

CITY OF GERMANTOWN TENNESSEE

Comprehensive Annual Financial Report For the Fiscal Year Ended June 30, 2016

Prepared by the City of Germantown Finance Department

**CITY OF GERMANTOWN, TENNESSEE
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 FOR THE FISCAL YEAR ENDED JUNE 30, 2016
 TABLE OF CONTENTS**

		Page
INTRODUCTORY SECTION		
Letters of Transmittal		
Mayor		1
Finance Director		3
GFOA Certificate of Achievement for Excellence in Financial Reporting		8
City of Germantown Organizational Chart		9
City Officials		10
Germantown Municipal School District Organizational Chart		11
Germantown Municipal School District Board of Education and Administration		12
FINANCIAL SECTION		
	Exhibit	Page
Independent Auditor's Report		13
Management's Discussion and Analysis		17
Basic Financial Statements:		
Government-wide Financial Statements:		
Statement of Net Position	A-1	29
Statement of Activities	A-2	30
Fund Financial Statements:		
Balance Sheet – Governmental Funds	A-3	32
Reconciliation of the Balance Sheet – Governmental Funds to the Government-wide Statement of Net Position	A-4	33
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	A-5	34
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds to the Government-wide Statement of Activities	A-6	35
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund	A-7	36
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Municipal Schools Fund	A-8	41
Statement of Net Position – Proprietary Funds	A-9	42
Statement of Revenues, Expenses, and Changes in Net Position – Proprietary Funds	A-10	44
Statement of Cash Flows – Proprietary Funds	A-11	45
Statement of Fiduciary Net Position – Fiduciary Funds	A-12	47
Statement of Changes in Fiduciary Net Position – Fiduciary Funds	A-13	48
Notes to the Financial Statements		49
Required Supplementary Information:		
Schedule of Changes in Net Pension Liability and Related Ratios Amended and Restated Pension Plan	B-1	111
Schedule of City Contributions Amended and Restated Pension Plan	B-2	112
Notes to the Schedule of City Contributions Amended and Restated Pension Plan		113

Schedule of Changes in Net Pension Liability and Related Ratios Defined Benefit Plan	B-3	114
Schedule of City Contributions Defined Benefit Plan	B-4	115
Schedule of Changes in Net Pension Liability and Related Ratios Germantown Board of Education Public Employee Retirement Plan of TCRS	B-5	116
Schedule of Contributions Germantown Board of Education Public Employee Retirement Plan of TCRS	B-6	117
Schedule of Changes in Net Pension Liability and Related Ratios Germantown Schools Hybrid with Cost Controls Public Employee Retirement Plan of TCRS	B-7	118
Schedule of Contributions Germantown Schools Hybrid with Cost Controls Public Employee Retirement Plan of TCRS	B-8	119
Schedule of Germantown Municipal School District's Proportionate Share of the Net Pension Liability Teacher Legacy Plan of TCRS	B-9	120
Schedule of Germantown Municipal School District's Contributions Teacher Legacy Plan of TCRS	B-10	121
Schedule of Germantown Municipal School District's Proportionate Share of the Net Pension Asset Teacher Retirement Plan of TCRS	B-11	122
Schedule of Germantown Municipal School District's Contributions Teacher Retirement Plan of TCRS	B-12	123
Schedule of Other Post Employment Benefits Funding Progress	B-13	124
Combining and Individual Fund Statements and Schedules:		
Combining Balance Sheet – Nonmajor Governmental Funds	C-1	126
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Governmental Funds	C-2	128
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual – Nonmajor Governmental Funds	C-3	130
Combining Statement of Net Position – Nonmajor Enterprise Funds	D-1	140
Combining Statement of Revenues, Expenses, and Changes in Net Position – Nonmajor Enterprise Funds	D-2	141
Combining Statement of Cash Flows – Nonmajor Enterprise Funds	D-3	142
Combining Statement of Net Position – Internal Service Funds	D-4	144
Combining Statement of Revenues, Expenses, and Changes in Net Position – Internal Service Funds	D-5	145
Combining Statement of Cash Flows – Internal Service Funds	D-6	146
Combining Statement of Changes in Assets and Liabilities – Agency Funds	D-7	147
Supplementary Schedules:		
Schedule of Principal and Interest Maturities Serial General Obligation Bonds	E-1	148
Schedule of Principal and Interest Maturities Settlement Liability	E-2	149

Schedule of Principal and Interest Maturities		
Serial Bonds	E-3	150
Schedule of Official Bonds of Principal Officials	E-4	151
Schedule of Expenditures of Federal and State Awards	E-5	152
Notes to the Schedule of Expenditures of Federal and State Awards	E-6	154

STATISTICAL SECTION

Net Position by Component	F-1	156
Changes in Net Position	F-2	157
Program Revenues by Function/Program	F-3	158
Fund Balances of Governmental Funds	F-4	159
Changes in Fund Balances of Governmental Funds	F-5	160
General Governmental Tax Revenues by Source	F-6	161
Assessed Value and Estimated Actual Value of Taxable Property	F-7	162
Property Tax Rates and Tax Levies	F-8	163
Principal Property Tax Payers	F-9	164
Property Tax Levies and Collections	F-10	165
Taxable Sales by Category	F-11	166
Local Sales Tax Revenue by Industry	F-12	167
Direct and Overlapping Sales Tax Rates	F-13	168
Ratios of Outstanding Debt by Type	F-14	169
Ratios of General Bonded Debt Outstanding	F-15	170
Direct and Overlapping Governmental Activities Debt	F-16	171
Pledged-Revenue Coverage	F-17	172
Capital Asset Statistics by Function/Program	F-18	173
Operating Indicators by Function/Program	F-19	174
Full-Time Equivalent City Government by Program/Cost Centers	F-20	175
Principal Employers	F-21	176
Demographic and Economic Statistics	F-22	177
Schedule of Unaccounted For Water	F-23	178
Schedule of Utility Rate Structure and Number of Customers	F-24	180

GOVERNMENT AUDITING STANDARDS AND SINGLE AUDIT SECTION

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	181
Independent Auditor's Report on Compliance for each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance	183
Schedule of Findings and Questioned Costs	185
Summary Schedule of Prior Audit Findings	187





CITY OF GERMANTOWN TENNESSEE

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

November 18, 2016

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, 2016. This document reports the sound financial position of the various funds of the City of Germantown and the financial results for operations during FY16. 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 are experiencing significant economic growth and expansion 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 balance of 69.7% against operating expenditures in FY16. The city also maintained a Triple-A debt credit rating with Moody's and Standard & Poor's, one of just 101 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 exceptional quality of place its residents enjoy; 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. The police, fire and ambulance departments take pride in a five minute-or-less emergency response time. The newly-formed Germantown Municipal School District provides K-12 public education on five campuses, complemented by three private elementary schools, three additional public schools, three special needs learning centers and a university, together offering the broadest spectrum of educational resources.

STRATEGIC PLANNING

Recently, the Board of Mayor and Aldermen adopted a long range strategic plan known as Germantown Forward 2030. The Vision and Value Statement contained within the plan clearly states that "Germantown is fiscally sound and provides top quality services responsive to community requirements", one of the key performance areas upon which we measure the success of the plan in the area of City Services and Finance.

City Services and Finance is one of the most important performance areas for the City of Germantown, directly affecting the success of each department and the eight other key performance areas. Focusing on strong, community-driven strategic planning built on a culture of "Excellence, Every Day" City staff deliver services in a fiscally-responsible, efficiency-driven manner focusing on continuous improvement to ensure customer expectations are met.

Strong financial policies provide the framework for Germantown's financial success and are imperative to the City's future position. Leaders understand that containing costs and increasing operational efficiency, while maintaining adequate financial reserves, is crucial to sustaining City services and meeting customer expectations.

These financial policies also 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 citizens' needs, concerns and interest. 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,


Mike Palazzolo
Mayor


Patrick Lawton
City Administrator



CITY OF GERMANTOWN

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

November 18, 2016

*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, 2016, is hereby submitted. The financial statements are presented in conformity with generally accepted accounting principles (GAAP) as set forth by the Governmental Accounting Standards Board (GASB) and have been audited in accordance with the generally accepted auditing standards.

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

Watkins Uiberall, PLLC, Certified Public Accountants, have issued an unmodified ("clean") opinion on the City of Germantown's financial statements for the year ended June 30, 2016. 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, 2016 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 unmodified opinion.

GAAP requires management to provide a narrative introduction, overview and analysis to accompany the basic financial statement in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in

conjunction with it. The City of Germantown's MD&A can be found immediately following the report of the independent auditors.

Profile of the Government

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

The Board of Mayor and (five) Aldermen are elected by popular vote. One-half of the Board is elected to four-year terms every two years. The mayor appoints the city administrator, chief of police and city clerk/recorder with confirmation of the Board of Aldermen. The City provides a full range of municipal services including police and fires 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 Germantown Municipal Board of Education assumed the operations of five schools from Shelby County Board of Education. Three out of eight schools remain with the Shelby County Board of Education. The Germantown Municipal Board of Education is reported as a special revenue fund of the City. The Light, Gas and Water Division of the City of Memphis provide electrical and natural gas distribution to the Germantown service area. The City of Memphis provides treatment of sewage collected via the City of Germantown sewer system. The Memphis Area Transit Authority provides scheduled bus service throughout the City. These entities do not meet established criteria for inclusion in the reporting entity and therefore are not included in this report.

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

Factors Affecting Financial Conditions

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

Local Economy

The City has shown stabilization and improvement in the last year. Property values have stabilized within the City and new properties are under construction. Property tax remains the most stable source of revenue at approximately 55% of total general fund revenue with collections remaining very strong. The City tax rate remains at \$1.93 per \$100 of assessed value. Real and personal property are assessed by the Shelby County Assessor. Sales tax is the second largest revenue source to the City. Sales tax increased by 12% over the past year. With the economy improving, the Halls Income tax increased by \$277,794. The City of Germantown has a strong retail climate although the City is primarily a bedroom community. Emphasis is being placed on bringing more retail into the City.

During fiscal year 2016 the City issued 45 permits for new single family residence structures with a value of \$22,420,603 or average value of \$498,236. As part of Economic Development initiatives for fiscal year 2016, the focus began with planning and design work on our southern border, with landowners agreeing to participate in the redevelopment process of Forest Hill Heights. Smart growth is beginning to find momentum within the City limits as businesses growth within the community is expected to continue in the future. During fiscal year 2016 new development projects began with Trader Joe's developing a store. Saddle Creek South has also continued to remodel the outside of stores and new stores have begun to open in Saddle Creek South and West. A four story hotel is planned to open in February 2017 on the northern edge of the Central Business District along with a mix of businesses and residential units (278) that are currently under construction. As can be seen within the center of the City and on the western border, business growth continues with new applications for building permits. The Smart Growth initiative and mixed use development model is an approach that the City continues to encourage for all future buildings in our key commercial areas as part of the Germantown Forward 2030 Strategic Plan.

Long Term Financial Planning

In January 2015, the Germantown Board of Mayor and Aldermen approved the Germantown Forward 2030 strategic plan. The citizen-driven plan encourages leaders look to the future and a sustainable Germantown based on the triple bottom line of economic, environmental and social sustainability. The plan will be updated bi-annually and will continue to involve members of the community. The Board of Mayor and Aldermen conduct 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 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 scenario for our community. Managed competition focused on cost control and reductions when appropriate, reengineering procedures or outsourcing.

Annual budgets are now driven by cost saving with emphasis on City departments operating as a business with focus on customer and quality of service. All expenditures reflect the spending priorities established by the Board of Mayor and Aldermen and strict adherence to the financial policies that provide a framework for allocating resources. The business planning approach is outcome based and results oriented, with 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.

The City was reaffirmed as Triple-A by Moody's and Standard & Poor's in February 2016. On February 22, 2016 the City refunded portions of its Series 2006 and Series 2009 bonds in order to achieve debt service savings and issued new bonds in the amount of \$13.9 million. The refunding of the Series 2006 and Series 2009 bonds resulted in present value savings to taxpayers of \$284,395. The new bonds were issued to fund capital improvements which include, but are not limited to, improvement of roadways and greenway connectors, and storm water drainage systems, as well as construction, renovation, and improvement of public school facilities.

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, 2015. This was the 34th 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, 2015. 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.

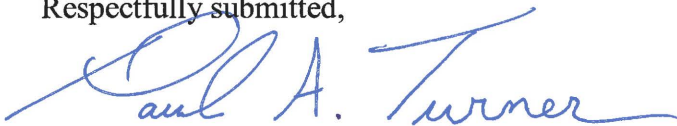
The Board of Mayor and Aldermen
City of Germantown, Tennessee
November 18, 2016

In order to receive an Award for Outstanding Achievement in Popular Annual Financial Reporting, a government unit must publish a Popular Annual Financial Report, whose contents conform to program standards of creativity, presentation, understanding and reader appeal. An Award for Outstanding Achievement in Popular Annual Financial Reporting is valid for a period of one year only. The City of Germantown has received a Popular Award for the last eight consecutive years (fiscal years ended 2008-2015). 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, 2016. The City has received the Award for each of the 31 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,

A handwritten signature in blue ink that reads "Paul A. Turner". The signature is fluid and cursive, with the first name "Paul" and last name "Turner" clearly legible.

Paul A. Turner, CPA
Finance Director



Government Finance Officers Association

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

Presented to

**City of Germantown
Tennessee**

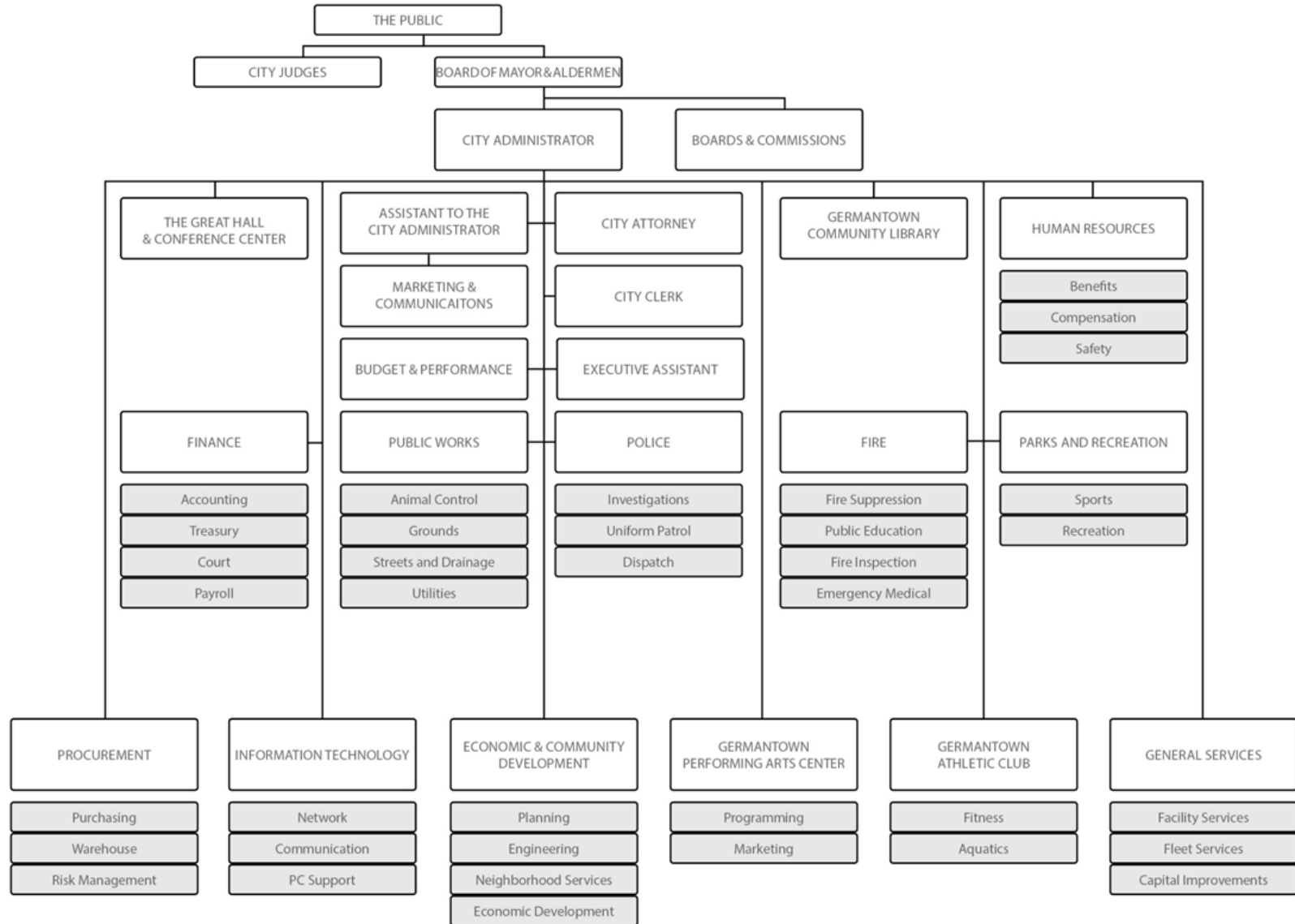
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2015

Executive Director/CEO

CITY OF GERMANTOWN, TENNESSEE

ORGANIZATIONAL CHART



CITY OF GERMANTOWN, TENNESSEE

CITY OFFICIALS

MAYOR

Honorable Mike Palazzolo (2018*)

ALDERMEN

Forrest Owens (Vice Mayor) – (2016*)

John Barzizza (2018*)
Mary Anne Gibson (2018*)

Rocky Janda (2016*)
David Klevan (2016*)

CITY ADMINISTRATOR

Patrick J. Lawton

CITY ATTORNEY

David Harris

CITY JUDGES

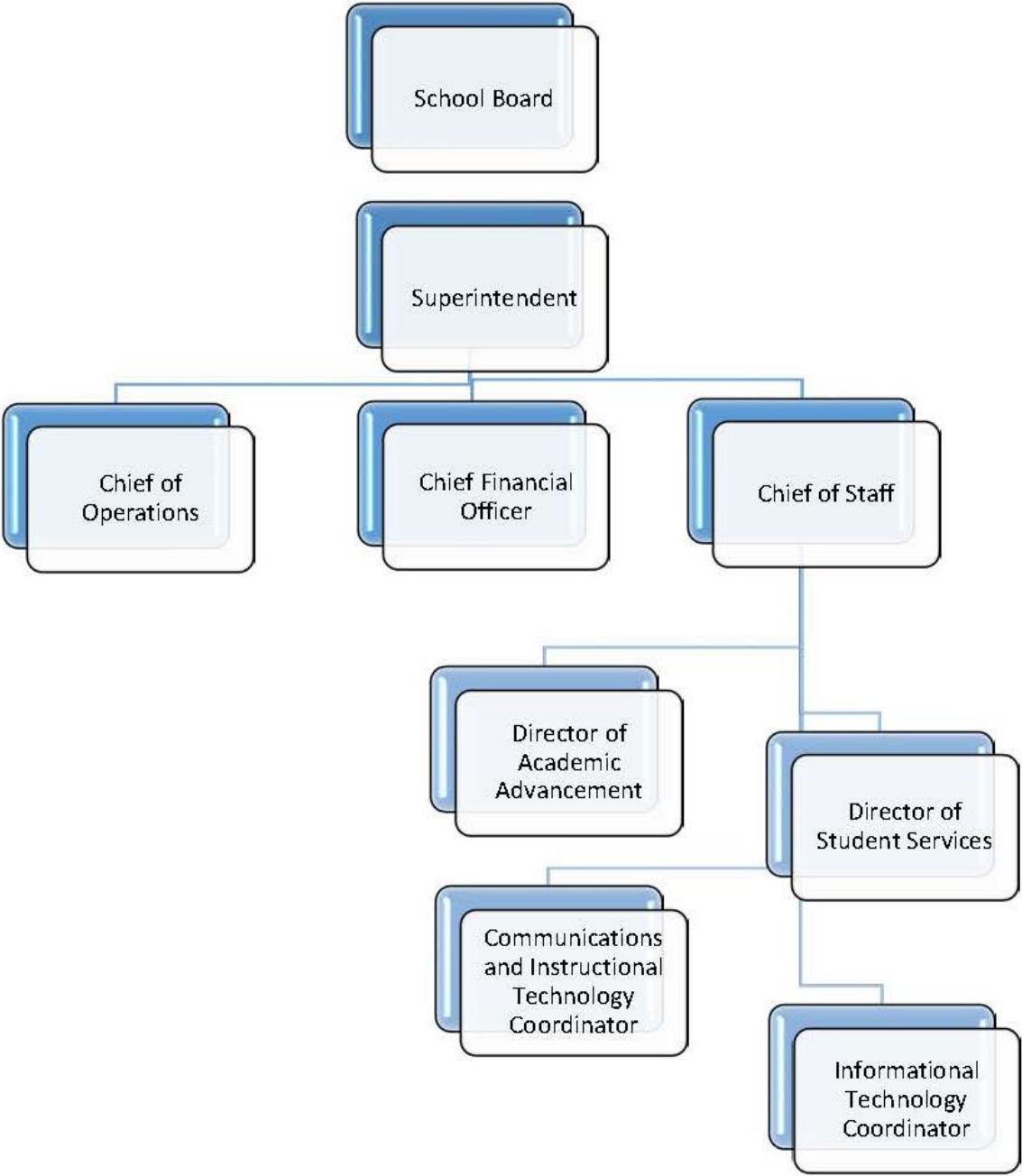
Raymond S. Clift
Robert M. Brannon, Jr.

