date shall not be more than fifteen (15) nor less than ten (10) days prior to the date of the proposed payment to the registered owners. The Registration Agent shall promptly notify the City of such Special Record Date and, in the name and at the expense of the City, not less than ten (10) days prior to such Special Record Date, shall cause notice of the proposed payment of such Defaulted Interest and the Special Record Date therefor to be mailed, first class postage prepaid, to each registered owner at the address thereof as it appears in the Bond registration records maintained by the Registration Agent as of the date of such notice. Nothing contained in the Bond Resolutions (as hereinafter defined) or in the Bonds shall impair any statutory or other rights in law or in equity of any registered owner arising as a result of the failure of the City to punctually pay or duly provide for the payment of principal of and interest on the Bonds when due.

**OPTIONAL REDEMPTION**

Bonds maturing September 1, 2014 through September 1, 2023 are not subject to redemption prior to maturity at the option of the City. Bonds maturing on September 1, 2024 and thereafter shall be subject to redemption prior to maturity at the option of the City on or after September 1, 2023 as a whole or in part at any time at the redemption price of par, plus interest accrued to the redemption date.

If less than all the Bonds shall be called for redemption, the maturities to be redeemed shall be selected by the Board of Mayor and Aldermen of the City in its discretion. If less than all of the Bonds within a single maturity shall be called for redemption, the interests within the maturity to be redeemed shall be selected as follows:

- (i) if the Bonds are being held under a Book-Entry System by DTC, or a successor Depository, the Bonds to be redeemed shall be determined by DTC, or such successor Depository, by lot or such other manner as DTC, or such successor Depository, shall determine; or
- (ii) if the Bonds are not being held under a Book-Entry System by DTC, or a successor Depository, the Bonds within the maturity to be redeemed shall be selected by the Registration Agent by lot or such other random manner as the Registration Agent in its discretion shall determine.

**MANDATORY REDEMPTION**

Subject to the credit hereinafter provided, the City shall redeem the Public Improvement Bonds maturing September 1, 2026, September 1, 2028, September 1, 2031, and September 1, 2033 on the redemption dates set forth below opposite the maturity dates, in aggregate principal amounts equal to the respective dollar amounts set forth below opposite the respective redemption dates at a price of par plus accrued interest thereon to the date of redemption. DTC or such Depository as shall then be serving as the securities depository for the Public Improvement Bonds, shall determine the interest of each Participant in the Bonds to be redeemed using its procedures generally in use at that time. If DTC, or another securities depository is no longer serving as securities depository for the Public Improvement Bonds, the Public Improvement Bonds to be redeemed within a maturity shall be selected by the Registration Agent by lot or such other random manner as the Registration Agent in its discretion shall select. The dates of redemption and principal amount of Bonds to be redeemed on said dates are as follows:

<u>Final Maturity</u>	<u>Redemption Date</u>	<u>Principal Amount of Bonds Redeemed</u>
September 1, 2026	September 1, 2025	\$115,000
	September 1, 2026*	120,000

<u>Final Maturity</u>	<u>Redemption Date</u>	<u>Principal Amount of Bonds Redeemed</u>
September 1, 2028	September 1, 2027	\$125,000
	September 1, 2028*	125,000

<u>Final Maturity</u>	<u>Redemption Date</u>	<u>Principal Amount of Bonds Redeemed</u>
September 1, 2031	September 1, 2030	\$135,000
	September 1, 2031*	140,000

<u>Final Maturity</u>	<u>Redemption Date</u>	<u>Principal Amount of Bonds Redeemed</u>
September 1, 2033	September 1, 2032	\$145,000
	September 1, 2033*	150,000

\*Final Maturity

At its option, to be exercised on or before the forty-fifth (45th) day next preceding any such redemption date, the City may (i) deliver to the Registration Agent for cancellation the Public Improvement Bonds maturing September 1, 2026, September 1, 2028, September 1, 2031, and September 1, 2033 to be redeemed, in any aggregate principal amount desired, and/or (ii) receive a credit in respect of its redemption obligation under this mandatory redemption provision for any Public Improvement Bonds of the maturity to be redeemed which prior to said date have been purchased or redeemed (otherwise than through the operation of this mandatory sinking fund redemption provision) and canceled by the Registration Agent and not theretofore applied as a credit against any redemption obligation under this mandatory sinking fund provision. Each Public Improvement Bond maturing September 1, 2026, September 1, 2028, September 1, 2031, and September 1, 2033 so delivered or previously purchased or redeemed shall be credited by the Registration Agent at 100% of the principal amount thereof on the obligation of the City on such payment date and any excess shall be credited on future redemption obligations in chronological order, and the principal amount of the Public Improvement Bonds to be redeemed by operation of this mandatory sinking fund provision shall be accordingly reduced.

Subject to the credit hereinafter provided, the City shall redeem the Water and Sewer Bonds maturing September 1, 2027, September 1, 2030, and September 1, 2033 on the redemption dates set forth below opposite the maturity dates, in aggregate principal amounts equal to the respective dollar amounts set forth below opposite the respective redemption dates at a price of par plus accrued interest thereon to the date of redemption. DTC or such Depository as shall then be serving as the securities depository for the Water and Sewer Bonds, shall determine the interest of each Participant in the Bonds to be redeemed using its procedures generally in use at that time. If DTC, or another securities depository is no longer serving as securities depository for the Water and Sewer Bonds, the Water and Sewer Bonds to be redeemed within a maturity shall be selected by the Registration Agent by lot or such other random manner as the Registration Agent in its discretion shall select. The dates of redemption and principal amount of Bonds to be redeemed on said dates are as follows:

<u>Final Maturity</u>	<u>Redemption Date</u>	<u>Principal Amount of Bonds Redeemed</u>
September 1, 2027	September 1, 2025	\$70,000
	September 1, 2026	70,000
	September 1, 2027*	75,000

<u>Final Maturity</u>	<u>Redemption Date</u>	<u>Principal Amount of Bonds Redeemed</u>
September 1, 2030	September 1, 2028	\$75,000
	September 1, 2029	80,000
	September 1, 2030*	80,000



<u>Final Maturity</u>	<u>Redemption Date</u>	<u>Principal Amount of Bonds Redeemed</u>
September 1, 2033	September 1, 2031	\$85,000
	September 1, 2032	90,000
	September 1, 2033*	90,000

\*Final Maturity

At its option, to be exercised on or before the forty-fifth (45th) day next preceding any such redemption date, the City may (i) deliver to the Registration Agent for cancellation the Water and Sewer Bonds maturing September 1, 2027, September 1, 2030, and September 1, 2033 to be redeemed, in any aggregate principal amount desired, and/or (ii) receive a credit in respect of its redemption obligation under this mandatory redemption provision for any Water and Sewer Bonds of the maturity to be redeemed which prior to said date have been purchased or redeemed (otherwise than through the operation of this mandatory sinking fund redemption provision) and canceled by the Registration Agent and not theretofore applied as a credit against any redemption obligation under this mandatory sinking fund provision. Each Water and Sewer Bond maturing September 1, 2027, September 1, 2030, and September 1, 2033 so delivered or previously purchased or redeemed shall be credited by the Registration Agent at 100% of the principal amount thereof on the obligation of the City on such payment date and any excess shall be credited on future redemption obligations in chronological order, and the principal amount of the Water and Sewer Bonds to be redeemed by operation of this mandatory sinking fund provision shall be accordingly reduced.

#### **NOTICE OF REDEMPTION**

Notice of call for redemption, whether optional or mandatory, shall be given by the Registration Agent not less than twenty (20) nor more than sixty (60) days prior to the date fixed for redemption by sending an appropriate notice to the registered owners of the Bonds to be redeemed by first-class mail, postage prepaid, at the addresses shown on the Bond registration records of the Registration Agent as of the date of the notice; but neither failure to mail such notice nor any defect in any such notice so mailed shall affect the sufficiency of the proceedings for the redemption of any of the Bonds for which proper notice was given. As long as DTC, or a successor Depository, is the registered owner of the Bonds, all redemption notices shall be mailed by the Registration Agent to DTC, or such successor Depository, as the registered owner of the Bonds, as and when above provided, and neither the City nor the Registration Agent shall be responsible for mailing notices of redemption to DTC Participants or Beneficial Owners. Failure of DTC, or any successor Depository, to provide notice to any DTC Participant will not affect the validity of such redemption. From and after any redemption date, all Bonds called for redemption shall cease to bear interest if funds are available at the office of the Registration Agent for the payment thereof and if notice has been duly provided as set forth in the Bond Resolutions.

#### **DISCHARGE AND SATISFACTION OF BONDS**

The Bonds may be discharged and defeased in any one or more of the following ways:

- (a) By depositing sufficient funds as and when required with the Registration Agent, to pay the principal of and interest on such Bonds as and when the same become due and payable;
- (b) By depositing or causing to be deposited with any trust company or financial institution whose deposits are insured by the Federal Deposit Insurance Corporation or similar federal agency and which has trust powers (an "Agent"; which Agent may be the Registration Agent) in trust or escrow, on or before the date of maturity or redemption, sufficient money or Defeasance Obligations, as hereafter defined, the principal of and interest on which, when due and payable, will provide sufficient moneys to pay or redeem such Bonds and to pay interest thereon when due until the maturity or redemption date (provided, if such Bonds are to be redeemed prior to maturity thereof, proper notice of such redemption shall have been given or adequate provision shall have been made for the giving of such notice);
- (c) By delivering such Bonds to the Registration Agent, for cancellation by it;

and if the City shall also pay or cause to be paid all other sums payable under the Bond Resolutions, or make adequate provision therefor, and by resolution of the Board of Mayor and Aldermen instruct any such Agent to pay amounts when and as required to the Registration Agent for the payment of principal of and interest on such Bonds when due, then such Bonds shall be discharged and satisfied and all covenants, agreements and obligations of the City to the holders of such Bonds shall be fully discharged and satisfied.

If the City pays and discharges the indebtedness evidenced by any of the Bonds in the manner provided in either clause (a) or clause (b) above, then the registered owners of such Bonds shall thereafter be entitled only to payment out of the money or Defeasance Obligations.

Defeasance Obligations are direct obligations of, or obligations, the principal of and interest on which are guaranteed by, the United States of America, or any agency thereof, obligations of any agency or instrumentality of the United States or any other obligations at the time of the purchase thereof are permitted investments under Tennessee law for the purposes described above, which bonds or other obligations shall not be subject to redemption prior to their maturity other than at the option of the registered owner thereof. Tennessee law, as codified, currently permits the use of the following as Defeasance Obligations:

- (a) Direct obligation of, or obligations, the principal of and interest on which are guaranteed by, the United States;
- (b) Obligations of any agency or instrumentality of the United States;
- (c) Certificates of deposit issued by a bank or trust company located in the state of Tennessee; provided, that such certificates shall be secured by a pledge of any of the obligations referred to in subdivisions (a) and (b) having an aggregate market value, exclusive of accrued interest, equal at least to the principal amount of the certificates of deposit so secured; or
- (d) Obligations which are rated in either of the top two (2) highest rated categories by a nationally recognized rating agency of such obligations and whose interest income is exempt from tax by the United States, which are direct general obligations of the state or a political subdivision thereof or obligations guaranteed by the state, to the payment of the principal of and interest on which the full faith and credit of the state are pledged or obligations of any other state or political subdivision or instrumentality thereof; provided, that approval of the Director of State and Local Finance is first obtained.

#### **PURPOSES OF THE ISSUE**

The Public Improvement Bonds are issued for the purposes of financing, in whole or in part, (i) construction, repair, improvement and equipping of fire department stations and facilities; (ii) construction, repair and improvement of streets, roads, greenways and bridges, including sidewalks, signage, signalization and drainage improvements; (iii) acquisition of all property, real or personal, appurtenant to the foregoing; (iv) payment of architectural, engineering, legal, fiscal and administrative costs incident to the foregoing; (v) reimbursement to the City for funds previously expended for any of the foregoing; (vi) refinancing certain outstanding debt of the City as described herein (see “THE BONDS – PLAN OF REFUNDING”) and (vii) payment of the costs related to the issuance and sale of the Public Improvement Bonds.

The Water and Sewer Bonds are being issued for the purposes of financing, in whole or in part, (i) construction of extensions and improvements to the water and sewer system (the “System”) of the City; (ii) acquisition of all property real and personal, appurtenant to the foregoing; (iii) payment of legal, fiscal, administrative, architectural and engineering costs incident to the foregoing; (iv) reimbursement to the City for funds previously expended for any of the foregoing; (v) refinancing certain outstanding debt of the City as described herein (see “THE BONDS – PLAN OF REFUNDING”) and (vi) payment of costs incident to the issuance and sale of the Water and Sewer Bonds.

#### **AUTHORITY FOR ISSUANCE OF THE BONDS**

The Bonds are being issued by the City pursuant to the provisions of Title 9, Chapter 21, Parts 1, 2, and 9 Tennessee Code Annotated, as supplemented and amended, and other applicable provisions of law, and the resolutions adopted by the Board of Mayor and Aldermen of the City on September 10, 2013 and September 24, 2013 (collectively, the “Bond Resolutions”).

## SECURITY

**Public Improvement Bonds.** The Public Improvement Bonds constitute general obligation bonds of the City for the payment of which the City has validly and irrevocably pledged its full faith and credit. The principal of and interest on the Public Improvement Bonds are payable from unlimited ad valorem taxes to be levied on all taxable property within the corporate limits of the City.

**Water and Sewer Bonds.** The principal of and interest on the Water and Sewer Bonds are payable primarily from and secured by a lien on the revenues to be derived from the operation of the System, including all improvements, extensions, or additions thereto, subject only to the payment of the reasonable and necessary costs of operating, maintaining, repairing and insuring said System and, to the extent outstanding, to prior pledges of such revenues in favor of the City's Water and Sewer Revenue and Tax Bonds, Series 2005, dated September 29, 2005; its Water and Sewer Revenue and Tax Bonds, Series 2006, dated September 26, 2006; its Water and Sewer Revenue and Tax Bonds, Series 2007, dated September 12, 2007; its Water and Sewer Revenue and Tax Bonds, Series 2009, dated September 9, 2009; its Water and Sewer Revenue and Tax Series 2010, dated August 26, 2010, its Water and Sewer Revenue and Tax Refunding Bonds, Series 2011, dated September 7, 2011, and its Water and Sewer Revenue and Tax Refunding and Improvement Bonds, Series 2012, dated September 27, 2012 . In the event of a deficiency in such revenues, the principal of and interest on the Water and Sewer Bonds are payable from unlimited ad valorem taxes to be levied on all taxable property within the corporate limits of the City.

## REMEDIES

Any holder of the Bonds may by mandamus or other suit, action or proceeding, enforce such holder's rights against the City, the Board of Mayor and Aldermen or any officer, agent or employee of the City, including but not limited to, the right to require the City, the Board of Mayor and Aldermen and any proper officer, agent or employee of the City to assess, levy and collect taxes to pay when due principal and interest on the Bonds.

## PLAN OF REFUNDING

The Public Improvement Bonds are being issued in part to provide the funds to refund the outstanding portions of the following maturities of the City's outstanding General Obligation Refunding and Improvement Bonds, Series 2005 ("Public Improvement Refunded Bonds"), dated September 29, 2005.

### General Obligation Public Improvement Bonds, Series 2005

<u>Maturity</u>	<u>Coupon</u>	<u>Principal</u>	<u>Call Date</u>	<u>Call Price</u>
9/1/2014	3.500%	\$465,000	11/22/2013	101.00%
9/1/2015	3.550%	485,000	11/22/2013	101.00
9/1/2016	3.650%	500,000	11/22/2013	101.00
9/1/2017	3.700%	520,000	11/22/2013	101.00
9/1/2018	3.750%	<u>540,000</u>	11/22/2013	101.00
		\$2,510,000		

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The Water and Sewer Bonds are being issued in part to provide the funds to refund the outstanding portions of the following maturities of the City's outstanding Water and Sewer Revenue and Tax Refunding and Improvement Bonds, Series 2005 ("Water and Sewer Refunded Bonds"), dated September 29, 2005.

**Water and Sewer Revenue and Tax Refunding and Improvement Bonds, Series 2005**

<u>Maturity</u>	<u>Coupon</u>	<u>Principal</u>	<u>Call Date</u>	<u>Call Price</u>
9/1/2014	3.500%	\$120,000	11/22/2013	101.00%
9/1/2015	3.550%	125,000	11/22/2013	101.00
9/1/2016	3.650%	135,000	11/22/2013	101.00
9/1/2017	3.700%	140,000	11/22/2013	101.00
9/1/2018	3.750%	<u>140,000</u>	11/22/2013	101.00
		\$660,000		

The Public Improvement Refunded Bonds and the Water and Sewer Refunded Bonds (collectively "the Refunded Bonds") will be called on the dates, at prices and in amounts as provided in the above tables. Upon issuance of the Bonds, the City will irrevocably instruct the paying agent for the Refunded Bonds to redeem the Refunded Bonds on the applicable redemption dates. Such designations for redemption will be irrevocable upon issuance of the Bonds.

Pursuant to the Bond Resolutions, the City will enter into a Refunding Escrow Agreement with U.S. Bank National Association, Nashville, Tennessee (the "Escrow Agent"). Proceeds of the Bonds and other available monies, if required, will be deposited into an escrow fund (the "Escrow Fund") and either held in cash or used to acquire direct general obligations of or obligations the payment of principal of and interest on which is unconditionally guaranteed by the United States of America (the "Government Obligations"). Monies in the Escrow Fund and any interest earned thereon will be sufficient, and will be used to pay (i) the respective redemption prices of the Refunded Bonds on their respective redemption dates and (ii) the interest on the Refunded Bonds due on and prior to such redemption dates.

Upon issuance of the Bonds, the Refunded Bonds will be irrevocably designated for redemption and provision will be made by the City for the giving of notices of redemption of the Refunded Bonds. While DTC or its nominee is the registered owner of the Refunded Bonds, such notices will be sent to DTC and the City shall not be responsible for mailing notices of redemption to Direct DTC Participants or Indirect DTC Participants or to the Beneficial Owners of the Refunded Bonds.

**BOOK-ENTRY ONLY SYSTEM**

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee). One fully-registered Bond certificate will be issued in the aggregate principal amount of each maturity of the Bonds, and will be deposited with DTC.

DTC is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds securities that its participants ("Participants") deposit with DTC. DTC also facilitates the settlement among Participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerized book-entry changes in Participants' accounts, thereby eliminating the need for physical movement of securities certificates. Direct Participants include securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is owned by a number of its Direct Participants and by the New York Stock Exchange, Inc., the American Stock Exchange, Inc., and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as securities brokers and dealers, banks, and trust companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect

Participants"). The Rules applicable to DTC and its Participants are on file with the Securities and Exchange Commission.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. The deposit of Bonds with DTC and their registration in the name of Cede & Co. effect no change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Neither DTC nor Cede & Co. will consent or vote with respect to the Bonds. Under its usual procedures, DTC mails an Omnibus Proxy to the City as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Bonds will be made to DTC. DTC's practice is to credit Direct Participants' accounts on the payable date in accordance with their respective holdings shown on DTC's records unless DTC has reason to believe that it will not receive payment on the payable date. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name" and will be the responsibility of such Participant and not of DTC or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to DTC is the responsibility of the City or the Registration Agent, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Bonds at any time by giving reasonable notice to the City. Under such circumstances, in the event that a successor securities depository is not obtained, Bond certificates are required to be printed and delivered.

The City may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the City believes to be reliable, but the City takes no responsibility for the accuracy thereof.

The City has no responsibility or obligation to Participants or to any Beneficial Owner with respect to (i) the accuracy of any records maintained by DTC or any Participant; (ii) the payment by DTC or any Participant of any amount with respect to the principal of or interest on the Bonds; (iii) the delivery or timeliness of delivery by any Participant or any notice to any Beneficial Owner which is required or permitted under the terms of the Bond Resolutions to be given to bondholders; or (iv) any consent given or other action taken by DTC or Cede & Co. as bondholder.

#### **CONTINUING DISCLOSURE**

The City will, at the time the Bonds are delivered, execute a Continuing Disclosure Certificate under which it will covenant for the benefit of the holders and Beneficial Owners of the Bonds to provide certain financial information and operating data relating to the City and to provide notice of the occurrence of certain enumerated events and notice of failure of the City to provide any required financial information. The information, data and

notices described above will be filed or caused to be filed by the City with the Municipal Securities Rulemaking Board (“MSRB”) at [emma.msrb.org](http://emma.msrb.org) and with any state information depository which may hereafter be established in Tennessee. The specific nature of the information, data and notices can be found in the form of the Continuing Disclosure Certificate attached hereto as Appendix C. These covenants have been made in order to assist the Underwriter in complying with Securities and Exchange Commission Rule 15c2-12(b), as it may be amended from time to time (the “Rule”). The City has never failed to comply with a previous undertaking with respect to the Rule.

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**SOURCES AND USES OF FUNDS**

	<b>Public Improvement Bonds</b>	<b>Water and Sewer Bonds</b>	<b>Total</b>
<b>Sources:</b>			
Par Value of Bonds	\$4,690,000.00	\$2,005,000.00	\$6,695,000.00
Premium	225,221.10	85,204.15	310,425.25
Equity Contribution	<u>20,527.31</u>	<u>5,398.88</u>	<u>25,926.19</u>
Total Sources	<u>\$4,935,748.41</u>	<u>\$2,095,603.03</u>	<u>\$7,031,351.44</u>
<b>Uses:</b>			
Project Funds	\$2,274,000.00	\$1,375,000.00	\$3,649,000.00
Escrow Deposit	2,555,627.31	671,998.88	3,227,626.19
Cost of Issuance <sup>1</sup>	62,522.11	29,965.34	92,487.45
Underwriter's Discount	<u>43,598.99</u>	<u>18,638.81</u>	<u>62,237.80</u>
Total Uses	<u>\$4,935,748.41</u>	<u>\$2,095,603.03</u>	<u>\$7,031,351.44</u>

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<sup>1</sup> Includes Contingency

## LONG-TERM DEBT SERVICE

### Public Improvement Bonds As of June 30, 2013 (Unaudited)

Fiscal Year Ending	Existing Public Improvement Bonds			Less: Public Improvement Refunded Bonds			Plus: Series 2013 Bonds			Total Public Improvement Debt		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
6/30/2014	2,555,000	740,655	3,295,655	-	45,616	45,616	-	51,287	51,287	2,555,000	746,325	3,301,325
6/30/2015	2,575,000	677,255	3,252,255	465,000	83,095	548,095	535,000	136,219	671,219	2,645,000	730,379	3,375,379
6/30/2016	2,755,000	614,135	3,369,135	485,000	66,349	551,349	560,000	119,794	679,794	2,830,000	667,580	3,497,580
6/30/2017	2,595,000	546,010	3,141,010	500,000	48,615	548,615	575,000	102,769	677,769	2,670,000	600,164	3,270,164
6/30/2018	2,595,000	474,473	3,069,473	520,000	29,870	549,870	590,000	85,294	675,294	2,665,000	529,896	3,194,896
6/30/2019	2,660,000	401,153	3,061,153	540,000	10,125	550,125	615,000	67,219	682,219	2,735,000	458,246	3,193,246
6/30/2020	2,185,000	335,179	2,520,179	-	-	-	95,000	56,569	151,569	2,280,000	391,748	2,671,748
6/30/2021	1,975,000	279,059	2,254,059	-	-	-	100,000	53,644	153,644	2,075,000	332,703	2,407,703
6/30/2022	1,655,000	227,590	1,882,590	-	-	-	105,000	50,569	155,569	1,760,000	278,159	2,038,159
6/30/2023	1,245,000	184,228	1,429,228	-	-	-	105,000	47,419	152,419	1,350,000	231,647	1,581,647
6/30/2024	1,105,000	150,595	1,255,595	-	-	-	110,000	44,194	154,194	1,215,000	194,789	1,409,789
6/30/2025	1,075,000	121,698	1,196,698	-	-	-	115,000	40,819	155,819	1,190,000	162,516	1,352,516
6/30/2026	1,105,000	91,568	1,196,568	-	-	-	115,000	37,369	152,369	1,220,000	128,936	1,348,936
6/30/2027	515,000	66,620	581,620	-	-	-	120,000	33,844	153,844	635,000	100,464	735,464
6/30/2028	535,000	47,393	582,393	-	-	-	125,000	30,169	155,169	660,000	77,562	737,562
6/30/2029	335,000	31,934	366,934	-	-	-	125,000	26,419	151,419	460,000	58,353	518,353
6/30/2030	345,000	20,166	365,166	-	-	-	130,000	22,431	152,431	475,000	42,597	517,597
6/30/2031	200,000	10,838	210,838	-	-	-	135,000	17,956	152,956	335,000	28,794	363,794
6/30/2032	125,000	5,775	130,775	-	-	-	140,000	13,144	153,144	265,000	18,919	283,919
6/30/2033	130,000	1,950	131,950	-	-	-	145,000	8,066	153,066	275,000	10,016	285,016
6/30/2034	-	-	-	-	-	-	150,000	2,719	152,719	150,000	2,719	152,719
Total	28,265,000	5,028,273	33,293,273	2,510,000	283,670	2,793,670	4,690,000	1,047,909	5,737,909	30,445,000	5,792,511	36,237,511



**Water and Sewer Bonds**  
**As of June 30, 2013**  
**(Unaudited)**

Fiscal Year Ending	Existing Water and Sewer Bonds			Less: Water and Sewer Refunded Bonds			Plus: Water and Sewer Bonds			Total Water and Sewer Debt		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
6/30/2014	1,165,000	308,235	1,473,235	-	11,998	11,998	-	22,310	22,310	1,165,000	318,547	1,483,547
6/30/2015	1,170,000	281,528	1,451,528	120,000	21,895	141,895	165,000	60,271	225,271	1,215,000	319,904	1,534,904
6/30/2016	1,270,000	254,349	1,524,349	125,000	17,576	142,576	175,000	55,171	230,171	1,320,000	291,944	1,611,944
6/30/2017	1,210,000	225,421	1,435,421	135,000	12,894	147,894	185,000	49,771	234,771	1,260,000	262,299	1,522,299
6/30/2018	970,000	197,995	1,167,995	140,000	7,840	147,840	190,000	44,146	234,146	1,020,000	234,301	1,254,301
6/30/2019	990,000	172,398	1,162,398	140,000	2,625	142,625	190,000	38,446	228,446	1,040,000	208,219	1,248,219
6/30/2020	870,000	148,574	1,018,574	-	-	-	60,000	34,696	94,696	930,000	183,271	1,113,271
6/30/2021	890,000	126,140	1,016,140	-	-	-	60,000	32,896	92,896	950,000	159,036	1,109,036
6/30/2022	920,000	101,755	1,021,755	-	-	-	65,000	31,021	96,021	985,000	132,776	1,117,776
6/30/2023	715,000	78,556	793,556	-	-	-	65,000	29,071	94,071	780,000	107,628	887,628
6/30/2024	620,000	60,010	680,010	-	-	-	65,000	27,121	92,121	685,000	87,131	772,131
6/30/2025	395,000	46,552	441,552	-	-	-	70,000	25,096	95,096	465,000	71,648	536,648
6/30/2026	405,000	35,626	440,626	-	-	-	70,000	22,996	92,996	475,000	58,623	533,623
6/30/2027	195,000	26,512	221,512	-	-	-	70,000	20,896	90,896	265,000	47,408	312,408
6/30/2028	200,000	19,384	219,384	-	-	-	75,000	18,721	93,721	275,000	38,106	313,106
6/30/2029	130,000	13,634	143,634	-	-	-	75,000	16,321	91,321	205,000	29,955	234,955
6/30/2030	135,000	9,133	144,133	-	-	-	80,000	13,686	93,686	215,000	22,819	237,819
6/30/2031	75,000	5,625	80,625	-	-	-	80,000	10,966	90,966	155,000	16,591	171,591
6/30/2032	75,000	3,375	78,375	-	-	-	85,000	8,066	93,066	160,000	11,441	171,441
6/30/2033	75,000	1,125	76,125	-	-	-	90,000	4,894	94,894	165,000	6,019	171,019
6/30/2034	-	-	-	-	-	-	90,000	1,631	91,631	90,000	1,631	91,631
Total	12,475,000	2,115,926	14,590,926	660,000	74,828	734,828	2,005,000	568,197	2,573,197	13,820,000	2,609,296	16,429,296

**STATEMENT OF DEBT**

**As of June 30, 2013  
(Unaudited)**

General Obligation Bonded Debt:		
Existing G.O. Bonds	\$ 28,265,000	
Less: the Refunded Bonds	(2,510,000)	
Add: The Public Improvement Bonds	4,690,000	
Total Public Improvement Bonded Debt		\$ 30,445,000
Existing Water and Sewer Bonds	\$ 12,475,000	
Less: the Refunded Bonds	(660,000)	
Add: The Water and Sewer Bonds	2,005,000	
Total Water and Sewer Bonded Debt		\$ 13,820,000
Total Bonded Debt		44,265,000
Less Self Supporting Debt		(13,820,000)
Net Bonded Debt		\$ 30,445,000
Net Overlapping Bonded Debt		\$ 80,945,813
Less: Self-Supporting Bonded Debt		-
Net Overlapping Bonded Debt		80,945,813
Bonded Debt Outstanding Including Overlapping Bonded Debt		125,210,813
Net Bonded Debt Outstanding Including Net Overlapping Bonded Debt		\$ 111,390,813
	<u>City of</u>	<u>City and Net</u>
	<u>Bartlett</u>	<u>Overlapping</u>
Net Direct Debt Per Capita	\$557	\$2,040
Total Debt Per Capita	\$811	\$2,293
Net Debt / Actual Value	0.74%	2.71%
Total Debt / Actual Value	1.08%	3.04%
Net Debt / Assessed Value	2.67%	9.76%
Total Debt / Assessed Value	3.88%	10.97%
	<u>Bartlett</u>	<u>Shelby</u>
		<u>County</u>
FY 2012 Assessed Value	\$ 1,141,281,872	\$ 18,999,484,095
FY 2012 Appraised Value	\$ 4,115,082,776	\$ 64,287,973,984
2012 Estimated Population	54,613	927,644

Shelby County's Net Bonded Debt as of June 30, 2012 \$ 1,347,545,008

Bartlett's Assessed Value as a Percentage of Shelby County's Assessed Value: 6.01 %

## CAPITAL IMPROVEMENT PROGRAM

The Capital Improvement Program (“CIP”), included in the Fiscal Year 2014 budget, is a five-year plan for general and utility improvements through Fiscal Year 2018. The current five-year plan includes projects for improvements to City buildings, construction of and improvements to roads, bridges and parks, and improvements to the System. The City anticipates issuing a maximum of \$7,115,000 combined public improvement and water and sewer revenue and tax bonds in each year of the CIP, excluding any bonds issued to refund outstanding debt of the City. The City may also borrow a maximum of \$932,000 of short term loans to finance vehicle and capital equipment in each year of the five-year CIP.

