

CITY OF GERMANTOWN TENNESSEE

Comprehensive Annual Financial Report For the Fiscal Year Ended June 30, 2013

Prepared by the City of Germantown Finance Department

**CITY OF GERMANTOWN, TENNESSEE
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 FOR THE FISCAL YEAR ENDED JUNE 30, 2013
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CITY OF GERMANTOWN TENNESSEE

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

December 18, 2013

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, 2013. This document reports the sound financial position of the various funds of the City of Germantown and the financial results for operations during FY13. 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 49.5% against operating expenditures in FY13. The City also maintained a Triple-A debt credit rating with Moody's and Standard & Poor's, one of just 76 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 place of its residents; they also contribute to the attractiveness of the metropolitan area. Quality housing is a major "industry" for Germantown, ranging from single-family subdivisions to zero-lot lines to congregate living for seniors. Newer home construction supplements a housing inventory in both new and 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

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 1930 South Germantown Road • Germantown, Tennessee 38138-2815
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December 18, 2013

*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, 2013, 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 assets 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, 2013. 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, 2013 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.

The Board of Mayor and Aldermen
City of Germantown, Tennessee
December 18, 2013

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 provides 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 transfer 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 requests 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 improvement and stabilization in the past year. Property tax remains the most stable source of revenue at approximately 57.1% of total general fund revenue with collections remaining very strong. Real and personal property are assessed by the Shelby County Assessor. Sales tax is the second largest revenue source to the City. Sales tax decreased over the past year by 2.5%. With the economy improving, the Hall Income tax increased from the prior year by \$945,000. The City of Germantown has a strong retail climate for retail although the City is primarily a bedroom community. The City did not have a tax increase for the fiscal year 2013. During Fiscal Year 2013 the City issued 80 permits for new single family residence structures with a value of \$36,394,166 or average value of \$450,000.

During Fiscal Year 2013 the City contracted with an outside consultant to develop a plan for revitalizing commercial development within the City limits. The focus began with our Western border, with businesses agreeing to participate in the redevelopment processes. Smart growth is beginning to find momentum within the City limits as businesses expect growth within the community in future years. Within the center of the City, businesses are beginning to apply for building permits. Permits are being issued for anticipated construction and the Smart Code must apply to all future buildings. This will begin the revitalization of the center of the City.

Long Term Financial Planning

Since the adoption of Vision 2020 in 2005, the Board of Mayor and Aldermen have conducted semi-annual retreats in January and August 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 build-out scenarios for our community. Managed competition focused on cost control and reductions 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

The Board of Mayor and Aldermen
City of Germantown, Tennessee
December 18, 2013

approach is outcome based and results oriented, with process 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 base 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 is our most stable sources of revenue and represents approximately 57.1% of the City's revenue.

The City was reaffirmed as Triple-A rating by Moody's and Standard & Poor's in September 2013. On September 23, 2013 the City refunded its 2005 bonds for a better interest rate and issued new bonds in the amount of \$3.5 million. The refunding of the 2005 bond had a present value saving to taxpayers of \$360,412. These bonds are to fund capital improvements which include, but are not limited to improvements to and stabilization of various drainage laterals, construction of a new roadway to the Farm Park, and the extension of the Greenway along Wolf River Blvd.

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, 2012. This was the 31st 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 requirement 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, 2012. 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

The Board of Mayor and Aldermen
City of Germantown, Tennessee
December 18, 2013

of one year only. The City of Germantown has received a Popular Award for the last four consecutive years (fiscal years ended 2008-2012). 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, 2012. The City has received the Award for each of the 28 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 Budget & Performance 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 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



Government Finance Officers Association

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

Presented to

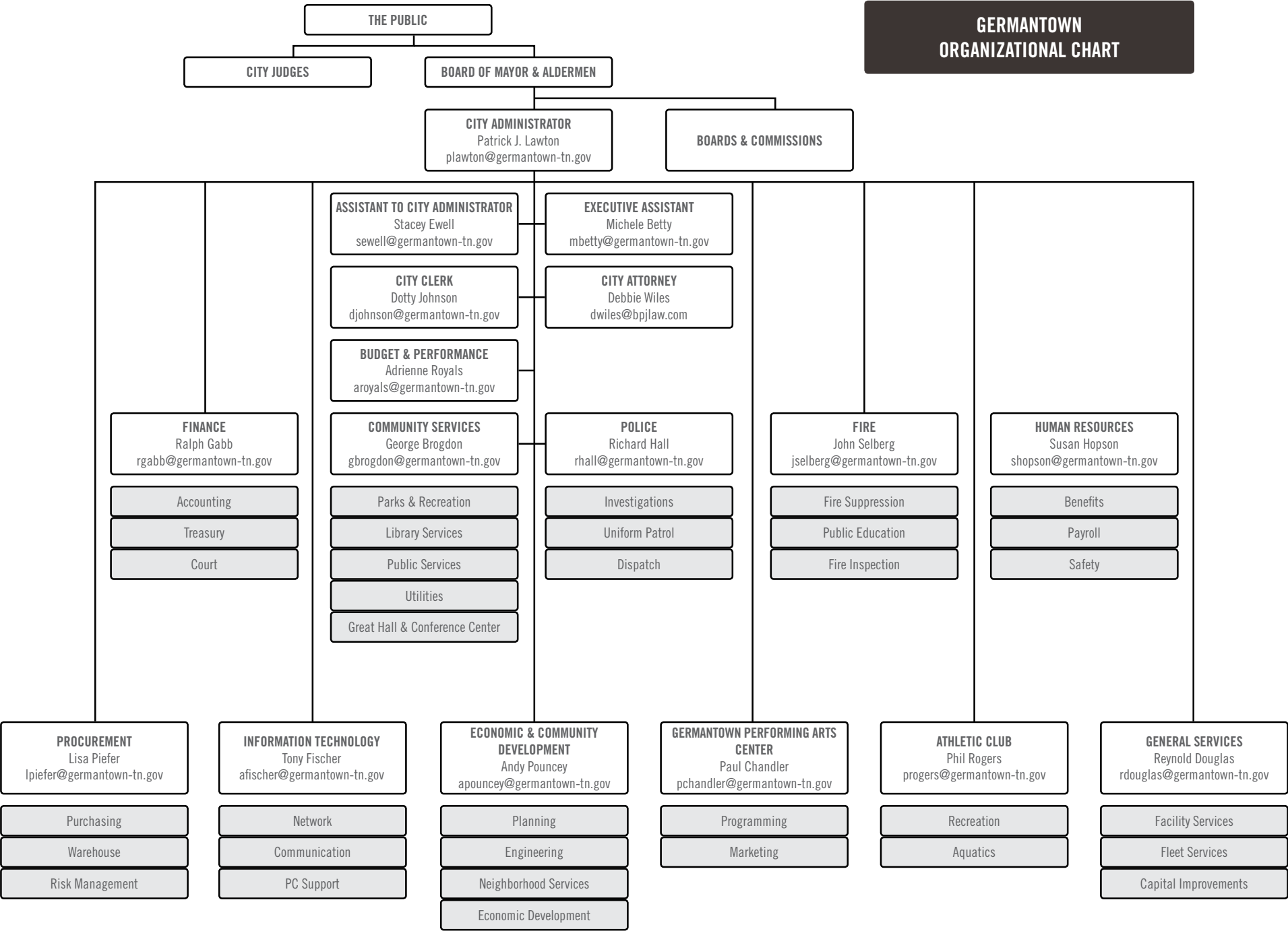
**City of Germantown
Tennessee**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2012

Executive Director/CEO

GERMANTOWN ORGANIZATIONAL CHART



**CITY OF GERMANTOWN
CITY OFFICIALS**

MAYOR

Honorable Sharon Goldsworthy (2014*)

ALDERMEN

Greg Marcom (Vice Mayor – 2014*)

John Drinnon (2014*)
Mike Palazzolo (2016*)

Forest Owens (2016*)
Rocky Janda (2016*)

CITY ADMINISTRATOR

Patrick J. Lawton

CITY ATTORNEY

Debra A. Wiles

CITY JUDGES

Raymond S. Clift
Robert M. Brannon, Jr.

EXECUTIVES

Community Services Division Director.....George Brogdon
Economic and Community Development Services Director.....G. Andrew Pouncey
Finance Director.....Ralph J. Gabb
Fire Chief.....John M. Selberg
Germantown Athletic Club Director..... Phil Rogers
Germantown Performing Arts Center.....Paul Chandler
General Services Director.....Reynold Douglas
Human Resources Director.....Susan Hopson
Information Technology Director..... Tony Fischer
Parks and Recreation Director.....Pam Beasley
Police Chief.....Richard Hall
Procurement Director.....Lisa Piefer
Public Services Director..... Bo Mills

*(Date elected term expires)



Watkins Uiberall, PLLC
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Independent Member of BKR International

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

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, 2013, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of Germantown Performing Arts Center ("GPAC"), a component unit of the City of Germantown, Tennessee, which statements reflect total assets constituting 0.5 percent of consolidated total assets at June 30, 2013, and total revenues constituting 3.3 percent of consolidated total revenues for the year then ended. Those statements were audited by other auditors, whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for GPAC, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

Opinions

In our opinion, based on our audits 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, 2013, and the respective changes in financial position and, where applicable, cash flows thereof, and the respective budgetary comparison for the general fund, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As discussed in Note 14 to the financial statements, in 2013 the City adopted new accounting guidance, GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Germantown, Tennessee's basic financial statements. 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 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 nonmajor fund financial statements and schedules, supplementary schedules, and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements, the supplementary schedules, and the schedule of expenditures of federal awards are 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 18, 2013, on our consideration of the City of Germantown, Tennessee's internal control over financial reporting and our test 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 in accordance with *Government Auditing Standards* in considering Germantown, Tennessee's internal control over financial reporting and compliance.

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

Memphis, Tennessee
December 18, 2013



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, 2013. 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 and deferred inflows of resources at June 30, 2013 by \$163,466,375 (net position). Of this amount, \$27,361,736 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
- At June 30, 2013, the City's governmental funds reported total fund balances of \$24,862,737. Of this amount, \$2,876,078 (unassigned fund balances) may be used to meet the general governments spending requirements. The unassigned fund balance represents 7.4% of total General Fund expenditures.
- During the fiscal year, the City's total debt decreased by \$3,425,000. The City paid existing debt down.

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 position presents information on all of the City's assets, liabilities, and deferred inflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The statement of activities presents information showing how the government's net position changed during the year ended June 30, 2013. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash 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 fourteen 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, which are considered to be major funds. Data from the other twelve 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 and Athletic Club Fund both of which are considered to be major funds of the City. In addition, the City has three non-major funds. These funds include the Sanitation, 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 53-87 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 position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities and deferred outflows of resources by \$163,466,375 at June 30, 2013.

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Current and Other Assets	\$ 60,085,896	\$ 63,291,971	\$ 7,472,323	\$ 9,116,720	\$ 67,558,219	\$ 72,408,691
Capital Assets	101,202,191	86,283,230	60,835,277	61,297,949	162,037,468	147,581,179
Total Assets	161,288,087	149,575,201	68,307,600	70,414,669	229,595,687	219,989,870
Long-term liabilities outstanding	23,008,768	24,216,198	4,732,281	5,574,052	27,741,049	29,790,250
Other Liabilities	8,688,452	33,533,997	2,625,095	3,075,394	11,313,547	36,609,391
Total Liabilities	31,697,220	57,750,195	7,357,376	8,649,446	39,054,596	66,399,641
Deferred inflows of resources	27,074,716	-	-	-	27,074,716	-
Net Position:						
Invested in Capital Assets, net of related debt	79,702,880	64,381,386	55,092,513	54,753,414	134,795,393	119,134,800
Restricted	1,218,763	1,768,896	-	-	1,218,763	1,768,896
Unrestricted	21,594,508	25,674,724	5,857,711	7,011,809	27,452,219	32,686,533
Total Net Position	\$ 102,516,151	\$ 91,825,006	\$ 60,950,224	\$ 61,765,223	\$ 163,466,375	\$ 153,590,229

By far the largest portion of the City's net position (82.5%) 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 position (.7%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position (\$27,361,736) may be used to meet the government's ongoing obligations to citizens and creditors.

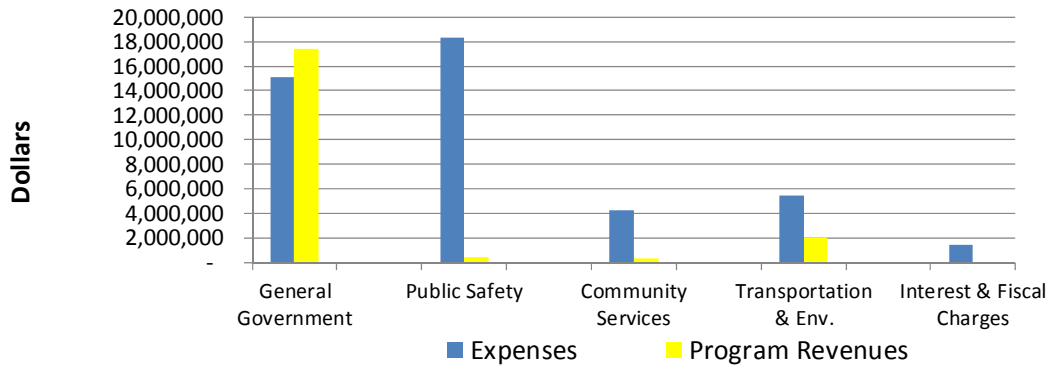
At the end of the current fiscal year, the City is able to report positive balances in both categories of net position, both for the government as a whole, as well as for its separate governmental and business-type activities. The positive unrestricted net position for governmental activities are reflective 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 position by \$10,691,145, thereby accounting for a 11.6% increase in net position. Key elements of this increase are as follows:

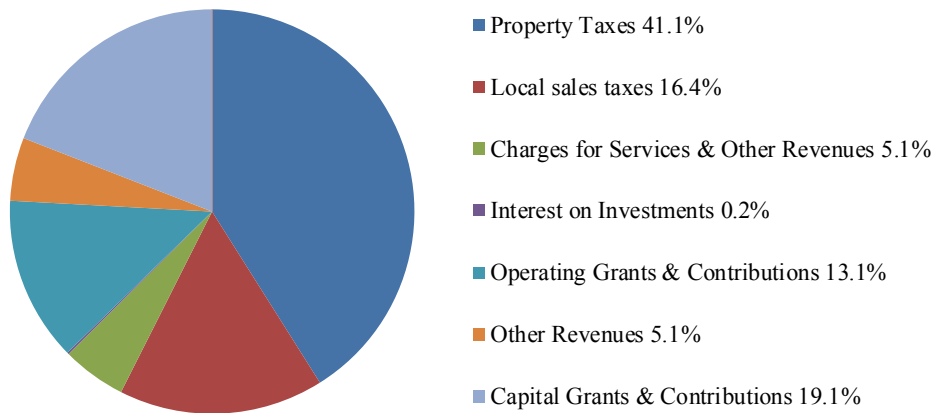
	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Revenues						
Program Revenues:						
Charges for Services	\$ 2,768,546	\$ 3,197,574	\$ 15,548,159	\$ 15,992,471	\$ 18,316,705	\$ 19,190,045
Operating Grants and Contributions	7,103,351	6,137,631	-	-	7,103,351	6,137,631
Capital Grants and Contributions	10,316,156	8,269,611	86,243	116,797	10,402,399	8,386,408
General Revenues:						
Property taxes	22,185,722	22,514,596	-	-	22,185,722	22,514,596
Local sales taxes	8,844,583	7,245,188	-	-	8,844,583	7,245,188
Interest on investments	82,582	109,193	19,795	16,487	102,377	125,680
Other revenue	2,730,051	1,505,528	-	-	2,730,051	1,505,528
Total Revenues	54,030,991	48,979,321	15,654,197	16,125,755	69,685,188	65,105,076
Expenses:						
General Government	15,085,014	14,455,690	-	-	15,085,014	14,455,690
Public Safety	18,283,716	18,714,470	-	-	18,283,716	18,714,470
Community Services	4,286,244	3,038,987	-	-	4,286,244	3,038,987
Transportation and Environment	5,436,003	5,969,305	-	-	5,436,003	5,969,305
Interest and Fiscal Charges	1,415,478	950,133	-	-	1,415,478	950,133
Utilities	-	-	7,309,861	6,884,307	7,309,861	6,884,307
Athletic Club	-	-	3,404,771	3,579,023	3,404,771	3,579,023
Nonmajor Enterprise Funds	-	-	4,587,955	4,797,091	4,587,955	4,797,091
Total Expenses	44,506,455	43,128,585	15,302,587	15,260,421	59,809,042	58,389,006
Increase/(Decrease) in Net Position						
before transfers	9,524,536	5,850,736	351,610	865,334	9,876,146	6,716,070
Gain/(Loss) on Disposal of Capital Assets	-	77,670	-	-	-	77,670
Transfers	1,166,609	376,323	(1,166,609)	(376,323)	-	-
Increase/(Decrease) in Net Position	10,691,145	6,304,729	(814,999)	489,011	9,876,146	6,793,740
Net Position - July 1, 2012	91,825,006	85,520,277	61,765,223	61,276,212	153,590,229	146,796,489
Net Position - June 30, 2013	\$ 102,516,151	\$ 91,825,006	\$ 60,950,224	\$ 61,765,223	\$ 163,466,375	\$ 153,590,229

- Property Taxes decreased to \$22,185,722, which is \$328,874 less than FY12. The cost of providing General Government, Community Services and Interest and Fiscal Charges increased by \$2,341,926 over last year. General Government increased \$629,324, Community Services increased \$1,247,257, while Interest and Fiscal Charges increased by \$465,345. Public Safety, Transportation and Environment decreased by \$964,056. General Government increased due to increase in salaries for staff who retired and annual salary increases and additional legal fees incurred for municipal school start up. Community Services increased due to yearly pay increases and a full year of The Farm Park. Public Safety decreased due to a reduction in overtime and capital outlay. The Transportation and Environment decrease is due to reduction in personnel cost.