EXECUTIVES

Economic and Community Development Services DirectorCameron Ross
Finance Director Paul A. Turner
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 Steve Wilensky
Information Technology Director Tony Fischer
Parks and Recreation Director Pam Beasley
Police Chief Richard Hall
Procurement DirectorLisa Piefer
Public Services Director Bo Mills

*(Date elected term expires)

CITY OF GERMANTOWN, TENNESSEE
GERMANTOWN MUNICIPAL SCHOOL DISTRICT
ORGANIZATIONAL CHART



CITY OF GERMANTOWN, TENNESSEE

**GERMANTOWN MUNICIPAL SCHOOL DISTRICT
BOARD OF EDUCATION AND ADMINISTRATION**

BOARD OF EDUCATION

Linda Fisher, Position 1 (2016*)..... Chair
Lisa Parker, Position 4 (2018*) Vice-Chair
Mark Dely, Position 2 (2016*) Board member
Ken Hoover, Position 5 (2016*) Board member
Natalie Williams, Position 3 (2016*)..... Board member

ADMINISTRATION

Jason Manuel Superintendent
Dan Haddow Assistant Superintendent
Chauncey Bland Director of Student Services
Josh Cathey Chief of Operations
Mason Grace Curriculum Technology Coordinator
Kevin Jones Chief Financial Officer
John Pierce Information Technology Coordinator
Teresa Price Director of Academic Advancement

*(Date elected term expires)

INDEPENDENT AUDITOR'S REPORT

To the Honorable Mike Palazzolo, 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 statements of budgetary comparison for the general and municipal schools funds, and the aggregate remaining fund information of the City of Germantown, Tennessee, (the "City") as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of Germantown Performing Arts Center ("GPAC"), a component unit of the City of Germantown, Tennessee, which represent 0.4 percent, 0.4 percent, and 2.0 percent, respectively, of the assets, net position, and revenues of the City. 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 audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, the respective budgetary comparisons for the general and municipal schools funds, and the aggregate remaining fund information of the City of Germantown, Tennessee, as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Prior Period Adjustments

We draw attention to Note 13 to the financial statements describing restatements increasing beginning Governmental Activities net position by \$1,350,000 on the Government-wide Statement of Activities. These restatements were necessary to correct prior year errors in the amounts recognized for property and sales taxes due to Germantown Municipal School District. 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 and required supplementary information on pages 111 through 124 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 Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the financial statements.

The combining and individual fund statements and schedules, supplementary schedules, and the schedule of expenditures of federal and state awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund statements and schedules, the supplementary schedules, and the schedule of expenditures of federal and state awards are fairly stated in all material respects in relation to the basic 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 November 18, 2016, on our consideration of the City of Germantown, Tennessee's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Germantown, Tennessee's internal control over financial reporting and compliance.

Watkins Wilburall, PLLC

Memphis, Tennessee
November 18, 2016



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, 2016. 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 and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at June 30, 2016 by \$245,596,913 (net position). Of this amount, \$63,877,991 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
- At June 30, 2016, the City's governmental funds reported total fund balances of \$64,522,355. Of this amount, \$12,072,176 (unassigned fund balances) may be used to meet the general governments spending requirements. The unassigned fund balance represents 26% of total General Fund expenditures.
- During the fiscal year, the City's total debt increased by \$10,044,546. The new bonds were issued to fund capital improvements which include, but are not limited to, improvement of roadways and greenway connectors, and storm water drainage systems, as well as construction, renovation, and improvement of public school facilities. The City refunded portions of its Series 2006 and Series 2009 bonds in the amount of \$4.5 million. The refunding of the Series 2006 and Series 2009 bonds resulted in present value savings to taxpayers of \$284,395.

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, 2016. 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, Education and Interest and Fiscal Charges. The business-type activities of the City include Utility, Athletic Club, and NonMajor Enterprise 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 twenty 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 other Governmental Funds. Data from the other eighteen 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-8.

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-9 through A-11.

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

The basic fiduciary fund financial statements are presented as Exhibits A-12 and A-13 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 49-108 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 and the Germantown Municipal School District's pension cost and Other Post Employment Benefits, Exhibits B-1 through B-13.

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 and deferred outflows of resources exceeded liabilities and deferred outflows of resources by \$245,596,913 at June 30, 2016.

Condensed Statement of Net Position

	Governmental Activities		Business-Type Activities		Totals	
	2016	2015	2016	2015	2016	2015
Current and Other Assets	\$ 109,032,513	\$ 79,751,221	\$ 11,425,867	\$ 9,422,901	\$ 120,458,380	\$ 89,174,122
Capital Assets	162,023,668	155,787,205	61,393,549	59,619,171	223,417,217	215,406,376
Total Assets	271,056,181	235,538,426	72,819,416	69,042,072	343,875,597	304,580,498
Deferred Outflows of Resources	17,731,863	5,449,237	835,849	288,614	18,567,712	5,737,851
Long-term liabilities outstanding	39,539,234	24,816,324	1,807,497	2,950,664	41,346,731	27,766,988
Other liabilities	37,459,745	24,073,801	5,245,972	3,723,148	42,705,717	27,796,949
Total Liabilities	76,998,979	48,890,125	7,053,469	6,673,812	84,052,448	55,563,937
Deferred Inflows of Resources	32,793,948	27,228,008	-	-	32,793,948	27,228,008
Net Asset:						
Invested in Capital Assets	122,549,250	131,667,006	58,656,256	55,875,216	181,205,506	187,542,222
Restricted	513,416	575,787	-	-	513,416	575,787
Unrestricted	55,932,451	32,626,737	7,945,540	6,781,658	63,877,991	39,408,395
Total Net Position	\$ 178,995,117	\$ 164,869,530	\$ 66,601,796	\$ 62,656,874	\$ 245,596,913	\$ 227,526,404

By far the largest portion of the City's net position (73.8%) 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 (.2%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position (\$63,877,991) 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 \$12,775,587 from the prior fiscal year for an ending balance of \$178,995,117. Key elements of this increase are as follows:

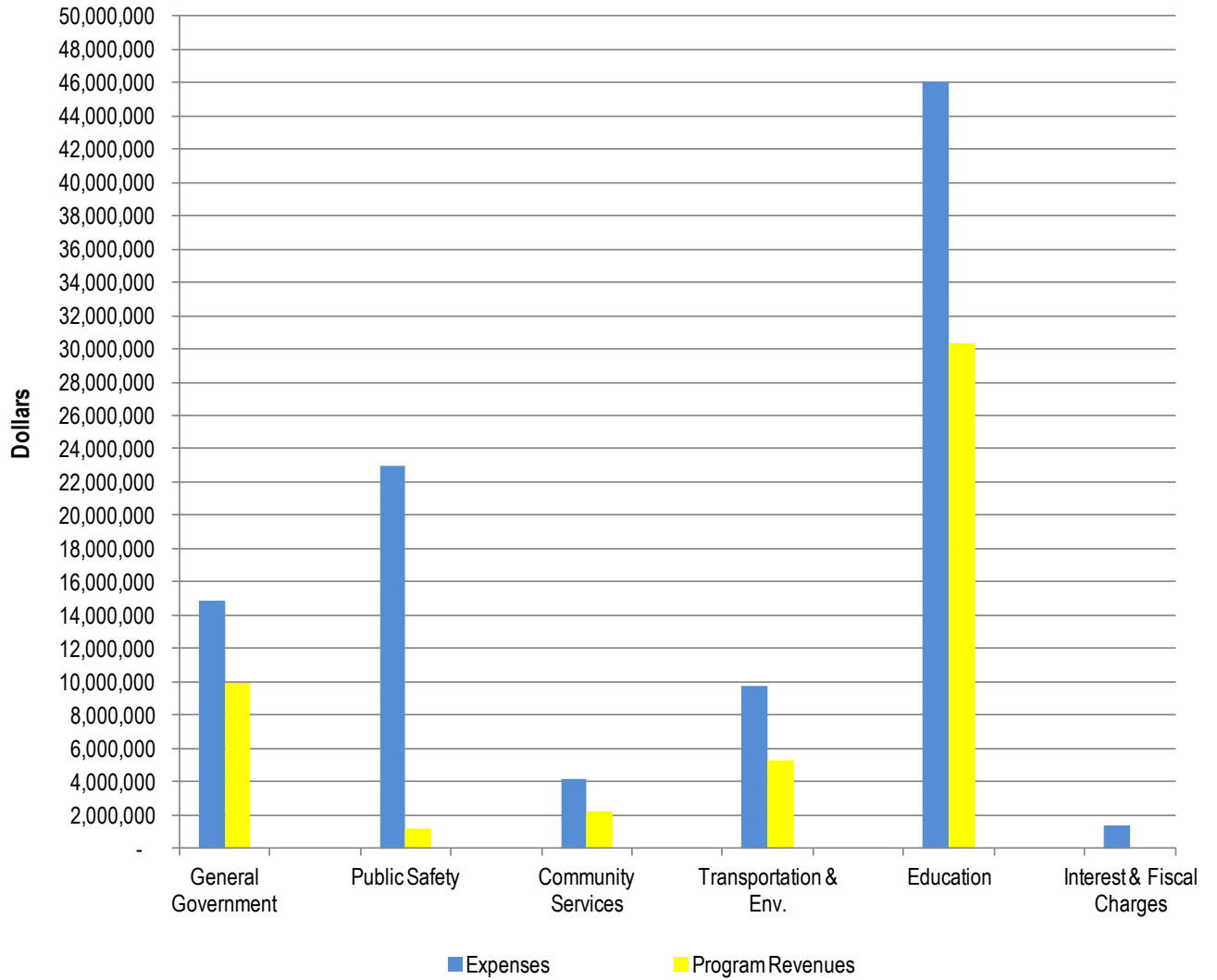
Condensed Statement of Changes in Net Position

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Totals</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Revenues:						
Program Revenues:						
Charges for Services	\$ 8,967,115	\$ 5,859,574	\$ 18,035,511	\$ 17,387,493	\$ 27,002,626	\$ 23,247,067
Operating Grants and Contributions	35,388,857	34,081,394	-	-	35,388,857	34,081,394
Capital Grants and Contributions	4,597,615	620,874	1,085,523	329,674	5,683,138	950,548
General Revenues:						
Property Taxes	44,056,859	42,543,332	-	-	44,056,859	42,543,332
Local sales taxes	17,769,804	15,525,399	-	-	17,769,804	15,525,399
Interest on Investments	166,588	75,688	39,376	22,599	205,964	98,287
Other Revenue	716,573	457,938	-	-	716,573	457,938
Total Revenues	111,663,411	99,164,199	19,160,410	17,739,766	130,823,821	116,903,965
Expenses:						
General Government	14,852,522	10,883,179	-	-	14,852,522	10,883,179
Public Safety	23,000,775	20,763,626	-	-	23,000,775	20,763,626
Community Services	4,191,362	4,013,624	-	-	4,191,362	4,013,624
Transportation and Environment	9,710,135	8,296,168	-	-	9,710,135	8,296,168
Education	46,068,542	40,182,352	-	-	46,068,542	40,182,352
Interest and Fiscal Charges	1,358,382	679,845	-	-	1,358,382	679,845
Utilities	-	-	6,658,862	7,184,410	6,658,862	7,184,410
Athletic Club	-	-	3,493,131	3,278,419	3,493,131	3,278,419
Nonmajor Enterprise Fund	-	-	4,821,327	4,717,365	4,821,327	4,717,365
Total Expenses	99,181,718	84,818,794	14,973,320	15,180,194	114,155,038	99,998,988
Increase/(Decrease) in Net Position before transfers	12,481,693	14,345,405	4,187,090	2,559,572	16,668,783	16,904,977
Gain (Loss) on Disposal of Capital Assets	51,726	55,213	-	(10,756)	51,726	44,457
Transfers	242,168	267,815	(242,168)	(267,815)	-	-
Increase/(Decrease) in Net Position	12,775,587	14,668,433	3,944,922	2,281,001	16,720,509	16,949,434
Net Position - July 1, 2015	164,869,530	150,201,097	62,656,874	60,375,873 *	227,526,404	210,576,970
Prior period adjustment	1,350,000	-	-	-	1,350,000	-
Net Position - June 30, 2016	\$ 178,995,117	\$ 164,869,530	\$ 66,601,796	\$ 62,656,874	\$ 245,596,913	\$ 227,526,404

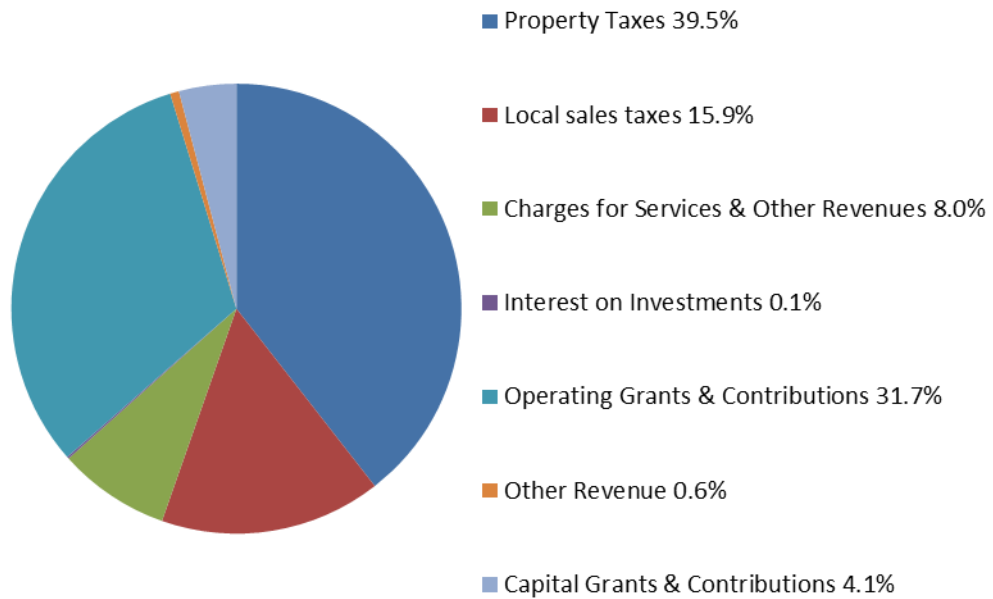
*GASB 68 Implementation adjusted

- Property Taxes increased to \$44,056,859, which is \$1,513,527 greater than FY16. This is due to the addition of the Municipal School. Public Safety, community services, transportation, environment and education increased over the prior year by \$13,684,384. The largest increase is in education. The other increase in public safety, community services, transportation and environment are due to wage increase and overall cost increases.

Governmental Revenues and Expenses

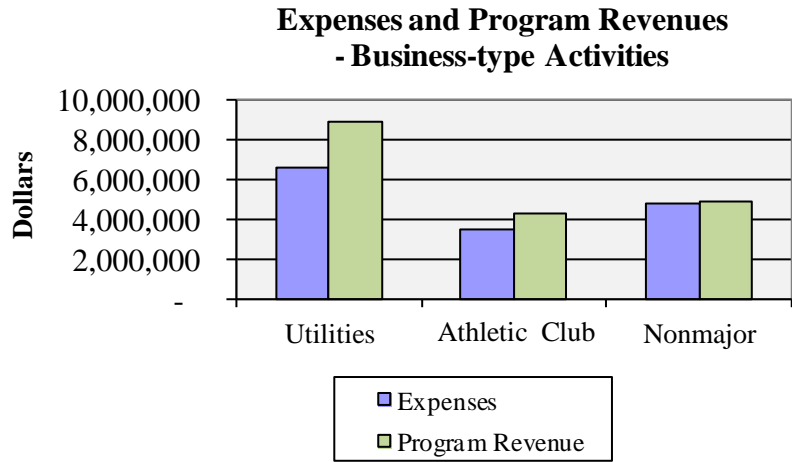


Governmental Revenues by Source

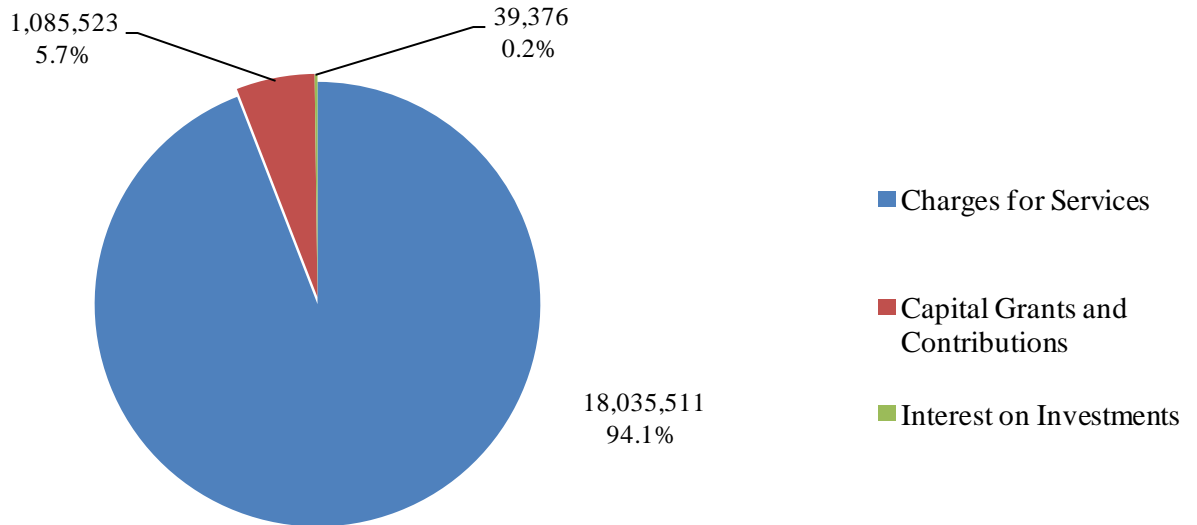


Business-type activities. Business-type activities increased the City's net position by \$3,944,922. The business-type activities are Utility, Athletic Club, and the Nonmajor Enterprise Funds.

- The Germantown Utility Fund increased by \$2,892,118 due to increased revenues in water sales, sewer service charges, and lower operating expenses.
- The Germantown Athletic Club's net position increased by \$775,672 due to increased membership and class fees.
- The Nonmajor Enterprise Fund's net position increased by \$275,852 due to a transfer of \$225,000 to the Great Hall which had a positive net position of \$145,962. The Sanitation Fund had a positive net position of \$1,948. The Stormwater Fund had a positive net position of \$127,942.



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, 2016, the City's governmental funds reported combined ending fund balances of \$64,522,355, an increase of \$23,856,966 in comparison with the prior year. Approximately 35.2% of this total amount of \$22,719,970 constitutes unassigned fund balance, which is available for spending at the government's discretion. The remainder of the fund balance is made up of nonspendable \$1,439,204, restricted \$513,416, committed \$33,760,745 and assigned \$6,089,020 amounts. The General Fund is the chief operating fund of the City.

At June 30, 2016, unassigned fund balance of the General Fund was \$12,072,176 while the total fund balance reached \$31,857,872. 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 represent 26.4% of total General Fund Expenditures, while total fund balance represents 69.7% of that same amount.

The fund balance of the City's General Fund increased by \$3,607,506 during the fiscal year ended June 30, 2016. Key factors are as follows:

- Total revenues increased \$3,064,982
- Property tax increased \$259,923
- Local sales tax increased \$1,353,212
- Intergovernmental taxes increased \$464,118
- Fines and Forfeitures increased \$683,897
- Licenses and Permits decreased \$38,791
- Fees for services decreased \$15,253
- Investment income increased \$74,789
- Grants decreased \$80,719
- Other revenue increased \$363,806
- Total expenditures increased \$7,914,896

Property tax increased marginally over the past year by \$259,923. This was due to new properties being added to the rolls. Local sales tax increased by \$1,353,212. This was due to improved economic conditions during the fiscal year. Intergovernmental taxes increased by \$464,118. This is due to State Income & Excise Tax being stronger due to the economy over the prior year. Fines and Forfeitures increased by \$683,897. This is due to an increase in traffic and court revenue.

Total expenses increased by \$7,914,898 due to increases in the general government. General government includes various departments with the City. The General Government expenditures increased \$2,934,982. This due to normal cost increases with the various departments. The remaining increase of \$4,979,916 consists of normal cost increases in Public Safety, Community Service, Transportation and Environment, and the issuance of new debt.

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 \$7,882,908 is comprised of, \$3,809,169 for the Utility Fund, \$2,446,491 for the Athletic Club Fund, and \$1,627,248 for the nonmajor enterprise funds. User fees support these funds.

General Fund Budgetary Highlights

The General Fund revenues were higher than budget by \$3,769,650. Property tax came in lower than budget by \$112,322. Local sales tax came in higher than budget by \$1,256,471 due to improved economic conditions. Intergovernmental revenue came in higher than budget by \$1,162,344. This was due to state share revenue being higher and Halls Tax being higher than projected. Fines and Forfeitures revenue came in higher than budget by \$691,013. License and permits are lower than budget by \$67,673 due to lower fencing and sign permits and automobile registrations. However, building permits increased by \$8,924 as a result of economic improvement and new buildings being built. Fees for services exceed budget by \$29,160. This is due to zoning applications and increased library revenue. Grants increased over budget by \$113,232 as more grants were received than anticipated. Other revenue exceed budget by \$599,347. This was due to more homes requesting cable vision and the fees associated with the service being received by the City from cable providers and various miscellaneous revenues.

General Fund expenditures were lower than budget by \$2,034,708. The variances were due to lower cost associated with concerted efforts of the City government to control cost. Also, the City 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 with a savings of \$1,150,847. Savings were also achieved in Transportation and Environment in the amount of \$21,070; Community Services in the amount of \$385,944 and Public Safety in the amount of \$385,408.

Capital Asset and Debt Administration

Capital Assets. The City investment in capital assets for its governmental and business-type activities as of June 30, 2016 amounts to \$223,417,217 (net of accumulated depreciation). This investment in capital assets includes land, buildings, and improvements other than building, machinery, equipment and construction in progress. The investment in capital assets for the current fiscal year increased by \$8,010,840. Governmental activities increased \$6,236,462 or 4% and business activities increased \$1,774,378, or 2.9%.

Condensed Statement of Capital Assets

	Governmental Activities		Business-type Activities		Totals	
	2016	2015	2016	2015	2016	2015
Land and Buildings	\$ 81,326,654	\$ 80,580,086	\$ 12,486,696	\$ 13,047,917	\$ 93,813,350	\$ 93,628,003
Improvements Other Than Buildings	65,516,384	63,848,438	45,554,382	45,730,302	111,070,766	109,578,740
Equipment	11,023,386	10,171,830	697,063	580,441	11,720,449	10,752,271
Construction in Progress	4,157,243	1,186,851	2,655,409	260,512	6,812,652	1,447,363
Total Capital Assets	\$ 162,023,667	\$ 155,787,205	\$ 61,393,550	\$ 59,619,172	\$ 223,417,217	\$ 215,406,377

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

Long-term debt. At June 30, 2016 the City had total bonded debt outstanding of \$35,495,000. Of this amount \$32,795,000 comprises debt backed by the full faith and credit of the government and \$2,700,000 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		Totals	
	2016	2015	2016	2015	2016	2015
General Obligation Bonds \$	32,795,000	\$ 21,405,000	\$ -	\$ -	\$ 32,795,000	\$ 21,405,000
Revenue Bonds	-	-	2,700,000	3,690,000	2,700,000	3,690,000
Total Revenues	\$ 32,795,000	\$ 21,405,000	\$ 2,700,000	\$ 3,690,000	\$ 35,495,000	\$ 25,095,000

During FY16, the City’s total debt increased by \$10,400,000. Total debt includes general obligation bonds and revenue bonds. Total debt for governmental activities increased by 53.2%. New bonds were issued to fund capital improvements which include, but are not limited to, improvement of roadways and greenway connectors, and storm water drainage systems, as well as construction, renovation, and improvement of public school facilities. Business-type activities’ debt decreased by 26.8%, due to the City not issuing Revenue bonds. Various construction programs were still in progress 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 Governmental Fund Expenditures; (2) direct debt may not exceed 1.5% of appraised property value; (3) direct debt may not exceed \$2,000 per capital income; and (4) per capita debt may not exceed 4% 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-G.