## OPINIONS OF COUNSEL

Legal matters incident to the authorization and sale of the Bonds are subject to the unqualified approving opinions of Bass, Berry & Sims PLC, Nashville, Tennessee, Bond Counsel. See Appendix B. Certain legal matters will be passed upon for the City by Ed McKenney, Jr., Esquire, Counsel to the City.

## TAX MATTERS

### FEDERAL TAXES

**General.** Bass, Berry & Sims PLC, Nashville, Tennessee, is Bond Counsel for the Bonds. Their opinion under existing law, relying on certain statements by the City and assuming compliance by the City with certain covenants, is that interest on the Bonds:

- is excluded from a bondholder’s federal gross income under the Internal Revenue Code of 1986,
- is not a preference item for a bondholder under the federal alternative minimum tax, and
- is included in the adjusted current earnings of a corporation under the federal corporate alternative minimum tax.

The Internal Revenue Code of 1986, as amended (the “Code”), imposes requirements on the Bonds that the City must continue to meet after the Bonds are issued. These requirements generally involve the way that Bond proceeds must be invested and ultimately used. If the City does not meet these requirements, it is possible that a bondholder may have to include interest on the Bonds in its federal gross income on a retroactive basis to the date of issue. The City has covenanted to do everything necessary to meet these requirements of the Code.

A bondholder who is a particular kind of taxpayer may also have additional tax consequences from owning the Bonds. This is possible if a bondholder is:

- an S corporation,
- a United States branch of a foreign corporation,
- a financial institution,
- a property and casualty or a life insurance company,
- an individual receiving Social Security or railroad retirement benefits,
- an individual claiming the earned income credit or
- a borrower of money to purchase or carry the Bonds.

If a bondholder is in any of these categories, it should consult its tax advisor.

Bond Counsel is not responsible for updating its opinion in the future. It is possible that future events or changes in applicable law could change the tax treatment of the interest on the Bonds or affect the market price of the Bonds. See also “Changes in Federal and State Tax Law” below in this heading.

Bond Counsel expresses no opinion on the effect of any action taken or not taken in reliance upon an opinion of other counsel on the federal income tax treatment of interest on the Bonds, or under State, local or foreign tax law.

**Bond Premium.** If a bondholder purchases a Bond for a price that is more than the principal amount, generally the excess is “Bond premium” on that Bond. The tax accounting treatment of Bond premium is complex. It is amortized over time and as it is amortized a bondholder’s tax basis in that Bond will be reduced. The holder of

a Bond that is callable before its stated maturity date may be required to amortize the premium over a shorter period, resulting in a lower yield on such Bonds. A bondholder in certain circumstances may realize a taxable gain upon the sale of a Bond with Bond premium, even though the Bond is sold for an amount less than or equal to the owner's original cost. If a bondholder owns any Bonds with Bond premium, it should consult its tax advisor regarding the tax accounting treatment of Bond premium.

***Information Reporting and Backup Withholding.*** Information reporting requirements apply to interest on tax-exempt obligations, including the Bonds. In general, such requirements are satisfied if the interest recipient completes, and provides the payor with a Form W-9, "Request for Taxpayer Identification Number and Certification," or if the recipient is one of a limited class of exempt recipients. A recipient not otherwise exempt from information reporting who fails to satisfy the information reporting requirements will be subject to "backup withholding," which means that the payor is required to deduct and withhold a tax from the interest payment, calculated in the manner set forth in the Code. For the foregoing purpose, a "payor" generally refers to the person or entity from whom a recipient receives its payments of interest or who collects such payments on behalf of the recipient.

If an owner purchasing a Bond through a brokerage account has executed a Form W-9 in connection with the establishment of such account, as generally can be expected, no backup withholding should occur. In any event, backup withholding does not affect the excludability of the interest on the Bonds from gross income for Federal income tax purposes. Any amounts withheld pursuant to backup withholding would be allowed as a refund or a credit against the owner's Federal income tax once the required information is furnished to the Internal Revenue Service.

***Qualified Tax-Exempt Obligations.*** Under the Code, in the case of certain financial institutions, no deduction from income under the federal tax law will be allowed for that portion of such institution's interest expense which is allocable to tax-exempt interest received on account of tax-exempt obligations acquired after August 7, 1986. The Code, however, provides that certain "qualified tax-exempt obligations", as defined in the Code, will be treated as if acquired on August 7, 1986. Based on an examination of the Code and the factual representations and covenants of the City as to the Bonds, Bond Counsel has determined that the Bonds upon issuance will be "qualified tax-exempt obligations" within the meaning of the Code.

## **STATE TAXES**

Under existing law, the Bonds and the income therefrom are exempt from all present state, county and municipal taxes in Tennessee except (a) inheritance, transfer and estate taxes, (b) Tennessee excise taxes on interest on the Bonds during the period the Bonds are held or beneficially owned by any organization or entity, or other than a sole proprietorship or general partnership doing business in the State of Tennessee, and (c) Tennessee franchise taxes by reason of the inclusion of the book value of the Bonds in the Tennessee franchise tax base of any organization or entity, other than a sole proprietorship or general partnership, doing business in the State of Tennessee.

## **CHANGES IN FEDERAL AND STATE TAX LAW**

From time to time, there are Presidential proposals, proposals of various federal committees, and legislative proposals in the Congress and in the states that, if enacted, could alter or amend the federal and state tax matters referred to herein or adversely affect the marketability or market value of the Bonds or otherwise prevent holders of the Bonds from realizing the full benefit of the tax exemption of interest on the Bonds. Further, such proposals may impact the marketability or market value of the Bonds simply by being proposed. It cannot be predicted whether or in what form any such proposal might be enacted or whether if enacted it would apply to Bonds issued prior to enactment. For example, the Fiscal Year 2014 Budget proposed on April 10, 2013, by the Obama Administration recommends a 28% limitation on itemized deductions and "tax preferences," including "tax-exempt interest." The net effect of such proposal, if enacted into law, would be that an owner of a Bond with a marginal tax rate in excess of 28% would pay some amount of federal income tax with respect to the interest on such Bonds. In addition, regulatory actions are from time to time announced or proposed and litigation is threatened or commenced which, if implemented or concluded in a particular manner, could adversely affect the market value, marketability or tax status of the Bonds. It cannot be predicted whether any such regulatory action will be implemented, how any particular litigation or judicial action will be resolved, or whether the Bonds would be impacted thereby. Purchasers of the Bonds should consult their tax advisors regarding any pending or proposed legislation, regulatory initiatives or litigation. The opinions expressed by Bond Counsel are based upon existing legislation and regulations as

interpreted by relevant judicial and regulatory authorities as of the date of issuance and delivery of the Bonds, and Bond Counsel has expressed no opinion as of any date subsequent thereto or with respect to any proposed or pending legislation, regulatory initiatives or litigation.

#### **MISCELLANEOUS**

Prospective purchasers of the Bonds should consult their own tax advisors regarding the foregoing matters.

#### **LITIGATION**

At the time of delivery of the Bonds, the City will certify that there is no litigation or other proceedings of any nature pending or to the knowledge of the City threatened to restrain or enjoin the sale, execution, issuance or delivery of the Bonds or in any way contesting the validity of the Bonds or affecting corporate existence or the boundaries of the City or the titles of its officers to the respecting offices or the power of the City to collect rates charged for the System, or the power of the City to levy and collect taxes to pay principal of and interest on the Bonds.

The City, like other similar bodies, is subject to a variety of suits and proceedings arising in the ordinary conduct of its affairs. After reviewing the current status of all pending and threatened litigation with its counsel, the City believes that, while the outcome of litigation cannot be predicted, the final settlement of all lawsuits which have been filed and of any actions or claims pending or threatened against the City or its officials in such capacity are adequately covered by insurance or by sovereign immunity or will not have a material adverse effect upon the City's financial condition.

On July 16, 2013, voters in the City approved the creation of a municipal school district. Establishment of a municipal school system by the City has and continues to be the subject of litigation, and certain issues remain pending in Federal Court in Memphis and are unresolved as of the date hereof. It is impossible to predict the outcome of any such litigation at this time. If the creation of the City's municipal school system proceeds, it is expected that significant capital and operational costs may be incurred by the City. In August 2012, voters approved by referendum an increase of the local option sales tax rate by 0.5 percent, the proceeds of which may be used for general purposes as directed by the City's legislative body. Collections from this increase are projected to total \$3.60 million annually. While not specifically designated for schools, the City projects an equivalent of \$1.56 million or 43.3% of this revenue will be appropriated as its contribution to the municipal school system on an annual basis. See Part II – "ECONOMIC AND DEMOGRAPHIC INFORMATION – EDUCATION" attached hereto.

#### **RATINGS**

Moody's Investors Service and Standard & Poor's Rating Services have given the Bonds ratings of Aa1 and AAA, respectively. The ratings reflect only the views of the respective rating agency. Any explanation of the significance of the rating may be obtained only from the rating agency. The City furnished to the rating agencies certain information and materials, some of which may not have been included in this Official Statement, relating to the City as well as outstanding securities of the City. Generally, rating agencies base their ratings upon such information, materials, investigation, studies, and assumptions by the rating agencies. There can be no assurance that a rating will continue for any given period of time or that it will not be lowered or withdrawn entirely by a rating agency if in its judgment circumstances so warrant. Any such downward change in or withdrawal of a rating may have an adverse effect on the marketability or market price of outstanding securities.

The City expects to furnish to the rating agencies information and materials that they may request. However, the City assumes no obligation to furnish requested information and materials, and may issue debt for which a rating is not requested. Failure to furnish requested information and materials, the issuance of debt for which a rating is not requested or the advance refunding of debt may result in the suspension or withdrawal of a rating agency's rating on the Bonds.

## **FINANCIAL ADVISOR**

This Official Statement has been prepared under the direction of the City by the Chief Administrative Officer and the Director of Finance with the assistance of Public Financial Management, Inc., Memphis, Tennessee, ("PFM") employed by the City to perform professional services in the capacity of financial advisor. In its role as financial advisor to the City, PFM has provided advice on the plan of financing and structure of the issue, reviewed and commented on certain legal documents and drafted certain portions of this Official Statement based upon information provided by the City, and verified the results of the competitive sale of the Bonds held on October 8, 2013. This information set forth herein has been obtained from the City and other sources which are believed to be reliable. PFM has not verified the factual information contained in this Official Statement but relied on the information supplied by the City and the City's Certificate as to Official Statement.

## **UNDERWRITING**

The Bonds are being purchased pursuant to a competitive sale held on October 8, 2013 for reoffering by Guggenheim Securities, LLC at an aggregate purchase price of \$6,943,187.45. Such purchase price results from adding original issue premium of \$310,425.25 to the par amount of \$6,695,000 and then subtracting from such amount the underwriter's discount of \$62,237.80. The City's Notice of Sale with respect to the Bonds requires that all of the Bonds be purchased by the Underwriter if any of the Bonds are purchased.

The Bonds will be offered at the respective initial public offering prices shown on the inside cover page of this Official Statement. The Underwriter may offer and sell the Bonds to certain dealers (including dealers depositing the Bonds into investment trusts) and others at prices lower than the public offering prices stated on the inside cover page hereof. The initial public offering prices may be changed from time to time by the Underwriter in its discretion.

## **AUDITED FINANCIAL STATEMENTS**

The balance sheets of the City as of June 30, 2012, and the related statement of revenues and expenditures and changes in fund balances and of cash flows for the year then ended have been audited by Watkins Uiberall, PLLC, independent certified public accountants. The audited financial statements and the report of Watkins Uiberall, PLLC are included in Appendix A hereto as part of the Official Statement.

## **FORWARD LOOKING STATEMENTS**

The statements contained in this Official Statement, and in any other information provided that are not purely historic, are forward-looking statements, including statements regarding the expectations, hopes, intentions, or strategies regarding the future.

Readers should not place undue reliance on forward-looking statements. All forward-looking statements included in this Official Statement are based on information available on the date hereof, and assumes no obligation to update any such forward-looking statements.

The forward-looking statements herein are necessarily based on various assumptions and estimates and are inherently subject to various risks and uncertainties, including risks and uncertainties relating to the possible invalidity of the underlying assumptions and estimates and possible changes or developments in social, economic, business, industry, market, legal and regulatory circumstances and conditions and actions taken or omitted to be taken by third parties, including customers, suppliers, business partners and competitors, and legislative, judicial and other governmental authorities and officials. Assumptions related to the foregoing involve judgments with respect to, among other things, future economic, competitive, and market conditions and future business and policy decisions, all of which are difficult or impossible to predict accurately and, therefore, there can be no assurance that the forward-looking statements included in this Official Statement would prove to be accurate.

## **MISCELLANEOUS**

The references herein to the Bonds, the Bond Resolutions and other materials not purporting to be quoted in full are only brief outlines of certain provisions thereof. Such outlines do not purport to be complete, and for full and complete statements of such provisions reference is made to such documents, copies of which are on file at the City. Any statements involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact.

**CERTIFICATE AS TO OFFICIAL STATEMENT**

At the time of payment for and delivery of the Bonds, the City will furnish the purchaser a certificate, signed by the Mayor, to the effect that (a) the descriptions and statements of or pertaining to the City contained in its Official Statement and any addendum thereto, for its Bonds, on the date of such Official Statement, on the date of sale of the Bonds and the acceptance of the best bid therefor, and on the date of the delivery, were and are true and correct in all material respects; (b) insofar as the City and its affairs, including its financial affairs, are concerned, such Official Statement did not and does not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of circumstances under which they were made, not misleading; (c) insofar as the descriptions and statements, including financial data, of or pertaining to entities other than the City, and their activities contained in such Official Statement are concerned, such statements and data have been obtained from sources which the City believes to be reliable and that the City has no reason to believe that they are untrue in any material respect; and (d) there has been no material adverse change in the financial condition of the City since June 30, 2012, the date of the last audited financial statements of the City appearing in Appendix A.

/s/ A. Keith McDonald  
Mayor

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**PART II**

**YEARLY INFORMATION STATEMENT**

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# CITY OF BARTLETT, TENNESSEE YEARLY INFORMATION STATEMENT

In addition to providing information as of and for the year ended June 30, 2012, the City of Bartlett, Tennessee intends that this Yearly Information Statement will be used, together with information to be specifically provided by the City for that purpose, in connection with the offering and issuance by the City of its securities.

The City of Bartlett has prepared a comprehensive annual financial report for fiscal year 2012 containing additional financial statements and other information for the periods covered by this Yearly Information Statement.

Although the City of Bartlett does not contract to do so, and does not represent that it will do so, it may maintain, from time to time, a mailing list of parties wishing to receive annual and other information regarding the City.

Please contact Mark S. Brown, Chief Administrative Officer or Dick Phebus, Director of Finance, P.O. Box 341148, Bartlett, Tennessee 38134 (901/385-6400) for questions regarding information in this Yearly Information Statement, copies of the Annual Financial Report or placement on the mailing list for the Yearly Information Statement.

The date of this Yearly Information Statement is June 30, 2012 and includes a portion of the annual audit from 2012. The information included in this statement is dated June 30, 2012 unless otherwise indicated.

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A separate Table of Contents for Part I has been included at the front of this Official Statement.

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No dealer, salesperson or other person has been authorized to give any information or to make any representations other than those in the Official Statement or any supplement which may be issued hereto in connection with the offering contained herein; and if given or made, such information or representations should not be relied upon as having been authorized.

The information, estimates and expressions of opinion in this Yearly Information Statement are subject to change without notice. The delivery of this Yearly Information Statement shall not, under any circumstances, create any implication that there has been no material change in the affairs of the City since the date of this Yearly Information Statement.

## **THE CITY OF BARTLETT**

### **INTRODUCTION**

The City of Bartlett (the "City") was originally chartered in 1866, rechartered in 1905, and again rechartered in 1993 by a private act of the Tennessee General Assembly (Private Chapter 55, Act of 1993). The City operates as a Mayor-Aldermen form of government, with the Mayor and six Aldermen being elected to four-year terms. All six Aldermen positions are at-large with three positions up for re-election alternately every two years. The Aldermen positions 1, 2, and 3 were elected in November 2010 and took office January 1, 2011 for four-year terms, while Aldermen positions 4, 5 and 6 were elected to four-year terms in November 2012 and took office January 1, 2013. The Mayor's position is full-time, and he serves as the Chief Executive Officer as well as chairman of the Board of Mayor and Aldermen.

The City's operations are carried out by the Mayor, and the various department directors, under policies established by the Board of Mayor and Aldermen.

The City has 523 full time equivalent (FTE) employees; 468 authorized full time positions, and 55 FTE converted from part-time and seasonal employees, as of June 30, 2013.

The City does not recognize any labor unions or trade associations.

### **FINANCIAL MANAGEMENT SYSTEM AND FINANCIAL INFORMATION**

#### **FINANCE AND ADMINISTRATION**

The Director of Finance is responsible for financial management of the City and reports directly to the Mayor. His responsibilities include budgeting, accounting, financial reporting, investment of City funds, and administration of the Employee Pension Fund.

#### **FISCAL YEAR**

The City operates on a fiscal year which commences July 1 and ends June 30.

#### **BUDGET**

The City's financial plans are set forth in annual capital and operating budgets which reflect the projection of all receipts from and disbursements to all sources. The Board of Mayor and Aldermen has final responsibility for establishing program and fiscal policies, approving the annual operating budget and Capital Improvement Program, and setting tax rate and fees for services. The Mayor is responsible for proposing programs.

#### **ACCOUNTING SYSTEM AND FINANCIAL REPORTING**

The City's accounting system is maintained by the Director of Finance. The City's financial statements are audited annually by independent certified public accountants. The report of such accountants with respect to the City's financial statements for the fiscal year ended June 30, 2012 is included herein.

#### **BASIS OF ACCOUNTING**

The modified accrual basis of accounting is followed by governmental fund types. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual, (*i.e.*, both measurable and available). Expenditures, other than interest on long-term debt, are recorded when the liabilities are incurred. The accrual basis of accounting is utilized by the Water and Sewer Fund.

A comprehensive statement of the City's accounting policies during the fiscal year ended June 30, 2012 is presented in Note 1 of the Notes to Financial Statements (see Appendix A).

#### **FUND ACCOUNTING**

The accounts of the City are organized on the basis of funds and accounts groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations.

## **GOVERNMENTAL FUNDS**

General Fund - The General Fund accounts for all revenues and expenditures not specifically designated for other funds. Most essential governmental services such as police and fire protection, community service, and general administration are accounted for in the General Fund.

Debt Service Fund - The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs.

Capital Projects Fund - Capital Projects Funds account for the financing of major capital facilities (other than those financed by proprietary funds, special assessment funds, and trust funds). These facilities are part of the City's fixed assets and are recorded in the general fixed assets account group. The residual equity in the Capital Projects Funds, if any, is returned to the General Fund.

Other Governmental Fund - The Other Governmental Fund, or Non-Major Governmental Fund, is used to account for the proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditures for specific purposes.

## **PROPRIETARY FUND**

Enterprise Fund - Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

The water and sewer fund is the City's only enterprise fund. It accounts for water and sewer fees in connection with the operation of the City's water and sewer system. The proceeds of several bond issues and loans have been used specifically for the construction or acquisition of water and sewer facilities. Since it is the intention of the City to repay these bonds and loans through water and sewer fund operations, these operations are reported in this fund.

Internal Service Fund - Internal service funds are used to account for activities that provide goods and services to other departments of the City.

The City's internal service funds are the Health and Welfare Fund, Workers' Compensation Fund and the Retirees Health Insurance Fund. These funds are used to account for employees' and employers' contributions and claims payments.

## **FUND BALANCES/RETAINED EARNINGS**

The City has been able to maintain positive year-end balances/retained earnings for its major operating funds during the fiscal years ending June 30, 1977-2012.

## **CITY RETIREMENT SYSTEM**

The City is the administrator of a single-employer public employee retirement system (PERS) established and administered by the City to provide pension benefits for its employees. The plan is a defined benefit plan and was created on July 1, 1989 with the transfer of assets from a defined contribution money purchase plan discontinued on June 30, 1989. Pension benefit obligation has not been retroactively calculated for prior years due to cost-benefit considerations. The PERS is considered to be part of the City's financial reporting entity and is included in the City's financial reports as a pension trust fund.

The City provides all employee retirement benefits through a single employer, contributory, defined benefit plan. Under the plan, all full-time employees are eligible at date of employment as a condition of such employment. Employees are 100% vested only after five years of service. The retirement benefit is calculated at 2.5% of average compensation during the highest consecutive three years of service multiplied by years of credit service not in excess of 25 plus 1% of average compensation multiplied by years of service greater than 25 but less than 35, with a maximum benefit of 72.5% of average compensation.

Covered employees contribute 4% of earnings to the retirement plan. The City is required to contribute amounts necessary to finance the coverage for its employees. Benefits and contributions are established by the City and may be amended only by the Board of Mayor and Aldermen.

The amount shown below as "pension benefit obligation" is a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases estimated to be payable in the future

as a result of employee service to date. The measure is the actuarial present value of credited projected benefits and is intended to help users assess the plan's funding status on a going-concern basis, assess progress made in accumulating sufficient assets to pay benefits when due, and make comparisons among plans. The measure is independent of the actuarial funding method used to determine contributions to the plan, discussed below.

The pension benefit obligation was determined by the City's actuaries as part of an updated actuarial valuation at July 1, 2012.

Significant actuarial assumptions used in computation included (a) a rate of return on the investment of present and futures assets of 7.5% per year compounded annually, (b) projected salary increases of 4% per year compounded annually, attributable to inflation, (c) no additional projected salary increases for seniority or merit, and (d) no post-retirement benefit increases. The actuarial value of the assets was determined by taking the average of the historical cost and the market value of the assets. The City's FY 2012 contribution was \$3,052,176 or 85% of Annual Required Contribution.

Pension benefit obligation:	
Annual required contribution	\$ 3,709,615
Interest on net pension obligation	135,651
Adjustment to annual required contribution	<u>(263,499)</u>
Annual pension cost	3,581,767
Contributions made	<u>3,052,176</u>
Increase (decrease) in net pension obligation	529,591
Net pension obligation beginning of year	<u>1,808,681</u>
Net pension obligation end of year	<u>\$ 2,338,272</u>

The annual required contribution for the current year was determined as part of the July 1, 2012 actuarial valuation using the aggregate actuarial cost method. The actuarial assumptions included (a) 7.5% investment rate of return (net of administrative expenses) and (b) projected salary increases of 4% per year. Both (a) and (b) included an inflation component of 2.5%. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments.

Trend information gives an indication of the progress made in accumulating sufficient assets to pay benefits when due. A six-year summary of funding progress has been presented in the City's Comprehensive Annual Financial Report's supplemental section. Following is a summary of the three-year trend for the years ended June 30:

Pension Trends  
as of July 1, 2012

	2012	2011 (as restated)	2010 (as restated)
Annual Pension Cost	\$3,581,767	\$3,323,279	\$3,765,765
Annual Pension Cost Contributed	85%	91%	82%
New Pension Obligation	\$2,338,272	\$1,808,681	\$1,513,530

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Six-year historical trend information (five years presented), designed to provide information about the Retirement System's progress made in accumulating sufficient assets to pay benefits when due is as follows:

Actuarial Valuation Date	Actuarial Valuation of Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability - FIL	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
7/1/2008	\$39,090,640	\$56,859,576	\$17,768,936	68.75%	\$20,682,097	86%
7/1/2009	\$35,635,995	\$52,870,665	\$17,234,670	67.40%	\$20,923,074	82%
7/1/2010	\$43,930,071	\$61,800,856	\$17,870,785	71.08%	\$21,398,047	84%
7/1/2011	\$46,749,452	\$63,984,119	\$17,234,667	73.06%	\$21,569,182	80%
7/1/2012	\$48,406,662	\$65,138,712	\$16,732,050	74.31%	\$21,797,237	77%

### POST EMPLOYMENT BENEFITS OTHER THAN PENSION

In addition to the pension benefits described above, the City provides post-employment healthcare benefits to employees who retire from the City under the provisions of the PERS. The City is contributing to an established OPEB Trust, annually. The cost of these benefits in fiscal year 2012 was \$2,352,147. As a result of Government Accounting Standards Board's Statement No. 45, Accounting and Financial Reporting by Employers for Post-employment Benefits Other Than Pensions ("GASB 45"), the City has accounted for retiree healthcare benefits on an actuarial basis beginning with fiscal year ending June 30, 2012.

On June 12, 2011, the Board of Mayor and Alderman approved changes to the Retiree Health Insurance plan. These changes included the following: retirees prior to Medicare eligible age would be responsible for 50% (up from 30%) of their health insurance premiums and once a retiree reaches Medicare eligible age, the retiree is no longer carried on the City's plan. However, the retiree and spouse (if applicable) will receive a Medicare supplement through a reimbursement up to \$2,400, annually from the City. In fiscal year 2012, the City increased the employer's annual required contribution ("ARC") from 2.5% to 5.0% of payroll.

### REVENUE SOURCES OF THE CITY

#### PROPERTY TAXES

The property tax (real estate and personal property) provides the City with a major source of revenue for a variety of functions.

The property tax levy is without legal limit. The Board of Mayor and Alderman reserves and allocates a portion of the property tax rate among general government, capital projects, and the repayment of the debt service on obligations which are not repaid from enterprise funds.

All real estate and personal property, including some utilities not under the jurisdiction of the Tennessee Regulatory Authority, are assessed by the Shelby County Assessor of Property. Utilities and carriers (railroads, truck lines, air lines, bus lines, etc.) are assessed by the Tennessee Regulatory Authority, and some intangible personal property assessments related to banks are assessed by the State Division of Property Assessments.

Personal property assessments are made annually based upon returns by the taxpayers and are therefore maintained on a current basis. Appraisals by the Tennessee Regulatory Authority for utilities and carriers are made annually based upon returns and are also maintained at current market value.

Shelby County Government completed a reappraisal of all property within the County for the 2014 tax year.

Real estate and personal property are assessed by the Shelby County Assessor of Property at the percent of total value indicated. All assessments may be appealed for review by the Shelby County Board of Equalization and the State Board of Equalization.



In 2007, the state legislature passed the Property Tax Freeze Act, which is a property tax freeze program for eligible taxpayers over 65, in those jurisdictions that adopt the law. The City adopted the act locally, and the impact on property tax revenues has not been material.