Governmental Revenues and Expenses



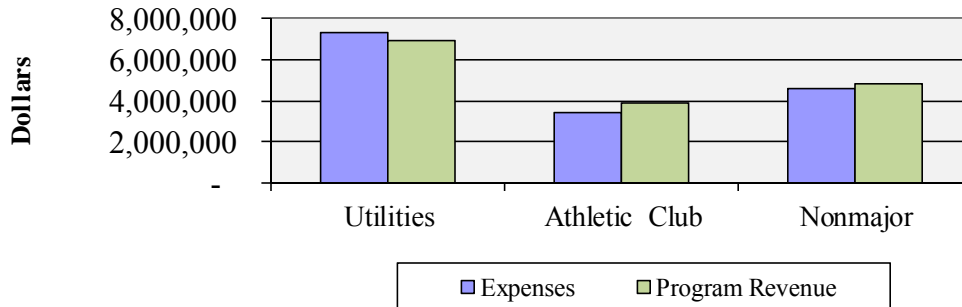
Governmental Revenues by Source



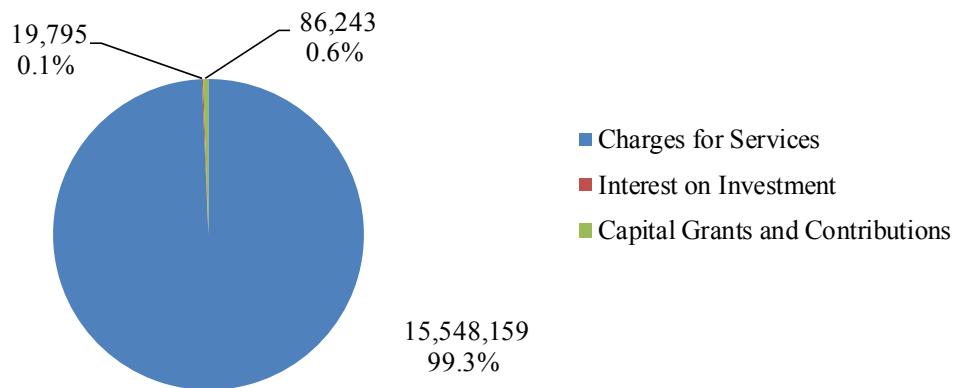
Business-type activities. Business-type activities decreased the City’s net position by \$814,989. The business-type activities are Utility, Athletic Club, and the Nonmajor Enterprise Funds.

- The Germantown Utility Fund decreased by \$802,733, due to lower revenues in water and sewer and increases in personnel cost, and sewer treatment fees.
- The Germantown Athletic Club net position decreased by \$347,827 due to a transfer (return) of capital money to the general fund of \$850,000. However, operating income for FY13 was \$526,721, which is an increase of \$361,413 from FY12.
- The Nonmajor Enterprise Fund’s net position increased by \$335,566, due to increased revenues with the Great Hall and Stormwater Funds, in addition to reducing the expenditures in the Sanitation Fund and controlling cost at the Great Hall and Stormwater Funds.

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



Business-type Activities Revenue by Source



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, 2013, the City's governmental funds reported combined ending fund balances of \$24,862,737, a decrease of \$5,502,545 in comparison with the prior year. Approximately 11.6% of this total amount of \$2,876,078 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 (\$953,837), restricted (\$1,218,763), committed (\$17,246,263), and assigned (\$2,567,796) amounts. The General Fund is the chief operating fund of the City.

At June 30, 2013, unassigned fund balance of the General Fund was \$2,876,078 while the total fund balance reached \$19,220,174. 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 7.4% of total General Fund Expenditures, while total fund balance represents 49.5% of that same amount.

The fund balance of the City's General Fund increased by \$1,471,193 during the fiscal year ended June 30, 2013. Key factors are as follows:

- Property tax decreased \$71,355
- Local sales tax decreased \$179,633
- Intergovernmental taxes increased \$1,097,989
- Fines and Forfeitures increased \$46,344
- Licenses and Permits increased \$32,018
- Fees for services increased \$21,195
- Investment income decreased \$278
- Grants decreased \$154,928
- Other revenue increased \$66,265
- Total expenditures increased \$76,467

Property tax decreased due to taxpayers appealing the values to the assessors' office. Local sales taxes decreased due to the loss of a grocery chain on the eastern borders and the road construction in the center of town. Intergovernmental taxes increased due to increases in Halls taxes from dividends and interest paid to the state by citizens. Fines and forfeitures increased due to more court cases being heard and fines being assessed. Licenses and permits increased due to more business licenses being issued and permits for buildings being issued in FY13. Fees for services increased very moderately. Investment income decreased very moderately by \$278 as interest rates continue to be low. Grants decreased as there were few grants for the City to apply.

Total expenses did not increase significantly as the City controlled the spending of the various departments. It was determined during the year, that revenues were not going to come in as expected and therefore, measures need to be taken to control spending. The City was successful in most departments of holding expenses to the prior year spending.

The decrease in the fund balance for Capital Projects – Major Roads was due to the spending of the general obligation bonds issued in FY12. The general obligation bonds were recorded as revenue and subsequently moved into fund balance. As the spending occurs the fund is balance is drawn down. The decrease in Other Governmental Funds is due to capital project spending in drainage and general government construction.

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 position of \$5,765,659 is comprised of, \$4,012,733 for the Utility Fund, \$645,342 for the Athletic Club Fund, and \$1,107,584 for the nonmajor enterprise funds. User fees support these funds.

General Fund Budgetary Highlights

The General Fund revenues were lower than budgeted by \$826,258. The decrease was due to decreases in Property Tax of \$404,372, Local Sales Taxes \$365,634, Fines and Forfeitures of \$375,739, Licenses and Permits of \$3,954 and Grants of \$151,526 below FY13 budget. Interest on Investments was lower than budget by \$21,988, due to lower interest rates on investments. However, Intergovernmental revenues was higher than budget by \$474,592 as state income and excise tax was \$525,003 higher. There was a small increase between budget and actual revenues in Other Revenues of \$4,448 and Fees for Service of \$17,915.

General Fund expenditures were lower than budgeted by \$1,830,810. The variances were due to the lower costs associated with 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 \$763,202. Savings were also achieved in Public Safety of \$423,368, Community Services of \$351,916, Transportation and Environment of \$291,824 and Debt Service of \$500.

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, 2013 amounts to \$162,037,468 (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 \$14,456,288. Governmental activities increased \$14,918,961 or 17.3% and business activities decreased \$462,673 or 0.8%.

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Land and Buildings	\$ 30,764,510	\$31,470,947	\$13,973,852	\$14,360,116	\$ 44,738,362	\$ 45,831,063
Improvements Other Than Buildings	34,174,804	33,491,365	44,944,258	42,769,566	79,119,062	76,260,931
Equipment	7,756,348	5,310,277	582,026	759,984	8,338,374	6,070,261
Construction in Progress	28,506,529	16,010,641	1,335,141	3,408,283	29,841,670	19,418,924
Total	<u>\$ 101,202,191</u>	<u>\$86,283,230</u>	<u>\$60,835,277</u>	<u>\$61,297,949</u>	<u>\$ 162,037,468</u>	<u>\$ 147,581,179</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, 2013 the City had total bonded debt outstanding of \$28,670,000. Of this amount \$23,105,000 comprises debt backed by the full faith and credit of the government and \$5,565,000 represents bonds secured by specified revenue sources (i.e., revenue bonds).

Condensed Statement of Outstanding Debt
General Obligation and Revenue Bonds

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
General Obligation Bonds	\$23,105,000	\$25,650,000	\$ -	\$ -	\$23,105,000	\$25,650,000
Revenue Bonds	-	-	5,565,000	6,445,000	5,565,000	6,445,000
Total	<u>\$23,105,000</u>	<u>\$25,650,000</u>	<u>\$5,565,000</u>	<u>\$6,445,000</u>	<u>\$28,670,000</u>	<u>\$32,095,000</u>

During FY13, the City’s total debt decreased by \$3,425,000. Total debt includes general obligation bonds and revenue bonds. Total debt for governmental activities decreased by 9.9%. The decrease is due to no new debt and payments on existing debt. Also, business-type activities’ debt decreased by 13.7%, 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 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.

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

Economic Factors and Next Year’s Budget and Rates

Factors considered in preparing the City’s Budget for the 2014 fiscal year are more fully discussed in the Budget document and included:

- The property tax was increased by .445 cent in FY14. This was required due to lower property values, decreased sales tax, reduced Halls tax and decreases in fund balance.

- The City initiated Managed Competition during FY07 with an emphasis on creating greater efficiency and cost control. The FY14 Budget reflects the continued emphasis of Managed Competition and cost savings by looking at each element of operations with business focus on customers and quality of service.
- The City continues to look at new sources of revenue and grants to supplement the property tax values. 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 requires the City to review in-depth its revenue assumptions in formulating the FY14 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 FY12 the City implemented GASB 54. The unassigned fund balance in the General Fund is \$2,876,078. The City has a total approved budget of \$71,310,377 in expenditures for FY14. The City's tax rate for FY14 has been set at \$1.93 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, 2013, 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 POSITION

June 30, 2013

	Primary Government			Component
	Governmental Activities	Business-Type Activities	Total	Unit GPAC
ASSETS				
Cash and cash equivalents	\$ 20,394,190	\$ 6,096,469	\$ 26,490,659	\$ 525,959
Investments	2,454,140	1,097,991	3,552,131	-
Receivables				
Property taxes	27,789,953	-	27,789,953	-
Interest	-	-	-	-
Customer and developers receivables	-	1,281,520	1,281,520	226,340
Other	9,737,153	22,078	9,759,231	248,046
Less allowance for doubtful accounts	(1,540,244)	(80,798)	(1,621,042)	-
Internal balances	998,431	(998,431)	-	-
Inventories	189,169	53,494	242,663	531
Restricted assets:				
Cash and cash equivalents	63,104	-	63,104	-
Capital assets, not being depreciated	39,914,095	4,107,735	44,021,830	-
Capital assets, being depreciated, net	61,288,096	56,727,542	118,015,638	85,894
Total assets	<u>161,288,087</u>	<u>68,307,600</u>	<u>229,595,687</u>	<u>1,086,770</u>
LIABILITIES				
Accounts payable and accrued liabilities	2,426,187	817,585	3,243,772	5,964
Accrued interest	131,979	30,182	162,161	-
Customer deposits	-	582,945	582,945	23,625
Contracts payable	1,770,890	-	1,770,890	-
Unearned revenue	1,721,573	274,383	1,995,956	116,857
Noncurrent liabilities:				
Due within one year	2,637,823	920,000	3,557,823	-
Due in more than one year	23,008,768	4,732,281	27,741,049	-
Total liabilities	<u>31,697,220</u>	<u>7,357,376</u>	<u>39,054,596</u>	<u>146,446</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - taxes	27,074,716	-	27,074,716	-
NET POSITION				
Net investment in capital assets	79,702,880	55,182,996	134,885,876	85,894
Restricted for:				
Drug Enforcement	101,427	-	101,427	-
Library Endowment	271,480	-	271,480	-
Municipal Schools	532,000	-	532,000	-
Capital Projects	313,856	-	313,856	-
Unrestricted	<u>21,594,508</u>	<u>5,767,228</u>	<u>27,361,736</u>	<u>854,430</u>
Total net position	<u>\$ 102,516,151</u>	<u>\$ 60,950,224</u>	<u>\$ 163,466,375</u>	<u>\$ 940,324</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, 2013

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental Activities:				
General government	\$ 15,085,014	\$ 1,266,206	\$ 5,833,944	\$ 10,294,533
Public safety	18,283,716	175,474	233,386	13,875
Community services	4,286,244	348,865	3,324	7,748
Transportation and environment	5,436,003	978,001	1,032,697	-
Interest and fiscal charges	1,415,478	-	-	-
Total governmental activities	<u>44,506,455</u>	<u>2,768,546</u>	<u>7,103,351</u>	<u>10,316,156</u>
Business-type activities:				
Utilities	7,309,861	6,793,703	-	86,243
Athletic Club	3,404,771	3,900,935	-	-
Nonmajor Enterprise Fund	4,587,955	4,853,521	-	-
Total business-type activities	<u>15,302,587</u>	<u>15,548,159</u>	<u>-</u>	<u>86,243</u>
Total primary government	<u>\$ 59,809,042</u>	<u>\$ 18,316,705</u>	<u>\$ 7,103,351</u>	<u>\$ 10,402,399</u>
Component unit:				
GPAC	<u>\$ 2,164,616</u>	<u>\$ 667,430</u>	<u>\$ 1,681,361</u>	<u>\$ -</u>
General revenues:				
Property taxes				
Local sales taxes				
Interest on investments				
Other revenues				
Transfers				
Total general revenues and transfers				
Change in net position				
Net position - beginning				
Net position - ending				

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

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

Primary Government			Component Unit
Governmental Activities	Business-Type Activities	Total	GPAC
\$ 2,309,669	\$ -	\$ 2,309,669	\$ -
(17,860,981)	-	(17,860,981)	-
(3,926,307)	-	(3,926,307)	-
(3,425,305)	-	(3,425,305)	-
(1,415,478)	-	(1,415,478)	-
<u>(24,318,402)</u>	<u>-</u>	<u>(24,318,402)</u>	<u>-</u>
-	(429,915)	(429,915)	-
-	496,164	496,164	-
-	265,566	265,566	-
<u>-</u>	<u>331,815</u>	<u>331,815</u>	<u>-</u>
<u>(24,318,402)</u>	<u>331,815</u>	<u>(23,986,587)</u>	<u>-</u>
-	-	-	184,175
22,185,722	-	22,185,722	-
8,844,583	-	8,844,583	-
82,582	19,795	102,377	-
2,730,051	-	2,730,051	-
1,166,609	(1,166,609)	-	-
<u>35,009,547</u>	<u>(1,146,814)</u>	<u>33,862,733</u>	<u>-</u>
10,691,145	(814,999)	9,876,146	184,175
<u>91,825,006</u>	<u>61,765,223</u>	<u>153,590,229</u>	<u>756,149</u>
<u>\$ 102,516,151</u>	<u>\$ 60,950,224</u>	<u>\$ 163,466,375</u>	<u>\$ 940,324</u>

CITY OF GERMANTOWN, TENNESSEE

BALANCE SHEET – GOVERNMENTAL FUNDS

June 30, 2013

	<u>General</u>	<u>Capital Projects - Major Roads</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and cash equivalents	\$ 14,450,370	\$ 833,548	\$ 3,945,274	\$ 19,229,192
Investments	1,980,338	-	473,802	2,454,140
Receivables				
Property taxes	27,789,953	-	-	27,789,953
Interest	-	-	-	-
Other	6,457,411	2,674,846	601,006	9,733,263
Less allowance for doubtful accounts	(1,540,244)	-	-	(1,540,244)
Advances to other funds	1,000,000	-	-	1,000,000
Inventories	78,837	-	-	78,837
Restricted assets:				
Cash and cash equivalents	15,462	37,777	9,865	63,104
Total assets	<u>\$ 50,232,127</u>	<u>\$ 3,546,171</u>	<u>\$ 5,029,947</u>	<u>\$ 58,808,245</u>
LIABILITIES				
Liabilities:				
Accounts payable	\$ 1,734,740	\$ 1,532	\$ 163,945	\$ 1,900,217
Contracts payable	-	1,240,954	529,936	1,770,890
Unearned revenue	1,721,573	-	-	1,721,573
Total liabilities	<u>3,456,313</u>	<u>1,242,486</u>	<u>693,881</u>	<u>5,392,680</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - taxes	27,555,640	-	-	27,555,640
Unavailable revenue - grants	-	989,440	7,748	997,188
Total deferred inflows of resources	<u>27,555,640</u>	<u>989,440</u>	<u>7,748</u>	<u>28,552,828</u>
Fund Balances:				
Nonspendable	953,837	-	-	953,837
Restricted	-	313,856	904,907	1,218,763
Committed	14,031,590	1,000,389	2,214,284	17,246,263
Assigned	1,358,669	-	1,209,127	2,567,796
Unassigned	2,876,078	-	-	2,876,078
Total fund balances	<u>19,220,174</u>	<u>1,314,245</u>	<u>4,328,318</u>	<u>24,862,737</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 50,232,127</u>	<u>\$ 3,546,171</u>	<u>\$ 5,029,947</u>	<u>\$ 58,808,245</u>

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

CITY OF GERMANTOWN, TENNESSEE

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

June 30, 2013

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

Total fund balances - total governmental funds	\$ 24,862,737
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	101,069,043
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	1,478,112
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 in the governmental activities in the statement of net position.	884,829
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	<u>(25,778,570)</u>
Net position of governmental activities	<u><u>\$ 102,516,151</u></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, 2013

	General	Capital Projects - Major Roads	Other Governmental Funds	Total
REVENUES				
Taxes:				
Property taxes	\$ 22,508,880	\$ -	\$ -	\$ 22,508,880
Local sales taxes	7,065,555	-	1,779,028	8,844,583
Intergovernmental	5,833,944	-	1,032,697	6,866,641
Fines and forfeitures	812,454	-	-	812,454
Licenses and permits	1,036,498	-	-	1,036,498
Fees for services	161,446	-	216,406	377,852
Interest on investments	79,972	50	2,560	82,582
Grants	236,710	9,164,808	154,160	9,555,678
Other revenues	1,690,486	228,502	1,352,805	3,271,793
Total revenues	<u>39,425,945</u>	<u>9,393,360</u>	<u>4,537,656</u>	<u>53,356,961</u>
EXPENDITURES				
Current:				
General government	10,121,258	-	-	10,121,258
Public safety	18,713,621	-	271,262	18,984,883
Community services	2,901,501	-	1,509,016	4,410,517
Transportation and environment	3,723,718	-	2,319,425	6,043,143
Debt services				
Principal	2,545,000	-	-	2,545,000
Interest and fiscal charges	830,248	-	-	830,248
Capital projects	-	12,281,912	5,886,622	18,168,534
Total expenditures	<u>38,835,346</u>	<u>12,281,912</u>	<u>9,986,325</u>	<u>61,103,583</u>
Excess (deficiency) of revenues over (under) expenditures	<u>590,599</u>	<u>(2,888,552)</u>	<u>(5,448,669)</u>	<u>(7,746,622)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	1,236,609	-	1,345,887	2,582,496
Transfers out	(395,000)	(1,020,887)	-	(1,415,887)
Sale of capital assets	38,985	-	-	38,985
Total other financing sources (uses)	<u>880,594</u>	<u>(1,020,887)</u>	<u>1,345,887</u>	<u>1,205,594</u>
Net change in fund balances	1,471,193	(3,909,439)	(4,102,782)	(6,541,028)
Prior period adjustment	1,038,483	-	-	1,038,483
Fund balances - beginning, restated	<u>17,748,981</u>	<u>5,223,684</u>	<u>8,431,100</u>	<u>31,403,765</u>
Fund balances - ending	<u>\$ 19,220,174</u>	<u>\$ 1,314,245</u>	<u>\$ 4,328,318</u>	<u>\$ 24,862,737</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, 2013

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

Net change in fund balance - total governmental funds \$ (6,541,028)

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. 14,884,533

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. 674,030

The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items. 1,959,770

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 and accrued vacation. (286,078)

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. (82)

