

CITY OF GERMANTOWN TENNESSEE

Comprehensive Annual Financial Report For the Fiscal Year Ended June 30, 2012

Prepared by the City of Germantown Finance Department

**CITY OF GERMANTOWN, TENNESSEE
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

TABLE OF CONTENTS

			Page
INTRODUCTORY SECTION			
Letters of Transmittal			
Mayor			1
Finance Director			3
GFOA Certificate of Achievement for Excellence in Financial Reporting			8
Organizational Chart			9
City Officials			10
FINANCIAL SECTION			
	Exhibit		Page
Independent Auditor’s Report			11
Management’s Discussion and Analysis			13
Basic Financial Statements:			
Government-wide Financial Statements:			
Statement of Net Assets	A-1		25
Statement of Activities	A-2		26
Fund Financial Statements:			
Balance Sheet – Governmental Funds	A-3		28
Reconciliation of the Balance Sheet to the Statement of Net Assets – Governmental Funds	A-4		29
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	A-5		30
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	A-6		31
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund	A-7		32
Statement of Net Assets – Proprietary Funds	A-8		38
Statement of Revenues, Expenses, and Changes in Fund Equity – Proprietary Funds	A-9		40
Statement of Cash Flows – Proprietary Funds	A-10		41
Statement of Fiduciary Net Assets	A-11		43
Statement of Changes in Fiduciary Net Assets	A-12		44
Notes to the Financial Statements			45

Required Supplementary Information:

Schedule of Public Employee Retirement System Employer Contributions	B-1	79
Schedule of Other Post Employment Benefits Funding Progress	B-2	80

Combining and Individual Fund Statements and Schedules:

Combining Balance Sheet – Nonmajor Governmental Funds	C-1	81
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Governmental Funds	C-2	82
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual – Nonmajor Governmental Funds	C-3	83
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual – Capital Projects – Major Roads	C-4	89
Combining Statement of Net Assets – Nonmajor Proprietary Funds	D-1	91
Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets – Nonmajor Proprietary Funds	D-2	92
Combining Statement of Cash Flows – Nonmajor Proprietary Funds	D-3	93
Combining Statement of Net Assets – Internal Service Funds	D-4	94
Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets – Internal Service Funds	D-5	95
Combining Statement of Cash Flows – Internal Service Funds	D-6	96
Bail Deposit Agency Fund – Statement of Changes in Assets and Liabilities	D-7	97

Supplementary Schedules:

Schedule of Principal and Interest Maturities Serial General Obligation Bonds	E-1	99
Schedule of Principal and Interest Maturities Serial Bonds	E-2	101
Schedule of Official Bonds of Principal Officials	E-3	102
Schedule of Expenditures of Federal and State Awards	E-4	103
Notes to the Schedule of Expenditures of Federal and State Awards	E-5	104

STATISTICAL SECTION (UNAUDITED)

Net Assets by Component	F-1	105
Changes in Net Assets	F-2	106
Program Revenues by Function/Program	F-3	108
Fund Balances of Governmental Funds	F-4	109
Changes in Fund Balances of Governmental Funds	F-5	110
General Governmental Tax Revenues by Source	F-6	111
Assessed Value and Estimated Actual Value of Taxable Property	F-7	112

Property Tax Rates and Tax Levies	F-8	113
Principal Property Tax Payers	F-9	114
Property Tax Levies and Collections	F-10	115
Taxable Sales by Category	F-11	116
Local Sales Tax Revenue by Industry	F-12	117
Direct and Overlapping Sales Tax Rates	F-13	118
Ratios of Outstanding Debt by Type	F-14	119
Ratios of General Bonded Debt Outstanding	F-15	120
Direct and Overlapping Governmental Activities Debt	F-16	121
Pledged-Revenue Coverage	F-17	122
Capital Asset Statistics by Function/Program	F-18	123
Operating Indicators by Function/Program	F-19	124
Full-Time Equivalent City Government by Program/Cost Center	F-20	125
Principal Employers	F-21	126
Demographic and Economic Statistics	F-22	127
Schedule of Unaccounted For Water	F-23	128
Schedule of Utility Rate Structure and Number of Customers	F-24	129

GOVERNMENT AUDITING STANDARDS AND SINGLE AUDIT SECTION

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	131
Independent Auditor's Report on Compliance with Requirements that Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133	133
Schedule of Findings and Questioned Costs	135



CITY OF GERMANTOWN TENNESSEE

1930 South Germantown Road • Germantown, Tennessee 38138-2815
Phone (901) 757-7200 Fax (901) 757-7292 www.germantown-tn.gov

December 3, 2012

To the Citizens and Aldermen
City of Germantown, Tennessee:

It is a privilege to submit the Comprehensive Annual Financial Report of the City of Germantown for the fiscal year ending June 30, 2012. This document reports the sound financial position of the various funds of the City of Germantown and the financial results for operations during FY12. It also provides information on the economic condition of the City.

GERMANTOWN'S ECONOMIC CONDITION AND OUTLOOK

Germantown is a dynamic community whose citizens enjoy a higher per capita income than most cities in Tennessee. Although it is predominantly, preferably and historically residential in character, we have experienced significant growth and relocation of healthcare facilities in the City. Additionally, Germantown benefits from its proximity to the transportation, industrial and commercial sectors of the Memphis metropolitan area.

With a sturdy local economy and sound fiscal planning, the City of Germantown maintained a General Fund fund balance of 43.1% against operating expenditures in FY12. The City also maintained a Triple-A debt credit rating with Moody's and Standard & Poor's, one of just 65 municipalities in the nation to merit the highest ranking from both agencies.

Our growth and prosperity can be further attributed to the manner in which residents and local government work together to

- support superior public education opportunities for children,
- keep the crime rate lowest among similar-sized cities in the Southeast,
- provide exceptional parks and recreation facilities and leisure opportunities,
- assure safe and attractive neighborhoods and business districts, and
- exercise strong leadership in both land use policies and financial planning.

Germantown's municipal services and amenities contribute to the quality of life of its residents; they also contribute to the attractiveness of the metropolitan area. Quality housing is a major "industry" for Germantown. The housing ranges from single-family subdivisions to zero-lot lines to congregate living for seniors. Newer home construction supplements a housing inventory in well-established neighborhoods that reflects exemplary efforts to preserve and modernize older homes.

Our commitment to quality living is demonstrated in the extensive parks system, composed of athletic and playing field complexes, comprehensive parks, neighborhood parks, a greenway, state natural area, city

The Board of Mayor and Aldermen
City of Germantown, Tennessee
December 3, 2012

Our commitment to quality living is demonstrated in the extensive parks system, composed of athletic and playing field complexes, comprehensive parks, neighborhood parks, a greenway, state natural area, city

nature area and a farm park. The Germantown Athletic Club and other programs offer fitness facilities and equipment for a healthy lifestyle. Methodist LeBonheur Germantown Hospital, Baptist Rehabilitation-Germantown, several major medical clinics and numerous physician practices provide top-notch, accessible health care. Both police and fire departments take pride in a five minute-or-less emergency response time. Eight public schools, three private elementary schools, three special needs learning centers and a university offer the broadest spectrum of educational resources.

OUR POLICY AGENDA

Each January, the Board of Mayor and Aldermen establishes a policy agenda that identifies and articulates primary goals for the immediate future and for the long term. The values and vision are derived from the long-range strategic plan—Vision 2020—developed through broad citizen input and adopted by the board during FY06.

The annual policy agenda guides the development of the annual operating and capital improvement budgets for the next fiscal year. The agenda is developed within the framework of the Board of Mayor and Aldermen's financial policies, policies that dictate

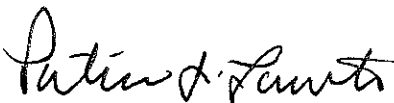
- ❑ a balanced, multi-year operating budget,
- ❑ a stable and diversified revenue structure,
- ❑ maintenance of adequate reserves and designation of fund balances,
- ❑ a multi-year capital improvements program, and
- ❑ debt and investment policies ensuring judicious management of the City's credit and available funds.

This report, the operating budget and the capital improvements program demonstrate Germantown's responsiveness to citizen's needs, concerns and interests. The reports and the awards they have earned also confirm our commitment to excellence and performance and to effective and efficient management of Germantown's affairs.

Respectfully submitted,



Sharon Goldsworthy
Mayor



Patrick J. Lawton
City Administrator



CITY OF GERMANTOWN TENNESSEE

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Phone (901) 757-7200 Fax (901) 757-7292 www.germantown-tn.gov

December 3, 2012

*The Board of Mayor and Aldermen
And Citizens of the City of Germantown:*

The Comprehensive Annual Financial Report (CAFR) of the City of Germantown, Tennessee (The City) for the fiscal year ended June 30, 2012, is hereby submitted. The financial statements are presented in conformity with generally accepted accounting principles (GAAP) as set forth by the Governmental Accounting Standards Board (GASB) and have been audited in accordance with the generally accepted auditing standards.

This report consists of management's representations concerning the finances of the City. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management of the City has established a comprehensive internal control framework that is designed both to protect the government's asset from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the City's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

Watkins Uiberall, PLLC, Certified Public Accountants, have issued an unqualified ("clean") opinion on the City of Germantown's financial statements for the year ended June 30, 2012. The independent auditor's report is located at the front of the financial section of this report. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City for the fiscal year ended June 30, 2012, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements: assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement basis for rendering an unqualified opinion.

GAAP requires management to provide a narrative introduction, overview and analysis to accompany the basic financial statement in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The City of Germantown's MD&A can be found immediately following the report of the independent auditors.

Profile of the Government

The City of Germantown is located in Shelby County in the southwestern part of the State of Tennessee. Germantown was first settled in 1825 and consisted largely of horse farms and estates until the early 1970's. It is in the center of the most affluent areas of Shelby County.

The Board of Mayor and (five) Aldermen are elected by popular vote. One-half of the Board is elected to four-year terms every two years. The mayor appoints the city administrator, chief of police and city clerk/recorder with confirmation of the Board of Aldermen. The City provides a full range of municipal services including police and fire services, street and drainage construction and maintenance, sanitation, cultural and recreational programs, planning and zoning and administrative services. In addition, the City operates a water and sewer system.

The Shelby County Board of Education provides educational services to students within the jurisdiction of the City of Germantown. The County school system is part of the Government of Shelby County. The Light, Gas and Water Division of the City of Memphis provide electrical and natural gas distribution to the Germantown service area. The City of Memphis provides treatment of sewage collected via the City of Germantown sewer system. The Memphis Area Transit Authority provides scheduled bus service throughout the City. These entities do not meet established criteria for inclusion in the reporting entity and therefore are not included in this report.

The City administration annually prepares a plan of services for the upcoming fiscal year and the estimated cost of providing those services. The plan is reviewed by the Board of Mayor and Aldermen and is formally adopted by the passage of a budget ordinance. The ordinance is adopted by fund, function and department. Department heads may make transfers of appropriations within their department. Transfers of appropriations between departments require the approval of an amendment by the Board. Strict budgetary compliance is maintained by the automated accounting system to assure effective fiscal management and accountability. All request for purchases are checked by a budgetary control system to assure that funds are available. Purchase orders and contracts are encumbered prior to release to vendors. The system controls are maintained within cost center levels. Budget-to-actual comparisons are provided in this report for each individual governmental fund for which an appropriated budget has been adopted.

Factors Affecting Financial Conditions

The information presented in the financial statements are perhaps best understood when they are considered from the broader perspective of the specific environment within which the City operates.

Local Economy

The City experienced a decline in the local economy in past years. However, the City of Germantown has shown some improvement and stabilization in the past year. Property tax remains the most stable source of revenue at approximately 58.5% of total general fund revenue with collections remaining strong. Real and personal property are assessed by Shelby County. The assessment of the property for FY12 has remained relatively stable with real property increasing 1.0%. Sales tax is the second largest

source of revenue to the City. Sales tax increased over the past year by a modest 2.0%. With the increase in sales tax the City experienced an increase in the number of shops opening within the City. The retail occupancy rate has increased by 2.4%. It is believed the City of Germantown has a strong retail climate for retail although the City is primarily a bedroom community. The Board of Mayor and Aldermen approved a 6 cent tax increase for the FY12 budget which would sustain the City for 2 years without another tax increase. The City experienced an increase in single-family (new construction) permits in FY12. A 47.6% increase in new construction occurred on the eastern and southern borders of the city. In 2010, the United States conducted a census which set the population of the City of Germantown at 38,844. However, during 2011 the City conducted a special census which increased the population to 40,123. This higher number provides additional revenue to the City as the State of Tennessee allocates funds back to the City based upon population. The City continues to monitor the economy very closely and has plans to hire a Director of Economic Development. The Director will help in bringing new business into the City as well as help existing businesses in their retail growth.

Long Term Financial Planning

Since the adoption of Vision 2020 in 2005, the Board of Mayor and Aldermen conduct an annual retreat each January to review and revisit the strategic planning process to ensure the City maintains its focus on the vision, mission and core values. The results from the retreat are used to create focus area cabinets, departmental business plans, the annual Budget, five-year financial plan and five-year CIP. These plans are based on the triple bottom line (Economic, Environmental, and Social Sustainability) and are driven by key indicators with progress measured by the achievement of performance measures.

The City's fiscal year spending plan emphasizes a long-term goal of maintaining financial stability. As a result, the City quickly embraced the practice of managed competition and applied those principles to a build-out scenario for our community. Managed competition focused on cost control and reductions and, when appropriate, reengineering procedures or outsourcing. Annual budgets are now driven by cost savings with emphasis on city departments operating as a business with focus on customer and quality of service. All expenditures reflect the spending priorities established by the Board of Mayor and Aldermen and strict adherence to the financial policies that provide a framework for allocating resources. The business planning approach is outcome based and results oriented, with processes in place to deliver services in the most effective way. With the proper deployment of these activities now and in the future the City is able to address long term financial obligations of the City, maintain a stable tax, and move closer to sustainability.

Part of the City's long-range plan was a tax increase of six cents. A portion of the tax increase went to restore the early retirement portion of Other Post-employment Benefits. This went into effect on July 1, 2012. The remaining tax increase went to increase the general fund reserves. As noted above, the property tax rate is our most stable sources of revenue and represents approximately 58% of the City revenue.

The City was reaffirmed by Moody's and Standard & Poor's as a Triple-A bond rated bond issuer. In September 2011 the City issued a \$6.025 million Series 2011 bond to expand Wolf River Boulevard on the City's northern borders which will ease traffic flow within the City. The expansion was a \$21.9 million road project with the City contributing \$4.348 million dollars from the bond issue with the

The Board of Mayor and Aldermen
City of Germantown, Tennessee
December 3, 2012

expected completion in 2013. The remaining cost of the expansion will be paid by the State of Tennessee. In addition, a portion of the proceeds from the bond issue will be used to construct a new vehicle maintenance shop \$1.3 million, Public radio system infrastructure and storm drainage.

Awards and Acknowledgement

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Germantown for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2011. This was the 30th consecutive year that the government has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

The Government Finance Officers Association of the United States and Canada (GFOA) has given an Award for Outstanding Achievement in Popular Annual Financial Reporting to the City of Germantown for its Popular Annual Financial Report for the fiscal year ended June 30, 2011. The Award for Outstanding Achievement in Popular Annual Financial Reporting is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government popular reports.

In order to receive an Award for Outstanding Achievement in Popular Annual Financial Reporting, a government unit must publish a Popular Annual Financial Report, whose contents conform to program standards of creativity, presentation, understanding and reader appeal. An Award for Outstanding Achievement in Popular Annual Financial Reporting is valid for a period of one year only. The City of Germantown has received a Popular Award for the last four consecutive years (fiscal years ended 2008–2011). We believe our current report continues to conform to the Popular Annual Financial Reporting requirements, and we are submitting it to the GFOA.


The City received the GFOA's Distinguished Budget Presentation Award for its annual operating budget for the year ended June 30, 2011. The City has received the Award for each of the 27 years since the program was instituted in 1984. In order to qualify for the Distinguished Budget Presentation Award, the City budget document was judged to be proficient and/or outstanding in several categories, including policy documentation, financial planning, operations and communications.

The preparation of this report could not be accomplished without the skill, effort and dedication of the entire staff of the Departments of Finance and Research and Budget throughout the fiscal year. I would like to express my appreciation to all the members of the departments who have assisted and contributed to this report, in addition to the City's independent certified public accountants, Watkins Uiberall, PLLC. In addition, I appreciate the Board of Mayor and Aldermen's interest, support and

The Board of Mayor and Aldermen
City of Germantown, Tennessee
December 3, 2012

leadership in planning and conducting the financial operations of the City in a responsible and progressive manner.

Respectfully submitted,


Ralph J. Gabb, CPA
Finance Director

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

City of Germantown
Tennessee

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2011

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



Linda C. Danison

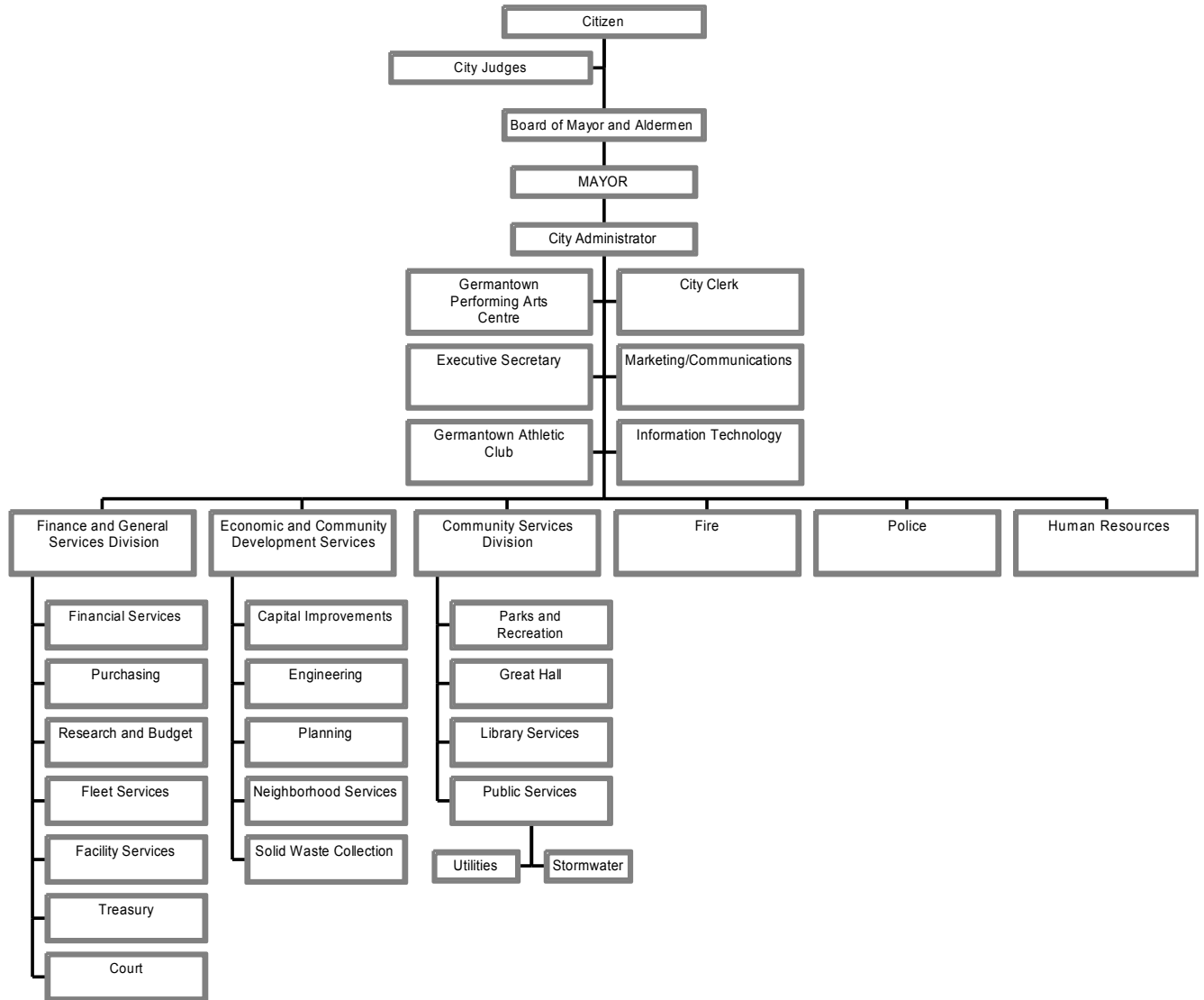
President

Jeffrey R. Emer

Executive Director

CITY OF GERMANTOWN, TENNESSEE

Organization Chart



**CITY OF GERMANTOWN
CITY OFFICIALS**

MAYOR

Honorable Sharon Goldsworthy (2014*)

ALDERMEN

Mark Billingsley (Vice Mayor – 2012*)

Ernest Chism (2012*)
Mike Palazzolo (2012*)

Greg Marcom (2014*)
Mark Billingsley (2012*)

CITY ADMINISTRATOR

Patrick J. Lawton

CITY ATTORNEY

C. Thomas Cates

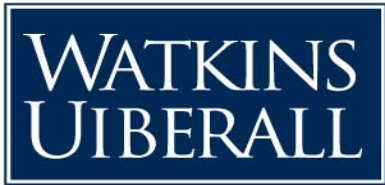
CITY JUDGES

Bob Brannon
Raymond S. Clift

EXECUTIVES

Community Services Division Director.....George Brogdon
Economic and Community Development Services Director.....G. Andrew Pouncey
Finance and General Services Division Director.....Kristen A. Geiger
Finance Director.....Ralph J. Gabb
Fire Chief.....John M. Selberg
Germantown Athletic Club Director..... Phil Rogers
Human Resources Director.....Susan Hopson
Information Technology Director..... Tony Fischer
Library Services Director.....Melody Pittman
Parks and Recreation Director..... Pam Beasley
Police Chief.....Richard Hall
Public Services Director..... Bo Mills

*(Date elected term expires)



Watkins Uiberall, PLLC
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INDEPENDENT AUDITOR'S REPORT

To the Honorable Sharon Goldsworthy, Mayor
and the Board of Alderman
City of Germantown, Tennessee

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, the statement of budgetary comparison for the general fund, and the aggregate remaining fund information of the City of Germantown, 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 the City's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Germantown Performing Arts Center ("GPAC"), which is the City's component unit. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the component unit, is based on the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of GPAC were not audited in accordance with *Government Auditing Standards*. 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 the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of the other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Germantown, Tennessee, as of June 30, 2012, and the respective changes in financial position and cash flows, where applicable, thereof, and the 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 November 30, 2012, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* 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, schedule of public employee retirement system employer contributions, and schedule of other post-employment benefits funding progress 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 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 and state awards 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 and state awards 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 auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements taken as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Memphis, Tennessee
November 30, 2012

Watkins Mikusall, PLLC

Management's Discussion and Analysis

As management of the City of Germantown (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 we have furnished in our letter of transmittal and notes to the financial statements.

Financial Highlights

- The assets of the City exceeded its liabilities at June 30, 2012 by \$153,590,229 (net assets). Of this amount, \$32,686,533 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- At June 30, 2012, the City's governmental funds reported total fund balances of \$30,365,282. Of this amount, \$2,483,836 (unassigned fund balances) may be used to meet the general governments spending requirements. The unassigned fund balance represents 6.4% of total General Fund expenditures.
- During the fiscal year, the City's total debt increased by \$2,970,000. The City paid existing debt down and issued \$6.025 million in new debt.

Overview of the Financial Statements

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

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

The 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.

The statement of activities presents information showing how the government's net assets changed during the year ended June 30, 2012. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include General Government, Public Safety, Community Services, Transportation and Environment, and Interest and Fiscal Charges. The business-type activities of the City include Utility, Athletic Club, Sanitation, Great Hall and Stormwater Funds.

The government-wide financial statements can be found in Exhibits A-1 and A-2 of this report.

Fund Financial Statements. A fund is a group 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 twelve 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 Capital Projects-Major Roads are considered to be major funds. Data from the other ten governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The City adopts an annual appropriated budget for its General Fund. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with the annual appropriated budget.

The basic governmental fund financial statements are presented as Exhibits A-3 through A-7.

Component unit. The component unit is not a “fund” of the City of Germantown as the primary government. However, the government-wide financial statements include a column for component unit as described in Note 1 – Summary of Significant Accounting Principles.

Proprietary Funds. The City maintains two different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its Utility, Athletic Club, Sanitation, Great Hall and Stormwater Funds operations.

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 the health insurance and vehicle maintenance costs. 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 proprietary fund financial statements provide separate information for the Utility Fund, Athletic Club Fund, and Sanitation Fund all of which are considered to be major funds of the City. In addition, the City has two non-major funds. This fund includes the Great Hall and Stormwater Funds. Conversely, both 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 in this report.

The basic proprietary fund financial statements are presented as Exhibits A-8 through A-10.

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

The basic fiduciary fund financial statements are presented as Exhibits A-11 and A-12 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 45-77 of this report.

Required Supplementary Information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information regarding the City’s annual pension cost and Other Post Employment Benefits, Exhibit B-1 and B-2.

Other Information. In addition to the basic financial statements and accompanying notes, this report presents certain required supplementary information concerning the City’s progress in

funding its obligation to provide pension benefits to its employees and Other Post Employment Benefits. Required supplementary information is presented as Note 5 and Note 10 of this report.

Combining and Individual Fund Statements and Schedules. The combining statements referred to earlier in connection with non-major governmental funds, internal service funds and Statement of Changes in Assets and Liabilities Bail Deposit Agency Fund are presented immediately following the required supplementary information on pensions.

Combining and Individual Fund Statements and Schedules are presented as Exhibits C-1 through D-7 of this report.

Government-wide Financial Analysis

As noted earlier, 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 \$153,590,227 at June 30, 2012.

Condensed Statement of Net Assets

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Current and Other Assets	\$63,291,971	\$61,516,084	9,116,720	10,519,164	72,408,691	72,035,248
Capital Assets	86,283,230	74,921,666	61,297,949	60,245,702	147,581,179	135,167,368
Total Assets	<u>149,575,201</u>	<u>136,437,750</u>	<u>70,414,669</u>	<u>70,764,866</u>	<u>219,989,870</u>	<u>207,202,616</u>
Long-term liabilities outstanding	24,216,198	19,903,500	5,574,052	6,455,555	29,790,250	26,359,055
Other liabilities	33,533,997	31,013,973	3,075,394	3,033,099	36,609,391	34,047,072
Total Liabilities	<u>57,750,195</u>	<u>50,917,473</u>	<u>8,649,446</u>	<u>9,488,654</u>	<u>66,399,641</u>	<u>60,406,127</u>
Net Assets:						
Invested in Capital Assets, net of related debt	64,381,386	52,900,774	54,753,414	52,829,038	119,134,800	105,729,812
Restricted	1,768,896	2,511,848	-	-	1,768,896	2,511,848
Unrestricted	25,674,724	30,107,655	7,011,809	8,447,174	32,686,533	38,554,829
Total Net Assets	<u>\$91,825,006</u>	<u>\$85,520,277</u>	<u>61,765,223</u>	<u>61,276,212</u>	<u>153,590,229</u>	<u>146,796,489</u>

By far the largest portion of the City's net assets (77.6%) 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.