**ANALYSIS OF VALUE OF TAXABLE PROPERTY**

(As of April 2013)

	<b>Estimated</b>			
	<u>Actual Value <sup>(1)</sup></u>	<u>% of Total</u>	<u>Assessed Value</u>	<u>% of Total</u>
<b>Real Estate</b>				
Residential	\$3,162,153,900	80.9%	\$790,538,475	72.8%
Farm	12,462,900	0.3%	3,115,725	0.3%
Commercial	618,618,300	15.8%	247,447,320	22.8%
Industrial	109,343,500	2.8%	43,737,400	4.0%
Multiples	6,559,400	0.2%	1,529,810	0.1%
Total	<u>\$3,909,138,000</u>		<u>\$1,086,368,730</u>	
<b>Personal Property</b>				
Tangible	\$163,532,300	100.0%	\$49,061,100	100.0%
Intangible	0	0.0%	0	0.0%
Other	0	0.0%	0	0.0%
Total	<u>\$163,532,300</u>		<u>\$49,061,100</u>	
<b>Greenbelt Real Estate</b>				
Residential	\$1,618,600	33%	\$404,650	33%
Farm	3,230,800	65%	807,700	65%
Commercial	123,400	2%	30,850	2%
Industrial	0	0%	0	0%
Multiples	0	0%	0	0%
Total	<u>\$4,972,800</u>		<u>\$1,243,200</u>	
<b>Total</b>	<b>\$4,077,643,100</b>		<b>\$1,136,673,030</b>	

(1) All of Shelby County (in which Bartlett is located) was reappraised in 2013 to be effective fiscal year 2014. Information is provided from Shelby County Assessor's Office and the State of Tennessee Board of Equalization.

Public utilities are assessed by the Tennessee Regulatory Authority and are automatically reviewed by the State Board of Equalization. These assessments include real estate and personal property on basis of location or usage. Currently, under a ruling by the State Board of Equalization, the appraised value of public utilities is being reduced by multiplying it by a factor computed by dividing the appraised valuation for tax purposes of all real property within the county by the current market value. The assessed value is based on this reduced appraised value.

The tax rate is set annually by the Board of Mayor and Aldermen, and taxes are collected by the Director of Finance.

**SCHEDULE OF TAX ASSESSMENT, LEVIES, AND COLLECTIONS  
Last Ten Fiscal Years**

<u>Year Ended</u>	<u>Year of Tax Levy</u>	<u>Estimated Actual Value</u>	<u>Assessed Value</u>	<u>Tax Rate Per \$100 Valuation</u>	<u>Taxes Levied</u>	<u>Taxes Collected</u>	<u>% Tax Collected</u>
2003	2002	2,691,447,031	762,060,098	1.23	9,376,124	9,359,607	99.82%
2004	2003	2,737,164,384	773,441,431	1.38	10,699,648	10,682,577	99.84%
2005	2004	2,822,607,920	796,373,253	1.38	11,100,118	11,073,720	99.76%
2006	2005	3,273,422,973	923,947,530	1.31	12,103,713	12,077,992	99.79%
2007	2006	3,703,507,696	1,030,659,103	1.31	13,303,791	13,255,395	99.64%
2008	2007	3,808,483,242	1,056,522,348	1.54	16,828,729	16,719,589	99.35%
2009	2008	3,912,651,861	1,085,175,034	1.54	17,259,716	17,018,505	98.60%
2010	2009	4,158,669,295	1,160,302,747	1.49	17,620,288	17,077,235	96.92%
2011	2010	4,113,660,743	1,143,030,184	1.49	17,560,438	16,992,598	96.77%
2012	2011	4,115,082,776	1,141,281,872	1.49	17,028,028	16,685,935	97.99%

Source: FY 2012 City of Bartlett Comprehensive Annual Financial Report

**TAX RATE LIMITATIONS**

The ad valorem (real estate and personal property) tax levy is without legal limit. All prior limitations and restrictions, whether restrictive as to total dollar amount or restrictive as to specific uses or a combination of the two, have been repealed.

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**CITY OF BARTLETT, TENNESSEE**  
**SCHEDULE OF PRINCIPAL TAXPAYERS**  
**As of June 30, 2012**

The assessed value of taxable property for 2012 was \$1,141,281,872. Of this amount, the assessed valuation for the ten largest taxpayers of the City's property tax was \$107,918,294 which represented 9.46% of total assessed valuation for all property as shown below.

<u>Name of Taxpayer</u>	<u>Nature of Property</u>	<u>Assessed Value</u>	<u>Percent</u>
Brother International	Manufacturing & Distribution	\$ 30,804,980	2.70%
Tenet Healthcare Corp.	Hospital	21,308,360	1.87%
LSI Wolf Lake Drive LLC	Shipping	11,268,000	0.99%
PASSCO Legends LLC	Apartments	9,413,560	0.82%
Bell South Telecommunications	Utility	7,753,154	0.68%
WNI/Tennessee LP	Realty Investor	7,094,480	0.62%
UHS of Lakeside INC	Health Services	6,285,680	0.55%
Walmart Real Estate Trust	Discount Store	5,203,120	0.46%
Belvedere Apartments INC	Apartments	4,830,000	0.42%
Lowes Home Centers INC	Retail Store	3,956,960	0.35%
<b>Total</b>		<u>\$ 107,918,294</u>	<u>9.46%</u>
Assessed value of all other taxpayers		<u>\$ 1,033,363,578</u>	<u>90.54%</u>
Assessed value of all taxpayers		<u>\$ 1,141,281,872</u>	<u>100.00%</u>

Source: FY 2012 City of Bartlett Comprehensive Annual Financial Report

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**HISTORICAL TREND OF TOP TEN  
TAXPAYERS TO TOTAL ASSESSMENT**

<u>Year</u>	<u>Total Assessment</u>	<u>Top Ten Taxpayers</u>	<u>Percent</u>
2003	754,521,648	63,375,680	8.40%
2004	795,887,649	64,037,847	8.05%
2005	800,077,700	66,314,795	8.29%
2006	923,947,530	66,314,795	7.18%
2007	1,043,017,226	98,061,431	9.40%
2008	1,067,311,162	99,898,512	9.36%
2009	1,085,175,034	101,343,425	9.34%
2010	1,160,302,747	109,476,911	9.44%
2011	1,143,030,184	110,222,591	9.64%
2012	1,141,281,872	107,918,294	9.46%

Source: FY 2012 City of Bartlett Comprehensive Annual Financial Report

**OTHER REVENUE SOURCES**

The following briefly describes major sources of revenue other than ad valorem taxes.

**CITY SERVICE FEE**

The City assesses a service fee of \$2.50 per month on each household and each business. Twenty-five percent (25%) of this fee goes into the General Fund. The remaining seventy-five percent (75%) goes into a special improvement fund for small scale capital projects, library materials and technology improvements.

**GENERAL SALES TAX**

The General (local) Sales Tax is levied at a rate of 2.25% of the first \$1,600 of a sale of any single item. The taxes collected are divided on a 50-50 basis between the City and Shelby County Board of Education. The City's share of the General Sales Tax accounts for approximately 21% of total General Fund revenues and is the City's second largest revenue source.

On August 2, 2012, the City held a referendum to increase the local option sales tax in the town by 0.5% to 2.75%. The City intends to use the funds generated by the sales tax increase to provide a portion of the funding for the City's new school system as discussed in the "Education" section herein. This additional revenue should generate approximately \$3.6 million per year.

**BEER SALES TAX**

A 17% tax on the wholesale price of beer containing not more than 5% alcohol is collected by the wholesaler and remitted monthly, less a collection fee.

**ALCOHOLIC BEVERAGE TAX**

A 5% inspection fee is charged to retailers on the sale of alcoholic beverages. The fee is based on the wholesale price, collected by the wholesaler, and remitted monthly less collection fees.

**AUTO REGISTRATION FEE**

The City assesses a \$25 auto registration fee on each truck and car registered in the City. This fee is collected by the Shelby County Court Clerk under contract with the City and is remitted to the City on a monthly basis.

**FRANCHISE TAXES**

The City collects a franchise tax for cable television of 5% of subscriber revenues.

**GROSS RECEIPTS TAX**

The City levies a gross receipts tax, based upon a percentage of gross sales, which varies with the classification of businesses. There are four basic classifications with the tax rate varying between wholesale and retail and type of business. This tax is remitted directly to the State, which, in turn, will return a portion to the City. .

**SANITATION FEE**

In FY 2012, The City assessed a \$22.00 per month sanitation fee on all residents. The City collected \$4,807,257 in Solid Waste collection fees in fiscal year 2012. Effective July 1, 2013, The City increased the sanitation fee from \$22 to \$24.

**STATE TAX REVENUE (LOCAL SHARE)**

- (1) State Sales Tax - A 7% sales tax is imposed on the gross proceeds from retail sale or use of tangible property or service. A portion is returned to the City on a per capita basis.
- (2) Gasoline Taxes - The City receives a portion of the State imposed gasoline tax for street purposes.
- (3) State Income Tax - The City receives nominal income from this source, which is a tax on dividends on stock and interest on bonds. The tax rate is 6%, reduced to 4% on such earnings from corporations with 75% or more of their property subject to Tennessee ad valorem taxes.
- (4) Other State Taxes - The City also receives revenues derived from other miscellaneous state taxes including Liquor by the Drink Tax and TVA in-Lieu-of-Tax Payments.

**CHARGES FOR SERVICES**

The City has substantially expanded its parks and recreation programs. Charges for services of these programs, which in the past have been negligible will account for an increasing portion of the budget over the next four years. In fiscal year 2012, Parks and Recreation received \$2,398,437 for charges for services. This represented approximately 71.97% of the parks and recreation operating budget.

**WATER AND SEWER CHARGES**

The City provides water and sewer services to its citizens and an area outside the City in annexation reserve and charges user fees in connection therewith. Effective July 1, 2013, The City removed the sewer cap for residential customers and eliminated the 3<sup>rd</sup> tier for water services for both residential and commercial customers. Any meter usage over 2,000 gallons is charged the same rate per 1,000 gallons. As of July 1, 2013, the Water and Sewer rates were as follows:

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**City of Bartlett**  
**Water and Sewer Rates**  
**As of June 30, 2013**

Water Services		
Number of Customers: 20,344		
	Rates	
Residential Rates	<u>City</u>	<u>Rural</u>
First 2,000 Gallons	\$ 5.80	\$ 8.70
Over 2,000 Gallons/1,000 gal	1.80	2.70
Commercial Rates		
First 2,000 Gallons	10.88	15.59
Over 2,000 Gallons/1,000 gal	2.10	3.15
Sewer Services		
Number of Customers: 19,082		
	Rates	
Residential Rates	<u>City</u>	<u>Rural</u>
First 2,000 Gallons	6.19	9.09
Over 2,000 Gallons/1,000 gal	1.640	1.790
No maximum on residential sewer		
Commercial Rates		
First 2,000 Gallons	14.89	22.14
Over 2,000 Gallons/1,000 gal	1.790	1.930
No maximum on commercial sewer		

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Source: FY 2012 City of Bartlett Comprehensive Annual Financial Report

**MUNICIPAL ELECTRIC SYSTEM TAX EQUIVALENT LAW OF 1987**

Effective July 1, 1987, the Electric Division of the Memphis Light, Gas & Water Division, which distributes electricity in Bartlett, makes an in-lieu-of-tax payment to the City. Payments will be made in November and April during each fiscal year. The payment for the period July 1, 2011 through June 30, 2012 was \$245,848.05.

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**GENERAL FUND  
SUMMARY OF REVENUES AND EXPENDITURES  
FOR FISCAL YEAR ENDING JUNE 30**

<b>General Fund SUMMARY OF REVENUE AND EXPENDITURES FOR FISCAL YEARS ENDED JUNE 30</b>					
	2008	2009	2010	2011	2012
Revenues					
Taxes	25,479,118	24,876,666	25,557,600	25,770,626	26,163,446
Licenses & Permits	1,649,327	1,425,783	1,479,812	1,512,694	1,532,178
Intergovernmental	4,361,069	4,050,633	3,893,693	4,156,256	4,758,991
Charges for Services	4,185,926	4,219,420	4,134,091	3,989,998	3,902,264
Fines, forfeitures, and penalties	1,601,049	2,029,698	1,955,553	1,793,934	1,899,649
Others	623,052	324,774	284,090	235,468	232,421
Total Revenues	37,899,541	36,926,974	37,304,839	37,458,976	38,488,949
Expenditures					
General Government	5,779,930	5,865,617	6,080,853	5,608,785	6,109,847
Public Safety	18,954,139	20,278,326	20,519,035	21,363,857	21,899,362
Public Works	4,516,886	4,618,368	4,431,470	4,709,384	4,684,717
Park & Recreation	3,167,517	3,229,212	3,206,014	3,272,061	3,332,413
Recreation Center	1,431,086	1,437,412	1,425,701	1,448,045	1,513,102
Performing Arts Center	549,875	539,899	579,361	562,989	558,610
Total Expenditures	34,399,433	35,968,834	36,242,434	36,965,121	38,098,051
Excess Revenues Over Expenditures	3,500,108	958,140	1,062,405	493,855	390,898
Other Financing Sources (Uses)					
Transfers In	764,073	696,343	851,343	784,532	548,755
Transfers Out	(2,677,485)	(1,381,891)	(903,250)	(100,000)	(23,600)
Bond and Note Proceeds-Net					
Proceeds from land or other assets sale	44,545	19,501	18,301	10,858	148,947
Total Other Financing Sources (Uses)	(1,868,867)	(666,047)	(33,606)	695,390	674,102
Excess Revenue and Other Financing Sources Over (Under) Expenditures and Other Uses	1,631,241	292,093	1,028,799	1,189,245	1,065,000
Fund Balance					
Beginning of Year	12,496,672	15,165,096	\$ 15,457,189	\$ 16,485,988	\$ 17,675,233
Prior Period Adjustments	1,037,183	-	-	-	-
Adjusted Balance	13,533,855	15,165,096	15,457,189	16,485,988	17,675,233
Fund Balance - End of Year	\$ 15,165,096	\$ 15,457,189	\$ 16,485,988	\$ 17,675,233	\$ 18,740,233

Source: FY 2012 City of Bartlett Comprehensive Annual Financial Report

**OTHER GOVERNMENTAL FUNDS  
SUMMARY OF REVENUES AND EXPENDITURES  
FOR FISCAL YEAR ENDING JUNE 30**

		<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Revenues						
	Intergovernmental	\$ 1,549,297	\$ 1,338,771	\$ 1,352,741	\$ 1,394,198	\$ 1,573,779
	Charges for Services	5,533,279	5,710,372	5,502,012	5,509,174	5,427,065
	Fines, Forfeitures & Penalties	22,514	27,656	31,783	33,874	32,895
	Federal & State Grants	297,503	101,640	571,596	1,881,693	1,996,704
	Donations	-	-	-		
	Miscellaneous	<u>287,700</u>	<u>418,432</u>	<u>304,735</u>	<u>238,125</u>	<u>506,460</u>
Total Revenues		7,690,293	7,596,871	7,762,867	9,057,064	9,536,903
Expenditures						
	Drug Enforcement	53,357	85,200	141,424	77,750	108,360
	Street Paving and Repair	1,233,021	1,328,722	546,986	177,582	62,870
	Street Lighting	1,198,612	1,289,685	1,165,071	1,246,254	1,251,689
	Capital Outlays	985,175	1,454,524	492,064	2,049,308	491,307
	Other	291,058	49,640	227,419	180,311	180,262
	Parks Improvement	189,088	605,539	92,892	282,765	48,891
	Drainage Projects	45,799	60,716	22,024	86,062	87,605
	Solid Waste Control	<u>3,954,139</u>	<u>4,448,639</u>	<u>4,706,016</u>	<u>4,168,761</u>	<u>4,246,168</u>
Total Expenditures		7,950,249	9,322,665	7,393,896	8,268,793	6,477,152
Excess (Deficit) Revenues						
	Over Expenditures	(259,956)	(1,725,794)	368,971	788,271	3,059,751
Other Financing Sources (Uses)		604,081	1,776,099	(448,292)	(993,977)	(993,977)
Fund Balance:						
	Beginning of Year	3,739,008	4,083,133	4,133,438	4,054,117	3,848,411
	Prior Period Adjustments	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	Adjusted Balance	3,739,008	4,083,133	4,133,438	4,054,117	3,848,411
	End of Year	<u>\$ 4,083,133</u>	<u>\$ 4,133,438</u>	<u>\$ 4,054,117</u>	<u>\$ 3,848,411</u>	<u>\$ 5,914,185</u>

Source: FY 2012 City of Bartlett Comprehensive Annual Financial Report



**DEBT SERVICE FUND  
SUMMARY OF REVENUES AND EXPENDITURES  
FOR FISCAL YEAR ENDING JUNE 30**

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Revenues					
Sales Tax	\$ 3,045,530	\$ 2,699,944	\$ 2,646,281	\$ 2,697,575	\$ 2,892,989
Interest	<u>4,268</u>	<u>477</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Revenues	3,049,798	2,700,421	2,646,281	2,697,575	2,892,989
Expenditures					
Principal Maturities:					
Bonds	2,367,190	2,520,800	2,562,180	2,394,850	2,112,330
Notes	-	-	-	-	-
Capital Leases	-	-	-	-	-
Interest and other Charges:					
Interest	982,739	972,113	931,908	910,148	864,423
Bond Issuance Costs	26,576	4,401	31,076	63,514	44,236
Fiscal Charges	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenditures	3,376,505	3,497,314	3,525,164	3,368,512	3,020,989
Total Revenues Under Expenditures	(326,707)	(796,893)	(878,883)	(670,937)	(128,000)
Other Financing Sources:					
Transfers In	525,000	-	800,000	840,000	500,000
Sale of Capital Assets	-	-	-	-	-
Proceeds of Refunding Bonds	-	-	-	3,329,241	1,885,494
Payment to Refunded Bond Escrow Agent	<u>-</u>	<u>-</u>	<u>-</u>	<u>(3,329,241)</u>	<u>(1,885,494)</u>
Other Financing Sources-Net	525,000	-	800,000	840,000	500,000
Excess of Revenues & Other Financing Sources Over Expenditures	198,293	(796,893)	(78,883)	169,063	372,000
Fund Balance:					
Beginning of Year	787,628	1,287,085	490,192	411,309	580,372
Prior Period Adjustment	301,164				
Residual equity Transfer	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
End of Year	<u>\$ 1,287,085</u>	<u>\$ 490,192</u>	<u>\$ 411,309</u>	<u>\$ 580,372</u>	<u>\$ 952,372</u>

Source: FY 2012 City of Bartlett Comprehensive Annual Financial Report

**WATER AND SEWER FUND  
SUMMARY OF REVENUES AND EXPENDITURES  
FOR FISCAL YEAR ENDING JUNE 30**

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Operating Revenues					
Metered Water Sales	\$ 3,191,642	\$ 3,004,383	\$ 2,906,790	\$ 3,110,751	\$ 4,367,155
Service Connection Fees	78,287	70,774	70,138	57,990	81,466
Sewer Service Charges	2,695,669	2,509,650	2,464,823	2,557,844	3,591,423
Charges for Services	86,050	38,335	44,420	32,100	60,800
Forfeited Discounts	131,834	126,380	127,470	204,274	285,949
Federal Grants				212,284	103,195
Tower Lease Charges	280,016	294,416	289,399	331,661	358,754
Other	<u>36,893</u>	<u>97,913</u>	<u>136,012</u>	<u>21,275</u>	<u>35,400</u>
Total Operating Revenues	6,500,391	6,141,851	6,039,052	6,528,179	8,884,142
Operating Expenses	<u>6,234,237</u>	<u>6,600,944</u>	<u>7,229,416</u>	<u>6,796,846</u>	<u>7,003,842</u>
Operating Income	266,154	(459,093)	(1,190,364)	(268,667)	1,880,300
Other Revenues (Expenses)					
Interest Revenue	265,884	97,117	45,045	32,995	25,379
Miscellaneous	1,541,671	1,016	2,913	-	6,009
Bond Interest and Fiscal Charges	<u>(636,397)</u>	<u>(612,373)</u>	<u>(603,543)</u>	<u>(494,898)</u>	<u>(414,305)</u>
Total Other Revenues (Expenses) Net	1,171,158	(514,240)	(555,585)	(461,903)	(382,917)
Net Income Before Operating Transfers	1,437,312	(973,333)	(1,745,949)	(730,570)	1,497,383
Operating Transfers Out	<u>(311,553)</u>	<u>(321,033)</u>	<u>(300,184)</u>	<u>(303,835)</u>	<u>(296,566)</u>
Net Income (Loss)	1,125,759	(1,294,366)	(2,046,133)	(1,034,405)	1,200,817
Capital Contributions	<u>-</u>	<u>590,610</u>	<u>195,843</u>	<u>462,965</u>	<u>482,843</u>
Change in Net Assets	1,125,759	(703,756)	(1,850,290)	(571,440)	1,683,660
Total Net Assets:					
Beginning of Year	65,689,428	66,815,187	66,111,431	64,261,141	63,689,701
Prior Period Adjustment	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
End of Year	<u>\$ 66,815,187</u>	<u>\$ 66,111,431</u>	<u>\$ 64,261,141</u>	<u>\$ 63,689,701</u>	<u>\$ 65,373,361</u>

Source: FY 2012 City of Bartlett Comprehensive Annual Financial Report

**WATER AND SEWER FUND REVENUE BOND COVERAGE  
FOR FISCAL YEAR ENDING JUNE 30**

<u>Year Ended June 30</u>	<u>Gross Revenues</u>	<u>Less: Operating &amp; Maintenance Expenses (1)</u>	<u>Net Revenue Available for Debt Service</u>	<u>Total Debt Service Requirements</u>			<u>Debt Service Coverage</u>
				<u>Principal</u>	<u>Interest</u>	<u>Total</u>	
2003 <sup>(2)</sup>	6,753,253	3,500,754	3,252,499	1,420,000	562,568	1,982,568	1.64
2004 <sup>(2)</sup>	7,749,801	3,751,076	3,998,725	1,125,000	544,863	1,669,863	2.39
2005 <sup>(2)</sup>	7,616,473	3,949,404	3,667,069	1,160,000	621,735	1,781,735	2.06
2006 <sup>(2)</sup>	9,688,303	4,071,905	5,616,398	1,255,000	569,220	1,824,220	3.08
2007 <sup>(2)</sup>	8,205,579	4,237,489	3,968,090	1,010,000	573,585	1,583,585	2.51
2008 <sup>(2)</sup>	8,307,946	4,352,229	3,955,717	895,000	593,012	1,488,012	2.66
2009 <sup>(2)</sup>	6,830,594	4,662,988	2,167,606	880,000	581,992	1,461,992	1.48
2010 <sup>(2)</sup>	6,282,853	5,243,944	1,038,909	1,010,000	563,000	1,573,000	0.66
2011 <sup>(2)</sup>	7,024,139	4,781,719	2,242,420	1,013,000	500,254	1,513,254	1.48
2012 <sup>(2)</sup>	9,398,373	4,897,935	4,500,438	1,100,000	401,108	1,501,108	3.00

(1) Excludes depreciation expense.

(2) Includes revenues from water and sewer development and tap fees as required by GASB Statement No. 33.

Source: FY 2012 City of Bartlett Comprehensive Annual Financial Report

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**ECONOMIC AND DEMOGRAPHIC INFORMATION  
PERTAINING TO THE  
CITY OF BARTLETT, TENNESSEE**

The City, a residential community in the Memphis metropolitan area located approximately in the geographic center of Shelby County, is one of the largest growing incorporated cities in the state according to the 2010 Census. Although the City is primarily a residential community, there are a number of new industrial and office facilities opening, with more commercial buildings expected within the City’s boundaries. Within its corporate limits are 286 miles of streets, 371 miles of sanitary sewer lines and 371 miles of water lines. Shopping and commercial establishments are primarily located on the main east-west thoroughfare running from the eastern corporate limits to the western corporate limits. It is estimated that most residences are single-family owner occupied homes. The median value of owner-occupied housing units in the City during 2006 and 2010 was \$172,500 per the U.S. Bureau of the Census. Access to the City from all sections of the Memphis-Shelby County area has more than kept pace with the population growth. Due to its location, much of the demographic data provided herein relates to all of the Memphis-Shelby County area.

**POPULATION**

Between 2000 and 2010, while the population of the United States is estimated to have increased by approximately 9.7%, the State of Tennessee by 11.6%, and Shelby County by 3.4%, the City is estimated to have shown a population increase of 48.6%. The current population of the City is approximately 54,613.

**POPULATION: CITY, COUNTY, STATE AND NATION  
(IN THOUSANDS)**

	<u>2012</u>	<u>2010</u>	<u>2000</u>	<u>1990</u>	<u>Percent Change</u>	
					<u>2000-2010</u>	<u>1990-2000</u>
City of Bartlett	55	55	37	33	48.6%	12.1%
Shelby County	935	928	897	826	3.4%	8.6%
Tennessee	6,403	6,346	5,689	4,877	11.6%	16.6%
United States	311,592	308,746	281,422	249,632	9.7%	12.7%

Source: U.S. Bureau of the Census. [www.census.gov](http://www.census.gov)

**INCOME AND BUYING INCOME**

Since the City is an incorporated area within Shelby County, the following is presented for general information. Based on current per capita income figures, it is expected that, in general, incomes of families residing within the Bartlett City limits will exceed by approximately 50% those of Shelby County as a whole based on information provided by the Bureau of Economic Analysis.

Family income data is available for Shelby County and is presented below.

**NUMBER OF FAMILIES BY INCOME RANGE IN SHELBY COUNTY**

Amount	Number of Families		Percentage of Families	
	2010	2000	2010	2000
Under \$10,000	16,459	19,565	7.46%	8.49%
\$10,000-14,999	9,764	11,922	4.42%	5.17%
\$15,000-24,999	22,781	25,680	10.32%	11.15%
\$25,000-34,999	22,990	26,788	10.41%	11.63%
\$35,000-49,999	28,875	36,559	13.08%	15.87%
\$50,000 and over	119,905	109,895	54.31%	47.70%
<b>Total</b>	<b>220,774</b>	<b>230,409</b>	<b>100.00%</b>	<b>100.00%</b>

Source: U.S. Bureau of the Census. [www.census.gov](http://www.census.gov)

**PER CAPITA PERSONAL INCOME  
SHELBY COUNTY, TENNESSEE, SOUTHEAST REGION AND UNITED STATES**

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<b>Percentage Change (2008-2012)</b>
City of Bartlett <sup>(1)</sup>	\$54,778	\$57,512	\$60,388	\$60,991	\$61,601	12.46%
Shelby County	40,858	40,739	38,627	39,630	40,763	-0.23%
Tennessee	35,112	33,711	35,103	36,567	37,678	7.31%
Southeast Region <sup>(2)</sup>	36,906	34,992	36,047	37,473	38,382	4.00%
United States	40,947	38,637	39,791	41,560	42,693	4.26%

Source: U.S. Bureau of Economic Analysis. [www.bea.gov](http://www.bea.gov)

<sup>(1)</sup> Source: FY 2012 City of Bartlett Comprehensive Annual Financial Report

<sup>(2)</sup> Southeast Region includes Alabama, Arkansas, Florida, Georgia, Kentucky, Louisiana, Mississippi, North Carolina, South Carolina, Tennessee, Virginia, and West Virginia.

**PERCENTAGE OF HOUSEHOLDS BY  
2012 EFFECTIVE BUYING INCOME**

	<u>City of Bartlett</u>	<u>Shelby County</u>	<u>Memphis MSA</u>	<u>Tennessee</u>	<u>United States</u>
\$15,000 - \$25,000	6.16%	13.30%	13.50%	15.39%	13.70%
\$25,001 - \$35,000	9.86%	14.53%	14.44%	15.20%	13.80%
\$35,001 - \$50,000	15.52%	16.42%	16.82%	17.47%	17.90%
\$50,001 - \$75,000	29.81%	18.04%	18.96%	17.78%	18.46%
\$75,001 - \$100,000	18.28%	10.30%	10.72%	8.86%	10.74%
\$100,001 and over	15.06%	10.62%	9.37%	7.24%	10.49%
Median Household EBI	\$61,035	\$39,912	\$40,235	\$36,168	\$41,358

Source: Claritas, Inc.

Shelby County is the major wholesale and retail center for western Tennessee, eastern Arkansas and northern Mississippi.

**SHELBY COUNTY  
RETAIL SALES BY STORE GROUP**

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Apparel & Accessories	\$ 571,137,192	\$ 534,419,002	\$ 542,801,451	\$ 541,093,786	\$ 553,740,877
General Merchandise	1,905,194,998	1,834,094,410	1,896,014,594	1,970,058,311	2,047,128,895
Food Sales	2,200,192,331	2,017,313,222	2,150,538,098	2,321,479,936	2,345,801,627
Eating & Drinking Places	1,444,578,440	1,415,380,285	1,448,613,378	1,492,129,739	1,556,523,821
Furniture & Home Décor	585,606,705	528,604,177	554,836,468	562,299,325	537,459,240
Building Materials	588,544,996	506,200,457	536,211,959	581,759,799	596,130,825
MV Dealers & Service Stations	2,769,382,905	2,315,417,498	2,805,405,147	3,145,471,805	3,538,603,591
Other Retail	2,836,530,836	2,506,315,243	2,140,701,591	2,221,687,429	2,280,089,694
Total	<u>\$ 12,901,168,403</u>	<u>\$ 11,657,744,294</u>	<u>\$ 12,075,122,686</u>	<u>\$ 12,835,980,130</u>	<u>\$ 13,455,478,570</u>

Source: Tennessee Department of Revenue, Research Division

Note: Figures subject to revision due to amended taxpayer returns.