Change in net position of governmental activities \$ 10,691,145

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, 2013

	<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>		
<u>REVENUES</u>				
PROPERTY TAXES				
Real property taxes	\$ 21,546,025	\$ 21,546,025	\$ 21,028,279	\$ (517,746)
Personal property taxes	575,000	575,000	666,337	91,337
Penalties and interest - property taxes	140,000	140,000	125,793	(14,207)
Receipt in lieu of taxes - TVA	451,927	451,927	457,555	5,628
Receipt in lieu of taxes - MLGW	200,300	200,300	230,916	30,616
Total property taxes	<u>22,913,252</u>	<u>22,913,252</u>	<u>22,508,880</u>	<u>(404,372)</u>
LOCAL SALES TAXES				
Sales taxes	5,642,863	5,642,863	5,176,771	(466,092)
Beer and liquor taxes	703,526	703,526	656,721	(46,805)
Gross receipts tax	500,000	500,000	573,251	73,251
Penalties and interest - gross receipts tax	1,800	1,800	365	(1,435)
Telecommunications tax	-	-	1,925	1,925
Room occupancy tax	583,000	583,000	656,522	73,522
Total local sales taxes	<u>7,431,189</u>	<u>7,431,189</u>	<u>7,065,555</u>	<u>(365,634)</u>
INTERGOVERNMENTAL				
Sales taxes	2,878,360	2,878,360	2,773,388	(104,972)
Income taxes	2,310,000	2,310,000	2,835,003	525,003
Excise taxes	-	-	42,002	42,002
Beer taxes	21,638	21,638	19,837	(1,801)
Liquor taxes	64,386	64,386	78,123	13,737
Telecommunications taxes	-	-	3,580	3,580
Petroleum special taxes	84,968	84,968	82,011	(2,957)
Total intergovernmental	<u>5,359,352</u>	<u>5,359,352</u>	<u>5,833,944</u>	<u>474,592</u>
FINES AND FORFEITURES				
Traffic and other violations	180,000	180,000	141,983	(38,017)
City court costs	400,000	400,000	349,391	(50,609)
Other court costs	605,000	605,000	318,403	(286,597)
Animal impoundment fees	3,193	3,193	2,677	(516)
Total fines and forfeitures	<u>1,188,193</u>	<u>1,188,193</u>	<u>812,454</u>	<u>(375,739)</u>
LICENSES AND PERMITS				
Automobile registrations	900,000	900,000	899,670	(330)
Building permits	36,000	36,000	33,951	(2,049)
Animal licenses	80,352	80,352	75,654	(4,698)
Fence & sign permits	4,100	4,100	6,500	2,400
Liquor permits	20,000	20,000	20,723	723
Total licenses and permits	<u>1,040,452</u>	<u>1,040,452</u>	<u>1,036,498</u>	<u>(3,954)</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, 2013

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
FEES FOR SERVICES				
Engineering fees	\$ 14,500	\$ 14,500	\$ 25,570	\$ 11,070
Fire inspection fees	-	-	9,350	9,350
Zoning applications	16,000	16,000	25,141	9,141
Library fees	103,000	113,031	101,385	(11,646)
Total fees for services	133,500	143,531	161,446	17,915
INTEREST ON INVESTMENTS	101,960	101,960	79,972	(21,988)
GRANTS	250,000	388,236	236,710	(151,526)
OTHER REVENUES				
Cable television fees	586,000	586,000	731,547	145,547
Miscellaneous	667,500	1,100,038	958,939	(141,099)
Total other revenues	1,253,500	1,686,038	1,690,486	4,448
Total revenues	39,671,398	40,252,203	39,425,945	(826,258)

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, 2013

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<u>EXPENDITURES</u>				
GENERAL GOVERNMENT				
Aldermen Salaries	\$ 60,000	\$ 61,284	\$ 61,283	\$ 1
Administration Salaries	567,974	547,449	457,438	90,011
Personnel Salaries	369,369	393,841	390,569	3,272
Information Technology Salaries	353,088	384,019	376,091	7,928
Finance Salaries	788,170	771,754	777,923	(6,169)
City Court Salaries	252,994	264,815	257,568	7,247
Development Salaries	1,149,262	1,129,705	1,134,688	(4,983)
Research and Budget Salaries	168,612	168,612	154,363	14,249
Facility Services Salaries	427,576	475,180	472,164	3,016
Bank Charges	52,000	87,039	87,009	30
Capital Outlay	265,000	242,760	162,458	80,302
Dues and Subscriptions	64,534	60,029	50,004	10,025
Education and Training	55,200	43,776	8,700	35,076
Germantown Performing Arts Center	1,047,337	1,049,580	984,060	65,520
Insurance	1,132,560	1,076,824	924,059	152,765
Legal Fees	177,500	235,349	248,416	(13,067)
Meetings and Travel	215,515	224,680	203,860	20,820
Notice Publications	17,600	18,661	4,830	13,831
Other Expenses	2,560	(25,135)	(87,658)	62,523
Other Personnel Costs	56,160	33,934	26,392	7,542
Payroll Taxes	340,150	347,646	323,682	23,964
PEG Station	262,395	251,143	251,142	1
Petroleum Supplies	37,300	37,566	27,710	9,856
Postage and Freight	54,000	54,190	37,797	16,393
Professional Services	314,400	449,839	419,288	30,551
Rent	52,895	55,757	26,077	29,680
Repairs and Maintenance	1,147,867	1,243,286	1,212,401	30,885
Retirement Contribution	676,164	755,775	751,065	4,710
Supplies	203,660	222,936	176,776	46,160
Telephone	71,426	92,486	87,738	4,748
Uniforms and Clothing	12,325	12,366	6,510	5,856
Utilities	115,265	117,314	106,855	10,459
Total General Government	10,510,858	10,884,460	10,121,258	763,202

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, 2013

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
PUBLIC SAFETY				
Police Department				
Salaries & Wages	\$ 6,435,734	\$ 6,074,733	\$ 6,014,326	\$ 60,407
Capital Outlay	473,000	569,376	558,266	11,110
Dues and Subscriptions	11,100	12,475	9,869	2,606
Education and Training	67,700	67,700	38,460	29,240
Insurance	1,420,200	1,360,396	1,248,273	112,123
Legal Fees	9,000	9,000	8,945	55
Meetings and Travel	20,000	20,000	13,475	6,525
Other Expense	5,300	5,995	4,504	1,491
Other Personnel Costs	33,500	35,087	35,086	1
Payroll Taxes	588,680	560,533	547,003	13,530
Petroleum Supplies	213,400	213,400	205,393	8,007
Professional Services	11,500	11,500	8,224	3,276
Rent	11,500	12,413	7,362	5,051
Repairs and Maintenance	301,623	355,769	289,587	66,182
Retirement Contribution	1,059,360	1,117,476	1,117,474	2
Supplies	175,050	169,911	121,980	47,931
Telephone	30,500	43,826	43,824	2
Uniforms and Clothing	140,000	97,622	88,518	9,104
Utilities	84,335	84,366	72,649	11,717
Total Police Department	11,091,482	10,821,578	10,433,218	388,360

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, 2013

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Fire Department				
Salaries and Wages	\$ 4,545,999	\$ 4,704,699	\$ 4,679,584	\$ 25,115
Ambulatory Services	477,192	477,192	477,192	-
Capital Outlay	134,000	143,403	143,402	1
Dues and Subscriptions	8,318	9,728	9,727	1
Education and Training	49,500	32,731	32,729	2
Insurance	928,872	932,525	932,523	2
Meetings and Travel	15,000	16,472	16,471	1
Other Expenses	7,000	21,188	21,187	1
Other Personnel Costs	18,000	14,392	14,391	1
Payroll Taxes	376,180	405,649	403,546	2,103
Petroleum Supplies	63,000	63,465	63,464	1
Professional Services	6,500	8,742	8,740	2
Rent	4,000	4,502	4,501	1
Repairs and Maintenance	254,022	242,001	234,241	7,760
Retirement Contribution	738,677	862,386	862,384	2
Supplies	90,000	172,265	172,258	7
Telephone	26,100	28,129	28,127	2
Uniforms and Clothing	83,400	72,864	72,862	2
Utilities	91,432	103,078	103,074	4
Total Fire Department	7,917,192	8,315,411	8,280,403	35,008
Total Public Safety	19,008,674	19,136,989	18,713,621	423,368

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, 2013

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
COMMUNITY SERVICES				
Parks and Recreation				
Salaries and Wages	\$ 577,655	\$ 551,757	\$ 550,974	\$ 783
Bank Charges	4,000	4,000	3,576	424
Capital Outlay	132,000	110,065	67,845	42,220
Dues and Subscriptions	3,350	3,350	3,060	290
Education and Training	4,500	4,500	-	4,500
Insurance	108,743	108,743	98,559	10,184
Meetings & Travel	14,000	14,000	5,498	8,502
Other Expenses	111,600	143,045	128,418	14,627
Other Personnel Costs	3,745	3,745	1,797	1,948
Payroll Taxes	45,945	45,945	42,874	3,071
Petroleum Supplies	11,000	11,000	9,409	1,591
Professional Services	5,400	5,400	-	5,400
Rent	10,196	11,601	9,185	2,416
Repairs and Maintenance	12,154	22,440	22,438	2
Retirement Contribution	74,035	87,694	87,692	2
Supplies	12,600	13,000	9,080	3,920
Telephone	10,150	10,150	6,457	3,693
Uniforms and Clothing	5,000	5,000	1,814	3,186
Utilities	363,600	365,553	252,848	112,705
Total Parks and Recreation	1,509,673	1,520,988	1,301,524	219,464
Cultural Arts Program				
Other Expenses	57,580	53,661	34,445	19,216
Professional Services	12,000	12,000	-	12,000
Rent	3,320	3,320	914	2,406
Supplies	27,687	27,938	20,609	7,329
Total Cultural Arts Program	100,587	96,919	55,968	40,951

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, 2013

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Library				
Bank Charges	\$ 1,200	\$ 1,763	\$ 1,762	\$ 1
Dues and Subscriptions	2,700	2,700	1,519	1,181
Education and Training	2,000	2,000	920	1,080
Insurance	25,400	25,400	22,464	2,936
Meetings & Travel	3,300	3,300	365	2,935
Notice Publications	1,000	280	75	205
Other Expenses	27,950	31,690	27,041	4,649
Professional Services	1,175,406	1,177,103	1,177,102	1
Rent	24,000	23,680	11,065	12,615
Repairs and Maintenance	23,000	33,804	18,564	15,240
Supplies	23,000	26,528	25,499	1,029
Telephone	6,900	6,450	2,645	3,805
Utilities	102,896	103,848	93,260	10,588
Total Library	1,418,752	1,438,546	1,382,281	56,265
Genealogical Library				
Education and Training	250	250	130	120
Insurance	1,600	1,600	1,415	185
Other Expenses	7,500	8,529	8,528	1
Professional Services	39,798	40,616	38,755	1,861
Rent	2,000	2,122	376	1,746
Supplies	2,000	2,000	1,611	389
Telephone	3,500	4,643	4,642	1
Utilities	11,932	11,932	10,571	1,361
Total Genealogical Library	68,580	71,692	66,028	5,664

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, 2013

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Farm				
Salaries and Wages	\$ 57,600	\$ 54,984	\$ 53,536	\$ 1,448
Dues and Subscriptions	200	200	20	180
Education and Training	2,000	2,000	408	1,592
Insurance	-	1,175	1,174	1
Meetings & Travel	2,500	3,000	2,532	468
Payroll Taxes	4,571	4,571	3,793	778
Petroleum Supplies	1,760	1,760	-	1,760
Professional Services	3,000	6,000	4,247	1,753
Rent	6,800	3,800	1,965	1,835
Repairs and Maintenance	11,500	15,130	9,983	5,147
Retirement Contribution	-	1,441	1,439	2
Supplies	9,500	21,211	15,647	5,564
Telephone	-	-	-	-
Uniforms and Clothing	1,000	1,500	956	544
Utilities	8,500	8,500	-	8,500
Total Farm	108,931	125,272	95,700	29,572
Total Community Services	3,206,523	3,253,417	2,901,501	351,916

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, 2013

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
TRANSPORTATION AND ENVIRONMENT				
Public Services:				
Salaries and Wages	\$ 1,653,816	\$ 1,691,686	\$ 1,663,045	\$ 28,641
Capital Outlay	246,000	246,000	282,933	(36,933)
Dues and Subscriptions	1,000	1,000	942	58
Education and Training	5,800	5,800	1,396	4,404
Insurance	488,240	488,240	460,660	27,580
Meetings & Travel	5,000	5,000	2,220	2,780
Other Personnel Costs	4,500	6,067	6,066	1
Payroll Taxes	153,865	155,628	154,628	1,000
Petroleum Supplies	100,000	100,000	99,505	495
Professional Services	-	3,938	-	3,938
Rent	1,500	1,831	1,042	789
Repairs and Maintenance	612,117	560,935	357,105	203,830
Retirement Contribution	278,638	320,617	320,615	2
Supplies	43,500	43,500	13,556	29,944
Telephone	6,050	6,326	6,308	18
Uniforms and Clothing	18,000	18,000	16,269	1,731
Utilities	18,300	18,300	14,171	4,129
Total public works	3,636,326	3,672,868	3,400,461	272,407

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, 2013

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Animal Control:				
Salaries and Wages	\$ 170,853	\$ 165,069	\$ 157,445	\$ 7,624
Capital Outlay	-	-	-	-
Dues and Subscriptions	120	120	70	50
Education and Training	1,500	1,500	-	1,500
Insurance	52,925	48,579	48,127	452
Meetings & Travel	300	300	149	151
Other Expenses	12,000	8,894	7,712	1,182
Other Personnel Costs	936	936	936	-
Payroll Taxes	15,264	15,264	14,725	539
Petroleum Supplies	1,500	1,630	1,629	1
Professional Services	4,800	4,800	4,800	-
Repairs and Maintenance	3,974	3,974	2,779	1,195
Retirement Contribution	26,993	29,688	29,686	2
Supplies	36,000	46,513	44,057	2,456
Telephone	700	802	801	1
Uniforms and Clothing	2,000	2,000	299	1,701
Utilities	12,605	12,605	10,042	2,563
Total Animal Control	342,470	342,674	323,257	19,417
 Total Transportation and Environment	 3,978,796	 4,015,542	 3,723,718	 291,824

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, 2013

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
DEBT SERVICE				
Bond and note principal	\$ 2,545,000	\$ 2,545,000	\$ 2,545,000	\$ -
Interest and fiscal charges	830,748	830,748	830,248	500
Total Debt Service	3,375,748	3,375,748	3,375,248	500
Total Expenditures	40,080,599	40,666,156	38,835,346	1,830,810
Excess (deficiency) of revenues over (under) expenditures	(409,201)	(413,953)	590,599	1,004,552
OTHER FINANCING SOURCES (USES)				
Transfers in	375,000	375,000	1,236,609	861,609
Transfers out	(325,000)	(325,000)	(395,000)	(70,000)
Sale of capital assets	20,000	20,000	38,985	18,985
Contingency	(50,000)	(40,000)	-	40,000
Total other financing sources (uses)	20,000	30,000	880,594	850,594
Net change in fund balances	(389,201)	(383,953)	1,471,193	1,855,146
Fund balance - beginning	16,710,498	16,710,498	16,710,498	-
Prior period adjustment	1,038,483	1,038,483	1,038,483	-
Fund balance - ending	\$ 17,359,780	\$ 17,365,028	\$ 19,220,174	\$ 1,855,146

CITY OF GERMANTOWN, TENNESSEE

STATEMENT OF NET POSITION - ENTERPRISE FUNDS

June 30, 2013

ASSETS	Business Type Activities -Enterprise Funds				Governmental Activities - Internal Service Funds
	Utility Fund	Athletic Club Fund	Nonmajor Enterprise Funds	Total	
Current assets:					
Cash and cash equivalents	\$ 3,123,151	\$ 1,768,981	\$ 1,204,337	\$ 6,096,469	\$ 1,164,998
Investments	813,177	206,906	77,908	1,097,991	-
Receivables:					
Customers and developers	962,482	-	319,038	1,281,520	-
Others	-	22,078	-	22,078	3,890
Less allowance for doubtful accounts	(31,223)	(19,328)	(30,247)	(80,798)	-
Net receivables	931,259	2,750	288,791	1,222,800	3,890
Inventories	48,588	4,906	-	53,494	110,332
Total current assets	<u>4,916,175</u>	<u>1,983,543</u>	<u>1,571,036</u>	<u>8,470,754</u>	<u>1,279,220</u>
Noncurrent assets:					
Capital assets, not being depreciated					
Land	381,013	2,391,580	-	2,772,593	-
Construction in progress	1,308,112	27,030	-	1,335,142	36,312
Total non-depreciable assets	<u>1,689,125</u>	<u>2,418,610</u>	<u>-</u>	<u>4,107,735</u>	<u>36,312</u>
Capital assets, being depreciated					
Buildings and improvements	284,521	18,576,735	427,793	19,289,049	319,511
Water treatment plant	21,554,844	-	-	21,554,844	-
Water mains and laterals	23,219,924	-	-	23,219,924	-
Sewer mains and laterals	25,590,519	-	-	25,590,519	-
Machinery and equipment	2,411,146	533,990	242,765	3,187,901	373,241
Less accumulated depreciation	(27,439,553)	(8,418,874)	(256,268)	(36,114,695)	(595,916)
Total depreciable assets, net	<u>45,621,401</u>	<u>10,691,851</u>	<u>414,290</u>	<u>56,727,542</u>	<u>96,836</u>
Total noncurrent assets	<u>47,310,526</u>	<u>13,110,461</u>	<u>414,290</u>	<u>60,835,277</u>	<u>133,148</u>
Total assets	<u>\$ 52,226,701</u>	<u>\$ 15,094,004</u>	<u>\$ 1,985,326</u>	<u>\$ 69,306,031</u>	<u>\$ 1,412,368</u>

(Continued)

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

CITY OF GERMANTOWN, TENNESSEE

STATEMENT OF NET POSITION – ENTERPRISE FUNDS (CONTINUED)

June 30, 2013

	Business Type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	Utility Fund	Athletic Club Fund	Nonmajor Enterprise Funds	Total	
LIABILITIES					
Current liabilities:					
Accounts payable	\$ 366,612	\$ 113,457	\$ 337,516	\$ 817,585	\$ 525,970
Accrued interest payable	10,302	19,880	-	30,182	-
Unearned revenue	-	204,864	69,519	274,383	-
Customer deposits payable	-	-	56,417	56,417	-
Advances from other funds - current	-	125,000	-	125,000	-
Bonds payable - current	920,000	-	-	920,000	-
Total current liabilities	<u>1,296,914</u>	<u>463,201</u>	<u>463,452</u>	<u>2,223,567</u>	<u>525,970</u>
Noncurrent liabilities:					
Customer deposits payable	526,528	-	-	526,528	-
Advances from other funds - net of current	-	875,000	-	875,000	-
Bonds payable - net of current	4,732,281	-	-	4,732,281	-
Total noncurrent liabilities	<u>5,258,809</u>	<u>875,000</u>	<u>-</u>	<u>6,133,809</u>	<u>-</u>
Total liabilities	<u>6,555,723</u>	<u>1,338,201</u>	<u>463,452</u>	<u>8,357,376</u>	<u>525,970</u>
NET POSITION					
Net investment in capital assets	41,658,245	13,110,461	414,290	55,182,996	133,148
Unrestricted	4,012,733	645,342	1,107,584	5,765,659	753,250
Total net position	<u>\$ 45,670,978</u>	<u>\$ 13,755,803</u>	<u>\$ 1,521,874</u>	<u>60,948,655</u>	<u>\$ 886,398</u>
Adjustment to reflect the consolidation of internal service funds related to enterprise funds				1,569	
Net position of business-type activities				<u>\$ 60,950,224</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 - ENTERPRISE FUNDS