An additional portion of the City's net assets (1.2%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets

(\$32,686,533) may be used to meet the government's ongoing obligations to citizens and creditors.

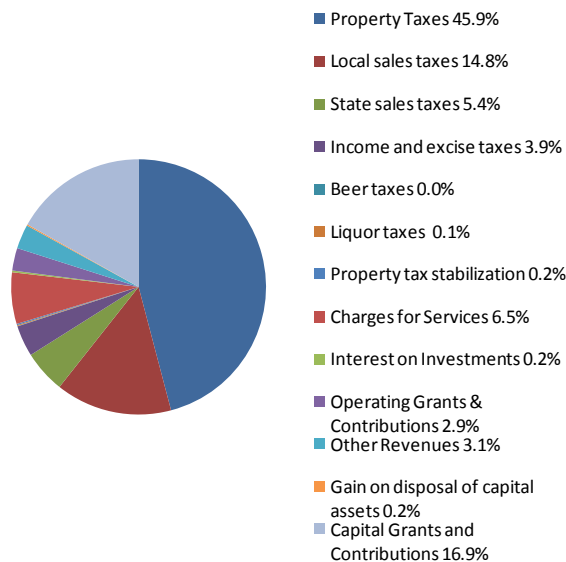
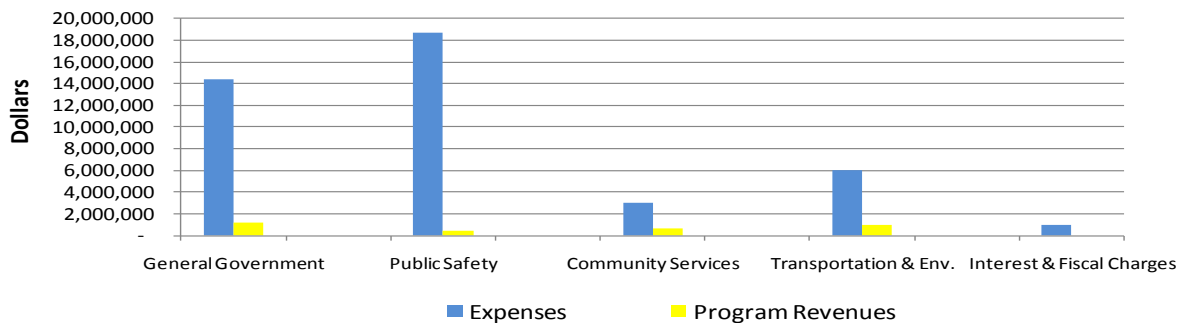
At the end of the current fiscal year, the City is able to report positive balances in both categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities. The positive unrestricted net assets for governmental activities are reflective of the City's practice of maintaining adequate reserves for payment of debt service and capital projects, while funding current operations with current revenue sources.

Governmental activities. Governmental activities increased the City's net assets by \$6,304,729, thereby accounting for a 6.9% increase in total assets. Key elements of this increase are as follows:

Condensed Statement of Changes in Net Assets

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Revenues:						
Program Revenues:						
Charges for Services	\$ 3,197,574	\$ 3,625,462	15,992,471	16,432,603	19,190,045	20,058,065
Operating Grants and Contributions	1,401,676	1,607,271	-	-	1,401,676	1,607,271
Capital Grants and Contributions	8,269,611	5,025,552	116,797	171,857	8,386,408	5,197,409
General Revenues:						
Property Taxes	22,514,596	22,424,281	-	-	22,514,596	22,424,281
Local sales taxes	7,245,188	7,144,712	-	-	7,245,188	7,144,712
State sales taxes	2,645,128	2,707,249	-	-	2,645,128	2,707,249
Income and excise taxes	1,931,672	2,126,533	-	-	1,931,672	2,126,533
Beer taxes	19,068	21,377	-	-	19,068	21,377
Liquor taxes	59,665	67,424	-	-	59,665	67,424
Property tax stabilization	80,422	87,952	-	-	80,422	87,952
Interest on Investments	109,193	128,522	16,487	37,035	125,680	165,557
Other Revenue	1,505,528	1,534,824	-	-	1,505,528	1,534,824
Total Revenues	<u>48,979,321</u>	<u>46,501,159</u>	<u>16,125,755</u>	<u>16,641,495</u>	<u>65,105,076</u>	<u>63,142,654</u>
Expenses:						
General Government	14,455,690	13,883,051	-	-	14,455,690	13,883,051
Public Safety	18,714,470	17,670,477	-	-	18,714,470	17,670,477
Community Services	3,038,987	3,013,028	-	-	3,038,987	3,013,028
Transportation and Environment	5,969,305	4,792,033	-	-	5,969,305	4,792,033
Interest and Fiscal Charges	950,133	798,410	-	-	950,133	798,410
Utilities	-	-	6,884,307	7,230,379	6,884,307	7,230,379
Athletic Club	-	-	3,579,023	3,523,561	3,579,023	3,523,561
Sanitation	-	-	3,409,532	3,997,349	3,409,532	3,997,349
Nonmajor Enterprise Fund	-	-	1,387,559	1,253,252	1,387,559	1,253,252
Total Expenses	<u>43,128,585</u>	<u>40,156,999</u>	<u>15,260,421</u>	<u>16,004,541</u>	<u>58,389,006</u>	<u>56,161,540</u>
Increase/(Decrease) in Net Assets before transfers	5,850,736	6,344,160	865,334	636,954	6,716,070	6,981,114
Gain (Loss) on Disposal of Capital Assets	77,670	29,735	-	-	77,670	29,735
Transfers	376,323	(1,658,942)	(376,323)	1,658,942	-	-
Increase/(Decrease) in Net Assets	<u>6,304,729</u>	<u>4,714,953</u>	<u>489,011</u>	<u>2,295,896</u>	<u>6,793,740</u>	<u>7,010,849</u>
Net Assets - July 1, 2011	<u>85,520,277</u>	<u>80,805,324</u>	<u>61,276,212</u>	<u>58,980,316</u>	<u>146,796,489</u>	<u>139,785,640</u>
Net Assets - June 30, 2012	<u>\$ 91,825,006</u>	<u>85,520,277</u>	<u>61,765,223</u>	<u>61,276,212</u>	<u>153,590,229</u>	<u>146,796,489</u>

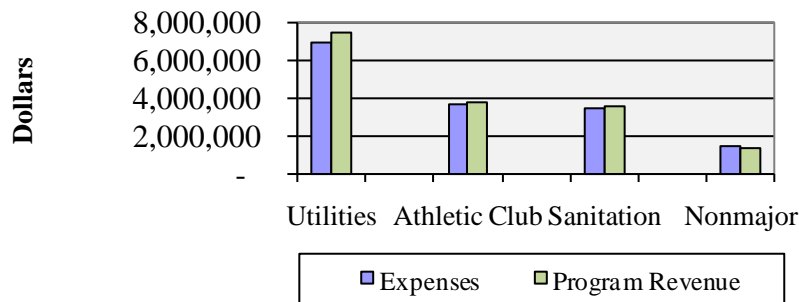
- Property Taxes increased to \$22,514,596, which is \$90,315 greater than FY12. The cost of providing General Government, Public Safety, Community Services, Transportation and Environment, Interest and Fiscal Charges, increased by \$2,971,586 during FY12. General Government increased by \$572,639, while Public Safety increased by \$1,043,993. Transportation and Environment increased by \$1,177,272. Community Services increased by \$25,959, while Interest and Fiscal Charges increased by \$151,753. General Government's increase was due partially to an increase in contract maintenance in Facility Services. Contract services were increased to fully staff maintenance positions that were left vacant in FY11. Public Safety increased due to an increase in personnel expenses in FY12, which were the result of increases in group insurance. In addition, a medical battalion chief was hired in Fire and a dispatcher in Police in FY12. Community Services increased due to an increase in group insurance expenses and the movement of other civic support expenses to Parks and Recreation. Transportation and Environment's increase is due to the increase in group insurance expenses and the purchase of maintenance equipment in the Infrastructure Replacement Program. The increase in Interest and Fiscal expenses was due to the issuance of \$6.025 million in General Obligation debt in FY12

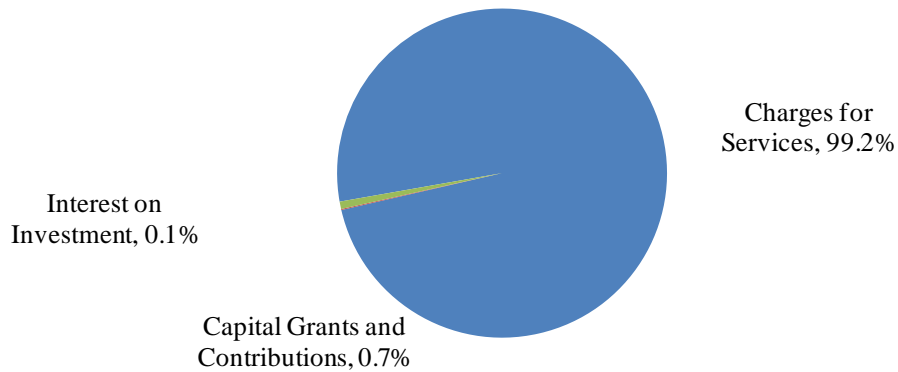


Business-type activities. Business-type activities increased the City’s net assets by \$489,011. The business-type activities are Utility, Athletic Club, Sanitation and the Nonmajor Enterprise Funds.

- The Germantown Utility Fund increased by \$248,082, due to lower operating expenses in FY12.
- The Germantown Athletic Club net assets increased by \$134,022, due to an increase in overall revenues over FY11. Specifically, membership fees increased by \$233,626 over FY11.
- The Germantown Sanitation net assets increased by \$122,058, due to a decrease in overall expenses. In particular, garbage collection fees decreased by \$429,975, due to a larger than anticipated participation in curbside service.
- The Nonmajor Enterprise Fund’s net assets decreased by \$107,226, due to the Great Hall not recognizing a transfer in during FY12 and an increase in operating expenses in the Stormwater Fund.

**Expenses and Program Revenues
 - Business-type Activities**





Financial Analysis of the Government's Funds

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

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

As of June 30, 2012, the City's governmental funds reported combined ending fund balances of \$30,365,282, a decrease of \$836,360 in comparison with the prior year. Approximately 8.2% of this total amount of \$2,483,836 constitutes unassigned fund balance, which is available for spending at the government's discretion. The remainder of the fund balance is made up of nonspendable, \$1,073,255, restricted, \$1,768,896, committed, \$18,259,442, assigned \$6,779,853. The General Fund is the chief operating fund of the City.

At June 30, 2012, unassigned fund balance of the General Fund was \$2,483,836, while the total fund balance reached \$16,710,498. As a measure of the General Fund's liquidity, it may be useful to compare the unassigned fund balance and the total fund balance to total fund expenditures. Unassigned fund balance represents 6.4% of total General Fund Expenditures, while total fund balance represents 43.1% of that same amount.

The fund balance of the City's General Fund decreased by \$3,116,228 during the fiscal year ended June 30, 2012. Key factors are as follows:

- Property tax increased \$537,142
- Local sales tax increased \$100,476

- State sales taxes decreased \$274,580
- Fines and Forfeitures decreased \$359,998
- Licenses and Permits decreased \$25,375
- Fees for services decreased \$1,573
- Investment income decreased \$49,026
- Grants increased \$116,885
- Other revenue increased \$283,966
- Total expenditures increased \$2,572,528

Property taxes increased due to the collection of prior year property taxes and the increase of additional housing units in FY12. Local sales taxes increased due to the improvement in the economy. State sales taxes decreased due to a decrease in the federal census, since state sales taxes are based upon population. Fines and forfeitures decreased due to lower court cost collections. Licenses and permits decreased due to lower automobile registration. Fees for services decreased due to lower engineering fees received. Investment income decreased due to significantly lower interest rates and fewer investments made during FY12. Grants increased due to the City applying for more grants on the local and state levels. Other revenue increased due to an increase in cable television fees with the state franchise of AT&T.

Total expenditures increased due to a significant increase in group insurance expenses in the General Fund of \$1.5 million. In addition, contract maintenance costs increased in Facility Services, while Public Services increased due to the purchase of maintenance equipment in the Infrastructure Replacement Program. Several new positions were hired during the year, which included a medical battalion chief in Fire and a dispatcher in Police.

The increase in the fund balance for Capital Projects – Major Roads was due to \$4.3 million in other financing sources in the issuance of general obligation bonds in FY12. The increase in the fund balance for Other Governmental Funds was due to higher revenues in Capital Projects – General Government Projects and Parks Improvements. In addition, Automated Enforcement had lower expenses in FY12, due to a decrease in equipment rental of traffic cameras.

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

Unrestricted net assets of \$6,919,752 are comprised of, \$5,592,706 for the Utility Fund, \$546,143 for the Athletic Club Fund, \$452,998 for the Sanitation Fund, and \$327,905 for the nonmajor enterprise funds. User fees support these funds.

General Fund Budgetary Highlights

The General Fund revenues were lower than budgeted by \$539,374. The decrease was due to decreases in Property Tax of \$23,845, Local Sales Taxes \$13,794, State Taxes (Local Share) of \$225,775, Fines and Forfeitures of \$396,990, Licenses and Permits of \$30,527, and Grants of \$132,814 below FY12 budget. Interest on Investments was lower than budget by \$2,230, due to lower interest rates on investments. However, there was a significant increase between budget

and actual revenues in Other Revenues of \$278,505 and a moderate increase of \$8,096 in revenues received from Fees for Services.

General Fund expenditures were lower than budgeted by \$632,719. The variances were due to the lower costs associated concerted effort of City government to control costs. Also, the City has adopted a managed competition focus. Whereby, the City looks at dollar savings and efficiency of City services. The largest positive variance was in General Government in the amount of \$365,882. Savings were also achieved in Public Safety of \$123,455, Community Services of \$73,360, Transportation and Environment of \$69,771, and Debt Service of \$251.

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 \$147,581,179 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements other than building, machinery, equipment, and construction in progress. The City's total investment in capital assets for the current fiscal year increased \$12,413,811. Governmental activities increased \$11,361,564 or 15.2% and business activities decreased \$1,052,247 or 1.7%.

Condensed Statement of Capital Assets

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Land and Buildings	\$31,470,947	28,674,744	14,360,116	14,709,977	45,831,063	43,384,721
Improvements Other Than Buildings	33,491,365	30,752,372	42,769,566	42,415,169	76,260,931	73,167,541
Equipment	5,310,277	5,277,958	759,984	1,030,204	6,070,261	6,308,162
Construction in Progress	16,010,641	10,216,592	3,408,283	2,090,352	19,418,924	12,306,944
Total	<u>\$86,283,230</u>	<u>74,921,666</u>	<u>61,297,949</u>	<u>60,245,702</u>	<u>147,581,179</u>	<u>135,167,368</u>

Additional information on the City's capital assets can be found in Note 4-D of this report.

Long-term debt. At June 30, 2012 the City had total bonded debt outstanding of \$32,095,000. Of this amount \$25,650,000 comprises debt backed by the full faith and credit of the government and \$6,445,000 represents bonds secured by specified revenue sources (i.e., revenue bonds).

Condensed Statement of Outstanding Debt

General Obligation and Revenue Bonds

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
General Obligation Bonds	\$25,650,000	21,825,000	-	-	25,650,000	21,825,000
Revenue Bonds	-	-	6,445,000	7,300,000	6,445,000	7,300,000
Total	<u>\$25,650,000</u>	<u>21,825,000</u>	<u>6,445,000</u>	<u>7,300,000</u>	<u>32,095,000</u>	<u>29,125,000</u>

During FY12, the City's total debt increased by \$2,970,000. Total debt includes general obligation bonds and revenue bonds. Total debt for governmental activities increased by 17.5%. This increase is due to \$6.025 million of new debt being issued by the City in FY12. Also, business-type activities' debt decreased by 11.7%, due to the City not issuing debt. The City continued to pay down its existing debt. Various construction programs were still in process at the end of the current fiscal year.

The City has long held the highest bond rating on indebtedness from the major credit rating agencies. Factors most commonly cited by these agencies in support of its general obligation earned a triple-A bond rating from both Moody's and Standard & Poor's. In addition, the City has maintained a good relationship with the rating agencies and the major investment institutions through comprehensive disclosure of financial data and direct meetings with rating agency analysts. The City continues to follow prudent fiscal policies and practices.

Although the City is not subject to any state debt limits, the City has developed a debt policy that limits the amount of debt it may obtain: (1) net debt service may not exceed 12% of general fund expenditures; (2) direct debt may not exceed 4% of assessed property value; (3) direct debt may not exceed \$1,500 per capital income; and (4) per capita debt may not exceed 3% of per capita income. The City's full faith, credit and 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.

Additional information on the City's long-term debt can be found in Note 4-F.

Economic Factors and Next Year's Budgets and Rates

Factors considered in preparing the City's Budget for the 2012 fiscal year are more fully discussed in the Budget document and include:

- The property tax increase of six cents in FY12 was established to create a two-year tax stability period. Therefore, the tax rate for FY13 Budget did not require an increase and is set at \$1.485.
- The City initiated Managed Competition during FY07 with an emphasis on creating greater efficiency and cost control. The FY13 Budget reflects the continued emphasis of Managed Competition and cost savings by looking at each element of operations with a business focus on customers and quality of service.
- The City continues to look at new sources of revenues and grants to supplement the stable property tax rate. The City will continue to reengineer the systems and process in the delivery of its services and thereby control operating expenses.
- The uncertain economic times and the continued uncertainty of state shared taxes and other forms of revenue sharing required an in-depth review of all revenue assumptions in formulating the FY13 Budget. Additionally, a thorough expense review including local issues of growth, new operating services, neighborhood preservation and quality of life will help to ensure the City's ability to provide responsible, high-quality leadership and services that residents have come to expect from its government.

During FY11 the City implemented GASB 54. The unassigned fund balance in the General Fund is \$2,483,836. The City has a total approved budget of \$75,315,708 in expenditures for FY13. The City's tax rate for FY13 has been set at \$1.485 per \$100 of assessed value.

Request for Information

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information may be addressed to the Department of Finance, City of Germantown, 1930 South Germantown Road, Germantown, Tennessee 38138. 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 www.germantown-tn.gov, as part of our continuing usage of advancing technology and e-commerce.

CITY OF GERMANTOWN, TENNESSEE

STATEMENT OF NET ASSETS

June 30, 2012

	Primary Government			Component
	Governmental Activities	Business-Type Activities	Total	Unit GPAC
ASSETS				
Cash and cash equivalents	\$ 29,751,277	\$ 7,698,531	\$ 37,449,808	\$ 457,425
Investments	2,457,570	1,097,991	3,555,561	
Receivables				
Property taxes	22,463,950	-	22,463,950	-
Interest	4,163	-	4,163	-
Customer and developers receivables	-	1,502,867	1,502,867	55,027
Other	8,058,572	20,046	8,078,618	236,398
Less allowance for doubtful accounts	(1,572,835)	(138,988)	(1,711,823)	-
Internal balances	1,123,426	(1,123,426)	-	-
Inventories	191,123	59,699	250,822	130
Prepaid expenditures	112,058	-	112,058	-
Restricted assets:				
Cash and cash equivalents	83,119	-	83,119	-
Bond issue costs	619,548	-	619,548	-
Capital assets, not being depreciated	27,418,207	6,180,876	33,599,083	-
Capital assets, being depreciated, net	58,865,023	55,117,073	113,982,096	96,696
Total assets	<u>149,575,201</u>	<u>70,414,669</u>	<u>219,989,870</u>	<u>845,676</u>
LIABILITIES				
Accounts payable	3,737,691	1,375,868	5,113,559	4,160
Accrued interest	144,282	34,135	178,417	-
Customer deposits	-	530,290	530,290	-
Contracts payable	3,101,834	-	3,101,834	-
Unearned revenue	23,877,343	255,101	24,132,444	85,367
Noncurrent liabilities:				
Due within one year	2,672,847	880,000	3,552,847	-
Due in more than one year	24,216,198	5,574,052	29,790,250	-
Total liabilities	<u>57,750,195</u>	<u>8,649,446</u>	<u>66,399,641</u>	<u>89,527</u>
NET ASSETS				
Invested in capital assets, net of related debt	64,381,386	54,753,414	119,134,800	96,696
Restricted for:				
Drug Enforcement	117,930	-	117,930	-
Library Endowment	275,933	-	275,933	-
Capital Projects	1,375,033	-	1,375,033	-
Unrestricted	<u>25,674,724</u>	<u>7,011,809</u>	<u>32,686,533</u>	<u>659,453</u>
Total net assets	<u>\$ 91,825,006</u>	<u>\$ 61,765,223</u>	<u>\$ 153,590,229</u>	<u>\$ 756,149</u>

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

CITY OF GERMANTOWN, TENNESSEE

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2012

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental Activities:				
General government	14,455,690	\$ 1,156,280	\$ -	\$ 8,220,744
Public safety	18,714,470	484,006	300,509	48,867
Community services	3,038,987	600,909	91,129	-
Transportation and environment	5,969,305	956,379	1,010,038	-
Interest and fiscal charges	950,133	-	-	-
Total governmental activities	<u>43,128,585</u>	<u>3,197,574</u>	<u>1,401,676</u>	<u>8,269,611</u>
Business-type activities:				
Utilities	6,884,307	7,471,805	-	116,797
Athletic Club	3,579,023	3,709,915	-	-
Sanitation	3,409,532	3,530,418	-	-
Nonmajor Enterprise Fund	1,387,559	1,280,333	-	-
Total business-type activities	<u>15,260,421</u>	<u>15,992,471</u>	<u>-</u>	<u>116,797</u>
Total primary government	<u>\$ 58,389,006</u>	<u>\$ 19,190,045</u>	<u>\$ 1,401,676</u>	<u>\$ 8,386,408</u>
Component unit:				
GPAC	<u>\$ 2,108,690</u>	<u>\$ 650,356</u>	<u>\$ 1,566,730</u>	<u>\$ -</u>
General revenues:				
Property taxes				
Local sales taxes				
State sales taxes				
Income and excise taxes				
Beer taxes				
Liquor taxes				
Property taxes				
Interest on investments				
Other revenues				
Gain on disposal of capital assets				
Transfers				
Total general revenues and transfers				
Change in net assets				
Net assets - beginning				
Net assets - ending				

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

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

Primary Government			Component Unit
Governmental Activities	Business-Type Activities	Total	GPAC
\$ (5,078,666)	\$ -	\$ (5,078,666)	-
(17,881,088)	-	(17,881,088)	-
(2,346,949)	-	(2,346,949)	-
(4,002,888)	-	(4,002,888)	-
(950,133)	-	(950,133)	-
<u>(30,259,724)</u>	<u>-</u>	<u>(30,259,724)</u>	<u>-</u>
-	704,295	704,295	-
-	130,892	130,892	-
-	120,886	120,886	-
-	<u>(107,226)</u>	<u>(107,226)</u>	<u>-</u>
-	848,847	848,847	-
<u>(30,259,724)</u>	<u>848,847</u>	<u>(29,410,877)</u>	<u>-</u>
-	-	-	\$ 108,396
22,514,596	-	22,514,596	-
7,245,188	-	7,245,188	-
2,645,128	-	2,645,128	-
1,931,672	-	1,931,672	-
19,068	-	19,068	-
59,665	-	59,665	-
80,422	-	80,422	-
109,193	16,487	125,680	-
1,505,528	-	1,505,528	11,783
77,670	-	77,670	-
376,323	<u>(376,323)</u>	<u>-</u>	<u>-</u>
<u>36,564,453</u>	<u>(359,836)</u>	<u>36,204,617</u>	<u>11,783</u>
6,304,729	489,011	6,793,740	120,179
<u>85,520,277</u>	<u>61,276,212</u>	<u>146,796,489</u>	<u>635,970</u>
<u>\$ 91,825,006</u>	<u>\$ 61,765,223</u>	<u>\$ 153,590,229</u>	<u>\$ 756,149</u>

CITY OF GERMANTOWN, TENNESSEE

BALANCE SHEET – GOVERNMENTAL FUNDS

June 30, 2012

	<u>General</u>	<u>Capital Projects - Major Roads</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and cash equivalents	\$ 13,548,863	\$ 6,762,543	\$ 8,297,450	\$ 28,608,856
Investments	1,980,338	-	477,232	2,457,570
Receivables				
Property taxes	22,463,950	-	-	22,463,950
Interest	4,163	-	-	4,163
Other	5,365,549	2,401,428	288,530	8,055,507
Less allowance for doubtful accounts	(1,572,835)	-	-	(1,572,835)
Advances to other funds	1,125,000	-	-	1,125,000
Inventories	73,255	-	-	73,255
Prepaid expenditures	112,058	-	-	112,058
Restricted assets:				
Cash and cash equivalents	15,441	40,011	27,667	83,119
Total assets	<u>\$ 43,115,782</u>	<u>\$ 9,203,982</u>	<u>\$ 9,090,879</u>	<u>\$ 61,410,643</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 2,792,133	\$ 3,288	\$ 466,681	\$ 3,262,102
Contracts payable	-	2,910,604	191,230	3,101,834
Deferred revenue	23,613,151	1,066,406	1,868	24,681,425
Total liabilities	<u>26,405,284</u>	<u>3,980,298</u>	<u>659,779</u>	<u>31,045,361</u>
Fund Balances:				
Nonspendable	1,073,255	-	-	1,073,255
Restricted	-	1,375,033	393,863	1,768,896
Committed	12,828,407	3,848,651	1,582,384	18,259,442
Assigned	325,000	-	6,454,853	6,779,853
Unassigned	2,483,836	-	-	2,483,836
Total fund balances	<u>16,710,498</u>	<u>5,223,684</u>	<u>8,431,100</u>	<u>30,365,282</u>
Total liabilities and fund balances	<u>\$ 43,115,782</u>	<u>\$ 9,203,982</u>	<u>\$ 9,090,879</u>	<u>\$ 61,410,643</u>

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

CITY OF GERMANTOWN, TENNESSEE

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

June 30, 2012

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

Total fund balances - total governmental funds	\$ 30,365,282
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	86,184,510
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	804,082
Internal service funds are used by management to charge the costs of health insurance, and vehicle maintenance to other funds. The assets and liabilities of the internal service funds are included governmental activities in the statement of net assets.	884,911
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	<u>(26,413,779)</u>
Net assets of governmental activities	<u>\$ 91,825,006</u>