**EMPLOYMENT**

According to the Tennessee Department of Employment Security, the unemployment rate for Shelby County for 2012 was 9.1% and 6.8% in Bartlett. Employment and unemployment trends for Shelby County from 2003 to 2012 are presented below.

**LABOR FORCE TRENDS**

<b>Year</b>	<b>Persons Employed in Shelby County (in 000's)</b>	<b>Persons Unemployed in Shelby County (in 000's)</b>	<b>Unemployment Rate</b>		
			<b>Shelby County</b>	<b>Tennessee</b>	<b>USA</b>
2003	411.8	26.0	5.9%	5.5%	6.0%
2004	407.8	26.8	6.2%	5.4%	5.5%
2005	404.7	27.7	6.4%	5.6%	5.1%
2006	415.6	25.0	5.7%	5.1%	4.6%
2007	422.5	22.6	5.1%	4.7%	4.6%
2008	411.5	29.7	6.7%	6.7%	5.8%
2009	397.4	38.8	8.9%	10.5%	9.3%
2010	392.3	44.0	10.1%	9.8%	9.6%
2011	399.1	43.9	9.9%	9.2%	9.0%
2012	395.8	39.4	9.1%	8.0%	8.1%

Source: Tennessee Department of Employment Security website <http://www.tn.gov/labor-wfd/news/UIRATE.htm>

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**PERCENTAGE OF PERSONS EMPLOYED BY MAJOR INDUSTRY  
Memphis MSA, State of Tennessee, and United States**

<b>Memphis MSA</b>					
	<b><u>2008</u></b>	<b><u>2009</u></b>	<b><u>2010</u></b>	<b><u>2011</u></b>	<b><u>2012</u></b>
Total All Industries (In Thousands)	633	601	590	594	601
<i>In Percentages:</i>					
Mining, logging, and Construct	0.04	0.04	0.03	0.03	0.03
Education and health services	12.52	13.31	13.71	13.81	14.18
Financial activities	5.14	5.12	4.88	4.63	4.54
Information	1.15	1.13	1.07	1.03	1.01
Leisure and hospitality	11.14	11.03	10.98	10.73	10.47
Manufacturing	8.05	7.74	7.57	7.46	7.34
Other services	3.89	4.14	4.10	3.96	3.98
Professional and business ser	13.10	12.66	12.86	13.71	13.88
Trade, transportation, and util	27.00	26.73	26.80	26.83	26.87
Public Administration	14.10	14.59	14.76	14.52	14.29
<b>State of Tennessee</b>					
	<b><u>2008</u></b>	<b><u>2009</u></b>	<b><u>2010</u></b>	<b><u>2011</u></b>	<b><u>2012</u></b>
Total All Industries (In Thousands)	2,775	2,619	2,615	2,661	2,715
<i>In Percentages:</i>					
Mining, logging, and Construct	4.77	4.20	4.02	4.08	4.03
Education and health services	12.92	13.96	14.30	14.45	14.51
Financial activities	5.23	5.36	5.24	5.13	5.07
Information	1.82	1.79	1.72	1.65	1.59
Leisure and hospitality	9.86	10.06	10.02	10.06	10.21
Manufacturing	13.00	11.80	11.43	11.44	11.55
Other services	3.76	3.89	3.87	3.83	3.84
Professional and business ser	11.58	11.21	11.62	12.11	12.40
Trade, transportation, and util	21.63	21.35	21.22	21.18	21.19
Public Administration	15.42	16.37	16.56	16.07	15.62
<b>United States</b>					
	<b><u>2008</u></b>	<b><u>2009</u></b>	<b><u>2010</u></b>	<b><u>2011</u></b>	<b><u>2012</u></b>
Total All Industries (In Thousands)	136,849	130,859	129,911	131,500	133,737
<i>In Percentages:</i>					
Natural resources and mining	0.56	0.53	0.54	0.60	0.64
Construction	5.23	4.60	4.25	4.21	4.22
Education and health services	13.76	14.67	15.03	15.12	15.19
Financial activities	5.99	5.99	5.92	5.85	5.82
Information	2.18	2.14	2.08	2.03	2.00
Leisure and hospitality	9.82	9.99	10.04	10.15	10.28
Manufacturing	9.79	9.05	8.87	8.92	8.91
Other services	4.03	4.10	4.10	4.08	4.07
Professional and business ser	12.96	12.67	12.87	13.18	13.41
Trade, transportation, and util	19.21	19.03	18.97	19.06	19.08
Government	16.44	17.23	17.31	16.80	16.39

Source: U.S. Bureau of Labor Statistics Data



**PRINCIPAL INDUSTRIES**

The industrial economy of Memphis and Shelby County is dependent on not one, but many industries, including twenty major industrial groups and over 425 sub-groups, as classified by the U.S. Bureau of Labor Statistics. Major industries include: chemicals, electronics, farm machinery, foods and beverages, paper products, hardwood lumber products, pharmaceuticals, soybean and cotton oil derivatives, fertilizers, and rubber products.

**CITY OF BARTLETT  
SCHEDULE OF TEN LARGEST EMPLOYERS  
June 30, 2012**

<u>Company Name</u>	<u>Type of Business</u>	<u>Employees</u>
Youth Villages	Nonprofit	964
Brother International / Brother USA	Distribution	800
Saint Francis Hospital-Bartlett	Healthcare	664
The City of Bartlett	Government	565
Lakeside Behavioral Health	Healthcare	500
USDA Cotton Classing Division	Distribution	500
Wal-Mart Supercenter	General Merchandiser	423
The Kroger Company	General Merchandiser	300
United Parcel Service	Shipping	275
Olympus	Technology	264
		<hr/> 5,255

Source: FY 2012 City of Bartlett Comprehensive Annual Financial Report

**BARTLETT INDUSTRIAL PARK AND COMMERCIAL DEVELOPMENT**

The City opened the first section of Bartlett Corporate Park (the “Park”) in 1983. Currently located in the Park is Gyrus ENT, SAW Textiles, Brother International Corporation, Brimhall Foods, Engineered Medical Systems, USDA Cotton Classing Plant and many others. All utilities are available in adequate capacities to serve a wide range of users. The City ownership of the Park has provided stability and uniformity in regulation and control of the area. The new industrial areas now being developed by private companies have incorporated the covenants and design standards from the original Park.

The E. H. Crump Company has developed a nine (9) acre site for industrial properties adjacent to the Park on Brother Boulevard. Kele & Associates, Bird Fasteners, Mini-Max Marble, and other companies are located in this area. In addition, McNeill and Edwards Company have 133 acres under development in Bartlett Corporate Park East, 92 acres of which is zoned for industrial use. This development includes Continental Trophies, Schwan’s Foods, and Top R/X Drugs. Six other buildings have lease space and house a variety of businesses. The remaining 40 acres will be in commercial/office uses. Commercial development has included Serra Chevrolet, Regions Bank, several restaurants and a Malco Theatre with 2,000 plus seats. Saint Francis Hospital has a doctors building and 90-bed hospital under construction on Kate Bond Road at Highway 64, which opened in 2004 and is in the process of expanding the hospital.

Another addition to the City industrial base is the United Parcel Service facility, a 50,000 square foot package and distribution facility. Although there is no current construction underway at this location, the facility can eventually be expanded to encompass over 350,000 square feet and employ up to 500 persons should the situation warrant it. Brother International has completed a new 1,000,000 square foot distribution space between Appling Road and Germantown Road on New Brother Boulevard.

With commercial development on the east end of Stage Road, the west end has been in decline for several years. The area has been named Bartlett Station and a Bartlett Station Commission has been created by the City to work on a business improvement district from Shelby Street to Bartlett Boulevard and recruit new businesses to that area. The roads in the area are being improved, with sidewalks, historic streetlights and landscaping added to make

it more attractive. Businesses locating there will be able to take advantage of several business incentives. Further information on this project can be obtained through the City of Bartlett Planning Department. A Historic District was formed in 2001 to preserve this, the oldest residential area of the City.

**CITY OF BARTLETT  
RETAIL SALES BY STORE GROUP**

Year	Building Materials	General Merchandise	Food Stores	Autos, Boats, Aircraft	Service Stations	Apparel & Accessories	Furniture, Home Décor	Eating, Drinking	Other Retail	Total
2012	\$49,522,516	\$237,160,010	\$193,583,815	\$275,132,221	\$37,155,321	\$8,348,800	\$18,195,505	\$69,101,395	\$124,292,398	\$1,012,491,981
2011	49,678,325	225,964,312	180,116,680	254,980,404	38,026,365	8,362,779	20,557,871	64,677,806	137,982,604	980,347,146
2010	51,452,603	223,619,635	158,718,785	234,947,336	32,867,864	7,897,447	19,131,593	62,500,421	141,368,318	932,504,002
2009	50,004,863	221,375,867	148,362,777	207,827,837	28,508,759	8,332,861	18,108,018	63,667,317	152,731,426	898,919,725
2008	63,506,614	220,080,025	160,149,367	246,143,654	30,727,451	11,239,733	24,827,226	61,331,644	147,195,540	965,201,254

Source: Tennessee Department of Revenue, Research Division

**HOUSING AND CONSTRUCTION**

Growth in housing construction activity is reflected in the table below which provides annual data on the number of building permits granted by the City and the value of related construction between 2003-2012. According to the U.S. Bureau of the Census, housing units increased from 14,021 in 2000 to 20,143 in 2010. The estimated median price for a single dwelling unit in the City is approximately \$174,200.

**CITY OF BARTLETT  
SCHEDULE OF BUILDING ACTIVITY**

<u>Year</u>	<u>Housing Starts</u> <sup>(1)</sup>	<u>Valuation</u> <sup>(1)</sup>	<u>Commercial &amp; Industrial Starts</u> <sup>(2)</sup>	<u>Valuation</u> <sup>(2)</sup>	<u>Total Valuation</u>
2003	372	63,762,450	107	39,976,418	103,738,868
2004	336	63,762,289	106	42,355,031	106,117,320
2005	314	60,468,551	109	27,181,902	87,650,453
2006	358	79,921,845	131	27,136,071	107,057,916
2007	215	46,925,342	97	43,709,325	90,634,667
2008	107	18,641,798	89	22,646,823	41,288,621
2009	89	14,992,370	60	13,353,891	28,346,261
2010	81	13,995,125	75	56,071,006	70,066,131
2011	87	14,752,063	96	28,647,234	43,399,297
2012	121	21,624,206	75	14,111,548	35,735,754

Source: City of Bartlett, Building Permits Office

(1) Includes new housing starts only.

(2) Includes remodeling and additions.

**EDUCATION**

Elementary and high schools located in the City are part of the Shelby County School System. The system has 51 schools, of which 11 schools are located within the City. Students residing in the City, as well as those living within certain boundaries of Shelby County outside the City, attend the City schools. Of the approximately 48,000 students in the Shelby County School System, approximately 9,029 students are enrolled in schools in the Bartlett area. Of the approximately 3,007 teachers employed by the Shelby County School System, approximately 662 are employed by the schools in the City. All schools in the system are approved by the Tennessee State Department of Education. The secondary and elementary schools are accredited by the Southern Association of Schools and Colleges (SACS), and some junior high schools are in the process of accreditation by SACS.

**SHELBY COUNTY SCHOOLS**

<u>Year</u>	<u>Average Daily Membership</u>	<u>Average Daily Attendance</u>
2001/02	44,610	42,206
2002/03	45,436	42,941
2003/04	46,886	44,546
2004/05	44,868	42,660
2005/06	46,051	43,743
2006/07	46,456	45,108
2007/08	47,195	44,849
2008/09	46,889	44,631
2009/10	47,892	45,510
2010/11	46,790	44,563
2011/12	45,563	43,473

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Source: Tennessee Department of Education website [http://www.tennessee.gov/education/reports\\_data.shtml](http://www.tennessee.gov/education/reports_data.shtml)

On July 16, 2013, all six Shelby County suburbs, including the City of Bartlett, voted on whether or not to form municipal school districts. The City of Bartlett voters approved the creation of a municipal school district within Bartlett. School Board elections for the City’s Municipal School System will take place on November 7, 2013.

Establishment of a municipal school system by the City has and continues to be the subject of litigation, and certain issues remain pending in the Federal Court in Memphis and are unresolved as of the date hereof. It is impossible to predict the outcome of any such litigation at this time. It should also be noted that creation of a municipal school system is a new undertaking for the City, and consequently, the City has no historical data on which to base projections of revenues and expenses associated with such a system. If the creation of the City's municipal school system proceeds, it is also expected that significant capital and operational costs may be incurred by the City.

In August 2012, voters approved by referendum an increase of the local option sales tax rate by ½ cent, the proceeds of which may be used for general purposes as directed by the City’s legislative body. Collections from this increase are projected to total \$3.60 million annually. While not specifically designated for schools, the City projects an equivalent of \$1.56 million or 43.3% of this revenue will be appropriated as its contribution to the municipal school system on an annual basis.

## SCHOOLS OF HIGHER EDUCATION IN THE MEMPHIS AREA

Memphis is home to about 45,000 students enrolled in more than 20 local colleges, universities and technical institutions. The following is a partial list.

Baptist Memorial Hospital School of Health Sciences	Rhodes College
(The) Center for Continuing Education	Southwest Tennessee Community College
Christian Brothers University	Tennessee Technology Center at Memphis
Crichton College	Southern College of Optometry
Harding University Graduate School of Religion	University of Memphis
LeMoyne-Owen College	University of Mississippi, DeSoto Center
Memphis Christian College	University of Tennessee Health Science Center
Memphis College of Arts	College of Medicine
Memphis Area Vocational Technical School	College of Dentistry
Memphis Baptist College	College of Pharmacy
Memphis Theological Seminary	College of Allied Health
Methodist Hospital School of Nursing	College of Graduate Health Science
Mid-America Baptist Theological Seminary	College of Nursing
Mid-South Community College	Union University, Germantown Campus
Northwest Mississippi Junior College	William R. Moore School of Technology

## TRANSPORTATION

**Air Service** - Memphis International Airport ("Airport") is located on a 4,640-acre site on the southern outskirts of the City of Memphis. The Airport is served by five major passenger carriers: AirTran, American, Express Jet Airways, Delta, and US Airways. Although Delta has recently announced it will be reducing its flights out of Memphis, in November of 2013, Southwest Airlines will officially enter the Memphis market. The Airport is operated by the Memphis-Shelby County Airport Authority ("Airport Authority") created in 1969 by official action of the City and County. The Airport Authority is governed by a seven-member Board of Commissioners, appointed by the Mayor of the City with one nominated by the Mayor of the County and all confirmed by the Memphis City Council for seven-year terms.

More than 35,000 individuals work at the Airport and include airline, Airport Authority, FAA, concessionaires and tenant employees with a total payroll in excess of \$1 billion. Passenger enplanements exceeded 5.1 million for 2009 and aircraft movements totaled more than 310,000. All of the major air-freight carriers offer service through the International Airport to Shelby County.

In late 2012 and in early 2013, a \$121 million Consolidated Parking Facility (CPF) at the Airport opened which consists of a seven level parking garage containing approximately 5,700 spaces and support facilities including a parking office within the new garage and two toll plazas, rental car facilities inside the garage (occupying the first two levels); a quick turnaround surface lot and renovations and rehabilitation to the existing garage.

Terminal improvements to expand and reconfigure the existing Terminal B checkpoint to accommodate enhanced security scanning equipment as required by the Transportation Security Administration as well as various projects to extend the useful life of the Terminal complex were completed in 2012. Phase I of a ramp reconstruction project was completed in July, 2013. Phase II, which will replace 20 acres of 40-50 year old concrete, is expected to be complete in 2014. Additionally, the Engineered Material Arresting System (EMAS) project was completed on-schedule in July of 2013 providing an extra margin of safety for aircraft landing on MEM's Runway 18R. The system consists of a bed of crushable concrete blocks installed at the end of the runway to stop an overrunning aircraft. Federal Express is headquartered in Shelby County. The main sorting facility is located just off of the Memphis International Airport runways. FedEx has completed several major expansion and improvement projects at its airport hub operations in recent years, and employment has increased. The company also has two major facilities in the County outside its airport operations. There is a 500,000-square-foot technology complex in Collierville, in the southeastern part of the County, where about 3,000 employees are located, including programmers, software developers, and support staff. The Company also has a new headquarters office complex in a nearby area of the County to accommodate and consolidate recent growth.

**Highway** - The area is connected to the rest of the nation by eight federal, three interstate and seven state highway systems. These highways combined with a circumferential expressway and two highway bridges crossing the Mississippi River make all parts of Memphis-Shelby County readily accessible to the surrounding communities.

**Public Transit** - The Memphis Area Transit Authority (MATA) provides public mass transportation in Memphis, with limited service furnished in Germantown, Millington, Collierville and Southeast Shelby County. MATA also operates the Main Street Trolley, featuring Trolleys originally built between 1912 and 1940 that have been restored to their original elegance. The Trolleys operate along the Main Street Mall and Madison Avenue and serve several Downtown attractions, including the Pyramid Arena, Pinch District, Court Square, Beale Street, National Civil Rights Museum, the South Main Historic District and the medical center area.

**Interstate Bus Lines** - Continental Trailways/Greyhound Bus Lines is the major interstate bus line serving Memphis and the surrounding areas, offering bus service from its Memphis terminals to the continental United States and Canada and supported by three smaller lines: Bridge Transit Corp., Great Southern Coaches, and Gulf Transport Co.

**Utilities** - The Memphis Light, Gas and Water Division is a municipally-owned utility which distributes electric power and natural gas throughout Memphis and Shelby County, and water within Memphis and certain adjacent areas. The Bartlett Water and Sewer Department provides water and sewer services to the City; however, the City of Memphis operates the plant for sewer treatment.

## **MEDICAL**

**Medical Facilities** - Shelby County, encompassing one of the most comprehensive collections of health care centers in the nation, has 19 hospitals providing 4,262 beds and numerous other health care facilities. There are also 34 nursing homes (with a total of approximately 4,235 beds), and 23 homes for the aged.

**The Regional Medical Center at Memphis (The "MED")** is a private hospital owned by a non-profit corporation which receives substantial annual appropriations from the County. The MED offers a wide range of general medical and surgical specialties in such area as High-Risk Obstetrics, the Newborn Center (an intensive care unit for premature and distressed newborns) and the Elvis Presley Memorial Trauma Center, the only Level I trauma facility in the region.

**Baptist Memorial Hospital** is the world's largest private hospital, based on number of admissions. The University of Tennessee Medical Units located within the center provides unusual teaching opportunities that attract high level personnel from throughout the nation. Baptist has recently completed a \$172.5 million expansion to its Baptist East facility, including a new heart hospital and freestanding women's hospital, the first of its kind in the Mid-South, and other services.

**Methodist Health Systems** is the largest private, not-for-profit hospital in the United States and healthcare provider of choice for almost 500,000 people. Methodist's health care system was cited as a national model for diversity and is included in a study by a United Nations agency. Methodist has opened its new Methodist Outpatient Heart Lab, the only facility of its kind in the southeastern United States. The lab features state-of-the-art technology that reduces time and costs for heart catheterizations. Among the lab's unique amenities are a "filmless" digital x-ray system and a 35-seat auditorium for medical training. The facility is a joint venture between Methodist Hospitals of Memphis and the cardiovascular specialists. In addition to its main facility in the Medical Center it has three other hospitals around Shelby County. Methodist has completed a \$30 million expansion of its Germantown hospital for which the primary purpose is women's health services.

Of special interest is **The St. Jude Hospital** which was founded by the late Danny Thomas. St. Jude Hospital is the world's leading childhood cancer research center and the only institution devoted solely to the study of catastrophic childhood illnesses, with its primary focus on leukemia and solid tumors. The hospital has approximately 3,000 active patients.

St. Jude is in the midst of a five-year, \$1 billion expansion program that includes the construction of five new buildings and renovation of existing buildings, which will double the facility's size and greatly expand research capacity for genetic and infectious diseases. In 2003, its \$36 million Good Manufacturing Practices facility was completed and manufactures vaccines and gene therapy components for treating patients. This combination of new facilities, new equipment and expanded research has increased employment from 2,000 to near 3,700 and pushed annual operating costs to over \$400 million. The adjacent UPTOWN neighborhood has been redeveloped to provide mixed income housing for a portion of these new workers.

Shelby County is also home to the region's largest pediatric hospital, LeBonheur Children's Medical Center. This 209-bed facility has a dominant market share in the pediatric healthcare market and operates clinics and outpatient facilities in various locations throughout Shelby County.

#### **GOVERNMENT**

**Navy Memphis Complex at Millington** – The U.S. Navy operates several key offices and commands at its complex in north Shelby County. There are a total of more than 6,000 civilian and military employees at the facility. The major offices that were relocated to the complex during 1998-1999 include: the headquarters of the Bureau of Naval Personnel, the Naval Recruiting Command, and the Navy Personnel Research and Development Center. Also, the Department of Defense has located a satellite office of the Defense Finance and Accounting Service and the headquarters of the U.S. Army Corps of Engineers Finance and Accounting Office at the Millington complex.

**Internal Revenue Service** - The Internal Revenue Service Center, one of 10 similar facilities in the country, was activated in 1971 and serves a 6-state area. The Center's employment varies from approximately 2,300 to over 4,200 during tax season. The Center is a 130-acre site near the Airport, which includes 11 buildings with a total of 900,000 square feet of space. The local payroll is in excess of \$90 million.

### **FINANCIAL STATEMENTS OF THE CITY**

#### **CERTIFICATE OF DIRECTOR OF FINANCE**

The Basic Financial Statements of the City in this Yearly Information Statement contain the audited financial statements of the various fund types and account groups of the City as of and for the year ended June 30, 2012, together with an auditors' report thereon dated December 6, 2012, of Watkins Uiberall, PLLC independent certified public accountants.

#### **CONCLUDING STATEMENT**

To the extent that any statements made in this Yearly Information Statement involve matters of opinion or estimates, such statements are made as such and not as representations of fact or certainty, and no representation is made that any of such statements will be realized. Information herein has been derived by the City from official and other sources and believed by the City to be reliable, but such information other than that obtained from official records of the City has not been independently confirmed or verified by the City and its accuracy is not guaranteed.

This Yearly Information Statement has been duly prepared and delivered by the City and executed on behalf of the City by its Director of Finance.

CITY OF BARTLETT, TENNESSEE

By: /s/ Dick Phebus

Director of Finance

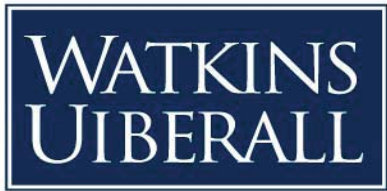
Dated: October 8, 2013

**APPENDIX A**

**BASIC FINANCIAL STATEMENTS**

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Watkins Uiberall, PLLC  
Certified Public Accountants & Financial Advisors  
Independent Member of BKR International

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210 East Main Street • Suite 2C  
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662.269.4014 • Fax: 662.269.4016

[www.wucpas.com](http://www.wucpas.com)

## INDEPENDENT AUDITOR'S REPORT

To the Mayor and Board of Aldermen of the  
City of Bartlett, Tennessee:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, the statement of budgetary comparison for the general fund, and the aggregate remaining fund information of the City of Bartlett, Tennessee, (the "City") as of and for the year ended June 30, 2012, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test, basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2012, and the respective changes in financial position and, where applicable, cash flows thereof, and the respective budgetary comparison for the General Fund, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 6, 2012, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is

an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's financial statements as a whole. The introductory section, combining and individual fund statements and schedules, supplementary schedules, and statistical information section are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards and state financial assistance is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements. The combining and individual fund financial statements and schedules, supplementary schedules, and the schedule of expenditures of federal awards and state financial assistance are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respected in relation to the financial statements as a whole. The introductory and statistical information sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

*Watkins Mikusall, PLLC*

Memphis, Tennessee  
December 6, 2012

## MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Bartlett, Tennessee (the City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2012. We encourage readers to consider the information presented here in conjunction with additional information that is furnished in the letter of transmittal and notes to the financial statements.

### Financial Highlights

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$174,336,422 (net assets). Of this amount, \$18,578,052 (unrestricted net assets) may be used to meet the government's ongoing obligation to citizens and creditors.
- The City's total net assets increased by \$8,447, due primarily to a prior period adjustment of annual pension cost in governmental funds and a small decrease in operations due to expenses exceeding revenues.
- At June 30, 2012, the City's governmental funds reported combined ending fund balances of \$33,349,802, an increase of \$3,114,163 in comparison with the prior year. Approximately 81.3% of this amount is available for spending at the government's discretion (committed, assigned or unassigned fund balance).
- At June 30, 2012 unassigned fund balance for the general fund was \$16,655,499, or 43.7% of total general fund expenditures.
- The City's total debt increased by \$1,264,169 (4.54%) during the current fiscal year. Key factors in this increase were the issuance of \$691,500 in capital outlay notes for equipment and vehicles and \$4,545,000 in general obligation refunding and improvement bonds and \$4,305,000 water and sewer revenue and tax refunding bonds in FY 2012.

### Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City of Bartlett's basic financial statements. The City's basic financial statements consist of three components: 1.) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

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

The government-wide financial statements are:

- **Statement of Net Assets** -- presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or

decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

- **Statement of Activities** -- presents information showing how the City's net assets changed during the most recent fiscal year. All current year revenues and expenses are taken into account regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) and other functions that are intended to recover all, or a significant portion, of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include general government, public safety, public works, parks and recreation, performing arts center, and recreation center. The business-type activities of the City include the operations of the water and sewer facilities.

The government-wide financial statements can be found on pages 24-26 of this report.

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

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

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

The City maintains eleven individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund and the capital projects fund both of which are considered to be major funds. Data for the other nine funds is combined into a single column with individual fund data for each of these non-major governmental funds provided in the form of combining and individual fund statements elsewhere in this report.

The City of Bartlett adopts an annual appropriation budget for its general, special revenue and debt service fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 27-30 of this report.

**Proprietary funds** -- Services for which the City charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long-term and short-term financial information. The City maintains two different types of proprietary funds: enterprise funds and internal service funds.

- Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements, but provide more detail and additional information, such as cash flow analysis. The City uses enterprise funds to account for its Water and Sewer activities.
- Internal service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses internal service funds to account for its health insurance and worker's compensation services. Because both of these services predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The business-type activity related to the Water and Sewer Fund is presented in a single column of the proprietary fund financial statements.

The governmental activities of the internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the form of combining statements elsewhere in the report.

The basic proprietary fund financial statements can be found on page 38-40 of this report.

**Fiduciary funds** -- Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statements can be found on page 41-42 of this report.

**Notes to the financial statements:** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 43-67 of this report.

**Combining and Individual Fund Statements and Schedules:** Combining schedules provide detail in connection with non-major governmental and internal service funds referred to earlier. Individual fund statements provide greater detail for the general fund. Combining and individual fund statements and schedules can be found on pages 72-85 of this report.

## Government-wide Financial Analysis

**Net Assets:** Net assets may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$174,336,422 at the close of the most recent fiscal year, an increase of \$8,447, or 0.01 percent, from last year.

The largest portion of the City's net assets (87.4%) reflects its investment in capital assets (e.g., land, buildings, machinery and equipment) less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

### Condensed Statement of Net Assets

	Governmental activities		Business-type activities		Total	
	2012	2011	2012	2011	2012	2011
Current and other assets	\$ 56,522,678	\$ 54,785,997	\$ 9,478,133	\$ 8,174,107	\$ 66,000,811	\$ 62,960,104
Capital assets	117,357,156	119,352,771	69,981,793	70,428,954	187,338,949	189,781,725
<b>Total assets</b>	<b>173,879,834</b>	<b>174,138,768</b>	<b>79,459,926</b>	<b>78,603,061</b>	<b>253,339,760</b>	<b>252,741,829</b>
Long-term liabilities outstanding	44,243,597	42,226,436	13,596,053	14,428,589	57,839,650	56,655,025
Other liabilities	20,529,417	21,220,869	634,271	537,960	21,163,688	21,758,829
<b>Total liabilities</b>	<b>64,773,014</b>	<b>63,447,305</b>	<b>14,230,324</b>	<b>14,966,549</b>	<b>79,003,338</b>	<b>78,413,854</b>
<b>Net assets:</b>						
Invested in capital assets, net of related debt	93,659,549	96,147,333	58,771,208	58,277,810	152,430,757	154,425,143
Restricted	3,327,613	2,542,323	-	-	3,327,613	2,542,323
Unrestricted	12,119,658	12,001,807	6,458,394	5,358,702	18,578,052	17,360,509
<b>Total net assets</b>	<b>\$109,106,820</b>	<b>\$110,691,463</b>	<b>\$65,229,602</b>	<b>\$63,636,512</b>	<b>\$174,336,422</b>	<b>\$174,327,975</b>

An additional portion of the City's net assets (1.9%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (\$18,578,052) may be used to meet the government's ongoing obligations to citizens and creditors.