For the Year Ended June 30, 2013

	Business Type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	Utility Fund	Athletic Club Fund	Nonmajor Enterprise Funds	Total	
Operating Revenues:					
Water sales	\$ 4,130,051	\$ -	\$ -	\$ 4,130,051	\$ -
Sewer service charges	2,449,575	-	-	2,449,575	-
Connection and other fees	136,931	-	-	136,931	-
Forfeited discounts	60,956	-	35,722	96,678	-
Sanitation fees	-	-	3,410,013	3,410,013	-
Membership fees	-	3,178,587	-	3,178,587	-
Class fees	-	598,086	-	598,086	-
Daily admissions	-	11,811	-	11,811	-
Stormwater fees	-	-	994,936	994,936	-
Internal charges	-	-	-	-	5,569,776
Other income	16,190	112,451	412,850	541,491	-
Total operating revenues	6,793,703	3,900,935	4,853,521	15,548,159	5,569,776
Operating Expenses:					
Personnel services	1,720,942	1,407,252	802,424	3,930,618	731,966
Materials and supplies	184,078	201,893	57,370	443,341	17,288
Utilities	686,389	-	-	686,389	-
Sewage treatment fees	1,171,901	-	-	1,171,901	-
Landfill fees	-	-	394,900	394,900	-
Garbage collection fees	-	-	2,726,345	2,726,345	-
Other services and charges	1,563,661	1,204,059	554,309	3,322,029	4,789,741
Depreciation	1,677,787	561,010	43,903	2,282,700	30,868
Total operating expenses	7,004,758	3,374,214	4,579,251	14,958,223	5,569,863
Operating income (loss)	(211,055)	526,721	274,270	589,936	(87)
Nonoperating Revenues (Expenses):					
Interest on investments	13,786	6,009	-	19,795	-
Interest and fiscal charges	(310,669)	(30,557)	(8,704)	(349,930)	-
Gain on disposal of capital assets	5,571	-	-	5,571	-
Total nonoperating revenues (expenses)	(291,312)	(24,548)	(8,704)	(324,564)	-
Income (loss) before contributions and transfers	(502,367)	502,173	265,566	265,372	(87)
Contributions from developers	86,243	-	-	86,243	-
Transfers in (out)	(386,609)	(850,000)	70,000	(1,166,609)	-
Change in net position	(802,733)	(347,827)	335,566	(814,994)	(87)
Total net position - beginning	46,473,711	14,103,630	1,186,308		886,485
Total net position - ending	\$ 45,670,978	\$ 13,755,803	\$ 1,521,874		\$ 886,398
Adjustment to reflect the consolidation of internal service funds related to enterprise funds				5	
Change in net position of business-type activities				\$ (814,989)	

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

CITY OF GERMANTOWN, TENNESSEE

STATEMENT OF CASH FLOWS - ENTERPRISE FUNDS

For the Year Ended June 30, 2013

	Business-Type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	Utility Fund	Athletic Club Fund	Nonmajor Enterprise Funds	Total	
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash received from customers	\$ 7,016,807	\$ 3,920,520	\$ 4,844,594	\$ 15,781,921	\$ 5,568,951
Cash paid to suppliers	(4,165,563)	(1,386,140)	(3,760,852)	(9,312,555)	(4,752,582)
Cash paid to employees	(1,717,230)	(1,406,868)	(791,649)	(3,915,747)	(728,496)
Net cash provided by operating activities	1,134,014	1,127,512	292,093	2,553,619	87,873
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Transfer (to) from other fund	(386,609)	(850,000)	70,000	(1,166,609)	-
Advances from other funds	-	(125,000)	-	(125,000)	-
Net cash provided (used) by noncapital and related financing activities	(386,609)	(975,000)	70,000	(1,291,609)	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Bond and loan principal payments	(880,000)	-	-	(880,000)	-
Acquisition of capital assets	(1,567,010)	(113,984)	(52,787)	(1,733,781)	(65,296)
Proceeds from disposal of capital assets	5,571	-	-	5,571	-
Interest paid	(233,716)	(33,237)	(11,883)	(278,836)	-
Net cash used for capital and related financing activities	(2,675,155)	(147,221)	(64,670)	(2,887,046)	(65,296)
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest received	13,786	6,009	3,179	22,974	-
Net cash provided by investing activities	13,786	6,009	3,179	22,974	-
Net increase (decrease) in cash and cash equivalents	(1,913,964)	11,300	300,602	(1,602,062)	22,577
Cash and cash equivalents - beginning	5,037,115	1,757,681	903,735	7,698,531	1,142,421
Cash and cash equivalents - ending	\$ 3,123,151	\$ 1,768,981	\$ 1,204,337	\$ 6,096,469	\$ 1,164,998

(Continued)

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

CITY OF GERMANTOWN, TENNESSEE

STATEMENT OF CASH FLOWS – ENTERPRISE FUNDS (CONTINUED)

For the Year Ended June 30, 2013

	Business-Type Activities - Enterprise Funds			Total	Governmental Activities - Internal Service Funds
	Utility Fund	Athletic Club Fund	Nonmajor Enterprise Funds		
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) By Operating Activities					
Operating income (loss)	\$ (211,055)	\$ 526,721	\$ 274,270	\$ 589,936	\$ (87)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities					
Depreciation expense	1,677,787	561,010	43,902	2,282,699	30,868
(Increase) decrease in assets:					
Accounts receivable	191,558	(1,332)	(29,101)	161,125	(825)
Inventories	5,210	995	-	6,205	7,536
Increase (decrease) in liabilities:					
Accounts payable	(564,744)	19,518	(17,153)	(562,379)	50,381
Accrued expenses	3,712	384	-	4,096	-
Customer deposits	31,546	-	21,109	52,655	-
Unearned revenue	-	20,216	(934)	19,282	-
Total adjustments	1,345,069	600,791	17,823	1,963,683	87,960
Net cash provided (used) by operating activities	\$ 1,134,014	\$ 1,127,512	\$ 292,093	\$ 2,553,619	\$ 87,873
Noncash investing, capital, and financing activities:					
Contributions of capital assets from developers	\$ 86,243	\$ -	\$ -	\$ 86,243	\$ -

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

CITY OF GERMANTOWN, TENNESSEE

STATEMENT OF FIDUCIARY NET POSITION

June 30, 2013

	Pension Fund	OPEB Fund	Bail Deposit Fund
ASSETS			
Cash and cash equivalents	\$ 1,359,655	\$ 682,637	\$ 103,090
Investments, at fair value			
Common stock	15,599,296	-	-
Foreign stock	1,347,404	-	-
U.S. government obligations	2,898,569	-	-
State and municipal bonds	2,786,270	-	-
Mutual funds - equity	21,446,240	3,345,896	-
Mutual funds - fixed income	-	1,113,280	-
Mutual funds - international	4,322,650	-	-
Corporate bonds	3,115,030	-	-
Foreign - equity	1,377,750	-	-
Receivables:			
Interest	109,898	0	-
Total assets	<u>54,362,762</u>	<u>5,141,813</u>	<u>\$ 103,090</u>
LIABILITIES			
Accounts payable	3,100	56,278	-
Deposits held in trust	-	-	103,090
Total liabilities	<u>3,100</u>	<u>56,278</u>	<u>\$ 103,090</u>
NET POSITION			
Held in trust for pension benefits and OPEB	<u>\$ 54,359,662</u>	<u>\$ 5,085,535</u>	

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

CITY OF GERMANTOWN, TENNESSEE

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

For the Year Ended June 30, 2013

	Pension Fund	OPEB Fund
ADDITIONS		
Contributions:		
Employer	\$ 2,391,896	\$ 1,458,587
Plan members	683,344	142,627
Total contributions	<u>3,075,240</u>	<u>1,601,214</u>
Investment Income:		
Net appreciation in fair value of investments	5,794,658	446,112
Interest and dividends	1,029,725	59,462
Total investment earnings	<u>6,824,383</u>	<u>505,574</u>
Total additions	9,899,623	2,106,788
DEDUCTIONS		
Benefits paid	2,382,147	669,370
Administrative expense	273,098	20,090
Total deductions	<u>2,655,245</u>	<u>689,460</u>
Change in net position	7,244,378	1,417,328
Net position - beginning	<u>47,115,284</u>	<u>3,668,207</u>
Net position - ending	<u>\$ 54,359,662</u>	<u>\$ 5,085,535</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, 2013

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 2013 totaled \$984,060. 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 position presents information on all of the City's assets, liabilities, and deferred inflows of resources, with the differences presented as net position. Net position is reported as one of three categories: net investment in capital assets; restricted; or unrestricted. Restricted net position is

CITY OF GERMANTOWN, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2013

further classified as either net position restricted by enabling legislation or net position that is 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, 2013

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, 2013

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, 2013

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 formal ordinance adopted by the Board of Mayor and Aldermen. Amounts classified as committed are not subject to legal enforceability like restricted resources; however, they cannot be used for any other purpose unless the Board removes or changes the commitment by taking the same action it employed to impose the commitment.
- Assigned – 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 an official delegated the authority to assign 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, 2013

D - Assets, liabilities and fund balances/net position

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, 2013

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 the government-wide and proprietary fund financial statements. Employees earn 10 or more days of vacation each year depending on length of service. The amount 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 the government-wide financial statements. 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, 2013

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 position. 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. Deferred inflows of resources

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an increase to net position that applies to a future period and is not recognized as an inflow of resources (revenue) until that time. The City only has one type of item that qualifies for reporting in this category. The item is amounts in the governmental funds that were receivable and measurable at year-end but were not available to finance expenditures for the current year. This includes unavailable revenues from property taxes.

10. 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.

CITY OF GERMANTOWN, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2013

- 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.

NOTE 2 – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net position

The governmental fund balance sheet includes a reconciliation between fund balance - total governmental funds and net position - governmental activities as reported in the government-wide statement of net position.

One element of that reconciliation explains that "long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds." The details of this \$25,778,570 difference are as follows:

Bonds payable	\$ 23,105,000
Deferred amount for issuance premium	282,318
Accrued interest payable	131,979
Accrued vacation payable	1,142,986
Compensated absences	1,116,287
Net adjustment to reduce fund balance - total governmental funds to arrive at net position - governmental activities	<u>\$ 25,778,570</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 position of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains that "Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their

CITY OF GERMANTOWN, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2013

estimated useful lives and reported as depreciation expense. The details of the \$14,884,533 difference are as follows:

Capital outlay	\$ 19,495,473
Depreciation expense	(4,610,940)
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net position of governmental activities	<u>\$ 14,884,533</u>

Another element of that reconciliation states that "the issuance of long-term debt (e.g. bond, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities." The details of this (\$1,959,770) difference are as follows:

Decrease in accrued interest payable	\$ 12,303
Amortization of issuance costs and bond premiums	(597,533)
Principal repayments of general obligation debt	2,545,000
Net adjustment to decrease net changes in fund balance - total governmental funds to arrive at changes in net position of governmental activities	<u>\$ 1,959,770</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

CITY OF GERMANTOWN, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2013

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.

B. Excess of expenditures over appropriations

For the year ended June 30, 2013, expenditures did not exceed appropriations in any fund.

C. Deficit fund balance

As of June 30, 2013, no fund had a deficit fund balance.

D. 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, 2013 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.

CITY OF GERMANTOWN, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2013

As of June 30, 2013, the City had the following investments:

Investment Type	Fair Value	Weighted Average Maturities (Years)
Common Stock	\$ 15,599,296	
Foreign Stock	1,347,404	
U.S. Government Obligations	6,450,700	1.9
State and Municipal bonds	2,786,270	7
Corporate Bonds	3,115,031	10.4
Mutual Funds - Equity	24,792,135	
Mutual Funds - Fixed Income	5,435,930	
Miscellaneous	1,377,750	
Total fair value	\$ 60,904,516	
Portfolio weighted average maturity		6.3

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	\$ 99,290	AA+	\$ 99,290	Aaa	\$ 210,909	AAA	\$ 210,909
NR	\$ 88,500	NR	\$ 88,500	Aa2	86,275	AA+	233,091
				Aa3	332,937	A+	239,160
				A1	476,480	AA	332,937
				A2	908,983	A	720,963
				A3	615,922	AA-	148,259
				A-	92,339	A-	1,100,185
				Baa1	129,526	BBB	129,526
				Baa2	261,656		
State and Municipal Bonds							
Moody's	Amount	S&P	Amount				
Aaa	\$ 757,222	AAA	\$ 846,339				
Aa1	1,085,340	AA+	853,736				
Aa2	349,855	AA	493,562				
Aa+	62,657	A	310,623				
A2	104,946	A+	108,439				
A3	108,439	AA-	75,280				
Baa1	120,663	NR	98,289				
NR	197,148						

Interest Rate Risk – The City manages its exposure to declines in fair values 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.

CITY OF GERMANTOWN, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2013

- 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 to those established by TCA 6-5-106 for commercial paper and repurchase agreement and four years for investments in securities of the U.S. Treasury, Federal Government sponsored agencies, or certificates of deposit. However, the weighted average maturity value of the overall investment portfolio will not exceed twenty-four months.

Credit Risk – The City has adopted the investment policy established by TCA 6-5-106 for investments other than those held for Pension or OPEB benefits. This policy limits the City’s investment options as follows:

- * Investments in commercial paper are limited to the highest rating issued by at least two rating services and have a remaining mature of ninety days or less.
- * Nonconvertible debt securities of the following federal government sponsored enterprises: the federal home loan bank, the federal national mortgage association, the federal farm credit bank, and the federal home loan mortgage corporation.
- * Investments in bonds are limited to obligations that are guaranteed as to principal and interest by the United States or any of its agencies.
- * Investments in the local government investment pool.

As of June 30, 2013, the City’s investments consisted of investments in Tennessee’s local government investment pool and nonconvertible debt securities rated Aaa by Moody’s Investors Service.

Concentration of Credit Risk – The City diversifies its investment portfolio so that the impact of potential losses from any one type of security or from any one individual issuer will be minimized. The City had investments in the following entities that comprised more than 5% of its total investments at June 30:

Federal Home Loan Bank	\$ 1,499,551	2.5%
Federal Farm Credit Bank	995,654	1.6%
Federal National Mortgage Association	3,609,310	5.9%
Federal Home Loan Mortgage	101,446	0.2%
US Treasury	187,790	0.3%

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

CITY OF GERMANTOWN, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2013

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	Nonmajor Enterprise Funds	Total
Receivables:							
Property taxes	\$ 27,789,953	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 27,789,953
Interest	-	-	-	-	-	-	-
Sales and income taxes	6,457,411	-	-	-	-	-	6,457,411
Federal and state grants	-	-	-	-	-	-	-
Accounts receivable	-	-	-	962,482	-	319,038	1,281,520
Other	3,890	2,674,846	601,006	-	22,078	-	3,301,820
Gross receivables	34,251,254	2,674,846	601,006	962,482	22,078	319,038	38,830,704
Less: allowance for uncollectibles	(1,540,244)	-	-	(31,223)	(19,328)	(30,247)	(1,621,042)
Net total receivables	<u>\$ 32,711,010</u>	<u>\$ 2,674,846</u>	<u>\$ 601,006</u>	<u>\$ 931,259</u>	<u>\$ 2,750</u>	<u>\$ 288,791</u>	<u>\$ 37,209,662</u>

Governmental funds report unavailable 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 as unearned revenue. At the end of the current fiscal year, unavailable revenue principally represents: 1) amounts relating to property taxes as described above and 2) reimbursable grant amounts received more than sixty days after year end for grant related expenditures made prior to year end.

C. Property Taxes

The City levies property taxes each November 1 based upon assessed valuations provided by the Shelby County Tax Assessor. Taxes are due by the last day of February following the November 1 levy date. 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%	\$ 1,165,625,600
Farm real property	25%	1,878,200
Commercial real property	40%	271,361,220
Public utilities real property	55%	13,671,353
Commercial personal property	30%	26,621,560
		<u>\$ 1,479,157,933</u>

The estimated actual value was \$5,552,753,505 making the overall assessed value 26.6% 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, 2013 were 98.4% of the tax levy. The property tax levy is without legal limit. The rate, as permitted by Tennessee State Law and

CITY OF GERMANTOWN, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2013

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, 2013 was \$1.485 per \$100 of assessed value.