Economic Factors and Next Year’s Budget and Rates

Factors considered in preparing the City’s Budget for the 2017 fiscal year are further discussed in the Budget document and include:

- The property tax is the most stable source of revenue for the City. There was no tax rate increase in the FY17 Budget. Other revenue sources are subject to some degree of fluctuation in economic

cycles. Sales tax represents 22% of total revenue for the operations of the City. The FY17 budget anticipates an \$11.2 million in local sales tax revenue.

- Continue to follow the Germantown Forward 2030 plan focusing on quality of life issues, fiscal responsibility, strong public safety and community engagement.
- With the formation of the Germantown Municipal School District, the City will work very closely with the District in the creation of a five-year capital plan and funding priorities. The plan will be built on enrollment data, growth projections and facility conditions. The City will also work with the District on an ongoing basis to evaluate the physical condition of the school buildings and how well they support current and future populations and educational requirements.
- To provide a consistent look in the City's Central Business District (CBD) and to incorporate the existing conditions, the City will engage the services of the professional design firm for the establishment of a CBD street scaping plan. The plan will identify a unified approach to street lighting, signage, landscaping and public art. Future funding for the implementation of this plan will be incorporated into the City's five-year capital improvements plan and will be supported by revenue from the City's occupancy tax.
- Update and adopt annually a six-year Capital Improvements Program (CIP), including the annual Capital Improvements Budget (CIB) and a five year projection of capital needs and expenditures.

The unassigned fund balance in the General Fund is \$12,072,176. The City has a total approved budget of \$137,138,888 in expenditures for FY17. The City tax rate for FY17 remains unchanged at \$1.93.

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, 2016, FY17 Budget Reports and other information about the City may be found on the City's website www.germantown-tn.gov.

CITY OF GERMANTOWN, TENNESSEE

STATEMENT OF NET POSITION

June 30, 2016

	Primary Government			Component
	Governmental Activities	Business-Type Activities	Total	Unit GPAC
ASSETS				
Cash and cash equivalents	\$ 43,978,742	\$ 9,252,140	\$ 53,230,882	\$ 755,408
Investments	7,842,352	1,240,240	9,082,592	100,948
Receivables				
Property taxes	29,342,053	-	29,342,053	-
Customer and developers receivables	-	280,930	280,930	-
Other	12,385,536	1,269,950	13,655,486	98,809
Less: allowance for doubtful accounts	(1,987,340)	(121,015)	(2,108,355)	-
Internal balances	562,368	(562,368)	-	-
Inventories	151,101	41,788	192,889	747
Prepaid expenditures	227,418	24,202	251,620	116,826
Restricted Assets				
Cash and cash equivalents	16,506,120	-	16,506,120	125,130
Capital assets, not being depreciated	18,938,105	5,428,002	24,366,107	21,000
Capital assets, being depreciated, net	143,085,563	55,965,547	199,051,110	63,774
Net pension asset	24,163	-	24,163	-
Total assets	<u>271,056,181</u>	<u>72,819,416</u>	<u>343,875,597</u>	<u>1,282,642</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows for pensions	17,731,863	835,849	18,567,712	-
LIABILITIES				
Accounts payable and accrued liabilities	8,710,140	1,437,843	10,147,983	5,690
Accrued interest payable	196,203	17,767	213,970	-
Customer deposits payable	3,175	80,887	84,062	-
Contracts payable	710,301	-	710,301	-
Unearned revenue	2,126,966	229,157	2,356,123	196,800
Noncurrent Liabilities				
Customer deposits payable		598,440	598,440	-
Due within one year	3,069,238	1,035,000	4,104,238	-
Due in more than one year	39,539,234	1,807,497	41,346,731	-
Net OPEB obligation	1,447,740	-	1,447,740	-
Net pension liability	21,195,982	1,846,878	23,042,860	-
Total liabilities	<u>76,998,979</u>	<u>7,053,469</u>	<u>84,052,448</u>	<u>202,490</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred revenue - taxes	27,966,745	-	27,966,745	-
Deferred inflows for pensions	4,827,203	-	4,827,203	-
	<u>32,793,948</u>	<u>-</u>	<u>32,793,948</u>	<u>-</u>
NET POSITION				
Net investment in capital assets	122,549,250	58,656,256	181,205,506	84,774
Restricted for:				
Drug Enforcement	257,400	-	257,400	-
Library Endowment	256,016	-	256,016	-
Unrestricted	55,932,451	7,945,540	63,877,991	995,378
Total net position	<u>\$ 178,995,117</u>	<u>\$ 66,601,796</u>	<u>\$ 245,596,913</u>	<u>\$ 1,080,152</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, 2016

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental Activities				
General government	\$ 14,852,522	\$ 2,791,978	\$ 7,117,090	\$ -
Public safety	23,000,775	1,182,858	-	-
Community services	4,191,362	832,155	1,000	1,345,643
Transportation and environment	9,710,135	952,147	1,103,137	3,251,972
Education	46,068,542	3,207,977	27,167,630	-
Interest and fiscal charges	1,358,382	-	-	-
Total governmental activities	<u>99,181,718</u>	<u>8,967,115</u>	<u>35,388,857</u>	<u>4,597,615</u>
Business-type Activities				
Utilities	6,658,862	8,917,412	-	1,085,523
Athletic Club	3,493,131	4,253,656	-	-
Nonmajor Enterprise Fund	4,821,327	4,864,443	-	-
Total business-type activities	<u>14,973,320</u>	<u>18,035,511</u>	<u>-</u>	<u>1,085,523</u>
Total primary government	<u>\$ 114,155,038</u>	<u>\$ 27,002,626</u>	<u>\$ 35,388,857</u>	<u>\$ 5,683,138</u>
Component Unit				
GPAC	<u>\$ 2,143,514</u>	<u>\$ 500,978</u>	<u>\$ 1,694,555</u>	<u>\$ -</u>
General Revenues				
Property taxes				
Local sales taxes				
Interest on investments				
Gain (loss) on sale of capital assets				
Other revenues				
Transfers				
Total general revenues and transfers				
Change in net position				
Net position - beginning				
Prior period adjustments				
Net position - beginning, as restated				
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
\$ (4,943,454)	\$ -	\$ (4,943,454)	\$ -
(21,817,917)	-	(21,817,917)	-
(2,012,564)	-	(2,012,564)	-
(4,402,879)	-	(4,402,879)	-
(15,692,935)	-	(15,692,935)	-
(1,358,382)	-	(1,358,382)	-
(50,228,131)	-	(50,228,131)	-
-	3,344,073	3,344,073	-
-	760,525	760,525	-
-	43,116	43,116	-
-	4,147,714	4,147,714	-
(50,228,131)	4,147,714	(46,080,417)	-
-	-	-	52,019
44,056,859	-	44,056,859	-
17,769,804	-	17,769,804	-
166,588	39,376	205,964	-
51,726	-	51,726	-
716,573	-	716,573	-
242,168	(242,168)	-	-
63,003,718	(202,792)	62,800,926	-
12,775,587	3,944,922	16,720,509	52,019
164,869,530	62,656,874	227,526,404	1,028,133
1,350,000	-	1,350,000	-
166,219,530	62,656,874	228,876,404	1,028,133
<u>\$ 178,995,117</u>	<u>\$ 66,601,796</u>	<u>\$ 245,596,913</u>	<u>\$ 1,080,152</u>

CITY OF GERMANTOWN, TENNESSEE

BALANCE SHEET – GOVERNMENTAL FUNDS

June 30, 2016

	General	Municipal Schools	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 24,818,497	\$ 7,918,533	\$ 8,775,811	\$ 41,512,841
Investments	3,623,349	3,002,446	215,742	6,841,537
Receivables				
Property taxes	28,581,353	106,110	-	28,687,463
Other	8,325,325	2,176,471	1,599,453	12,101,249
Less: allowance for doubtful accounts	(1,987,340)	-	-	(1,987,340)
Advances to other funds	625,000	-	-	625,000
Due from other funds	869,955	351,576	1,062,028	2,283,559
Inventories	69,249	-	-	69,249
Prepaid expenditures	500	226,918	-	227,418
Restricted Assets				
Cash and cash equivalents	1,223,146	-	15,282,974	16,506,120
Total assets	<u>\$ 66,149,034</u>	<u>\$ 13,782,054</u>	<u>\$ 26,936,008</u>	<u>\$106,867,096</u>
LIABILITIES				
Accounts payable and accrued liabilities	\$ 2,496,327	\$ 3,496,498	\$ 2,038,964	\$ 8,031,789
Contracts payable	-	-	710,301	710,301
Customer deposits	-	-	3,175	3,175
Due to other funds	1,305,406	869,955	108,198	2,283,559
Unearned revenue	2,112,516	-	28,932	2,141,448
Total liabilities	<u>5,914,249</u>	<u>4,366,453</u>	<u>2,889,570</u>	<u>13,170,272</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - taxes	28,376,913	551,288	-	28,928,201
Unavailable revenue - grants	-	-	246,268	246,268
Total deferred inflows of resources	<u>28,376,913</u>	<u>551,288</u>	<u>246,268</u>	<u>29,174,469</u>
FUND BALANCES				
Nonspendable	1,439,204	-	-	1,439,204
Restricted	-	8,864,313	1,831,189	10,695,502
Committed	15,897,287	-	17,863,458	33,760,745
Assigned	2,449,205	-	4,105,523	6,554,728
Unassigned	12,072,176	-	-	12,072,176
Total fund balances	<u>31,857,872</u>	<u>8,864,313</u>	<u>23,800,170</u>	<u>64,522,355</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 66,149,034</u>	<u>\$ 13,782,054</u>	<u>\$ 26,936,008</u>	<u>\$106,867,096</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 GOVERNMENT-WIDE STATEMENT OF NET POSITION

June 30, 2016

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

Total fund balances - total governmental funds	\$ 64,522,355
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	162,023,668
Net pension asset is not a financial resource in the current period and, therefore, is not reported in the funds.	24,163
Revenues not available to pay for current expenditures are deferred in the funds.	1,222,206
Accrued property taxes receivable that do not provide current financial resources are not reported in the funds.	760,700
Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be amortized and recognized as components of pension expense in future years.	12,904,660
Accrued interest on long-term debt is not payable with current financial resources and therefore is not reported in the funds.	(196,203)
Long-term liabilities, including bonds payable, settlement liability, and compensated absences, are not due and payable in the current period and therefore are not reported in the funds.	(42,608,472)
Net OPEB obligation is not payable with current financial resources and therefore is not reported in the funds.	(1,447,740)
Net pension liability is not payable with current financial resources and therefore is not reported in the funds.	(21,195,982)
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. This includes \$(62,632) related to "look-back" adjustments for internal service funds.	2,985,762
Net position of governmental activities	<u>\$ 178,995,117</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, 2016

	General	Municipal Schools	Other Governmental Funds	Total
REVENUES				
Taxes				
Property taxes	\$ 28,400,478	\$15,709,124	\$ -	\$44,109,602
Local sales taxes	11,422,380	6,316,136	-	17,738,516
Intergovernmental	6,903,858	25,174,546	1,103,137	33,181,541
Fines and forfeitures	1,434,513	-	3,500	1,438,013
Licenses and permits	1,032,397	-	-	1,032,397
Fees for services	174,760	350,659	2,182,543	2,707,962
Interest on investments	149,778	3,504	13,306	166,588
Grants	213,232	131,917	4,325,923	4,671,072
Other revenues	2,045,272	12,114	2,447,929	4,505,315
Total revenues	<u>51,776,668</u>	<u>47,698,000</u>	<u>10,076,338</u>	<u>109,551,006</u>
EXPENDITURES				
Current				
General government	13,315,569	-	-	13,315,569
Public safety	18,019,361	-	1,900,996	19,920,357
Community services	2,573,751	-	640,690	3,214,441
Transportation and environment	4,070,130	-	2,042,699	6,112,829
Education	-	46,023,708	2,705,587	48,729,295
Debt Service				
Principal	6,765,000	-	-	6,765,000
Interest and fiscal charges	959,454	-	-	959,454
Capital projects	-	-	8,454,713	8,454,713
Total expenditures	<u>45,703,265</u>	<u>46,023,708</u>	<u>15,744,685</u>	<u>107,471,658</u>
Excess (deficiency) of revenues over (under) expenditures	6,073,403	1,674,292	(5,668,347)	2,079,348
OTHER FINANCING SOURCES (USES)				
Issuance of general obligation bonds	-	-	13,970,000	13,970,000
Issuance of refunding bonds	4,185,000	-	-	4,185,000
Premium on general obligation bonds issued	-	-	3,579,349	3,579,349
General obligation bond issuance costs	-	-	(290,428)	(290,428)
Sale of capital assets	91,529	-	-	91,529
Transfers in	467,168	2,152,664	6,780,324	9,400,156
Transfers out	(7,209,594)	(252,588)	(1,695,806)	(9,157,988)
Total other financing sources	<u>(2,465,897)</u>	<u>1,900,076</u>	<u>22,343,439</u>	<u>21,777,618</u>
Net change in fund balances	3,607,506	3,574,368	16,675,092	23,856,966
Fund balances - beginning	28,250,366	5,289,945	7,125,078	40,665,389
Fund balances - ending	<u>\$ 31,857,872</u>	<u>\$ 8,864,313</u>	<u>\$ 23,800,170</u>	<u>\$64,522,355</u>

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

CITY OF GERMANTOWN, TENNESSEE

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS TO THE GOVERNMENT-
WIDE STATEMENT OF ACTIVITIES**

For the Year Ended June 30, 2016

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

Net change in fund balance - total governmental funds	\$ 23,856,966
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 and net gains and losses on retirements exceeded depreciation in the current period.	6,316,358
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	88,899
The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	(14,722,395)
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, including unpaid vacation and sick time.	(243,106)
Change in net OPEB obligation.	(749,883)
Change in net pension liability and related deferred outflows of resources and deferred inflows of resources.	(2,077,787)
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.	<u>306,535</u>
Change in net position of governmental activities	<u><u>\$ 12,775,587</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 BALANCE –
BUDGET AND ACTUAL – GENERAL FUND

For the Year Ended June 30, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
PROPERTY TAXES				
Real property taxes	\$ 26,835,400	\$ 26,835,400	\$ 26,740,447	\$ (94,953)
Personal property taxes	788,000	788,000	769,994	(18,006)
Penalties and interest - property taxes	130,000	130,000	128,635	(1,365)
Receipt in lieu of taxes - TVA	459,400	459,400	470,844	11,444
Receipt in lieu of taxes - MLGW	300,000	300,000	290,558	(9,442)
Total property taxes	28,512,800	28,512,800	28,400,478	(112,322)
LOCAL SALES TAXES				
Sales taxes	8,247,000	8,247,000	8,946,301	699,301
Beer and liquor taxes	745,540	745,540	1,051,247	305,707
Gross receipts tax	510,000	510,000	549,398	39,398
Penalties and interest - gross receipts tax	369	369	35	(334)
Room occupancy tax	663,000	663,000	875,399	212,399
Total local sales taxes	10,165,909	10,165,909	11,422,380	1,256,471
INTERGOVERNMENTAL				
Sales taxes	3,029,200	3,029,200	3,248,705	219,505
Income taxes	2,500,000	2,500,000	3,480,220	980,220
Beer taxes	20,062	20,062	19,591	(471)
Liquor taxes	110,000	110,000	73,693	(36,307)
Petroleum special taxes	82,252	82,252	81,649	(603)
Total intergovernmental	5,741,514	5,741,514	6,903,858	1,162,344
FINES AND FORFEITURES				
Traffic and other violations	140,000	140,000	237,832	97,832
City court costs	300,000	300,000	413,916	113,916
Other court costs	300,000	300,000	777,321	477,321
Animal impoundment fees	3,500	3,500	5,444	1,944
Total fines and forfeitures	743,500	743,500	1,434,513	691,013
LICENSES AND PERMITS				
Automobile registrations	889,870	889,870	869,626	(20,244)
Building permits	50,000	50,000	58,924	8,924
Animal licenses	79,500	79,500	77,077	(2,423)
Fence & sign permits	60,000	60,000	5,360	(54,640)
Liquor permits	20,700	20,700	21,410	710
Total licenses and permits	1,100,070	1,100,070	1,032,397	(67,673)

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, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
FEES FOR SERVICES				
Engineering fees	\$ 20,000	\$ 20,000	\$ 22,283	\$ 2,283
Fire inspection fees	13,000	13,000	15,050	2,050
Zoning applications	20,000	20,000	38,455	18,455
Library fees	92,600	92,600	98,972	6,372
Total fees for services	145,600	145,600	174,760	29,160
INTEREST ON INVESTMENTS	51,700	51,700	149,778	98,078
GRANTS	100,000	100,000	213,232	113,232
OTHER REVENUES				
Cable television fees	618,000	618,000	820,129	202,129
Miscellaneous	827,925	827,925	1,225,143	397,218
Total other revenues	1,445,925	1,445,925	2,045,272	599,347
Total revenues	48,007,018	48,007,018	51,776,668	3,769,650
<u>EXPENDITURES</u>				
GENERAL GOVERNMENT				
Alderman				
Personnel services	125,414	115,327	111,152	4,175
Materials and supplies	15,500	15,382	15,279	103
Other services and charges	64,702	49,659	39,226	10,433
Administration				
Personnel services	790,605	780,712	778,144	2,568
Materials and supplies	50,500	32,749	30,746	2,003
Other services and charges	607,421	764,860	764,837	23
Capital outlay	-	-	-	-
Expense reimbursement	(22,685)	(34,029)	(22,686)	(11,343)
Personnel				
Personnel services	596,575	602,761	546,718	56,043
Materials and supplies	11,500	11,225	6,797	4,428
Other services and charges	96,701	132,958	90,960	41,998
Expense reimbursement	(26,056)	(39,084)	(26,056)	(13,028)
Information Technology				
Personnel services	555,158	587,107	551,724	35,383
Materials and supplies	163,100	144,089	139,999	4,090
Other services and charges	1,020,271	1,015,198	848,749	166,449
Capital outlay	602,000	426,471	84,273	342,198
Expense reimbursement	(40,495)	(60,741)	(40,495)	(20,246)

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, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
GENERAL GOVERNMENT (Continued)				
Finance				
Personnel services	\$ 1,416,463	\$ 1,434,868	\$ 1,358,113	\$ 76,755
Materials and supplies	84,300	82,479	63,265	19,214
Other services and charges	357,117	376,682	350,298	26,384
Expense reimbursement	(113,597)	(170,396)	(113,597)	(56,799)
City Court				
Personnel services	639,177	660,421	659,024	1,397
Materials and supplies	10,100	5,404	5,351	53
Other services and charges	49,684	39,960	39,723	237
Civic Support				
Grants	501,740	487,989	452,984	35,005
Wages & Benefits	956,864	1,159,788	1,157,917	1,871
GPAC				
Personnel services	914,035	963,740	917,012	46,728
Materials and supplies	24,650	19,332	18,645	687
Other services and charges	228,125	217,744	212,286	5,458
Capital outlay	53,050	65,050	59,662	5,388
Development				
Personnel services	1,689,245	1,734,693	1,640,093	94,600
Materials and supplies	47,162	50,418	34,853	15,565
Other services and charges	631,217	518,662	449,687	68,975
Capital outlay	-	21,428	21,428	-
Expense reimbursement	(36,455)	(54,682)	(36,455)	(18,227)
Research and Budget				
Personnel services	308,895	308,902	266,613	42,289
Materials and supplies	46,195	47,386	34,177	13,209
Other services and charges	23,819	23,812	8,958	14,854
Expense reimbursement	(9,574)	(14,361)	(9,574)	(4,787)
Building Maintenance				
Personnel services	1,075,512	1,128,304	1,070,702	57,602
Materials and supplies	102,700	116,432	97,389	19,043
Other services and charges	648,603	544,763	529,680	15,083
Capital outlay	247,000	226,732	181,746	44,986
Expense reimbursement	(73,778)	(73,778)	(73,778)	-
Total General Government	14,432,460	14,466,416	13,315,569	1,150,847
PUBLIC SAFETY				
Police Department				
Personnel services	9,289,994	9,325,736	9,242,738	82,998
Materials and supplies	609,741	573,304	385,923	187,381

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, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
PUBLIC SAFETY (Continued)				
Other services and charges	\$ 633,907	\$ 664,115	\$ 629,374	\$ 34,741
Capital outlay	211,000	409,049	360,894	48,155
Total Police Department	10,744,642	10,972,204	10,618,929	353,275
Fire Department				
Personnel services	6,382,801	6,389,001	6,368,493	20,508
Materials and supplies	229,450	256,094	255,539	555
Other services and charges	560,186	661,435	654,546	6,889
Capital outlay	90,000	126,035	121,854	4,181
Total Fire Department	7,262,437	7,432,565	7,400,432	32,133
Total Public Safety	18,007,079	18,404,769	18,019,361	385,408
COMMUNITY SERVICES				
Parks and Recreation				
Personnel services	828,742	783,470	575,416	208,054
Materials and supplies	24,500	32,633	21,548	11,085
Other services and charges	449,528	483,119	415,642	67,477
Capital outlay	70,000	47,951	25,680	22,271
Total Parks and Recreation	1,372,770	1,347,173	1,038,286	308,887
Cultural Arts Program				
Materials and supplies	49,102	55,429	42,178	13,251
Other services and charges	16,895	22,695	18,823	3,872
Total Cultural Arts Program	65,997	78,124	61,001	17,123
Library				
Personnel services	3,000	2,100	440	1,660
Materials and supplies	27,650	39,793	38,833	960
Other services and charges	1,419,634	1,417,113	1,371,298	45,815
Total Library	1,450,284	1,459,006	1,410,571	48,435
Genealogical Library				
Personnel services	200	200	188	12
Materials and supplies	9,350	9,903	8,340	1,563
Other services and charges	65,289	65,289	55,365	9,924
Total Genealogical Library	74,839	75,392	63,893	11,499
Total Community Services	2,963,890	2,959,695	2,573,751	385,944