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

CITY OF GERMANTOWN, TENNESSEE

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

For the Year Ended June 30, 2012

	General	Capital Projects - Major Roads	Other Governmental Funds	Total
REVENUES				
Taxes:				
Property taxes	\$ 22,580,235	\$ -	\$ -	\$ 22,580,235
Local sales taxes	7,245,188	-	-	7,245,188
State taxes (local share)	4,735,955	-	1,010,038	5,745,993
Fines and forfeitures	766,110	-	-	766,110
Licenses and permits	1,004,480	-	-	1,004,480
Fees for services	140,251	-	198,499	338,750
Interest on investments	80,250	77	28,866	109,193
Grants	391,638	7,797,254	472,357	8,661,249
Other revenues	1,624,221	-	1,131,712	2,755,933
Total revenues	<u>38,568,328</u>	<u>7,797,331</u>	<u>2,841,472</u>	<u>49,207,131</u>
EXPENDITURES				
Current:				
General government	10,214,400	-	-	10,214,400
Public safety	18,747,898	-	465,561	19,213,459
Community services	2,829,904	-	374,380	3,204,284
Transportation and environment	3,903,152	-	2,240,951	6,144,103
Debt services				
Principal	2,200,000	-	-	2,200,000
Interest and fiscal charges	863,525	-	-	863,525
Capital projects	-	11,177,324	3,473,256	14,650,580
Total expenditures	<u>38,758,879</u>	<u>11,177,324</u>	<u>6,554,148</u>	<u>56,490,351</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(190,551)</u>	<u>(3,379,993)</u>	<u>(3,712,676)</u>	<u>(7,283,220)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	376,323	649,000	2,659,000	3,684,323
Transfers out	(3,308,000)	-	-	(3,308,000)
General obligation bonds issued	-	4,319,925	1,705,075	6,025,000
Premium on general obligation bonds issued	-	93,537	36,919	130,456
General obligation bond issuance costs	-	(65,189)	(25,730)	(90,919)
Sale of capital assets	6,000	-	-	6,000
Total other financing sources (uses)	<u>(2,925,677)</u>	<u>4,997,273</u>	<u>4,375,264</u>	<u>6,446,860</u>
Net change in fund balances	(3,116,228)	1,617,280	662,588	(836,360)
Fund balances - beginning	<u>19,826,726</u>	<u>3,606,404</u>	<u>7,768,512</u>	<u>31,201,642</u>
Fund balances - ending	<u>\$ 16,710,498</u>	<u>\$ 5,223,684</u>	<u>\$ 8,431,100</u>	<u>\$ 30,365,282</u>

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

CITY OF GERMANTOWN, TENNESSEE

**RECONCILIATION OF 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 activities are different because:

Net change in fund balance - total governmental funds \$ (836,360)

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. 11,374,337

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. (65,639)

The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net 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. (3,951,145)

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 is the change in compensated absences. (137,990)

Internal service funds are used by management to charge the costs of health insurance and vehicle maintenance to individual funds. The net cost of certain activities of internal service funds is reported with governmental activities. (78,474)

Change in net assets of governmental activities \$ 6,304,729

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

CITY OF GERMANTOWN, TENNESSEE
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCE – BUDGET AND ACTUAL – GENERAL FUND

For the Year Ended June 30, 2012

	<u>Budgeted Amounts</u>		<u>Actual</u> <u>Amounts</u>	<u>Variance with</u> <u>Final Budget -</u> <u>Positive</u> <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
PROPERTY TAXES				
Real property taxes	\$ 21,392,262	\$ 21,264,361	\$ 21,221,637	\$ (42,724)
Personal property taxes	555,000	562,492	593,244	30,752
Penalties and interest - property taxes	125,000	125,000	104,838	(20,162)
Receipt in lieu of taxes - TVA	451,927	451,927	448,787	(3,140)
Receipt in lieu of taxes - MLGW	200,300	200,300	211,729	11,429
Total property taxes	<u>22,724,489</u>	<u>22,604,080</u>	<u>22,580,235</u>	<u>(23,845)</u>
LOCAL SALES TAXES				
Sales taxes	5,445,000	5,504,967	5,458,839	(46,128)
Beer and liquor taxes	696,600	700,966	654,958	(46,008)
Gross receipts tax	438,400	500,000	517,880	17,880
Penalties and interest - gross receipts tax	1,550	2,249	2,661	412
Telecommunications tax	-	-	1,725	1,725
Room occupancy tax	550,800	550,800	609,125	58,325
Total local sales taxes	<u>7,132,350</u>	<u>7,258,982</u>	<u>7,245,188</u>	<u>(13,794)</u>
STATE TAXES (LOCAL SHARE)				
Sales taxes	2,779,549	2,700,000	2,645,128	(54,872)
Income taxes	1,683,000	2,100,000	1,931,672	(168,328)
Beer taxes	20,000	20,500	19,068	(1,432)
Liquor taxes	61,200	60,800	59,665	(1,135)
Property tax stabilization	88,000	80,430	80,422	(8)
Total state taxes (local share)	<u>4,631,749</u>	<u>4,961,730</u>	<u>4,735,955</u>	<u>(225,775)</u>
FINES AND FORFEITURES				
Traffic and other violations	230,000	160,000	163,772	3,772
City court costs	430,000	400,000	332,109	(67,891)
Other court costs	335,000	600,000	267,390	(332,610)
Animal impoundment fees	3,700	3,100	2,839	(261)
Total fines and forfeitures	<u>998,700</u>	<u>1,163,100</u>	<u>766,110</u>	<u>(396,990)</u>
LICENSES AND PERMITS				
Automobile registrations	897,600	897,600	875,122	(22,478)
Building permits	33,280	33,280	20,903	(12,377)
Animal licenses	79,400	79,400	78,418	(982)
Fence & sign permits	4,000	4,000	4,730	730
Liquor permits	19,700	20,727	25,307	4,580
Total licenses and permits	<u>1,033,980</u>	<u>1,035,007</u>	<u>1,004,480</u>	<u>(30,527)</u>

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

CITY OF GERMANTOWN, TENNESSEE

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

For the Year Ended June 30, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
FEES FOR SERVICES				
Engineering fees	\$ 13,000	\$ 13,000	\$ 10,828	\$ (2,172)
Fire inspection fees	4,800	-	1,678	1,678
Zoning applications	15,000	15,000	21,540	6,540
Library fees	92,000	104,155	106,205	2,050
Total fees for services	124,800	132,155	140,251	8,096
INTEREST ON INVESTMENTS	235,480	82,480	80,250	(2,230)
GRANTS	430,555	524,452	391,638	(132,814)
OTHER REVENUES				
Cable television fees	586,000	586,000	855,434	269,434
Miscellaneous	695,520	759,716	768,787	9,071
Total other revenues	1,281,520	1,345,716	1,624,221	278,505
Total revenues	38,593,623	39,107,702	38,568,328	(539,374)
<u>EXPENDITURES</u>				
GENERAL GOVERNMENT				
Aldermen:				
Personnel services	113,933	123,401	84,650	38,751
Materials and supplies	13,900	13,900	12,241	1,659
Other services and charges	79,200	83,937	81,949	1,988
Total Aldermen	207,033	221,238	178,840	42,398
Administration:				
Personnel services	644,892	652,556	645,313	7,243
Materials and supplies	15,260	29,251	573,329	(544,078)
Other services and charges	940,605	1,134,875	566,053	568,822
Capital outlay	28,000	28,000	26,890	1,110
Expense reimbursement	(36,911)	(36,911)	(36,911)	-
Total Administration	1,591,846	1,807,771	1,774,674	33,097
Personnel:				
Personnel services	574,288	635,649	612,908	22,741
Materials and supplies	27,100	18,789	18,240	549
Other Services and charges	92,283	110,186	95,682	14,504
Expense reimbursement	(45,317)	(45,317)	(45,317)	-
Total Personnel	648,354	719,307	681,513	37,794

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

CITY OF GERMANTOWN, TENNESSEE

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

For the Year Ended June 30, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Information Technology:				
Personnel services	\$ 386,939	\$ 465,401	\$ 464,462	\$ 939
Materials and supplies	93,000	74,047	65,888	8,159
Other services and charges	675,034	602,403	586,341	16,062
Capital outlay	78,000	21,760	18,314	3,446
Expense reimbursement	(35,024)	(35,024)	(35,024)	-
Total Information Technology	1,197,949	1,128,587	1,099,981	28,606
Finance:				
Personnel services	1,084,111	1,192,044	1,164,798	27,246
Materials and supplies	53,524	59,141	52,579	6,562
Other services and charges	284,460	318,601	297,315	21,286
Expense reimbursement	(160,240)	(160,240)	(160,240)	-
Total Finance	1,261,855	1,409,546	1,354,452	55,094
Research and Budget:				
Personnel services	256,702	263,116	259,295	3,821
Materials and supplies	12,750	10,498	9,672	826
Other services and charges	27,791	32,326	22,956	9,370
Expense reimbursement	(15,885)	(15,885)	(15,885)	-
Total Research and Budget	281,358	290,055	276,038	14,017
City Court:				
Personnel services	547,463	532,957	527,995	4,962
Materials and supplies	7,000	6,875	4,706	2,169
Other services and charges	63,937	66,646	42,495	24,151
Total City Court	618,400	606,478	575,196	31,282
Germantown Performing Arts Centre:				
Personnel services	780,848	843,584	830,482	13,102
Materials and supplies	16,900	18,368	16,823	1,545
Other services and charges	183,916	237,558	215,497	22,061
Capital outlay	-	9,553	9,553	-
Total Germantown Performing Arts Centre	981,664	1,109,063	1,072,355	36,708

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

CITY OF GERMANTOWN, TENNESSEE

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCE - BUDGET AND ACTUAL - GENERAL FUND (CONTINUED)

For the Year Ended June 30, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Development:				
Personnel services	\$ 1,409,381	\$ 1,602,211	\$ 1,592,789	\$ 9,422
Materials and supplies	38,800	49,583	42,117	7,466
Other services and charges	253,036	264,781	252,930	11,851
Capital outlay	106,000	70,026	70,022	4
Expense reimbursement	(72,812)	(72,812)	(72,812)	-
Total Development	1,734,405	1,913,789	1,885,046	28,743
Facility Services:				
Personnel services	731,935	785,183	754,279	30,904
Materials and supplies	91,700	96,027	85,070	10,957
Other services and charges	465,706	476,233	466,151	10,082
Capital outlay	27,000	17,005	10,805	6,200
Total Building Maintenance	1,316,341	1,374,448	1,316,305	58,143
Total General Government	9,839,205	10,580,282	10,214,400	365,882
PUBLIC SAFETY				
Police:				
Personnel services	8,796,773	9,347,192	9,340,729	6,463
Materials and supplies	505,318	444,205	435,148	9,057
Other services and charges	603,045	654,904	620,911	33,993
Capital outlay	352,000	313,835	305,139	8,696
Total Police	10,257,136	10,760,136	10,701,927	58,209
Fire:				
Personnel services	6,173,085	6,733,676	6,718,334	15,342
Materials and supplies	211,460	304,175	289,903	14,272
Other services and charges	907,225	925,064	896,623	28,441
Capital outlay	102,014	148,302	141,111	7,191
Total Fire	7,393,784	8,111,217	8,045,971	65,246
Total Public Safety	17,650,920	18,871,353	18,747,898	123,455

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

CITY OF GERMANTOWN, TENNESSEE

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

For the Year Ended June 30, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
COMMUNITY SERVICES				
Parks & Recreation:				
Personnel services	\$ 732,206	\$ 781,890	\$ 763,074	\$ 18,816
Materials and supplies	20,600	24,767	20,651	4,116
Other services and charges	532,264	547,579	534,681	12,898
Total Parks & Recreation	1,285,070	1,354,236	1,318,406	35,830
Cultural Arts Programs:				
Materials and supplies	42,807	41,044	36,336	4,708
Other services and charges	39,520	39,376	34,956	4,420
Total Cultural Arts Program	82,327	80,420	71,292	9,128
Library:				
Personnel services	2,000	2,000	1,945	55
Materials and supplies	30,000	45,095	38,752	6,343
Other services and charges	1,342,571	1,330,750	1,316,985	13,765
Total Library	1,374,571	1,377,845	1,357,682	20,163
Genealogical Library:				
Personnel services	250	250	246	4
Materials and supplies	9,500	7,400	9,774	(2,374)
Other services and charges	58,830	60,029	54,793	5,236
Total Genealogical Library	68,580	67,679	64,813	2,866
Farm:				
Personnel services	-	6,508	6,496	12
Materials and supplies	-	8,915	8,287	628
Other services and charges	-	7,661	2,928	4,733
Total Genealogical Library	-	23,084	17,711	5,373
Total Community Services	2,810,548	2,903,264	2,829,904	73,360

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

CITY OF GERMANTOWN, TENNESSEE

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

For the Year Ended June 30, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
TRANSPORTATION AND ENVIRONMENT				
Public Services:				
Personnel services	\$ 2,329,633	\$ 2,583,136	\$ 2,571,192	\$ 11,944
Materials and supplies	119,960	152,926	150,095	2,831
Other services and charges	971,209	964,694	927,546	37,148
Capital outlay	410,000	342,911	341,397	1,514
Expense reimbursement	(416,811)	(416,811)	(416,811)	-
Total Public Services	<u>3,413,991</u>	<u>3,626,856</u>	<u>3,573,419</u>	<u>53,437</u>
Animal Control:				
Personnel services	220,754	260,878	253,178	7,700
Materials and supplies	44,600	53,101	48,139	4,962
Other services and charges	26,650	32,088	28,416	3,672
Total Animal Control	<u>292,004</u>	<u>346,067</u>	<u>329,733</u>	<u>16,334</u>
Total Transportation and Environment	<u>3,705,995</u>	<u>3,972,923</u>	<u>3,903,152</u>	<u>69,771</u>
DEBT SERVICE				
Bond and note principal	2,656,957	2,200,000	2,200,000	-
Interest and fiscal charges	1,264,192	863,776	863,525	251
Total Debt Service	<u>3,921,149</u>	<u>3,063,776</u>	<u>3,063,525</u>	<u>251</u>
Total Expenditures	<u>37,927,817</u>	<u>39,391,598</u>	<u>38,758,879</u>	<u>632,719</u>
Excess (deficiency) of revenues over (under) expenditures	665,806	(283,896)	(190,551)	93,345
OTHER FINANCING SOURCES (USES)				
Transfers in	368,000	376,323	376,323	-
Transfers out	(4,608,000)	(3,308,000)	(3,308,000)	-
Sale of capital assets	-	6,000	6,000	-
Contingency	(50,000)	(3,703)	-	3,703
Total other financing sources (uses)	<u>(4,290,000)</u>	<u>(2,929,380)</u>	<u>(2,925,677)</u>	<u>3,703</u>
Net change in fund balances	(3,624,194)	(3,213,276)	(3,116,228)	97,048
Fund balance - beginning	<u>19,826,726</u>	<u>19,826,726</u>	<u>19,826,726</u>	<u>-</u>
Fund balance - ending	<u>\$ 16,202,532</u>	<u>16,613,450</u>	<u>\$ 16,710,498</u>	<u>\$ 97,048</u>

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

CITY OF GERMANTOWN, TENNESSEE

STATEMENT OF NET ASSETS - PROPRIETARY FUNDS

June 30, 2012

ASSETS	Business Type Activities - Proprietary Funds				Total	Governmental Activities - Internal Service Funds
	Utility Fund	Athletic Club Fund	Sanitation Fund	Nonmajor Proprietary Funds		
Current assets:						
Cash and cash equivalents	\$ 5,037,115	\$ 1,757,681	\$ 557,185	\$ 346,550	\$ 7,698,531	\$ 1,142,421
Investments	813,177	206,906	77,908	-	1,097,991	-
Receivables:						
Customers and developers	1,149,130	-	183,340	170,397	1,502,867	-
Others	-	20,046	-	-	20,046	3,065
Less allowance for doubtful accounts	(26,313)	(18,628)	(13,831)	(80,216)	(138,988)	-
Net receivables	1,122,817	1,418	169,509	90,181	1,383,925	3,065
Inventories	53,798	5,901	-	-	59,699	117,868
Total current assets	<u>7,026,907</u>	<u>1,971,906</u>	<u>804,602</u>	<u>436,731</u>	<u>10,240,146</u>	<u>1,263,354</u>
Noncurrent assets:						
Capital assets, not being depreciated						
Land	381,013	2,391,580	-	-	2,772,593	-
Construction in progress	3,408,283	-	-	-	3,408,283	-
Total non-depreciable assets	<u>3,789,296</u>	<u>2,391,580</u>	<u>-</u>	<u>-</u>	<u>6,180,876</u>	<u>-</u>
Capital assets, being depreciated						
Buildings and improvements	171,321	18,489,781	-	418,143	19,079,245	319,511
Water treatment plant	18,919,864	-	-	-	18,919,864	-
Water mains and laterals	23,168,453	-	-	-	23,168,453	-
Sewer mains and laterals	24,708,924	-	-	-	24,708,924	-
Machinery and equipment	2,362,025	534,979	17,572	182,056	3,096,632	344,257
Less accumulated depreciation	(25,784,826)	(7,858,853)	(17,572)	(194,794)	(33,856,045)	(565,048)
Total depreciable assets, net	<u>43,545,761</u>	<u>11,165,907</u>	<u>-</u>	<u>405,405</u>	<u>55,117,073</u>	<u>98,720</u>
Total noncurrent assets	<u>47,335,057</u>	<u>13,557,487</u>	<u>-</u>	<u>405,405</u>	<u>61,297,949</u>	<u>98,720</u>
Total assets	<u>\$ 54,361,964</u>	<u>\$ 15,529,393</u>	<u>\$ 804,602</u>	<u>\$ 842,136</u>	<u>\$ 71,538,095</u>	<u>\$ 1,362,074</u>

(Continued)

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

CITY OF GERMANTOWN, TENNESSEE

STATEMENT OF NET ASSETS – PROPRIETARY FUNDS (CONTINUED)

June 30, 2012

LIABILITIES	Business Type Activities - Proprietary Funds				Total	Governmental Activities - Internal Service Funds
	Utility Fund	Athletic Club Fund	Sanitation Fund	Nonmajor Proprietary Funds		
Current liabilities:						
Accounts payable	\$ 927,644	\$ 93,555	\$ 281,151	\$ 73,518	\$ 1,375,868	\$ 475,589
Accrued interest payable	11,575	22,560	-	-	34,135	-
Unearned revenue	-	184,648	70,453	-	255,101	-
Customer deposits payable	-	-	-	35,308	35,308	-
Advances from other funds - current	-	125,000	-	-	125,000	-
Bonds payable - current	880,000	-	-	-	880,000	-
Total current liabilities	<u>1,819,219</u>	<u>425,763</u>	<u>351,604</u>	<u>108,826</u>	<u>2,705,412</u>	<u>475,589</u>
Noncurrent liabilities:						
Customer deposits payable	494,982	-	-	-	494,982	-
Advances from other funds - net of current	-	1,000,000	-	-	1,000,000	-
Bonds payable - net of current	5,574,052	-	-	-	5,574,052	-
Total noncurrent liabilities	<u>6,069,034</u>	<u>1,000,000</u>	<u>-</u>	<u>-</u>	<u>7,069,034</u>	<u>-</u>
Total liabilities	<u>7,888,253</u>	<u>1,425,763</u>	<u>351,604</u>	<u>108,826</u>	<u>9,774,446</u>	<u>475,589</u>
NET ASSETS						
Invested in capital assets, net of related debt	40,881,005	13,557,487	-	405,405	54,843,897	98,720
Unrestricted	5,592,706	546,143	452,998	327,905	6,919,752	787,765
Total net assets	<u>\$ 46,473,711</u>	<u>\$ 14,103,630</u>	<u>\$ 452,998</u>	<u>\$ 733,310</u>	<u>61,763,649</u>	<u>\$ 886,485</u>
Adjustment to reflect the consolidation of internal service funds related to enterprise funds					1,574	
Net assets of business-type activities					<u>\$ 61,765,223</u>	

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

CITY OF GERMANTOWN, TENNESSEE

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN
FUND EQUITY - PROPRIETARY FUNDS

For the Year Ended June 30, 2012

	Business Type Activities - Proprietary Funds				Total	Governmental Activities - Internal Service Funds
	Utility Fund	Athletic Club Fund	Sanitation Fund	Nonmajor Proprietary Funds		
Operating Revenues:						
Water sales	\$ 4,581,400	\$ -	\$ -	\$ -	\$ 4,581,400	\$ -
Sewer service charges	2,664,844	-	-	-	2,664,844	-
Connection and other fees	146,376	-	-	-	146,376	-
Forfeited discounts	66,160	-	35,529	-	101,689	-
Sanitation fees	-	-	3,420,784	-	3,420,784	-
Membership fees	-	2,983,815	-	-	2,983,815	-
Class fees	-	597,492	-	-	597,492	-
Daily admissions	-	14,335	-	-	14,335	-
Stormwater fees	-	-	-	1,037,363	1,037,363	-
Internal charges	-	-	-	-	-	6,350,173
Other income	13,025	114,273	74,105	242,970	444,373	-
Total operating revenues	7,471,805	3,709,915	3,530,418	1,280,333	15,992,471	6,350,173
Operating Expenses:						
Personnel services	1,661,930	1,450,071	44,831	757,221	3,914,053	690,213
Materials and supplies	158,239	181,949	20,987	40,700	401,875	20,131
Utilities	695,716	-	-	-	695,716	-
Sewage treatment fees	1,151,178	-	-	-	1,151,178	-
Landfill fees	-	-	401,129	-	401,129	-
Garbage collection fees	-	-	2,939,258	-	2,939,258	-
Other services and charges	1,402,830	1,325,455	3,327	558,419	3,290,031	5,595,815
Bad debt expense	-	257	-	-	257	-
Depreciation	1,644,791	586,875	-	17,835	2,249,501	30,413
Total operating expenses	6,714,684	3,544,607	3,409,532	1,374,175	15,042,998	6,336,572
Operating income (loss)	757,121	165,308	120,886	(93,842)	949,473	13,601
Nonoperating Revenues (Expenses):						
Interest on investments	12,185	3,130	1,172	-	16,487	-
Interest and fiscal charges	(261,698)	(34,416)	-	(13,384)	(309,498)	-
Total nonoperating revenues (expenses)	(249,513)	(31,286)	1,172	(13,384)	(293,011)	-
Income (loss) before contributions and transfers	507,608	134,022	122,058	(107,226)	656,462	13,601
Contributions from developers	116,797	-	-	-	116,797	-
Transfers in (out)	(376,323)	-	-	-	(376,323)	-
Change in net assets	248,082	134,022	122,058	(107,226)	396,936	13,601
Total net assets - beginning	46,225,629	13,969,608	330,940	840,536		872,884
Total net assets - ending	\$ 46,473,711	\$ 14,103,630	\$ 452,998	\$ 733,310		\$ 886,485
Adjustment to reflect the consolidation of internal service funds related to enterprise funds					92,075	
Change in net assets of business-type activities					\$ 489,011	

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

CITY OF GERMANTOWN, TENNESSEE

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS

For the Year Ended June 30, 2012

	Business-Type Activities - Proprietary Funds				Total	Governmental Activities - Internal Service Funds
	Utility Fund	Athletic Club Fund	Sanitation Fund	Nonmajor Proprietary Funds		
CASH FLOWS FROM OPERATING ACTIVITIES						
Cash received from customers	\$ 7,528,614	\$ 3,672,193	\$ 3,511,550	\$ 1,281,451	\$ 15,993,808	\$ 6,350,640
Cash paid to suppliers	(3,067,139)	(1,621,103)	(3,425,538)	(659,336)	(8,773,116)	(5,635,689)
Cash paid to employees	(1,690,706)	(1,480,557)	(44,124)	(776,839)	(3,992,226)	(707,570)
Net cash provided (used) by operating activities	2,770,769	570,533	41,888	(154,724)	3,228,466	7,381
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES						
Transfer (to) from other fund	(376,323)	-	-	-	(376,323)	-
Advances from other funds	-	(125,000)	-	-	(125,000)	-
Net cash provided by noncapital and related financing activities	(376,323)	(125,000)	-	-	(501,323)	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Bond and loan principal payments	(855,000)	-	-	-	(855,000)	-
Acquisition of capital assets	(2,787,355)	(259,542)	-	(138,052)	(3,184,949)	(17,640)
Proceeds from disposal of capital assets	-	-	-	-	-	-
Interest paid	(264,353)	(37,096)	-	(13,384)	(314,833)	-
Net cash used by capital and related financing activities	(3,906,708)	(296,638)	-	(151,436)	(4,354,782)	(17,640)
CASH FLOWS FROM INVESTING ACTIVITIES						
Sale of investments	(164,897)	(46,734)	(25,591)	-	(237,222)	-
Interest received	12,185	3,130	1,172	-	16,487	-
Net cash provided (used) by investing activities	(152,712)	(43,604)	(24,419)	-	(220,735)	-
Net increase (decrease) in cash and cash equivalents	(1,664,974)	105,291	17,469	(306,160)	(1,848,374)	(10,259)
Cash and cash equivalents - beginning	6,702,089	1,652,390	539,716	652,710	9,546,905	1,152,680
Cash and cash equivalents - ending	\$ 5,037,115	\$ 1,757,681	\$ 557,185	\$ 346,550	\$ 7,698,531	\$ 1,142,421

(Continued)

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

CITY OF GERMANTOWN, TENNESSEE

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS (CONTINUED)

For the Year Ended June 30, 2012

	Business-Type Activities - Proprietary Funds				Total	Governmental Activities - Internal Service Funds
	Utility Fund	Athletic Club Fund	Sanitation Fund	Nonmajor Proprietary Funds		
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) By Operating Activities						
Operating income (loss)	\$ 757,121	\$ 165,308	\$ 120,886	\$ (93,842)	\$ 949,473	\$ 13,601
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities						
Depreciation expense	1,644,791	586,875	-	17,835	2,249,501	30,413
(Increase) decrease in assets:						
Accounts receivable	27,533	(1,418)	(15,019)	(5,724)	5,372	467
Prepaid expenses	-	-	-	-	-	-
Inventories	(297)	3,292	-	-	2,995	15,361
Increase (decrease) in liabilities:						
Accounts payable	341,121	(116,991)	(60,837)	(79,835)	83,458	(52,461)
Accrued expenses	(28,776)	(30,486)	(1,548)	-	(60,810)	-
Customer deposits	29,276	-	-	6,842	36,118	-
Unearned revenue	-	(36,047)	(1,594)	-	(37,641)	-
Total adjustments	2,013,648	405,225	(78,998)	(60,882)	2,278,993	(6,220)
Net cash provided (used) by operating activities	\$ 2,770,769	\$ 570,533	\$ 41,888	\$ (154,724)	\$ 3,228,466	\$ 7,381
Noncash investing, capital, and financing activities:						
Contributions of capital assets from developers	\$ 116,797	\$ -	\$ -	\$ -	\$ 116,797	\$ -

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

CITY OF GERMANTOWN, TENNESSEE

STATEMENT OF FIDUCIARY NET ASSETS

June 30, 2012

	Pension Fund	OPEB Fund	Bail Deposit Fund
ASSETS			
Cash and cash equivalents	\$ 2,652,791	\$ 1,007,776	\$ 131,749
Investments, at fair value			
Common stock	12,122,210	-	-
Foreign stock	1,591,308	-	-
U.S. government obligations	2,982,120	-	-
State and municipal bonds	2,957,919	-	-
Mutual funds - equity	17,752,208	2,024,229	-
Mutual funds - fixed income	-	686,883	-
Mutual funds - international	2,938,030	-	-
Corporate bonds	2,813,108	-	-
Foreign - equity	1,198,389	-	-
Receivables:			
Interest	107,537	26	-
Total assets	<u>47,115,620</u>	<u>3,718,914</u>	<u>\$ 131,749</u>
LIABILITIES			
Accounts payable	336	50,707	-
Deposits held in trust	-	-	131,749
Total liabilities	<u>336</u>	<u>50,707</u>	<u>\$ 131,749</u>
NET ASSETS			
Held in trust for pension benefits and OPEB	<u>\$ 47,115,284</u>	<u>\$ 3,668,207</u>	

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

CITY OF GERMANTOWN, TENNESSEE

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS

For the Year Ended June 30, 2012

	Pension Fund	OPEB Fund
ADDITIONS		
Contributions:		
Employer	\$ 2,383,404	\$ 939,299
Plan members	665,402	133,995
Total contributions	<u>3,048,806</u>	<u>1,073,294</u>
Investment Income (Loss):		
Net depreciation in fair value of investments	(2,066,093)	(150,638)
Interest and dividends	1,090,427	59,383
Total investment earnings (loss)	<u>(975,666)</u>	<u>(91,255)</u>
Total additions	2,073,140	982,039
DEDUCTIONS		
Benefits paid	2,260,687	406,813
Administrative expense	225,603	5,521
Total deductions	<u>2,486,290</u>	<u>412,334</u>
Change in net assets	(413,150)	569,705
Net assets - beginning	<u>47,528,434</u>	<u>3,098,502</u>
Net assets - ending	<u><u>\$ 47,115,284</u></u>	<u><u>\$ 3,668,207</u></u>

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

CITY OF GERMANTOWN, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting entity

The City of Germantown, Tennessee (the "City") was chartered in 1841 and incorporated in 1903 under the provisions of Chapter 550 of the Private Acts of the General Assembly of the State of Tennessee. The City operates under a Board of Mayor and Aldermen form of government. The Executive Branch is organized into the following areas: Finance and General Services, Development, Community Services, Fire, Police, Human Resources, Germantown Athletic Club and Germantown Performing Arts Centre.