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

Year	Taxes Receivable June 30, 2012	Taxes Levied And Accrued	Collections And Adjustments	Taxes Receivable June 30, 2013
2003 & Prior	\$ 18,617	\$ -	\$ 14,312	\$ 4,305
2004	19,685	-	14,562	5,123
2005	18,571	-	965	17,606
2006	15,277	-	43	15,234
2007	13,574	-	86	13,488
2008	26,486	-	1,891	24,595
2009	66,527	-	27,248	39,279
2010	119,648	-	63,455	56,193
2011	403,089	-	311,807	91,282
2012	21,762,476	-	21,442,777	319,699
2013	-	27,203,149	-	27,203,149
	<u>\$ 22,463,950</u>	<u>\$ 27,203,149</u>	<u>\$ 21,877,146</u>	<u>\$ 27,789,953</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, 2013

D. Capital assets

Capital asset activity for the year ended June 30, 2013, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 11,407,566	\$ -	\$ -	\$ 11,407,566
Construction in progress	16,010,641	17,855,378	(5,359,490)	28,506,529
Total capital assets, not being depreciated	<u>27,418,207</u>	<u>17,855,378</u>	<u>(5,359,490)</u>	<u>39,914,095</u>
Capital assets, being depreciated:				
Buildings	33,649,293	268,975	-	33,918,268
Improvements other than buildings	83,530,436	3,095,044	-	86,625,480
Machinery and equipment	22,866,469	3,700,862	(299,911)	26,267,420
Total capital assets being depreciated	<u>140,046,198</u>	<u>7,064,881</u>	<u>(299,911)</u>	<u>146,811,168</u>
Less accumulated depreciation for:				
Buildings	(13,585,912)	(975,412)	-	(14,561,324)
Improvements other than building	(50,039,071)	(2,411,605)	-	(52,450,676)
Machinery and equipment	(17,556,192)	(1,254,791)	299,911	(18,511,072)
Total accumulated depreciation	<u>(81,181,175)</u>	<u>(4,641,808)</u>	<u>299,911</u>	<u>(85,523,072)</u>
Total capital assets, being depreciated, net	<u>58,865,023</u>	<u>2,423,073</u>	<u>-</u>	<u>61,288,096</u>
Governmental activities capital assets, net	<u>\$ 86,283,230</u>	<u>\$ 20,278,451</u>	<u>\$ (5,359,490)</u>	<u>\$ 101,202,191</u>

CITY OF GERMANTOWN, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2013

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type Activities:				
Capital assets, not being depreciated:				
Land	\$ 2,772,593	\$ -	\$ -	\$ 2,772,593
Construction in progress	3,408,283	1,391,442	(3,464,584)	1,335,141
Total capital assets, not being depreciated	<u>6,180,876</u>	<u>1,391,442</u>	<u>(3,464,584)</u>	<u>4,107,734</u>
Capital assets, being depreciated:				
Buildings	19,079,246	209,803	-	19,289,049
Improvements other than buildings	66,797,238	3,568,047	-	70,365,285
Machinery and equipment	3,096,633	115,319	(24,050)	3,187,902
Total capital assets being depreciated	<u>88,973,117</u>	<u>3,893,169</u>	<u>(24,050)</u>	<u>92,842,236</u>
Less accumulated depreciation for:				
Buildings	(7,491,723)	(596,067)	-	(8,087,790)
Improvements other than building	(24,027,671)	(1,393,356)	-	(25,421,027)
Machinery and equipment	(2,336,649)	(293,277)	24,050	(2,605,876)
Total accumulated depreciation	<u>(33,856,043)</u>	<u>(2,282,700)</u>	<u>24,050</u>	<u>(36,114,693)</u>
Total capital assets, being depreciated, net	<u>55,117,074</u>	<u>1,610,469</u>	<u>-</u>	<u>56,727,543</u>
Business-type activities capital assets, net	<u>\$ 61,297,950</u>	<u>\$ 3,001,911</u>	<u>\$ (3,464,584)</u>	<u>\$ 60,835,277</u>

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

Governmental activities:	
General government	\$ 4,545,712
Public safety	52,585
Community service	3,330
Transportation	9,313
Capital assets held by the City's internal service funds are charged to the various functions based on their usage of the assets	<u>30,868</u>
Total depreciation expense - government activities	<u>\$ 4,641,808</u>
Business-type activities:	
Utility	\$ 1,677,787
Athletic Club	561,010
Nonmajor Enterprise Funds	<u>43,903</u>
Total depreciation expense - business-type activities	<u>\$ 2,282,700</u>

CITY OF GERMANTOWN, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2013

E. Construction commitments

The government has active construction projects as of June 30, 2013. At year end the government's commitments with contractors are as follows:

<u>Function / Activity</u>	<u>Commitment</u>
Major Roads	\$ 2,546,898
Intersections	146,286
Drainage	1,314,957
Parks & Recreation	166,800
General Government	1,839,678
Utility	150,821
	<u>\$ 6,165,440</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>\$ 1,000,000</u>

CITY OF GERMANTOWN, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2013

The composition of interfund transfers for the year ended June 30, 2013, is as follows:

Transfer out:	Transfer In:			
	General Fund	Great Hall Fund	Other Governmental	Total
General Fund	\$ -	\$ 70,000	\$ 325,000	\$ 395,000
Major Roads	-	-	1,020,887	1,020,887
Athletic Club	850,000	-	-	850,000
Other Governmental	-	-	1,116,176	1,116,176
Utility Fund	386,609	-	-	386,609
	\$ 1,236,609	\$ 70,000	\$ 2,462,063	\$ 3,768,672

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.

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.

CITY OF GERMANTOWN, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2013

Changes in long-term liabilities

Long-term liability activity for the year ended June 30, 2013, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Bonds payable - general obligation	\$ 25,650,000	\$ -	\$ (2,545,000)	\$ 23,105,000	\$ 2,620,000
Plus (less) deferred amounts:					
For issuance premium	304,333	-	(22,015)	282,318	-
Accrued vacation	1,038,483	104,503	-	1,142,986	-
Compensated absences	934,712	199,398	(17,823)	1,116,287	17,823
Governmental activity long-term liabilities	<u>\$ 27,927,528</u>	<u>\$ 303,901</u>	<u>\$ (2,584,838)</u>	<u>\$ 25,646,591</u>	<u>\$ 2,637,823</u>
Business-type activities:					
Revenue bonds	\$ 6,445,000	\$ -	\$ (880,000)	\$ 5,565,000	\$ 920,000
Plus (less) deferred amounts:					
For issuance premium	99,535	-	(12,254)	87,281	-
For issuance cost	(90,483)	-	90,483	-	-
Business-type activity long-term liabilities	<u>\$ 6,454,052</u>	<u>\$ -</u>	<u>\$ (801,771)</u>	<u>\$ 5,652,281</u>	<u>\$ 920,000</u>

Governmental bond issue costs activity for the year ended June 30, 2013, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
Governmental activities:				
Bond issuance cost	\$ 619,548	\$ -	\$ (619,548)	\$ -

For the governmental activities, compensated absences are generally liquidated by the general fund. No interest was capitalized for the year ended June 30, 2013; interest incurred and charged to expense totaled \$1,415,478.

For the governmental activities, \$1,888,007 of bond proceeds were not spent as of June 30, 2013. As such, these proceeds were not included in the calculation of investments in capital assets, net of related debt.

CITY OF GERMANTOWN, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2013

Bonds and similar debt payable at June 30, 2013, 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	\$ 6,590,000
2006 Serial Bonds	4.00	5,555,000	2,980,000
2009 Serial Bonds	3.0-4.2	9,635,000	7,750,000
2011 Serial Bonds	2.0-3.25	6,025,000	5,785,000
		<u>\$ 30,910,000</u>	<u>23,105,000</u>
Business-type activities:			
Bonds payable:			
2006 Revenue Bond	4.00	\$ 4,255,000	2,350,000
2008 Revenue Bond	3.0-4.0	5,000,000	3,215,000
		<u>\$ 9,255,000</u>	<u>5,565,000</u>
			<u>\$ 28,670,000</u>

Annual debt service requirements to maturity are as follows:

<u>Years Ending June 30</u>	<u>Government Activities</u>		<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
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	1,825,000	451,717	1,075,000	55,300
2019 - 2023	5,820,000	1,614,938	590,000	11,800
2024 - 2028	4,425,000	728,057	-	-
2029 - 2032	1,885,000	113,817	-	-
	<u>\$ 23,105,000</u>	<u>\$ 5,417,188</u>	<u>\$ 5,565,000</u>	<u>\$ 684,887</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, 2013

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
Nonspendable for:				
Inventory	\$ 78,837	\$ -	\$ -	\$ 78,837
Long-term portion of advances	875,000	-	-	875,000
Restricted for:				
Capital projects	-	313,856	-	313,856
Drug enforcement	-	-	101,427	101,427
Library	-	-	271,480	271,480
Municipal schools	-	-	532,000	532,000
Committed to:				
Infrastructure replacement	814,000	-	-	814,000
Emergency & catastrophies	900,000	-	-	900,000
Taxes	8,886,098	-	-	8,886,098
Debt service	3,431,492	-	-	3,431,492
Contractual obligations	-	1,000,389	1,245,940	2,246,329
Automated enforcement	-	-	53,603	53,603
Pickering	-	-	153,543	153,543
Recreation	-	-	153,398	153,398
State Street Aid	-	-	607,800	607,800
Assigned to:				
Contractual obligations	234,158	-	-	234,158
Accrued vacation	1,124,511	-	-	1,124,511
Capital projects	-	-	1,209,127	1,209,127
Unassigned	2,876,078	-	-	2,876,078
Total fund balances	<u>\$ 19,220,174</u>	<u>\$ 1,314,245</u>	<u>\$ 4,328,318</u>	<u>\$ 24,862,737</u>

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

CITY OF GERMANTOWN, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2013

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 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, 2013, PERS membership consisted of:

Retirees and beneficiaries currently receiving benefits	128
Terminated employees entitled to benefits	116
Current employees:	
Vested	211
Nonvested	160
Total	<u>615</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

CITY OF GERMANTOWN, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2013

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, 2013, the actuarial accrued liability for benefits was \$71,109,916 of which \$16,747,154 was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$20,187,727 and the ratio of the unfunded actuarial accrued liability to the covered payroll was 83%.

E. Plan Expenses

Administrative expenses of the Plan, which include investment fees, trustee fees and actuary fees, are financed through both the plan and the general fund. 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, 2013, the City's annual pension cost of \$2,287,758 was equal to the required and actual contributions. The required contribution was determined as part of the July 1, 2013 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 4.0% per year, and (c) no post-retirement benefit increases. The inflationary rate is 2.5%. Payroll for employees covered by this plan was \$20,187,727. For financial reporting purposes, the projection of benefits does not explicitly incorporate the potential effects of the legal limit on employer contributions.

CITY OF GERMANTOWN, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2013

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

Annual required contribution	\$ 2,287,758
Interest on net pension obligation	-
Adjustments to annual required contribution	-
Annual pension cost	2,287,758
Contributions made	2,287,758
Increase (decrease) in net pension obligation	-
Net pension obligation - beginning of year	-
Net pension obligation - end of year	\$ -

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:

	2013	2012	2011
Annual Pension Cost	\$ 2,287,758	\$ 2,306,853	\$ 2,297,580
Percentage of APC contributed	100%	100%	100%
Net Pension Obligation	-	-	-

CITY OF GERMANTOWN, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2013

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:

Supplementary Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
7/1/2008	40,668,198	50,283,399	9,615,201	81%	18,172,732	53%
7/1/2009	40,477,105	56,375,541	15,898,436	72%	18,846,765	84%
7/1/2010	44,648,280	60,406,423	15,758,143	74%	18,998,306	83%
7/1/2011	47,699,823	63,306,400	15,606,577	71%	18,449,784	85%
7/1/2012*	47,115,625	64,149,293	17,033,668	76%	19,214,167	80%
7/1/2013	54,362,762	71,109,916	16,747,154	76%	20,187,727	83%

* Values were remeasured.

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.

NOTE 7 - COMMITMENTS AND CONTINGENCIES

Total rental expense for all funds for the year ended June 30, 2013, was \$354,554. There are no non-cancelable leases as of June 30, 2013.

Construction contract commitments at June 30, 2013, totaled \$6,165,440.

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.

CITY OF GERMANTOWN, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2013

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.

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.

CITY OF GERMANTOWN, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2013

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

	<u>Year ended</u> <u>June 30, 2013</u>	<u>Year ended</u> <u>June 30, 2012</u>
Unpaid claims, beginning of fiscal year*	\$ 80,200	\$ 72,400
Incurring claims*	151,826	196,101
Claim payments	(146,126)	(188,301)
Unpaid claims, end of fiscal year*	<u>\$ 85,900</u>	<u>\$ 80,200</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:

2014	\$ 336,259
2015	338,707
2016	340,619
2017	346,337
2018	333,726
Thereafter	<u>3,165,372</u>
	<u>\$ 4,861,020</u>

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, 2013, 69 retirees met the requirement for participation and participated in the plan. The City Trust paid \$669,370 in claims under the plan for the year-ended June 30, 2013.

CITY OF GERMANTOWN, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2013

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 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.

CITY OF GERMANTOWN, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2013

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, 2013:

Annual Required Contribution	\$ 1,423,007
Interest on net OPEB Obligation	-
Adjustment to Annual Required Contribution	-
Annual OPEB Expense	1,423,007
Contributions made	1,423,007
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:

Fiscal Year <u>Ending</u>	Annual OPEB <u>Cost</u>	Percentage of ARC <u>Contributed</u>	Net OPEB <u>Obligation</u>
6/30/2011	\$ 923,696	100%	\$ -
6/30/2012	923,696	100%	-
6/30/2013	1,423,007	100%	-

E. Funded Status and Funding Progress

As of June 30, 2013, the actuarial accrued liability for benefits was \$16,043,657 of which \$10,901,844 was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$20,187,727, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 54%. The actuarial value of the assets for other post employment benefits as of July 1, 2013 is \$5,141,813.

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

CITY OF GERMANTOWN, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2013

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. 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, 2013

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.

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

CITY OF GERMANTOWN, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2013

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.

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.

CITY OF GERMANTOWN, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2013

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%	

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 of 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.

CITY OF GERMANTOWN, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2013

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	\$ 375,381
Public safety	759,213
Community services	35,000
Transportation and environment	<u>135,886</u>
 Total governmental activities OPEB expense	 <u><u>\$ 1,305,480</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.

	2013	2012
Incurring Claims But Not Reported at Beginning of Fiscal Year	\$ 400,645	\$ 414,029
Claims Submitted for Fiscal Year	<u>4,678,740</u>	<u>5,352,925</u>
Total Available for Claims Payments	5,079,385	5,766,954
Claims Paid During Fiscal Year	<u>4,677,609</u>	<u>5,366,309</u>
Incurring Claims But Not Reported at End of Fiscal Year	<u><u>\$ 401,776</u></u>	<u><u>\$ 400,645</u></u>

The City maintains a liability in the Group Health Insurance Fund in the amount of \$401,776 which is comprised of medical claims incurred prior to June 30, 2013 but not reported until after June 30, 2013, and was estimated by a third party administrator and is included in accounts payable of the governmental activities internal service funds.

CITY OF GERMANTOWN, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2013

NOTE 12 – DONOR-RESTRICTED ENDOWMENT

Library Endowment Fund. In December 2006 the City received \$250,000 as a Library Endowment, the earnings and corpus 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 and earnings are held in Tennessee's Local Government Investment Pool and earmarked for use as directed by the Library Endowment Committee. For the year ended June 30, 2013, the net amount of appreciation on investments of the endowment was \$368.

NOTE 13 – PRIOR PERIOD ADJUSTMENT

A prior period adjustment was made on the statement of revenues, expenditures, and changes in fund balances – governmental funds in the amount of \$1,038,483. In the governmental funds, vacation leave is to be accrued as an expenditure only if there are pending payouts of unused leave owed to employees who left active service by the end of the fiscal period. The City has previously recorded all unused vacation in the governmental funds, which resulted in an overstatement of liabilities and expense in the general fund.

NOTE 14 – CHANGE IN ACCOUNTING PRINCIPLE

The City implemented GASB 65 and expensed all bond issues costs on the books in the current year. The total amount expensed for governmental and proprietary funds was \$619,548 and \$90,483 respectively.



**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, 2013

Year Ended June 30	Annual Required Contribution	Percent Contributed
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%
2013	2,287,758	100%

CITY OF GERMANTOWN, TENNESSEE

SCHEDULE OF OTHER POST EMPLOYMENT BENEFITS FUNDING PROGRESS

For the Year Ended June 30, 2013

Actuarial Valuaion <u>Date</u>	Actuarial Value of <u>Assets</u>	Actuarial Accrued <u>Liability-PUC</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	\$ 9,032,624	\$ 8,094,728	10.4%	\$ 18,172,732	45%
7/1/2009	1,455,484	9,754,566	8,299,082	14.9%	18,846,765	44%
7/1/2010	2,093,918	9,887,913	7,793,995	21.2%	18,998,306	41%
7/1/2011	3,112,582	10,876,356	7,763,774	28.6%	18,449,784	42%
7/1/2012	3,718,914	14,717,598	10,998,684	25.3%	19,214,167	57%
7/1/2013	5,141,813	16,043,657	10,901,844	32.0%	20,187,727	54%



CITY OF GERMANTOWN, TENNESSEE

COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS

June 30, 2013

	Special Revenue						
	State Street Aid	Automated Enforcement	Drug Enforcement	Pickering	Recreation	Municipal Schools	Library Endowment
ASSETS							
Cash and cash equivalents	\$ 302,257	\$ 54,718	\$ 110,057	\$ 166,403	\$ 167,805	\$ 174,456	\$ -
Investments	201,299	-	-	-	-	-	272,503
Receivables - other	187,767	-	2,160	-	-	397,771	-
Restricted assets:							
Cash and cash equivalents	-	-	-	-	-	-	-
Total assets	<u>\$ 691,323</u>	<u>\$ 54,718</u>	<u>\$ 112,217</u>	<u>\$ 166,403</u>	<u>\$ 167,805</u>	<u>\$ 572,227</u>	<u>\$ 272,503</u>
LIABILITIES							
Accounts payable	\$ 83,523	\$ 1,115	10,790	\$ 12,860	\$ 14,407	\$ 40,227	\$ 1,023
Contracts payable	-	-	-	-	-	-	-
Deferred revenue	-	-	-	-	-	-	-
Total Liabilities	83,523	1,115	10,790	12,860	14,407	40,227	1,023
DEFERRED INFLOWS OF RESOURCES							
Unavailable revenue - grants	-	-	-	-	-	-	-
FUND BALANCES							
Restricted	-	-	101,427	-	-	532,000	271,480
Committed	607,800	53,603	-	153,543	153,398	-	-
Assigned	-	-	-	-	-	-	-
Total fund balances	<u>607,800</u>	<u>53,603</u>	<u>101,427</u>	<u>153,543</u>	<u>153,398</u>	<u>532,000</u>	<u>271,480</u>
Total liabilities, deferred outflows of resources, and fund balances	<u>\$ 691,323</u>	<u>\$ 54,718</u>	<u>\$ 112,217</u>	<u>\$ 166,403</u>	<u>\$ 167,805</u>	<u>\$ 572,227</u>	<u>\$ 272,503</u>

CITY OF GERMANTOWN, TENNESSEE

COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)

June 30, 2013

Intersections	Capital Projects				Total
	General Government	Fire Dept	Parks Improvement	Drainage Projects	
\$ 178,968	\$ 2,108,208	\$ -	\$ 176,485	\$ 505,917	\$ 3,945,274
-	-	-	-	-	473,802
5,560	-	-	7,748	-	601,006
-	9,201	-	-	664	9,865
<u>\$ 184,528</u>	<u>\$ 2,117,409</u>	<u>\$ -</u>	<u>\$ 184,233</u>	<u>\$ 506,581</u>	<u>\$ 5,029,947</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 163,945
32,683	189,727	-	9,685	297,841	529,936
-	-	-	-	-	-
32,683	189,727	-	9,685	297,841	693,881
-	-	-	7,748	-	7,748
-	-	-	-	-	904,907
-	1,245,940	-	-	-	2,214,284
151,845	681,742	-	166,800	208,740	1,209,127
151,845	1,927,682	-	166,800	208,740	4,328,318
<u>\$ 184,528</u>	<u>\$ 2,117,409</u>	<u>\$ -</u>	<u>\$ 184,233</u>	<u>\$ 506,581</u>	<u>\$ 5,029,947</u>