At June 30, 2012, the City is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities.

**Changes in Net Assets:** Governmental activities decreased the City's net assets by \$1,584,643 while Business-type activities increased the City's net assets by \$1,593,090 resulting in a net increase of \$8,447. Key elements of this increase are as follows:

- General 45% increase in operating revenues in business-type activities.
- Total expenses in governmental activities exceeded revenues by \$2,276,986.
- Prior year adjustment in governmental pension cost of \$692,343 due to restatement of costs in FY2011.

### Condensed Statement of Changes in Net Assets

	Governmental activities		Business-type activities		Total	
	2012	2011	2012	2011	2012	2011
<b>Revenues</b>						
<b>Program Revenues:</b>						
Charges for Services	\$ 13,671,167	\$ 13,413,622	\$ 8,745,547	\$ 6,294,620	\$ 22,416,714	\$ 19,708,242
Operating grants and contributions	3,349,489	3,070,185	138,595	233,559	3,488,084	3,303,744
Capital grants and contributions	559,499	337,368	482,843	462,965	1,042,342	800,333
<b>General Revenues:</b>						
Local taxes	29,069,899	28,403,176	-	-	29,069,899	28,403,176
Intergovernmental	4,691,816	4,072,733	-	-	4,691,816	4,072,733
Interest on investments	95,808	108,663	25,379	32,995	121,187	141,658
Other	1,964,827	422,661	6,009	-	1,970,836	422,661
<b>Total revenues</b>	<b>53,402,505</b>	<b>49,828,408</b>	<b>9,398,373</b>	<b>7,024,139</b>	<b>62,800,878</b>	<b>56,852,547</b>
<b>Expenses</b>						
General government	7,508,236	7,016,910	-	-	7,508,236	7,016,910
Public safety	25,841,866	24,532,698	-	-	25,841,866	24,532,698
Public works	15,148,440	15,767,322	-	-	15,148,440	15,767,322
Parks and recreation	4,369,653	4,319,311	-	-	4,369,653	4,319,311
Performing arts center	597,215	773,715	-	-	597,215	773,715
Recreation center	1,752,728	1,718,237	-	-	1,752,728	1,718,237
Interest on long-term debt	757,919	927,525	-	-	757,919	927,525
Water and sewer	-	-	7,508,717	7,275,464	7,508,717	7,275,464
<b>Total expenses</b>	<b>55,976,057</b>	<b>55,055,718</b>	<b>7,508,717</b>	<b>7,275,464</b>	<b>63,484,774</b>	<b>62,331,182</b>
Changes in net assets before transfers	(2,573,552)	(5,227,310)	1,889,656	(251,325)	(683,896)	(5,478,635)
Transfers	296,566	303,835	(296,566)	(303,835)	-	-
Increase in net assets	(2,276,986)	(4,923,475)	1,593,090	(555,160)	(683,896)	(5,478,635)
Net assets - July 1, 2011, as previously reported	110,691,463	115,614,938	63,636,512	64,191,672	174,327,975	179,806,610
Prior period adjustments	692,343	-	-	-	692,343	-
Net assets, July 1, 2011 as restated	111,383,806	115,614,938	63,636,512	64,191,672	175,020,318	179,806,610
<b>Net assets - June 30, 2012</b>	<b>\$109,106,820</b>	<b>\$110,691,463</b>	<b>\$65,229,602</b>	<b>\$63,636,512</b>	<b>\$174,336,422</b>	<b>\$174,327,975</b>

**Governmental Activities:** Current fiscal year revenues and transfers for the City's governmental activities were \$53,699,071 compared to \$50,132,243 last year. Expenses for the same period were \$55,976,057 compared to \$55,055,718 last year, a 1.7% increase.

General revenue experienced a mixture of increases and decreases for the year; most notable of which are discussed below.

- The single largest source of governmental activity revenue, property taxes, decreased by \$37,879, or 0.2 percent, resulting from slightly lower assessments.
- Local sales taxes, the next largest contributor of revenues, were up \$704,602, or 6.7 percent.
- Program revenues increased \$758,980, or 4.5 percent, from the prior year. Charges for services increased by \$257,545; while operating and capital grants increased by \$501,435.
- The City's portion of state income taxes decreased by \$33,116, or 10.9 percent, reflecting lower than expected dividend and money market returns for taxpayers.
- Other state allocated taxes increased \$652,199, or 17.3 percent, reflecting increases in per capita state shared revenues due to population increases from the latest federal census.
- Investment income decreased by \$11,125, or 10.2 percent. The City is still experiencing historically low interest rates for authorized investments.

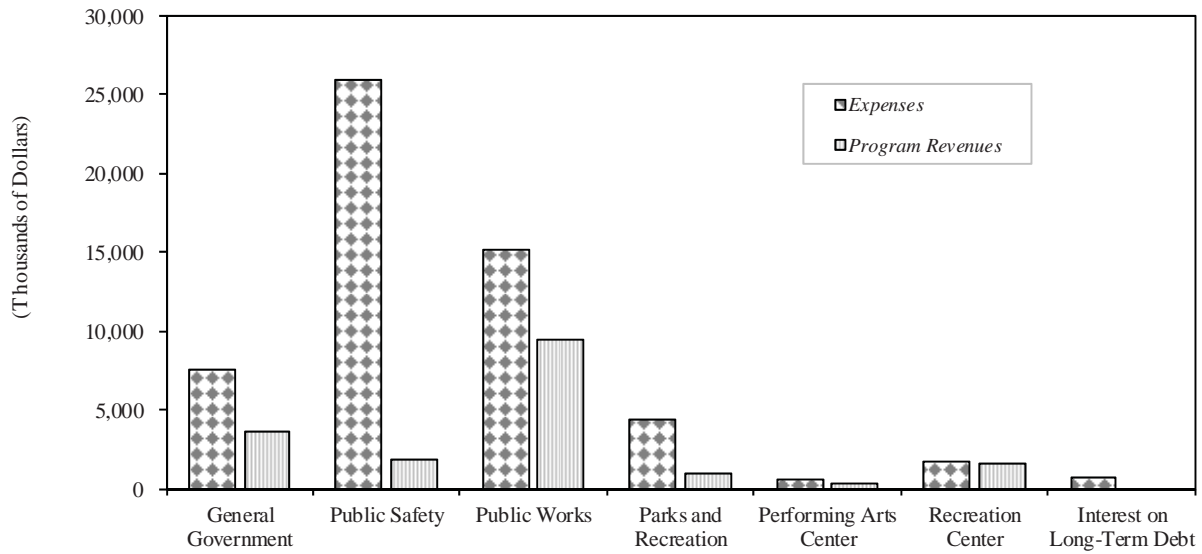
Each area of program revenues is discussed below.

- Charges for services increased \$257,545, or 1.9 percent from the previous year due primarily to increases in license fees and fines and penalties.
- Operating grants and contributions increased \$279,304, or 9.1 percent from the previous year, led by an increase in grants for public works activities.
- Capital grants and contributions increased \$222,131, or 65.8 percent over the previous year, primarily due to an increase in grants for public safety and public works activities.

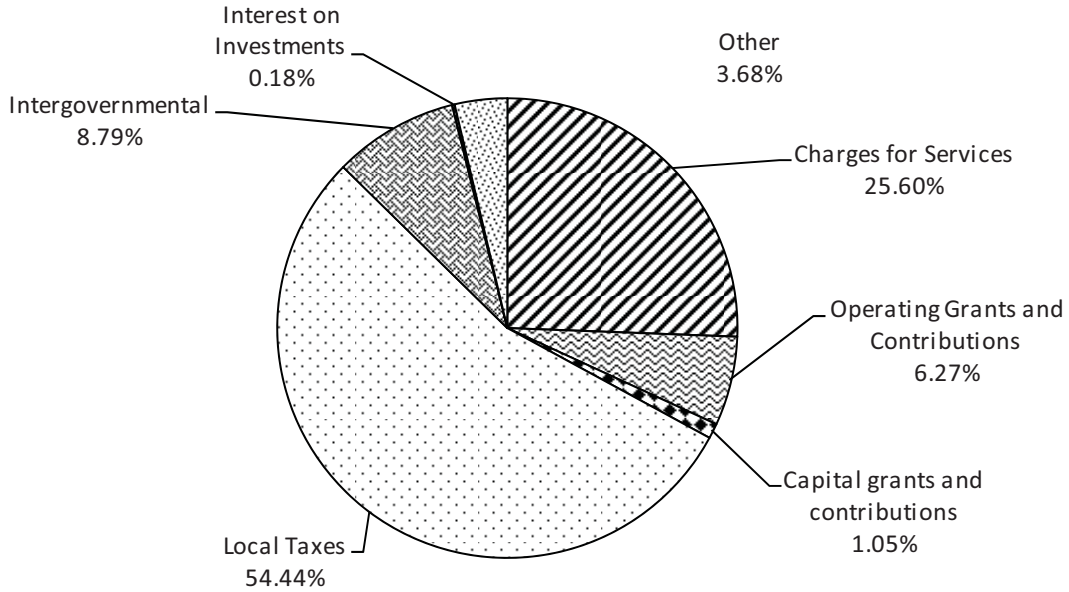
Revenues were up by \$3,566,828 from the previous year, led by increased intergovernmental revenues from state shared tax collections and developer performance bond defaults. Expenses for governmental activities increased by \$416,858 or 0.8 percent. Categories of public works and performing arts center were down \$880,698 collectively while general government, public safety, parks and recreation and recreation center all experienced increases due to increased operating expense.



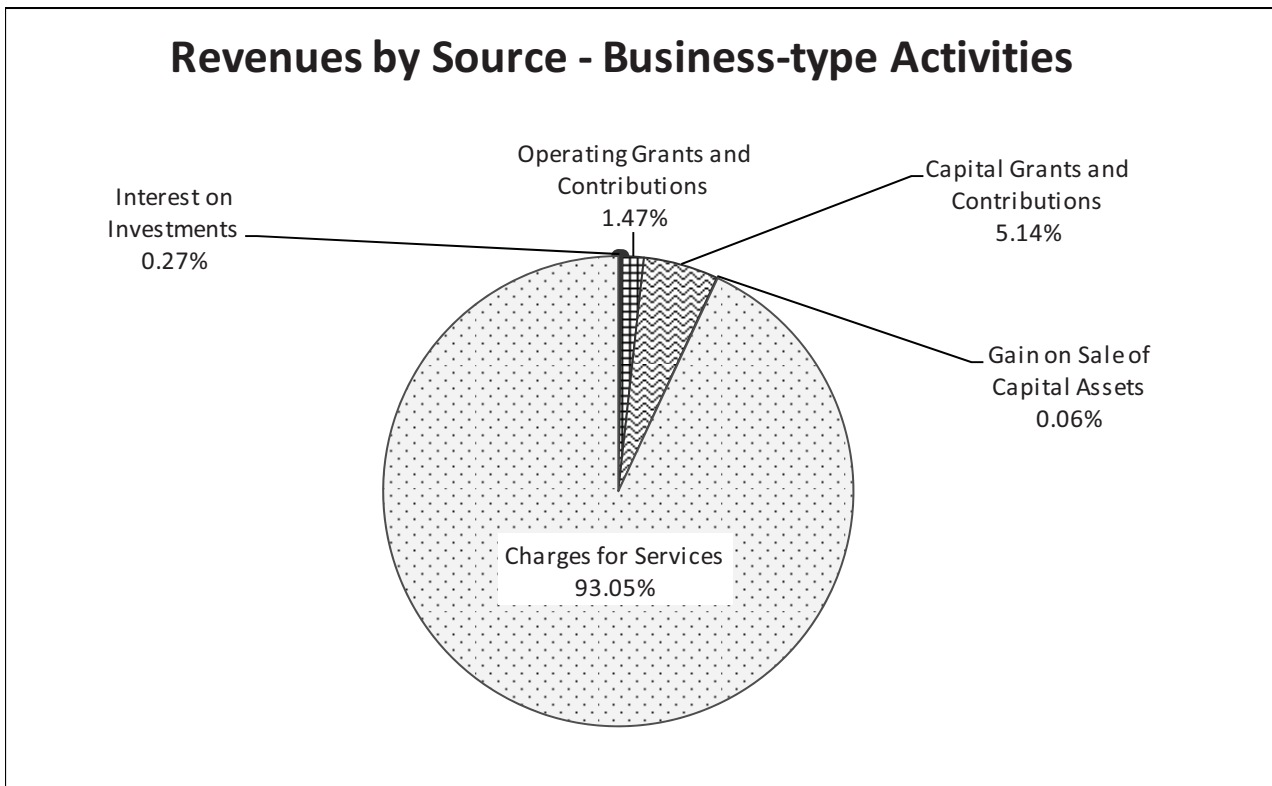
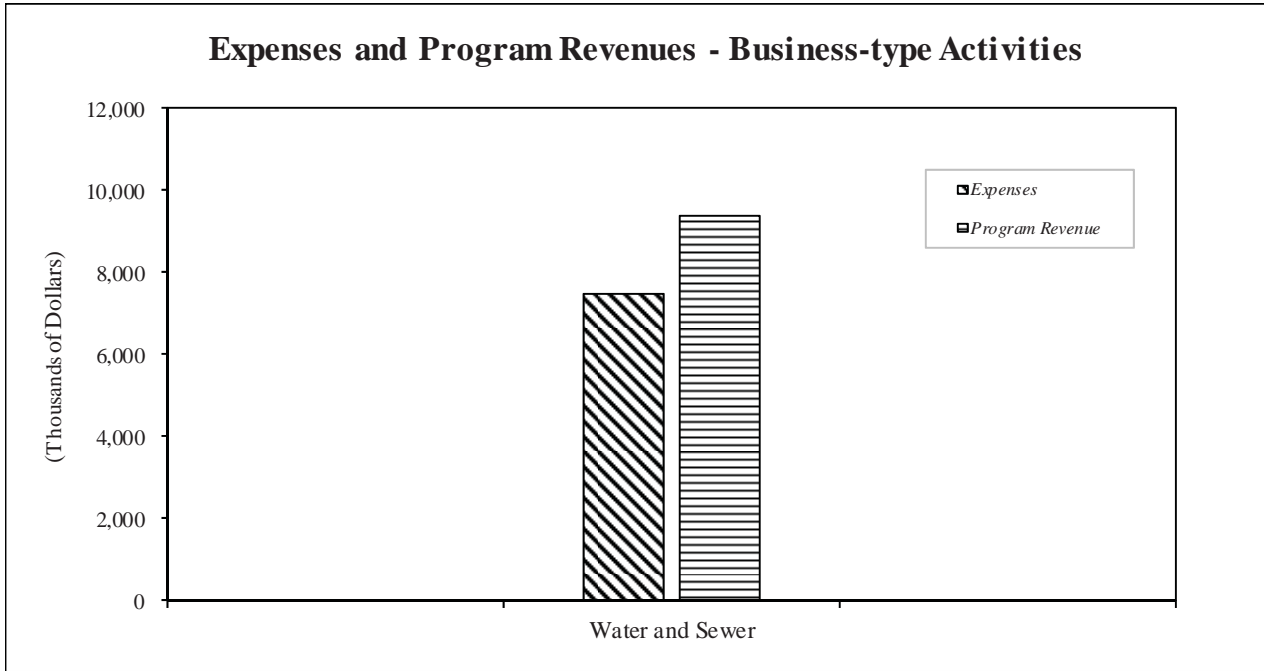
### Expenses and Program Revenues - Governmental Activities



### Revenues by Source - Governmental Activities



**Business-type activities:** Business-type activities increased the City's net assets by \$1,593,090 due primarily to a 45% rate increase in user charges in early FY2012. This was a significant improvement over the previous year's decrease of net assets for business-type activities of \$555,160. The increase in user charges for the Water/Sewer Fund helped overcome a slight decrease in operating and capital grants of \$75,086.



## Financial Analysis of the Government's Funds

As noted earlier, the City uses fund accounting to help control and manage money for particular purposes or to ensure and demonstrate compliance with finance-related legal requirements. The following provides a more detailed analysis of the City's funds.

**Governmental funds:** Governmental funds focus on providing information on near-term inflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$33,349,802, an increase of \$3,114,163, in comparison with the prior year. Approximately 49.9% of this total amount (\$16,638,077) constitutes unassigned fund balance, which is available for spending at the government's discretion. All of the governmental funds except for one reported a positive ending fund balance. The grants fund, used to account for miscellaneous grants and expenditures showed a negative \$17,422 unassigned fund balance at year end.

The general fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the general fund was \$16,655,499, while total fund balance reached \$18,740,233. Other categories of fund balance for the general fund were non-spendable (\$187,260), committed (\$1,100,000) and assigned (\$797,474). Non-spendable includes inventories and prepaid items; committed includes amounts designated by the governing body for emergencies and contingencies; and assigned includes the use of general fund reserves to fund the subsequent year's budget. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 43.7% of total general fund expenditures, while total fund balance represents 49.2% of that same amount.

The fund balance of the City's general fund increased by \$1,065,000, or 6.0%, to \$18,740,233 during the current fiscal year. Key factors are as follows:

- Revenues from property and other taxes were up by \$995,555 over the previous year. Local sales tax collections accounted for approximately 60% of that amount with gross receipts tax and interest and penalties on business taxes accounting for most of the remainder. Intergovernmental revenues were up by \$608,841 over the previous year. These are revenues received from the State of Tennessee for sales, income, and other state imposed taxes and distributed back to cities on a prorated basis. Revenues from licenses and permits were up \$19,484 while charges for certain services such as recreation fees, ambulance fees and animal shelter and library fees were down \$87,734. Total revenues, transfers in and other financing sources were \$39,186,651 for the fiscal year.
- Expenditures for current activity in the general fund increased by \$1,132,930 with general government and public safety expenditures accounting for 91.5% of this increase. Other current activities combined for a net increase of \$96,363. Other financing sources and uses played a pivotal role in the increase in the fund balance of the general fund with a net

financing source of \$697,702 compared to a net financing use of \$23,600 in the current year. Total expenditures and uses of funds were \$38,121,651.

**Capital Projects Fund:** This fund focuses on project-to-date costs for many projects within the City. At the end of the year, the fund reported \$8,975,473 in fund balance, of which \$4,908,647 is restricted and \$4,066,826 is assigned for completion of capital projects. Fund balance for this fund fluctuates from year to year based on debt issued and expenditures for capital projects; new debt increases fund balance while construction expenditures decreases it. For fiscal year 2012 there was a \$870,429 increase in fund balance. Analysis of project income and expenditures follows:

- Project inflows for the year of \$6,526,779 includes \$3,508,466 in general obligation debt proceeds and premiums, and \$3,018,313 in interest, transfers in from other funds and miscellaneous revenues.
- Current year expenditures and transfers of \$5,656,350 include \$5,553,028 in capital expenditures on projects, \$19,576 for bond issuance costs and \$83,746 in transfers to other funds.

**Proprietary funds:** The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. As the City completed the fiscal year its proprietary funds, which include both an enterprise fund and an internal service fund, had combined net assets of \$65,229,602.

Unrestricted net assets of the Water and Sewer fund at the end of the year amounted to \$6,458,394. The total increase in net assets for the Water and Sewer fund was \$1,593,090. Other factors concerning the finances have already been addressed in the discussion of the City's business-type activities.

### **General Fund Budgetary Highlights**

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

- The difference between the original and final budget for revenues increased by \$106,600. This was due to state grants for certified police and firemen of \$105,600 and increase in donations of \$1,000.
- The difference between the original and final budget for expenditures increased by \$585,316 primarily for general government expenditures for personnel and operations.
- The General Fund revenues were \$1,180,389 higher than budgeted. The increase was due to increases in local taxes of \$701,546, state taxes (local share) of \$379,291, licenses and permits of \$120,908, federal and state grants of \$73,596, and a moderate decrease between budget and actual revenues in other revenues of \$94,952.
- General Fund expenditures were less than budgeted by \$1,936,734. City department heads strive to control costs within the respective departments. The largest positive variance was in Public Safety in the amount of \$815,395. Cost savings were also achieved in General Government of \$556,546, Public Works of \$275,479, Parks and Recreation of \$98,104, Performing Arts Center of \$140,437, and Recreation Center of \$50,773.

## Capital Asset and Debt Administration

**Capital assets:** The City's investment in capital assets for its governmental and business type activities as of June 30, 2012 amounts to \$187,338,949 (net of accumulated depreciation). This investment in capital assets includes land, building, improvements, equipment, roads, highways, construction in progress, and other infrastructure. The total decrease in City's investment in capital assets for the current fiscal year was 1.29% (a 1.67% decrease for governmental activities and a 0.64% decrease for business-type activities).

### Condensed Statement of Capital Assets (Net of Depreciation)

	Governmental activities		Business-type activities		Total	
	2012	2011	2012	2011	2012	2011
Land	\$ 7,788,672	\$ 7,733,595	\$ 1,265,719	\$ 1,097,590	\$ 9,054,391	\$ 8,831,185
Buildings	26,824,450	26,969,585	69,696	73,666	26,894,146	27,043,251
Improvements other than bldgs.	2,220,024	2,236,908	66,920,713	68,074,185	69,140,737	70,311,093
Equipment	1,042,421	1,019,860	839,555	850,402	1,881,976	1,870,262
Vehicles	3,113,608	3,104,182	-	-	3,113,608	3,104,182
Infrastructure	74,006,066	75,643,260	-	-	74,006,066	75,643,260
Construction in progress	2,361,915	2,645,381	886,110	333,111	3,248,025	2,978,492
<b>Total</b>	<b>\$ 117,357,156</b>	<b>\$ 119,352,771</b>	<b>\$ 69,981,793</b>	<b>\$ 70,428,954</b>	<b>\$ 187,338,949</b>	<b>\$ 189,781,725</b>

Additional information on the City's capital assets can be found in note 4(D) on pages 53-54 of this report.

**Long-term debt:** At the end of the current fiscal year, the City had total debt outstanding of \$41,643,806. Of this amount \$29,098,555 comprises debt backed by the full faith and credit of the government and capital outlay notes and \$12,545,251 represents bond secured primarily by a specified revenue source with a full faith and credit pledge.

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

	Governmental activities		Business-type activities		Total	
	2012	2011	2012	2011	2012	2011
General obligation bonds	\$ 26,910,000	\$ 25,750,000	\$ -	\$ -	\$ 26,910,000	\$ 25,750,000
Capital Outlay note	1,327,500	1,176,330	-	-	1,327,500	1,176,330
General Obligation note	861,056	908,056	-	-	861,056	908,056
Revenue bonds	-	-	12,410,000	13,490,000	12,410,000	13,490,000
Revenue note	-	-	135,251	170,251	135,251	170,251
<b>Total</b>	<u>\$ 29,098,556</u>	<u>\$ 27,834,386</u>	<u>\$ 12,545,251</u>	<u>\$ 13,660,251</u>	<u>\$ 41,643,807</u>	<u>\$ 41,494,637</u>

The City's total debt increased \$149,169 or 0.4 percent during the current fiscal year. The City issued \$4,545,000 in general obligation refunding and improvement bonds and \$4,305,000 in water and sewer revenue and tax refunding bonds during the year. The City also retired \$9,392,330 in debt through debt refunding and paying down existing debt.

The City maintains an "AAA" rating from Standard & Poor's and an "Aa1" rating from Moody's for general obligation debt and water and sewer revenue debt.

Additional information on the City's long-term debt can be found at note 4(G) of the notes to the financial statements of this report.

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

Factors considered in preparing the City's budget for the 2013 fiscal year are discussed fully in the budget document and include:

- The City uses conservative revenue forecasts for budgeting purposes. The primary source of funds remains property taxes. The continued impact of declining property values in the area has been taken into consideration in projecting resources.
- Sales tax and other state shared revenue should increase as economic output improves. While inflationary trends in the region compare favorably to national indices, the City has proposed FY13 appropriations which represent a slight increase from FY12 levels.
- Current service levels have been maintained in the general fund in FY12 by assigning a portion of the general fund balance. This use of fund balance amounts to 0.1 percent of total appropriations.

- Water and sewer rates were increased by approximately 45% in early FY12 in order to comply with state laws. The City of continuing to monitor operations of its Water/Sewer Fund to determine if additional user fees or cost containment measures should be initiated.

At June 30, 2012 the unassigned fund balance in the general fund was \$16,655,499. The City has approved a general fund operating budget of \$39,146,083 for FY12 with a \$497,474 planned use of general fund unassigned fund balance.

### **Requests for Information**

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the Finance Director, 6400 Stage Road, Bartlett, Tennessee 38134. The Comprehensive Annual Financial Report June 30, 2012, Fiscal Year 2013 Budget Report and other information about the City may be found on the City's website at [www.cityofbartlett.org](http://www.cityofbartlett.org), as part of our continuing usage of advancing technology and e-commerce.

**CITY OF BARTLETT, TENNESSEE**

**STATEMENT OF NET ASSETS**

June 30, 2012

	Primary Government		Total
	Governmental Activities	Business-type Activity	
<b>ASSETS</b>			
Cash and cash equivalents	\$ 25,866,349	\$ 4,898,821	\$ 30,765,170
Investments - unrestricted	8,217,679	2,980,928	11,198,607
Investments - restricted	504,611	-	504,611
Receivables (net of allowance for uncollectibles):			
Taxes	18,368,997	-	18,368,997
Accounts receivable	-	1,709,778	1,709,778
Other	3,234,024	27,700	3,261,724
Internal balances	143,759	(143,759)	-
Inventories	176,629	-	176,629
Prepaid items	10,630	4,665	15,295
Capital assets, not being depreciated	10,150,587	2,151,829	12,302,416
Capital assets, being depreciated, net	107,206,569	67,829,964	175,036,533
Total assets	<u>173,879,834</u>	<u>79,459,926</u>	<u>253,339,760</u>
<b>LIABILITIES</b>			
Accounts payable and accrued liabilities	1,170,150	397,957	1,568,107
Accrued interest payable	247,440	100,479	347,919
Unearned revenue	17,141,011	52,438	17,193,449
Other accrued payables	4,253	-	4,253
Accrued payroll and vacation	1,966,563	83,397	2,049,960
Noncurrent liabilities:			
Due within one year	2,850,781	1,181,000	4,031,781
Due in more than one year	41,392,816	12,415,053	53,807,869
Total liabilities	<u>64,773,014</u>	<u>14,230,324</u>	<u>79,003,338</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	93,659,549	58,771,208	152,430,757
Restricted for:			
Debt service	952,372	-	952,372
Streets	803,065	-	803,065
Park improvements	665,100	-	665,100
Drug enforcement	585,392	-	585,392
Other purposes	321,684	-	321,684
Unrestricted	12,119,658	6,458,394	18,578,052
Total net assets	<u>\$ 109,106,820</u>	<u>\$ 65,229,602</u>	<u>\$ 174,336,422</u>

The accompanying notes are an integral part of the financial statements.



**CITY OF BARTLETT, TENNESSEE**

**STATEMENT OF ACTIVITIES**

For the Year Ended June 30, 2012

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
<b>Primary government:</b>				
Governmental Activities:				
General government	\$ 7,508,236	\$ 3,368,184	\$ 225,720	\$ -
Public safety	25,841,866	1,695,470	-	119,682
Public works	15,148,440	5,872,537	3,111,369	439,817
Parks and recreation	4,369,653	927,648	12,400	-
Performing arts center	597,215	274,638	-	-
Recreation center	1,752,728	1,532,690	-	-
Interest on long-term debt	757,919	-	-	-
Total governmental activities	<u>55,976,057</u>	<u>13,671,167</u>	<u>3,349,489</u>	<u>559,499</u>
Business-type activity:				
Water and sewer	<u>7,508,717</u>	<u>8,745,547</u>	<u>138,595</u>	<u>482,843</u>
Total primary government	<u>\$ 63,484,774</u>	<u>\$ 22,416,714</u>	<u>\$ 3,488,084</u>	<u>\$ 1,042,342</u>
General revenues:				
Property taxes				
Local sales taxes				
State sales taxes				
Income and excise taxes				
Beer taxes				
Liquor taxes				
Bank excise taxes				
Receipts in lieu of tax - TVA				
Reimbursements				
Interest on investments				
Bond defaults				
Gain (loss) on sale of capital assets				
Transfers				
Total general revenues and transfers				
Change in net assets				
Net assets - beginning, as previously reported				
Prior period adjustment				
Net assets - beginning as restated				
Net assets - ending				

The accompanying notes are an integral part of the financial statements.