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. The City's one component unit has a June 30 year-end and their separate financial statements are available as indicated below. The significant accounting policies followed by the component unit are generally the same as those followed by the primary government.

Discretely Presented Component Unit:

Germantown Performing Arts Center (GPAC) –GPAC has a cooperative agreement with the City to carry out a performing arts program that will foster and promote theatrical and musical performances to the community at the Germantown Performing Arts Center. GPAC is dependent upon the City for providing payroll, utilities, and other expenses as well as the building used by GPAC, which is owned by the City. In-kind contributions made to GPAC by the City during 2012 totaled \$1,018,787. Upon termination of this agreement, the City shall receive all assets and assume all liabilities of GPAC. GPAC is a 501(c)3 organization with separately issued financial statements which may be obtained from the Germantown Performing Arts Center, 1801 Exeter Road, Germantown, Tennessee 38138, (901)757-7500.

B. Government-wide and fund financial statements

The government-wide financial statements (i.e., the statements of net assets and the statement of activities) are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of net assets presents information on all of the City's assets and liabilities, with the differences between the two presented as net assets (deficit). Net assets are reported as one of three categories: invested in capital assets, net of related debt; restricted; or unrestricted. Restricted net

CITY OF GERMANTOWN, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2012

assets are further classified as either net assets restricted by enabling legislation or net assets that are otherwise restricted.

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. The City has one component unit, the Germantown Performing Arts Center, for which the financial information is reported separately from the information presented for the primary government.

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

The government-wide and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund statements. Revenues are recognized when earned and expenses are recognized at the time liabilities are incurred, regardless of when the related cash transaction takes place. Nonexchange transactions, in which the City gives or receives value without directly receiving or giving equal value in exchange, include property taxes, grants and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied.

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, fines and forfeitures, and miscellaneous revenues (except for

CITY OF GERMANTOWN, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2012

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 – Major Roads Fund accounts for the acquisition and construction of major roads. The primary funding source is bond proceeds and federal and state grants.

The City reports the following major proprietary funds:

The Utility Fund 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 intergovernmental loans have been used specifically for the construction or acquisition of water and sewer systems and facilities. Since it is the intention of the City to repay these bonds and loans through the operations of this fund, these obligations are classified as debt of this fund.

The Germantown Athletic Club Fund accounts for the operations of the Germantown Athletic Club, a recreation and cultural facility. The Athletic Club facility was financed through general obligation bonds and General Fund transfers. The City's intent is to operate the facility in a manner in which revenues cover operating expenses plus depreciation of the facility. However, the outstanding debt is to be paid by the General Fund and is therefore not carried as debt of the Germantown Athletic Club Fund. The General Fund made an advance to the Athletic Club facility for a 20-year term.

The Sanitation Fund accounts for all expenditures and revenues associated with garbage collection and disposal.

Additionally, the City reports the following fund types:

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

Fiduciary Fund Types include Pension and Other Employee Benefit Trust Funds and Agency Funds. The Pension and Other Employee Benefit Trust Funds and Agency Funds are used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations and other governments.

CITY OF GERMANTOWN, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2012

Pension and Other Employee Benefit Trust Funds are accounted for on the accrual basis. Agency Funds are custodial in nature (assets equal liabilities) and generally are accounted for on the cash basis, which approximates the modified accrual basis of accounting.

The Pension Fund, a pension and other employee benefit 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, a pension and other employee benefit trust 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 Deposit Fund, an agency fund, is used to account for bail funds deposited by persons awaiting trial in City Court. The fund is purely custodial and thus does not involve measurement of results of operation.

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.

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, Athletic Club Fund, Sanitation Fund, Great Hall Fund, and Stormwater 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.

CITY OF GERMANTOWN, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2012

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 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.

The City has implemented GASB 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. In the fund financial statements, governmental funds report the following classifications of fund balance:

- Nonspendable – amounts that cannot be spent either because they are either in a (a) nonspendable form, including items not expected to be converted to cash, or (b) legally or contractually required to be maintained intact.
- Restricted – amounts constrained to be used for a specific purpose as per external parties, constitutional provision, or enabling legislation.
- Committed – amounts constrained to be used for specific purposes as per action 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 – amounts intended to be used by the City for specific purposes, but are neither restricted nor committed. The intent shall be expressed by the Board of Mayor and Aldermen or a designee authorized by the Board of Mayor and Aldermen for a specific purpose in accordance with the policy established by the Board of Mayor and Aldermen. 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 – amounts available for any purpose in the General Fund.

CITY OF GERMANTOWN, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2012

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.

State statutes authorize the City to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds, repurchase agreements, and the State Treasurer's Investment Pool.

Investments are stated at fair value. Cash equivalents held by the trustee of the Pension Fund and the Other Post Employment Benefits Fund are included in cash and cash equivalents.

2. 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.

Taxes are due December 1 (levy date) and are considered delinquent after February 28 (lien date), at which time penalties and interest are assessed.

3. Inventories

Inventories are valued at cost (first-in, first-out). Inventory in all funds consists of expendable supplies held for consumption. In the General Fund, the cost is recorded as an asset at the time individual inventory items are purchased. The reserve for inventories in the General Fund represents a portion of the fund balance that is applicable to future accounting periods.

CITY OF GERMANTOWN, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2012

4. Restricted assets

Restricted assets in proprietary funds represent cash on deposit with paying agents primarily restricted for the principal and interest requirements of long-term debt.

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. Such assets in excess of \$5,000 are recorded at historical cost or estimated historical cost if purchased or constructed. Contributed capital assets are recorded at estimated fair market value at the date received.

The 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. 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	50 years
Machinery and equipment	3-15 years

6. Compensated absences

Compensated absences for accumulated unpaid vacation are accrued when incurred in all funds. Employees earn 10 or more days of vacation each year depending on length of service. The amount is provided for in current liabilities of the appropriate funds, as it does not exceed the guidelines of the City Policy. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements. Compensated absences are paid out of the employee's cost center.

Accumulated unpaid overtime is also accrued when incurred in all funds. Sick leave is not accrued except at the governmental-wide presentation.

7. Post Employment Benefits

In addition to providing pension benefits, the City provides health insurance coverage for current and future retirees and their spouses as described at Note 10.

CITY OF GERMANTOWN, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2012

8. *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 life of the related debt in the governmental activities and reported as a reduction of long-term debt in the proprietary funds.

In governmental fund financial statements, bond premiums, discounts, and issuance costs are recognized in the current period. The face amount of the debt is reported as other financing sources. Premiums received on debt issuance are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt issuance expenditures.

9. *Fair Value Measurement*

Generally accepted accounting principles define fair value, establish a framework for measuring fair value, and establish a fair value hierarchy which prioritizes the inputs to valuation techniques. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value into the following three broad levels:

- Level 1 – Quoted prices in active markets for identical assets or liabilities the City has the ability to access.
- Level 2 – Inputs (other than quoted prices within level 1) that are observable for the asset or liability, either directly or indirectly.
- Level 3 – Inputs which are unobservable for the asset or liability and rely on management's own assumptions about the assumptions that market participants would use in pricing the asset or liability.

For assets and liabilities that are measured at fair value on a recurring basis, this statement requires disclosure of information that enables financial statement users to assess the inputs used to develop those measurements. The only assets the City measures at fair value on a recurring basis are investments. See Note 4 for the required disclosure information.

CITY OF GERMANTOWN, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2012

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 on 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, are not due and payable in the current period and therefore are not reported in the funds." The details of this \$26,413,779 difference are as follows:

Bonds payable	\$ 25,650,000
Deferred amount for issuance premium	304,333
Deferred amount for issuance costs	(619,548)
Accrued interest payable	144,282
Compensated absences	934,712
Net adjustment to reduce fund balance - total governmental funds to arrive at net assets - governmental activities	<u>\$ 26,413,779</u>

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

The governmental fund statement of revenues, expenditures, and changes in fund balances includes 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 \$11,374,337 difference are as follows:

Capital outlay	\$ 15,707,931
Depreciation expense	(4,333,594)
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ 11,374,337</u>

CITY OF GERMANTOWN, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2012

Another element of that reconciliation states that "the issuance of long-term debt (e.g. bond, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net 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 (\$3,951,145) difference are as follows:

Increase in accrued interest payable	\$ (19,296)
Amortization of issuance costs and bond premiums	(106,849)
Issuance of new general obligation debt	(6,025,000)
Principal repayments of general obligation debt	<u>2,200,000</u>
Net adjustment to decrease net changes in fund balance - total governmental funds to arrive at changes in net assets of governmental activities	<u><u>\$ (3,951,145)</u></u>

NOTE 3 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A - Budgetary information

Under provisions of the City's charter, the Board of Mayor and Aldermen annually enact by ordinance the operating budgets of the general, special revenue, capital projects, enterprise and internal service funds, which cannot exceed appropriation except by approval of the governing body.

An annual budget for the capital projects is adopted by individual funds. The total budgets of these funds constitute legal spending limits, requiring ordinance amendment. Transfers within the funds are accomplished 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 within the total dollar limitations of the budget ordinance. The Mayor may approve transfers between categories within a cost center without the governing body's approval. The Board must approve other transfers or requests for additional funds. Thus, departmental or cost center appropriations comprise a legal spending limit for governmental fund types, except for capital projects funds for which the project length financial plans are adopted. The City disperses its capital projects fund monies to various projects, which may cause a deficit within the project. However, the City adopts a positive Capital Improvements Program where funds can be transferred within the fund with appropriate approval from the governing body. Supplemental appropriations were required during the year and 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.

CITY OF GERMANTOWN, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2012

B. Excess of expenditures over appropriations

For the year ended June 30, 2012, expenditures did not exceed appropriations in any fund.

C. Budgetary basis of accounting

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds.

NOTE 4 - DETAILED NOTES ON ALL FUNDS

A. Deposits and investments

The City's cash and cash equivalents at June 30, 2012 were held by financial institutions which participate in the bank collateral pool administered by the Treasurer of the State of Tennessee. Participating banks determine the aggregate balance of their public funds accounts for the City. The amount of collateral required to secure these public deposits must be at least 105% of the average daily balance of public deposits held. Collateral securities required to be pledged by the participating banks to protect their public fund accounts are pledged to the State Treasurer on behalf of the bank collateral pool. The securities pledged to protect these accounts are pledged in the aggregate rather than against each individual account. The members of the pool may be required by agreement to pay an assessment to cover any deficiency. Under this additional assessment agreement, public fund accounts covered by the pool are considered to be insured for purposes of custodial credit risk disclosure.

As of June 30, 2012, the City had the following investments:

Investment Type	Fair Value	Weighted Average Maturities (Years)
Common Stock	\$ 12,122,210	
Foreign Stock	1,591,308	
U.S. Government Obligations	6,537,681	2.2
State and Municipal bonds	2,957,919	7
Corporate Bonds	2,724,452	9.5
Foreign Bonds	88,656	
Mutual Funds - Equity	19,776,437	
Mutual Funds - Fixed Income	686,883	
Mutual Funds - International	2,938,030	
Miscellaneous	1,198,389	
Total fair value	<u>\$ 50,621,965</u>	
Portfolio weighted average maturity		6.5

CITY OF GERMANTOWN, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2012

The City invests in various fixed income debt securities such as U.S. treasuries, U.S. government backed mortgage securities, state and municipal bonds, and corporate bonds. These fixed income debt securities all fall within Level 1 of the hierarchy for valuation purposes under generally accepted accounting principles. Credit quality distributions for investments in fixed income debt securities, with credit risk as a percentage of total investments are approximately as follows at June 30:

U.S. Treasuries				Corporate Bonds			
Moody's	Amount	S&P	Amount	Moody's	Amount	S&P	Amount
Aaa	\$ 5,411	AA+	\$ 5,411	Aaa	\$ 355,588	AAA	\$ 355,587
				Aa2	184,601	AA+	335,972
				Aa3	84,942	AA	184,601
State and Municipal Bonds				A1	341,148	AA-	155,578
Moody's	Amount	S&P	Amount	A2	1,076,956	A+	222,281
Aaa	\$ 797,410	AAA	\$ 811,305	A3	287,421	A	477,778
Aa1	1,094,745	AA+	912,040	Baa1	86,226	A-	906,429
A2	96,086	AA	524,541	Baa2	307,569	BBB	86,226
Aa2	438,188	AA-	111,156				
Aa3	61,267	A+	197,370				
A3	136,103	A	96,086				
BAA2	122,432	BBB	122,432				
N/R	211,688	N/R	182,989				

Interest Rate Risk – The City will minimize interest rate risk, which is the risk that the fair value of securities in the portfolio will fall due to changes in market interest rates, by:

- a. Structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity.
- b. Investing operating funds primarily in shorter-term securities or the Tennessee Local Government Investment Pool (LGIP), and limiting the average maturity of the portfolio.

Credit Risk – The City will minimize credit risk, which is the risk of loss due to the failure of the investment issuer or backer, by:

- a. Limiting the portfolio to the types of investments pursuant to TCA 6-56-106.
- b. Diversifying the investment portfolio so that the impact of potential losses from any one type of security or from any one individual issuer will be minimized.

CITY OF GERMANTOWN, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2012

Concentration of Credit Risk – The City had investments in the following entities that comprised more than 5% of its total investments at June 30:

Federal Home Loan Bank	\$ 1,997,765	3.9%
Federal Farm Credit Bank	2,500,047	4.9%
Federal Home Loan Corp.	2,002,517	4.0%
Federal National Mortgage Association - REMIC	110,626	0.2%
Federal National Mortgage Association	5,210,551	10.3%
Federal National Loan Mortgage Corporation	305,712	0.6%
Government National Mortgage Association	352,653	0.7%

Such concentrations are permitted by the City’s investment policy.

B. Receivables

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

	General	Major Roads Fund	Other Governmental Funds	Utility Fund	Athletic Club Fund	Sanitation Fund	Nonmajor Enterprise Funds	Total
Receivables:								
Property taxes	\$ 22,463,950	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 22,463,950
Interest	4,163	-	-	-	-	-	-	4,163
Sales and income taxes	5,362,224	-	-	-	-	-	-	5,362,224
Federal and state grants	3,325	-	-	-	-	-	-	3,325
Accounts receivable	-	-	-	1,149,130	-	183,340	170,397	1,502,867
Other	3,065	2,401,428	288,530	-	20,046	-	-	2,713,069
Gross receivables	<u>27,836,727</u>	<u>2,401,428</u>	<u>288,530</u>	<u>1,149,130</u>	<u>20,046</u>	<u>183,340</u>	<u>170,397</u>	<u>32,049,598</u>
Less: allowance for uncollectibles	(1,572,835)	-	-	(26,313)	(18,628)	(13,831)	(80,216)	(1,711,823)
Net total receivables	<u>\$ 26,263,892</u>	<u>\$ 2,401,428</u>	<u>\$ 288,530</u>	<u>\$ 1,122,817</u>	<u>\$ 1,418</u>	<u>\$ 169,509</u>	<u>\$ 90,181</u>	<u>\$ 30,337,775</u>

Governmental funds report unearned 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, unearned 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.

CITY OF GERMANTOWN, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2012

The various types of property are assessed at a percentage of estimated appraised value on January 1 of each year as follows:

	<u>Assessment Rate</u>	<u>Assessed Value</u>
Residential real property	25%	\$ 1,171,535,200
Farm real property	25%	2,166,525
Commercial real property	40%	280,629,910
Public utilities real property	55%	12,655,926
Commercial personal property	30%	25,962,880
		<u>\$ 1,492,950,441</u>

The estimated actual value was \$5,594,970,275 making the overall assessed value 26.7% of the estimated actual value based on the State of Tennessee's certified Equalization Ratio for Shelby County of 100%.

Current tax collections for the year ended June 30, 2012 were 98.2% 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 City Clerk.

The property tax rate for the year ended June 30, 2012 was \$1.485 per \$100 of assessed value.

A summary of changes in property taxes is as follows below:

<u>Year</u>	<u>Taxes Receivable June 30, 2011</u>	<u>Taxes Levied And Accrued</u>	<u>Collections And Adjustments</u>	<u>Taxes Receivable June 30, 2012</u>
2002 & Prior	\$ 3,565	\$ -	\$ 1,838	\$ 1,727
2003	17,474	-	584	16,890
2004	20,805	-	1,120	19,685
2005	18,591	-	20	18,571
2006	16,057	-	780	15,277
2007	14,841	-	1,267	13,574
2008	39,336	-	12,850	26,486
2009	195,217	-	128,690	66,527
2010	396,600	-	276,952	119,648
2011	21,982,373	-	21,579,284	403,089
2012	-	21,762,476	-	21,762,476
Credit	(20)	-	(20)	-
	<u>\$ 22,704,839</u>	<u>\$ 21,762,476</u>	<u>\$ 22,003,365</u>	<u>\$ 22,463,950</u>

The City of Germantown actively pursues collection efforts for delinquent property taxes.

CITY OF GERMANTOWN, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2012

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>
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 11,407,566	\$ -	\$ -	\$ 11,407,566
Construction in progress	10,216,592	14,084,239	(8,290,190)	16,010,641
Total capital assets, not being depreciated	<u>21,624,158</u>	<u>14,084,239</u>	<u>(8,290,190)</u>	<u>27,418,207</u>
Capital assets, being depreciated:				
Buildings	29,954,739	3,694,554		33,649,293
Improvements other than buildings	78,518,362	5,012,074		83,530,436
Machinery and equipment	23,781,384	1,224,894	(2,139,809)	22,866,469
Total capital assets being depreciated	<u>132,254,485</u>	<u>9,931,522</u>	<u>(2,139,809)</u>	<u>140,046,198</u>
Less accumulated depreciation for:				
Buildings	(12,687,561)	(898,351)		(13,585,912)
Improvements other than building	(47,765,990)	(2,273,081)		(50,039,071)
Machinery and equipment	(18,503,426)	(1,192,575)	2,139,809	(17,556,192)
Total accumulated depreciation	<u>(78,956,977)</u>	<u>(4,364,007)</u>	<u>2,139,809</u>	<u>(81,181,175)</u>
Total capital assets, being depreciated, net	<u>53,297,508</u>	<u>5,567,515</u>	<u>-</u>	<u>58,865,023</u>
Governmental activities capital assets, net	<u>\$ 74,921,666</u>	<u>\$ 19,651,754</u>	<u>\$ (8,290,190)</u>	<u>\$ 86,283,230</u>

CITY OF GERMANTOWN, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2012

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-type Activities:				
Capital assets, not being depreciated:				
Land	\$ 2,772,593	\$ -	\$ -	\$ 2,772,593
Construction in progress	2,090,352	3,182,935	(1,865,004)	3,408,283
Total capital assets, not being depreciated	<u>4,862,945</u>	<u>3,182,935</u>	<u>(1,865,004)</u>	<u>6,180,876</u>
Capital assets, being depreciated:				
Buildings	17,911,637	1,167,609	-	19,079,246
Improvements other than buildings	66,001,750	812,289	(16,801)	66,797,238
Machinery and equipment	3,075,913	20,720	-	3,096,633
Total capital assets being depreciated	<u>86,989,300</u>	<u>2,000,618</u>	<u>(16,801)</u>	<u>88,973,117</u>
Less accumulated depreciation for:				
Buildings	(5,974,253)	(1,517,470)	-	(7,491,723)
Improvements other than building	(23,586,581)	(441,091)	-	(24,027,672)
Machinery and equipment	(2,045,709)	(290,940)	-	(2,336,649)
Total accumulated depreciation	<u>(31,606,543)</u>	<u>(2,249,501)</u>	<u>-</u>	<u>(33,856,044)</u>
Total capital assets, being depreciated, net	<u>55,382,757</u>	<u>(248,883)</u>	<u>(16,801)</u>	<u>55,117,073</u>
Business-type activities capital assets, net	<u>\$ 60,245,702</u>	<u>\$ 2,934,052</u>	<u>\$ (1,881,805)</u>	<u>\$ 61,297,949</u>

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

Governmental activities:		
General government		\$ 4,303,907
Public safety		21,793
Community service		5,150
Transportation		2,744
Capital assets held by the City's internal service funds are charged to the various functions based on their usage of the assets		<u>30,413</u>
Total depreciation expense - government activities		<u>\$ 4,364,007</u>
Business-type activities:		
Utility		\$ 1,644,791
Athletic Club		586,875
Great Hall		<u>17,835</u>
Total depreciation expense - business-type activities		<u>\$ 2,249,501</u>

E. 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	\$ 15,738,675
Intersections	664,283
Drainage	656,778
Parks & Recreation	246,584
General Government	-
Utility	1,676,144
Fire	45,800
	<u>\$ 19,028,264</u>

F. Interfund Receivables, Payables, and Transfers

On October 31, 2000, the General Fund advanced \$2,500,000 for an expansion project at the Germantown Athletic Club. The Germantown Athletic Club is responsible for funding the expansion. The agreement between the Germantown Athletic Club and the General Fund is that the amount will be paid back over twenty years.

Advances from/to other funds

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Athletic Club	<u>\$ 1,125,000</u>

The composition of interfund transfers for the year ended June 30, 2012, is as follows:

Transfer out:	Transfer In:			Total
	<u>General Fund</u>	<u>Major Roads Fund</u>	<u>Other Governmental</u>	
General Fund	\$ -	\$ 649,000	\$ 2,659,000	\$ 3,308,000
Utility Fund	376,323	-	-	376,323
	<u>\$ 376,323</u>	<u>\$ 649,000</u>	<u>\$ 2,659,000</u>	<u>\$ 3,684,323</u>

Transfers from the general fund were made to provide sufficient positive fund balance within the special revenue, capital projects, and enterprise funds. Transfers from the utility fund to the general fund are payment in lieu of taxes.

CITY OF GERMANTOWN, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2012

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 are direct obligations and pledge the full faith and credit of the City. There are no specific allocations of property tax or other revenue sources for debt service.

Revenue bonds

The City also issues bonds where the City 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
Governmental activities:					
Bonds payable - general obligation	\$ 21,825,000	\$ 6,025,000	\$ (2,200,000)	\$ 25,650,000	\$ 2,545,000
Plus (less) deferred amounts:					
For issuance premium	195,892	130,456	(22,015)	304,333	-
Compensated absences	796,722	265,837	(127,847)	934,712	127,847
Governmental activity long-term liabilities	<u>\$ 22,817,614</u>	<u>\$ 6,421,293</u>	<u>\$ (2,349,862)</u>	<u>\$ 26,889,045</u>	<u>\$ 2,672,847</u>
Business-type activities:					
Revenue bonds	\$ 7,300,000	\$ -	\$ (855,000)	\$ 6,445,000	\$ 880,000
Plus (less) deferred amounts:					
For issuance premium	116,664	-	(17,129)	99,535	-
For issuance cost	(106,109)	-	15,626	(90,483)	-
Business-type activity long-term liabilities	<u>\$ 7,310,555</u>	<u>\$ -</u>	<u>\$ (856,503)</u>	<u>\$ 6,454,052</u>	<u>\$ 880,000</u>

Governmental bond issue costs activity for the year ended June 30, 2012, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
Governmental activities:				
Bond issuance cost	\$ 617,956	\$ 90,919	\$ (89,327)	\$ 619,548

CITY OF GERMANTOWN, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2012

For the governmental activities, compensated absences are generally liquidated by the general fund. No interest was capitalized for the year ended June 30, 2012; interest incurred and charged to expense totaled \$950,133.

For the governmental activities, \$4,052,489 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>
Governmental activities:			
Bonds payable:			
2005 Serial Bonds	2.7-3.85	\$ 9,695,000	\$ 7,355,000
2006 Serial Bonds	4.00	5,555,000	3,695,000
2009 Serial Bonds	3.0-4.2	9,635,000	8,575,000
2011 Serial Bonds	2.0-3.25	6,025,000	6,025,000
		<u>\$ 30,910,000</u>	<u>25,650,000</u>
Business-type activities:			
Bonds payable:			
2006 Revenue Bond	4.00	\$ 4,255,000	2,760,000
2008 Revenue Bond	3.0-4.0	5,000,000	3,685,000
		<u>\$ 9,255,000</u>	<u>6,445,000</u>
			<u>\$ 32,095,000</u>

CITY OF GERMANTOWN, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2012

Annual debt service requirements to maturity are as follows:

Years Ending June 30	Government Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2013	\$ 2,545,000	\$ 829,248	\$ 880,000	\$ 241,663
2014	2,620,000	745,762	920,000	209,050
2015	2,300,000	659,023	955,000	174,437
2016	2,085,000	586,657	990,000	137,200
2017	2,145,000	517,217	1,035,000	97,100
2018 - 2022	6,720,000	1,823,745	1,665,000	67,100
2023 - 2027	4,610,000	885,387	-	-
2028 - 2032	2,625,000	199,397	-	-
	<u>\$ 25,650,000</u>	<u>\$ 6,246,436</u>	<u>\$ 6,445,000</u>	<u>\$ 926,550</u>

All though the City is not subject to any state debt limits, the City has developed a debt policy that limits the amount of debt it may obtain: (1) net debt service may not exceed 12% of general fund expenditures; (2) direct debt may not exceed 4% of assessed property value; (3) direct debt may not exceed \$1,500 per capita income; and (4) per capita debt may not exceed 3% of per capita income. The City's full faith, credit and 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.