CITY OF GERMANTOWN, TENNESSEE

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

For the Year Ended June 30, 2013

	Special Revenue						
	State Street Aid	Automated Enforcement	Drug Enforcement	Pickering	Recreation	Municipal Schools	Library Endowment
REVENUES							
Intergovernmental							
Gasoline & motor fuel tax	\$ 706,427	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Three cent tax	212,038	-	-	-	-	-	-
Gas 1989 tax	114,232	-	-	-	-	-	-
Local option sales taxes	-	-	-	-	-	1,779,028	-
Fees for services	-	-	-	19,267	197,139	-	-
Interest on investments	2,192	-	-	-	-	-	368
Grants	-	-	-	-	-	-	-
Other revenues	-	43,910	122,214	43,698	-	-	-
Total revenues	1,034,889	43,910	122,214	62,965	197,139	1,779,028	368
EXPENDITURES							
Personnel services	-	108,470	26,777	-	-	553,895	-
Material and supplies	2,319,425	2,000	57,538	192	47,300	1,100	-
Other services and charges	-	22,075	2,264	29,108	120,806	692,033	4,821
Architectural and engineering	-	-	-	-	-	-	-
Construction contracts	-	-	-	-	-	-	-
Capital outlay	-	-	52,138	17,115	42,646	-	-
Total expenditures	2,319,425	132,545	138,717	46,415	210,752	1,247,028	4,821
Excess (deficiency) of revenues over (under) expenditures	(1,284,536)	(88,635)	(16,503)	16,550	(13,613)	532,000	(4,453)
OTHER FINANCING SOURCES (USES)							
Transfers in(out)	200,000	125,000	-	-	-	-	-
	200,000	125,000	-	-	-	-	-
Net change in fund balance	(1,084,536)	36,365	(16,503)	16,550	(13,613)	532,000	(4,453)
Fund balances - beginning	1,692,336	17,238	117,930	136,993	167,011	-	275,933
Fund balances - ending	\$ 607,800	\$ 53,603	\$ 101,427	\$ 153,543	\$ 153,398	\$ 532,000	\$ 271,480

CITY OF GERMANTOWN, TENNESSEE

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

For the Year Ended June 30, 2013

Intersections	Capital Projects				Total
	General Government	Fire Dept	Parks Improvement	Drainage Projects	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 706,427
-	-	-	-	-	212,038
-	-	-	-	-	114,232
-	-	-	-	-	1,779,028
-	-	-	-	-	216,406
-	-	-	-	-	2,560
140,285	-	13,875	-	-	154,160
3,341	1,139,642	-	-	-	1,352,805
<u>143,626</u>	<u>1,139,642</u>	<u>13,875</u>	<u>-</u>	<u>-</u>	<u>4,537,656</u>
-	-	-	-	-	689,142
-	-	-	-	-	2,427,555
-	-	-	-	-	871,107
52,711	236,074	1,675	131,535	179,655	601,650
597,892	3,883,596	77,729	4,610	721,145	5,284,972
-	-	-	-	-	111,899
<u>650,603</u>	<u>4,119,670</u>	<u>79,404</u>	<u>136,145</u>	<u>900,800</u>	<u>9,986,325</u>
(506,977)	(2,980,028)	(65,529)	(136,145)	(900,800)	(5,448,669)
(324,425)	1,407,803	(411,041)	(380,710)	729,260	1,345,887
<u>(324,425)</u>	<u>1,407,803</u>	<u>(411,041)</u>	<u>(380,710)</u>	<u>729,260</u>	<u>1,345,887</u>
(831,402)	(1,572,225)	(476,570)	(516,855)	(171,540)	(4,102,782)
983,247	3,499,907	476,570	683,655	380,280	8,431,100
<u>\$ 151,845</u>	<u>\$ 1,927,682</u>	<u>\$ -</u>	<u>\$ 166,800</u>	<u>\$ 208,740</u>	<u>\$ 4,328,318</u>

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, 2013

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive(Negative)
	Original	Final		
STATE STREET AID				
REVENUES				
State gasoline taxes	\$ 1,099,705	\$ 1,099,705	\$ 1,032,697	\$ (67,008)
Interest on investments	6,860	6,860	2,192	(4,668)
Total revenues	1,106,565	1,106,565	1,034,889	(71,676)
EXPENDITURES				
Material and supplies	2,624,000	2,634,083	2,319,425	314,658
Excess (deficiency) of revenues over (under) expenditures	(1,517,435)	(1,527,518)	(1,284,536)	242,982
OTHER FINANCING SOURCES (USES)				
Transfers in	325,000	325,000	200,000	(125,000)
Net change in fund balances	(1,192,435)	(1,202,518)	(1,084,536)	117,982
Fund balance - beginning	1,692,336	1,692,336	1,692,336	-
Fund balance - ending	\$ 499,901	\$ 489,818	\$ 607,800	\$ 117,982
AUTOMATED ENFORCEMENT				
REVENUES				
Other revenue	\$ 375,000	\$ 375,000	\$ 43,910	\$ (331,090)
EXPENDITURES				
Salaries and wages	87,277	87,277	70,916	16,361
Insurance	21,489	21,489	17,766	3,723
Payroll taxes	7,508	7,508	6,625	883
Rent	196,800	196,800	22,075	174,725
Retirement contributions	13,935	13,935	13,163	772
Supplies	5,000	5,000	2,000	3,000
Total expenditures	332,009	332,009	132,545	199,464
Excess (deficiency) of revenues over (under) expenditures	42,991	42,991	(88,635)	(131,626)
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	125,000	125,000
Net change in fund balances	42,991	42,991	36,365	(6,626)
Fund balance - beginning	17,238	17,238	17,238	-
Fund balance - ending	\$ 60,229	\$ 60,229	\$ 53,603	\$ (6,626)

(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, 2013

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive(Negative)
	Original	Final		
DRUG ENFORCEMENT				
REVENUES				
Other revenues	\$ 450,000	\$ 502,139	\$ 122,214	\$ (379,925)
EXPENDITURES				
Salaries and wages	36,000	36,000	6,151	29,849
Education and training	45,000	45,000	20,626	
Supplies	207,869	210,918	57,538	153,380
Telephone	2,000	2,265	2,264	1
Capital outlay	0	52,139	52,138	1
Total expenditures	290,869	346,322	138,717	183,231
Net change in fund balances	159,131	155,817	(16,503)	(196,694)
Fund balance - beginning	117,930	117,930	117,930	-
Fund balance - ending	\$ 277,061	\$ 273,747	\$ 101,427	\$ (196,694)
PICKERING				
REVENUES				
Fees for services	\$ 26,500	\$ 26,500	\$ 19,267	\$ (7,233)
Other revenues	55,000	55,000	43,698	(11,302)
Total revenues	81,500	81,500	62,965	(18,535)
EXPENDITURES				
Insurance	2,800	2,800	2,476	324
Professional Services	15,000	15,000	11,906	
Programs & Events	7,500	7,596	6,588	
Supplies	4,500	4,500	192	
Telephone	750	916	914	
Utilities	9,400	9,234	7,224	2,010
Capital Outlay	50,000	43,390	17,115	26,275
Total expenditures	89,950	83,436	46,415	28,609
Net change in fund balances	(8,450)	(1,936)	16,550	10,074
Fund balance - beginning	136,993	136,993	136,993	-
Fund balance - ending	\$ 128,543	\$ 135,057	\$ 153,543	\$ 10,074

(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, 2013

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive(Negative)
	Original	Final		
RECREATION				
REVENUES				
Fees for services	\$ 220,575	\$ 220,575	\$ 197,139	\$ (23,436)
EXPENDITURES				
Insurance	11,600	11,600	10,260	1,340
Professional Services	130,667	134,467	109,008	25,459
Rent	4,250	3,850	1,500	
Supplies	26,270	22,943	17,785	
Uniforms & Clothing	29,000	49,519	29,553	19,966
Capital outlay	95,000	137,646	42,646	95,000
Total expenditures	296,787	360,025	210,752	141,765
Net change in fund balances	(76,212)	(139,450)	(13,613)	118,329
Fund balance - beginning	167,011	167,011	167,011	-
Fund balance - ending	\$ 90,799	\$ 27,561	\$ 153,398	\$ 118,329
MUNICIPAL SCHOOL				
REVENUES				
Local option sales tax	\$ -	\$ 1,688,000	\$ 1,779,028	\$ 91,028
EXPENDITURES				
Salaries and wages	-	419,091	406,204	12,887
Dues and subscriptions	-	42	42	-
Insurance	-	54,608	54,607	1
Legal fees	-	359,972	369,355	(9,383)
Meetings and travel	-	220	220	-
Notice Publications	-	6,796	6,798	(2)
Other expenses	-	40,779	31,392	9,387
Payroll taxes	-	30,640	30,473	167
PEG station	-	262,395	262,395	-
Professional services	-	21,832	21,831	1
Retirement contributions	-	62,613	62,611	2
Supplies	-	1,101	1,100	1
Total expenditures	-	1,260,089	1,247,028	13,061
Net change in fund balances	-	427,911	532,000	104,089
Fund balance - beginning	-	-	-	-
Fund balance - ending	\$ -	\$ 427,911	\$ 532,000	\$ 104,089

(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, 2013

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive(Negative)
	Original	Final		
LIBRARY ENDOWMENT				
REVENUES				
Interest on investments	\$ -	\$ -	\$ 368	\$ 368
EXPENDITURES				
Supplies	-	10,000	4,821	5,179
Net change in fund balances	-	(10,000)	(4,453)	5,547
Fund balance - beginning	-	-	275,933	275,933
Fund balance - ending	\$ -	\$ (10,000)	\$ 271,480	\$ 281,480
INTERSECTIONS				
REVENUES				
Grants	\$ -	\$ -	\$ 140,285	\$ 140,285
Other revenues	-	5,208	3,341	(1,867)
Total revenues	-	5,208	143,626	138,418
EXPENDITURES				
Architectural and engineering	85,000	71,012	52,711	18,301
Construction contracts	285,000	880,266	597,892	282,374
Total expenditures	370,000	951,278	650,603	300,675
Excess (deficiency) of revenues over (under) expenditures	(370,000)	(946,070)	(506,977)	439,093
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	(324,425)	(324,425)
Net change in fund balances	(370,000)	(946,070)	(831,402)	114,668
Fund balance - beginning	983,247	983,247	983,247	-
Fund balance - ending	\$ 613,247	\$ 37,177	\$ 151,845	\$ 114,668

(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, 2013

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive(Negative)
	Original	Final		
GENERAL GOVERNMENT PROJECTS				
REVENUES				
Other revenues	\$ -	\$ 61,500	\$ 1,139,642	\$ 1,078,142
EXPENDITURES				
Architectural and engineering	130,000	273,943	236,074	37,869
Construction contracts	3,990,000	4,113,468	3,883,596	229,872
Total expenditures	4,120,000	4,387,411	4,119,670	267,741
Excess (deficiency) of revenues over (under) expenditures	(4,120,000)	(4,325,911)	(2,980,028)	1,345,883
OTHER FINANCING SOURCES (USES)				
Transfers in	-	(1,390,618)	1,407,803	2,798,421
Net change in fund balances	(4,120,000)	(5,716,529)	(1,572,225)	4,144,304
Fund balance - beginning	3,499,907	3,499,907	3,499,907	-
Fund balance - ending	\$ (620,093)	\$ (2,216,622)	\$ 1,927,682	\$ 4,144,304
FIRE DEPT				
REVENUES				
Grants	\$ -	\$ -	\$ 13,875	\$ 13,875
EXPENDITURES				
Architectural and engineering	-	1,675	1,675	-
Construction contracts	90,000	80,568	77,729	2,839
Total expenditures	90,000	82,243	79,404	2,839
Excess (deficiency) of revenues over (under) expenditures	(90,000)	(82,243)	(65,529)	16,714
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	(411,041)	411,041
Net change in fund balances	(90,000)	(82,243)	(476,570)	427,755
Fund balance - beginning	476,570	476,570	476,570	-
Fund balance - ending	\$ 386,570	\$ 394,327	\$ -	\$ 427,755

(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, 2013

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive(Negative)
	Original	Final		
PARKS IMPROVEMENTS				
EXPENDITURES				
Architectural and engineering	\$ 140,000	\$ 143,296	\$ 131,535	\$ 11,761
Construction contracts	1,315,000	1,214,750	4,610	1,210,140
Total expenditures	1,455,000	1,358,046	136,145	1,221,901
Excess (deficiency) of revenues over (under) expenditures	(1,455,000)	(1,358,046)	(136,145)	1,221,901
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	(380,710)	(380,710)
Net change in fund balances	(1,455,000)	(1,358,046)	(516,855)	841,191
Fund balance - beginning	683,655	683,655	683,655	-
Fund balance - ending	\$ (771,345)	\$ (674,391)	\$ 166,800	\$ 841,191
DRAINAGE PROJECTS				
EXPENDITURES				
Architectural and engineering	\$ 175,000	\$ 182,119	\$ 179,655	\$ 2,464
Construction contracts	1,461,000	821,525	721,145	100,380
Contingency	200,000	9,271	-	9,271
Total expenditures	1,836,000	1,012,915	900,800	112,115
Excess (deficiency) of revenues over (under) expenditures	(1,836,000)	(1,012,915)	(900,800)	112,115
OTHER FINANCING SOURCES (USES)				
Transfers in	-	(1,901,472)	729,260	2,630,732
Total other financing sources (uses)	-	(1,901,472)	729,260	2,630,732
Net change in fund balances	(1,836,000)	(2,914,387)	(171,540)	2,742,847
Fund balance - beginning	380,280	380,280	380,280	-
Fund balance - ending	\$ (1,455,720)	\$ (2,534,107)	\$ 208,740	\$ 2,742,847

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, 2013

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive(Negative)
	Original	Final		
MAJOR ROADS				
REVENUES				
Interest on investments	\$ -	\$ -	\$ 228,552	\$ 228,552
Grants	-	-	9,164,808	9,164,808
Total revenues	-	-	9,393,360	9,393,360
EXPENDITURES				
Architectural and engineering	289,000	1,975,231	1,846,454	128,777
Construction contracts	4,419,000	14,219,200	10,226,818	3,992,382
Other costs	-	214,045	208,640	5,405
Total expenditures	4,708,000	16,408,476	12,281,912	4,126,564
Excess (deficiency) of revenues over (under) expenditures	(4,708,000)	(16,408,476)	(2,888,552)	13,519,924
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	(1,020,887)	1,020,887
Net change in fund balances	(4,708,000)	(16,408,476)	(3,909,439)	14,540,811
Fund balance - beginning	5,223,684	5,223,684	5,223,684	-
Fund balance - ending	\$ 515,684	\$ (11,184,792)	\$ 1,314,245	\$ 14,540,811

CITY OF GERMANTOWN, TENNESSEE

COMBINING STATEMENT OF NET POSITION – NONMAJOR ENTERPRISE FUNDS

June 30, 2013

	Sanitation Fund	Great Hall Fund	Stormwater Fund	Total
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 890,902	\$ 1,417	\$ 312,018	\$ 1,204,337
Investments	77,908	-	-	77,908
Receivables:				
Customers and developers	186,969	23,605	108,464	319,038
Less allowance for doubtful accounts	(15,618)	-	(14,629)	(30,247)
Net receivables	171,351	23,605	93,835	288,791
Total current assets	1,140,161	25,022	405,853	1,571,036
Capital assets, being depreciated				
Buildings and improvements	-	427,793	-	427,793
Machinery and equipment	17,572	192,054	33,139	242,765
Less accumulated depreciation	(17,572)	(238,144)	(552)	(256,268)
Total depreciable assets, net	-	381,703	32,587	414,290
Total noncurrent assets	-	381,703	32,587	414,290
Total assets	1,140,161	406,725	438,440	1,985,326
LIABILITIES				
Current liabilities:				
Accounts payable	260,672	15,458	61,386	337,516
Unearned revenue	69,519	-	-	69,519
Customer deposits payable	-	56,417	-	56,417
Advances from other funds - current	-	-	-	-
Total liabilities	330,191	71,875	61,386	463,452
NET POSITION				
Net investment in capital assets	-	381,703	32,587	414,290
Unrestricted	809,970	(46,853)	344,467	1,107,584
Total net position	\$ 809,970	\$ 334,850	\$ 377,054	\$ 1,521,874

CITY OF GERMANTOWN, TENNESSEE

**COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND
NET POSITION – NONMAJOR ENTERPRISE FUNDS**

For the Year Ended June 30, 2013

	Sanitation Fund	Great Hall Fund	Stormwater Fund	Total
Operating Revenues:				
Sanitation fees	\$ 3,410,013	\$ -	\$ -	\$ 3,410,013
Stormwater fees	-	-	994,936	994,936
Forfeited discounts	35,722	-	-	35,722
Other income	104,625	308,225	-	412,850
Total operating revenues	<u>3,550,360</u>	<u>308,225</u>	<u>994,936</u>	<u>4,853,521</u>
Operating Expenses:				
Personnel services	47,692	137,145	617,587	802,424
Materials and supplies	19,771	15,185	22,414	57,370
Landfill fees	394,900	-	-	394,900
Garbage collection fees	2,726,345	-	-	2,726,345
Other services and charges	6,650	273,551	274,108	554,309
Depreciation	-	43,351	552	43,903
Total operating expenses	<u>3,195,358</u>	<u>469,232</u>	<u>914,661</u>	<u>4,579,251</u>
Operating income (loss)	355,002	(161,007)	80,275	274,270
Nonoperating Revenues (Expenses):				
Interest and fiscal charges	<u>1,970</u>	<u>(11,883)</u>	<u>1,209</u>	<u>(8,704)</u>
Income (loss) before transfers	356,972	(172,890)	81,484	265,566
Transfers in	<u>-</u>	<u>70,000</u>	<u>-</u>	<u>70,000</u>
Change in net position	356,972	(102,890)	81,484	335,566
Total net position - beginning	<u>452,998</u>	<u>437,740</u>	<u>295,570</u>	<u>1,186,308</u>
Total net position - ending	<u>\$ 809,970</u>	<u>\$ 334,850</u>	<u>\$ 377,054</u>	<u>\$ 1,521,874</u>

CITY OF GERMANTOWN, TENNESSEE

COMBINING STATEMENT OF CASH FLOWS – NONMAJOR ENTERPRISE FUNDS

For the Year Ended June 30, 2013

	Sanitation Fund	Great Hall Fund	Stormwater Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from customers	\$ 3,547,584	\$ 312,943	\$ 984,067	\$ 4,844,594
Cash paid to suppliers	(3,169,558)	(285,795)	(305,499)	(3,760,852)
Cash paid to employees	(46,279)	(140,652)	(604,718)	(791,649)
Net cash provided (used) by operating activities	331,747	(113,504)	73,850	292,093
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfer from other fund	-	70,000	-	70,000
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition of capital assets	-	(19,648)	(33,139)	(52,787)
Interest paid	-	(11,883)	-	(11,883)
Net cash used for capital and related financing activities	-	(31,531)	(33,139)	(64,670)
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest received	1,970	-	1,209	3,179
Net increase (decrease) in cash and cash equivalents	333,717	(75,035)	41,920	300,602
Cash and cash equivalents - beginning	557,185	76,452	270,098	903,735
Cash and cash equivalents - ending	\$ 890,902	\$ 1,417	\$ 312,018	\$ 1,204,337
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) By Operating Activities				
Operating income (loss)	\$ 355,002	\$ (161,007)	\$ 80,275	\$ 274,270
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities				
Depreciation expense	-	43,350	552	43,902
(Increase) decrease in assets:				
Accounts receivable	(1,842)	(16,390)	(10,869)	(29,101)
Increase (decrease) in liabilities:				
Accounts payable	(20,479)	(566)	3,892	(17,153)
Customer deposits	-	21,109	-	21,109
Unearned revenue	(934)	-	-	(934)
Total adjustments	(23,255)	47,503	(6,425)	17,823
Net cash provided (used) by operating activities	\$ 331,747	\$ (113,504)	\$ 73,850	\$ 292,093