**Net (Expense) Revenue and  
Changes in Net Assets**

<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
\$ (3,914,332)	\$ -	\$ (3,914,332)
(24,026,714)	-	(24,026,714)
(5,724,717)	-	(5,724,717)
(3,429,605)	-	(3,429,605)
(322,577)	-	(322,577)
(220,038)	-	(220,038)
(757,919)	-	(757,919)
(38,395,902)	-	(38,395,902)
-	1,858,268	1,858,268
(38,395,902)	1,858,268	(36,537,634)
17,781,386	-	17,781,386
11,288,513	-	11,288,513
3,704,680	-	3,704,680
270,679	-	270,679
26,808	-	26,808
52,834	-	52,834
5,840	-	5,840
630,975	-	630,975
67,175	-	67,175
95,808	25,379	121,187
1,897,652	-	1,897,652
-	6,009	6,009
296,566	(296,566)	-
36,118,916	(265,178)	35,853,738
(2,276,986)	1,593,090	(683,896)
110,691,463	63,636,512	174,327,975
692,343	-	692,343
111,383,806	63,636,512	175,020,318
\$ 109,106,820	\$ 65,229,602	\$ 174,336,422

**CITY OF BARTLETT, TENNESSEE**

**BALANCE SHEET  
GOVERNMENTAL FUNDS**

June 30, 2012

	<u>General Fund</u>	<u>Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 7,330,372	\$ 11,647,860	\$ 5,330,982	\$ 24,309,214
Investments - unrestricted	8,217,679	-	-	8,217,679
Investments - restricted	-	504,611	-	504,611
Receivables				
Taxes	18,114,627	-	771,410	18,886,037
Other	3,603,707	28,574	29,288	3,661,569
Less allowance for doubtful accounts	(944,585)	-	-	(944,585)
Due from other funds	3,045,518	-	-	3,045,518
Inventory	176,629	-	-	176,629
Prepaid Items	10,630	-	-	10,630
	<u>\$ 39,554,577</u>	<u>\$ 12,181,045</u>	<u>\$ 6,131,680</u>	<u>\$ 57,867,302</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable and accrued liabilities	\$ 633,657	\$ 201,954	\$ 298,347	\$ 1,133,958
Deferred revenue - taxes	17,487,740	-	-	17,487,740
Deferred revenue - rec. center	238,832	-	-	238,832
Deferred revenue - court fines	354,340	-	-	354,340
Deferred revenue - developers	233,495	-	-	233,495
Deferred revenue - business licenses	2,357	-	-	2,357
Deferred revenue - grants	4,510	28,574	13,440	46,524
Deferred revenue - BPAC	3,920	-	-	3,920
Other accrued payables	4,253	-	-	4,253
Due to other funds	-	2,975,044	70,474	3,045,518
Accrued payroll and vacation	1,851,240	-	115,323	1,966,563
Total liabilities	<u>20,814,344</u>	<u>3,205,572</u>	<u>497,584</u>	<u>24,517,500</u>
Fund balances:				
Nonspendable	187,260	-	-	187,260
Restricted	-	4,908,647	1,139,250	6,047,897
Committed	1,100,000	-	1,523,263	2,623,263
Assigned	797,474	4,066,826	2,989,005	7,853,305
Unassigned	16,655,499	-	(17,422)	16,638,077
Total fund balances	<u>18,740,233</u>	<u>8,975,473</u>	<u>5,634,096</u>	<u>33,349,802</u>
	<u>\$ 39,554,577</u>	<u>\$ 12,181,045</u>	<u>\$ 6,131,680</u>	<u>\$ 57,867,302</u>

The accompanying notes are an integral part of the financial statements.

CITY OF BARTLETT, TENNESSEE

RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET ASSETS  
GOVERNMENTAL FUNDS

June 30, 2012

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

Total governmental fund balances	\$ 33,349,802
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	117,357,156
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	1,226,197
Internal service funds are used by management to charge the costs of health insurance, workers' compensation, and retiree health insurance to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.	1,664,702
Long-term liabilities, including bonds payable, capital outlay notes, net pension obligation, and OPEB are not due and payable in the current period and therefore are not reported in the funds.	<u>(44,491,037)</u>
Net assets of governmental activities	<u>\$ 109,106,820</u>

The accompanying notes are an integral part of the financial statements.

**CITY OF BARTLETT, TENNESSEE**

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

For the Year Ended June 30, 2012

	<u>General Fund</u>	<u>Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>				
Taxes:				
Property taxes	\$ 17,767,922	\$ -	\$ -	\$ 17,767,922
Local sales taxes	8,395,524	-	2,892,989	11,288,513
Intergovernmental	4,758,991	-	1,537,779	6,296,770
Licenses and permits	1,532,178	-	-	1,532,178
Charges for services	3,902,264	-	5,427,065	9,329,329
Fines, forfeitures, and penalties	1,899,649	-	32,895	1,932,544
Federal and state grants	179,196	-	1,996,704	2,175,900
Donations	12,400	-	-	12,400
Interest on investments	8,907	86,335	530	95,772
Other	31,918	1,359,804	505,930	1,897,652
Total revenues	<u>38,488,949</u>	<u>1,446,139</u>	<u>12,393,892</u>	<u>52,328,980</u>
<b>EXPENDITURES</b>				
Current				
General government	6,109,847	-	251,106	6,360,953
Public safety	21,899,362	-	292,499	22,191,861
Public works	4,684,717	-	5,884,656	10,569,373
Parks and recreation	3,332,413	-	48,891	3,381,304
Performing arts center	558,610	-	-	558,610
Recreation center	1,513,102	-	-	1,513,102
Debt Service				
Principal	-	-	2,112,330	2,112,330
Interest	-	-	864,423	864,423
Bond issuance costs	-	19,576	44,236	63,812
Capital outlays	-	5,553,028	-	5,553,028
Total expenditures	<u>38,098,051</u>	<u>5,572,604</u>	<u>9,498,141</u>	<u>53,168,796</u>
Excess (deficiency) of revenues over (under) expenditures	<u>390,898</u>	<u>(4,126,465)</u>	<u>2,895,751</u>	<u>(839,816)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Issuance of debt	-	3,376,500	-	3,376,500
Issuance of refunding bonds	-	-	1,860,000	1,860,000
Premium on bonds issued	-	131,966	25,494	157,460
Payment to refunding bond escrow agent	-	-	(1,885,494)	(1,885,494)
Sale of capital assets	148,947	-	-	148,947
Transfers in	548,755	1,572,174	500,000	2,620,929
Transfers out	(23,600)	(83,746)	(2,217,017)	(2,324,363)
Total other financing sources and uses	<u>674,102</u>	<u>4,996,894</u>	<u>(1,717,017)</u>	<u>3,953,979</u>
Net change in fund balances	1,065,000	870,429	1,178,734	3,114,163
Fund balances - beginning	17,675,233	8,105,044	4,455,362	30,235,639
Fund balances - ending	<u>\$ 18,740,233</u>	<u>\$ 8,975,473</u>	<u>\$ 5,634,096</u>	<u>\$ 33,349,802</u>

The accompanying notes are an integral part of the financial statements.

CITY OF BARTLETT, TENNESSEE

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF  
ACTIVITIES

For the Year Ended June 30, 2012

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

Net change in fund balance - total governmental funds \$ 3,114,163

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period. (1,995,615)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. (344,030)

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. This adjustment is for compensated absences, net pension obligation and other post employment benefits. (1,478,645)

The issuance of long-term debt (e.g. bonds) 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 assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items. (1,227,448)

Internal service funds are used by management to charge the costs of health insurance, workmen's compensation, and retiree health insurance to individual funds. The net expenditure of certain activities of internal service funds is reported with governmental activities. (345,411)

Change in net assets of governmental funds \$ (2,276,986)

The accompanying notes are an integral part of the financial statements.

**CITY OF BARTLETT, TENNESSEE**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCES – BUDGET AND ACTUAL – GENERAL FUND**

For the Year Ended June 30, 2012

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES:</b>				
<b>TAXES</b>				
Property tax	\$ 16,605,410	\$ 16,605,410	\$ 16,404,597	\$ (200,813)
Property tax - prior year	350,000	350,000	522,141	172,141
Payments in lieu of taxes	685,000	685,000	669,154	(15,846)
Property tax interest and penalties	120,000	120,000	172,030	52,030
Local sales tax	5,450,480	5,450,480	5,785,978	335,498
Wholesale beer tax	716,900	716,900	742,141	25,241
Wholesale liquor tax	170,000	170,000	203,077	33,077
Gross receipts tax	750,000	750,000	883,192	133,192
Business tax	4,000	4,000	3,630	(370)
Interest, penalties, and collection fees on business tax	55,110	55,110	97,605	42,495
Hotel tax	175,000	175,000	173,748	(1,252)
CATV franchise tax	380,000	380,000	506,153	126,153
<b>Total taxes</b>	<b>25,461,900</b>	<b>25,461,900</b>	<b>26,163,446</b>	<b>701,546</b>
<b>INTERGOVERNMENTAL/UNRESTRICTED</b>				
State of Tennessee shared taxes				
Sales	3,575,000	3,575,000	3,704,680	129,680
Income taxes	100,000	100,000	270,679	170,679
Beer tax	28,000	28,000	26,808	(1,192)
Liquor tax	45,000	45,000	52,834	7,834
Bank excise tax	15,000	15,000	5,840	(9,160)
Receipts in lieu of tax - TVA	616,700	616,700	630,975	14,275
Reimbursements	-	-	67,175	67,175
<b>Total state taxes</b>	<b>4,379,700</b>	<b>4,379,700</b>	<b>4,758,991</b>	<b>379,291</b>
<b>LICENSES AND PERMITS</b>				
Automobile stickers	1,100,000	1,100,000	1,117,293	17,293
Beer and liquor licenses	14,220	14,220	16,370	2,150
Building and related permits	297,050	297,050	398,515	101,465
<b>Total licenses and permits</b>	<b>1,411,270</b>	<b>1,411,270</b>	<b>1,532,178</b>	<b>120,908</b>

The accompanying notes are an integral part of the financial statements.

**CITY OF BARTLETT, TENNESSEE**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCES – BUDGET AND ACTUAL – GENERAL FUND (CONTINUED)**

For the Year Ended June 30, 2012

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>CHARGES FOR SERVICES</b>				
Police and fire charges	15,500	15,500	24,421	8,921
Publication fees	1,000	1,000	1,100	100
Trash removal and weed cutting fees	100,000	100,000	125,399	25,399
Parks and recreation charges	2,450,000	2,450,000	2,398,437	(51,563)
Performing arts center	250,000	250,000	258,751	8,751
City service fee	3,000	3,000	3,113	113
Ambulance fees	700,000	700,000	712,297	12,297
Animal Shelter fees	137,750	137,750	126,971	(10,779)
911 fees	18,240	18,240	8,645	(9,595)
Rental fees	145,000	145,000	147,604	2,604
Library fees	103,000	103,000	95,526	(7,474)
Total charge for services	<u>3,923,490</u>	<u>3,923,490</u>	<u>3,902,264</u>	<u>(21,226)</u>
<b>FINES, FORFEITURES, AND PENALTIES</b>	<u>1,940,000</u>	<u>1,940,000</u>	<u>1,899,649</u>	<u>(40,351)</u>
<b>FEDERAL AND STATE GRANTS</b>	<u>-</u>	<u>105,600</u>	<u>179,196</u>	<u>73,596</u>
<b>DONATIONS</b>	<u>12,000</u>	<u>13,000</u>	<u>12,400</u>	<u>(600)</u>
<b>INTEREST ON INVESTMENTS</b>	<u>20,000</u>	<u>20,000</u>	<u>8,907</u>	<u>(11,093)</u>
<b>OTHER</b>	<u>53,600</u>	<u>53,600</u>	<u>31,918</u>	<u>(21,682)</u>
Total revenues	<u>37,201,960</u>	<u>37,308,560</u>	<u>38,488,949</u>	<u>1,180,389</u>

The accompanying notes are an integral part of the financial statements.



**CITY OF BARTLETT, TENNESSEE**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCES – BUDGET AND ACTUAL – GENERAL FUND (CONTINUED)**

For the Year Ended June 30, 2012

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>EXPENDITURES:</b>				
<b>GENERAL GOVERNMENT</b>				
Legislative				
Personnel	166,385	166,385	163,174	3,211
Operations	388,581	413,766	325,649	88,117
	<u>554,966</u>	<u>580,151</u>	<u>488,823</u>	<u>91,328</u>
Mayor's office				
Personnel	564,544	564,544	561,019	3,525
Operations	117,175	117,175	108,708	8,467
Equipment	1,600	1,600	607	993
	<u>683,319</u>	<u>683,319</u>	<u>670,334</u>	<u>12,985</u>
Community relations				
Personnel	85,714	85,714	85,524	190
Operations	142,451	191,590	144,067	47,523
	<u>228,165</u>	<u>277,304</u>	<u>229,591</u>	<u>47,713</u>
Finance and accounting				
Personnel	1,112,663	1,112,663	1,044,918	67,745
Operations	169,556	169,556	144,297	25,259
	<u>1,282,219</u>	<u>1,282,219</u>	<u>1,189,215</u>	<u>93,004</u>
City Court				
Personnel	731,176	731,176	692,857	38,319
Operations	52,753	52,753	44,344	8,409
	<u>783,929</u>	<u>783,929</u>	<u>737,201</u>	<u>46,728</u>
Building and grounds				
Personnel	128,360	128,360	124,687	3,673
Operations	192,270	191,820	173,483	18,337
Equipment	-	450	450	-
	<u>320,630</u>	<u>320,630</u>	<u>298,620</u>	<u>22,010</u>
Personnel				
Personnel	385,553	385,553	353,737	31,816
Operations	24,912	25,146	18,549	6,597
	<u>410,465</u>	<u>410,699</u>	<u>372,286</u>	<u>38,413</u>
Planning and economic development				
Personnel	281,633	281,633	280,699	934
Operations	11,839	11,619	10,903	716
Equipment	-	220	220	-
	<u>293,472</u>	<u>293,472</u>	<u>291,822</u>	<u>1,650</u>
Library				
Operations	1,147,214	1,147,214	1,101,622	45,592
Equipment	1,500	1,500	-	1,500
	<u>1,148,714</u>	<u>1,148,714</u>	<u>1,101,622</u>	<u>47,092</u>

The accompanying notes are an integral part of the financial statements.

**CITY OF BARTLETT, TENNESSEE**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCES – BUDGET AND ACTUAL – GENERAL FUND (CONTINUED)**

For the Year Ended June 30, 2012

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
General Services				
Personnel	257,394	257,394	250,518	6,876
Operations	8,477	8,477	7,923	554
Equipment	500	500	-	500
	<u>266,371</u>	<u>266,371</u>	<u>258,441</u>	<u>7,930</u>
Bartlett Station Commission				
Operations	-	210,000	83,748	126,252
Bartlett Station Municipal Center				
Personnel	278,542	274,772	274,651	121
Operations	122,543	126,313	110,313	16,000
Equipment	10,000	10,000	3,180	6,820
	<u>411,085</u>	<u>411,085</u>	<u>388,144</u>	<u>22,941</u>
Total general government	<u>6,383,335</u>	<u>6,667,893</u>	<u>6,109,847</u>	<u>558,046</u>
<b>PUBLIC SAFETY</b>				
Police services				
Personnel	11,695,528	11,715,164	11,204,987	510,177
Operations	1,181,999	1,281,037	1,169,244	111,793
Equipment	22,350	22,350	6,627	15,723
	<u>12,899,877</u>	<u>13,018,551</u>	<u>12,380,858</u>	<u>637,693</u>
Fire services				
Personnel	6,253,888	6,253,888	6,194,732	59,156
Operations	427,022	464,192	445,839	18,353
Equipment	89,500	114,541	100,557	13,984
	<u>6,770,410</u>	<u>6,832,621</u>	<u>6,741,128</u>	<u>91,493</u>
Ambulance and medical services				
Personnel	1,898,984	1,898,984	1,831,455	67,529
Operations	190,562	199,562	183,403	16,159
Equipment	35,000	35,000	32,721	2,279
	<u>2,124,546</u>	<u>2,133,546</u>	<u>2,047,579</u>	<u>85,967</u>
Building codes enforcement				
Personnel	666,915	671,715	671,682	33
Operations	56,124	56,724	56,578	146
Equipment	1,000	1,600	1,537	63
	<u>724,039</u>	<u>730,039</u>	<u>729,797</u>	<u>242</u>
Total public safety	<u>22,518,872</u>	<u>22,714,757</u>	<u>21,899,362</u>	<u>815,395</u>

The accompanying notes are an integral part of the financial statements.

**CITY OF BARTLETT, TENNESSEE**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCES – BUDGET AND ACTUAL – GENERAL FUND (CONTINUED)**

For the Year Ended June 30, 2012

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>PUBLIC WORKS</b>				
Administrative				
Personnel	390,823	390,823	390,175	648
Operations	209,761	212,061	212,046	15
Equipment	200	2,000	1,751	249
	<u>600,784</u>	<u>604,884</u>	<u>603,972</u>	<u>912</u>
Engineering				
Personnel	305,322	305,322	304,515	807
Operations	40,052	40,052	31,840	8,212
Equipment	500	500	-	500
	<u>345,874</u>	<u>345,874</u>	<u>336,355</u>	<u>9,519</u>
Inspection				
Personnel	429,594	429,594	419,612	9,982
Operations	32,275	32,275	25,320	6,955
	<u>461,869</u>	<u>461,869</u>	<u>444,932</u>	<u>16,937</u>
City shop				
Personnel	751,209	705,709	687,164	18,545
Operations	53,965	56,465	56,288	177
Equipment	300	43,300	3,190	40,110
Shop allocations	(325,325)	(325,325)	(335,490)	10,165
	<u>480,149</u>	<u>480,149</u>	<u>411,152</u>	<u>68,997</u>
General maintenance of roads and drainage				
Personnel	917,775	923,675	923,602	73
Operations	271,319	261,319	243,046	18,273
Equipment	2,000	2,000	1,120	880
	<u>1,191,094</u>	<u>1,186,994</u>	<u>1,167,768</u>	<u>19,226</u>
Grounds maintenance				
Personnel	925,767	925,767	859,515	66,252
Operations	284,773	284,773	236,506	48,267
Equipment	200	200	-	200
	<u>1,210,740</u>	<u>1,210,740</u>	<u>1,096,021</u>	<u>114,719</u>
Animal control				
Personnel	488,202	488,202	473,898	14,304
Operations	176,384	181,384	150,619	30,765
Equipment	100	100	-	100
	<u>664,686</u>	<u>669,686</u>	<u>624,517</u>	<u>45,169</u>
 Total public works	 <u>4,955,196</u>	 <u>4,960,196</u>	 <u>4,684,717</u>	 <u>275,479</u>

The accompanying notes are an integral part of the financial statements.

**CITY OF BARTLETT, TENNESSEE**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCES – BUDGET AND ACTUAL – GENERAL FUND (CONTINUED)**

For the Year Ended June 30, 2012

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>PARKS AND RECREATION</b>				
Community center				
Personnel	690,214	696,194	696,185	9
Operations	172,869	166,889	166,888	1
Equipment	10,000	13,200	11,244	1,956
	<u>873,083</u>	<u>876,283</u>	<u>874,317</u>	<u>1,966</u>
Parks and recreation				
Personnel	247,101	247,101	245,679	1,422
Operations	23,153	26,653	26,584	69
	<u>270,254</u>	<u>273,754</u>	<u>272,263</u>	<u>1,491</u>
Senior citizens center				
Personnel	250,871	250,871	242,795	8,076
Operations	89,648	89,648	86,546	3,102
Equipment	8,000	8,000	4,827	3,173
	<u>348,519</u>	<u>348,519</u>	<u>334,168</u>	<u>14,351</u>
Athletics				
Personnel	452,807	452,807	448,418	4,389
Operations	219,787	216,287	202,245	14,042
	<u>672,594</u>	<u>669,094</u>	<u>650,663</u>	<u>18,431</u>
Parks maintenance				
Personnel	968,558	968,558	925,126	43,432
Operations	288,306	294,309	275,876	18,433
	<u>1,256,864</u>	<u>1,262,867</u>	<u>1,201,002</u>	<u>61,865</u>
Total parks and recreation	<u>3,421,314</u>	<u>3,430,517</u>	<u>3,332,413</u>	<u>98,104</u>
<b>PERFORMING ARTS CENTER</b>				
Personnel	420,654	496,204	370,373	125,831
Operations	182,410	197,843	186,086	11,757
Equipment	5,000	5,000	2,151	2,849
Total performing arts center	<u>608,064</u>	<u>699,047</u>	<u>558,610</u>	<u>140,437</u>
<b>RECREATION CENTER</b>				
Personnel	1,155,725	1,155,725	1,120,946	34,779
Operations	406,963	406,100	390,111	15,989
Equipment	-	2,050	2,045	5
Total recreation center	<u>1,562,688</u>	<u>1,563,875</u>	<u>1,513,102</u>	<u>50,773</u>
Total expenditures	<u>39,449,469</u>	<u>40,036,285</u>	<u>38,098,051</u>	<u>1,938,234</u>

The accompanying notes are an integral part of the financial statements.

**CITY OF BARTLETT, TENNESSEE**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCES – BUDGET AND ACTUAL – GENERAL FUND (CONTINUED)**

For the Year Ended June 30, 2012

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(2,247,509)</u>	<u>(2,726,225)</u>	<u>390,898</u>	<u>3,117,123</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Sale of capital assets	20,000	20,000	148,947	128,947
Transfers in	450,000	685,000	548,755	(136,245)
Transfers out	<u>-</u>	<u>(23,600)</u>	<u>(23,600)</u>	<u>-</u>
Total other financing sources (uses)	<u>470,000</u>	<u>681,400</u>	<u>674,102</u>	<u>(7,298)</u>
Net change in fund balances	(1,777,509)	(2,044,825)	1,065,000	3,109,825
Fund balances - beginning	<u>17,675,233</u>	<u>17,675,233</u>	<u>17,675,233</u>	<u>-</u>
Fund balances - ending	<u>\$ 15,897,724</u>	<u>\$ 15,630,408</u>	<u>\$ 18,740,233</u>	<u>\$ 3,109,825</u>

The accompanying notes are an integral part of the financial statements.

**CITY OF BARTLETT, TENNESSEE**

**STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS**

June 30, 2012

	<b>Business-type Activity - Enterprise Fund Water and Sewer Fund</b>	<b>Governmental Activities - Internal Service Funds</b>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 4,898,821	\$ 1,557,135
Investments (unrestricted)	2,980,928	-
Receivables		
Customers	1,716,986	-
Other	27,700	-
Less allowance for doubtful accounts	(7,208)	-
Prepaid expenses	4,665	-
Total current assets	9,621,892	1,557,135
Noncurrent assets:		
Capital assets, not being depreciated	2,151,829	-
Capital assets, being depreciated, net	67,829,964	-
Total capital assets (net of accumulated depreciation)	69,981,793	-
Total noncurrent assets	69,981,793	-
Total assets	79,603,685	1,557,135
<b>LIABILITIES</b>		
Current liabilities:		
Accounts payable	397,957	36,192
Accrued bond interest	100,479	-
Accrued compensated absences	2,447	-
Deferred revenue	52,438	-
Current portion of bonds and notes payable	1,181,000	-
Total current liabilities	1,734,321	36,192
Noncurrent liabilities:		
Bonds and notes payable, net of current portion and issuance costs	11,016,691	-
Payable to pension fund	141,471	-
Accrued compensated absences	80,950	-
Other post employment benefits payable	1,256,891	-
Total noncurrent liabilities	12,496,003	-
Total liabilities	14,230,324	36,192
<b>NET ASSETS</b>		
Invested in capital assets, net of related debt	57,784,102	-
Unrestricted	7,589,259	1,520,943
Total net assets	65,373,361	\$ 1,520,943
Adjustment to reflect the consolidation of internal service funds related to the enterprise fund	(143,759)	
Net assets of the business-type activity	\$ 65,229,602	

The accompanying notes are an integral part of the financial statements.

**CITY OF BARTLETT, TENNESSEE**

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS  
PROPRIETARY FUND**

For the Year Ended June 30, 2012

	<b>Business-type Activity - Enterprise Fund Water and Sewer Fund</b>	<b>Governmental Activities - Internal Service Funds</b>
Operating revenues:		
Metered water sales	\$ 4,367,155	\$ -
Sewer service fee	3,591,423	-
Service connections fees	81,466	-
Forfeited discounts	285,949	-
Charges for services	60,800	1,481,010
Contributions	-	4,470,720
Tower lease charges	358,754	-
Federal grant	103,195	-
Other	35,400	-
Total operating revenues	<u>8,884,142</u>	<u>5,951,730</u>
Operating expenses:		
Administrative and general	1,422,268	6,387,747
Pumping and filtering	1,406,983	-
Distribution system	1,592,415	-
Sewer lagoon	534,427	-
Depreciation	2,047,749	-
Total operating expenses	<u>7,003,842</u>	<u>6,387,747</u>
Operating income (loss)	<u>1,880,300</u>	<u>(436,017)</u>
Nonoperating revenues (expenses):		
Gain (loss) on sale of capital assets	6,009	-
Interest	25,379	36
Bond interest and fiscal charges	(414,305)	-
Total non-operating revenues (expenses)	<u>(382,917)</u>	<u>36</u>
Income (loss) before contributions and transfers	1,497,383	(435,981)
Capital contributions - water taps	24,550	-
Capital contributions - sewer taps	42,143	-
Capital contributions - development	416,150	-
Transfers out	(296,566)	-
Change in net assets	<u>1,683,660</u>	<u>(435,981)</u>
Total net assets - beginning	<u>63,689,701</u>	<u>1,956,924</u>
Total net assets - ending	<u>\$ 65,373,361</u>	<u>\$ 1,520,943</u>
Change in net assets	\$ 1,683,660	
Adjustment to reflect the consolidation of internal service funds related to the enterprise fund	<u>(90,570)</u>	
Change in net assets of the business-type activity	<u>\$ 1,593,090</u>	

The accompanying notes are an integral part of the financial statements.

**CITY OF BARTLETT, TENNESSEE**

**STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS**

For the Year Ended June 30, 2012

	<b>Business-type Activity - Enterprise Fund Water and Sewer Fund</b>	<b>Governmental Activities - Internal Service Funds</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from customers and users	\$ 8,451,047	\$ -
Receipts from interfund services provided	-	5,951,730
Payments to suppliers	(2,494,177)	(5,976,716)
Payments to employees	(2,157,722)	-
Payments for interfunds services used	131,472	-
Other receipts	24,427	-
Net cash provided by (used for) operating activities	<u>3,955,047</u>	<u>(24,986)</u>
<b>CASH FLOW FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Transfer to other fund	<u>(296,566)</u>	-
<b>CASH FLOW FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Proceeds from issuance of capital debt	4,186,704	-
Capital contributions	482,843	-
Purchases of capital assets	(1,600,589)	-
Principal paid on capital debt	(5,420,000)	-
Interest paid on capital debt	(401,108)	-
Gain (loss) on sale of capital assets	6,009	-
Net cash used by capital and related financing activities	<u>(2,746,141)</u>	-
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of investments	124,536	-
Interest income	25,379	36
Net cash provided by investing activities	<u>149,915</u>	<u>36</u>
Net decrease in cash and cash equivalents	1,062,255	(24,950)
Cash and cash equivalents - beginning of the year	<u>3,836,566</u>	<u>1,582,085</u>
Cash and cash equivalents - end of the year	<u>\$ 4,898,821</u>	<u>\$ 1,557,135</u>
<b>Reconciliation of operating income to net cash provided (used) by operating activities:</b>		
Operating income	\$ 1,880,300	\$ (436,017)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
Depreciation	2,047,749	-
Change in assets and liabilities		
Receivables	(321,708)	-
Prepaid expenses	2,328	406,380
Accounts payable	167,677	4,651
Deferred revenue	598	-
Accrued compensated absences	178,103	-
Net cash provided by (used for) operating activities	<u>\$ 3,955,047</u>	<u>\$ (24,986)</u>
<b>Noncash investing, capital, and financing activities:</b>		
Bond issue costs paid from proceeds	<u>\$ 118,296</u>	-

The accompanying notes are an integral part of the financial statements.



**CITY OF BARTLETT, TENNESSEE**  
**STATEMENT OF FIDUCIARY NET ASSETS**

June 30, 2012

	<u>Employee Retirement Plan</u>	<u>Other Post Employemnt Benefits</u>	<u>Agency Funds</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 3,356,885	\$ 1,090,008	\$ 82,391
Interest receivable	237,399	-	-
Investments, at fair value:			
Mutual funds	42,206,489	-	
Mortgage backed securities	1,028,367	-	-
Common stock	145,431	-	-
Total investments	<u>43,380,287</u>	<u>-</u>	<u>-</u>
Total assets	<u>46,974,571</u>	<u>1,090,008</u>	<u>\$ 82,391</u>
<b>LIABILITIES</b>			
Accounts payable	17,824	630	-
Family assistance payable	-	-	38,917
Bail bonds payable	-	-	43,474
Total liabilities	<u>17,824</u>	<u>630</u>	<u>\$ 82,391</u>
<b>NET ASSETS</b>			
Held in trust for pension benefits and other purposes	<u>\$ 46,956,747</u>	<u>\$ 1,089,378</u>	

The accompanying notes are an integral part of the financial statements.