CITY OF GERMANTOWN, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2012

H. Fund Balances by Purpose

Following is more detailed information on the governmental fund balances:

	General Fund	Capital Projects - Major Roads	Other Governmental Funds	Total
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Nonspendable for:				
Inventory	\$ 73,255	\$ -	\$ -	\$ 73,255
Long-term portion of advances	1,000,000	-	-	1,000,000
Restricted for:				
Capital projects	-	1,375,033	-	1,375,033
Drug enforcement	-	-	117,930	117,930
Library	-	-	275,933	275,933
Committed to:				
Infrastructure replacement	1,250,000	-	-	1,250,000
Emergency & catastrophies	900,000	-	-	900,000
Contingencies	50,000	-	-	50,000
Taxes	7,254,159	-	-	7,254,159
Debt service	3,374,248	-	-	3,374,248
Contractual obligations	-	3,848,651	1,565,146	5,413,797
Automated enforcement	-	-	17,238	17,238
Assigned to:				
Transfers to other funds	325,000	-	-	325,000
Capital projects	-	-	4,458,513	4,458,513
Special revenue activities	-	-	1,996,340	1,996,340
Unassigned	2,483,836	-	-	2,483,836
Total fund balances	<u>\$ 16,710,498</u>	<u>\$ 5,223,684</u>	<u>\$ 8,431,100</u>	<u>\$ 30,365,282</u>

For flow assumption policy regarding use of fund balance types, refer to Note 1(C).

NOTE 5 - EMPLOYEE RETIREMENT SYSTEM

A. Plan Description

The City of Germantown 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 PERS is considered to be part of the City of Germantown's financial reporting entity

CITY OF GERMANTOWN, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2012

and is included in the City's financial reports as a pension trust fund. The Plan does not issue a stand-alone financial report.

The City amended the retirement plan in 2001. All employee retirement benefits are provided through a single employer, defined benefit plan. Under the Plan, all full time permanent employees at least 18 years of age (age 21 for Emergency Services Employees) participate and are vested after 10 years of service, 5 years if the employee was hired before January 1, 2003. Benefits are calculated at 2.25 percent of Average Monthly Earnings multiplied by the number of years of service subject to a 30 year maximum. The maximum accrual is 67.5 percent of base salary.

At June 30, 2012, PERS membership consisted of:

Retirees and beneficiaries currently receiving benefits	123
Terminated employees entitled to benefits	117
Current employees:	
Vested	211
Nonvested	147
Total	<u>598</u>

B. Funding Policy

Emergency Services employees are required to contribute to the PERS. This contribution pays for an unreduced normal retirement benefit at age 55 to age 65. The normal retirement date for all other employees remains at age 62. The City contributes additional 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.

C. Basis of Accounting

PERS financial statements are prepared using the accrual basis of accounting. Employer contributions are recognized as revenues when due, pursuant to formal commitments, as well as statutory or contractual requirements. Benefit payments and refunds to participants are recognized when due and payable in accordance with the terms of the plan.

D. Funded Status and Funding Progress

As of June 30, 2012, the actuarial accrued liability for benefits was \$65,029,747 of which \$15,350,611 was unfunded. The covered payroll (annual payroll of active employees covered by the

CITY OF GERMANTOWN, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2012

plan) was \$19,214,167, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 80%.

E. Plan Expenses

Both the plan and the City pay for expenses of the Plan, such as investment fees, trustee fees and actuary fees. Certain administrative functions are performed by City employees and are not reimbursed by the Plan.

F. 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 Germantown, nor has the Plan made any loans to the City.

G. Annual Pension Cost

For the year ended June 30, 2012, the City's annual pension cost of \$2,306,853 was equal to the required and actual contributions. The required contribution was determined as part of the July 1, 2012 annual actuarial valuation using the aggregate actuarial cost method. Because the aggregate actuarial cost method does not identify or separately amortize unfunded actuarial accrued liabilities, information about the Plan's funded status and funding progress has been prepared using the entry age actuarial cost method for that purpose, and the information presented is intended to serve as a surrogate for the funded status and funding progress of the Plan. Significant actuarial assumptions used in the computation included (a) a rate of return on the investment of present and future assets of 8% a year compounded annually, (b) projected salary increases 4.5% per year, and (c) no post-retirement benefit increases. The inflationary rate is 2.5%. Payroll for employees covered by this plan was \$19,214,167.

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

Annual required contribution	\$ 2,306,853
Interest on net pension obligation	-
Adjustments to annual required contribution	-
Annual pension cost	<u>2,306,853</u>
Contributions made	<u>2,306,853</u>
Increase (decrease) in net pension obligation	-
Net pension obligation - beginning of year	-
Net pension obligation - end of year	<u><u>\$ -</u></u>

CITY OF GERMANTOWN, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2012

H. Trend Information

Trend information gives an indication of the progress made in accumulating sufficient assets to pay benefits when due. A ten-year (inception to date) summary of revenues by source and expenses by type and analysis 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 years ended June 30:

	2012	2011	2010
Annual Pension Cost	\$ 2,306,853	\$ 2,297,580	\$ 2,269,772
Percentage of APC contributed	100%	100%	100%
Net Pension Obligation	-	-	-

Six-year historical trend information, 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 Value of Assets	Unfunded Actuarial Accrued Liability	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
7/1/2007	\$ 36,456,572	\$ 8,993,694	80%	\$ 16,594,653	54%
7/1/2008	40,668,198	9,615,201	81%	18,172,732	53%
7/1/2009	40,477,105	15,898,436	72%	18,846,765	84%
7/1/2010	44,648,280	15,758,143	74%	18,998,306	83%
7/1/2011	47,699,823	15,606,577	71%	18,449,784	85%
7/1/2012	49,679,136	15,350,611	76%	19,214,167	80%

NOTE 6 - INTERFUND BALANCES AND TRANSACTIONS

Unrestricted cash in the various funds of the City are pooled in one fund for investment purposes. At each month-end the interfund balances reflect each funds portion of the cash/investment pool.

Interest income is allocated to each fund based on the interfund balances at the end of the month.

CITY OF GERMANTOWN, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2012

NOTE 7 - COMMITMENTS AND CONTINGENCIES

Total rental expense for all funds for the year ended June 30, 2012, was \$444,398. There are no non-cancelable leases as of June 30, 2012.

Construction contract commitments at June 30, 2012, totaled \$19,028,264.

The City is a party to a number of various types of lawsuits, many of which normally recur in governmental operations. 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 8 - RISK MANAGEMENT

The City maintains a practice of carrying conventional casualty insurance to limit the risk of loss associated with tort liability claims, property damage or destruction, employee injuries and other unanticipated casualties or natural disasters. Instead of commercial insurance however, the City has elected to participate as a member in the Tennessee Municipal League Risk Management Pool (“TML Pool”), a cooperative risk sharing arrangement among Tennessee communities that works in many ways like a traditional insurer. Members can obtain typical insurance coverage limits and deductible options at reasonable rates according to their risk tolerance while the TML Pool provides traditional underwriting, re-insurance, claims processing and loss control services. Unlike commercial insurance, the TML Pool offers the opportunity to earn a pro-rata refund of the surplus premiums according to the City’s premiums paid and its favorable loss experience in recent years.

Through the TML Pool, the City maintains general coverage for its property, workers compensation and liability insurance. Subject to limits for certain types of risk, the property insurance covers the cost of replacing buildings, furnishings, public infrastructure, and specifically defined equipment for most types of losses in excess of a \$25,000 deductible amount. Worker compensation claims are covered up to the statutory limits for employee injuries after the City pays a maximum \$10,000 deductible amount. The liability coverage includes general liability risks such as personal injury, automobile liability, and public official or law enforcement errors and omissions up to the limits allowed under the Tennessee tort liability laws and after the City-paid deductible amounts of \$5,000.

Given its geographical location and the risk of significant infrastructure loss, the City considers it prudent to obtain supplemental insurance for excess earthquake losses that exceed the basic limits provided by the TML Pool. The City has elected to purchase the optional \$10 million earthquake coverage over the primary \$5 million coverage provided by the TML Pool.

CITY OF GERMANTOWN, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2012

In addition to the annual premiums for insurance coverage, the payment of the TML Pool deductible amounts for each loss occurrence and the self-insured losses for passenger vehicles and other lower value equipment is funded by the annual operating budgets for each department. And as a contingency for losses that may exceed the limits of coverage provided by conventional insurance or self-funding, the City annually designates a portion of its General Fund Balance as a reserve for emergencies.

There have been no reductions in insurance coverage and no liabilities in excess of insurance coverage for the past three fiscal years. Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated.

Changes in the balances of claim liabilities during the previous fiscal years are as follows:

	<u>Year ended June 30, 2012</u>	<u>Year ended June 30, 2011</u>
Unpaid claims, beginning of fiscal year*	\$ 72,400	\$ 88,800
Incurred claims*	196,101	199,578
Claim payments	(188,301)	(215,978)
Unpaid claims, end of fiscal year*	<u>\$ 80,200</u>	<u>\$ 72,400</u>

*All amounts include "Incurred But Not Reported"

NOTE 9 - LEASE REVENUE

The City leases various City-owned properties to corporations for cellular towers. The leases range from 20 to 25 years. The minimum lease payments the City will receive are as follows:

2013	\$ 311,252
2014	318,082
2015	321,568
2016	324,548
2017	328,867
Thereafter	<u>1,357,090</u>
	<u>\$ 2,961,407</u>

CITY OF GERMANTOWN, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2012

NOTE 10 - POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

In addition, to the pension benefits described in Note 5, the City provides certain post-retirement health care benefits to employees who retire from the City under the provisions of PERS. The City, in conjunction with PERS, has established benefit provisions and contribution obligations. The premium charged retirees is a percentage of the group rate. Prior to January 1, 2008, the City's insurance became secondary to Medicare Insurance. After January 1, 2008, the plan was changed whereby future retirees could only obtain the City's dental and prescription drugs. At year-ended June 30, 2012, 69 retirees met the requirement for participation and participated in the plan. The City Trust paid \$406,813 in claims under the plan for the year-ended June 30, 2012.

In addition, the City provides certain post-retirement split-dollar life insurance benefits to certain executive employees who retire from the City and have worked a minimum of 10 years, and officials who have been elected to a second term. Currently there are 15 employees/elected officials eligible for this post-retirement benefit. The City will pay 100% of the premium for life insurance for eligible retirees for life.

A. Plan Description

The City of Germantown is the administrator of a single-employer Other Post Employment Benefit plan (OPEB). The plan provides for continuation of medical insurance benefits for certain retirees and their spouses and can be amended by action of the City. The Plan does not issue a stand-alone financial report.

B. Funding Policy

The required contribution rates of the employer and the members will vary depending on the cost of the plan as determined by the City. The City's Annual Required Contribution has been determined through the use of an Actuarial Group.

C. Basis of Accounting

The accrual basis of accounting is used. The fair market value of assets, if any, is determined by the market value of assets, if any, paid by a willing buyer to a willing seller.

D. Annual OPEB Cost and Net OPEB Obligation

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 provisions of GASB Statement 45 for employers in plans with more than one hundred total plan members. The ARC represents a funding level that, if paid on

CITY OF GERMANTOWN, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2012

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. The amortization method used is a level dollar, closed approach which amortizes the initial unfunded actuarial accrued liability over thirty years, actuarial gains/losses over ten years, and plan amendments over fifteen years.

The following table shows 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 to the Trust at June 30, 2012:

Annual Required Contribution	\$ 923,696
Interest on net OPEB Obligation	-
Adjustment to Annual Required Contribution	-
Annual OPEB Expense	923,696
Contributions made	923,696
Increase (decrease) in net OPEB obligation	-
Net OPEB obligation - beginning of year	-
Net OPEB obligation - end of year	\$ -
 Percent of expense contributed	 100%

The City’s annual OPEB cost, the percentage of the annual OPEB cost contributed to the plan, and the net OPEB obligation is as follows:

<u>Three - Year Trend Information</u>				
Fiscal Year <u>Ending</u>	Annual OPEB <u>Cost</u>	Percentage of ARC <u>Contributed</u>	Net OPEB <u>Obligation</u>	
6/30/2010	\$ 919,610	100%	\$	-
6/30/2011	923,696	100%		-
6/30/2012	923,696	100%		-

E. Funded Status and Funding Progress

As of June 30, 2012, the actuarial accrued liability for benefits was \$14,717,598 of which \$10,998,684 was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$19,214,167, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 57%. The actuarial value of the assets for other post employment benefits as of July 1, 2012, is \$3,718,914.

CITY OF GERMANTOWN, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2012

The projection of future benefit payments for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information as Exhibit B-2, 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.

F. Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employer and the plan members to the point. The 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 actuarial cost method is the projected unit credit cost method. The investment return was assumed to be 7.5% inclusive of 2.5% inflation, 0% projected salary increases, 0% post-retirement benefit increases, and a graded healthcare cost trend rate starting at 9% and grading down to 5% over 9 nine years. The following assumptions were made:

i. Measurement Date

July 1, 2008

ii. Discount Rate as of June 30, 2012

Seven and one-half percent (7.5%) per year compounded annually. This is the rate used to discount future benefit liabilities into today's dollars.

CITY OF GERMANTOWN, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2012

iii. Mortality Table

The 1983 Group Annuity Mortality Table was used.

Mortality Assumption		
Annual Death Rate Per 1,000 Participants		
<u>Age</u>	<u>Male</u>	<u>Female</u>
25	0.376	0.207
35	0.773	0.475
45	1.508	1.124
55	3.624	2.717
65	12.737	9.706

iv. Withdrawal From Service

Withdrawal Termination	
Annual Termination Rate Per 1,000 Participants	
<u>Age</u>	<u>Rates</u>
25	52.704
35	44.736
45	32.149
55	3.344
65	0.000

v. Opt-out Rates

It is assumed that active employees would participate in City-paid medical coverage in retirement. Current active employees who have opted out of medical coverage were assumed to elect medical coverage in retirement. Actual elections for retirees were used.

vi. Medicare

Medicare is expected to cover the same portion of costs as it currently does.

CITY OF GERMANTOWN, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2012

vii. Marriage rates

80% of active participants were assumed married. Females are assumed to be three years younger than males. Employees who currently have elected to cover their spouses are assumed to continue to do so upon retirement.

viii. Health Care Trend Rate

Initial Rate	9.0%
Ultimate Rate	5.0%
Grading Period	9 years

ix. Salary Scale

No salary increases were assumed since benefits are not based on compensation.

x. Retirement Rates

Employees are assumed to retire in accordance with the following schedule:

<u>Age</u>	<u>General Services Employees</u>	<u>Emergency Services Employees</u>
50	0%	5%
51	0%	5%
52	0%	5%
53	0%	5%
54	0%	5%
55	10%	10%
56	10%	10%
57	10%	10%
58	10%	10%
59	10%	10%
60	10%	10%
61	10%	10%
62	20%	100%
63	20%	
64	20%	
65	100%	

CITY OF GERMANTOWN, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2012

xi. Change in Assumptions

None.

xii. Change in Plan provisions

Prior to January 1, 2008, the City's insurance became secondary to Medicare Insurance. After January 1, 2008, the plan was changed whereby future retirees reaching age 65 could only obtain the City's dental and prescription drugs. The City will offer a subsidy to Medicare eligible retirees in the amount of \$200 for single coverage and \$300 for family coverage.

As May 1, 2009 employees taking early retirement are no longer eligible to participate in the City's Health Care Plan. This was amended July 1, 2012 to allow early retirement employees to participate in the City's Health Care Plan, provided they have been a member in the Plan for a minimum of 15 years immediately prior to their retirement date.

Effective January 1, 2012, any retiree or dependent who becomes eligible for Medicare at any age will no longer participate in the City's Health Care Plan.

G. Allocation of Post Employment Benefits

The City's allocation of their OPEB liability to the City's functions are as follows:

Government Activities:	
General government	\$ 197,209
Public safety	509,416
Community services	20,768
Transportation and environment	<u>89,220</u>
Total governmental activities OPEB expense	<u><u>\$ 816,613</u></u>

NOTE 11 - SELF-INSURED GROUP HEALTH INSURANCE BENEFITS

The City of Germantown maintains a self-insured Group Health Insurance Fund for its active and retired employees and their dependents, funded by participation of both the City and its employees.

The schedule below presents the changes in the liabilities for the past two years for the Group Health Insurance Fund.

CITY OF GERMANTOWN, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2012

<u>Group Health Insurance Fund</u>		
	2012	2011
Incurring Claims But Not Reported at Beginning of Fiscal Year	\$ 414,029	\$ 355,597
Claims Submitted for Fiscal Year	5,352,925	5,558,718
Total Available for Claims Payments	5,766,954	5,914,315
Claims Paid During Fiscal Year	5,366,309	5,500,286
Incurring Claims But Not Reported at End of Fiscal Year	\$ 400,645	\$ 414,029

The City maintains a liability in the Group Health Insurance Fund in the amount of \$400,645 which is comprised of medical claims incurred prior to June 30, 2012 but not reported until after June 30, 2012, and was estimated by a third party administrator and is included in accounts payable of the governmental activities internal service funds.

NOTE 12 – DONOR – RESTRICTED ENDOWMENT

Library Endowment Fund. During the year ended June 30, 2012, the City created the Library Endowment Fund. In December 2006 the City received \$250,000 as a Library Endowment, the earnings of which are to be used to support the function of the Library relative to the collection, preservation and presentation of materials and to promote greater appreciation and understanding of the history of the City and surrounding areas and their inhabitants. The corpus was placed in Tennessee’s Local Government Investment Pool until either a Library Foundation or Library Endowment Committee was created per the donor’s request. The Committee was created during the 2012 fiscal year, and the \$250,000 corpus and all interest earned to date were transferred to the Library Endowment Fund. For the year ended June 30, 2012, the endowment earned approximately \$350.



**CITY OF GERMANTOWN
TENNESSEE**

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF GERMANTOWN, TENNESSEE

SCHEDULE OF PUBLIC EMPLOYEE RETIREMENT SYSTEM
EMPLOYER CONTRIBUTIONS

For the Year Ended June 30, 2012

<u>Year Ended June 30</u>	<u>Annual Required Contribution</u>	<u>Percent Contributed</u>
2007	\$ 1,721,066	100%
2008	1,653,220	100%
2009	1,803,515	100%
2010	2,269,772	100%
2011	2,297,580	100%
2012	2,306,853	100%

CITY OF GERMANTOWN, TENNESSEE

SCHEDULE OF OTHER POST EMPLOYMENT BENEFITS FUNDING PROGRESS

For the Year Ended June 30, 2012

Actuarial Valuaion <u>Date</u>	Actuarial Value of <u>Assets</u>	Unfunded Actuarial Accrued <u>Liability-PUC</u>	Funded <u>Ratio</u>	Covered <u>Payroll</u>	UAAL as a Percentage of Covered <u>Payroll</u>
7/1/2008	\$ 937,896	\$ 8,094,728	10.4%	\$ 18,172,732	45%
7/1/2009	1,455,484	8,299,082	14.9%	18,846,765	44%
7/1/2010	2,093,918	7,793,995	21.2%	18,998,306	41%
7/1/2011	3,112,582	7,763,774	28.6%	18,449,784	42%
7/1/2012	3,718,914	10,998,684	25.3%	19,214,167	57%

CITY OF GERMANTOWN, TENNESSEE

COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS

June 30, 2012

	Special Revenue						Capital Projects					Total
	State Street Aid	Automated Enforcement	Drug Enforcement	Pickering	Recreation	Library Endowment	Intersections	General Government	Fire Dept	Parks Improvement	Drainage Projects	
ASSETS												
Cash and cash equivalents	\$ 1,726,698	\$ 25,325	\$ 126,047	\$ 149,105	\$ 187,911	\$ -	\$ 885,754	\$ 3,545,919	\$ 476,570	\$ 749,614	\$ 424,507	\$ 8,297,450
Investments	201,299	-	-	-	-	275,933	-	-	-	-	-	477,232
Receivables - other	181,804	-	-	-	-	-	106,726	-	-	-	-	288,530
Restricted assets:												
Cash and cash equivalents	-	-	-	-	-	-	-	-	27,661	-	6	27,667
Total assets	\$ 2,109,801	\$ 25,325	\$ 126,047	\$ 149,105	\$ 187,911	\$ 275,933	\$ 992,480	\$ 3,545,919	\$ 504,231	\$ 749,614	\$ 424,513	\$ 9,090,879
LIABILITIES												
Accounts payable	\$ 417,465	\$ 8,087	8,117	\$ 12,112	\$ 20,900	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 466,681
Contracts payable	-	-	-	-	-	-	7,365	46,012	27,661	65,959	44,233	191,230
Deferred revenue	-	-	-	-	-	-	1,868	-	-	-	-	1,868
Total Liabilities	417,465	8,087	8,117	12,112	20,900	-	9,233	46,012	27,661	65,959	44,233	659,779
FUND BALANCES												
Restricted	-	-	117,930	-	-	275,933	-	-	-	-	-	393,863
Committed	-	17,238	-	-	-	-	64,391	1,288,425	8,368	187,772	16,190	1,582,384
Assigned	1,692,336	-	-	136,993	167,011	-	918,856	2,211,482	468,202	495,883	364,090	6,454,853
Total fund balances	1,692,336	17,238	117,930	136,993	167,011	275,933	983,247	3,499,907	476,570	683,655	380,280	8,431,100
Total liabilities and fund balances	\$ 2,109,801	\$ 25,325	\$ 126,047	\$ 149,105	\$ 187,911	\$ 275,933	\$ 992,480	\$ 3,545,919	\$ 504,231	\$ 749,614	\$ 424,513	\$ 9,090,879

CITY OF GERMANTOWN, TENNESSEE

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

For the Year Ended June 30, 2012

	Special Revenue					Capital Projects					Total	
	State Street Aid	Automated Enforcement	Drug Enforcement	Pickering	Recreation	Library Endowment	Intersections	General Government	Fire Dept	Parks Improvement		Drainage Projects
REVENUES												
State gasoline taxes	\$ 1,010,038	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,010,038
Fees for services	-	-	-	18,784	179,715	-	-	-	-	-	-	198,499
Interest on investments	2,933	-	-	-	-	25,933	-	-	-	-	-	28,866
Grants	-	-	-	-	-	-	423,490	-	48,867	-	-	472,357
Other revenues	-	254,845	227,483	42,701	-	250,000	224,759	41,669	90,254	-	1	1,131,712
Total revenues	1,012,971	254,845	227,483	61,485	179,715	275,933	648,249	41,669	139,121	-	1	2,841,472
EXPENDITURES												
Personnel services	-	129,581	41,036	-	27	-	-	-	-	-	-	170,644
Material and supplies	2,240,951	2,577	90,315	2,492	42,196	-	-	-	-	-	-	2,378,531
Other services and charges	-	132,318	2,213	25,662	133,855	-	-	-	-	-	-	294,048
Architectural and engineering	-	-	-	-	-	-	63,763	112,643	6,449	59,402	132,694	374,951
Construction contracts	-	-	-	-	-	-	421,683	675,712	868,378	560,357	572,175	3,098,305
Capital outlay	-	-	67,521	89,705	80,443	-	-	-	-	-	-	237,669
Total expenditures	2,240,951	264,476	201,085	117,859	256,521	-	485,446	788,355	874,827	619,759	704,869	6,554,148
Excess (deficiency) of revenues over (under) expenditures	(1,227,980)	(9,631)	26,398	(56,374)	(76,806)	275,933	162,803	(746,686)	(735,706)	(619,759)	(704,868)	(3,712,676)
OTHER FINANCING SOURCES (USES)												
GO Bonds issued	-	-	-	-	-	-	-	1,548,425	-	-	156,650	1,705,075
GO Bond premium	-	-	-	-	-	-	-	33,527	-	-	3,392	36,919
GO Bond costs	-	-	-	-	-	-	-	(23,366)	-	-	(2,364)	(25,730)
Transfers in(out)	500,000	-	-	-	-	-	329,000	1,390,000	-	440,000	-	2,659,000
	500,000	-	-	-	-	-	329,000	2,948,586	-	440,000	157,678	4,375,264
Net change in fund balance	(727,980)	(9,631)	26,398	(56,374)	(76,806)	275,933	491,803	2,201,900	(735,706)	(179,759)	(547,190)	662,588
Fund balances - beginning	2,420,316	26,869	91,532	193,367	243,817	-	491,444	1,298,007	1,212,276	863,414	927,470	7,768,512
Fund balances - ending	\$ 1,692,336	\$ 17,238	\$ 117,930	\$ 136,993	\$ 167,011	\$ 275,933	\$ 983,247	\$ 3,499,907	\$ 476,570	\$ 683,655	\$ 380,280	\$ 8,431,100

CITY OF GERMANTOWN, TENNESSEE

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –
BUDGET AND ACTUAL – NON-MAJOR GOVERNMENTAL FUNDS

For the Year Ended June 30, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive(Negative)
	Original	Final		
STATE STREET AID				
REVENUES				
State gasoline taxes	\$ 1,041,877	\$ 1,035,175	\$ 1,010,038	\$ (25,137)
Interest on investments	7,800	4,000	2,933	(1,067)
Total revenues	1,049,677	1,039,175	1,012,971	(26,204)
EXPENDITURES				
Material and supplies	2,407,000	2,471,473	2,240,951	230,522
Excess (deficiency) of revenues over (under) expenditures	(1,357,323)	(1,432,298)	(1,227,980)	204,318
OTHER FINANCING SOURCES (USES)				
Transfers in	900,000	500,000	500,000	-
Net change in fund balances	(457,323)	(932,298)	(727,980)	204,318
Fund balance - beginning	2,420,316	2,420,316	2,420,316	-
Fund balance - ending	\$ 1,962,993	\$ 1,488,018	\$ 1,692,336	\$ 204,318
AUTOMATED ENFORCEMENT				
REVENUES				
Other revenue	\$ 375,000	\$ 375,000	\$ 254,845	\$ (120,155)
EXPENDITURES				
Personnel services	122,898	140,659	129,581	11,078
Material and supplies	7,500	7,500	2,577	4,923
Other services and charges	219,800	219,800	132,318	87,482
Total expenditures	350,198	367,959	264,476	103,483
Net change in fund balances	24,802	7,041	(9,631)	(16,672)
Fund balance - beginning	26,869	26,869	26,869	-
Fund balance - ending	\$ 51,671	\$ 33,910	\$ 17,238	\$ (16,672)

(Continued)

CITY OF GERMANTOWN, TENNESSEE

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –
BUDGET AND ACTUAL – NON-MAJOR GOVERNMENTAL FUNDS (CONTINUED)

For the Year Ended June 30, 2012

	Budgeted Amounts		Actual Amounts	Final Budget Positive(Negative)
	Original	Final		
DRUG ENFORCEMENT				
REVENUES				
Other revenues	\$ 450,000	\$ 450,000	\$ 227,483	\$ (222,517)
EXPENDITURES				
Personnel services	106,000	95,933	41,036	54,897
Material and supplies	207,000	207,159	90,315	116,844
Other services and charges	31,750	32,964	2,213	30,751
Capital outlay	-	74,853	67,521	7,332
Total expenditures	344,750	410,909	201,085	209,824
Net change in fund balances	105,250	39,091	26,398	(12,693)
Fund balance - beginning	91,532	91,532	91,532	-
Fund balance - ending	\$ 196,782	\$ 130,623	\$ 117,930	\$ (12,693)
PICKERING				
REVENUES				
Fees for services	\$ 26,500	\$ 26,500	\$ 18,784	\$ (7,716)
Other revenues	39,100	39,100	42,701	3,601
Total revenues	65,600	65,600	61,485	(4,115)
EXPENDITURES				
Material and supplies	4,500	4,500	2,492	2,008
Other services and charges	35,150	35,055	25,662	9,393
Capital Outlay	78,000	89,705	89,705	-
Total expenditures	117,650	129,260	117,859	11,401
Net change in fund balances	(52,050)	(63,660)	(56,374)	7,286
Fund balance - beginning	193,367	193,367	193,367	-
Fund balance - ending	\$ 141,317	\$ 129,707	\$ 136,993	\$ 7,286