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, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
TRANSPORTATION AND ENVIRONMENT				
Public Services:				
Personnel services	\$ 2,565,624	\$ 2,503,496	\$ 2,483,100	\$ 20,396
Materials and supplies	157,600	100,289	94,606	5,683
Other services and charges	1,168,152	1,093,380	1,079,610	13,770
Capital outlay	461,000	324,268	257,471	66,797
Expense reimbursement	(212,211)	(318,317)	(212,211)	(106,106)
Total public works	4,140,165	3,703,116	3,702,576	540
Animal Control:				
Personnel services	260,176	258,697	242,879	15,818
Materials and supplies	62,900	82,047	78,088	3,959
Other services and charges	27,755	25,950	25,197	753
Capital outlay	-	21,390	21,390	-
Total Animal Control	350,831	388,084	367,554	20,530
Total Transportation and Environment	4,490,996	4,091,200	4,070,130	21,070
DEBT SERVICE				
Bond and note principal	2,250,000	6,765,002	6,765,000	2
Interest and fiscal charges	627,533	1,050,891	959,454	91,437
Total Debt Service	2,877,533	7,815,893	7,724,454	91,439
Total Expenditures	42,771,958	47,737,973	45,703,265	2,034,708
Excess (deficiency) of revenues over (under) expenditures	5,235,060	269,045	6,073,403	5,804,358
OTHER FINANCING SOURCES (USES)				
GO Bonds issued	-	-	4,185,000	4,185,000
Transfers in	484,683	484,683	467,168	(17,515)
Transfers out	(7,209,594)	(7,209,594)	(7,209,594)	-
Sale of capital assets	15,000	15,000	91,529	76,529
Total other financing sources (uses)	(6,709,911)	(6,709,911)	(2,465,897)	4,244,014
Net change in fund balances	(1,474,851)	(6,440,866)	3,607,506	10,048,372
Fund balance - beginning	28,250,366	28,250,366	28,250,366	-
Fund balance - ending	\$ 26,775,515	\$ 21,809,500	\$ 31,857,872	\$ 10,048,372

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 – MUNICIPAL SCHOOLS FUND

For the Year Ended June 30, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Personal property taxes	\$ 15,134,837	\$ 15,164,837	\$ 15,709,124	\$ 544,287
Local sales taxes	5,265,000	5,988,346	6,316,136	327,790
Intergovernmental				
Liquor taxes	87,500	87,500	92,396	4,896
Wheel taxes	-	-	562,351	562,351
State of Tennessee education funding	24,373,286	24,513,901	24,519,799	5,898
Total intergovernmental	24,460,786	24,601,401	25,174,546	573,145
Fees for services	90,991	290,991	350,659	59,668
Interest on investments	-	-	3,504	3,504
Grants	138,930	150,887	131,917	(18,970)
Other revenues	500	500	12,114	11,614
Total revenues	45,091,044	46,196,962	47,698,000	1,501,038
EXPENDITURES				
Education				
Personnel services	36,515,760	37,033,345	35,211,293	1,822,052
Materials and supplies	2,732,062	2,617,812	2,355,842	261,970
Other services and charges	6,224,638	6,369,056	5,714,685	654,371
Capital outlay	1,661,236	3,103,488	2,741,888	361,600
Total expenditures	47,133,696	49,123,701	46,023,708	3,099,993
Excess (deficiency) of revenues over (under) expenditures	(2,042,652)	(2,926,739)	1,674,292	4,601,031
OTHER FINANCING SOURCES (USES)				
Transfers in	2,142,652	2,142,652	2,152,664	10,012
Transfers out	(100,000)	(287,468)	(252,588)	34,880
Total other financing sources (uses)	2,042,652	1,855,184	1,900,076	44,892
Net change in fund balances	-	(1,071,555)	3,574,368	4,645,923
Fund balance - beginning	5,289,945	5,289,945	5,289,945	-
Fund balance - ending	\$ 5,289,945	\$ 4,218,390	\$ 8,864,313	\$ 4,645,923

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

CITY OF GERMANTOWN, TENNESSEE

STATEMENT OF NET POSITION - PROPRIETARY FUNDS

June 30, 2016

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	\$ 3,860,531	\$ 3,226,423	\$ 2,165,186	\$ 9,252,140	\$ 2,465,901
Investments					
Unrestricted	538,385	449,874	181,180	1,169,439	1,000,815
Restricted	-	70,801	-	70,801	-
Total investments	538,385	520,675	181,180	1,240,240	1,000,815
Receivables					
Customers and developers	-	-	280,930	280,930	-
Others	1,218,375	24,257	27,318	1,269,950	178,177
Less allowance for doubtful accounts	(45,448)	(19,238)	(56,329)	(121,015)	-
Net receivables	1,172,927	5,019	251,919	1,429,865	178,177
Inventories	40,063	1,725	-	41,788	81,852
Prepaid expenses	-	24,202	-	24,202	-
Total current assets	5,611,906	3,778,044	2,598,285	11,988,235	3,726,745
Noncurrent Assets					
Capital Assets, Not Being Depreciated					
Land	381,013	2,391,580	-	2,772,593	-
Construction in progress	816,850	1,745,725	92,834	2,655,409	-
Total non-depreciable assets	1,197,863	4,137,305	92,834	5,428,002	-
Capital Assets, Being Depreciated					
Buildings and improvements	284,521	18,603,765	597,680	19,485,966	2,016,445
Water treatment plant	22,576,813	-	-	22,576,813	-
Water mains and laterals	24,352,814	-	-	24,352,814	-
Sewer mains and laterals	28,695,357	-	-	28,695,357	-
Machinery and equipment	2,480,301	711,195	485,095	3,676,591	744,667
Less accumulated depreciation	(32,385,742)	(9,968,744)	(467,508)	(42,821,994)	(832,236)
Total depreciable assets, net	46,004,064	9,346,216	615,267	55,965,547	1,928,876
Total noncurrent assets	47,201,927	13,483,521	708,101	61,393,549	1,928,876
Total assets	52,813,833	17,261,565	3,306,386	73,381,784	5,655,621
DEFERRED OUTFLOWS					
Deferred outflows for pensions	631,305	204,544	-	835,849	-

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

CITY OF GERMANTOWN, TENNESSEE

STATEMENT OF NET POSITION – PROPRIETARY FUNDS (CONTINUED)

June 30, 2016

	Business Type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	Utility Fund	Athletic Club Fund	Nonmajor Enterprise Funds	Total	
LIABILITIES					
Current Liabilities					
Accounts payable	\$ 376,416	\$ 256,183	\$ 805,244	\$ 1,437,843	\$ 678,351
Accrued interest payable	5,667	12,100	-	17,767	-
Unearned revenue	-	163,775	65,382	229,157	-
Customer deposits payable	-	-	80,887	80,887	-
Advances from other funds - current	-	125,000	-	125,000	-
Bonds payable - current	1,035,000	-	-	1,035,000	-
Total current liabilities	1,417,083	557,058	951,513	2,925,654	678,351
Noncurrent Liabilities					
Customer deposits payable	598,440	-	-	598,440	-
Advances from other funds - net of current	-	500,000	-	500,000	-
Compensated absences	58,601	27,079	19,524	105,204	-
Bonds payable - net of current	1,702,293	-	-	1,702,293	-
Net pension liability	1,394,918	451,960	-	1,846,878	-
Total noncurrent liabilities	3,754,252	979,039	19,524	4,752,815	-
Total liabilities	5,171,335	1,536,097	971,037	7,678,469	678,351
NET POSITION					
Net investment in capital assets	44,464,634	13,483,521	708,101	58,656,256	1,928,876
Unrestricted	3,809,169	2,446,491	1,627,248	7,882,908	3,048,394
Total net position	\$ 48,273,803	\$ 15,930,012	\$ 2,335,349	66,539,164	\$ 4,977,270
Adjustment to reflect the consolidation of internal service funds related to enterprise funds				62,632	
Net position of business-type activities				\$ 66,601,796	

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

CITY OF GERMANTOWN, TENNESSEE

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN
NET POSITION - PROPRIETARY FUNDS

For the Year Ended June 30, 2016

	Business Type Activities - Enterprise Funds			Total	Governmental Activities - Internal Service Funds
	Utility Fund	Athletic Club Fund	Nonmajor Enterprise Funds		
Operating Revenues:					
Water sales	\$ 5,446,687	\$ -	\$ -	\$ 5,446,687	\$ -
Sewer service charges	3,180,474	-	-	3,180,474	-
Connection and other fees	142,367	-	-	142,367	-
Forfeited discounts	79,380	-	35,591	114,971	-
Sanitation fees	-	-	3,377,711	3,377,711	-
Membership fees	-	3,591,432	-	3,591,432	-
Class fees	-	565,907	-	565,907	-
Daily admissions	-	15,093	-	15,093	-
Stormwater fees	-	-	1,003,425	1,003,425	-
Internal charges	-	-	-	-	9,488,991
Other income	68,504	81,224	447,716	597,444	-
Total operating revenues	8,917,412	4,253,656	4,864,443	18,035,511	9,488,991
Operating Expenses:					
Personnel services	1,681,990	1,650,462	823,460	4,155,912	594,519
Materials and supplies	148,384	181,209	49,509	379,102	106,787
Utilities	616,771	-	38,827	655,598	-
Sewage treatment fees	1,314,988	-	-	1,314,988	-
Landfill fees	-	-	605,300	605,300	-
Garbage collection fees	-	-	2,609,736	2,609,736	-
Other services and charges	1,076,028	1,114,979	584,191	2,775,198	8,336,998
Capital outlay	-	-	10,070	10,070	-
Depreciation	1,712,327	527,257	92,758	2,332,342	142,872
Total operating expenses	6,550,488	3,473,907	4,813,851	14,838,246	9,181,176
Operating income	2,366,924	779,749	50,592	3,197,265	307,815
Nonoperating Revenues (Expenses):					
Interest on investments	16,493	15,147	7,736	39,376	-
Interest and fiscal charges	(109,654)	(19,224)	(7,476)	(136,354)	-
Gain (loss) on disposal of capital assets	-	-	-	-	-
Total nonoperating expenses	(93,161)	(4,077)	260	(96,978)	-
Income (loss) before contributions and transfers	2,273,763	775,672	50,852	3,100,287	307,815
Contributions from developers	1,085,523	-	-	1,085,523	-
Transfers in	-	-	225,000	225,000	-
Transfers out	(467,168)	-	-	(467,168)	-
Change in net position	2,892,118	775,672	275,852	3,943,642	307,815
Total net position - beginning	45,381,685	15,154,340	2,059,497		4,669,455
Total net position - ending	\$ 48,273,803	\$ 15,930,012	\$ 2,335,349		\$ 4,977,270
Adjustment to reflect the consolidation of internal service funds related to enterprise funds				1,280	
Change in net position of business-type activities				\$ 3,944,922	

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

CITY OF GERMANTOWN, TENNESSEE

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS

For the Year Ended June 30, 2016

	Business-Type Activities - Enterprise Funds			Total	Governmental Activities - Internal Service Funds
	Utility Fund	Athletic Club Fund	Nonmajor Enterprise Funds		
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash received from customers	\$ 8,941,936	\$ 4,225,674	\$ 4,835,547	\$ 18,003,157	\$ 9,314,227
Cash paid to suppliers	(3,002,989)	(1,082,791)	(3,389,441)	(7,475,221)	(8,540,301)
Cash paid to employees	(1,704,307)	(1,639,140)	(847,948)	(4,191,395)	(596,819)
Net cash provided by operating activities	4,234,640	1,503,743	598,158	6,336,541	177,107
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Transfer (to) from other fund	(467,168)	-	225,000	(242,168)	-
Advances to other funds	-	(125,000)	-	(125,000)	-
Net cash provided (used) by noncapital and related financing activities	(467,168)	(125,000)	225,000	(367,168)	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Bond and loan principal payments	(990,000)	-	-	(990,000)	-
Acquisition of capital assets	(1,298,146)	(1,534,222)	(196,450)	(3,028,818)	(62,976)
Interest paid	(128,050)	(21,724)	(7,476)	(157,250)	-
Net cash used for capital and related financing activities	(2,416,196)	(1,555,946)	(203,926)	(4,176,068)	(62,976)
CASH FLOWS FROM INVESTING ACTIVITIES					
Proceeds from sales and maturities of investments	-	53,555	-	53,555	-
Purchase of investments	(99,402)	-	(25,748)	(125,150)	(1,000,815)
Interest received	16,493	15,147	7,736	39,376	-
Net cash provided (used) by investing activities	(82,909)	68,702	(18,012)	(32,219)	(1,000,815)
Net increase (decrease) in cash and cash equivalents	1,268,367	(108,501)	601,220	1,761,086	(886,684)
Cash and cash equivalents - beginning	2,592,164	3,334,924	1,563,966	7,491,054	3,352,585
Cash and cash equivalents - ending	\$ 3,860,531	\$ 3,226,423	\$ 2,165,186	\$ 9,252,140	\$ 2,465,901

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

CITY OF GERMANTOWN, TENNESSEE

STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS (CONTINUED)

For the Year Ended June 30, 2016

	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)	\$ 2,366,924	\$ 779,749	\$ 50,592	\$ 3,197,265	\$ 307,815
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities					
Depreciation expense	1,712,327	527,257	92,758	2,332,342	142,872
Pension expense in excess of employer contributions	205,054	66,439	-	271,493	-
(Increase) decrease in assets:					
Accounts receivable	(4,161)	(468)	(31,857)	(36,486)	(174,764)
Inventories	(7,924)	405	-	(7,519)	4,690
Increase (decrease) in liabilities:					
Accounts payable	(3,607)	167,848	502,578	666,819	(103,506)
Compensated absences	(62,658)	(9,973)	(18,874)	(91,505)	-
Customer deposits	28,685	-	2,353	31,038	-
Unearned revenue	-	(27,514)	608	(26,906)	-
Total adjustments	1,867,716	723,994	547,566	3,139,276	(130,708)
Net cash provided by operating activities	\$ 4,234,640	\$ 1,503,743	\$ 598,158	\$ 6,336,541	\$ 177,107
Noncash investing, capital, and financing activities:					
Contributions of capital assets from developers	\$ 1,085,523	\$ -	\$ -	\$ 1,085,523	\$ -

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

CITY OF GERMANTOWN, TENNESSEE

STATEMENT OF FIDUCIARY NET POSITION – FIDUCIARY FUNDS

June 30, 2016

	Amended & Restated Pension Fund	Cash Value Pension Fund	OPEB Fund	GMSD OPEB Fund	Bail Deposit Fund	School Student Activity Fund
ASSETS						
Cash and cash equivalents	\$ 1,434,891	\$ 26,815	\$ 137,285	\$ 1,396,989	\$ 39,760	\$ 937,521
Investments, at Fair Value						
Common stock	7,041,950	-	-	-	-	-
Foreign stock	606,397	-	-	-	-	-
Mutual funds - equity	22,810,804	170,677	3,438,257	-	-	-
Mutual funds - fixed income	7,174,203	40,637	589,141	-	-	-
Mutual funds - balanced	-	50,688	376,685	-	-	-
Collective investment funds	1,504,898	-	-	-	-	-
Partnerships/joint ventures	21,253,227	-	1,558,344	-	-	-
Receivables						
Contributions	-	82,460	-	-	-	-
Interest	13,703	-	37	248	-	-
Inventory	-	-	-	-	-	18,513
Total assets	<u>61,840,073</u>	<u>371,277</u>	<u>6,099,749</u>	<u>1,397,237</u>	<u>\$ 39,760</u>	<u>\$ 956,034</u>
LIABILITIES						
Accounts payable	3,029	-	112,408	-	\$ -	\$ -
Deposits held in trust	-	-	-	-	39,760	-
Due to schools	-	-	-	172,680	-	956,034
Total liabilities	<u>3,029</u>	<u>-</u>	<u>112,408</u>	<u>172,680</u>	<u>\$ 39,760</u>	<u>\$ 956,034</u>
NET POSITION						
Restricted for pensions	61,837,044	371,277	-	-		
Held in trust for OPEB benefits	-	-	5,987,341	1,224,557		
Total net position	<u>\$ 61,837,044</u>	<u>\$ 371,277</u>	<u>\$ 5,987,341</u>	<u>\$ 1,224,557</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 – FIDUCIARY FUNDS

For the Year Ended June 30, 2016

	Amended & Restated Pension Fund	Cash Value Pension Fund	OPEB Fund	GMSD OPEB Fund
ADDITIONS				
Contributions:				
Employer	\$ 1,493,517	\$ 85,824	\$ 526,340	\$ 1,400,000
Plan members	708,541	132,159	197,512	-
Total contributions	<u>2,202,058</u>	<u>217,983</u>	<u>723,852</u>	<u>1,400,000</u>
Investment Income:				
Net appreciation in fair value of investments	(3,379,864)	-	(250,051)	-
Interest and dividends	634,231	4,318	66,750	562
Total investment earnings	<u>(2,745,633)</u>	<u>4,318</u>	<u>(183,301)</u>	<u>562</u>
Total additions	(543,575)	222,301	540,551	1,400,562
DEDUCTIONS				
Benefits paid	3,369,319	16,523	1,019,545	174,930
Administrative expense	248,948	7,289	21,109	1,075
Total deductions	<u>3,618,267</u>	<u>23,812</u>	<u>1,040,654</u>	<u>176,005</u>
Change in net position	(4,161,842)	198,489	(500,103)	1,224,557
Net position - beginning	<u>65,998,886</u>	<u>172,788</u>	<u>6,487,444</u>	<u>-</u>
Net position - ending	<u>\$ 61,837,044</u>	<u>\$ 371,277</u>	<u>\$ 5,987,341</u>	<u>\$ 1,224,557</u>

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

CITY OF GERMANTOWN, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS

June 30, 2016

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, General Services, Development, Community Services, Fire, Police, Human Resources, Germantown Athletic Club, Germantown Performing Arts Center, and Procurement.

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. 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 position 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, deferred outflows of resources, 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 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

CITY OF GERMANTOWN, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS

June 30, 2016

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 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.

CITY OF GERMANTOWN, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS

June 30, 2016

The Municipal Schools Fund (also referred to as the Board of Education Fund) is a special revenue fund used as the operating fund of the Germantown Municipal School District (GMSD) and accounts for all general revenues and other receipts that are not allocated by law or contractual agreement to another GMSD fund, such as property tax revenue from Shelby County, Tennessee, Basic Education Program (BEP) funds, sales tax, etc. General operating expenditures and capital improvement costs that are not paid through other GMSD funds are paid from the Municipal Schools Fund.

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 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 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.

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 Amended & Restated and Cash Value Pension Funds, which are pension and other employee benefit trust funds, are used to account for the accumulation of resources to provide defined retirement benefits to qualified employees upon retirement.

The Other Post Employment Benefits ("OPEB") Funds of the City and GMSD, which are pension and other employee benefit trust funds, are used to account for the accumulation of resources to be used to provide health and dental benefits to qualified retired employees.

CITY OF GERMANTOWN, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS

June 30, 2016

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.

The School Student Activity Fund, an agency fund, is used to account for funds and inventory accumulated by GMSD student activity groups. The fund is purely custodial and thus does not involve measurement of results of operation.

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.

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 in a (a) nonspendable form, including items not expected to be converted to cash, or (b) legally or contractually required to be maintained intact.

CITY OF GERMANTOWN, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS

June 30, 2016

- 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 and the Board of Education for the Germantown Municipal School District. 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. The Board of Education for the Germantown Municipal School District has the authority to assign the fund balance for the school funds.
- Unassigned – amounts available for any purpose. Unassigned fund balance is only available in the General Fund.

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 Amended & Restated Pension Fund, the Cash Value Pension Fund, the OPEB Fund, and the GMSD OPEB Fund are included in cash and cash equivalents.

2. Receivables and payables

Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is 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."

CITY OF GERMANTOWN, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS

June 30, 2016

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 doubtful accounts.

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 and prepaid items

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.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

4. Restricted assets

Restricted assets in proprietary funds represent investments primarily restricted for Athletic Club renovations.

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

CITY OF GERMANTOWN, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS

June 30, 2016

6. Compensated absences

Compensated absences for accumulated unpaid vacation and sick time 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.

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.

For purposes of measuring the net pension asset or liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the respective fiduciary net position of the Public Employee Retirement Plan, Teacher Legacy Pension Plan and the Teacher Retirement Plan in the Tennessee Consolidated Retirement System (TCRS) and additions to/deductions from the respective plans' fiduciary net position have been determined on the same basis as they are reported by the TCRS. For this purpose, benefits (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms of the Public Employees Retirement Plan, Teacher Legacy Pension Plan, and the Teacher Retirement Plan. Investments are reported at fair value.

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 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 expensed when incurred.

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 outflows/inflows of resources

In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. The

CITY OF GERMANTOWN, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS

June 30, 2016

City only has one item that qualifies for reporting in this category. It is the deferred outflows related to pensions recorded in accordance with Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – An Amendment of GASB Statement No. 68*. It is comprised of the deferrals of pension experience and earnings as well as contributions made after the measurement date of the net pension liability.

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 has two types of items that qualify for reporting in this category. Deferred inflows for pensions are comprised of the deferral of pension earnings recorded in accordance with GASB Statement No. 68. Unavailable revenues from property taxes are amounts in the governmental funds that were receivable and measurable at year-end but were not available to finance expenditures for the current year.

E. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

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.

CITY OF GERMANTOWN, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS

June 30, 2016

One element of that reconciliation explains that "long-term liabilities, including bonds payable, settlement liability, and compensated absences, are not due and payable in the current period and therefore are not reported in the funds." The details of this difference are as follows:

Bonds payable	\$ (32,795,000)
Shelby County Board of Education settlement liability	(3,554,529)
Deferred amount for issuance premium	(3,910,407)
Deferred amount for issuance discount	580,601
Compensated absences - accumulated unpaid vacation	(1,534,538)
Compensated absences - accumulated unpaid sick time	<u>(1,394,599)</u>
Net adjustment to reduce fund balance - total governmental funds to arrive at net position - governmental activities	<u><u>\$ (42,608,472)</u></u>

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

The governmental fund statement of revenues, expenditures, and changes in fund balances includes 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 estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays and net gains and losses on retirements exceeded depreciation in the current period." The details of the difference are as follows:

Capital outlay	\$ 14,870,728
Loss on sale of assets	(39,803)
Depreciation expense (excludes internal service funds)	<u>(8,514,567)</u>
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net position of governmental activities	<u><u>\$ 6,316,358</u></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. This amount is the net effect of these differences in the treatment of long-term debt and related items."