**CITY OF BARTLETT, TENNESSEE**

**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS**

For the Year Ended June 30, 2012

	<b>Employee Retirement Plan</b>	<b>Other Post Employment Benefits</b>
<b>ADDITIONS</b>		
Contributions:		
Employer	\$ 3,052,605	\$ 1,091,051
Plan members	872,176	-
Total contributions	<u>3,924,781</u>	<u>1,091,051</u>
Investment earnings (losses):		
Interest and dividends	1,733,804	53
Net depreciation in fair value of investments	<u>(1,147,288)</u>	<u>-</u>
Total investment earnings (loss)	586,516	53
Less investment expense	<u>(157,409)</u>	<u>-</u>
Net investment earnings (loss)	<u>429,107</u>	<u>53</u>
Total additions (reductions)	<u>4,353,888</u>	<u>1,091,104</u>
<b>DEDUCTIONS</b>		
Benefits	2,395,115	-
Administrative expense	<u>38,340</u>	<u>1,726</u>
Total deductions	<u>2,433,455</u>	<u>1,726</u>
Change in net assets	1,920,433	1,089,378
Net assets - beginning of the year	<u>45,036,314</u>	<u>-</u>
Net assets - end of the year	<u>\$ 46,956,747</u>	<u>\$ 1,089,378</u>

The accompanying notes are an integral part of the financial statements.

**CITY OF BARTLETT, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**

June 30, 2012

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**Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Reporting Entity**

The City of Bartlett, Tennessee (the City) operates under a Board of Mayor and Aldermen form of government and is organized into the following departments: Administration, Mayor, Finance and Accounting, Police, Fire, Parks and Recreation, Public Works, Planning and Development, Code Enforcement, and Utilities.

Governmental Accounting Standards Board (GASB) statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis for State and Local Governments was implemented in the year ended June 30, 2003. The City retroactively reported infrastructure (assets acquired since 1980) at July 1, 2006.

As required by accounting principles generally accepted in the United States of America, these financial statements present the government and its component units, entities for which the government is considered to be financially accountable. However, currently there are no component units.

**B. Government-wide and fund financial statements**

The government-wide financial statements (i.e., the statements of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Interfund services provided and used are not eliminated in the process of consolidation. 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.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are 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 governmental-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Agency funds do not use the economic resources 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.

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

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Licenses and permits, charges for services, fines and forfeitures, and miscellaneous revenues (except for investment earnings) are considered to be measurable and available only when cash is received by the City.

The City reports the following major governmental funds:

The general fund is the primary operating fund of the City and accounts for all financial resources of the general government not specifically provided for in other funds. Most of the essential governmental services such as police and fire protection, community services, and general administration are reported in the general fund.

The capital projects fund accounts for the financing of major governmental fund capital asset purchases.

The City reports the following major proprietary funds:

The water and sewer fund is the City's only major proprietary fund. It accounts for water and sewer fees in connection with the operation of the City's water and sewer system. The proceeds of several bond issues and loans have been used specifically for the construction or acquisition of water and sewer facilities. Since it is the intention of the City to repay these bonds and loans through water and sewer fund operations, these obligations are reported in this fund.

Additionally, the City reports the following fund types:

The debt service fund accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

Internal service funds account for health insurance and workers' compensation services provided to other departments or agencies of the government on a cost reimbursement basis.

The employee retirement plan, a pension trust fund, is used to account for the accumulation of resources to be used to provide defined retirement benefits to all qualified employees upon retirement.

The other post employment benefits fund is used to account for the accumulation of resources to be used to provide health and dental benefits to all qualified retired employees.

The bail bond fund, an agency fund, is used to account for bail funds by persons awaiting trial in City Court. The family assistance fund, an agency fund, is used to provide families with financial hardship with monies to pay their utility bills. These funds are purely custodial and thus do not involve measurement of results of operations.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government – wide financial statements. Interfund services provided and used are not eliminated in the process of consolidation.

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

Proprietary funds distinguish operating revenues and expenses from nonoperating 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 utility fund are charges to customers for sales and services. The utility fund also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. 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 nonoperating revenues and expenses.

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

## **D - Assets, liabilities and fund equity**

### *1. Deposits and investments*

The City considers all highly liquid investments with an original maturity of three months or less when purchased to be cash and cash equivalents.

Investments are reported at fair value. The state investment pool operates in accordance with the appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares. Cash equivalents held by the trustee of the pension fund are included in cash and cash equivalents.

### *2. Interfund receivables and payables*

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

All trade and property taxes receivable are shown net of an allowance for uncollectibles.

Property taxes are levied as of June 1 (lien date) on property values assessed as of January 1. Taxes are due December 1 and are considered delinquent after February 28, at which time penalties and interest are assessed.

### *3. Inventories and prepaid items*

Inventories are valued at cost (first-in, first-out). Inventory in all funds consists of expendable supplies held for consumption. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

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

### *4. Restricted assets*

Restricted assets in governmental funds represent investments held for state street aid purposes.

## 5. Capital assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., streets, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Contributed capital assets are recorded at estimated fair market value at the date received.

In the case of the initial capitalization of general infrastructure assets (i.e., those reported by governmental activities) the government chose to include all such items put in place since 1980. The government was able to estimate the historical cost for the initial reporting of these assets through review of historical records, including subdivision bond summaries, contract documents, and capital project summaries. As the government constructs or acquires additional capital assets each period, including infrastructure assets, they are capitalized and reported at historical cost. The reported values exclude normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or extend its useful life beyond the original estimate. In the case of donations the government values these capital assets at the estimated fair value of the item at the date of its 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.

Property, plant and equipment of the primary government is depreciated using the straight-line method over the following estimated useful lives:

Buildings	25-50 years
Improvements	10-60 years
Infrastructure	20-50 years
Machinery and equipment	3-15 years

## 6. Compensated absences

Compensated absences for accumulated unpaid vacation are accrued when incurred in all funds. Vacation days earned, not to exceed 30 days, may be carried forward. In the event of termination, an employee is reimbursed for accumulated vacation days. That amount is provided for in current liabilities of the appropriate funds, as it does not exceed a normal year's accumulation. Compensated absences are paid out of the general fund, solid waste control fund, drainage control fund, and the proprietary fund.

Employees are generally reimbursed for accumulated unused sick leave, not to exceed 60 days, only upon retirement, and only for those employees employed prior to January 1, 1992. Sick leave is not accrued except at the governmental-wide presentation.

### *7. Long-term obligations*

In the governmental-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 assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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.

### *8. Fund balance*

Governmental funds utilize a fund balance representation for fund equity. Fund balance is categorized as non-spendable, restricted, committed, assigned or unassigned. A description of each category is provided below.

**Non-Spendable Fund Balance** – amounts that cannot be spent because they are either in a (a) non-spendable form, including items not expected to be converted to cash (i.e. inventories, prepaid amounts, long-term portion of loans and notes receivable), or (b) legally or contractually required to be maintained intact (i.e. the principal of a permanent fund).

**Restricted Fund Balance** – amounts constrained to be used for a specific purpose as per external parties, constitutional provision, or enabling legislation.

**Committed Fund Balance** – amounts constrained to be used for specific purposes by formal action by ordinance adopted by the Board of Mayor and Aldermen. Amounts classified as committed are not subject to legal enforceability like restricted resources; however, they cannot be used for any other purpose unless the Board removes or changes the commitment by taking the same action it employed to impose the commitment.

**Assigned Fund Balance** – amounts intended to be used by the City for a specific purpose, but are neither restricted nor committed. The intent shall be expressed by the Board of Mayor and Aldermen or an official delegated the authority to assign amounts. This is a residual classification for all governmental funds other than the general fund. The Mayor or his designee has been granted the ability to assign amounts to a specific purpose. The nature of the actions



necessary to remove or modify an assignment is not as rigid as required under a committed fund balance classification.

**Unassigned Fund Balance** – represents the residual balance available for any purpose in the general fund or deficit balances in other funds.

When an expenditure is incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) amounts are available, it is the policy of the City 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 is the policy of the City 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 balances identified as the source of the funding, that specific fund balance will be used.

**NOTE 2 – 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 assets**

The governmental fund balance sheet includes a reconciliation between fund balance - total governmental funds and net assets - governmental activities as reported in the government-wide statement of net assets. One element of that reconciliation explains that "long-term liabilities, including bonds payable and net pension obligation, are not due and payable in the current period and therefore are not reported in the funds."

The details of this \$44,491,037 difference are as follows:

Bonds and capital outlay notes payable	\$ 29,098,555
Add: Deferred amount for issuance premiums	256,229
Less: Deferred amount for issuance cost	(748,530)
Accrued interest payable	247,440
Net pension obligation	2,151,559
Other postemployment benefits liability	12,845,218
Compensated absences	<u>640,566</u>
 Net adjustment to reduce fund balance - total governmental funds to arrive at net assets - governmental funds	 \$ <u><u>44,491,037</u></u>

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

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances - total governmental funds and

changes in net assets of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains that "governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense." The details of the (\$1,995,615) difference are as follows:

Capital outlays	\$ 3,034,996
Depreciation expense	<u>(5,030,611)</u>
Net adjustment to decrease net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ (1,995,615)</u>

Another element of that reconciliation states that "the issuance of long-term debt (e.g. bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debts consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities."

The details of this (\$1,227,448) difference are as follows:

Debt issued or incurred:	
Issuance of bonds and capital notes	\$ (5,236,500)
Less: premium	(157,459)
Decrease in accrued interest payable	3,413
Amortization of issuance costs, and premiums	165,274
Principal repayment on general obligation debt	2,112,330
Payment to escrow agent for refunding	<u>1,885,494</u>
Net adjustment to decrease net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ (1,227,448)</u>

**NOTE 3 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

**A. Budgetary information**

The Board of Mayor and Aldermen annually approves the operating budgets of the general, special revenue, capital projects, debt service, and enterprise funds of the City. The capital projects plan is multi-year. Budgets are amended by resolution of the Board of Mayor and Aldermen to authorize expenditures of various grants received and to adjust the individual fund budgets as required. While no supplemental appropriations were required during the year, the accompanying budgetary data has been revised for amendments authorized by resolution during the year. The basis of

accounting applied to budgetary data presented is consistent with the appropriate basis of accounting for each fund type.

Fund appropriations comprise legal spending limits for governmental funds. The Mayor may approve transfers between line items within a department. Other transfers or requests for additional funds must be approved by the Board.

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders, contracts) outstanding at year end are reported in the unassigned fund balance category and do not constitute expenditures or liabilities because the commitments will be reappropriated and honored during the subsequent year.

**B. Excess of expenditures over appropriations**

For the year ended June 30, 2012, no fund's expenditures exceeded appropriations.

**C. Deficit fund equity**

As of June 30, 2012, the grants fund had a deficit fund equity of \$17,422.

**NOTE 4 - DETAILED NOTES ON ALL FUNDS**

**A. Deposits and investments**

As of June 30, 2012, the City had the following investments in its Pension Trust Fund:

Investment Type	2012		2011	
	Fair Value	Modified Duration (in Years)	Fair Value	Modified Duration (in Years)
Corporate & Mortgage Backed Bonds	\$ 1,028,367	10.87	\$ 999,171	10.87
Portfolio Weighted Average Modified Duration		10.87		10.87

Interest Rate Risk – As a means of limiting its exposure to interest rate risk, the City diversifies its investments in the Pension Trust Fund by security type and institution, and limits holdings in any one type of investment with any one issuer to no more than 5%. The Pension Trust Fund's Investment Policy has been formally adopted by the City's Board of Mayor and Aldermen.

Credit Risk – Based on the Pension Trust Fund's formally adopted Investment Policy, investment managers are limited to purchasing only investment rated Domestic Fixed Income and Commercial Paper.

Credit quality distribution for fixed income investments, with credit exposure as a percentage of total investments (total investments for the Pension Trust Fund include equity securities, mutual funds,

and money market funds, which are not represented in this or the above tables), are approximately as follows at year end:

<u>Investment Type</u>	<u>S&amp;P Rating</u>		<u>Amount</u>	<u>Moody's Rating</u>		<u>Amount</u>
Corporate Bonds	BBB	\$	1,028,367	Baa1	\$	168,000
				Baa2	\$	860,367

In compliance with the Tennessee State statutes, all cash, cash equivalents and unrestricted investments held by the Primary Government funds of the City are entirely covered by federal depository insurance, collateral held by the City's agent in the City's name, or by the State of Tennessee's Local Government Investment Pool (LGIP). State legislation TCA 9.4.7 authorizes investments in the LGIP for local governments and other political subdivisions.

### B. Receivables

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

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Nonmajor Governmental</u>	<u>Water and Sewer</u>	<u>Total</u>
Receivables:					
Taxes	\$ 18,114,627	\$ -	\$ 771,410	\$ -	\$ 18,886,037
Accounts receivable	-	-	-	1,724,194	1,724,194
Other	3,603,707	28,574	29,288	27,700	3,689,269
Gross receivables	21,718,334	28,574	800,698	1,751,894	24,299,500
Less: allowance for doubtful accounts	(944,585)	-	-	(7,208)	(951,793)
Net total receivables	<u>\$ 20,773,749</u>	<u>\$ 28,574</u>	<u>\$ 800,698</u>	<u>\$ 1,744,686</u>	<u>\$ 23,347,707</u>

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, deferred revenue principally represents: (1) amounts relating to property taxes as described above and (2) amounts received for various capital projects upon which revenues will not be recognized until such projects have started.

### C. Property Taxes

The City levies property taxes annually based upon assessed valuations provided by the Shelby County Tax Assessor. The various types of property are assessed at a percentage of estimated appraised value on January 1 of each year as follows:

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

Tax bills are mailed in November and taxes are due and levied on December 1 and delinquent after February 28 and available for tax lien on March 1.

Current tax collections for the year ended June 30, 2012, were 97.99% of the tax levy. The property tax levy is without legal limit. The rate, as permitted by Tennessee State Law and City Charter, is set annually by the Board of Mayor and Aldermen and collected by the Finance Department.

The property tax rate for the year ended June 30, 2012, was \$1.49 per \$100 of assessed value as of January 1, 2011.

#### D. Capital assets

Capital asset activity for the year ended June 30, 2012, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Governmental activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 7,733,595	\$ 55,077	\$ -	\$ 7,788,672
Construction in progress	2,645,381	1,219,246	(1,502,712)	2,361,915
Total capital assets, not being depreciated	<u>10,378,976</u>	<u>1,274,323</u>	<u>(1,502,712)</u>	<u>10,150,587</u>
Capital assets, being depreciated:				
Buildings	36,053,795	581,956	-	36,635,751
Improvements	5,267,847	297,530	-	5,565,377
Equipment	6,803,729	513,498	(44,800)	7,272,427
Vehicles	13,582,345	978,181	(762,562)	13,797,964
Infrastructure	107,415,263	899,248	-	108,314,511
Total capital assets, being depreciated	<u>169,122,979</u>	<u>3,270,413</u>	<u>(807,362)</u>	<u>171,586,030</u>
Less accumulated depreciation for:				
Buildings	(9,084,210)	(727,091)	-	(9,811,301)
Improvements	(3,030,939)	(314,414)	-	(3,345,353)
Equipment	(5,783,869)	(490,937)	44,800	(6,230,006)
Vehicles	(10,478,163)	(961,727)	755,534	(10,684,356)
Infrastructure	(31,772,003)	(2,536,442)	-	(34,308,445)
Total accumulated depreciation	<u>(60,149,184)</u>	<u>(5,030,611)</u>	<u>800,334</u>	<u>(64,379,461)</u>
Total capital assets, being depreciated, net	<u>108,973,795</u>	<u>(1,760,198)</u>	<u>(7,028)</u>	<u>107,206,569</u>
Governmental activities capital assets, net	<u>\$ 119,352,771</u>	<u>\$ (485,875)</u>	<u>\$ (1,509,740)</u>	<u>\$ 117,357,156</u>

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Business-type activity:</b>				
Capital assets, not being depreciated:				
Land	\$ 1,097,590	\$ 168,129	\$ -	\$ 1,265,719
Construction in progress	333,111	789,960	(236,961)	886,110
Total capital assets, not being depreciated	<u>1,430,701</u>	<u>958,089</u>	<u>(236,961)</u>	<u>2,151,829</u>
Capital assets, being depreciated:				
Buildings	98,914	-	-	98,914
Improvements	95,963,357	770,328	-	96,733,685
Equipment	2,172,062	109,132	(46,726)	2,234,468
Total capital assets, being depreciated	<u>98,234,333</u>	<u>879,460</u>	<u>(46,726)</u>	<u>99,067,067</u>
Less accumulated depreciation for:				
Buildings	(25,248)	(3,970)	-	(29,218)
Improvements	(27,889,172)	(1,923,800)	-	(29,812,972)
Equipment	(1,321,660)	(119,979)	46,726	(1,394,913)
Total accumulated depreciation	<u>(29,236,080)</u>	<u>(2,047,749)</u>	<u>46,726</u>	<u>(31,237,103)</u>
Total capital assets, being depreciated, net	<u>68,998,253</u>	<u>(1,168,289)</u>	<u>-</u>	<u>67,829,964</u>
Business-type activity capital assets, net	<u>\$ 70,428,954</u>	<u>\$ (210,200)</u>	<u>\$ (236,961)</u>	<u>\$ 69,981,793</u>

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

Governmental activities:	
General government	\$ 358,908
Public safety	980,785
Public works	3,074,571
Parks and recreation	542,621
Performing arts center	73,726
Total depreciation expense - governmental activities	<u>\$ 5,030,611</u>

### Construction commitments

The government has active construction projects as of June 30, 2012. At year-end the government's commitments with contractors are as follows:

<u>Function/Activity</u>	<u>Commitment</u>
Major roads	\$ 1,093,211
General government	163,239
	<u>\$ 1,256,450</u>

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

At June 30, 2012, amounts to be received or paid with current available resources are reported as receivable and payable to other funds. The amount payable to the general fund and

nongovernmental funds results from the time lag between dates that the interfund service are provided or reimbursable expenditures occur, and when transactions are recorded. The composition of interfund balances as of June 30, 2012, is as follows:

	Due from:		
	Capital Projects	Nonmajor Governmental	Total
Due to: General fund	\$ 2,975,044	\$ 70,474	\$ 3,045,518

Interfund transfers represent subsidies and contributions provided to operating funds and capital project funds with no corresponding debt or promise to repay. Transfers out of the major funds, nonmajor governmental funds and enterprise funds generally represent debt service, cost allocation, capital project funding, and payments in lieu of taxes. Interfund transfers occurring between individual major funds and nonmajor governmental, enterprise, and internal service funds for the City during the year ended June 30, 2012, are as follows:

	Transfer In:			
	General Fund	Capital Projects	Nonmajor Governmental	Total
Transfer out: General fund	\$ -	\$ 23,600	\$ -	\$ 23,600
Nonmajor governmental funds	168,443	1,548,574	500,000	2,217,017
Capital projects fund	83,746	-	-	83,746
Water and sewer	296,566	-	-	296,566
Total transfers out	<u>\$ 548,755</u>	<u>\$ 1,572,174</u>	<u>\$ 500,000</u>	<u>\$ 2,620,929</u>

## F. Leases

### *Operating Leases*

The City leases various city-owned property to corporations for cellular towers. The leases range from 5 to 10 years. The minimum lease payments the City will receive for the years ending June 30 is as follows:

2013	\$ 328,336
2014	185,617
2015	198,118
2016	42,084
2017	3,185
Thereafter	3,185
Total	<u>\$ 760,525</u>

## **G. Long Term Debt**

### *General obligation bonds*

The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for both governmental and business-type activities. During the year, general obligation and revenue bonds totaling \$8,850,000 were issued to refund both general obligation and revenue bonds and provide additional funding for major capital asset additions.

General obligation bonds are direct obligations and pledge the full faith and credit of the City. These bonds generally are issued as 20-year serial bonds. There are no specific allocations of property tax or other revenue sources for debt service.

### *General obligation notes payable*

On December 23, 2008, the City entered into a loan agreement with the Public Building Authority of the City of Clarksville, Tennessee through the Tennessee Municipal League for \$1,350,000 and \$1,000,000 for governmental and business-type activities, respectively. As of June 30, 2012, \$861,055 for governmental activities and \$135,251 for business-type activities of the total available note was drawn. The principal on this loan is paid annually while the interest is paid monthly based on a variable interest rate determined monthly by the remarketing agent. At June 30, 2012, the interest rate on this loan was .49%.

### *Revenue bonds*

The City also issues bonds where the government pledges income derived from the acquired or constructed assets to pay debt service.



## Changes in long-term liabilities

Long-term liability activity for the year ended June 30, 2012, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Governmental activities:</b>					
Bonds payable:					
General obligation bonds	\$ 25,750,000	\$ 4,545,000	\$ (3,385,000)	\$ 26,910,000	\$ 2,235,000
Less deferred amounts:					
For issuance premiums	112,315	157,459	(13,546)	256,228	-
For issuance cost	(569,675)	(255,841)	76,986	(748,530)	-
Total bonds payable	25,292,640	4,446,618	(3,321,560)	26,417,698	2,235,000
Capital outlay notes	1,176,330	691,500	(540,330)	1,327,500	530,000
Note payable	908,056	-	(47,000)	861,056	49,000
Net pension obligation (restated)	1,763,439	388,120	-	2,151,559	-
Other postemployment benefits	11,753,879	1,091,339	-	12,845,218	-
Compensated absences	639,752	10,619	(9,805)	640,566	36,781
Governmental-type activity long-term liabilities	<u>\$ 41,534,096</u>	<u>\$ 6,628,196</u>	<u>\$ (3,918,695)</u>	<u>\$ 44,243,597</u>	<u>\$ 2,850,781</u>
<b>Business-type activities:</b>					
Bonds payable:					
Revenue bonds	\$ 13,490,000	\$ 4,305,000	\$ (5,385,000)	\$ 12,410,000	\$ 1,145,000
Less deferred amounts:					
For issuance costs	(416,308)	-	68,748	(347,560)	-
Total bonds payable	13,073,692	4,305,000	(5,316,252)	12,062,440	1,145,000
Note payable	170,251	-	(35,000)	135,251	36,000
Net pension obligation	97,557	43,914	-	141,471	-
Other postemployment benefits	1,087,089	169,802	-	1,256,891	-
Business-type activity long-term liabilities	<u>\$ 14,428,589</u>	<u>\$ 4,518,716</u>	<u>\$ (5,351,252)</u>	<u>\$ 13,596,053</u>	<u>\$ 1,181,000</u>

For governmental activities, net pension obligation, other postemployment benefits, and compensated absences are generally liquidated by the general fund.

For the governmental activities and business-type activities, \$4,908,647 and \$987,106, respectively, of bond proceeds were not spent as of June 30, 2012. As such, these proceeds were not included in the calculation of invested in capital assets, net of related debt.

Bonds and similar debt payable at June 30, 2012, are comprised of the following individual issues:

	<u>Interest Rates</u>	<u>Original Issue</u>	<u>Balance Outstanding at Year End</u>
<b>Governmental activities:</b>			
Bonds payable:			
2004 Serial Bonds	2.0-4.3	\$ 1,790,000	\$ 1,295,000
2005 Serial Bonds	3.0-4.1	8,195,000	6,965,000
2006 Serial Bonds	4.0	2,655,000	2,130,000
2007 Serial Bonds	4.0-4.05	2,955,000	2,535,000
2009 Serial Bonds	2.0-4.1	2,220,000	2,045,000
2010 Serial Bonds	2.0-3.5	7,925,000	7,395,000
2011 Serial Bonds	2.0	4,545,000	4,545,000
		<u>30,285,000</u>	<u>26,910,000</u>
2008 Note payable	3.24	996,056	861,056
2009 Capital Outlay note	3.14	740,500	313,000
2011 Capital Outlay note	2.4	475,000	323,000
2012 Capital Outlay note	2.03	691,500	691,500
		<u>\$ 33,188,056</u>	<u>29,098,556</u>
	<u>Interest Rates</u>	<u>Original Issue</u>	<u>Balance Outstanding at Year End</u>
<b>Business-type activities:</b>			
Bonds payable:			
2004 Revenue Bonds	2.0-4.3	\$ 1,355,000	\$ 975,000
2005 Revenue Bonds	3.0-4.1	1,530,000	1,135,000
2006 Revenue Bonds	3.5-4.0	1,550,000	1,245,000
2007 Revenue Bonds	4.0-4.05	1,015,000	870,000
2009 Revenue Bonds	2.0-4.1	960,000	885,000
2010 Revenue Bonds	2.0-2.65	3,115,000	2,995,000
2011 Revenue Bonds	2.0	4,305,000	4,305,000
		<u>13,830,000</u>	<u>12,410,000</u>
2008 Note payable	0.49	235,251	135,251
		<u>\$ 14,065,251</u>	<u>12,545,251</u>
			<u>\$ 41,643,807</u>

Annual debt service requirements to maturity are as follows:

<u>Years Ending</u> <u>June 30</u>	<u>Government Activities</u>		<u>Business-Type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2013	\$ 2,814,000	\$ 819,080	\$ 1,181,000	\$ 334,159
2014	2,919,000	744,951	1,193,000	306,297
2015	2,663,500	672,540	1,225,000	277,846
2016	2,486,000	605,024	1,226,251	248,326
2017	2,324,000	539,636	1,160,000	218,814
2018-2022	10,210,000	1,759,412	4,350,000	716,897
2023-2027	4,742,056	574,274	1,950,000	196,019
2028-2031	940,000	51,570	260,000	13,043
	<u>\$ 29,098,556</u>	<u>\$ 5,766,487</u>	<u>\$ 12,545,251</u>	<u>\$ 2,311,401</u>

The City is not subject to any state or other law that limits the amount of net bonded debt a City may have outstanding; therefore, there is no legal debt margin or computation thereof. The City's full faith, credit and unlimited taxing power are pledged to the repayment of all general obligation bond principal and interest and the City is contingently liable for the repayment of revenue bond principal and interest.

#### **H. Restricted Assets**

The balance in the restricted investments account relates to money held by the City that is restricted to State Street Aid purposes.

#### **G. Fund Balances by Purpose**

Following is more detailed information on the governmental fund balances:

	General Fund	Capital Projects	Other Governmental Funds	Total
Nonspendable for:				
Inventory	\$ 176,630	\$ -	\$ -	\$ 176,630
Prepaid expenses	10,630	-	-	10,630
Restricted for:				
Capital projects	-	4,908,647	-	4,908,647
State street aid	-	-	232,174	232,174
Drug enforcement	-	-	585,392	585,392
DEA task force	-	-	321,684	321,684
Committed for:				
Emergency purposes	1,000,000	-	-	1,000,000
Contingencies	100,000	-	-	100,000
State street aid	-	-	570,891	570,891
Debt service	-	-	952,372	952,372
Assigned to:				
Transfers out	300,000	-	-	300,000
Capital projects	-	4,066,826	-	4,066,826
Solid waste	-	-	1,394,157	1,394,157
General improvement	-	-	742,517	742,517
Drainage control	-	-	187,231	187,231
Parks improvement	-	-	665,100	665,100
FY13 Budget	497,474	-	-	497,474
Unassigned	16,655,499	-	(17,422)	16,638,077
Total fund balances	<u>\$ 18,740,233</u>	<u>\$ 8,975,473</u>	<u>\$ 5,634,096</u>	<u>\$ 33,349,802</u>

## NOTE 5 - EMPLOYEE RETIREMENT SYSTEM

### A. Plan Description

The City is the administrator of a single-employer public employee retirement system (PERS) established and administered by the City to provide pension benefits for its employees. The plan, as amended on March 29, 2001, is a defined benefit plan and was created on July 1, 1989 with the transfer of assets from a defined contribution money purchase plan discontinued on June 30, 1989. The PERS is considered to be part of the City of Bartlett's financial reporting entity and is included in the City's financial reports as a pension trust fund. The City of Bartlett separately issues a publicly available financial report that includes financial statements and required supplementary information for PERS. That report may be obtained by writing to City of Bartlett, P.O. Box 341148, Bartlett, TN 38134-1148.

The City provides all employee retirement benefits through a single employer, contributory, defined benefit plan. Under the plan, all full-time employees are eligible at date of employment as a condition of such employment. Employees are 100% vested only after five years of service. The retirement benefit is calculated at 2.5% of average compensation during the highest consecutive three years of service multiplied by years of credit service not in excess of 25 plus 1% of average compensation multiplied by years of service greater than 25 but less than 35, with a maximum benefit of 72.5% of average compensation.