CITY OF GERMANTOWN, TENNESSEE

COMBINING STATEMENT OF NET POSITION - INTERNAL SERVICE FUNDS

June 30, 2013

	<u>Health Insurance</u>	<u>Vehicle Maintenance</u>	<u>Total</u>
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 961,374	\$ 203,624	\$ 1,164,998
Accounts receivable - other	3,890	-	3,890
Inventory	-	110,332	110,332
Total current assets	<u>965,264</u>	<u>313,956</u>	<u>1,279,220</u>
Noncurrent assets:			
Capital assets:			
Buildings	-	319,511	319,511
Machinery and equipment	-	373,241	373,241
Construction in progress	-	36,312	36,312
	<u>-</u>	<u>729,064</u>	<u>729,064</u>
Less accumulated depreciation	<u>-</u>	<u>(595,916)</u>	<u>(595,916)</u>
Total capital assets	<u>-</u>	<u>133,148</u>	<u>133,148</u>
 Total assets	 <u>965,264</u>	 <u>447,104</u>	 <u>1,412,368</u>
LIABILITIES			
Current liabilities:			
Accounts payable	<u>453,264</u>	<u>72,706</u>	<u>525,970</u>
NET POSITION			
Invested in capital assets	-	133,148	133,148
Unrestricted	<u>512,000</u>	<u>241,250</u>	<u>753,250</u>
Total net position	<u>\$ 512,000</u>	<u>\$ 374,398</u>	<u>\$ 886,398</u>

CITY OF GERMANTOWN, TENNESSEE

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

For the Year Ended June 30, 2013

	<u>Health Insurance</u>	<u>Vehicle Maintenance</u>	<u>Total</u>
Operating Revenues:			
Charges for services	\$ 4,678,458	\$ 891,318	\$ 5,569,776
Operating Expenses:			
Personnel services	-	731,966	731,966
Materials and supplies	-	17,288	17,288
Other services and charges	4,678,740	111,001	4,789,741
Depreciation	-	30,868	30,868
Total operating expenses	<u>4,678,740</u>	<u>891,123</u>	<u>5,569,863</u>
Change in net position	(282)	195	(87)
Total net position - beginning	<u>512,282</u>	<u>374,203</u>	<u>886,485</u>
Total net position - ending	<u>\$ 512,000</u>	<u>\$ 374,398</u>	<u>\$ 886,398</u>

CITY OF GERMANTOWN, TENNESSEE

COMBINING STATEMENT OF CASH FLOWS - INTERNAL SERVICE FUNDS

For the Year Ended June 30, 2013

	Health Insurance	Vehicle Maintenance	Totals
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers and users	\$ 4,677,633	\$ 891,318	\$ 5,568,951
Cash paid to suppliers	(4,627,212)	(125,370)	(4,752,582)
Cash paid to employees	-	(728,496)	(728,496)
Net cash provided by operating activities	<u>50,421</u>	<u>37,452</u>	<u>87,873</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchases of capital assets	-	(65,296)	(65,296)
Net increase (decrease) in cash and cash equivalents	50,421	(27,844)	22,577
Cash and cash equivalents - beginning of the year	<u>910,953</u>	<u>231,468</u>	<u>1,142,421</u>
Cash and cash equivalents - end of the year	<u>\$ 961,374</u>	<u>\$ 203,624</u>	<u>\$ 1,164,998</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) By Operating Activities:			
Operating income (loss)	\$ (282)	\$ 195	\$ (87)
Adjustment to reconcile operating income (loss) to net cash provided (used) by operating activities			
Depreciation expense	-	30,868	30,868
(Increase) decrease in accounts receivable	(825)	-	(825)
(Increase) decrease in inventories	-	7,536	7,536
Increase (decrease) in accounts payable	<u>51,528</u>	<u>(1,147)</u>	<u>50,381</u>
Total adjustments	<u>50,703</u>	<u>37,257</u>	<u>87,960</u>
Net cash provided by operating activities	<u>\$ 50,421</u>	<u>\$ 37,452</u>	<u>\$ 87,873</u>

CITY OF GERMANTOWN, TENNESSEE

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

For the Year Ended June 30, 2013

	<u>Balance</u> <u>July 1, 2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2013</u>
Assets				
Cash and cash equivalents	\$ 131,749	\$ 223,780	\$ 252,439	\$ 103,090
Liabilities				
Deposits held in trust	\$ 131,749	\$ 223,354	\$ 252,013	\$ 103,090



CITY OF GERMANTOWN, TENNESSEE

**SCHEDULE OF PRINCIPAL AND INTEREST MATURITIES
SERIAL GENERAL OBLIGATION BONDS**

June 30, 2013

	Series 05 Bonds		Series 06 Bonds		Series 09 Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
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>\$ 6,590,000</u>	<u>\$ 1,188,268</u>	<u>\$ 2,980,000</u>	<u>\$ 298,400</u>	<u>\$ 7,750,000</u>	<u>\$ 2,273,419</u>

(Continued)

CITY OF GERMANTOWN, TENNESSEE

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

June 30, 2013

	Series 11 Bonds		Total Series Bonds	
	Principal	Interest	Principal	Interest
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>\$ 5,785,000</u>	<u>\$ 1,657,101</u>	<u>\$ 23,105,000</u>	<u>\$ 5,417,188</u>

CITY OF GERMANTOWN, TENNESSEE

SCHEDULE OF PRINCIPAL AND INTEREST MATURITIES
SERIAL BONDS

June 30, 2013

	Series 06 Bonds		Series 08 Bonds		Total Series Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
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>\$ 2,350,000</u>	<u>\$ 290,000</u>	<u>\$ 3,215,000</u>	<u>\$ 394,887</u>	<u>\$ 5,565,000</u>	<u>\$ 684,887</u>

CITY OF GERMANTOWN, TENNESSEE

SCHEDULE OF OFFICIAL BONDS OF PRINCIPAL OFFICIALS

June 30, 2013

	<u>Amount of Bond/Insurance*</u>
Mayor	
Honorable Sharon Goldsworthy	\$ 500,000
Five Aldermen (each) *	
Forrest Owens	500,000
Rocky Janda	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 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
Procurement Director *	
Lisa Piefer	500,000
General Services Director *	
Reynold Douglas	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, 2013

Federal Government Awards	CFDA #	Grant Number	Receivable (Deferral) 06/30/12	Receipts FY'13	Expenditures FY'13	Receivable (Deferral) 06/30/13
US Dept of Transportation / TN Dept of Transportation						
Highway Planning and Construction	20.205	Fed Proj #STP-M-NHE-57(46)	\$ 8,028	\$ 16,417	\$ 9,514	\$ 1,125
Highway Planning and Construction	20.205	Fed Proj #STP-M-5161(2)	564,833	2,759,812	2,232,897	37,918
Highway Planning and Construction	20.205	Fed Proj #STP-M-9420(1) & 9420(5)	1,828,564	6,266,705	7,081,692	2,643,551
Highway Planning and Construction	20.205	Fed Proj #STP-M-NHE-57(48)	-	84,455	90,015	5,560
Highway Planning and Construction	20.205	Fed Proj #STP-M-NHE-57(53)	17,293	67,563	50,270	-
Total Program 20.205			<u>2,418,718</u>	<u>9,194,952</u>	<u>9,464,388</u>	<u>2,688,154</u>
US Department of Homeland Security						
Disaster Grant - Public Assistance / thru State of TN	97.036	FEMA-1978-DR-TN	\$ 3,162	\$ 3,162	\$ -	\$ -
Disaster Grant - Public Assistance / thru State of TN	97.036	FEMA-1979-DR-TN	162	162	-	-
Total Program 97.036			<u>3,324</u>	<u>3,324</u>	<u>-</u>	<u>-</u>
Assistance to Firefighters / thru City of Memphis	97.025	EMW-2008-CA-1511	-	13,970	13,970	-
Assistance to Firefighters Grant	97.044	EMW-2011-FP-01232	-	14,618	14,618	-
Homeland Security Grant / thru Shelby County, TN	97.067	10UASI-GERM	-	93,723	93,723	-
TOTAL FEDERAL AWARDS			<u>\$ 2,422,042</u>	<u>\$ 9,320,586</u>	<u>\$ 9,586,699</u>	<u>\$ 2,688,154</u>

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, 2013

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	\$ 9,555,678
Change in deferred revenue at the fund level	155,959
Non-federal and non-state grants	<u>(124,938)</u>
Total federal and state awards	<u><u>\$ 9,586,699</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	117
These exhibits contain trend information to help the reader understand how the City’s financial performance and well-being have changed over time.	
Revenue Capacity	121
These exhibits contain information to help the reader assess the factors affecting the City’s ability to generate its property and sales taxes.	
Debt Capacity	130
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.	
Demographic and Economic Information	134
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.	

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 POSITION BY COMPONENT
Last Eight Fiscal Years
(accrual basis of accounting)

	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Governmental activities								
Net investment in capital assets	\$ 79,702,880	\$ 64,381,386	\$ 52,900,774	\$ 45,980,201	\$ 45,178,360	\$ 39,655,346	\$ 39,655,346	\$ 34,419,127
Restricted	1,218,763	1,768,896	2,511,848	1,692,290	1,661,780	1,406,872	1,288,885	1,556,120
Unrestricted	<u>21,594,508</u>	<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>
Total governmental activities net position	<u>\$ 102,516,151</u>	<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>
Business-type activities								
Net investment in capital assets	\$ 55,182,996	\$ 54,753,414	\$ 52,829,038	\$ 52,457,209	\$ 49,924,751	\$ 50,914,976	\$ 46,556,454	\$ 45,205,036
Unrestricted	<u>5,767,228</u>	<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>
Total business-type activities net position	<u>\$ 60,950,224</u>	<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>
Primary government								
Net investment in capital assets	\$ 134,885,876	\$ 119,134,800	\$ 105,729,812	\$ 98,437,410	\$ 95,103,111	\$ 90,570,322	\$ 86,211,800	\$ 79,624,163
Restricted	1,218,763	1,768,896	2,511,848	1,692,290	1,661,780	1,406,872	1,288,885	1,556,120
Unrestricted	<u>27,361,736</u>	<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>
Total primary government net position	<u>\$ 163,466,375</u>	<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>

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 POSITION
Last Eight Fiscal Years
(accrual basis of accounting)

	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Expenses								
Governmental activities:								
General government	\$ 15,085,014	\$ 14,455,690	\$ 13,883,051	\$ 14,126,482	\$ 12,165,467	\$ 10,074,368	\$ 11,172,137	\$ 9,638,679
Public safety	18,283,716	18,714,470	17,670,477	16,746,970	16,687,140	16,918,305	15,186,485	14,231,653
Community services	4,286,244	3,038,987	3,013,028	2,768,856	4,775,897	5,201,066	5,329,489	5,897,428
Transportation and environment	5,436,003	5,969,305	4,792,033	5,434,148	5,088,019	4,279,001	2,891,573	3,868,498
Interest and fiscal charges	1,415,478	950,133	798,410	877,138	786,612	878,503	1,062,319	1,078,349
Total governmental activities expenses	<u>44,506,455</u>	<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>
Business-type activities:								
Utilities	7,309,861	6,884,307	7,230,379	7,046,258	6,502,565	6,100,526	5,928,575	5,581,195
Athletic Club	3,404,771	3,579,023	3,523,561	3,486,381	3,588,475	2,992,340	2,673,695	2,659,614
Sanitation	-	3,409,532	3,997,349	3,886,086	3,824,101	3,706,306	3,609,186	3,900,496
Nonmajor Enterprise Fund	4,587,955	1,387,559	1,253,252	366,376	-	-	-	-
Total business-type activities expenses	<u>15,302,587</u>	<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>
Total primary government expenses	<u>\$ 59,809,042</u>	<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>
Program Revenues								
Governmental activities:								
Charges for services:								
General government	\$ 1,266,206	\$ 1,156,280	\$ 1,517,274	\$ 1,736,391	\$ 1,497,312	\$ 1,581,629	\$ 1,824,188	\$ 1,552,140
Public safety	175,474	484,006	590,284	431,689	446,496	630,712	1,050,389	638,670
Community services	348,865	600,909	546,195	694,866	610,060	554,945	567,634	483,461
Transportation and environment	978,001	956,379	971,709	1,142,344	953,711	972,327	982,354	980,535
Operating grants and contributions	7,103,351	1,401,676	1,607,271	1,731,228	1,237,633	1,547,919	450,883	513,490
Capital grants and contributions	10,316,156	8,269,611	5,025,552	280,244	400,000	162,546	733,382	807,156
Total governmental activities program revenues	<u>20,188,053</u>	<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>
Business-type activities:								
Charges for services:								
Utilities	6,793,703	7,471,805	7,896,551	6,598,459	7,030,835	7,991,054	8,486,257	7,628,554
Athletic Club	3,900,935	3,709,915	3,517,289	3,221,736	3,003,894	2,131,190	2,090,233	2,207,882
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	4,853,521	1,280,333	1,074,264	114,998	-	-	-	-
Capital grants and contributions	86,243	116,797	171,857	417,437	96,502	1,475,640	1,320,633	759,414
Total business-type activities program revenues	<u>15,634,402</u>	<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>
Total primary government program revenues	<u>\$ 35,822,455</u>	<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>
Net (expense)/revenue								
Governmental activities	\$ (24,318,402)	\$ (30,259,724)	\$ (29,898,714)	\$ (33,936,832)	\$ (34,357,923)	\$ (31,901,165)	\$ (30,033,173)	\$ (29,739,155)
Business-type activities	331,815	848,847	599,919	(527,029)	26,516	2,549,547	3,416,712	2,063,015
Total primary government net expense	<u>\$ (23,986,587)</u>	<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>

CITY OF GERMANTOWN, TENNESSEE
PROGRAM REVENUES BY FUNCTION/PROGRAM

Last Eight Fiscal Years
(accrual basis of accounting)

Function/Program	2013	2012	2011	2010	2009	2008	2007	2006
Governmental activities:								
General government	\$ 1,266,206	\$ 1,156,280	\$ 1,517,274	\$ 1,736,391	\$ 1,497,312	\$ 1,581,629	\$ 2,187,448	\$ 1,552,140
Public safety	175,474	484,006	590,284	431,689	446,496	630,712	1,588,031	1,155,561
Community services	348,865	600,909	546,195	694,866	610,060	554,945	850,997	1,287,216
Transportation and environment	978,001	956,379	971,709	1,142,344	953,711	972,327	982,354	980,535
Total governmental activities	<u>2,768,546</u>	<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>
Business-type activities:								
Utilities	6,793,703	7,471,805	7,896,551	6,598,459	7,030,835	7,991,054	9,806,890	8,387,968
Athletic Club	3,900,935	3,709,915	3,517,289	3,221,736	3,003,894	2,131,190	2,090,233	2,207,882
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	4,853,521	1,280,333	1,074,264	114,998	-	-	-	-
Total business-type activities	<u>15,548,159</u>	<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>
Total primary government	<u>\$ 18,316,705</u>	<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>

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)

	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
General fund										
Reserved	\$ -	\$ -	\$ -	\$ 1,783,367	\$ 2,824,036	\$ 2,090,726	\$ 2,296,984	\$ 2,210,255	\$ 2,335,255	\$ 2,573,220
Unreserved				20,626,286	21,242,586	23,660,623	23,741,000	21,087,404	20,084,787	20,208,863
Nonspendable	953,837	1,073,255	1,192,317	-	-	-	-	-	-	-
Restricted	-	-	-	-	-	-	-	-	-	-
Committed	14,031,590	12,828,407	13,027,239	-	-	-	-	-	-	-
Assigned	1,358,669	325,000	2,583,000	-	-	-	-	-	-	-
Unassigned	2,876,078	2,483,836	3,024,170	-	-	-	-	-	-	-
Total general fund	<u>\$ 19,220,174</u>	<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>
Major Roads										
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	-	-	-	-	-	-	-	-	-	-
Nonspendable	-	-	-	-	-	-	-	-	-	-
Restricted	313,856	1,375,033	-	-	-	-	-	-	-	-
Committed	1,000,389	3,848,651	-	-	-	-	-	-	-	-
Assigned	-	-	3,606,404	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-	-	-	-	-
Total major roads	<u>\$ 1,314,245</u>	<u>\$ 5,223,684</u>	<u>\$ 3,606,404</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
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
Capital projects funds	-	-	-	5,065,140	7,983,234	5,619,174	4,954,762	4,215,186	(314,352)	4,309,956
Nonspendable	-	-	-	-	-	-	-	-	-	-
Restricted	904,907	393,863	91,532	-	-	-	-	-	-	-
Committed	2,214,284	1,582,384	3,894,476	-	-	-	-	-	-	-
Assigned	1,209,127	6,454,853	3,782,504	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-	-	-	-	-
Total all other governmental funds	<u>\$ 4,328,318</u>	<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>

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)

	<u>2013</u>	<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>
Revenues										
Taxes	\$37,893,834	\$ 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
Fines and forfeitures	812,454	766,110	1,126,108	1,321,613	1,059,200	1,107,391	1,327,456	1,080,416	896,692	904,842
Licenses and permits	1,036,498	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
Fees for services	377,852	338,750	532,018	559,298	468,260	469,961	439,648	732,136	1,071,380	268,319
Interest on investments	82,582	109,193	128,522	244,182	783,049	1,484,404	1,838,031	1,229,713	773,585	289,272
Grants	9,555,678	8,661,249	5,524,638	923,104	157,319	244,501	1,107,120	988,963	236,871	659,131
Other revenues	3,271,793	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
Total revenues	<u>53,030,691</u>	<u>49,207,131</u>	<u>46,154,576</u>	<u>41,018,316</u>	<u>40,120,424</u>	<u>43,604,020</u>	<u>42,777,252</u>	<u>39,878,896</u>	<u>37,515,017</u>	<u>35,747,298</u>
Expenditures										
General government	10,121,258	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
Public safety	18,984,883	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
Community services	4,410,517	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
Transportation and Environment	6,043,143	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
Debt service										
Principal	2,545,000	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
Interest	830,248	863,525	842,142	897,181	810,284	900,535	1,086,395	1,076,192	1,506,532	1,563,275
Bond issuance cost	-	-	-	-	109,525	-	62,078	106,327	-	-
Capital outlay	18,168,534	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
Total expenditures	<u>61,103,583</u>	<u>56,490,351</u>	<u>49,603,098</u>	<u>41,455,766</u>	<u>43,957,763</u>	<u>41,257,678</u>	<u>40,417,015</u>	<u>38,648,820</u>	<u>39,956,009</u>	<u>32,606,520</u>
Excess of revenues over (under) expenditures	(8,072,892)	(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
Other financing sources (uses)										
Transfers in	2,582,496	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
Transfers out	(1,415,887)	(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)
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	-	-	-	-	-	-	-	-	-	-
Sale of Capital Assets	38,985	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)	<u>1,205,594</u>	<u>6,446,860</u>	<u>(1,655,942)</u>	<u>(777,656)</u>	<u>4,971,625</u>	<u>(993,518)</u>	<u>(785,735)</u>	<u>4,746,364</u>	<u>-</u>	<u>(88,000)</u>
Net change in fund balances	<u>\$ (6,867,298)</u>	<u>\$ (836,360)</u>	<u>\$ (5,104,464)</u>	<u>\$ (1,215,106)</u>	<u>\$ 1,134,286</u>	<u>\$ 1,352,824</u>	<u>\$ 1,574,502</u>	<u>\$ 5,976,440</u>	<u>\$ (2,440,992)</u>	<u>\$ 3,052,778</u>
Debt service as a percentage of noncapital expenditures	8.1%	7.3%	8.0%	7.6%	7.3%	8.0%	9.1%	8.7%	9.9%	11.5%