(Continued)

CITY OF GERMANTOWN, TENNESSEE

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –
BUDGET AND ACTUAL – NON-MAJOR GOVERNMENTAL FUNDS (CONTINUED)

For the Year Ended June 30, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive(Negative)
	Original	Final		
RECREATION				
REVENUES				
Fees for services	\$ 368,575	\$ 207,998	\$ 179,715	\$ (28,283)
EXPENDITURES				
Personnel Services	20,388	20,388	27	20,361
Material and supplies	106,683	114,873	42,196	72,677
Other services and charges	216,568	213,059	133,855	79,204
Capital outlay	131,000	94,218	80,443	13,775
Total expenditures	474,639	442,538	256,521	186,017
Net change in fund balances	(106,064)	(234,540)	(76,806)	157,734
Fund balance - beginning	243,817	243,817	243,817	-
Fund balance - ending	\$ 137,753	\$ 9,277	\$ 167,011	\$ 157,734
LIBRARY ENDOWMENT				
REVENUES				
Other Revenues	\$ -	\$ 250,000	\$ 250,000	\$ -
Interest on investments	-	25,906	25,933	27
Total revenues	-	275,906	275,933	27
EXPENDITURES				
Materials and supplies	-	10,000	-	10,000
Net change in fund balances	-	265,906	275,933	10,027
Fund balance - beginning	-	-	-	-
Fund balance - ending	\$ -	\$ 265,906	\$ 275,933	\$ 10,027

(Continued)

CITY OF GERMANTOWN, TENNESSEE

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –
BUDGET AND ACTUAL – NON-MAJOR GOVERNMENTAL FUNDS (CONTINUED)

For the Year Ended June 30, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive(Negative)
	Original	Final		
INTERSECTIONS				
REVENUES				
Grants	\$ -	\$ -	\$ 423,490	\$ 423,490
Other revenues	-	-	224,759	224,759
Total revenues	-	-	648,249	648,249
EXPENDITURES				
Architectural and engineering	28,000	70,746	63,763	6,983
Construction contracts	677,000	563,440	421,683	141,757
Total expenditures	705,000	634,186	485,446	148,740
Excess (deficiency) of revenues over (under) expenditures	(705,000)	(634,186)	162,803	796,989
OTHER FINANCING SOURCES (USES)				
Transfers in	329,000	329,000	329,000	-
Net change in fund balances	(376,000)	(305,186)	491,803	796,989
Fund balance - beginning	491,444	491,444	491,444	-
Fund balance - ending	\$ 115,444	\$ 186,258	\$ 983,247	\$ 796,989
GENERAL GOVERNMENT PROJECTS				
REVENUES				
Other revenues	\$ -	\$ -	\$ 1,623,621	\$ 1,623,621
EXPENDITURES				
Architectural and engineering	625,000	893,419	112,643	780,776
Bond issuance costs	-	23,367	23,366	1
Construction contracts	4,865,000	4,255,669	675,712	3,579,957
Total expenditures	5,490,000	5,172,455	811,721	4,360,734
Excess (deficiency) of revenues over (under) expenditures	(5,490,000)	(5,172,455)	811,900	5,984,355
OTHER FINANCING SOURCES (USES)				
Transfers in	1,390,000	1,390,000	1,390,000	-
Net change in fund balances	(4,100,000)	(3,782,455)	2,201,900	5,984,355
Fund balance - beginning	1,298,007	1,298,007	1,298,007	-
Fund balance - ending	\$ (2,801,993)	\$ (2,484,448)	\$ 3,499,907	\$ 5,984,355

(Continued)

CITY OF GERMANTOWN, TENNESSEE

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –
BUDGET AND ACTUAL – NON-MAJOR GOVERNMENTAL FUNDS (CONTINUED)

For the Year Ended June 30, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive(Negative)
	Original	Final		
FIRE DEPT				
REVENUES				
Grants	\$ -	\$ -	\$ 48,867	\$ 48,867
Other revenues	-	-	90,254	90,254
Total revenues	-	-	139,121	139,121
EXPENDITURES				
Architectural and engineering	-	6,449	6,449	-
Construction contracts	-	897,890	868,378	29,512
Total expenditures	-	904,339	874,827	29,512
Net change in fund balances	-	(904,339)	(735,706)	168,633
Fund balance - beginning	1,212,276	1,212,276	1,212,276	-
Fund balance - ending	\$ 1,212,276	\$ 307,937	\$ 476,570	\$ 168,633
PARKS IMPROVEMENTS				
EXPENDITURES				
Architectural and engineering	\$ 40,000	\$ 59,401	\$ 59,402	\$ (1)
Construction contracts	499,000	560,389	560,357	32
Total expenditures	539,000	619,790	619,759	31
Excess (deficiency) of revenues over (under) expenditures	(539,000)	(619,790)	(619,759)	31
OTHER FINANCING SOURCES (USES)				
Transfers in	440,000	440,000	440,000	-
Net change in fund balances	(99,000)	(179,790)	(179,759)	31
Fund balance - beginning	863,414	863,414	863,414	-
Fund balance - ending	\$ 764,414	\$ 683,624	\$ 683,655	\$ 31

(Continued)

CITY OF GERMANTOWN, TENNESSEE

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –
BUDGET AND ACTUAL – NON-MAJOR GOVERNMENTAL FUNDS (CONTINUED)**

For the Year Ended June 30, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive(Negative)
	Original	Final		
DRAINAGE PROJECTS				
REVENUES				
Other revenues	\$ -	\$ -	\$ 156,651	\$ 156,651
EXPENDITURES				
Architectural and engineering	-	139,130	132,694	6,436
Construction contracts	1,099,000	1,004,419	572,175	432,244
Bond issuance costs	-	2,365	2,364	1
Contingency	200,000	63,769	-	63,769
Total expenditures	<u>1,299,000</u>	<u>1,209,683</u>	<u>707,233</u>	<u>502,450</u>
Excess (deficiency) of revenues over (under) expenditures	(1,299,000)	(1,209,683)	(550,582)	659,101
OTHER FINANCING SOURCES (USES)				
Premium on GO bonds issued	-	-	3,392	(3,392)
Transfers in	900,000	-	-	-
Total other financing sources (uses)	<u>900,000</u>	<u>-</u>	<u>3,392</u>	<u>(3,392)</u>
Net change in fund balances	(399,000)	(1,209,683)	(547,190)	655,709
Fund balance - beginning	<u>927,470</u>	<u>927,470</u>	<u>927,470</u>	<u>-</u>
Fund balance - ending	<u>\$ 528,470</u>	<u>\$ (282,213)</u>	<u>\$ 380,280</u>	<u>\$ 655,709</u>

CITY OF GERMANTOWN, TENNESSEE

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL – CAPITAL PROJECTS – MAJOR ROADS**

For the Year Ended June 30, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive(Negative)
	Original	Final		
MAJOR ROADS				
REVENUES				
Interest on investments	\$ -	\$ -	\$ 4,320,002	\$ 4,320,002
Grants	-	-	7,797,254	7,797,254
Total revenues	-	-	12,117,256	12,117,256
EXPENDITURES				
Architectural and engineering	9,000	1,495,151	1,495,150	1
Construction contracts	5,099,000	9,694,489	9,476,532	217,957
Bond issuance costs	-	65,190	65,189	1
Other costs	258,027	276,615	205,642	70,973
Total expenditures	5,366,027	11,531,445	11,242,513	288,932
Excess (deficiency) of revenues over (under) expenditures	(5,366,027)	(11,531,445)	874,743	12,406,188
OTHER FINANCING SOURCES (USES)				
Premium on GO bonds issued	-	-	93,537	-
Transfers in	649,000	649,000	649,000	-
Total other financing sources (uses)	649,000	649,000	742,537	-
Net change in fund balances	(4,717,027)	(10,882,445)	1,617,280	12,406,188
Fund balance - beginning	3,606,404	3,606,404	3,606,404	-
Fund balance - ending	\$ (1,110,623)	\$ (7,276,041)	\$ 5,223,684	\$ 12,406,188



CITY OF GERMANTOWN, TENNESSEE

COMBINING STATEMENT OF NET ASSETS – NONMAJOR PROPRIETARY FUNDS

June 30, 2012

	Great Hall Fund	Stormwater Fund	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 76,452	\$ 270,098	\$ 346,550
Receivables:			
Customers and developers	7,215	163,182	170,397
Less allowance for doubtful accounts	-	(80,216)	(80,216)
Net receivables	7,215	82,966	90,181
Total current assets	83,667	353,064	436,731
Capital assets, being depreciated			
Buildings and improvements	418,143	-	418,143
Machinery and equipment	182,056	-	182,056
Less accumulated depreciation	(194,794)	-	(194,794)
Total depreciable assets, net	405,405	-	405,405
Total noncurrent assets	405,405	-	405,405
Total assets	489,072	353,064	842,136
LIABILITIES			
Current liabilities:			
Accounts payable	16,024	57,494	73,518
Customer deposits payable	35,308	-	35,308
Total liabilities	51,332	57,494	108,826
NET ASSETS			
Invested in capital assets, net of related debt	405,405	-	405,405
Unrestricted	32,335	295,570	327,905
Total net assets	\$ 437,740	\$ 295,570	\$ 733,310

CITY OF GERMANTOWN, TENNESSEE

**COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND
NET ASSETS – NONMAJOR PROPRIETARY FUNDS**

For the Year Ended June 30, 2012

	Great Hall Fund	Stormwater Fund	Total
Operating Revenues:			
Stormwater fees	\$ -	\$ 1,037,363	\$ 1,037,363
Other income	242,970	-	242,970
Total operating revenues	<u>242,970</u>	<u>1,037,363</u>	<u>1,280,333</u>
Operating Expenses:			
Personnel services	163,520	593,701	757,221
Materials and supplies	22,212	18,488	40,700
Other services and charges	288,418	270,001	558,419
Depreciation	17,835	-	17,835
Total operating expenses	<u>491,985</u>	<u>882,190</u>	<u>1,374,175</u>
Operating income (loss)	(249,015)	155,173	(93,842)
Nonoperating Revenues (Expenses):			
Interest and fiscal charges	<u>(13,384)</u>	-	<u>(13,384)</u>
Income (loss) before transfers	(262,399)	155,173	(107,226)
Transfers in	<u>-</u>	<u>-</u>	<u>-</u>
Change in net assets	(262,399)	155,173	(107,226)
Total net assets - beginning	<u>700,139</u>	<u>140,397</u>	<u>840,536</u>
Total net assets - ending	<u>\$ 437,740</u>	<u>\$ 295,570</u>	<u>\$ 733,310</u>

CITY OF GERMANTOWN, TENNESSEE

COMBINING STATEMENT OF CASH FLOWS – NONMAJOR PROPRIETARY FUNDS

For the Year Ended June 30, 2012

	<u>Great Hall Fund</u>	<u>Stormwater Fund</u>	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers	\$ 245,996	\$ 1,035,455	\$ 1,281,451
Cash paid to suppliers	(403,509)	(255,827)	(659,336)
Cash paid to employees	(168,172)	(608,667)	(776,839)
Net cash provided (used) by operating activities	(325,685)	170,961	(154,724)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfer from other fund	-	-	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition of capital assets	(138,052)	-	(138,052)
Interest paid	(13,384)	-	(13,384)
Net cash provided (used) by capital and related financing activities	(151,436)	-	(151,436)
CASH FLOWS FROM INVESTING ACTIVITIES			
Sale of investments	-	-	-
Net increase (decrease) in cash and cash equivalents	(477,121)	170,961	(306,160)
Cash and cash equivalents - beginning	553,573	99,137	652,710
Cash and cash equivalents - ending	<u>\$ 76,452</u>	<u>\$ 270,098</u>	<u>\$ 346,550</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) By Operating Activities			
Operating income (loss)	\$ (249,015)	\$ 155,173	\$ (93,842)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities			
Depreciation expense	17,835	-	17,835
(Increase) decrease in assets:			
Accounts receivable	(3,816)	(1,908)	(5,724)
Increase (decrease) in liabilities:			
Accounts payable	(97,531)	17,696	(79,835)
Customer deposits	6,842	-	6,842
Total adjustments	(76,670)	15,788	(60,882)
Net cash provided (used) by operating activities	<u>\$ (325,685)</u>	<u>\$ 170,961</u>	<u>\$ (154,724)</u>

CITY OF GERMANTOWN, TENNESSEE

COMBINING STATEMENT OF NET ASSETS - INTERNAL SERVICE FUNDS

June 30, 2012

	Health Insurance	Vehicle Maintenance	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 910,953	\$ 231,468	\$ 1,142,421
Accounts receivable - other	3,065	-	3,065
Inventory	-	117,868	117,868
Total current assets	<u>914,018</u>	<u>349,336</u>	<u>1,263,354</u>
Noncurrent assets:			
Capital assets:			
Buildings	-	319,511	319,511
Machinery and equipment	-	344,257	344,257
	-	663,768	663,768
Less accumulated depreciation	-	(565,048)	(565,048)
Total capital assets	<u>-</u>	<u>98,720</u>	<u>98,720</u>
Total assets	<u>914,018</u>	<u>448,056</u>	<u>1,362,074</u>
LIABILITIES			
Current liabilities:			
Accounts payable	<u>401,736</u>	<u>73,853</u>	<u>475,589</u>
NET ASSETS			
Invested in capital assets	-	98,720	98,720
Unrestricted	512,282	275,483	787,765
Total net assets	<u>\$ 512,282</u>	<u>\$ 374,203</u>	<u>\$ 886,485</u>

CITY OF GERMANTOWN, TENNESSEE

**COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND
NET ASSETS - INTERNAL SERVICE FUNDS**

For the Year Ended June 30, 2012

	<u>Health Insurance</u>	<u>Vehicle Maintenance</u>	<u>Total</u>
Operating Revenues:			
Charges for services	\$ 5,366,527	\$ 983,646	\$ 6,350,173
Operating Expenses:			
Personnel services	-	690,213	690,213
Materials and supplies	-	20,131	20,131
Other services and charges	5,352,925	242,890	5,595,815
Depreciation	-	30,413	30,413
Total operating expenses	<u>5,352,925</u>	<u>983,647</u>	<u>6,336,572</u>
Change in net assets	13,602	(1)	13,601
Total net assets - beginning	<u>498,680</u>	<u>374,204</u>	<u>872,884</u>
Total net assets - ending	<u>\$ 512,282</u>	<u>\$ 374,203</u>	<u>\$ 886,485</u>

CITY OF GERMANTOWN, TENNESSEE

COMBINING STATEMENT OF CASH FLOWS - INTERNAL SERVICE FUNDS

For the Year Ended June 30, 2012

	Health Insurance	Vehicle Maintenance	Totals
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers and users	\$ 5,366,994	\$ 983,646	\$ 6,350,640
Cash paid to suppliers	(5,365,218)	(270,471)	(5,635,689)
Cash paid to employees	-	(707,570)	(707,570)
Net cash provided (used) by operating activities	<u>1,776</u>	<u>5,605</u>	<u>7,381</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchases of capital assets	-	(17,640)	(17,640)
Net increase (decrease) in cash and cash equivalents	1,776	(12,035)	(10,259)
Cash and cash equivalents - beginning of the year	<u>909,177</u>	<u>243,503</u>	<u>1,152,680</u>
Cash and cash equivalents - end of the year	<u>\$ 910,953</u>	<u>\$ 231,468</u>	<u>\$ 1,142,421</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) By Operating Activities:			
Operating income (loss)	\$ 13,602	\$ (1)	\$ 13,601
Adjustment to reconcile operating income (loss) to net cash provided (used) by operating activities			
Depreciation expense	-	30,413	30,413
(Increase) decrease in accounts receivable	467	-	467
(Increase) decrease in inventories	-	15,361	15,361
Increase (decrease) in accounts payable	(12,293)	(40,168)	(52,461)
Total adjustments	<u>(11,826)</u>	<u>5,606</u>	<u>(6,220)</u>
Net cash provided (used) by operating activities	<u>\$ 1,776</u>	<u>\$ 5,605</u>	<u>\$ 7,381</u>

CITY OF GERMANTOWN, TENNESSEE

**BAIL DEPOSIT AGENCY FUND
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES**

For the Year Ended June 30, 2012

	Balance <u>July 1, 2011</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>June 30, 2012</u>
Assets				
Cash and cash equivalents	\$ 129,078	\$ 215,443	\$ 212,772	\$ 131,749
Liabilities				
Deposits held in trust	\$ 129,078	\$ 215,180	\$ 212,509	\$ 131,749



CITY OF GERMANTOWN, TENNESSEE

SCHEDULE OF PRINCIPAL AND INTEREST MATURITIES
SERIAL GENERAL OBLIGATION BONDS

June 30, 2012

	Series 05 Bonds		Series 06 Bonds		Series 09 Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2013	\$ 765,000	\$ 243,849	\$ 715,000	\$ 133,500	\$ 825,000	\$ 302,324
2014	790,000	218,963	735,000	104,500	850,000	277,574
2015	815,000	192,474	755,000	74,700	480,000	252,074
2016	845,000	164,458	490,000	49,800	495,000	237,674
2017	870,000	134,868	500,000	30,000	510,000	222,824
2018	900,000	103,893	130,000	17,400	525,000	206,249
2019	260,000	83,463	125,000	12,300	540,000	187,874
2020	270,000	73,923	125,000	7,300	565,000	168,974
2021	280,000	63,883	120,000	2,400	580,000	149,199
2022	290,000	53,338	-	-	610,000	128,174
2023	300,000	42,423	-	-	330,000	105,299
2024	310,000	31,060	-	-	340,000	92,511
2025	325,000	19,073	-	-	355,000	78,911
2026	335,000	6,449	-	-	370,000	64,711
2027	-	-	-	-	385,000	49,911
2028	-	-	-	-	400,000	34,030
2029	-	-	-	-	415,000	17,430
2030	-	-	-	-	-	-
2031	-	-	-	-	-	-
2032	-	-	-	-	-	-
	<u>\$ 7,355,000</u>	<u>\$ 1,432,117</u>	<u>\$ 3,695,000</u>	<u>\$ 431,900</u>	<u>\$ 8,575,000</u>	<u>\$ 2,575,743</u>

(Continued)

CITY OF GERMANTOWN, TENNESSEE

**SCHEDULE OF PRINCIPAL AND INTEREST MATURITIES
SERIAL GENERAL OBLIGATION BONDS (CONTINUED)**

June 30, 2012

	Series 11 Bonds		Total Series Bonds	
	Principal	Interest	Principal	Interest
2013	\$ 240,000	\$ 149,575	\$ 2,545,000	\$ 829,248
2014	245,000	144,725	2,620,000	745,762
2015	250,000	139,775	2,300,000	659,023
2016	255,000	134,725	2,085,000	586,657
2017	265,000	129,525	2,145,000	517,217
2018	270,000	124,175	1,825,000	451,717
2019	275,000	118,725	1,200,000	402,362
2020	280,000	113,175	1,240,000	363,372
2021	285,000	107,525	1,265,000	323,007
2022	290,000	101,775	1,190,000	283,287
2023	295,000	95,188	925,000	242,910
2024	305,000	87,688	955,000	211,259
2025	310,000	79,613	990,000	177,597
2026	320,000	70,950	1,025,000	142,110
2027	330,000	61,600	715,000	111,511
2028	340,000	51,550	740,000	85,580
2029	350,000	41,200	765,000	58,630
2030	360,000	30,325	360,000	30,325
2031	375,000	18,606	375,000	18,606
2032	385,000	6,256	385,000	6,256
	<u>\$ 6,025,000</u>	<u>\$ 1,806,676</u>	<u>\$ 25,650,000</u>	<u>\$ 6,246,436</u>

CITY OF GERMANTOWN, TENNESSEE

SCHEDULE OF PRINCIPAL AND INTEREST MATURITIES
SERIAL BONDS

June 30, 2012

	Series 06 Bonds		Series 08 Bonds		Total Series Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2013	\$ 410,000	\$ 110,400	\$ 470,000	\$ 131,263	\$ 880,000	\$ 241,663
2014	430,000	94,000	490,000	115,050	920,000	209,050
2015	450,000	76,800	505,000	97,637	955,000	174,437
2016	470,000	58,800	520,000	78,400	990,000	137,200
2017	490,000	40,000	545,000	57,100	1,035,000	97,100
2018	510,000	20,400	565,000	34,900	1,075,000	55,300
2019	-	-	590,000	11,800	590,000	11,800
	<u>\$ 2,760,000</u>	<u>\$ 400,400</u>	<u>\$ 3,685,000</u>	<u>\$ 526,150</u>	<u>\$ 6,445,000</u>	<u>\$ 926,550</u>

CITY OF GERMANTOWN, TENNESSEE

SCHEDULE OF OFFICIAL BONDS OF PRINCIPAL OFFICIALS

June 30, 2012

	<u>Amount of Bond/Insurance*</u>
Mayor	
Honorable Sharon Goldsworthy	\$ 500,000
Five Aldermen (each) *	
Mark Billingsley	500,000
Ernest Chism	500,000
Mike Palazzolo	500,000
Greg Marcom	500,000
John Drinnon	500,000
City Administrator *	
Patrick J. Lawton	500,000
City Clerk Recorder *	
Dotty Johnson	500,000
Community Services Division Director *	
George Brogdon	500,000
Economic and Community Development Director *	
G. Andrew Pouncey	500,000
Finance and General Services Division Director *	
Kristen A. Geiger	500,000
Finance Director *	
Ralph J. Gabb	500,000
Fire Chief *	
John M. Selberg	500,000
Germantown Performing Arts Centre Executive Director *	
Paul Chandler	500,000
Germantown Athletic Club Director *	
Phil Rogers	500,000
Human Resources Director *	
Susan Hopson	500,000
Information Technology Director *	
Tony Fischer	500,000
Library Services Director *	
Melody Pittman	500,000
Parks and Recreation Director *	
Pam Beasley	500,000
Police Chief *	
Richard Hall	500,000
Public Service Director *	
Phil Rogers	500,000

* Employees are covered under the City's insurance policy for dishonesty, forgery, alterations, theft, disappearance or destruction, and computer fraud for the amounts listed, subject to a \$1,000 deductible.

CITY OF GERMANTOWN, TENNESSEE

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

For the Year Ended June 30, 2012

Federal Grantor/ Pass-Through Grantor	CFDA Number	Contract Number	Beginning Accrued (Deferred)	Cash Receipts	Expenditures	Ending Accrued (Deferred)
<u>Federal Awards</u>						
US Dept of Transportation/TN Dept of Transportation						
Highway Planning and Construction	20.205	090166	\$ 23,107	\$ 55,875	\$ 40,796	\$ 8,028
Highway Planning and Construction	20.205	100199	-	98,010	662,843	564,833
Highway Planning and Construction	20.205	2000278	1,050,448	7,130,295	7,908,411	1,828,564
Highway Planning and Construction	20.205	090231	-	195,352	212,645	17,293
Highway Planning and Construction	20.205	090165	5,600	207,671	202,071	-
Highway Planning and Construction	20.205	090229	1,375	5,681	4,306	-
Highway Planning and Construction	20.205	090170	38,866	38,866	-	-
Total Program 20.205			1,119,396	7,731,750	9,031,072	2,418,718
US Department of Homeland Security						
Disaster Grants - Public Assistance/thru State of TN	97.036	34101-06612	-	75,910	75,910	-
Disaster Grants - Public Assistance/thru State of TN	97.036	34101-10312	-	3,876	3,876	-
Assistance to Firefighters Grant	97.044	EMW-2010-FO-04722	-	81,515	81,515	-
Homeland Security Grant/thru Shelby County, TN	97.067	08UASI-GERM	6,900	6,900	-	-
Homeland Security Grant/thru Shelby County, TN	97.067	09UASI-GERM	-	78,554	78,554	-
TOTAL FEDERAL AWARDS			1,126,296	7,978,505	9,270,927	2,418,718
<u>State Financial Assistance</u>						
Department of State - TN Library and Archives	N/A	N/A	-	396	396	-
Tennessee Emergency Management Agency						
Disaster Grants - Public Assistance	N/A	FEMA-1909-DR-TN	973	973	-	-
Disaster Grants - Public Assistance	97.036	34101-06612	-	9,488	12,650	3,162
Disaster Grants - Public Assistance	97.036	34101-10312	-	485	647	162
TOTAL FEDERAL AND STATE AWARDS			\$ 1,127,269	\$ 7,989,847	\$ 9,284,620	\$ 2,422,042

See accompanying notes to the schedule.

CITY OF GERMANTOWN, TENNESSEE

NOTES TO THE SCHEDULE OF EXPENDITURES OF
FEDERAL AND STATE AWARDS

For the Year Ended June 30, 2012

NOTE 1 – BASIS OF PRESENTATION

The schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of the City of Germantown, TN (the City) under programs of the federal government for the year ended June 30, 2012. The information in this Schedule is presented in accordance with the requirement of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organization*. Because the Schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the city.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- (1) Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the OMB Circular A-122, *Cost Principles for Non-profit Organization*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.
- (2) Pass-through entity contract numbers are presented where available.

NOTE 3 – RECONCILIATION OF THE SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS TO THE FINANCIAL STATEMENTS

The following is a reconciliation of expenditures per the schedule of expenditures of federal and state awards to the revenue balances in the City’s financial statements:

Total grant revenue per governmental funds financial statements	\$ 8,661,249
Add: Deferred revenue at the fund level	841,229
Less: Non-federal and non-state grants	<u>(217,858)</u>
Total federal and state awards	<u><u>\$ 9,284,620</u></u>

**CITY OF GERMANTOWN, TENNESSEE
STATISTICAL SECTION**

This part of the City of Germantown’s comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City’s overall financial health.

<u>Contents</u>	<u>Page</u>
Financial Trends	105
<p>These exhibits contain trend information to help the reader understand how the City’s financial performance and well-being have changed over time.</p>	
Revenue Capacity	110
<p>These exhibits contain information to help the reader assess the factors affecting the City’s ability to generate its property and sales taxes.</p>	
Debt Capacity	119
<p>These exhibits present information to help the reader assess the affordability of the City’s current levels of outstanding debt and the City’s ability to issue additional debt in the future.</p>	
Demographic and Economic Information	123
<p>These exhibits offer demographic and economic indicators to help the reader understand the environment within which the City’s financial activities take place, to help make comparisons over time and with other governments.</p>	

Sources: Unless otherwise noted, the information in these exhibits is derived from the comprehensive annual financial reports for the relevant year. The City implemented GASB Statement 34 in 2003; exhibits presenting government-wide information include information beginning in that year.