At July 1, 2012 (the date of the latest actuarial valuation), PERS membership consisted of:

Retirees and beneficiaries currently receiving benefits	121
Terminated employees entitled to benefits but not yet receiving them	20
Active employees:	
Vested	348
Nonvested	<u>112</u>
Total	<u>601</u>

## B. Funding Policy

Covered employees contribute 4% of earnings to the retirement plan. The City is required to contribute amounts necessary to finance the coverage for its employees (16.7% for the current period). Benefits and contributions are established by the City and may be amended only by the Board of Mayor and Aldermen.

## C. Basis of Accounting

PERS financial statements are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. The government's contributions are recognized when due and a formal commitment to provide the contributions has been made. Benefits and refunds are recognized when due and payable in accordance in the terms of the plan. Expenses of the plan are recognized when incurred.

## D. Plan Expenses

Expenses of the plans, such as investment fees, trustee fees, and audit fees, are paid by the plan. However, certain administrative functions are performed by employees of the City and are not reimbursed by the plan.

## E. Method Used to Value Investments

PERS investments, other than contracts, are reported at fair value. Contracts are stated at cost plus interest accrued at contract rates. Investment income is recognized as earned. Plan assets do not include any securities of the City of Bartlett nor has the Plan made any loans to the City.

## F. Annual Pension Cost

For the year ended June 30, 2012, the City's annual pension cost of \$3,581,767 was more than the annual required contribution. The annual required contribution totaled \$3,446,116. The required contribution was determined as part of the July 1, 2011, annual actuarial valuation using the Frozen Initial Liability Cost Method. Significant actuarial assumptions used in the computation included (a) a 7.5% investment rate of return (net of administrative expenses) and (b) projected salary increases of 4% per year. Both (a) and (b) included an inflation component of 2.5%. The actuarial value of the assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments.

Total payroll for the year ended June 30, 2012, was \$25,079,944. Payroll for employees covered by this plan was \$21,797,237.

The change in the net pension obligation for the year is as follows:

Annual required contribution	\$ 3,709,615
Interest on net pension obligation	135,651
Adjustment to annual required contribution	<u>(263,499)</u>
Annual pension cost	3,581,767
Contributions made	<u>3,052,176</u>
Increase (decrease) in net pension obligation	<u>529,591</u>
Net pension obligation - beginning of year	2,553,339
Prior period adjustment (See Note 10)	<u>(744,658)</u>
Net pension obligation - beginning of year, as restated	1,808,681
Net pension obligation - end of year	<u><u>\$ 2,338,272</u></u>

## G. Funded Status and Funding Progress

As of June 30, 2012, the actuarial accrued liability for benefits was \$65,138,172 of which \$16,732,050 was underfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$21,797,237, and the ratio of unfunded actuarial accrued liability to the covered payroll was 77%. The actuarial value of the assets for benefits as of July 1, 2012 is \$48,406,662.

## H. Trend Information

The schedule of funding progress, presented as required supplementary information immediately follows the notes, and presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Following is a summary of the three-year trend for the years ended June 30:

	2012	(As Restated) 2011	(As Restated) 2010
Annual pension cost	\$ 3,581,767	\$ 3,323,279	\$ 3,765,765
Percentage of APC contributed	85%	91%	82%
Net pension obligation	\$ 2,338,272	\$ 1,808,681	\$ 1,513,530

As noted above, information for the years ended June 30, 2011 and 2010 have been restated per information provided by the actuary to correct previous calculations.

#### **NOTE 6 - COMMITMENTS AND CONTINGENCIES**

The City has entered into various lease arrangements. The terms of these leases are variable and require only normal token payments, if any. Annual lease payments are not material.

The City has entered into a contract with the City of Memphis for sewer service charges provided within the Bartlett Water Service Area. Based on the agreement, the City will pay a sewer charge that is based on Bartlett's portion of the cost of treatment and the fee will be recalculated every two years.

Several lawsuits against the City are ongoing. The ultimate outcome of the actions is not determinable; however, City officials believe that the outcome of these proceedings, either singularly or in the aggregate, will not have a materially adverse effect on the accompanying financial statements.

#### **NOTE 7 - RISK MANAGEMENT**

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the City carries commercial insurance. The City has not incurred any losses in excess of commercial insurance coverage for the past three fiscal years.

##### *Worker's Compensation*

The City maintains an internal service fund for its employee workers' compensation claims. The City contributes a yearly 'premium' as a percent of budgeted payroll to the fund and purchases insurance with a \$5,000 deductible from the Tennessee Municipal League Insurance Pool. Changes in the balances of claims liabilities during the years are as follows:

	2012	2011
Unpaid claims, beginning of fiscal year	\$ -	\$ -
Claims incurred during the year	157,651	96,743
Claims payments	(157,651)	(96,743)
Unpaid claims, end of fiscal year	<u>\$ -</u>	<u>\$ -</u>

### *Property, Plant and Equipment*

The City has replacement cost insurance, including earthquake coverage, on all buildings and on mobile equipment and vehicles costing more than \$25,000 each.

### *Liability Coverage*

The state of Tennessee provides statutory limits to municipal liability. The City is insured up to these maximum limits through the Tennessee Municipal League Insurance Pool.

## **NOTE 8 - POST EMPLOYMENT BENEFITS OTHER THAN PENSION (OPEB)**

In addition to the pension benefits described in Note 5, the City provides post-retirement health care benefits to all employees who retire from the City under the provisions of the PERS. Benefit provisions and contribution obligations have been established by the City in conjunction with the PERS. The City pays 70% of the premium for health care benefits for retirees and their dependents.

At June 30, 2012, the membership consisted of:

Retirees and beneficiaries currently receiving benefits	98
Active employees	<u>460</u>
Total	<u>558</u>

### **Plan Description**

The City established the OPEB Trust Fund during the fiscal year. The City is the administrator of a single-employer Other Post Employment Benefit plan (OPEB). The plan provides for healthcare and dental benefits for retirees through the City's health insurance plans, which covers active and retired participants. Employees may retire after age 55 and the completion of 25 years of service with no reduction. Employees may also retire after age 55 and the completion of 15 years of service with a reduction for early commencement. The plan does not issue a stand-alone financial report.

### **Funded Status and Funding Policy**

The City's annual other post employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC). The City has engaged an actuary to calculate the ARC and related information per the provision of GASB Statement 45 for employers in plans with more than 100 hundred total plan members. The ARC represents a funding level that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. As of June 30, 2012, the actuarial accrued liability for benefits was \$17,461,310 of which \$16,255,463 was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$21,797,237, and the ratio of the unfunded actuarial accrued liability to the covered payroll was



75%. The actuarial value of the assets for the other post employment benefits as of July 1, 2012 is \$1,205,847.

### Annual OPEB Cost and Net OPEB Obligation

For the current fiscal year, the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and the City's net OPEB obligation were as follows:

Annual required contribution	\$ 3,139,836
Interest on net OPEB obligation	642,048
Adjustment to annual required contribution	<u>(1,429,737)</u>
Annual OPEB cost	2,352,147
Contributions or payments made	<u>1,091,006</u>
Increase in net OPEB obligation	1,261,141
Net OPEB obligation, beginning of year	<u>12,840,969</u>
Net OPEB obligation, end of year	<u><u>\$ 14,102,110</u></u>

Trend information gives an indication of the progress made in accumulating sufficient assets to pay benefits when due. Following is a summary of the three-year trend for the years ended June 30:

Fiscal Year Ending	Annual OPEB Cost	Percentage of OPEB Cost Contributed	Net OPEB Obligation
6/30/2010	\$ 6,380,062	7.6%	\$ 11,592,054
6/30/2011	\$ 1,708,013	26.9%	\$ 12,840,969
6/30/2012	\$ 2,352,147	46.4%	\$ 14,102,110

The schedule of funding progress, presented as required supplementary information immediately follows the notes, and presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

### Actuarial Methods and Assumptions

Actual valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of potential occurrences of certain events in the future. Examples include assumptions about future employment, mortality, healthcare costs trends, inflation, etc. Amounts determined regarding the funded status of the plan and the annual required contributions of the City are subject to constant changes and modifications as actual results are compared with past expectations and new estimates and assumptions are formed regarding the future. Projections of retiree benefits for financial reporting purposes are based on current plan activities and it is handled by the City and the benefits are received by the eligible plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the City and plan members. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial

accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The annual required contribution for the current year was determined as part of the July 1, 2011, actuarial valuation using the Projected Unit Credit actuarial cost method. The actuarial assumptions include a 5% a year rate of investment return, a 2.5% inflation rate, and a base payroll growth rate of 5%. The actuarial valuation uses the RP2000 Mortality Table and the 1987 Commissioner's Group Disability Table for disability rates. Per the actuarial study the post-retirement rates ranges from 9% in the short-term to 5% in the long-term for health care related costs. Retirement rates range from age 55 to age 65, there is no expense loading, and 80% of active participants are assumed to be married and wives are assumed to be three years younger than husbands.

### Amortization of Net OPEB Obligation

The amortization method used is the level dollar, closed approach which amortizes the initial unfunded actuarial liability over thirty years, actual gains/losses over ten years, and plan amendments over twenty years. The equivalent single amortization period is 27 years.

<u>Date Established</u>	<u>Type of Base</u>	<u>Initial Amount</u>	<u>Payment</u>	<u>Remaining Period</u>	<u>Remaining Balance</u>
7/1/2008	Initial	\$ 63,599,222	\$ 3,940,210	26	\$ 59,473,311
7/1/2010	Plan Amendment	\$ (44,335,936)	(2,834,229)	26	(42,779,695)
7/1/2012	(Gain)/Loss	\$ (438,153)	(54,041)	10	(438,153)
Total			<u>\$ 1,051,940</u>		<u>\$ 16,255,463</u>

The amortization for the year ending June 30, 2012 is as follows:

<u>Date Established</u>	<u>Type of Base</u>	<u>Initial Amount</u>	<u>Payment</u>	<u>Remaining Period</u>	<u>Remaining Balance</u>
7/1/2012	Obligation	\$ 14,102,110	\$ 1,739,322	10	\$ 14,102,110

### NOTE 9 – SUBSEQUENT EVENT

Subsequent to June 30, 2012, the City issued \$9,865,000 in General Obligation Refunding and Public Improvement Bonds and \$3,440,000 in Water and Sewer Revenue and Tax Refunding and Improvement Bonds. The purpose of the General Obligation Bonds is to provide funds for the construction and improvement of various capital projects within the City and pay the cost related to their issuance and sale. The General Obligation Bonds additionally refinanced \$6,275,000 of existing debt. The purpose of the Water and Sewer Bonds is to provide for construction and improvement of various water and sewer related capital improvement projects and the refinancing of \$2,230,000 of existing debt and to pay the costs related to their issuance and sale.

## **NOTE 10 – PRIOR PERIOD ADJUSTMENT**

A prior period adjustment was made on the governmental wide financial statements in the amount of \$692,343. The actuary discovered an inconsistency when preparing the cost calculation for the actuarial valuation as of July 1, 2012. In researching the inconsistency, it was discovered that a coding error was made when the actuarial valuation system was converted in 2010. As a result, the Annual Pension Cost (APC) was overstated in 2010 and 2011. The total amount of overstatement was \$744,658 in which \$692,343 related to government funds, and \$52,315 related to the business-type fund. See Note 5 for restatement of Annual Pension Cost for 2011 and 2010.

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**APPENDIX B**

**FORMS OF BOND COUNSEL OPINIONS**

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(Form of Bond Counsel Opinion)

Public Improvement Bonds

October 23, 2013

Board of Mayor and Aldermen  
City of Bartlett  
P.O. Box 341148  
Bartlett, Tennessee 38134-1148

Guggenheim Securities, LLC

Ladies and Gentlemen:

We have acted as bond counsel to the City of Bartlett, Tennessee (the "Issuer") in connection with the issuance of \$4,690,000 General Obligation Refunding and Improvement Bonds, Series 2013, dated the date hereof (the "Bonds"). We have examined the law and such certified proceedings and other papers as we deemed necessary to render this opinion.

As to questions of fact material to our opinion, we have relied upon the certified proceedings and other certifications of public officials furnished to us without undertaking to verify such facts by independent investigation.

Based on our examination, we are of the opinion, as of the date hereof, as follows:

1. The Bonds have been duly authorized, executed and issued in accordance with the constitution and laws of the State of Tennessee and constitute valid and binding general obligations of the Issuer.
2. The resolutions of the Board of Mayor and Aldermen of the Issuer authorizing the Bonds have been duly and lawfully adopted, are in full force and effect and are valid and binding agreements of the Issuer enforceable in accordance with their terms.
3. The principal of and interest on the Bonds are payable from unlimited ad valorem taxes to be levied on all taxable property within the corporate limits of the Issuer.
4. Interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; however, such interest is taken into account in determining the adjusted current earnings of certain corporations for purposes of the alternative minimum tax on corporations. The opinion set forth in the preceding sentence is subject to the condition that the Issuer comply with all requirements of the Internal Revenue Code of 1986, as amended (the "Code"), that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be, or continue to be, excluded from gross income for federal income tax purposes. Failure to comply with certain of such requirements could cause interest on the Bonds to be so included in gross income retroactive to the date of issuance of the Bonds. The Issuer has covenanted to comply with all such requirements. Except as set forth in this Paragraph 4 and Paragraph 6 below, we express no opinion regarding other federal tax consequences arising with respect to the Bonds.

5. Under existing law, the Bonds and the income therefrom are exempt from all present state, county and municipal taxes in Tennessee except (a) inheritance, transfer and estate taxes, (b) Tennessee excise taxes on all or a portion of the interest on any of the Bonds during the period such Bonds are held or beneficially owned by any organization or entity, other than a sole proprietorship or general partnership, doing business in the State of Tennessee, and (c) Tennessee franchise taxes by reason of the inclusion of the book value of the Bonds in the Tennessee franchise tax base of any organization or entity, other than a sole proprietorship or general partnership doing business in the State of Tennessee.

6. The Bonds are "qualified tax-exempt obligations" within the meaning of Section 265 of the Code.

It is to be understood that the rights of the owners of the Bonds and the enforceability of the Bonds and the resolutions authorizing the Bonds may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted and that their enforcement may be subject to the exercise of judicial discretion in accordance with general principles of equity.

We express no opinion herein as to the accuracy, adequacy or completeness of the Official Statement relating to the Bonds.

This opinion is given as of the date hereof, and we assume no obligation to update or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur.

Yours truly,

Bass, Berry & Sims PLC



(Form of Bond Counsel Opinion)

Water and Sewer Bonds

October 23, 2013

Board of Mayor and Aldermen  
City of Bartlett  
P.O. Box 341148  
Bartlett, Tennessee 38134-1148

Guggenheim Securities, LLC

Ladies and Gentlemen:

We have acted as bond counsel to the City of Bartlett, Tennessee (the "Issuer") in connection with the issuance of \$2,005,000 Water and Sewer Revenue and Tax Refunding and Improvement Bonds, Series 2013, dated the date hereof (the "Bonds"). We have examined the law and such certified proceedings and other papers as we deemed necessary to render this opinion.

As to questions of fact material to our opinion, we have relied upon the certified proceedings and other certifications of public officials furnished to us without undertaking to verify such facts by independent investigation.

Based on our examination, we are of the opinion, as of the date hereof, as follows:

1. The Bonds have been duly authorized, executed and issued in accordance with the constitution and laws of the State of Tennessee and constitute valid and binding general obligations of the Issuer.

2. The resolutions of the Board of Mayor and Aldermen of the Issuer authorizing the Bonds have been duly and lawfully adopted, are in full force and effect and are valid and binding agreements of the Issuer enforceable in accordance with their terms.

3. The principal of and interest on the Bonds are payable primarily from and secured by a lien on the revenues to be derived from the operation of the water and sewer system (the "System") of the Issuer, including all improvements, extensions, or additions thereto, subject only to the payment of the reasonable and necessary costs of operating, maintaining, repairing and insuring said System and, to the extent outstanding, to prior pledges of such revenues in favor of the Issuer's Water and Sewer Revenue and Tax Refunding and Improvement Bonds, Series 2005, dated September 29, 2005; Water and Sewer Revenue and Tax Bonds, Series 2006, dated September 26, 2006; Water and Sewer Revenue and Tax Bonds, Series 2007, dated September 12, 2007; Water and Sewer Revenue and Tax Bonds, Series 2009, dated September 9, 2009; Water and Sewer Revenue and Tax Refunding Bonds, Series 2010, dated August 26, 2010; Water and Sewer Revenue and Tax Refunding Bonds, Series 2011, dated September 7, 2011; and Water and Sewer Revenue and Tax Refunding and Improvement Bonds, Series 2012, dated September 27, 2012. In the event of a deficiency in such revenues, as to the sufficiency of which we express no opinion, the principal of and interest on the Bonds are payable from unlimited ad valorem taxes to be levied on all taxable property within the corporate limits of the Issuer.

4. Interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; however, such interest is taken into account in determining the adjusted current earnings of certain corporations for purposes of the alternative minimum tax on corporations. The opinion set forth in the preceding sentence is subject to the condition that the Issuer comply with all requirements of the Internal Revenue Code of 1986, as amended (the "Code"), that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be, or continue to be, excluded from gross income for federal income tax purposes. Failure to comply with certain of such requirements could cause interest on the Bonds to be so included in gross income retroactive to the date of issuance of the Bonds. The Issuer has covenanted to comply with all such requirements. Except as set forth in this Paragraph 4 and Paragraph 6 below, we express no opinion regarding other federal tax consequences arising with respect to the Bonds.

5. Under existing law, the Bonds and the income therefrom are exempt from all present state, county and municipal taxes in Tennessee except (a) inheritance, transfer and estate taxes, (b) Tennessee excise taxes on all or a portion of the interest on any of the Bonds during the period such Bonds are held or beneficially owned by any organization or entity, other than a sole proprietorship or general partnership, doing business in the State of Tennessee, and (c) Tennessee franchise taxes by reason of the inclusion of the book value of the Bonds in the Tennessee franchise tax base of any organization or entity, other than a sole proprietorship or general partnership doing business in the State of Tennessee.

6. The Bonds are "qualified tax-exempt obligations" within the meaning of Section 265 of the Code.

It is to be understood that the rights of the owners of the Bonds and the enforceability of the Bonds and the resolutions authorizing the Bonds may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted and that their enforcement may be subject to the exercise of judicial discretion in accordance with general principles of equity.

We express no opinion herein as to the accuracy, adequacy or completeness of the Official Statement relating to the Bonds.

This opinion is given as of the date hereof, and we assume no obligation to update or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur.

Yours truly,

Bass, Berry & Sims PLC

**APPENDIX C**

**FORM OF CONTINUING DISCLOSURE CERTIFICATE**

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CITY OF BARTLETT, TENNESSEE

\$4,690,000 GENERAL OBLIGATION REFUNDING AND IMPROVEMENT BONDS,  
SERIES 2013

\$2,005,000 WATER AND SEWER REVENUE AND TAX IMPROVEMENT BONDS, SERIES 2013

CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the "Disclosure Certificate") is executed and delivered this 23<sup>rd</sup> day of October by the City of Bartlett, Tennessee (the "Issuer") in connection with the issuance of the captioned bonds (the "Bonds"). The Bonds are being issued pursuant to resolutions adopted by the Board of Mayor and Aldermen of the Issuer on September 10, 2013 and September 24, 2013 (collectively, the "Resolutions"). The Issuer covenants and agrees as follows:

SECTION 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the Issuer for the benefit of the Beneficial Owners of the Bonds and in order to assist the Participating Underwriter in complying with S.E.C. Rule 15c2-12(b)(5).

SECTION 2. Definitions. In addition to the definitions set forth in the Resolutions, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

"Annual Report" shall mean any Annual Report provided by the Issuer pursuant to the Rule and this Disclosure Certificate.

"Beneficial Owner" shall mean any person who (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries) or (b) is treated as the owner of any Bonds for federal income tax purposes.

"Dissemination Agent" means the Issuer or any successor designated in writing by the Issuer and which has filed with the Issuer a written acceptance of such designation.

"Fiscal Year" shall mean any period of twelve (12) consecutive months adopted by the Issuer as its fiscal year for financial reporting purposes and shall initially mean the period beginning on July 1 of each calendar year and ending June 30 of the following calendar year.

"Listed Events" shall mean any of the events listed in Section 5(a) of this Disclosure Certificate.

"MSRB" shall mean the Municipal Securities Rulemaking Board, or any successor thereto.

"Official Statement" shall mean the Official Statement dated October 8, 2013, relating to the Bonds.

"Participating Underwriter" shall mean Guggenheim Securities, LLC.

"Rule" shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

"State" shall mean the State of Tennessee.

"State Depository" shall mean any public or private depository or entity designated by the State as a state depository to which continuing disclosure information shall be sent pursuant to State law. As of the date of this Disclosure Certificate, there is no State Depository.

SECTION 3. Provision of Annual Reports. Not later than one year after the end of the Fiscal Year, commencing with Fiscal Year ending June 30, 2013, the Issuer shall provide an Annual Report to the MSRB and to the State Depository, if any. In each case, the Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Certificate. Notwithstanding the foregoing, the audited financial statements of the Issuer may be submitted separately from the balance of the Annual Report when such audited financial statements are available. In the event that the audited financial statements are not included with the Annual Report and will be submitted at a later date, the Issuer shall include unaudited financial statements of the Issuer in the Annual Report and shall indicate in the Annual Report the date on which the audited financial statements of the Issuer will be submitted. The audited financial statements of the Issuer, when available, will be provided to the MSRB and to the State Depository, if any. If the Annual Report (or audited financial statements which were to be separately submitted) is not timely filed, the Issuer shall send a notice to the MSRB and to the State Depository, if any.

SECTION 4. Content of Annual Reports. The Issuer's Annual Report shall contain or incorporate by reference the following:

(a) If audited financial statements of the Issuer are not yet available, the unaudited financial statements of the Issuer, and when audited financial statements are available, the audited financial statements of the Issuer, both such types of financial statements to be prepared in conformity with generally accepted accounting principles, as in effect from time to time. Such financial statements shall be accompanied by an audit report resulting from an audit conducted by an independent certified public accountant or firm of independent certified public accountants in conformity with generally accepted auditing standards.

(b) If the accounting principles changed from the previous Fiscal Year, a description of the impact of the change as required by Section 8 of this Disclosure Certificate.

(c) A statement indicating that the Fiscal Year has not changed, or, if the Fiscal Year has changed, a statement indicating the new Fiscal Year.

(d) An update of the information in the Official Statement under the following headings:

1. Long-Term Debt Service;
2. City Retirement System;
3. Post-Employment Benefits Other Than Pension;
4. Statement of Debt;
5. Analysis of Value of Taxable Property;
6. Schedule of Tax Assessments, Levies and Collections;
7. Schedule of Principal Taxpayers;
8. Historical Trend of Top Ten Taxpayers to Total Assessment;
9. Other Revenue Sources;
10. Water and Sewer Rates;
11. General Fund Summary of Revenues and Expenditures for Fiscal Year Ending June 30;

12. Other Governmental Fund Summary of Revenues and Expenditures for Fiscal Year Ending June 30;
13. Debt Service Fund Summary of Revenues and Expenditures for Fiscal Year Ending June 30;
14. Water and Sewer Fund Summary of Revenues and Expenditures for Fiscal Year Ending June 30;
15. Water and Sewer Fund Revenue Bond Coverage for Fiscal Year Ending June 30; and
16. Schedule of Ten Largest Employers.

Any or all of the items listed above may be incorporated by reference from other documents, including official statements of debt issues with respect to which the Issuer is an “obligated person” (as defined by the Rule), which have been filed in accordance with the Rule and the other rules of the Securities and Exchange Commission. If the document incorporated by reference is a final official statement, it must be available from the MSRB. The Issuer shall clearly identify each such other document so incorporated by reference.

SECTION 5. Reporting of Significant Events.

(a) This Section 5 shall govern the giving of notices of the occurrence of any of the following events:

- a. Principal and interest payment delinquencies;
- b. Non-payment related defaults, if material;
- c. Unscheduled draws on debt service reserves reflecting financial difficulties;
- d. Unscheduled draws on credit enhancements reflecting financial difficulties;
- e. Substitution of credit or liquidity providers, or their failure to perform;
- f. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds or other material events affecting the tax status of the Bonds;
- g. Modifications to rights of Bondholders, if material;
- h. Bond calls, if material, and tender offers;
- i. Defeasances;
- j. Release, substitution, or sale of property securing repayment of the securities, if material;
- k. Rating changes;
- l. Bankruptcy, insolvency, receivership or similar event of the obligated person;

- m. The consummation of a merger, consolidation or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and
- n. Appointment of a successor or additional trustee or the change of name of a trustee, if material.

(b) Upon the occurrence of any of the above Listed Events, the Issuer shall in a timely manner, but in no event more than ten (10) business days after the occurrence of such Listed Event, file a notice of such occurrence with the MSRB.

(c) For Listed Events where notice is only required upon a determination that such event would be material under applicable Federal securities laws, the Issuer shall determine the materiality of such event as soon as possible after learning of its occurrence.

SECTION 6. Termination of Reporting Obligation. The Issuer's obligations under this Disclosure Certificate shall terminate upon the defeasance (within the meaning of the Rule), or payment in full of all of the Bonds. The Issuer shall notify the MSRB and any State Depository that the Issuer's obligations under this Disclosure Certificate have terminated. If the Issuer's obligations are assumed in full by some other entity, such person shall be responsible for compliance with this Disclosure Certificate in the same manner as if it were the Issuer, and the original Issuer shall have no further responsibility hereunder.

SECTION 7. Dissemination Agent. The Issuer may, from time to time, appoint a dissemination agent to assist it in carrying out its obligations under this Disclosure Certificate, and the Issuer may, from time to time, discharge the dissemination agent, with or without appointing a successor dissemination agent. If at any time there is not a designated dissemination agent, the Issuer shall be the dissemination agent.

SECTION 8. Amendment. This Disclosure Certificate may not be amended unless independent counsel experienced in securities law matters has rendered an opinion to the Issuer to the effect that the amendment does not violate the provisions of the Rule.

In the event that this Disclosure Certificate is amended or any provision of the Disclosure Certificate is waived, the notice of a Listed Event pursuant to Section 5(a)(g) hereof shall explain, in narrative form, the reasons for the amendment or waiver and the impact of the change in the type of operating data or financial information being provided in the Annual Report. If an amendment or waiver is made in this Disclosure Certificate which allows for a change in the accounting principles to be used in preparing financial statements, the Annual Report for the year in which the change is made shall present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. The comparison shall include a qualitative discussion of the differences in the accounting principles and impact of the change in the accounting principles on the presentation of the financial information. A notice of the change in the accounting principles shall be deemed to be material and shall be sent to the MSRB and any State Depository.

SECTION 9. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the Issuer from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the Issuer chooses to include any information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is specifically required by this Disclosure



Certificate, the Issuer shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

SECTION 10. Default. In the event of a failure of the Issuer to comply with any provision of this Disclosure Certificate, the Participating Underwriter or any Beneficial Owner may take such actions as may be necessary and appropriate, including seeking specific performance by court order, to cause the Issuer to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an event of default under the Resolutions, and the sole remedy under this Disclosure Certificate in the event of any failure of any party to comply with this Disclosure Certificate shall be an action to compel performance. The cost to the Issuer of performing its obligations under the provisions of this Disclosure Certificate shall be paid solely from funds lawfully available for such purpose.

SECTION 11. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the Issuer agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which they may incur arising out of or in the exercise or performance of their powers and duties hereunder, including the costs and expenses (including attorneys' fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's gross negligence or willful misconduct. The Dissemination Agent may consult with counsel (who may, but need not, be counsel for any party hereto or the Issuer), and the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by it hereunder in good faith and in accordance with the opinion of such counsel. The obligations of the Issuer under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

SECTION 12. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the Issuer, the Participating Underwriter and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

SECTION 13. Intermediaries; Expenses. The Dissemination Agent is hereby authorized to employ intermediaries to carry out its obligations hereunder. The Dissemination Agent shall be reimbursed immediately for all such expenses and any other reasonable expense incurred hereunder (including, but not limited to, attorneys' fees).

SECTION 14. Governing Law. This Disclosure Certificate shall be governed by and construed in accordance with the laws of the State.

SECTION 15. Severability. In case any one or more of the provisions of this Disclosure Certificate shall for any reason be held to be illegal or invalid, such illegality or invalidity shall not affect any other provision of this Disclosure Certificate, but this Disclosure Certificate shall be construed and enforced as if such illegal or invalid provision had not been contained herein.

SECTION 16. Filings with the MSRB. All filings required to be made with the MSRB shall be made electronically at [emma.msrb.org](http://emma.msrb.org), shall be accompanied by identifying information as prescribed by the MSRB and shall be submitted in any other manner pursuant to, and in accordance with, SEC Release No. 34-59062.

CITY OF BARTLETT, TENNESSEE

By: \_\_\_\_\_  
Mayor