CITY OF GERMANTOWN, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS

June 30, 2016

The details of this difference are as follows:

Debt Issued or Incurred	
General obligation bonds	\$ (18,155,000)
Premium on current year issuance	(3,579,348)
Principal Repayments	
General obligation debt	6,765,000
Settlement liability	355,454
Increase in accrued interest payable	(94,138)
Amortization of bond premiums	(14,363)
Net adjustment to decrease net changes in fund balance - total governmental funds to arrive at changes in net position of governmental activities	\$ (14,722,395)

Another element of that explanation is labeled “changes in net pension liability and related deferred outflows of resources and deferred inflows of resources.” The details of this difference are as follows:

Pension contributions after measurement date recorded as expense in the governmental funds are a deferred outflow on the government-wide statements	\$ 2,415,767
Actuarially determined contributions recorded as expense in the governmental funds are a reduction of the net pension liability on the government-wide statements	1,344,629
Actuarially determined pension expense	(5,838,183)
Change in net pension liability and related deferred outflows of resources and deferred inflows of resources	\$ (2,077,787)

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

CITY OF GERMANTOWN, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS

June 30, 2016

cost center without the governing body's approval. The Board must approve other transfers or requests for additional funds. Thus, departmental or cost center appropriations comprise a legal spending limit for governmental fund types, except for capital projects funds for which the project length financial plans are adopted. The City disperses its capital projects fund monies to various projects, which may cause a deficit within the project. However, the City adopts a positive Capital Improvements Program where funds can be transferred within the fund with appropriate approval from the governing body. Supplemental appropriations were required during the year and the accompanying budgetary data has been revised for amendments authorized by resolution during the year. The basis of accounting applied to budgetary data presented is consistent with the appropriate basis of accounting for each fund type.

B. Excess of expenditures over appropriations

For the year ended June 30, 2016, expenditures did not exceed appropriations in any fund.

C. Deficit fund balance

As of June 30, 2016, 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, 2016 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.

GAAP establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements).

CITY OF GERMANTOWN, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS

June 30, 2016

The three levels of the fair value hierarchy under GAAP are described below:

- Level 1 – Unadjusted 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) such as quoted prices for similar assets or liabilities; quoted prices in inactive markets; or other inputs that can be corroborated by observable market data.
- Level 3 – Inputs which are unobservable for the asset or liability and rely on management’s own assumptions that market participants would use in pricing the asset or liability.

The asset’s or liability’s fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. In determining fair value, the City utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible.

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2016.

For the City, Level 1 investments are valued using prices quoted in active markets for those investments. Level 2 investments are valued based on the investments relationship to benchmark quoted prices. Level 3 investments are valued using either a discounted cash flow or market comparable entities technique.

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

The following table sets forth by level, within the fair value hierarchy, the City’s assets at fair value as of June 30, 2016:

Investment Type	Weighted Average Maturities	Fair Value	Level 1	Level 2	Level 3
Domestic Common Stock		\$ 7,041,949	\$ 7,041,949	\$ -	\$ -
Foreign Stocks		606,397	606,397	-	-
Mutual Funds - Equity		26,419,739	-	26,419,739	-
Mutual Funds - Fixed Income		7,803,980	-	7,803,980	-
Mutual Funds - Balanced		427,372	-	427,372	-
Partnerships/Joint Ventures		28,390,532	-	-	28,390,532
U.S. Government Obligations	1.5 years	5,008,531	-	5,008,531	-
Total fair value		<u>\$ 75,698,500</u>	<u>\$ 7,648,346</u>	<u>\$ 39,659,622</u>	<u>\$ 28,390,532</u>

CITY OF GERMANTOWN, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS

June 30, 2016

The City invests in U.S. government obligations that fall within Level 2 of the hierarchy for valuation purposes under generally accepted accounting principles. Credit quality distributions for investments in U.S. government obligations are approximately as follows at June 30, 2016:

U.S. Government Obligations			
Moody's	Amount	S&P	Amount
Aaa	\$ 5,008,531	AA+	\$ 5,008,531

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.
- 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 maturity 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, 2016, 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 no investments that comprised more than 5% of its total investments at June 30, 2016.

CITY OF GERMANTOWN, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS

June 30, 2016

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	Municipal Schools	Other Governmental Funds	Utility Fund	Athletic Club Fund	Nonmajor Enterprise Funds	Internal Service Funds	Total
Receivables:								
Property taxes	\$ 28,581,353	\$ 106,110	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 28,687,463
Customers and developers	-	-	-	-	-	280,930	-	280,930
Other	8,325,325	2,176,471	1,599,453	1,218,375	24,257	27,318	178,177	13,549,376
Gross receivables	<u>36,906,678</u>	<u>2,282,581</u>	<u>1,599,453</u>	<u>1,218,375</u>	<u>24,257</u>	<u>308,248</u>	<u>178,177</u>	<u>42,517,769</u>
Less: allowance for doubtful accounts	(1,987,340)	-	-	(45,448)	(19,238)	(56,329)	-	(2,108,355)
Net total receivables	<u>\$ 34,919,338</u>	<u>\$ 2,282,581</u>	<u>\$ 1,599,453</u>	<u>\$ 1,172,927</u>	<u>\$ 5,019</u>	<u>\$ 251,919</u>	<u>\$ 178,177</u>	<u>\$ 40,409,414</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 December 1 based upon assessed valuations provided by the Shelby County Tax Assessor. Taxes are due by the last day of February following the December 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%	\$ 1,097,572,000
Farm real property	25%	1,288,200
Commercial real property	40%	282,235,055
Public utilities real property	55%	12,323,985
Commercial personal property	30%	26,496,540
		<u>\$ 1,419,915,780</u>

The estimated actual value was \$5,302,215,745 making the overall assessed value 26.8% 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, 2016 were 98.6% of the tax levy. The property tax levy is without legal limit. The rate, as permitted by Tennessee State Law and City Charter, is set annually by the Board of Mayor and Aldermen and collected by the City

CITY OF GERMANTOWN, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS

June 30, 2016

Clerk. The property tax rate for the year ended June 30, 2016 was \$1.93 per \$100 of assessed value.

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

Year	Taxes Receivable June 30, 2015	Taxes Levied And Accrued	Collections And Adjustments	Taxes Receivable June 30, 2016
2006 & Prior	\$ 30,643	\$ -	\$ 609	\$ 30,034
2007	12,008	-	202	11,806
2008	13,178	-	1,917	11,261
2009	17,480	-	7,340	10,140
2010	21,406	-	6,494	14,912
2011	26,997	-	8,057	18,940
2012	43,624	-	12,100	31,524
2013	102,169	-	57,011	45,158
2014	382,072	-	282,247	99,825
2015	27,166,522	-	26,790,832	375,690
2016	-	28,038,173	-	28,038,173
	<u>\$ 27,816,099</u>	<u>\$ 28,038,173</u>	<u>\$ 27,166,809</u>	<u>\$ 28,687,463</u>

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

CITY OF GERMANTOWN, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS

June 30, 2016

D. Capital assets

Capital asset activity for the year ended June 30, 2016, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 14,780,862	\$ -	\$ -	\$ 14,780,862
Construction in progress	1,186,851	2,970,392	-	4,157,243
Total capital assets, not being depreciated	<u>15,967,713</u>	<u>2,970,392</u>	<u>-</u>	<u>18,938,105</u>
Capital assets, being depreciated:				
Buildings	83,484,643	3,040,039	(2,332)	86,522,350
Improvements other than buildings	121,410,349	5,469,759	-	126,880,108
Machinery and equipment	31,680,897	3,455,847	(794,995)	34,341,749
Total capital assets being depreciated	<u>236,575,889</u>	<u>11,965,645</u>	<u>(797,327)</u>	<u>247,744,207</u>
Less accumulated depreciation for:				
Buildings	(17,685,419)	(2,291,139)	-	(19,976,558)
Improvements other than building	(57,561,911)	(3,801,812)	-	(61,363,723)
Machinery and equipment	(21,509,067)	(2,564,488)	755,192	(23,318,363)
Total accumulated depreciation	<u>(96,756,397)</u>	<u>(8,657,439)</u>	<u>755,192</u>	<u>(104,658,644)</u>
Total capital assets, being depreciated, net	<u>139,819,492</u>	<u>3,308,206</u>	<u>(42,135)</u>	<u>143,085,563</u>
Governmental activities capital assets, net	<u>\$ 155,787,205</u>	<u>\$ 6,278,598</u>	<u>\$ (42,135)</u>	<u>\$ 162,023,668</u>
Business-type Activities:				
Capital assets, not being depreciated:				
Land	\$ 2,772,593	\$ -	\$ -	\$ 2,772,593
Construction in progress	260,512	2,680,677	(285,780)	2,655,409
Total capital assets, not being depreciated	<u>3,033,105</u>	<u>2,680,677</u>	<u>(285,780)</u>	<u>5,428,002</u>
Capital assets, being depreciated:				
Buildings	19,485,966	-	-	19,485,966
Improvements other than buildings	74,181,881	1,443,102	-	75,624,983
Machinery and equipment	3,496,713	268,720	(88,842)	3,676,591
Total capital assets being depreciated	<u>97,164,560</u>	<u>1,711,822</u>	<u>(88,842)</u>	<u>98,787,540</u>
Less accumulated depreciation for:				
Buildings	(9,210,642)	(561,221)	-	(9,771,863)
Improvements other than building	(28,451,579)	(1,619,023)	-	(30,070,602)
Machinery and equipment	(2,916,272)	(152,098)	88,842	(2,979,528)
Total accumulated depreciation	<u>(40,578,493)</u>	<u>(2,332,342)</u>	<u>88,842</u>	<u>(42,821,993)</u>
Total capital assets, being depreciated, net	<u>56,586,067</u>	<u>(620,520)</u>	<u>-</u>	<u>55,965,547</u>
Business-type activities capital assets, net	<u>\$ 59,619,172</u>	<u>\$ 2,060,157</u>	<u>\$ (285,780)</u>	<u>\$ 61,393,549</u>

CITY OF GERMANTOWN, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS

June 30, 2016

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

Governmental Activities:	
General government	\$ 1,523,738
Public safety	1,225,318
Community service	761,013
Transportation	3,174,320
Municipal school	1,830,178
Capital assets held by the City's internal service funds are charged to the various functions based on their usage of the assets	<u>142,872</u>
Total depreciation expense - government activities	<u><u>\$ 8,657,439</u></u>
Business-type Activities:	
Utility	\$ 1,712,327
Athletic Club	527,257
Nonmajor Enterprise Funds	<u>92,758</u>
Total depreciation expense - business-type activities	<u><u>\$ 2,332,342</u></u>

E. Construction commitments

The government has active construction projects as of June 30, 2016. At year end the government's commitments with contractors are as follows:

Function / Activity	Commitment
Major Roads	\$ 1,439,350
Intersections	293,404
Drainage	2,555,723
Parks & Recreation	76,434
General Government	52,861
GMSD	<u>10,340,984</u>
	<u><u>\$ 14,758,756</u></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. As of June 30, 2016, advances to/from other funds of \$625,000 was payable from the Athletic Club to the General Fund.

CITY OF GERMANTOWN, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS

June 30, 2016

During the fiscal year ended June 30, 2016, the General Fund advanced funds to the GMSD Municipal Schools Fund for the purchase of technology equipment. As of June 30, 2016, advances to/from other funds of \$869,955 was payable from the Municipal Schools Fund to the General Fund.

The composition of interfund transfers for the year ended June 30, 2016, is as follows:

	Transfer (In)/Out:					Total
	General Fund	Municipal Schools	Nonmajor Governmental	Utility Fund	Nonmajor Enterprise	
General Fund	\$ -	\$ (2,131,594)	\$ (4,853,000)	\$ 467,168	\$ (225,000)	\$ (6,742,426)
Municipal Schools	2,131,594	-	(231,518)	-	-	1,900,076
Nonmajor Governmental	4,853,000	231,518	-	-	-	5,084,518
Utility Fund	(467,168)	-	-	-	-	(467,168)
Nonmajor Enterprise	225,000	-	-	-	-	225,000
	\$ 6,742,426	\$ (1,900,076)	\$ (5,084,518)	\$ 467,168	\$ (225,000)	\$ -

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 municipal schools fund were made to provide sufficient positive fund balance within the other GMSD special revenue 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.

Settlement liability

The City and the GMSD entered into a settlement agreement with the Board of Commissioners of Shelby County, Shelby County, Tennessee, and the Shelby County Board of Education. The Germantown Board of Education agreed to pay the Shelby County Board of Education \$355,453 per year for twelve years with the first payment due by November 1, 2014 and the remaining payments due by November 1 of each year following. The GMSD elected to establish the liability incurred through the settlement agreement at its present value with a discount rate of 3.33%.

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

June 30, 2016

Advance and current refunding

The City issued \$18,155,000 of General Obligation Series 2016 A and B. The Series 2016 A obligation was in part a new issuance in the amount of \$3,750,000 for the City to fund capital improvements and in part for the refunding of Series 2006 and Series 2009 in the amounts of \$1,000,000 and \$3,515,000, respectively, placed in an irrevocable trust for the purposes of generating resources for all future debt service payments of \$4,515,000. As a result, the refunded bonds were considered to be defeased and the liabilities have been removed from the governmental activities column of the statement of net position. The par amount of the refunded bonds was \$4,515,000 and the issue of the new bonds was at a par amount of \$4,185,000. The new bonds were issued at a premium. The net present value savings for the new bonds was \$284,395. The Series 2016 B obligation was issued for Germantown Municipal School District in the amount of \$10,220,000 for the renovation and improvement of public school facilities. The advance of refunding was undertaken to reduce total debt service payments over the next several years.

Changes in long-term liabilities

Long-term liability activity for the year ended June 30, 2016, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
Bonds payable - general obligation Shelby County Board of Education settlement liability	\$ 21,405,000	\$ 18,155,000	\$ (6,765,000)	\$ 32,795,000	\$ 2,470,000
Plus (less) deferred amounts:					
For issuance premium	3,909,983	-	(355,454)	3,554,529	355,453
For issuance discount	425,591	3,579,348	(94,532)	3,910,407	-
Compensated Absences	(689,496)	-	108,895	(580,601)	-
Accumulated unpaid vacation	1,362,787	171,751	-	1,534,538	-
Accumulated unpaid sick time	1,323,244	315,140	(243,785)	1,394,599	243,785
Governmental activity long-term liabilities	<u>\$ 27,737,109</u>	<u>\$ 22,221,239</u>	<u>\$ (7,349,876)</u>	<u>\$ 42,608,472</u>	<u>\$ 3,069,238</u>
Business-type Activities:					
Revenue bonds	\$ 3,690,000	\$ -	\$ (990,000)	\$ 2,700,000	\$ 1,035,000
Plus (less) deferred amounts:					
For issuance premium	53,955	-	(16,662)	37,293	-
Compensated Absences					
Accumulated unpaid vacation	125,313	-	(20,109)	105,204	-
Accumulated unpaid sick time	71,396	644	(64,812)	7,228	-
Business-type activity long-term liabilities	<u>\$ 3,940,664</u>	<u>\$ 644</u>	<u>\$ (1,091,583)</u>	<u>\$ 2,849,725</u>	<u>\$ 1,035,000</u>

For the governmental activities, compensated absences are generally liquidated by the general fund. No interest was capitalized for the year ended June 30, 2016; interest incurred and charged to expense totaled \$1,260,065. For the governmental activities, \$204,917 of bond proceeds were not spent as of June 30, 2016. 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

June 30, 2016

Bonds and similar debt payable at June 30, 2016, 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:			
2009 Serial Bonds	3.25% - 3.75%	\$ 9,635,000	\$ 2,410,000
2011 Serial Bonds	2.0% - 3.25%	6,025,000	5,035,000
2013 Serial Bonds (Series A)	2.0% - 3.625%	3,500,000	3,240,000
2013 Serial Bonds (Series B)	2.0% - 4.0%	5,570,000	3,955,000
2016 Serial Bonds (Series A)	2.0% - 5.0%	7,935,000	7,935,000
2016 Serial Bonds (Series B)	2.0% - 5.0%	10,220,000	10,220,000
		<u>\$ 42,885,000</u>	<u>32,795,000</u>
Business-type activities:			
Bonds payable:			
2006 Revenue Bond	4.0%	\$ 4,255,000	1,000,000
2008 Revenue Bond	4.0%	5,000,000	1,700,000
		<u>\$ 9,255,000</u>	<u>2,700,000</u>
			<u>\$ 35,495,000</u>

Annual debt service requirements to maturity are as follows:

Years Ending June 30	<u>Government Activities</u>		<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2017	\$ 2,470,000	\$ 1,380,552	\$ 1,035,000	\$ 97,100
2018	2,300,000	1,138,478	1,075,000	55,300
2019	1,670,000	1,088,653	590,000	11,800
2020	1,715,000	1,042,103	-	-
2021 - 2025	7,735,000	4,472,749	-	-
2026 - 2030	6,630,000	3,181,015	-	-
2031 - 2035	4,520,000	1,974,856	-	-
2036 - 2040	2,410,000	1,179,250	-	-
2041 - 2045	2,715,000	578,500	-	-
2046 - 2050	630,000	31,500	-	-
	<u>\$ 32,795,000</u>	<u>\$ 16,067,656</u>	<u>\$ 2,700,000</u>	<u>\$ 164,200</u>

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 1.5% of assessed property value; (3) direct debt may not exceed \$2,000 per capita income; and (4) per capita debt may not exceed 4% of per capita income. The City's full faith, credit, and taxing power are pledged to the repayment of all general

CITY OF GERMANTOWN, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS

June 30, 2016

obligation bond principal and interest and the City is contingently liable for the repayment of revenue bond principal and interest.

H. Fund Balances by Purpose

Following is more detailed information on the governmental fund balances:

	General Fund	Municipal Schools	Other Governmental Funds	Total
Nonspendable for:				
Inventory	\$ 69,249	\$ -	\$ -	\$ 69,249
Long-term portion of receivable	1,369,955	-	-	1,369,955
Restricted for:				
Drug enforcement	-	-	257,400	257,400
Library	-	-	256,016	256,016
Education	-	8,864,313	1,317,773	10,182,086
Committed to:				
Infrastructure replacement	1,570,000	-	-	1,570,000
Emergency & catastrophies	900,000	-	-	900,000
Contingencies	50,000	-	-	50,000
Taxes	9,526,736	-	-	9,526,736
Debt service	3,850,551	-	-	3,850,551
Contractual obligations	-	-	15,071,049	15,071,049
Automated enforcement	-	-	48,741	48,741
Pickering	-	-	245,797	245,797
Ambulance	-	-	522,611	522,611
Farm Park	-	-	78,571	78,571
Recreation	-	-	390,597	390,597
State Street Aid	-	-	1,506,092	1,506,092
Assigned to:				
Contractual obligations	1,060,285	-	4,105,523	5,165,808
Accrued vacation	1,388,920	-	-	1,388,920
Unassigned	12,072,176	-	-	12,072,176
Total fund balances	<u>\$ 31,857,872</u>	<u>\$ 8,864,313</u>	<u>\$ 23,800,170</u>	<u>\$ 64,522,355</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

June 30, 2016

NOTE 5 - PENSIONS

The net pension assets, deferred outflows of resources, net pension liabilities, and deferred inflows of resources related to pensions reported on the statement of net position are summarized as follows:

	Net Pension Asset	Deferred Outflows of Resources	Net Pension Liability	Deferred Inflows of Resources
Governmental Activities				
City of Germantown, Tennessee Amended and Restated Employee's Retirement Plan	\$ -	\$ 9,401,758	\$ 20,774,087	\$ -
City of Germantown, Tennessee Defined Benefit Plan	-	-	156,030	-
Germantown Board of Education Public Employee Retirement Plan of TCRS	-	327,164	46,104	-
Germantown Schools Hybrid with Cost Controls Public Employee Retirement Plan of TCRS	-	16,672	914	-
Germantown Municipal School District Teacher Legacy Pension Plan of TCRS	-	7,896,017	218,847	4,819,338
Germantown Municipal School District Teacher Retirement Plan of TCRS	24,163	90,252	-	7,865
Total governmental activities	<u>\$ 24,163</u>	<u>\$ 17,731,863</u>	<u>\$ 21,195,982</u>	<u>\$ 4,827,203</u>
Business-type Activities				
City of Germantown, Tennessee Amended and Restated Employee's Retirement Plan	\$ -	\$ 835,849	\$ 1,846,878	\$ -

Details of the above components for each plan are presented below, by pension plan.

I. CITY OF GERMANTOWN, TENNESSEE AMENDED AND RESTATED EMPLOYEES' RETIREMENT PLAN

A. General Information about the Pension Plan

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. Plan benefits and other provisions are established by City and state statutes. The City's Board of Mayor and Aldermen is responsible for establishing benefits and approving all plan amendments.

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

CITY OF GERMANTOWN, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS

June 30, 2016

subject to a 30 year maximum. The maximum accrual is 67.5 percent of base salary. The PERS is closed to new entrants.

At June 30, 2016, PERS membership consisted of:

Retirees and beneficiaries currently receiving benefits	165
Terminated employees entitled to benefits	115
Current employees:	
Vested	206
Nonvested	<u>92</u>
Total	<u><u>578</u></u>

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's annual contribution is based on the actuarially determined contribution amount. Benefits and contributions are established by the City and may be amended only by the Board of Mayor and Aldermen.

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

Funded Status and Funding Progress. As of July 1, 2016, the actuarial accrued liability for benefits was \$84,461,038 of which \$22,620,965 was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$19,040,740 and the ratio of the net pension liability to the covered payroll was 118.8%.

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.

Investment policy. The PERS's policy in regards to the allocation of invested assets is established and may be amended by the Board of Mayor and Aldermen. The following is the Board of Mayor and Aldermen's adopted asset allocation policy as of June 30, 2016:

Asset Class	Target Allocation
Cash and cash equivalents	2%
Domestic common stocks	11%
Foreign stocks	1%
Mutual funds - equity	37%
Mutual funds - fixed income	10%
Miscellaneous other investments	<u>39%</u>
	<u><u>100%</u></u>

CITY OF GERMANTOWN, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS

June 30, 2016

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.