CITY OF GERMANTOWN, TENNESSEE
NET ASSETS BY COMPONENT
 Last Eight Fiscal Years
 (accrual basis of accounting)

	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
Governmental activities								
Invested in capital assets, net of related debt	\$ 64,381,386	\$ 52,900,774	\$ 45,980,201	\$ 45,178,360	\$ 39,655,346	\$ 39,655,346	\$ 34,419,127	\$ 35,229,522
Restricted	1,768,896	2,511,848	1,692,290	1,661,780	1,406,872	1,288,885	1,556,120	1,642,569
Unrestricted	<u>25,674,724</u>	<u>30,107,655</u>	<u>33,132,833</u>	<u>33,988,429</u>	<u>39,928,257</u>	<u>35,020,161</u>	<u>33,723,089</u>	<u>28,236,735</u>
Total governmental activities net assets	<u>\$ 91,825,006</u>	<u>\$ 85,520,277</u>	<u>\$ 80,805,324</u>	<u>\$ 80,828,569</u>	<u>\$ 80,990,475</u>	<u>\$ 75,964,392</u>	<u>\$ 69,698,336</u>	<u>\$ 65,108,826</u>
Business-type activities								
Invested in capital assets, net of related debt	\$ 54,753,414	\$ 52,829,038	\$ 52,457,209	\$ 49,924,751	\$ 50,914,976	\$ 46,556,454	\$ 45,205,036	\$ 44,982,477
Unrestricted	<u>7,011,809</u>	<u>8,447,174</u>	<u>6,523,107</u>	<u>8,680,195</u>	<u>6,267,677</u>	<u>6,216,531</u>	<u>2,884,810</u>	<u>763,811</u>
Total business-type activities net assets	<u>\$ 61,765,223</u>	<u>\$ 61,276,212</u>	<u>\$ 58,980,316</u>	<u>\$ 58,604,946</u>	<u>\$ 57,182,653</u>	<u>\$ 52,772,985</u>	<u>\$ 48,089,846</u>	<u>\$ 45,746,288</u>
Primary government								
Invested in capital assets, net of related debt	\$ 119,134,800	\$ 105,729,812	\$ 98,437,410	\$ 95,103,111	\$ 90,570,322	\$ 86,211,800	\$ 79,624,163	\$ 80,211,999
Restricted	1,768,896	2,511,848	1,692,290	1,661,780	1,406,872	1,288,885	1,556,120	1,642,569
Unrestricted	<u>32,686,533</u>	<u>38,554,829</u>	<u>39,655,940</u>	<u>42,668,624</u>	<u>46,195,934</u>	<u>41,236,692</u>	<u>36,607,899</u>	<u>29,000,546</u>
Total primary government net assets	<u>\$ 153,590,229</u>	<u>\$ 146,796,489</u>	<u>\$ 139,785,640</u>	<u>\$ 139,433,515</u>	<u>\$ 138,173,128</u>	<u>\$ 128,737,377</u>	<u>\$ 117,788,182</u>	<u>\$ 110,855,114</u>

Note: The city began to report accrual information when it implemented GASB Statement 34 in fiscal year 2003.

CITY OF GERMANTOWN, TENNESSEE
CHANGES IN NET ASSETS
Last Eight Fiscal Years
(accrual basis of accounting)

General Revenues and Other Changes in Net Assets

	2012	2011	2010	2009	2008	2007	2006	2005
Governmental activities:								
Taxes								
Property taxes	\$ 22,514,596	\$ 22,424,281	\$ 22,212,886	\$ 21,586,250	\$ 21,192,804	\$ 20,551,945	\$ 20,102,440	\$ 19,270,811
Local sales taxes	7,245,188	7,144,712	6,570,006	6,546,302	7,578,275	6,759,894	7,103,233	7,289,531
State sales taxes	2,645,128	2,707,249	2,699,584	2,688,079	3,202,143	3,023,906	2,473,465	2,374,844
Income and excise taxes	1,931,672	2,126,533	1,718,973	2,514,017	3,449,132	2,787,869	1,839,858	1,215,765
Beer taxes	19,068	21,377	20,307	21,374	22,414	21,997	22,245	19,712
Liquor taxes	59,665	67,424	62,982	33,543	77,808	82,743	85,303	69,906
Property tax stabilization	80,422	87,952	87,993	88,155	89,482	90,282	89,558	90,549
Interest on investments	109,193	128,522	244,182	783,049	1,484,404	1,838,031	1,229,713	773,585
Other revenues	1,505,528	1,534,824	1,074,330	1,055,248	951,038	848,085	811,136	785,743
Gain (Loss) on disposal of capital assets	77,670	29,735	-	-	(95,252)	-	-	-
Transfer	376,323	(1,658,942)	(777,656)	(1,120,000)	(1,025,000)	(860,000)	(167,370)	-
Total governmental activities	<u>36,564,453</u>	<u>34,613,667</u>	<u>33,913,587</u>	<u>34,196,017</u>	<u>36,927,248</u>	<u>35,144,752</u>	<u>33,589,581</u>	<u>31,890,446</u>
Business-type activities:								
Interest on investments	16,487	37,035	73,394	246,017	449,147	406,427	113,173	38,364
Gain on disposal of capital assets	-	-	51,349	29,760	385,974	-	-	-
Transfers	(376,323)	1,658,942	777,656	1,120,000	1,025,000	860,000	167,370	-
Total business-type activities	<u>(359,836)</u>	<u>1,695,977</u>	<u>902,399</u>	<u>1,395,777</u>	<u>1,860,121</u>	<u>1,266,427</u>	<u>280,543</u>	<u>38,364</u>
Total primary government	<u>\$ 36,204,617</u>	<u>\$ 36,309,644</u>	<u>\$ 34,815,986</u>	<u>\$ 35,591,794</u>	<u>\$ 38,787,369</u>	<u>\$ 36,411,179</u>	<u>\$ 33,870,124</u>	<u>\$ 31,928,810</u>
Change in Net Assets								
Governmental activities	\$ 6,304,729	\$ 4,714,953	\$ (23,245)	\$ (161,906)	\$ 5,026,083	\$ 5,111,579	\$ 3,850,426	\$ 555,561
Business-type activities	489,011	2,295,896	375,370	1,422,293	4,409,668	4,683,139	2,343,558	(3,810,183)
Total primary government	<u>\$ 6,793,740</u>	<u>\$ 7,010,849</u>	<u>\$ 352,125</u>	<u>\$ 1,260,387</u>	<u>\$ 9,435,751</u>	<u>\$ 9,794,718</u>	<u>\$ 6,193,984</u>	<u>\$ (3,254,622)</u>

Note: The city began to report accrual information when it implemented GASB Statement 34 in fiscal year 2003.

CITY OF GERMANTOWN, TENNESSEE
CHANGES IN NET ASSETS
Last Eight Fiscal Years
(accrual basis of accounting)

	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
Expenses								
Governmental activities:								
General government	\$ 14,455,690	\$ 13,883,051	\$ 14,126,482	\$ 12,165,467	\$ 10,074,368	\$ 11,172,137	\$ 9,638,679	\$ 10,777,667
Public safety	18,714,470	17,670,477	16,746,970	16,687,140	16,918,305	15,186,485	14,231,653	13,496,390
Community services	3,038,987	3,013,028	2,768,856	4,775,897	5,201,066	5,329,489	5,897,428	5,516,813
Transportation and environment	5,969,305	4,792,033	5,434,148	5,088,019	4,279,001	2,891,573	3,868,498	4,620,915
Interest and fiscal charges	950,133	798,410	877,138	786,612	878,503	1,062,319	1,078,349	1,174,147
Total governmental activities expenses	<u>43,128,585</u>	<u>40,156,999</u>	<u>39,953,594</u>	<u>39,503,135</u>	<u>37,351,243</u>	<u>35,642,003</u>	<u>34,714,607</u>	<u>35,585,932</u>
Business-type activities:								
Utilities	6,884,307	7,230,379	7,046,258	6,502,565	6,100,526	5,928,575	5,581,195	5,065,689
Athletic Club	3,579,023	3,523,561	3,486,381	3,588,475	2,992,340	2,673,695	2,659,614	2,614,365
Sanitation	3,409,532	3,997,349	3,886,086	3,824,101	3,706,306	3,609,186	3,900,496	3,686,616
Nonmajor Enterprise Fund	1,387,559	1,253,252	366,376	-	-	-	-	-
Total business-type activities expenses	<u>15,260,421</u>	<u>16,004,541</u>	<u>14,785,101</u>	<u>13,915,141</u>	<u>12,799,172</u>	<u>12,211,456</u>	<u>12,141,305</u>	<u>11,366,670</u>
Total primary government expenses	<u>\$ 58,389,006</u>	<u>\$ 56,161,540</u>	<u>\$ 54,738,695</u>	<u>\$ 53,418,276</u>	<u>\$ 50,150,415</u>	<u>\$ 47,853,459</u>	<u>\$ 46,855,912</u>	<u>\$ 46,952,602</u>
Program Revenues								
Governmental activities:								
Charges for services:								
General government	\$ 1,156,280	\$ 1,517,274	\$ 1,736,391	\$ 1,497,312	\$ 1,581,629	\$ 1,824,188	\$ 1,552,140	\$ 1,407,862
Public safety	484,006	590,284	431,689	446,496	630,712	1,050,389	638,670	434,272
Community services	600,909	546,195	694,866	610,060	554,945	567,634	483,461	385,687
Transportation and environment	956,379	971,709	1,142,344	953,711	972,327	982,354	980,535	978,076
Operating grants and contributions	1,401,676	1,607,271	1,731,228	1,237,633	1,547,919	450,883	513,490	743,749
Capital grants and contributions	8,269,611	5,025,552	280,244	400,000	162,546	733,382	807,156	301,401
Total governmental activities program revenues	<u>12,868,861</u>	<u>10,258,285</u>	<u>6,016,762</u>	<u>5,145,212</u>	<u>5,450,078</u>	<u>5,608,830</u>	<u>4,975,452</u>	<u>4,251,047</u>
Business-type activities:								
Charges for services:								
Utilities	7,471,805	7,896,551	6,598,459	7,030,835	7,991,054	8,486,257	7,628,554	4,458,056
Athletic Club	3,709,915	3,517,289	3,221,736	3,003,894	2,131,190	2,090,233	2,207,882	2,714,056
Sanitation	3,530,418	3,944,499	3,905,442	3,810,426	3,750,835	3,731,045	3,608,470	-
Nonmajor Enterprise Fund	1,280,333	1,074,264	114,998	-	-	-	-	-
Capital grants and contributions	116,797	171,857	417,437	96,502	1,475,640	1,320,633	759,414	346,011
Total business-type activities program revenues	<u>16,109,268</u>	<u>16,604,460</u>	<u>14,258,072</u>	<u>13,941,657</u>	<u>15,348,719</u>	<u>15,628,168</u>	<u>14,204,320</u>	<u>7,518,123</u>
Total primary government program revenues	<u>\$ 28,978,129</u>	<u>\$ 26,862,745</u>	<u>\$ 20,274,834</u>	<u>\$ 19,086,869</u>	<u>\$ 20,798,797</u>	<u>\$ 21,236,998</u>	<u>\$ 19,179,772</u>	<u>\$ 11,769,170</u>
Net (expense)/revenue								
Governmental activities	\$ (30,259,724)	\$ (29,898,714)	\$ (33,936,832)	\$ (34,357,923)	\$ (31,901,165)	\$ (30,033,173)	\$ (29,739,155)	\$ (31,334,885)
Business-type activities	848,847	599,919	(527,029)	26,516	2,549,547	3,416,712	2,063,015	(3,848,547)
Total primary government net expense	<u>\$ (29,410,877)</u>	<u>\$ (29,298,795)</u>	<u>\$ (34,463,861)</u>	<u>\$ (34,331,407)</u>	<u>\$ (29,351,618)</u>	<u>\$ (26,616,461)</u>	<u>\$ (27,676,140)</u>	<u>\$ (35,183,432)</u>

CITY OF GERMANTOWN, TENNESSEE
PROGRAM REVENUES BY FUNCTION/PROGRAM
Last Eight Fiscal Years
(accrual basis of accounting)

Function/Program	2012	2011	2010	2009	2008	2007	2006	2005
Governmental activities:								
General government	\$ 1,156,280	\$ 1,517,274	\$ 1,736,391	\$ 1,497,312	\$ 1,581,629	\$ 2,187,448	\$ 1,552,140	\$ 1,407,862
Public safety	484,006	590,284	431,689	446,496	630,712	1,588,031	1,155,561	622,282
Community services	600,909	546,195	694,866	610,060	554,945	850,997	1,287,216	1,217,966
Transportation and environment	956,379	971,709	1,142,344	953,711	972,327	982,354	980,535	1,002,937
Total governmental activities	<u>3,197,574</u>	<u>3,625,462</u>	<u>4,005,290</u>	<u>3,507,579</u>	<u>3,739,613</u>	<u>5,608,830</u>	<u>4,975,452</u>	<u>4,251,047</u>
Business-type activities:								
Utilities	7,471,805	7,896,551	6,598,459	7,030,835	7,991,054	9,806,890	8,387,968	4,804,067
Athletic Club	3,709,915	3,517,289	3,221,736	3,003,894	2,131,190	2,090,233	2,207,882	2,714,056
Sanitation	3,530,418	3,944,499	3,905,442	3,810,426	3,750,835	3,731,045	3,608,470	3,572,928
Nonmajor Enterprise Fund	1,280,333	1,074,264	114,998	-	-	-	-	-
Total business-type activities	<u>15,992,471</u>	<u>16,432,603</u>	<u>13,840,635</u>	<u>13,845,155</u>	<u>13,873,079</u>	<u>15,628,168</u>	<u>14,204,320</u>	<u>11,091,051</u>
Total primary government	<u>\$ 19,190,045</u>	<u>\$ 20,058,065</u>	<u>\$ 17,845,925</u>	<u>\$ 17,352,734</u>	<u>\$ 17,612,692</u>	<u>\$ 21,236,998</u>	<u>\$ 19,179,772</u>	<u>\$ 15,342,098</u>

Note: The city began to report accrual information when it implemented GASB Statement 34 in fiscal year 2003.

CITY OF GERMANTOWN, TENNESSEE
FUND BALANCES OF GOVERNMENTAL FUNDS
 Last Ten Fiscal Years
 (modified accrual basis of accounting)

	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
General fund										
Reserved	\$ -	\$ -	\$ 1,783,367	\$ 2,824,036	\$ 2,090,726	\$ 2,296,984	\$ 2,210,255	\$ 2,335,255	\$ 2,573,220	\$ 2,361,270
Unreserved	-	-	20,626,286	21,242,586	23,660,623	23,741,000	21,087,404	20,084,787	20,208,863	17,064,094
Nonspendable	1,073,255	1,192,317	-	-	-	-	-	-	-	-
Restricted	-	-	-	-	-	-	-	-	-	-
Committed	12,828,407	13,027,239	-	-	-	-	-	-	-	-
Assigned	325,000	2,583,000	-	-	-	-	-	-	-	-
Unassigned	2,483,836	3,024,170	-	-	-	-	-	-	-	-
Total general fund	<u>\$ 16,710,498</u>	<u>\$ 19,826,726</u>	<u>\$ 22,409,653</u>	<u>\$ 24,066,622</u>	<u>\$ 25,751,349</u>	<u>\$ 26,037,984</u>	<u>\$ 23,297,659</u>	<u>\$ 22,420,042</u>	<u>\$ 22,782,083</u>	<u>\$ 19,425,364</u>
Major Roads										
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	-	-	-	-	-	-	-	-	-	-
Nonspendable	-	-	-	-	-	-	-	-	-	-
Restricted	1,375,033	-	-	-	-	-	-	-	-	-
Committed	3,848,651	-	-	-	-	-	-	-	-	-
Assigned	-	3,606,404	-	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-	-	-	-	-
Total major roads	<u>\$ 5,223,684</u>	<u>\$ 3,606,404</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
All other governmental funds										
Reserved	\$ -	\$ -	\$ 7,188,121	\$ 3,649,714	\$ 3,225,017	\$ 2,514,591	\$ 4,603,913	\$ 4,603,913	\$ 2,121,201	\$ 1,734,128
Unreserved, reported in:										
Special revenue funds	-	-	1,643,192	1,821,642	1,791,386	1,526,765	1,342,842	1,240,148	1,177,503	499,248
Capital projects funds	-	-	5,065,140	7,983,234	5,619,174	4,954,762	4,215,186	(314,352)	4,309,956	4,406,266
Nonspendable	-	-	-	-	-	-	-	-	-	-
Restricted	393,863	91,532	-	-	-	-	-	-	-	-
Committed	1,582,384	3,894,476	-	-	-	-	-	-	-	-
Assigned	6,454,853	3,782,504	-	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-	-	-	-	-
Total all other governmental funds	<u>\$ 8,431,100</u>	<u>\$ 7,768,512</u>	<u>\$ 13,896,453</u>	<u>\$ 13,454,590</u>	<u>\$ 10,635,577</u>	<u>\$ 8,996,118</u>	<u>\$ 10,161,941</u>	<u>\$ 5,529,709</u>	<u>\$ 7,608,660</u>	<u>\$ 6,639,642</u>

Note: (1) Any increase/decrease in fund balance is explained in the Management's Discussion and Analysis for the current year.
 (2) Fund Balance presentation change per GASB 54 in 2011.

CITY OF GERMANTOWN, TENNESSEE
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
Last Ten Fiscal Years
(modified accrual basis of accounting)

	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Revenues										
Taxes	\$ 35,571,416	\$ 35,306,525	\$ 34,829,681	\$ 34,606,858	\$ 36,882,620	\$ 34,496,302	\$ 32,878,675	\$ 31,626,486	\$ 30,465,931	\$ 26,407,532
Fines and forfeitures	766,110	1,126,108	1,321,613	1,059,200	1,107,391	1,327,456	1,080,416	896,692	904,842	872,559
Licenses and permits	1,004,480	1,029,855	1,037,046	1,038,469	1,059,548	1,052,800	1,050,238	1,037,867	1,050,742	954,481
Fees for services	338,750	532,018	559,298	468,260	469,961	439,648	732,136	1,071,380	268,319	219,817
Interest on investments	109,193	128,522	244,182	783,049	1,484,404	1,838,031	1,229,713	773,585	289,272	820,781
Grants	8,661,249	5,524,638	923,104	157,319	244,501	1,107,120	988,963	236,871	659,131	316,441
Other revenues	2,755,933	2,506,910	2,103,392	2,007,269	2,355,595	2,515,895	1,918,755	1,872,136	2,109,061	1,801,578
Total revenues	49,207,131	46,154,576	41,018,316	40,120,424	43,604,020	42,777,252	39,878,896	37,515,017	35,747,298	31,393,189
Expenditures										
General government	10,214,400	9,868,644	9,731,390	9,746,932	9,742,760	8,940,800	9,084,807	10,265,237	7,797,540	7,951,982
Public safety	19,213,459	17,788,685	17,499,614	16,917,276	16,700,245	14,826,704	14,271,995	13,787,738	12,514,362	11,565,916
Community services	3,204,284	3,047,641	3,115,601	4,202,211	4,995,877	4,753,135	4,775,028	4,622,165	3,949,855	3,758,999
Transportation and Environment	6,144,103	4,803,913	5,528,735	5,030,665	4,140,337	4,583,977	3,986,024	3,507,403	3,444,064	3,454,248
Debt service										
Principal	2,200,000	2,175,000	2,055,000	2,025,000	1,950,000	2,250,000	1,985,005	2,028,175	2,029,132	2,666,624
Interest	863,525	842,142	897,181	810,284	900,535	1,086,395	1,076,192	1,506,532	1,563,275	1,694,940
Bond issuance cost	-	-	-	109,525	-	62,078	106,327	-	-	-
Capital outlay	14,650,580	11,077,073	2,628,245	5,115,870	2,827,924	3,913,926	3,363,442	4,238,759	1,308,292	2,094,013
Total expenditures	56,490,351	49,603,098	41,455,766	43,957,763	41,257,678	40,417,015	38,648,820	39,956,009	32,606,520	33,186,722
Excess of revenues over (under) expenditures	(7,283,220)	(3,448,522)	(437,450)	(3,837,339)	2,346,342	2,360,237	1,230,076	(2,440,992)	3,140,778	(1,793,533)
Other financing sources (uses)										
Transfers in	3,684,323	3,344,058	3,646,994	3,300,000	5,400,000	3,978,000	3,512,630	2,148,000	4,931,543	617,557
Transfers out	(3,308,000)	(5,003,000)	(4,424,650)	(4,420,000)	(6,425,000)	(4,838,000)	(3,680,000)	(2,148,000)	(5,019,543)	(617,557)
Debt Proceeds - General Obligation	6,025,000	-	-	9,635,000	-	-	4,800,000	-	-	-
Refunding bond issued	-	-	-	-	-	5,555,000	4,895,000	-	-	-
Discount on bond issued	-	-	-	-	-	-	(28,685)	-	-	-
Premium on bonds issued	130,456	-	-	124,951	-	123,207	-	-	-	-
Payment to refunded bond escrow agent	-	-	-	(3,666,048)	-	(5,612,314)	(4,752,581)	-	-	-
Contribution from developers	-	-	-	-	-	-	-	-	-	92,025
Sale of Capital Assets	6,000	3,000	-	(1,967)	-	-	-	-	-	-
Disposal of Capital Assets	-	-	-	-	31,482	8,372	-	-	-	-
Bond Issuance Costs	(90,919)	-	-	-	-	-	-	-	-	-
Contingency	-	-	-	(311)	-	-	-	-	-	-
Total other financing sources (uses)	6,446,860	(1,655,942)	(777,656)	4,971,625	(993,518)	(785,735)	4,746,364	-	(88,000)	92,025
Net change in fund balances	\$ (836,360)	\$ (5,104,464)	\$ (1,215,106)	\$ 1,134,286	\$ 1,352,824	\$ 1,574,502	\$ 5,976,440	\$ (2,440,992)	\$ 3,052,778	\$ (1,701,508)
Debt service as a percentage of noncapital expenditures	7.3%	8.0%	7.6%	7.3%	8.0%	9.1%	8.7%	9.9%	11.5%	14.0%

CITY OF GERMANTOWN, TENNESSEE
GENERAL GOVERNMENTAL TAX REVENUES BY SOURCE
Last Ten Fiscal Years
(modified accrual basis of accounting)

	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
Property Taxes	\$ 22,580,235	\$ 22,409,252	\$ 22,581,468	\$ 21,635,074	\$ 21,208,026	\$ 20,575,134	\$ 20,059,338	\$ 19,430,538	\$ 18,837,713	\$ 14,293,406
Local Sales Taxes	7,245,188	7,144,712	6,570,006	6,546,302	7,578,275	6,759,894	7,103,233	7,289,531	7,235,582	6,710,898
State Taxes (Local Share)	5,745,993	6,118,720	5,678,207	6,425,482	8,096,319	7,161,274	5,716,104	4,906,417	4,392,636	5,403,228
Total	<u>\$ 35,571,416</u>	<u>\$ 35,672,684</u>	<u>\$ 34,829,681</u>	<u>\$ 34,606,858</u>	<u>\$ 36,882,620</u>	<u>\$ 34,496,302</u>	<u>\$ 32,878,675</u>	<u>\$ 31,626,486</u>	<u>\$ 30,465,931</u>	<u>\$ 26,407,532</u>

Note: The city has been able to decrease the tax rate charge on property as the value of property continues to increase. The Shelby County Assessor's Office assesses all property in the county.

CITY OF GERMANTOWN, TENNESSEE
ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
Last Ten Fiscal Years

Calendar Year Ended	Real Property				Commercial Personal Property	Total Taxable Assessed Value	Tax Rate	Estimated Actual Taxable Value	Taxable Assessed Value as a Percentage of Actual Taxable Value
	Residential Property	Farm Property	Commercial Property	Public Utilities Property					
2012	\$1,171,535,200	\$ 2,166,525	\$ 280,629,910	\$ 12,655,926	\$ 25,962,880	\$ 1,492,950,441	\$1.485	\$ 5,594,910,275	26.68%
2011	1,179,127,275	2,555,975	289,658,450	14,049,120	25,877,620	1,511,268,440	1.425	5,651,738,255	26.74%
2010	1,197,849,725	3,248,850	298,456,105	14,652,167	29,641,640	1,543,848,487	1.425	5,735,373,604	26.92%
2009	1,057,734,155	3,034,575	263,523,140	14,652,167	28,482,630	1,367,426,667	1.54	5,082,693,103	26.90%
2008	1,032,906,875	3,096,525	256,651,090	14,500,493	25,959,580	1,333,114,563	1.54	4,936,751,633	27.00%
2007	1,010,925,200	3,817,725	248,191,850	15,073,276	25,036,090	1,303,044,141	1.54	4,812,012,156	27.08%
2006	986,502,650	3,224,050	244,805,450	14,500,278	25,378,780	1,274,411,208	1.54	4,703,993,042	27.09%
2005	865,853,775	2,531,400	193,242,850	13,569,564	24,394,450	1,099,592,039	1.70	4,079,819,735	26.95%
2004	850,046,225	2,586,975	193,993,995	13,158,662	24,715,700	1,084,501,557	1.70	4,006,706,149	27.07%
2003	836,979,200	2,578,025	188,845,035	15,061,817	23,570,420	1,067,034,497	1.30	3,941,450,922	27.07%

Source: Shelby County Assessor Office before adjustment from the County Board of Equalization.

Note: Property in Shelby County is reassessed once every two years. Tax rates are applied at \$100 of assessed value.

Residential and farm property is assessed at 25.0%, Commercial real property is assessed at 40.0%, Public utilities is assessed at 55.0%,
Commercial personal property is assessed at 30.0%

**CITY OF GERMANTOWN, TENNESSEE
PROPERTY TAX RATES AND TAX LEVIES
Last Ten Fiscal Years**

**Property Tax Rates
(Per \$100 of Assessed Valuation)**

Fiscal Year	City	County				Total Direct & Overlapping Rates
	Direct Rate	General Fund	Education	Debt Service	Rural School Bonds	
2012	\$ 1.485	\$ 1.36	\$ 1.91	\$ 0.75	\$ 0.04	\$ 5.55
2011	1.425	1.36	1.91	0.75	0.04	5.49
2010	1.425	1.33	1.90	0.79	0.04	5.49
2009	1.54	1.23	1.98	0.81	0.04	5.60
2008	1.54	1.22	2.02	0.80	0.05	5.63
2007	1.54	1.22	2.02	0.80	0.05	5.63
2006	1.54	1.22	2.02	0.80	0.05	5.63
2005	1.70	1.22	2.02	0.80	0.05	5.79
2004	1.70	1.31	2.03	0.70	0.05	5.79
2003	1.30	1.43	2.03	0.58	0.05	5.39

Note: The City has no direct or contingent liability for the Shelby County debt.
Above are the tax rates for both the City of Germantown and Shelby County.