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

	<u>2013</u>	<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>
Property Taxes	\$ 22,508,880	\$ 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
Local Sales Taxes	8,844,583	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
Intergovernmental	<u>6,540,371</u>	<u>5,745,993</u>	<u>6,118,720</u>	<u>5,678,207</u>	<u>6,425,482</u>	<u>8,096,319</u>	<u>7,161,274</u>	<u>5,716,104</u>	<u>4,906,417</u>	<u>4,392,636</u>
Total	<u>\$ 37,893,834</u>	<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>

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					
2013	\$1,165,625,600	\$ 1,878,200	\$ 271,361,220	\$ 13,671,353	\$ 26,621,560	\$ 1,479,157,933	\$ 1.485	\$ 5,552,753,505	26.64%
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%

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		
2013	\$ 1.485	\$ 1.36	\$ 1.91	\$ 0.75	\$ 0.04	\$ 5.55	\$ 4.06
2012	1.485	1.36	1.91	0.75	0.04	5.55	\$ 4.06
2011	1.425	1.36	1.91	0.75	0.04	5.49	\$ 4.06
2010	1.425	1.33	1.90	0.79	0.04	5.49	\$ 4.06
2009	1.54	1.23	1.98	0.81	0.04	5.60	\$ 4.06
2008	1.54	1.22	2.02	0.80	0.05	5.63	\$ 4.09
2007	1.54	1.22	2.02	0.80	0.05	5.63	\$ 4.09
2006	1.54	1.22	2.02	0.80	0.05	5.63	\$ 4.09
2005	1.70	1.22	2.02	0.80	0.05	5.79	\$ 4.09
2004	1.70	1.31	2.03	0.70	0.05	5.79	\$ 4.09

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	2013			2004		
	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.	\$ 12,777,160	1	0.86%	\$ -	-	-
VA Germantown LLC	8,310,400	2	0.56%	-	-	-
FSP-Germantown LLC	6,939,480	3	0.47%	-	-	-
Germantown Village Square Joint Venture	6,807,400	4	0.46%	-	-	-
Vineyards Apartments, Inc.	6,664,520	5	0.45%	6,270,440	7	0.60%
BIC-MTS Partners (PSO)	5,953,240	6	0.40%	10,715,600	1	1.03%
Taylor Sentor Crook, et. al	5,772,040	7	0.39%	3,965,320	10	0.38%
UT Medical Group	5,438,920	8	0.37%	6,682,640	6	0.64%
SWC Poplar FHI Partners LLC	5,428,520	9	0.37%	-	-	-
LMP Wolf River. I LLC	4,913,880	10	0.33%	-	-	-
Brook Chase Apartments LL	-	-	-	8,117,840	2	0.78%
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%
Methodist Hospital of Memphis	-	-	-	5,808,155	8	0.56%
Cary R. Califf (TR)	-	-	-	4,354,575	9	0.42%
Totals	<u>\$ 69,005,560</u>		<u>4.66%</u>	<u>\$ 66,635,410</u>		<u>6.39%</u>

Source: Shelby County Board of Assessments

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

Levy Year	Total Tax Levy	Current Tax Collections	Percent of Levy Collected	Collections in Subsequent Years	Total Tax Collections	Percent of Tax Collections to Tax Levy	Outstanding Delinquent Taxes	Percent of Outstanding Delinquent Taxes to Tax Levy
2012	\$ 21,762,476	\$ 21,442,777	98.5%	\$ 31,280	21,474,057	98.7%	\$ 319,699	1.5%
2011	21,982,373	21,579,284	98.2%	-	21,579,284	98.2%	403,089	1.8%
2010	21,335,375	21,028,288	98.6%	276,952	21,305,240	99.9%	119,648	0.6%
2009	21,291,084	20,724,774	97.3%	128,690	20,853,464	97.9%	66,527	0.3%
2008	20,832,727	20,368,950	97.8%	12,850	20,381,800	97.8%	26,486	0.1%
2007	20,306,656	19,883,309	97.9%	1,267	19,884,576	97.9%	13,574	0.1%
2006	19,770,408	19,404,872	98.2%	780	19,405,652	98.2%	15,277	0.1%
2005	19,402,628	19,145,169	98.7%	20	19,145,189	98.7%	18,571	0.1%
2004	18,462,382	18,210,131	98.6%	1,120	18,211,251	98.6%	19,685	0.1%
2003	18,436,441	18,041,574	97.9%	584	18,042,158	97.9%	16,890	0.1%

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

	<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>
Building Materials	\$ 7,230,598	\$ 58,918,876	\$ 5,751,382	\$ 5,026,853	\$ 5,821,268	\$ 6,135,150	\$ 6,275,280	\$ 6,160,411	\$ 6,058,189
General Merchandise	43,883,755	41,511,127	39,730,828	37,640,466	38,507,812	39,133,168	32,921,730	34,469,245	37,522,667
Food Stores	69,706,380	74,747,953	74,471,623	73,914,195	78,156,102	75,996,649	71,903,573	67,752,633	65,343,661
MV Dealers/Service Stations	10,821,656	59,272,044	11,307,651	11,206,377	10,453,608	10,286,392	10,302,064	10,766,590	8,830,661
Apparel & Accessories	592,929,794	37,993,292	59,103,823	55,002,845	58,064,064	65,690,412	69,010,888	75,397,435	73,683,104
Furniture & Home Décor	34,617,549	6,241,411	33,635,931	26,561,300	30,232,779	28,835,577	25,103,179	24,046,293	14,100,870
Eating & Drinking	61,948,792	10,994,725	58,885,084	53,820,045	54,040,756	53,590,618	54,146,824	54,329,183	53,126,259
Other Retail	51,790,156	55,074,728	54,315,420	55,272,420	57,354,174	57,804,063	64,786,132	61,721,161	58,961,427
Other	64,872,951	73,337,760	70,191,347	63,581,646	70,223,203	83,615,875	82,036,950	82,668,416	69,335,103
	<u>\$ 937,801,631</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>

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 Nine Years Ago

	2013				2004			
	Number of Filers	Percentage of Total	Tax Liability	Percentage of Total	Number of Filers	Percentage of Total	Tax Liability	Percentage of Total
Retail Trade	429	54.17%	\$ 7,717,143	82.50%	564	60.90%	\$ 8,807,295	87.33%
Services	207	26.14%	1,156,800	12.37%	233	25.16%	948,921	9.41%
Manufacturing	35	4.42%	90,879	0.97%	33	3.56%	100,217	0.99%
Wholesale Trade	53	6.69%	37,438	0.40%	61	6.59%	34,003	0.34%
Construction	10	1.26%	2,988	0.03%	12	1.30%	37,496	0.37%
Finance Insurance Real Estate/ Transportation and Utilities	0	0.00%	91,984	0.98%				
Agriculture	8	1.01%	20,047	0.21%	12	1.30%	57,277	0.57%
Other, Non Classified	50	6.31%	237,500	2.54%	11	1.19%	99,963	0.99%
Total	792	100.00%	\$ 9,354,779	100.00%	926	100.00%	\$ 10,085,172	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.
5. Blank cells are suppressed to avoid potential disclosure of confidential information.

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>
2013	1.625 %	1.125 %	7.00 %
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

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			
2013	\$ 23,105,000	\$ -	\$ -	\$ -	\$ 5,565,000	\$ -	28,670,000	22.72%	\$ 715
2012	25,650,000	-	-	-	6,454,052	-	32,104,052	24.18%	826
2011	21,825,000	-	-	-	7,310,555	-	29,135,555	18.44%	750
2010	24,000,000	-	-	-	8,137,057	-	32,137,057	22.57%	783
2009	26,055,000	-	-	-	8,913,560	-	34,968,560	20.54%	853
2008	21,935,000	-	-	-	4,264,284	-	26,199,284	16.01%	639
2007	23,885,000	-	-	-	4,600,714	-	28,485,714	17.58%	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

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			
2013	\$ 23,105,000	\$ -	\$ -	\$ -	23,105,000	0.42%	\$ 575.85
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

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, 2013

	<u>Net Outstanding Debt</u>	<u>Percentage Applicable City of Germantown</u>	<u>Overlapping Debt</u>
City Net General Obligation Debt	\$ 23,105,060	100.00%	\$ 23,105,060
Shelby County (including School Board)	<u>1,347,545,008</u>	8.27%	<u>111,441,972</u>
Direct, Overlapping, and Short-term Debt	<u><u>\$ 1,370,650,068</u></u>		<u><u>\$ 134,547,032</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	
2013	\$ 6,793,703	5,326,971	\$ 1,466,732	\$ 880,000	\$ 232,190	1.32
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

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	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol units	37	37	37	37	37	39	38	37	37	37
Fire Stations	4	4	4	4	4	4	4	4	4	4
Other public works										
Streets (miles)	210	206	206	200	200	198.5	196.5	195.5	193.5	192.5
Highways (miles)	10.5	10.5	10.5	10.5	10.5	10.5	10.5	10.5	10.5	10.5
Streetlights	5,258	5,135	5,122	5,115	5,102	5,095	4,936	4,896	4,863	4,749
Parks and recreation										
Acreage	748	748	748	748	748	748	748	722	722	722
Playgrounds	30	30	30	26	26	26	26	27	27	25
Baseball/softball diamonds	15	15	15	21	21	21	21	21	22	22
Soccer/football fields	21	21	21	14	14	14	14	13	12	12
Community center	1	1	1	1	1	1	1	1	1	1
Water										
Water mains (miles)	213	209	208	208	207	206	205	200	199	199
Fire hydrants	2,419	2,384	2,373	2,365	2,357	2,351	2,334	2,317	2,290	2,254
Storage capacity (million gallons)	8.1	8.1	8.1	8.1	6.375	6.375	6.375	6.375	6.375	6.375
Wastewater*										
Sanitary sewers (miles)	213	211	211	211	210	209	208	200	195	186

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	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Police										
Physical arrests	1,009	2,354	2,738	2,881	2,938	2,840	2,461	2,352	2,571	2,554
Parking violations	101	140	164	338	132	95	55	179	n/a	n/a
Traffic violations	5,318	12,411	14,475	16,423	17,995	17,271	15,362	13,868	15,363	15,703
Fire										
Emergency responses	3,300	3,109	2,924	2,806	2,789	2,703	2,790	2,685	2,574	2,435
Fires extinguished	82	102	89	111	114	119	152	141	117	166
Inspections	1,585	1,803	1,210	1,193	1,233	1,272	1,096	1,295	1,239	1,210
Other public works										
Street resurfacing (miles)	7	8	7	5	8	8	8	9	10	10
Parks and recreation										
Athletic field permits issued		n/a	n/a	68	159	178	153	205	n/a	n/a
Germantown Athletic Club										
*Admissions - per day	1,232	1,132	1,029	1,004	957	779	860	800	850	830
*Admissions - per year	443,686	407,476	370,497	361,422	344,763	284,404	301,000	288,000	306,000	298,000
**Library										
Volumes in collection	146,819	158,689	152,129	149,974	146,141	144,090	140,337	152,384	134,623	139,603
Total volumes borrowed	356,314	351,997	367,495	372,622	367,844	323,333	289,225	326,744	300,361	n/a
Water										
New connections	69	42	59	51	40	101	111	258	361	-6
Water main breaks	19	12	8	18	7	6	8	15	15	15
Average daily consumption (TGL)	8.658	8.600	8326.000	7.038	7.518	7.779	7.650	7.632	5.500	5.400
Peak daily consumption (TGL)	15.818	17.200	15.120	15.722	15.668	21.328	21.300	18.930	17.475	11.080

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
CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM
Last Ten Fiscal Years**

Program/Cost Center: (Full Time Equivalents- Non-Exempt/Exempt Employees)	2013		2012		2011		2010		2009		2008		2007		2006		2005		2004	
	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	1	7	-	7	-	6	-	6	-	5	-	5	-	6	-	6	3	6	-
Administration	5		4	1	5	1	5	1	5	2	9	2	9	2	7	1	7	1	8	1
Human Resources	6		6	-	6	-	6	-	6	-	6	-	6	-	6	-	6	-	6	-
Morgan Woods Theatre	-		-	-	-	-	-	-	-	-	-	-	-	-	-	-	1	-	1	-
Information Technology	5		5	-	4	-	3	1	2	1	2	-	5	-	5	-	5	-	5	-
GPAC	9	36	9	5	9	5	9	5	9	4	10	5	9	5	9	5	10	5	10	4
Finance	9	1	15	1	14	1	15	1	15	1	16	-	15	1	17	-	17	-	17	-
Economic and Community Development	22		21	-	21	-	26	-	27	-	27	-	27	-	30	-	30	1	29	-
Facility Services	12		13	-	15	-	15	-	16	-	10	3	10	3	10	3	10	2	10	2
Research & Budget	2		2	-	2	-	2	-	2	-	2	1	3	1	3	1	3	1	3	-
Public Safety																				
Police	107		110	1	109	1	109	1	108	1	108	1	106	1	102	1	102	2	101	3
Fire	79	1	69	1	69	1	68	1	68	1	69	1	69	1	69	1	69	1	69	1
Transportation & Environment																				
Public Services	44	2	39	1	38	-	44	-	29	-	29	-	29	-	29	-	31	-	31	-
Fleet Services	10		10	-	10	-	10	-	10	-	10	-	11	-	11	-	11	-	11	-
Animal Control	4		4	-	4	-	4	-	4	-	4	-	4	-	4	-	4	-	2	-
Community Services																				
Parks & Recreation	5	21	7	4	6	5	9	4	32	4	33	3	37	3	39	3	39	4	39	2
The Farm		4	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Germantown Athletic Club																				
Recreation	9	69	10	12	10	12	11	11	10	12	8	15	15	15	12	15	12	18	12	15
Aquatics	2	78	2	14	2	14	2	13	2	13	2	13	3	13	3	14	3	15	3	12
Business	-	-	-	-	-	-	-	-	2	-	2	-	-	-	3	1	3	1	-	-
Great Hall		3	2	1	2	1	2	1	-	-	-	-	-	-	-	-	-	-	-	-
Utilities																				
Water	20		20	-	20	-	20	-	20	-	20	-	21	-	21	-	21	-	21	-
Sewer	6		6	-	6	-	6	-	6	-	6	-	6	-	6	-	7	-	7	-
Stormwater	-	-	7	-	8	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Recreation	-	-	-	-	-	1	6	-	6	-	6	-	6	-	6	-	7	-	7	-
Total	363	216	368	41	367	42	378	39	385	39	384	44	396	45	398	45	404	54	398	40

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	2013			2009		
	Employees	Rank	*Percentage of Total County Employment	Employees	Rank	Percentage of Total County Employment
Methodist LeBonhuer Hospital - Germantown	1,277	1	0.20%	1,913	1	0.48%
Shelby County School System – Germantown Schools	636	2	0.10%	758	2	0.19%
Baptist Rehabilitation – Germantown	200	9	0.03%	526	3	0.13%
City of Germantown	377	3	0.06%	379	4	0.10%
Campbell Clinic	353	4	0.06%	300	5	0.08%
Orgill, Inc.	346	5	0.06%	287	6	0.07%
ThyssenKrupp Elevator Manufacturing, Inc.	244	6	0.04%	n/a		
Stern Cardiovascular	240	7	0.04%	186	10	0.05%
Villages of Germantown	225	8	0.04%	--	--	--
Kroger	103	10	0.02%	--	--	--
O.R. Nurses	--	--	--	280	7	0.07%
El Porton	--	--	--	200	9	0.05%
Schnuck's	--	--	--	191	8	0.05%

*Approximately 6,270 Personnel Staff per Shelby County Official Website

**CITY OF GERMANTOWN, TENNESSEE
DEMOGRAPHIC AND ECONOMIC STATISTICS**

Last Ten Calendar Years

	Population	1	Median Income (thousands of dollars) 4	1	Per Capita Personal Income 4	4	School Enrollment 5	5	Unemployment Rate 6	6
2004	40,203		145,306		52,310		9,073		1.8	
2005	40,203		147,394	4	53,165		8,914		4.1	
2006	40,977	3	162,055	4	57,591		9,117		N/A*	
2007	40,944		163,643	4	59,017		8,558		3.4	
2008	40,977		170,252	4	61,275		8,363		4.5	
2009	41,011		154,292	4	55,632		8,099		8.6	
2010	41,011		142,358	4	51,215		7,927		6.9	
2011	38,844		158,011		53,043		8,499		6.2	
2012	38,844		132,795	4	50,429		8,580		6.4	
2013	40,123	3	126,196	3	51,701	3	8,571		5.4	

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, 2011 and 2013 Unemployment rate derived from Sperling's 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 UTILITY RATE STRUCTURE AND NUMBER OF CUSTOMERS
June 30, 2013

As of June 30, 2013, City of Germantown, Tennessee served approximately 13,985 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, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the 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, 2013, and the related notes to the financial statements, which collectively comprise the City’s basic financial statements and have issued our report thereon dated December 18, 2013. Our report includes a reference to other auditors who audited the financial statements of GPAC, as described in our report on the City’s financial statements. This report does not include the results of the other auditors’ testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors. The financial statements of GPAC were not audited in accordance with *Government Auditing Standards*.

Internal Control over Financial Reporting

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

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

deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses, or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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*.

Purpose of this Report

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

Watkins Mikusall, PLLC

Memphis, Tennessee
December 18, 2013



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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

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

Report on Compliance for Each Major Federal Program

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, 2013. 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.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the City's federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and 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 on compliance for each major federal program. However, our audit does not provide a legal determination of the City's compliance.

Opinion on Each Major Federal Program

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, 2013.

Report on Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the requirements referred to above. In planning and performing our audit, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on a major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program 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. *A significant deficiency in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



Memphis Tennessee
December 18, 2013

CITY OF GERMANTOWN, TENNESSEE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2013

A. SUMMARY OF AUDITOR'S RESULTS

1. The auditor's report expresses an unmodified 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, which would be required to be reported in accordance with *Government Auditing Standards*, 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 unmodified 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 qualifies as a low risk auditee.

B. FINDINGS – FINANCIAL STATEMENTS AUDIT

None reported

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

None reported