Rate of return. For the year ended June 30, 2016, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 4.4%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

B. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

Pension liability. The components of the net pension liability of the City's PERS plan at June 30, 2016, were as follows:

	Increase/(Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balances at June 30, 2015	\$ 78,555,761	\$ 65,998,886	\$ 12,556,875
Changes for the year:			
Service cost	1,199,379	-	1,199,379
Interest	6,197,663	-	6,197,663
Experience	1,217,222	-	1,217,222
Contributions - employee	-	708,541	(708,541)
Contributions - employer	-	1,382,685	(1,382,685)
Net investment income	-	(2,771,503)	2,771,503
Benefit payments	(3,369,319)	(3,369,319)	-
Administrative expense		(109,217)	109,217
Other changes	660,332		660,332
Net changes	5,905,277	(4,158,813)	10,064,090
Balances at June 30, 2016	\$ 84,461,038	\$ 61,840,073	\$ 22,620,965

Plan fiduciary net position as a percentage of the total pension liability	73.22%
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Pension expense. For the year ended June 30, 2016, the City recognized a pension expense of \$4,708,014 for the Amended & Restated Pension Plan.

CITY OF GERMANTOWN, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS

June 30, 2016

Deferred outflows of resources. For the year ended June 30, 2016, the City reported deferred outflows of resources related to the Amended & Restated Pension Plan from the following sources:

	Deferred Outflows of Resources
Differences between expected and actual experience	\$ 2,013,366
Net difference between projected and actual earnings on pension plan investments	8,224,241
	\$ 10,237,607

Amounts reported as deferred outflows of resources will be recognized in pension expense as follows:

Year ending June 30:			
2017		\$	2,478,751
2018			2,478,751
2019			2,478,751
2020			1,870,748
2021			270,690
Thereafter			659,916
		\$	10,237,607

Actuarial assumptions. The total pension liability was determined by an actuarial valuation as of July 1, 2016, 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 frozen initial liability 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, (c) no post-retirement benefit increases, and (d) RP 2000 Mortality Table. The inflationary rate is 2.5%. Payroll for employees covered by this plan was \$19,040,740. For financial reporting purposes, the projection of benefits does not explicitly incorporate the potential effects of the legal limit on employer contributions.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period January 1, 2015 through June 30, 2016.

Discount rate. The discount rate used to measure the total pension liability was 8.0 percent. The projection of cash flows used to determine the discount rate assumed that contributions from the City will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plans' fiduciary net position was projected to be available to make all

CITY OF GERMANTOWN, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS

June 30, 2016

projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the net pension liability to changes in the discount rate. The following presents the net pension liability of the City calculated using the discount rate of 8%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (7%) or 1-percentage-point higher (9%) than the current rate:

	1% Decrease (7%)	Current Discount Rate (8%)	1% Increase (9%)
City's net pension liability	\$ 31,541,925	\$ 22,620,965	\$ 12,921,652

C. Payable to the Pension Plan

At June 30, 2016, the City reported a payable of \$3,029 for the outstanding amount of contributions to the Amended & Restated Pension Plan required at the year ended June 30, 2016.

II. CITY OF GERMANTOWN, TENNESSEE DEFINED BENEFIT PLAN

A. General Information about the Pension Plan

Plan Description. The City of Germantown is the administrator of the Defined Benefit Plan, 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. Plan benefits and other provisions are established by City and state statutes. The City's Board of Mayor and Aldermen is responsible for establishing benefits and approving all plan amendments.

The City froze any new entrances to the City of Germantown Amended and Restated pension plan for new hires on or after July 1, 2013. Under the Defined Benefit Plan there is a six month waiting period to enter the plan and employees must be 21 years of age. Under the new plan the employee must contribute 5% of their pay. The city matches the 5% and guarantees a 5% return. The vesting is 10 years of service. The plan is portable and may be taken with the employee after vesting.

At June 30, 2016 PERS membership in the new plan consisted of:

Retiree and deferred vested participants	1
Active participants	78
Total	79

CITY OF GERMANTOWN, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS

June 30, 2016

Funding Policy. All employees are required to contribute to the plan 5% of their salary. The City's annual contribution is based on the actuarially determined contribution amount. Benefits and contributions are established by the City and may be amended only by the Board of Mayor and Aldermen.

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

Funded Status and Funding Progress. As of July 1, 2016, the actuarial accrued liability for benefits was \$444,852 of which \$156,030 was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$3,272,881 and the ratio of the net pension liability to the covered payroll was 4.77%

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.

Investment Policy. The PERS's policy in regards to the allocation of invested assets is established and may be amended by the Board of Mayor and Aldermen. The following is the Board of Mayor and Aldermen's adopted asset allocation policy as of June 30, 2016:

Asset Class	Target Allocation
Cash and cash equivalents	3%
Mutual funds - equity	63%
Mutual funds - fixed income	15%
Mutual funds - balanced	19%
	100%

CITY OF GERMANTOWN, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS

June 30, 2016

B. Pension Liabilities and Pension Expense Related to Pensions

Net Pension Liability. The components of the Defined Benefit Plan net pension liability of the City at June 30, 2016, were as follows:

	Increase/(Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balances at June 30, 2015	\$ 170,788	\$ 89,304	\$ 81,484
Changes for the year:			
Service cost	295,803	-	295,803
Interest	8,126	-	8,126
Experience	(13,342)	-	(13,342)
Contributions - employee	-	132,159	(132,159)
Contributions - employer	-	82,455	(82,455)
Net investment income	-	4,319	(4,319)
Benefit payments	(16,523)	(16,523)	-
Other	-	1,029	(1,029)
Administrative expense	-	(3,921)	3,921
Net changes	274,064	199,518	74,546
Balances at June 30, 2016	\$ 444,852	\$ 288,822	\$ 156,030

Plan fiduciary net position as a percentage of the total pension liability	64.93%
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Pension expense. For the year ended June 30, 2016, the City recognized a pension expense of \$157,001 for the Defined Benefit Plan.

Actuarial assumptions. The total pension liability was determined by an actuarial valuation as of July 1, 2016, using the actuarial cost method Entry As Normal and the amortization method of Level Dollar, closed. Significant actuarial assumptions used in the computation included (a) a rate of return on the investment including inflation of 5.0%, (b) projected salary increases 4.0%, (c) no post-retirement benefit increase, and (d) IRS Applicable mortality table. The inflationary rate is 2.5%. Payroll for employees covered by this plan is \$3,272,881. For financial reporting purposes, the projection of benefits does not explicitly incorporate the potential effects of the legal limit on employer contributions.

Discount rate. The discount rate used to measure the total pension liability was 5.0 percent. The projection of cash flows used to determine the discount rate assumed that contributions from the City will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plans' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate

CITY OF GERMANTOWN, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS

June 30, 2016

of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the net pension liability to changes in the discount rate. The following presents the net pension liability of the Defined Benefit Plan calculated using the discount rate of 5%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4%) or 1-percentage-point higher (6%) than the current rate:

	1% Decrease (4%)	Current Discount Rate (5%)	1% Increase (6%)
City's net pension liability	\$ 279,029	\$ 156,030	\$ 64,469

III. GERMANTOWN BOARD OF EDUCATION PUBLIC EMPLOYEE RETIREMENT PLAN OF TCRS

A. General Information about the Pension Plan

Plan description. Employees of Germantown Board of Education are provided a defined benefit pension plan through the Public Employee Retirement Plan, an agent multiple-employer pension plan administered by the TCRS. The TCRS was created by state statute under Tennessee Code Annotated Title 8, Chapters 34-37. The TCRS Board of Trustees is responsible for the proper operation and administration of the TCRS. The Tennessee Treasury Department, an agency in the legislative branch of state government, administers the plans of the TCRS. The TCRS issues a publically available financial report that can be obtained at www.treasury.tn.gov/tcrs.

Benefits provided. Tennessee Code Annotated Title 8, Chapters 34-37 establishes the benefit terms and can be amended only by the Tennessee General Assembly. The chief legislative body may adopt the benefit terms permitted by statute. Members are eligible to retire with an unreduced benefit at age 60 with 5 years of service credit or after 30 years of service credit regardless of age. Benefits are determined by a formula using the member's highest five consecutive year average compensation and the member's years of service credit. Reduced benefits for early retirement are available at age 55 and vested. Members vest with five years of service credit. Service related disability benefits are provided regardless of length of service. Five years of service is required for non-service related disability eligibility. The service related and non-service related disability benefits are determined in the same manner as a service retirement benefit but are reduced 10 percent and include projected service credits. A variety of death benefits are available under various eligibility criteria.

Member and beneficiary annuitants are entitled to automatic cost of living adjustments (COLAs) after retirement. A COLA is granted each July for annuitants retired prior to the 2nd of July of the previous year. The COLA is based on the change in the consumer price index (CPI) during the prior calendar year, capped at 3 percent, and applied to the current benefit. No COLA is granted if the change in the CPI is less than one-half percent. A one percent COLA is granted if the CPI change is between

CITY OF GERMANTOWN, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS

June 30, 2016

one-half percent and one percent. A member who leaves employment may withdraw their employee contributions, plus any accumulated interest.

Employees covered by benefit terms. At the measurement date of June 30, 2015, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	2
Inactive employees entitled to but not yet receiving benefits	12
Active employees	120
	134
	134

Contributions. Contributions for employees are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Employees contribute 5 percent of salary. Germantown Board of Education makes employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. For the year ended June 30, 2015, the Actuarially Determined Contribution (ADC) for Germantown Board of Education was \$270,452 based on a rate of 9.27 percent of covered payroll. By law, employer contributions are required to be paid. The TCRS may intercept Germantown Board of Education’s state shared taxes if required employer contributions are not remitted. The employer’s ADC and member contributions are expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

B. Net Pension Liabilities, Pension Expense, and Deferred Outflows of Resources Related to Pensions

Net pension liability. Germantown Board of Education’s net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate net pension liability was determined by an actuarial valuation as of that date.

Actuarial assumptions. The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	Graded salary ranges from 8.97 to 3.71 percent based on age, including inflation, averaging 4.25 percent
Investment rate of return	7.5 percent, net of pension plan investment expenses, including inflation
Cost-of Living Adjustment	2.5 percent

Mortality rates are customized based on the June 30, 2012 actuarial experience study and included some adjustment for expected future improvement in life expectancy.

The actuarial assumptions used in the June 30, 2015 actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2008 through June 30, 2012. The

CITY OF GERMANTOWN, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS

June 30, 2016

demographic assumptions were adjusted to more closely reflect actual and expected future experience.

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees in conjunction with the June 30, 2012 actuarial experience study by considering the following three techniques: (1) the 25-year historical return of the TCRS at June 30, 2012, (2) the historical market returns of asset classes from 1926 to 2012 using the TCRS investment policy asset allocation, and (3) capital market projections that were utilized as a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. Four sources of capital market projections were blended and utilized in the third technique. The blended capital market projection established the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding inflation of 3 percent. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Long-Term Expected Real Rate of Return	Target Allocation
U.S. equity	6.46%	33%
Developed market international equity	6.26%	17%
Emerging market international equity	6.40%	5%
Private equity and strategic lending	4.61%	8%
U.S. fixed income	0.98%	29%
Real estate	4.73%	7%
Short-term securities	0.00%	1%
		<u>100%</u>

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees as 7.5 percent based on a blending of the three factors described above.

Discount rate. The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current rate and that contributions from Germantown Board of Education will be made at the actuarially determined contribution rate pursuant to an actuarial valuation in accordance with the funding policy of the TCRS Board of Trustees and as required to be paid by state statute. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

CITY OF GERMANTOWN, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS

June 30, 2016

The changes in the net pension liability for the year ended June 30, 2015, were as follows:

	Increase/(Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balances at June 30, 2014	\$ -	\$ -	\$ -
Changes for the year:			
Service cost	416,170	-	416,170
Interest	31,185	-	31,185
Experience	14,407	-	14,407
Contributions - employee	-	145,718	(145,718)
Contributions - employer	-	270,452	(270,452)
Net investment income	-	6,292	(6,292)
Benefit payments	(752)	(752)	-
Administrative expense	-	(6,804)	6,804
Other changes	-	-	-
Net changes	<u>461,010</u>	<u>414,906</u>	<u>46,104</u>
Balances at June 30, 2015	<u>\$ 461,010</u>	<u>\$ 414,906</u>	<u>\$ 46,104</u>

Plan fiduciary net position as a percentage of the total pension liability 90.00%

Sensitivity of the proportionate share of net pension liability to changes in the discount rate. The following presents the net pension liability (asset) of Germantown Board of Education calculated using the discount rate of 7.5 percent, as well as what the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate:

	<u>1% Decrease (6.5%)</u>	<u>Current Discount Rate (7.5%)</u>	<u>1% Increase (8.5%)</u>
GMSD's net pension liability	\$ 131,245	\$ 46,104	\$ (22,560)

Pension expense. For the year ended June 30, 2016, Germantown Board of Education recognized a pension expense of \$296,525 for the Public Employee Retirement Plan of TCRS.

CITY OF GERMANTOWN, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS

June 30, 2016

Deferred outflows of resources. For the year ended June 30, 2016, Germantown Board of Education reported deferred outflows of resources related to the Public Employee Retirement Plan of TCRS from the following sources:

	Deferred Outflows of Resources
Differences between expected and actual experience	\$ 12,806
Net difference between projected and actual earnings on pension plan investments	7,225
GMSD's contributions subsequent to the measurement date of June 30, 2015	307,133
	\$ 327,164

The amount shown above for "GMSD's contributions subsequent to the measurement date of June 30, 2015" will be recognized as a reduction to net pension liability in the following measurement period.

Other amounts reported as deferred outflows of resources related to pensions will be recognized in pension expense as follows:

Year ending June 30:		
2017	\$	3,407
2018		3,407
2019		3,407
2020		3,407
2021		1,601
Thereafter		4,802
	\$	20,031

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

C. Payable to the Pension Plan

At June 30, 2016, Germantown Board of Education reported a payable of \$364 for the outstanding amount of contributions to the Public Employees Retirement Plan of TCRS required at the year ended June 30, 2016.

CITY OF GERMANTOWN, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS

June 30, 2016

IV. GERMANTOWN SCHOOLS HYBRID WITH COST CONTROLS PUBLIC EMPLOYEE RETIREMENT PLAN OF TCRS

A. General Information about the Pension Plan

Plan description. Employees of Germantown Board of Education are provided a hybrid defined benefit pension plan with cost controls through the Public Employee Retirement Plan, an agent multiple-employer pension plan administered by the TCRS. The TCRS was created by state statute under Tennessee Code Annotated Title 8, Chapters 34-37. The TCRS Board of Trustees is responsible for the proper operation and administration of the TCRS. The Tennessee Treasury Department, an agency in the legislative branch of state government, administers the plans of the TCRS. The TCRS issues a publically available financial report that can be obtained at www.treasury.tn.gov/tcrs.

Benefits provided. Tennessee Code Annotated Title 8, Chapters 34-37 establishes the benefit terms and can be amended only by the Tennessee General Assembly. The chief legislative body may adopt the benefit terms permitted by statute. Members are eligible to retire with an unreduced benefit at age 60 with 5 years of service credit or after 30 years of service credit regardless of age. Benefits are determined by a formula using the member's highest five consecutive year average compensation and the member's years of service credit. Reduced benefits for early retirement are available at age 55 and vested. Members vest with five years of service credit. Service related disability benefits are provided regardless of length of service. Five years of service is required for non-service related disability eligibility. The service related and non-service related disability benefits are determined in the same manner as a service retirement benefit but are reduced 10 percent and include projected service credits. A variety of death benefits are available under various eligibility criteria.

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

Employees covered by benefit terms. At the measurement date of June 30, 2015, there were three (3) active employees covered by the benefit terms:

Contributions. Contributions for employees are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly or by automatic cost controls set out in law. Employees contribute 5 percent of salary. Germantown Board of Education makes employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. Per the statutory provisions governing the TCRS, the employer contribution rate cannot be less than 4 percent, except in years when the maximum funded level, as established by the TCRS Board of Trustees, is reached. By law, employer contributions are required to be paid. TCRS may intercept Germantown Board of Education's state shared taxes if required employer contributions are not

CITY OF GERMANTOWN, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS

June 30, 2016

remitted. Employer contributions by Germantown Board of Education for the year ended June 30, 2016 to the hybrid plan of the Public Employees Retirement Plan were \$15,581, which is 4.00 percent of covered payroll. The employer rate, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

B. Net Pension Liabilities, Pension Expense, and Deferred Outflows of Resources Related to Pensions

Net pension liability. Germantown Board of Education's net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate net pension liability was determined by an actuarial valuation as of that date.

Actuarial assumptions. The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	Graded salary ranges from 8.97 to 3.71 percent based on age, including inflation, averaging 4.25 percent
Investment rate of return	7.5 percent, net of pension plan investment expenses, including inflation
Cost-of Living Adjustment	2.5 percent

Mortality rates are customized based on the June 30, 2012 actuarial experience study and included some adjustment for expected future improvement in life expectancy.

The actuarial assumptions used in the June 30, 2015 actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2008 through June 30, 2012. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees in conjunction with the June 30, 2012 actuarial experience study by considering the following three techniques: (1) the 25-year historical return of the TCRS at June 30, 2012, (2) the historical market returns of asset classes from 1926 to 2012 using the TCRS investment policy asset allocation, and (3) capital market projections that were utilized as a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. Four sources of capital market projections were blended and utilized in the third technique. The blended capital market projection established the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding inflation of 3 percent. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

CITY OF GERMANTOWN, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS

June 30, 2016

Asset Class	Long-Term Expected Real Rate of Return	Target Allocation
U.S. equity	6.46%	33%
Developed market international equity	6.26%	17%
Emerging market international equity	6.40%	5%
Private equity and strategic lending	4.61%	8%
U.S. fixed income	0.98%	29%
Real estate	4.73%	7%
Short-term securities	0.00%	1%
		100%

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees as 7.5 percent based on a blending of the three factors described above.

Discount rate. The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current rate and that contributions from Germantown Board of Education will be made at the actuarially determined contribution rate pursuant to an actuarial valuation in accordance with the funding policy of the TCRS Board of Trustees and as required to be paid by state statute. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

CITY OF GERMANTOWN, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS

June 30, 2016

The changes in the net pension liability for the year ended June 30, 2015, were as follows:

	Increase/(Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balances at June 30, 2014	\$ -	\$ -	\$ -
Changes for the year:			
Service cost	1,357	-	1,357
Interest	102	-	102
Experience	1,138	-	1,138
Contributions - employee	-	969	(969)
Contributions - employer	-	776	(776)
Net investment income	-	26	(26)
Benefit payments	-	-	-
Administrative expense	-	(30)	30
Other changes	-	(58)	58
Net changes	<u>2,597</u>	<u>1,683</u>	<u>914</u>
Balances at June 30, 2015	<u>\$ 2,597</u>	<u>\$ 1,683</u>	<u>\$ 914</u>
Plan fiduciary net position as a percentage of the total pension liability		64.81%	

Sensitivity of the proportionate share of net pension liability to changes in the discount rate. The following presents the net pension liability of Germantown Board of Education calculated using the discount rate of 7.5 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate:

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
GMSD's net pension liability	\$ 1,592	\$ 914	\$ 384

Pension expense. For the year ended June 30, 2016, Germantown Board of Education recognized a pension expense of \$599 for the hybrid plan with cost controls of the Public Employee Retirement Plan of TCRS.

CITY OF GERMANTOWN, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS

June 30, 2016

Deferred outflows of resources. For the year ended June 30, 2016, Germantown Board of Education reported deferred outflows of resources related to the hybrid plan with cost controls of the Public Employee Retirement Plan of TCRS from the following sources:

	Deferred Outflows of Resources
Differences between expected and actual experience	\$ 1,062
Net difference between projected and actual earnings on pension plan investments	29
GMSD's contributions subsequent to the measurement date of June 30, 2015	15,581
	\$ 16,672

The amount shown above for “GMSD’s contributions subsequent to the measurement date of June 30, 2015” will be recognized as a reduction to net pension liability in the following measurement period.

Other amounts reported as deferred outflows of resources related to pensions will be recognized in pension expense as follows:

Year ending June 30:		\$
2017	83	83
2018	83	83
2019	83	83
2020	83	83
2021	76	76
Thereafter	683	683
		\$ 1,091

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

C. 401(k) Plan

The hybrid plan with cost controls of the Public Employees Retirement Plan of TCRS provides a combination of a defined benefit plan and a defined contribution plan. The defined benefit portion of the plan is managed by TCRS. The defined contribution assets are deposited into the State’s 401(k) plan where the employee manages the investments within the 401(k) plan. Employees are required to contribute 2% of their salaries to the defined contribution (401(k)) portion of the Public Employees Retirement Plan. Contributions are made on a tax-deferred basis.

CITY OF GERMANTOWN, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS

June 30, 2016

V. GERMANTOWN MUNICIPAL SCHOOL DISTRICT TEACHER LEGACY PENSION PLAN OF TCRS

A. General Information about the Pension Plan

Plan description. Teachers with membership in the Tennessee Consolidated Retirement System (“TCRS”) before July 1, 2014, of GMSD are provided with pensions through the Teacher Legacy Pension Plan, a cost sharing multiple-employer pension plan administered by the TCRS. The Teacher Legacy Pension Plan closed to new membership on June 30, 2014, but will continue providing benefits to existing members and retirees. Beginning July 1, 2014, the Teacher Retirement Plan became effective for teachers employed by LEAs after June 30, 2014. The Teacher Retirement Plan is a separate cost sharing multiple-employer defined benefit pension plan administered by the TCRS. The TCRS was created by state statute under Tennessee Code Annotated Title 8, Chapters 34-37. The TCRS Board of Trustees is responsible for the proper operation and administration of all employer pension plans in the TCRS. The Tennessee Treasury Department, an agency in the legislative branch of state government, administers the plans of the TCRS. The TCRS issues a publically available financial report that can be obtained at www.treasury.tn.gov/tcrs.