CITY OF GERMANTOWN, TENNESSEE
PRINCIPAL PROPERTY TAX PAYERS
 Current and Nine Years Ago

Taxpayer	2012			2003		
	Assessed Value	Rank	Percentage of Total City Taxable Assessed Value	Assessed Value	Rank	Percentage of Total City Taxable Assessed Value
The Village at Germantown Inc.	\$ 14,686,400	1	0.98%	\$ -	-	-
DMASC 2006-CD2 Wyndhurst Place LLC	7,200,000	2	0.48%	-	-	-
Germantown Village Square Joint Venture	7,100,000	3	0.48%	-	-	-
Vinyards Apartments Inc.	6,398,880	4	0.43%	6,270,440	7	0.60%
Senter Crook Taylor Et Al	5,808,360	5	0.39%	3,965,320	10	0.38%
UT Medical Group, Inc.	5,135,520	6	0.34%	6,682,640	6	0.64%
SWC Poplar FHI Partners LLC	4,696,640	7	0.31%	-	-	-
Methodist Hospital of Memphis	4,210,920	8	0.28%	5,808,155	8	0.56%
Brook Chase Apartments LL	4,178,800	9	0.28%	8,117,840	2	0.78%
BIC-MTS Partners (PSO)	4,080,000	10	0.27%	10,715,600	1	1.03%
Belz Investment Company (PSO)	-	-	-	7,207,120	3	0.69%
Sheriff LLC	-	-	-	6,825,680	4	0.65%
Tennessee Germantown LP	-	-	-	6,688,040	5	0.64%
Cary R. Califf (Tr)	-	-	-	4,354,575	9	0.38%
Totals	<u>\$ 63,495,520</u>		<u>4.24%</u>	<u>\$ 66,635,410</u>		<u>6.35%</u>

Source: Shelby County Board of Assessments

CITY OF GERMANTOWN, TENNESSEE
PROPERTY TAX LEVIES AND COLLECTIONS
 Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Total Tax Levy</u>	<u>Current Tax Collections</u>	<u>Percent of Levy Collected</u>	<u>Collections in Subsequent Years</u>	<u>Total Tax Collections</u>	<u>Percent of Tax Collections to Tax Levy</u>	<u>Outstanding Delinquent Taxes</u>	<u>Percent of Outstanding Delinquent Taxes to Tax Levy</u>
2012	\$ 21,982,373	\$ 21,579,284	98.2%	\$ -	\$ 21,579,284	98.2%	\$ 403,089	1.8%
2011	21,335,375	21,028,288	98.6%	276,952	21,305,240	99.9%	119,648	0.6%
2010	21,291,084	20,724,774	97.3%	128,690	20,853,464	97.9%	66,527	0.3%
2009	20,832,727	20,368,950	97.8%	12,850	20,381,800	97.8%	26,486	0.1%
2008	20,306,656	19,883,309	97.9%	1,267	19,884,576	97.9%	13,574	0.1%
2007	19,770,408	19,404,872	98.2%	780	19,405,652	98.2%	15,277	0.1%
2006	19,402,628	19,145,169	98.7%	20	19,145,189	98.7%	18,571	0.1%
2005	18,462,382	18,210,131	98.6%	1,120	18,624,212	100.9%	19,685	0.1%
2004	18,436,441	18,041,574	97.9%	584	18,354,227	99.6%	16,890	0.1%
2003	13,871,449	13,358,252	96.3%	1,838	13,752,396	99.1%	1,727	0.0%

Note: The Shelby County Assessor's office assess the value of property within the county. The City levies a tax and is responsible for collection.

CITY OF GERMANTOWN, TENNESSEE
TAXABLE SALES BY CATEGORY
Last Ten Calendar Years

	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
Building Materials	\$ 58,918,876	\$ 5,751,382	\$ 5,026,853	\$ 5,821,268	\$ 6,135,150	\$ 6,275,280	\$ 6,160,411	\$ 6,058,189	\$ 5,894,979	\$ 5,242,496
General Merchandise	41,511,127	39,730,828	37,640,466	38,507,812	39,133,168	32,921,730	34,469,245	37,522,667	41,954,537	41,506,465
Food Stores	74,747,953	74,471,623	73,914,195	78,156,102	75,996,649	71,903,573	67,752,633	65,343,661	62,348,830	63,239,854
MV Dealers/Service Stations	59,272,044	11,307,651	11,206,377	10,453,608	10,286,392	10,302,064	10,766,590	8,830,661	8,131,042	8,649,799
Apparel & Accessories	37,993,292	59,103,823	55,002,845	58,064,064	65,690,412	69,010,888	75,397,435	73,683,104	69,569,801	66,097,398
Furniture & Home Décor	6,241,411	33,635,931	26,561,300	30,232,779	28,835,577	25,103,179	24,046,293	14,100,870	10,724,433	10,486,188
Eating & Drinking	10,994,725	58,885,084	53,820,045	54,040,756	53,590,618	54,146,824	54,329,183	53,126,259	50,175,236	50,685,736
Other Retail	55,074,728	54,315,420	55,272,420	57,354,174	57,804,063	64,786,132	61,721,161	58,961,427	57,059,440	58,633,120
Other	<u>73,337,760</u>	<u>70,191,347</u>	<u>63,581,646</u>	<u>70,223,203</u>	<u>83,615,875</u>	<u>82,036,950</u>	<u>82,668,416</u>	<u>69,335,103</u>	<u>80,534,498</u>	<u>89,630,457</u>
	<u>\$ 418,091,916</u>	<u>\$ 407,393,089</u>	<u>\$ 382,026,147</u>	<u>\$ 402,853,766</u>	<u>\$ 421,087,904</u>	<u>\$ 416,486,620</u>	<u>\$ 417,311,367</u>	<u>\$ 386,961,941</u>	<u>\$ 386,392,796</u>	<u>\$ 394,171,513</u>

Source: Tennessee Department of Revenue, Research Division

Note: Sales information is not available on a fiscal-year basis.

CITY OF GERMANTOWN, TENNESSEE
LOCAL SALES TAX REVENUE BY INDUSTRY
 Current and Ten Years Ago

	2012				2002			
	<u>Number of Filers</u>	<u>Percentage of Total</u>	<u>Tax Liability</u>	<u>Percentage of Total</u>	<u>Number of Filers</u>	<u>Percentage of Total</u>	<u>Tax Liability</u>	<u>Percentage of Total</u>
Retail Trade	465	54.70%	\$ 7,717,143	82.50%	504	56.18%	\$7,292,642	83.32%
Services	217	25.53%	1,156,800	12.37%	230	25.64%	979,623	11.19%
Manufacturing	38	4.47%	90,879	0.97%	39	4.35%	73,772	0.84%
Wholesale Trade	60	7.06%	37,438	0.40%	58	6.47%	31,058	0.35%
Construction	10	1.18%	2,988	0.03%	12	1.34%	5,777	0.07%
Finance Insurance Real Estate/ Transportation and Utilities	6	0.71%	91,984	0.98%				
Agriculture	9	1.06%	20,047	0.21%	14	1.56%	43,396	0.50%
Other, Non Classified	45	5.29%	237,500	2.54%	40	4.46%	326,692	3.73%
Total	850	100.00%	\$ 9,354,779	100.00%	897	100.00%	\$8,752,960	100.00%

Source: Tennessee Department of Revenue, Research Division.

Notes:

1. Figures subject to revision due to amended taxpayer returns.
2. Figures represent local sales tax collected by merchants during the period, not disbursements from the Department of Revenue.
3. Changes in local telecommunications sourcing rules in 2003 reduced the number of taxpayers reporting in the Transportation and Utilities sector.
4. Does not include Germantown 's share of county clerk or out-of-state taxpayer amounts.

CITY OF GERMANTOWN, TENNESSEE
DIRECT AND OVERLAPPING SALES TAX RATES
Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>City Direct Rate</u>	<u>Shelby County</u>	<u>State of Tennessee</u>
2012	1.125 %	1.125 %	7.00 %
2011	1.125	1.125	7.00
2010	1.125	1.125	7.00
2009	1.125	1.125	7.00
2008	1.125	1.125	7.00
2007	1.125	1.125	7.00
2006	1.125	1.125	7.00
2005	1.125	1.125	7.00
2004	1.125	1.125	7.00
2003	1.125	1.125	7.00

Source: State of Tennessee Financial Control

Note: Local option tax can be changed by a vote of the citizens.

CITY OF GERMANTOWN, TENNESSEE
RATIOS OF OUTSTANDING DEBT BY TYPE
Last Ten Fiscal Years

Fiscal Years	Governmental Activities				Business-type Activities		Total Primary Government	Percentage of Personal Income	Per Capita
	General Obligation Bonds	Demand Bonds	Capital Lease	Capital Note	Bonds	Intergovernmental Loans			
2012	\$ 25,650,000	\$ -	\$ -	\$ -	\$ 6,445,000	\$ -	\$ 32,095,000	24.17%	\$ 826
2011	21,825,000	-	-	-	7,300,000	-	29,125,000	18.43%	750
2010	24,000,000	-	-	-	8,125,000	-	32,125,000	22.57%	783
2009	26,055,000	-	-	-	8,900,000	-	34,955,000	20.53%	852
2008	21,935,000	-	-	-	4,250,000	-	26,185,000	16.00%	638
2007	23,885,000	-	-	-	4,585,000	-	28,470,000	17.57%	695
2006	26,000,000	-	-	-	4,905,000	-	30,905,000	21.00%	754
2005	22,885,000	-	-	-	5,205,000	87,887	28,177,887	19.40%	688
2004	24,913,175	-	-	-	5,680,000	213,945	30,807,120	22.80%	766
2003	26,901,860	-	39,158	-	6,140,000	333,215	33,414,233	27.30%	831

Notes: Details regarding the city's outstanding debt can be found in the notes to the financial statements.

CITY OF GERMANTOWN, TENNESSEE
RATIOS OF GENERAL BONDED DEBT OUTSTANDING
Last Ten Fiscal Years

Fiscal Years	Governmental Activities				Total	Percentage of Actual Taxable Value of Property	Per Capita
	General Obligation Bonds	Demand Bonds	Capital Lease	Capital Note			
2012	\$ 25,650,000	\$ -	\$ -	\$ -	\$ 25,650,000	0.46%	\$ 660.33
2011	21,825,000	-	-	-	21,825,000	0.39%	561.86
2010	24,000,000	-	-	-	24,000,000	0.42%	585.21
2009	26,055,000	-	-	-	26,055,000	0.51%	635.84
2008	21,935,000	-	-	-	21,935,000	0.44%	535.30
2007	23,885,000	-	-	-	23,885,000	0.50%	582.89
2006	26,000,000	-	-	-	26,000,000	0.55%	646.72
2005	22,885,000	-	-	-	22,885,000	0.56%	569.24
2004	24,913,175	-	-	-	24,913,175	0.62%	619.68
2003	26,901,860	-	39,158	-	26,941,018	0.68%	670.12

Notes: Details regarding the City's outstanding debt can be found in the notes to the financial statements.
See schedule 7 for property value data.
Population data can be found in Exhibit F-22.

CITY OF GERMANTOWN, TENNESSEE
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
As of June 30, 2012

	<u>Net Outstanding Debt</u>	<u>Percentage Applicable City of Germantown</u>	<u>Overlapping Debt</u>
City Net General Obligation Debt	\$ 25,650,000	100.00%	\$ 25,650,000
Shelby County (including School Board)	<u>1,493,946,286</u>	8.26%	<u>123,339,282</u>
Direct, Overlapping, and Short-term Debt	<u><u>\$ 1,519,596,286</u></u>		<u><u>\$ 148,989,282</u></u>

Note: The City has no direct or contingent liability for the Shelby County debt. The overlapping debt is calculated based upon the Germantown assessment as a percentage of the total county assessment.

CITY OF GERMANTOWN, TENNESSEE
PLEDGED-REVENUE COVERAGE
Last Ten Fiscal Years

Fiscal Year	Utility Service Charges	Less: Operating Expenses	Net Available Revenue	Debt Service		Coverage
				Principal	Interest	
2012	\$ 7,471,805	\$ 5,069,893	\$ 2,401,912	\$ 855,000	\$ 261,698	2.15
2011	7,896,551	5,543,197	2,353,354	825,000	290,810	2.11
2010	6,598,459	5,215,958	1,382,501	775,000	318,623	1.26
2009	7,030,835	4,996,003	2,034,832	350,000	255,419	3.36
2008	7,991,054	4,826,184	3,164,870	335,000	116,296	7.01
2007	8,486,257	4,406,062	4,080,195	315,000	282,167	6.83
2006	7,628,554	4,183,328	3,445,226	387,887	230,104	5.57
2005	4,458,056	3,723,103	734,953	1,716,417	313,771	0.36
2004	4,061,994	3,560,778	501,216	1,694,629	337,650	0.25
2003	3,779,536	3,677,697	101,839	548,488	313,717	0.12

Notes: Details regarding the City's outstanding debt can be found in the notes to the financial statements.
Operating expenses do not include interest or depreciation expenses.

CITY OF GERMANTOWN, TENNESSEE
CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM
Last Ten Fiscal Years

Function/Program	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol units	37	37	37	37	39	38	37	37	37	37
Fire Stations	4	4	4	4	4	4	4	4	4	4
Other public works										
Streets (miles)	206	206	200	200	198.5	196.5	195.5	193.5	192.5	189.5
Highways (miles)	10.5	10.5	10.5	10.5	10.5	10.5	10.5	10.5	10.5	10.5
Streetlights	5,135	5,122	5,115	5,102	5,095	4,936	4,896	4,863	4,749	4,685
Parks and recreation										
Acreage	748	748	748	748	748	748	722	722	722	722
Playgrounds	30	30	26	26	26	26	27	27	25	23
Baseball/softball diamonds	15	15	21	21	21	21	21	22	22	22
Soccer/football fields	21	21	14	14	14	14	13	12	12	12
Community center	1	1	1	1	1	1	1	1	1	1
Water										
Water mains (miles)	209	208	208	207	206	205	200	199	199	194
Fire hydrants	2,384	2,373	2,365	2,357	2,351	2,334	2,317	2,290	2,254	2,248
Storage capacity (million gallons)	8.1	8.1	8.1	6375	6.375	6.375	6.375	6.375	6.375	6.375
Wastewater*										
Sanitary sewers (miles)	211	211	211	210	209	208	200	195	186	181

Sources: Various City departments.

Notes:

* Wastewater treatment is provided through the City of Memphis via an agreement between the City and Memphis.

The charge is then passed on to the customer as a service fee on their monthly bill.

CITY OF GERMANTOWN, TENNESSEE
OPERATING INDICATORS BY FUNCTION/PROGRAM
Last Ten Fiscal Years

Function/Program	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Police										
Physical arrests	2,354	2,738	2,881	2,938	2,840	2,461	2,352	2,571	2,554	2,400
Parking violations	140	164	338	132	95	55	179	N/A	N/A	N/A
Traffic violations	12,411	14,475	16,423	17,995	17,271	15,362	13,868	15,363	15,703	13,803
Fire										
Emergency responses	3,109	2,924	2,806	2,789	2,703	2,790	2,685	2,574	2,435	2,193
Fires extinguished	102	89	111	114	119	152	141	117	166	203
Inspections	1,803	1,210	1,193	1,233	1,272	1,096	1,295	1,239	1,210	1,138
Other public works										
Street resurfacing (miles)	7.5	6.5	5.0	7.5	8.1	8.0	8.6	10.0	10.0	10.0
Parks and recreation										
Athletic field permits issued	N/A	N/A	68	159	178	153	205	N/A	N/A	N/A
Germantown Athletic Club										
*Admissions - per day	1,132	1,029	1,004	957	779	860	800	850	830	810
*Admissions - per year	407,476	370,497	361,422	344,763	284,404	301,000	288,000	306,000	298,000	291,600
**Library										
Volumes in collection	158,689	152,129	149,974	146,141	144,090	140,337	152,384	134,623	139,603	136,663
Total volumes borrowed	351,997	367,495	372,622	367,844	323,333	289,225	326,744	300,361	N/A	N/A
Water										
New connections	42	59	51	40	101	111	258	361	(6)	-
Water main breaks	12	8	18	7	6	8	15	15	15	15
Average daily consumption (TGL)	8.600	8326.000	7.038	7.518	7.779	7.650	7.632	5.500	5.400	6.500
Peak daily consumption (TGL)	17.200	15.120	15.722	15.668	21.328	21.300	18.930	17.475	11.080	13.327

Sources: Various City departments.

Notes: TGL=thousand gallons; N/A=Information Not Available

*The Germantown Athletic Club is open 360 days per year. Per day is an average and is rounded to the nearest even number. Children 11 and under are not included in these numbers.

**The Library was part of Memphis/Shelby County Library System until July 2004 when it came under the direction of the City of Germantown. Also, includes collections from the Germantown Regional History and Genealogy Center beginning in 2006.

CITY OF GERMANTOWN, TENNESSEE
FULL-TIME EQUIVALENT CITY GOVERNMENT BY PROGRAM/COST CENTER
Last Ten Fiscal Years

Program/Cost Center: (Full Time Equivalents - Non-Exempt/Exempt Employees)	2012		2011		2010		2009		2008		2007		2006		2005		2004		2003	
	Full Time	Part Time	Full Time	Part Time	Full Time	Part Time	Full Time	Part Time	Full Time	Part Time	Full Time	Part Time	Full Time	Part Time	Full Time	Part Time	Full Time	Part Time	Full Time	Part Time
General Government																				
City Court	7	0	7	0	6	0	6	-	5	-	5	-	6	-	6	3	6	-	6	-
Administration	4	1	5	1	5	1	5	2	9	2	9	2	7	1	7	1	8	1	8	1
Human Resources	6	-	6	-	6	-	6	-	6	-	6	-	6	-	6	-	6	-	6	-
Morgan Woods Theatre	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1	-	1	-	1	-
Information Technology	5	-	4	-	3	1	2	1	2	-	5	-	5	-	5	-	5	-	5	-
GPAC	9	5	9	5	9	5	9	4	10	5	9	5	9	5	10	5	10	4	10	4
Finance	15	1	14	1	15	1	15	1	16	-	15	1	17	-	17	-	17	-	18	-
Economic and Community Development	21	-	21	-	26	-	27	-	27	-	27	-	30	-	30	1	29	-	29	0
Facility Services	13	-	15	-	15	-	16	-	10	3	10	3	10	3	10	2	10	2	10	2
Research & Budget	2	-	2	-	2	-	2	-	2	1	3	1	3	1	3	1	3	-	3	-
Public Safety																				
Police	110	1	109	1	109	1	108	1	108	1	106	1	102	1	102	2	101	3	101	3
Fire	69	1	69	1	68	1	68	1	69	1	69	1	69	1	69	1	69	1	69	1
Transportation & Environment																				
Public Services	39	1	38	-	44	-	29	-	29	-	29	-	29	-	31	-	31	-	31	-
Fleet Services	10	-	10	-	10	-	10	-	10	-	11	-	11	-	11	-	11	-	11	-
Animal Control	4	-	4	-	4	-	4	-	4	-	4	-	4	-	4	-	2	-	4	-
Community Services																				
Parks & Recreation	7	4	6	5	9	4	32	4	33	3	37	3	39	3	39	4	39	2	42	2
The Farm	-	0	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Germantown Athletic Club																				
Recreation	10	12	10	12	11	11	10	12	8	15	15	15	12	15	12	18	12	15	12	18
Aquatics	2	14	2	14	2	13	2	13	2	13	3	13	3	14	3	15	3	12	3	15
Business	-	-	-	-	-	-	2	-	2	-	-	-	3	1	3	1	-	-	-	-
Great Hall	2	1	2	1	2	1	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Utilities																				
Water	20	-	20	-	20	-	20	-	20	-	21	-	21	-	21	-	21	-	21	-
Sewer	6	-	6	-	6	-	6	-	6	-	6	-	6	-	7	-	7	-	7	-
STORMWATER	7	-	8	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
RECREATION	-	-	-	1	6	-	6	-	6	-	6	-	6	-	7	-	7	-	7	-
Total	367	41	368	41	378	39	385	39	384	44	396	45	398	45	404	54	398	40	404	46

Source: City of Germantown

Notes:

A full-time employee is scheduled to work 2,080 hours per year (including Vacation and sick leave).

**CITY OF GERMANTOWN, TENNESSEE
PRINCIPAL EMPLOYERS
Current Year and Four Years Ago**

Employer	2012			2008		
	Employees	Rank	Percentage of Total County Employment	Employees	Rank	Percentage of Total County Employment
Methodist Le Bonheur Hospital - Germantown	1,277	1	0.22%	1,885	1	0.45%
Shelby County School System - Germantown Schools	636	2	0.11%	708	2	0.17%
City of Germantown	367	3	0.06%	379	4	0.09%
Campbell Clinic	350	4	0.06%	340	5	0.08%
Orgill, Inc.	330	5	0.06%	287	6	0.07%
O.R. Nurses	328	6	0.06%	280	7	0.07%
ThyssenKrupp Elevator Manufacturing Inc.	300	7	0.05%			
Baptist Rehabilitation - Germantown	205	8	0.04%	504	3	0.12%
El Porton	200	9	0.03%	200	9	0.05%
Schnucks				208	10	0.05%
Stern Cardiovascular	150	10	0.03%	204	8	0.05%

Note: Information from prior years not available.

CITY OF GERMANTOWN, TENNESSEE
DEMOGRAPHIC AND ECONOMIC STATISTICS
Last Ten Calendar Years

	Population	Personal Income (thousands of dollars)	Per Capita Personal Income	School Enrollment	Unemployment Rate
	1	4	4	5	6
2003	40,203	135,081	48,629	8,659	1.8
2004	40,203	145,306	52,310	9,073	1.8
2005	40,203	147,394	53,165	8,914	4.1
2006	40,977	162,055	57,591	9,117	N/A*
2007	40,977	163,643	59,017	8,558	3.4
2008	40,977	170,252	61,275	8,363	4.5
2009	41,011	154,292	55,632	8,099	8.6
2010	41,011	142,358	51,215	7,927	6.9
2011	38,844	158,011	53,043	8,499	6.2
2012	38,844	132,795	50,429	8,580	6.4

Sources:

(1) Estimated unless otherwise noted

(2) Federal Census

(3) Special Local Census

(4) Memphis Business Journal

(5) Shelby County Board of Education

(6) U.S. Census Bureau * 2006 Unemployment rate not available by document deadline.

2008 and 2011 Unemployment rate derived from Sperlings BestPlaces. 2010 Unemployment rate derived from

The Commercial Appeal. 2012 unemployment rate derived from the Department of Labor and Workforce Development.

Note: U.S. Census Bureau and Memphis Business Journal information is reported on a calendar basis.

CITY OF GERMANTOWN, TENNESSEE
SCHEDULE OF UNACCOUNTED FOR WATER
June 30, 2012

(All amounts in 1,000 gallons)

A Water Treated and Purchased:		
B	Water Pumped (potable)	3,160,021
C	Water Purchased	13,084
D	Total Water Treated and Purchased	3,173,105
	(Sum Line B and C)	
E Accounted for Water:		
F	Water Sold (In T-gals)	2,402,174
G	Metered for Consumption (in-house usage)	32,268
H	Fire Department(s) usage	16,000
I	Flushing	8,000
J	Tank Cleaning/Filling	2,000
K	Street Cleaning	500
L	Bulk Sales	10,000
M	Water Bill Adjustments	-13,844
N	Total Accounted for Water	2,457,098
	(Sum Line F thru M)	
O	Unaccounted for Water	716,007
	(Line D minus Line N)	
P	Percent Unaccounted for Water	22.565%
	(Line O divided by Line D times 100)	
Q	Other (explain)	75,655

Explain Other: (Used FY12/Billed FY13)-(Used FY11/Billed FY12)

All amounts included in this schedule are supported by documentation on file at the water system. If no support is on file for a line item or if the line item is not applicable, a "0" is shown.

CITY OF GERMANTOWN, TENNESSEE
SCHEDULE OF UTILITY RATE STRUCTURE AND NUMBER OF CUSTOMERS
June 30, 2012

As of June 30, 2012, City of Germantown, Tennessee served approximately 13,820 water customers and had the following rate structure in place:

<u>Water Rates</u>	<u>Amount</u> (TGL=thousand Gallons)
Residential	
Minimum (5 TGL)	\$ 6.75 per TGL
6 TGL - 15 TGL	1.65 per TGL
16 TGL - 50 TGL	1.90 per TGL
51 to 999,999	2.40 per TGL
Commercial	
Minimum (5 TGL)	10.13 per TGL
6 TGL - 15 TGL	2.63 per TGL
16 - 50 TGL	3.00 per TGL
51 to 999,999	3.75 per TGL





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

To the Honorable Sharon Goldsworthy, Mayor
and the Board of Aldermen
City of Germantown, Tennessee

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, the statement of budgetary comparison for the general fund, and the aggregate remaining fund information of the City of Germantown, Tennessee, (the “City”) as of and for the year ended June 30, 2012, which collectively comprise the City’s basic financial statements and have issued our report thereon dated November 30, 2012. 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. Other auditors audited the financial statements of the Germantown Performing Arts Center (GPAC), which is the City’s component unit, as described in our report on the City’s financial statements. The financial statements of GPAC were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

Management of the City is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the City’s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City’s internal control over all financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City’s internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable

possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined previously.

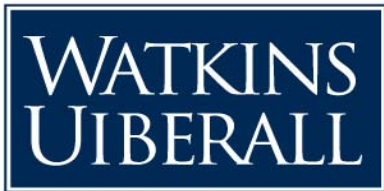
Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Mayor, Board of Aldermen, audit committee, management, the State of Tennessee, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Watkins Mikusall, PLLC". The signature is written in a cursive, flowing style.

Memphis, Tennessee
November 30, 2012



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**INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE WITH REQUIREMENTS
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE
WITH OMB CIRCULAR A-133**

To the Honorable Sharon Goldsworthy, Mayor
and the Board of Aldermen
City of Germantown, Tennessee

Compliance

We have audited the City of Germantown, Tennessee (the “City”)’s compliance with the types of compliance requirements described in *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on the City’s major federal program for the year ended June 30, 2012. The City’s major federal program is identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City’s management. Our responsibility is to express an opinion on the City’s compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City’s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the City’s compliance with those requirements.

In our opinion, the City complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2012.

Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the Mayor, Board of Aldermen, audit committee, management, the State of Tennessee, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Watkins Universal, PLLC

Memphis Tennessee
November 30, 2012

CITY OF GERMANTOWN, TENNESSEE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2012

A. SUMMARY OF AUDITOR'S RESULTS

1. The auditor's report expresses an unqualified opinion on the financial statements of the City of Germantown, Tennessee.
2. No significant deficiencies related to the financial statements of the City of Germantown, Tennessee were disclosed during the audit.
3. No instances of noncompliance material to the financial statements of the City of Germantown, Tennessee were disclosed during the audit.
4. No significant deficiencies in internal control over major federal award programs are reported.
5. The auditor's report on compliance for the major federal award program for the City of Germantown, Tennessee expresses an unqualified opinion on the major federal program.
6. There were no audit findings required to be reported in accordance with Section 510(a) of OMB Circular A-133.
7. The program tested as a major program included:
 - 20.205 – Highway Planning and Construction
8. The threshold for distinguishing between Type A and B programs was \$300,000.
9. The City of Germantown, Tennessee did not qualify as a low risk auditee.

B. FINDINGS – FINANCIAL STATEMENTS AUDIT

None reported

C. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

None reported