Benefits provided. Tennessee Code Annotated Title 8, Chapters 34-37 establishes the benefit terms and can be amended only by the Tennessee General Assembly. Members of the Teacher Legacy Pension Plan are eligible to retire with an unreduced benefit at age 60 with 5 years of service credit or after 30 years of service credit regardless of age. Benefits are determined by a formula using the member’s highest five consecutive year average compensation and the member’s years of service credit. A reduced early retirement benefit is available at age 55 and vested. Members are vested with five years of service credit. Service related disability benefits are provided regardless of length of service. Five years of service is required for non-service related disability eligibility. The service related and non-service related disability benefits are determined in the same manner as a service retirement benefit but are reduced 10 percent and include projected service credits. A variety of death benefits are available under various eligibility criteria. Member and beneficiary annuitants are entitled to automatic cost of living adjustments (“COLAs”) after retirement. A COLA is granted each July for annuitants retired prior to the 2nd of July of the previous year. The COLA is based on the change in the consumer price index (“CPI”) during the prior calendar year, capped at 3 percent, and applied to the current benefit. No COLA is granted if the change in the CPI is less than one-half percent. A one percent COLA is granted if the CPI change is between one-half percent and one percent. A member who leaves employment may withdraw their employee contributions, plus any accumulated interest.

Contributions. Contributions for teachers are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Teachers contribute 5 percent of salary. The Local Education Agencies (“LEAs”) make employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. By law, employer contributions for the Teacher Legacy Pension Plan are required to be paid. The TCRS may intercept the state shared taxes of the sponsoring governmental entity of the LEA if the required employer contributions are not remitted. Employer contributions by Germantown Municipal Schools for the year ended June 30, 2016 to the Teacher Legacy Pension Plan were \$2,004,754 which is 9.04 percent of covered payroll. The employer rate, when combined with member contributions, is expected to finance the costs of

CITY OF GERMANTOWN, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS

June 30, 2016

benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

B. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

Pension liabilities. At June 30, 2016, the GMSD reported a liability of \$218,847 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of that date. GMSD's proportion of the net pension liability was based on GMSD's employer contributions to the pension plan during the year ended June 30, 2015 relative to the contributions of all LEAs for the year ended June 30, 2015. At the June 30, 2015 measurement date, GMSD's proportion was 0.534251 percent. The proportion measured as of June 30, 2014 was 0.002723 percent.

Pension expense. For the year ended June 30, 2016, GMSD recognized a pension expense of \$958,363 for the Teacher Legacy Pension Plan of TCRS.

Deferred outflows of resources and deferred inflows of resources. For the year ended June 30, 2016, GMSD reported deferred outflows of resources and deferred inflows of resources related to the Teacher Legacy Pension Plan of TCRS from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 175,634	\$ 3,406,391
Net difference between projected and actual earnings on pension plan investments	-	1,412,947
Changes in proportion of Net Pension Liability GMSD's contributions subsequent to the measurement date of June 30, 2015	5,715,629	-
	2,004,754	-
	\$ 7,896,017	\$ 4,819,338

GMSD employer contributions of \$2,004,754, reported as pension related deferred outflows of resources, subsequent to the measurement date, will be recognized as a decrease in net pension liabilities in the year ended June 30, 2017.

CITY OF GERMANTOWN, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS

June 30, 2016

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending June 30:	
2017	\$ (303,316)
2018	(303,316)
2019	(303,316)
2020	1,484,899
2021	496,974
Thereafter	-
	\$ 1,071,925

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

Actuarial assumptions. The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	Graded salary ranges from 8.97 to 3.71 percent based on age, including inflation, averaging 4.25 percent
Investment rate of return	7.5 percent, net of pension plan investment expenses, including inflation
Cost-of Living Adjustment	2.5 percent

Mortality rates are customized based on the June 30, 2012 actuarial experience study and included some adjustment for expected future improvement in life expectancy.

The actuarial assumptions used in the June 30, 2015 actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2008 through June 30, 2012. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees in conjunction with the June 30, 2012 actuarial experience study by considering the following three techniques: (1) the 25-year historical return of the TCRS at June 30, 2012, (2) the historical market returns of asset classes from 1926 to 2012 using the TCRS investment policy asset allocation, and (3) capital market projections that were utilized as a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. Four sources of capital market projections were blended and utilized in the third technique. The blended capital market projection established the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding inflation of 3 percent.

CITY OF GERMANTOWN, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS

June 30, 2016

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

<u>Asset Class</u>	Long-Term Expected Real Rate of Return	Target Allocation
U.S. equity	6.46%	33%
Developed market international equity	6.26%	17%
Emerging market international equity	6.40%	5%
Private equity and strategic lending	4.61%	8%
U.S. fixed income	0.98%	29%
Real estate	4.73%	7%
Short-term securities	0.00%	1%
		<u>100%</u>

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees as 7.5 percent based on a blending of the three factors described above.

Discount rate. The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current rate and that contributions from the all LEAs will be made at the actuarially determined contribution rate pursuant to an actuarial valuation in accordance with the funding policy of the TCRS Board of Trustees and as required to be paid by state statute. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the proportionate share of net pension asset to changes in the discount rate. The following presents GMSD's proportionate share of the net pension liability calculated using the discount rate of 7.5 percent, as well as what GMSD's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate:

	<u>1% Decrease (6.5%)</u>	<u>Current Discount Rate (7.5%)</u>	<u>1% Increase (8.5%)</u>
GMSD's proportionate share of the net pension liability (asset)	\$ 14,920,275	\$ 218,847	\$ (11,952,201)

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in a separately issued TCRS financial report.

CITY OF GERMANTOWN, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS

June 30, 2016

C. Payable to the Pension Plan

At June 30, 2016, GMSD reported a payable of \$141,302 for the outstanding amount of contributions to the Teacher Legacy Pension Plan of TCRS required at the year ended June 30, 2016.

VI. GERMANTOWN MUNICIPAL SCHOOL DISTRICT TEACHER RETIREMENT PLAN OF TCRS

A. General Information about the Pension Plan

Plan description. See the plan description above for the GMSD Teacher Legacy Pension Plan of TCRS.

Benefits provided. Tennessee Code Annotated Title 8, Chapters 34-37 establishes the benefit terms and can be amended only by the Tennessee General Assembly. Members of the Teacher Retirement Plan are eligible to retire at age 65 with 5 years of service credit or pursuant to the rule of 90 in which the member's age and service credit total 90. Members are entitled to receive unreduced service retirement benefits, which are determined by a formula using the member's highest five consecutive year average compensation and the member's years of service credit. Service related disability benefits are provided regardless of length of service. Five years of service is required for non-service related disability eligibility. The service related and non-service related disability benefits are determined in the same manner as a service retirement benefit but are reduced 10 percent and include projected service credits. A variety of death benefits are available under various eligibility criteria. Member and beneficiary annuitants are entitled to automatic cost of living adjustments ("COLAs") after retirement. A COLA is granted each July for annuitants retired prior to the 2nd of July of the previous year. The COLA is based on the change in the consumer price index ("CPI") during the prior calendar year, capped at 3 percent, and applied to the current benefit. No COLA is granted if the change in the CPI is less than one-half percent. A one percent COLA is granted if the CPI change is between one-half percent and one percent. A member who leaves employment may withdraw their employee contributions, plus any accumulated interest. Under the Teacher Retirement Plan, benefit terms and conditions, including COLA, can be adjusted on a prospective basis. Moreover, there are defined cost controls and unfunded liability controls that provide for the adjustment of benefit terms and conditions on an automatic basis.

Contributions. Contributions for teachers are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly or by automatic cost controls set out in law. Teachers contribute 5 percent of salary. The Local Education Agencies (LEAs) make employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. Per the statutory provisions governing the TCRS, the employer contribution rate cannot be less than 4 percent, except for in years when the maximum funded level, approved by the TCRS Board of Trustees, is reached. By law, employer contributions for the Teacher Retirement Plan are required to be paid. The TCRS may intercept the state shared taxes of the sponsoring governmental entity of the LEA if the required employer contributions are not remitted. Employer contributions for the year ended June 30, 2016 to the Teacher Retirement Plan were \$88,299, which is 4 percent of covered payroll. The employer rate, when combined with member contributions, is expected to finance the

CITY OF GERMANTOWN, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS

June 30, 2016

costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

B. Pension Assets, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

Pension assets. At June 30, 2016, GMSD reported an asset of \$24,163 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2015, and the total pension asset used to calculate the net pension asset was determined by an actuarial value as of that date. GMSD's proportion of the net pension asset was based on GMSD's share of contributions to the pension plan relative to the contributions of all participating LEAs. At the measurement date of June 30, 2015 GMSD's proportion was 0.600631 percent.

Pension Expense. For the year ended June 30, 2016, GMSD recognized pension expense of \$31,666 related to the Teacher Retirement Plan of TCRS.

Deferred outflows of resources and deferred inflows of resources. For the year ended June 30, 2016, GMSD reported deferred outflows of resources related to the Teacher Retirement Plan of TCRS from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 7,865
Net difference between projected and actual earnings on pension plan investments	1,953	-
GMSD's contributions subsequent to the measurement date of June 30, 2015	88,299	-
	\$ 90,252	\$ 7,865

GMSD's employer contributions of \$88,299 reported as pension-related deferred outflows of resources, subsequent to the measurement date, will be recognized as an increase in net pension asset in the year ended June 30, 2017. Other amounts reported as deferred outflows or resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending June 30:	
2017	\$ (167)
2018	(167)
2019	(167)
2020	(167)
2021	(655)
Thereafter	(4,589)
	\$ (5,912)

CITY OF GERMANTOWN, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2016

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

Actuarial assumptions. The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	Graded salary ranges from 8.97 to 3.71 percent based on age, including inflation, averaging 4.25 percent
Investment rate of return	7.5 percent, net of pension plan investment expenses, including inflation
Cost-of Living Adjustment	2.5 percent

Mortality rates are customized based on the June 30, 2012 actuarial experience study and included some adjustment for expected future improvement in life expectancy.

The actuarial assumptions used in the June 30, 2015 actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2008 through June 30, 2012. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees in conjunction with the June 30, 2012 actuarial experience study by considering the following three techniques: (1) the 25-year historical return of the TCRS at June 30, 2012, (2) the historical market returns of asset classes from 1926 to 2012 using the TCRS investment policy asset allocation, and (3) capital market projections that were utilized as a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. Four sources of capital market projections were blended and utilized in the third technique. The blended capital market projection established the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding inflation of 3 percent. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	Long-Term Expected Real Rate of Return	Target Allocation
U.S. equity	6.46%	33%
Developed market international equity	6.26%	17%
Emerging market international equity	6.40%	5%
Private equity and strategic lending	4.61%	8%
U.S. fixed income	0.98%	29%
Real estate	4.73%	7%
Short-term securities	0.00%	1%
		<u>100%</u>

CITY OF GERMANTOWN, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS

June 30, 2016

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees as 7.5 percent based on a blending of the three factors described above.

Discount rate. The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current rate and that contributions from the all LEAs will be made at the actuarially determined contribution rate pursuant to an actuarial valuation in accordance with the funding policy of the TCRS Board of Trustees and as required to be paid by state statute. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the proportionate share of net pension asset to changes in the discount rate. The following presents GMSD's proportionate share of the net pension asset calculated using the discount rate of 7.5 percent, as well as what GMSD's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate:

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
GMSD's proportionate share of the net pension liability (asset)	\$ 4,285	\$ (24,163)	\$ (45,027)

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in a separately issued TCRS financial report.

C. 401(k) Plan

The Teacher Retirement Plan provides a combination of a defined benefit plan and a defined contribution plan. The defined benefit portion of the Teacher Retirement Plan is managed by TCRS. The defined contribution assets are deposited into the State's 401(k) plan where the employee manages the investments within the 401(k) plan. Public school teachers are required to contribute 2% of their salaries to the defined contribution (401(k)) portion of the Teacher Retirement Plan. Contributions are made on a tax-deferred basis.

D. Payable to the Pension Plan

At June 30, 2016, GMSD reported a payable of \$16,878 for the outstanding amount of contributions to the Teacher Retirement Plan of TCRS required at the year ended June 30, 2016.

CITY OF GERMANTOWN, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS

June 30, 2016

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 fund's 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

The City rents office space and equipment under operating leases. Total rental expense for all funds for the year ended June 30, 2016, was \$453,372. The future minimum lease payments under operating leases are as follows for the years ending June 30:

2017	\$ 385,459
2018	187,321
2019	<u>69,777</u>
	<u>\$ 642,557</u>

Construction contract commitments at June 30, 2016, totaled \$14,758,756.

The City is a party to a number of various types of lawsuits, many of which normally recur in governmental operations. The ultimate outcome of the actions is not determinable; however, City officials believe that the outcome of these proceedings, either singularly or in the aggregate, will not have a materially adverse effect on the accompanying financial statements.

NOTE 8 - RISK MANAGEMENT

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

Through the TML Pool, the City maintains general coverage for its property, workers compensation and liability insurance. Subject to limits for certain types of risk, the property insurance covers the cost of replacing buildings, furnishings, public infrastructure, and specifically defined equipment for most types of losses in excess of a \$50,000 deductible amount. Worker compensation claims are

CITY OF GERMANTOWN, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS

June 30, 2016

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.

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

	Year ended June 30, 2016	Year ended June 30, 2015
Unpaid claims, beginning of fiscal year*	\$ 60,656	\$ 75,100
Incurred claims*	157,200	120,717
Claim payments	(148,849)	(135,161)
Unpaid claims, end of fiscal year*	<u>\$ 69,007</u>	<u>\$ 60,656</u>

*All amounts include "Incurred But Not Reported"

CITY OF GERMANTOWN, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS

June 30, 2016

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:

2017	\$ 346,337
2018	333,726
2019	232,495
2020	185,834
2021	175,012
Thereafter	<u>2,572,031</u>
	<u>\$ 3,845,435</u>

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

CITY OF GERMANTOWN, TENNESSEE 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. The plan was changed on January 1, 2014, whereby employees who retire on or after January 1, 2014, can obtain the City's dental plan only. At year-ended June 30, 2016, 85 retirees met the requirement for participation and participated in the plan. The City Trust paid \$1,019,545 in claims under the plan for the year-ended June 30, 2016.

In addition, beginning in 2002 the City began providing a post-retirement split-dollar life insurance benefit to certain executive employees who retired from the City and have worked a minimum of 10 years, and officials who have been elected to a second term. There are 15 employees/elected officials participating in this post-retirement benefit as of June 30, 2016. The City has been using cash value within each policy to pay the premiums for this life insurance since April 2015. This benefit is not available to new entrants.

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.

CITY OF GERMANTOWN, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS

June 30, 2016

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.

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, 2016:

Annual Required Contribution	\$ 491,229
Interest on net OPEB Obligation	-
Adjustment to Annual Required Contribution	-
Annual OPEB Expense	491,229
Contributions made	491,229
Increase (decrease) in net OPEB obligation	-
Net OPEB obligation - beginning of year	-
Net OPEB obligation - end of year	\$ -
Percent of expense contributed	100%

CITY OF GERMANTOWN, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2016

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 Ending	Annual OPEB Cost	Percentage of ARC Contributed	Net OPEB Obligation
6/30/2014	\$ 684,360	100%	\$ -
6/30/2015	684,360	100%	-
6/30/2016	491,229	100%	-

E. Funded Status and Funding Progress

As of June 30, 2016, the actuarial accrued liability for benefits was \$9,449,223 of which \$3,349,474 was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$22,313,625, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 15%. The actuarial value of the assets for other post-employment benefits as of July 1, 2016 is \$6,099,749.

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-13, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

F. Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employer and the plan members. 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 8% and grading down to 4% over 9 nine years. The following assumptions were made:

i. Measurement Date

July 1, 2008

CITY OF GERMANTOWN, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS

June 30, 2016

ii. Discount Rate as of June 30, 2016

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 RP-2000 Mortality Table was used.

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

iv. Withdrawal From Service

Withdrawal Termination	
Annual Termination Rate Per 1,000 Participants	
Age	Rates
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.

CITY OF GERMANTOWN, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS

June 30, 2016

viii. Health Care Trend Rate

Health Care Cost Trend Rate	
Initial Rate	8.0%
Ultimate Rate	4.0%
Grading Period	9 years

ix. Salary Scale

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

x. Retirement Rates

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

Age	General Services Employees	Emergency Services Employees
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

CITY OF GERMANTOWN, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS

June 30, 2016

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.

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.

Effective January 1, 2014, any employee who retires after January 1, 2014 and obtains the age of 65 will no longer be eligible to receive the City's prescription drug. Also, the subsidy to Medicare eligible retirees is limited to the retiree at \$200.

G. Allocation of Post Employment Benefits

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

Government Activities:		
General government	\$	132,719
Public safety		252,075
Community services		4,523
Transportation and environment		<u>44,866</u>
 Total governmental activities OPEB expense	 \$	 <u><u>434,183</u></u>

GERMANTOWN MUNICIPAL SCHOOL DISTRICT OPEB

In addition to the pension benefits described in Note 5, as of July 1, 2014, the GMSD provides certain post-retirement health care benefits to employees who retire from the GMSD and qualify for full retirement benefits under the TCRS. Eligible employees must complete 25 years of service with the District or at least age 55 and complete 15 years of service. Those who are former employees of Shelby County School District or Memphis City Schools ("Legacy") must have 15 years of continuous service with GMSD, Shelby County, and/or Memphis City Schools prior to retirement. The GMSD has established benefit provisions and contribution obligations. The premium charged retirees is the portion of premiums not covered by GMSD's explicit subsidy. At year-ended June 30, 2016, no retirees met the requirement for participation; however, there were 523 active employee participants in the plan. The GMSD paid no claims under the plan for the year-ended June 30, 2016.

A. Plan Description

The Germantown Municipal School District is the administrator of a single-employer Other Post Employment Benefit plan (OPEB). The plan provides for continuation of medical and life insurance

CITY OF GERMANTOWN, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS

June 30, 2016

benefits for certain retirees and their spouses and can be amended by action of the GMSD. The Plan does not issue a stand-alone financial report.

B. Funding Policy

The GMSD's intention is to partially fund the Annual Required Contribution and pay for the pay-go costs from the Municipal Schools Fund until the Trust balance is sufficient to meet future benefit payments. The GMSD'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 percentage of pay over thirty years based on an open group.

The following table shows the components of the GMSD's annual OPEB cost for the year, the amount actually contributed to the plan, and the GMSD's net OPEB obligation to the Trust at June 30, 2016:

Annual Required Contribution	\$ 1,364,875
Interest on net OPEB obligation (NOO)	52,339
NOO amortization adjustment to Annual Required Contribution	(43,449)
Trust expenses	<u>176,680</u>
Annual OPEB Expense	1,550,445
Contributions made	800,000
Interest income	<u>562</u>
Increase (decrease) in net OPEB obligation	749,883
Net OPEB obligation - beginning of year	<u>697,857</u>
Net OPEB obligation - end of year	<u><u>\$ 1,447,740</u></u>
 Percent of expense contributed	 52%

CITY OF GERMANTOWN, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS

June 30, 2016

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 Ending	Annual OPEB Cost	Percentage of ARC Contributed	Net OPEB Obligation
6/30/2015	\$ 1,297,857	46%	\$ 697,857
6/30/2016	1,550,445	7%	1,447,740

E. Funded Status and Funding Progress

As of June 30, 2015 (the most recent actuarial valuation date), the actuarial accrued liability for benefits was \$11,799,324 of which \$11,199,324 was unfunded. The value of the assets for other post-employment benefits as of June 30, 2016 was \$1,397,237.

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-13, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

F. Methods and Assumptions

The actuarially determined information presented here is based upon actuarial assumptions and substantive projected plan provisions and participant information furnished to the actuary by the plan sponsor. 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.

Measurement Date	June 30, 2015 with results actuarially rolled back to July 1, 2014 on a "no gain/no loss" basis
Discount Rate	7.5% funded
Payroll Growth	3.5% (used for amortization purposes only)
Inflation Rate	3.0% per year
Cost Method	Projected Unit Credit with linear proration to decrement
Amortization	Level % of pay over thirty years based on an open group

CITY OF GERMANTOWN, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2016

Census Data	Census information was provided as of January 2015 (we have reviewed it for reasonableness and no material modifications were made)
Health Care Coverage Election Rate	Active employees with current coverage: 95% Active employees with no coverage: 0% Legacy active employees with current coverage elect to receive stipend benefits: 30% Active employees with and without current coverage electing life insurance: 97%
Spousal Coverage	Based on actual coverage for current active employees (husbands are assumed to be three years older than wives)
Mortality	SOA RPH-2014 Total Dataset Mortality Table fully generational using Scale MP-2014
Disability	None
Turnover Rate	Assumption used to project terminations (voluntary and involuntary) prior to meeting minimum retirement eligibility for retiree health coverage. The rates represent the probability of termination in the next 12 months. The termination rates are based on the Shelby County Schools Actuarial Valuation as of fiscal year ending June 30, 2013. Sample annual turnover rates are as shown below.

Age	0 YOS	1 YOS	2+ YOS
25	15.0%	12.0%	8.4%
30	15.0%	12.0%	6.2%
35	15.0%	12.0%	3.9%
40	15.0%	12.0%	2.2%
45	15.0%	12.0%	1.4%
50	15.0%	12.0%	1.8%
55	15.0%	12.0%	3.4%
60	15.0%	12.0%	5.0%
65+	0.0%	0.0%	0.0%

CITY OF GERMANTOWN, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2016

Retirement Rate

Annual retirement rates are based on the Tennessee Consolidated Retirement System (TCRS) actuarial valuation as of July 1, 2011. A 100% rate load is applied in 2015 to anticipate increased retirement due to consolidation of several school districts and grandfathering of previous benefits. Annual sample rates of retirement after 2015 are as shown below.

Age	<15 YOS	15 –29 YOS	30+ YOS
50	6.50%	6.50%	7.31%
55	10.00%	10.00%	11.25%
58	13.00%	13.00%	14.63%
60	15.00%	16.20%	16.20%
62	22.00%	23.76%	23.76%
64	18.00%	19.44%	19.44%
65	35.00%	37.80%	37.80%
70	16.00%	17.28%	17.28%
75+	100.00%	100.00%	100.00%

Medical Trend Rates

The initial rate was based on a combination of employer history, national trend surveys, and professional judgment. The ultimate trend rate was selected based on historical medical Consumer Price Index (“CPI”) information.

FYE	Rate	FYE	Rate
2016	7.6%	2025	6.2%
2017	7.4%	2026	6.0%
2018	7.3%	2027	5.8%
2019	7.2%	2028	5.6%
2020	7.0%	2029	5.4%
2021	6.9%	2030	5.2%
2022	6.8%	2031	5.0%
2023	6.6%	2032	4.8%
2024	6.4%	2033+	4.5%

Retiree Contributions

Retiree contributions are assumed to increase according to health care trend rates

CITY OF GERMANTOWN, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2016

Per Capita Costs Annual per capita costs were calculated based on the District's monthly premium rates effective on July 1, 2015 actuarially increased using health index factors and current enrollment. The costs are assumed to increase with health care trend rates. Post-65 per capita costs are assumed to equal the post-65 premium rate. Sample annual per capita costs are as shown below:

Age	Basic	N-Plus	HRA
< 55	\$ 7,200	\$ 7,600	\$ 6,600
55 – 59	\$ 8,800	\$ 9,300	\$ 8,000
60 – 64	\$ 10,900	\$ 11,500	\$ 9,900

Explicit Subsidy The difference between (a) the premium rate and (b) the retiree contribution

Implicit Subsidy The difference between (a) the per capita cost and (b) the premium rate

G. Allocation of Post Employment Benefits

The Net OPEB Obligation for the GMSD plan is reflected in Governmental Activities, Education expenses on the Statement of Activities for the year ended June 30, 2016.

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.

	2016	2015
Incurring Claims But Not Reported at Beginning of Fiscal Year	\$ 478,733	\$ 480,131
Claims Submitted for Fiscal Year	4,247,973	4,264,922
Total Available for Claims Payments	4,726,706	4,745,053
Claims Paid During Fiscal Year	4,415,545	4,266,320
Incurring Claims But Not Reported at End of Fiscal Year	\$ 311,161	\$ 478,733

The City maintains a liability in the Group Health Insurance Fund in the amount of \$311,161 which is comprised of medical claims incurred prior to June 30, 2016 but not reported until after June 30, 2016, 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

June 30, 2016

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

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

	2016	2015
Incurring Claims But Not Reported at Beginning of Fiscal Year	\$ 252,757	\$ -
Claims Submitted for Fiscal Year	3,710,610	2,531,707
Total Available for Claims Payments	3,963,367	2,531,707
Claims Paid During Fiscal Year	3,654,389	2,278,950
Incurring Claims But Not Reported at End of Fiscal Year	\$ 308,978	\$ 252,757

The GMSD maintains a liability in the Group Health Insurance Fund in the amount of \$308,978 which is comprised of medical claims incurred prior to June 30, 2016 but not reported until after June 30, 2016, and was estimated by a third party administrator and is included in accounts payable of the governmental activities internal service funds.

NOTE 12 – DONOR-RESTRICTED ENDOWMENT

Library Endowment Fund. 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, 2016, the net amount of appreciation on investments of the endowment was \$608.

NOTE 13 – PRIOR PERIOD ADJUSTMENTS

During the fiscal year ended June 30, 2016, management determined that \$830,000 of property taxes and \$520,000 of sales taxes were not recognized as revenues on the government-wide statement of activities for the year ended June 30, 2015, in accordance with GAAP. These amounts were adjusted to beginning net position for the current fiscal year. The effect of these adjustments increases beginning net position for governmental activities on the Statement of Activities by \$1,350,000.

**CITY OF GERMANTOWN
TENNESSEE**

REQUIRED SUPPLEMENTARY INFORMATION



CITY OF GERMANTOWN, TENNESSEE

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
AMENDED AND RESTATED PENSION PLAN

Last Ten Fiscal Years Ended June 30

	2016	2015	2014	2013	2012	2011	2010
Total Pension Liability							
Service costs	\$ 1,199,379	\$ 1,208,653	\$ 1,267,271	\$ 1,190,521	\$ 1,389,808	\$ 1,470,322	\$ 1,399,997
Interest	6,197,663	5,858,181	5,416,588	5,131,943	5,126,758	4,846,960	4,510,043
Changes of benefit items	660,332	-	669,081	-	-	-	-
Difference b/w expected and actual experience	1,217,222	1,185,371	810,017	(382,255)	1,439,079	(862,794)	43,575
Changes of assumptions	-	-	-	-	(5,630,135)	-	-
Benefits payments	(3,369,319)	(2,923,701)	(2,643,055)	(2,382,147)	(2,260,687)	(1,957,022)	(1,742,152)
Net change in total pension liability	5,905,277	5,328,504	5,519,902	3,558,062	64,823	3,497,466	4,211,463
Total pension liability - beginning	78,555,761	73,227,257	67,707,355	64,149,293	64,084,470	60,587,004	56,375,541
Total pension liability - ending (a)	<u>\$ 84,461,038</u>	<u>\$ 78,555,761</u>	<u>\$ 73,227,257</u>	<u>\$ 67,707,355</u>	<u>\$ 64,149,293</u>	<u>\$ 64,084,470</u>	<u>\$ 60,587,004</u>
Plan Fiduciary Net Position							
Contributions - employer	\$ 1,382,685	\$ 1,594,372	\$ 2,238,029	\$ 2,287,758	\$ 2,306,853	\$ 2,297,580	\$ 2,269,772
Contributions - employee	708,541	693,659	698,881	683,344	665,402	639,112	654,129
Net investment income	(2,771,503)	2,106,078	10,166,680	6,824,377	(975,521)	7,407,973	4,636,664
Benefit payments	(3,369,319)	(2,923,701)	(2,643,055)	(2,382,147)	(2,260,687)	(1,957,022)	(1,742,152)
Administrative expense	(109,217)	(115,523)	(179,296)	(166,195)	(149,086)	(222,560)	(225,674)
Net change in plan fiduciary net position	(4,158,813)	1,354,885	10,281,239	7,247,137	(413,039)	8,165,083	5,592,739
Plan fiduciary net position - beginning	65,998,886	64,644,001	54,362,762	47,115,625	47,528,664	39,363,581	33,770,842
Plan fiduciary net position - ending (b)	<u>\$ 61,840,073</u>	<u>\$ 65,998,886</u>	<u>\$ 64,644,001</u>	<u>\$ 54,362,762</u>	<u>\$ 47,115,625</u>	<u>\$ 47,528,664</u>	<u>\$ 39,363,581</u>
City's net pension liability - ending (a) - (b)	<u>\$ 22,620,965</u>	<u>\$ 12,556,875</u>	<u>\$ 8,583,256</u>	<u>\$ 13,344,593</u>	<u>\$ 17,033,668</u>	<u>\$ 16,555,806</u>	<u>\$ 21,223,423</u>
Plan's fiduciary net position as a percentage of the total pension liability	73.22%	84.02%	88.28%	80.29%	73.45%	74.17%	64.97%
Covered employee payroll	\$ 19,040,740	\$ 19,043,019	\$ 19,209,705	\$ 20,187,727	\$ 19,214,167	\$ 18,449,784	\$ 18,998,306
City's net pension liability as a percentage of covered employee payroll	118.80%	65.94%	44.68%	66.10%	88.65%	89.73%	111.71%

*Only seven (7) years of information were available from the actuarial valuations. Years will be added to this schedule in future fiscal years until 10 years of information is available.

CITY OF GERMANTOWN, TENNESSEE
SCHEDULE OF CITY CONTRIBUTIONS
AMENDED AND RESTATED PENSION PLAN

Last Ten Fiscal Years Ended June 30

	2016	2015	2014	2013	2012	2011	2010	2009	2008
Actuarially determined contribution	\$ 1,382,685	\$ 1,594,372	\$ 2,238,029	\$ 2,287,758	\$ 2,306,853	\$ 2,297,580	\$ 2,269,772	\$ 1,803,515	\$ 1,653,220
Contributions	<u>1,382,685</u>	<u>1,594,372</u>	<u>2,238,029</u>	<u>2,287,758</u>	<u>2,306,853</u>	<u>2,297,580</u>	<u>2,269,772</u>	<u>1,803,515</u>	<u>1,653,220</u>
Contribution deficiency	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll	\$ 19,043,019	\$ 19,209,705	\$ 20,187,727	\$ 19,214,167	\$ 18,449,784	\$ 18,998,306	\$ 18,846,765	\$ 18,172,732	\$ 16,594,653
Contributions as a percentage of covered employee payroll	7.26%	8.30%	11.09%	11.91%	12.50%	12.09%	12.04%	9.92%	9.96%

*Only nine (9) years of information were available from the actuarial valuations. Years will be added to this schedule in future fiscal years until 10 years of information is available.

CITY OF GERMANTOWN, TENNESSEE

NOTES TO THE SCHEDULE OF CITY CONTRIBUTIONS
AMENDED AND RESTATED PENSION PLAN

For the Year Ended June 30, 2016

NOTE 1 – VALUATION DATE

Actuarially determined contributions are calculated as of January 1, eighteen months prior to the fiscal year in which contributions are reported.

NOTE 2 – METHODS AND ASSUMPTIONS USED TO DETERMINE CONTRIBUTIONS RATE

Actuarial cost method	Frozen Initial Liability
Amortization method	Level Dollar, closed
Remaining amortization period	23 Years
Asset valuation method	Market Value
Inflation	2.50%
Salary increases	4.0%, including inflation
Investment rate or return	8.0%, net plan of investment expense, including inflation
Retirement age	General Service Employees age 65 Emergency Service Employee age 58 Public Works group age 55
Mortality	RP-2000 with a 2% load for expected mortality improvement
Withdrawal rates	T-3 The Actuary's Pension Handbook
Other information	Closed to new employees after June 30, 2013

CITY OF GERMANTOWN, TENNESSEE

**SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
DEFINED BENEFIT PLAN**

Last Ten Fiscal Years Ended June 30

	2016	2015	2014
Total Pension Liability			
Service costs	\$ 295,803	\$ 144,160	\$ 28,439
Interest	8,126	1,258	-
Difference between expected and actual experience	(13,342)	(2,213)	-
Benefits payments	<u>(16,523)</u>	<u>(856)</u>	-
Net change in total pension liability	274,064	142,349	28,439
Total pension liability - beginning	170,788	28,439	-
Total pension liability - ending (a)	<u>\$ 444,852</u>	<u>\$ 170,788</u>	<u>\$ 28,439</u>
Plan Fiduciary Net Position			
Contributions - employer	\$ 82,455	\$ 17,925	\$ -
Contributions - employee	132,159	61,705	10,513
Net investment income	4,319	219	1
Benefit payments	(16,523)	(856)	-
Administrative expense	(3,921)	(203)	-
Other	1,029	-	-
Net change in plan fiduciary net position	199,518	78,790	10,514
Plan fiduciary net position - beginning	89,304	10,514	-
Plan fiduciary net position - ending (b)	<u>\$ 288,822</u>	<u>\$ 89,304</u>	<u>\$ 10,514</u>
City's net pension liability - ending (a) - (b)	<u>\$ 156,030</u>	<u>\$ 81,484</u>	<u>\$ 17,925</u>
Plan's fiduciary net position as a percentage of the total pension liability	64.93%	52.29%	36.97%
Covered employee payroll	\$ 3,272,881	\$ 1,649,109	\$ 358,493
City's net pension liability as a percentage of covered employee payroll	4.77%	4.94%	5.00%

This is a 10-year schedule; however, the Defined Benefit Plan began in fiscal year 2014. Years will be added to this schedule in future fiscal years until 10 years of information is available.

CITY OF GERMANTOWN, TENNESSEE

SCHEDULE OF CITY CONTRIBUTIONS
DEFINED BENEFIT PLAN

Last Ten Fiscal Years Ended June 30

	2016	2015
Actuarially determined contribution	\$ 82,455	\$ 17,925
Contributions	<u>82,455</u>	<u>17,925</u>
Contribution deficiency	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll	\$ 1,649,109	\$ 358,493
Contributions as a percentage of covered employee payroll	5.00%	5.00%

This is a 10-year schedule; however, the Defined Benefit Plan began during the fiscal year ended June 30, 2014 and there was no required actuarially determined contribution prior to the fiscal year ended June 30, 2015. Years will be added to this schedule in future fiscal years until 10 years of information is available.

NOTES TO THE SCHEDULE

Valuation date: Actuarially determined contributions are calculated as of June 30th, prior to the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry as normal
Amortization method	Level dollar, closed
Asset valuation method	Market value
Inflation	2.5 percent
Salary increases	4.0 percent, including inflation
Investment rate of return	5.0 percent, net of plan investment expense, including inflation
Retirement age	62
Mortality	IRS Applicable Mortality – Post Retirement Only
Withdrawals	None
Other information	Plan adopted effective July 1, 2013

CITY OF GERMANTOWN, TENNESSEE

**SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
GERMANTOWN BOARD OF EDUCATION
PUBLIC EMPLOYEE RETIREMENT PLAN OF TCRS**

Last Ten Fiscal Years Ended June 30

	<u>2015</u>
Total Pension Liability	
Service costs	\$ 416,170
Interest	31,185
Difference b/w expected and actual experience	14,407
Benefits payments	<u>(752)</u>
Net change in total pension liability	461,010
Total pension liability - beginning	-
Total pension liability - ending (a)	<u><u>\$ 461,010</u></u>
Plan Fiduciary Net Position	
Contributions - employer	\$ 270,452
Contributions - employee	145,718
Net investment income	6,292
Benefit payments	(752)
Administrative expense	<u>(6,804)</u>
Net change in plan fiduciary net position	414,906
Plan fiduciary net position - beginning	-
Plan fiduciary net position - ending (b)	<u><u>\$ 414,906</u></u>
City's net pension liability - ending (a) - (b)	<u><u>\$ 46,104</u></u>
Plan's fiduciary net position as a percentage of the total pension liability	90.00%
Covered employee payroll	\$ 2,917,498
City's net pension liability as a percentage of covered employee payroll	1.58%

This is a 10-year schedule; however, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.

CITY OF GERMANTOWN, TENNESSEE

**SCHEDULE OF CONTRIBUTIONS
GERMANTOWN BOARD OF EDUCATION
PUBLIC EMPLOYEE RETIREMENT PLAN OF TCRS**

Last Ten Fiscal Years Ended June 30

	2016	2015
Actuarially determined contribution	\$ 307,133	\$ 270,452
Contributions in relation to the actuarially determined contribution	<u>307,133</u>	<u>270,452</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 3,319,098	\$ 2,917,498
Contributions as a percentage of covered payroll	9.25%	9.27%

This is a 10-year schedule; however, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.

NOTES TO THE SCHEDULE

Valuation date: Actuarially determined contribution rates for 2016 were calculated based on the July 1, 2013 actuarial valuation.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Frozen initial liability
Amortization method	Level dollar, closed (not to exceed 20 years)
Asset valuation method	10-year smoothed within a 20 percent corridor to market value
Inflation	3.0 percent
Salary increases	Graded salary ranges from 8.97 to 3.71 percent based on age, including inflation
Investment rate of return	7.5 percent, net of investment expense, including inflation
Retirement age	Pattern of retirement determined by experience study
Mortality	Customized table based on actual experience including an adjustment for some anticipated improvement
Cost of living adjustments	2.5 percent

CITY OF GERMANTOWN, TENNESSEE

**SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
GERMANTOWN SCHOOLS HYBRID WITH COST CONTROLS
PUBLIC EMPLOYEE RETIREMENT PLAN OF TCRS**

Last Ten Fiscal Years Ended June 30

	<u>2015</u>
Total Pension Liability	
Service costs	\$ 1,357
Interest	102
Difference b/w expected and actual experience	<u>1,138</u>
Net change in total pension liability	2,597
Total pension liability - beginning	-
Total pension liability - ending (a)	<u><u>\$ 2,597</u></u>
Plan Fiduciary Net Position	
Contributions - employer	\$ 776
Contributions - employee	969
Net investment income	26
Administrative expense	(30)
Other	<u>(58)</u>
Net change in plan fiduciary net position	1,683
Plan fiduciary net position - beginning	-
Plan fiduciary net position - ending (b)	<u><u>\$ 1,683</u></u>
City's net pension liability - ending (a) - (b)	<u><u>\$ 914</u></u>
Plan's fiduciary net position as a percentage of the total pension liability	64.81%
Covered employee payroll	\$ 19,389
City's net pension liability as a percentage of covered employee payroll	4.71%

This is a 10-year schedule; however, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.

CITY OF GERMANTOWN, TENNESSEE

**SCHEDULE OF CONTRIBUTIONS
GERMANTOWN SCHOOLS HYBRID WITH COST CONTROLS
PUBLIC EMPLOYEE RETIREMENT PLAN OF TCRS**

Last Ten Fiscal Years Ended June 30

	2016	2015
Actuarially determined contribution	\$ 15,581	\$ 388
Contributions in relation to the actuarially determined contribution	<u>15,581</u>	<u>776</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ (388)</u>
Covered payroll	\$ 389,537	\$ 19,389
Contributions as a percentage of covered payroll	4.00%	4.00%

This is a 10-year schedule; however, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.

NOTES TO THE SCHEDULE

Valuation date: Actuarially determined contribution rates for 2016 were calculated based on the July 1, 2013 actuarial valuation.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal
Amortization method	Level dollar, closed (not to exceed 20 years)
Asset valuation method	Fair market value
Inflation	3.0 percent
Salary increases	Graded salary ranges from 8.97 to 3.71 percent based on age, including inflation
Investment rate of return	7.5 percent, net of investment expense, including inflation
Retirement age	Pattern of retirement determined by experience study
Mortality	Customized table based on actual experience including an adjustment for some anticipated improvement
Cost of living adjustments	2.5 percent

CITY OF GERMANTOWN, TENNESSEE

**SCHEDULE OF GERMANTOWN MUNICIPAL SCHOOL DISTRICT'S
PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
TEACHER LEGACY PENSION PLAN OF TCRS**

Last Ten Fiscal Years Ended June 30

	<u>2015</u>	<u>2014</u>
GMSD's proportion of the net pension asset	0.534251%	0.002723%
GMSD's proportionate share of the net pension liability (asset)	\$ 218,847	\$ (442)
GMSD's covered-employee payroll	\$ 19,999,692	\$ 106,875
GMSD's proportionate share of the net pension asset as a percentage of its covered-employee payroll	1.09%	-0.41%
Plan fiduciary net position as a percentage of the total pension liability	99.81%	100.08%

The amounts presented were determined as of June 30 of the prior fiscal year.

This is a 10-year schedule. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.

CITY OF GERMANTOWN, TENNESSEE

**SCHEDULE OF GERMANTOWN MUNICIPAL SCHOOL DISTRICT'S
CONTRIBUTIONS - TEACHER LEGACY PENSION PLAN OF TCRS**

Last Ten Fiscal Years Ended June 30

	2016	2015	2014
Contractually required contributions	\$ 2,004,754	\$ 1,807,972	\$ 9,491
Contributions	<u>2,004,754</u>	<u>1,807,972</u>	<u>9,491</u>
Contribution deficiency	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll	\$ 22,176,498	\$ 19,999,692	\$ 106,875
Contributions as a percentage of covered employee payroll	9.04%	9.04%	8.88%

This is a 10-year schedule. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.

CITY OF GERMANTOWN, TENNESSEE

**SCHEDULE OF GERMANTOWN MUNICIPAL SCHOOL DISTRICT'S
PROPORTIONATE SHARE OF THE NET PENSION ASSET
TEACHER RETIREMENT PLAN OF TCRS**

Last Ten Fiscal Years Ended June 30

	<u>2015</u>
GMSD's proportion of the net pension asset	0.600631%
GMSD's proportionate share of the net pension liability (asset)	\$ (24,163)
GMSD's covered-employee payroll	\$ 1,247,965
GMSD's proportionate share of the net pension asset as a percentage of its covered-employee payroll	-1.94%
Plan fiduciary net position as a percentage of the total pension liability	127.46%

The amounts presented were determined as of June 30 of the prior fiscal year.

This is a 10-year schedule. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.

CITY OF GERMANTOWN, TENNESSEE

**SCHEDULE OF GERMANTOWN MUNICIPAL SCHOOL DISTRICT'S
CONTRIBUTIONS - TEACHER RETIREMENT PLAN OF TCRS**

Last Ten Fiscal Years Ended June 30

	2016	2015
Contractually required contributions	\$ 88,299	\$ 31,199
Contributions	<u>88,299</u>	<u>49,918</u>
Contribution excess	<u>\$ -</u>	<u>\$ (18,719)</u>
Covered employee payroll	\$ 2,204,980	\$ 1,247,965
Contributions as a percentage of covered employee payroll	4.00%	4.00%

This is a 10-year schedule. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.

CITY OF GERMANTOWN, TENNESSEE

SCHEDULE OF OTHER POST EMPLOYMENT BENEFITS FUNDING PROGRESS

For the Year Ended June 30, 2016

CITY OF GERMANTOWN, TENNESSEE OPEB

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability-PUC	Unfunded Actuarial Accrued Liability-PUC	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
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%
7/1/2014	6,160,199	10,247,083	4,086,884	60.1%	19,209,705	21%
7/1/2015	6,538,150	9,285,322	2,747,172	70.4%	21,001,474	13%
7/1/2016	6,099,749	9,449,223	3,349,474	64.6%	22,313,625	15%

GERMANTOWN MUNICIPAL SCHOOL DISTRICT OPEB

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability-PUC	Unfunded Actuarial Accrued Liability-PUC	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
7/1/2014	\$ -	\$ 10,584,664	\$ 10,584,664	0.0%	N/A	N/A
6/30/2015	600,000	11,799,324	11,199,324	5.1%	N/A	N/A

The information for the Germantown Municipal School District's OPEB plan is presented as of the most recent actuarial valuation on June 30, 2015.



CITY OF GERMANTOWN, TENNESSEE

COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS

June 30, 2016

	Special Revenue								
	State Street Aid	Automated Enforcement	Drug Enforcement	Pickering	Farm Park	Ambulance	Recreation	Library Endowment	School Federal Projects
Assets									
Cash and cash equivalents	\$ 1,545,150	\$ 48,741	\$ 259,496	\$ 257,836	\$ 91,496	\$ 532,617	\$ 403,455	\$ -	\$ 5,750
Investments	215,742	-	-	-	-	-	-	-	-
Receivables - other	200,720	-	-	-	-	92,934	-	-	135,897
Due from other funds	-	-	-	-	-	-	-	-	-
Restricted Assets									
Cash and cash equivalents	-	-	-	-	-	-	-	257,237	-
Total assets	\$ 1,961,612	\$ 48,741	\$ 259,496	\$ 257,836	\$ 91,496	\$ 625,551	\$ 403,455	\$ 257,237	\$ 141,647
Liabilities									
Accounts payable	\$ 455,520	\$ -	\$ 2,096	\$ 12,039	\$ 9,750	\$ 102,940	\$ 12,858	\$ 1,221	\$ 35,025
Contracts payable	-	-	-	-	-	-	-	-	-
Customer deposits	-	-	-	-	3,175	-	-	-	-
Due to other funds	-	-	-	-	-	-	-	-	100,872
Unearned revenue	-	-	-	-	-	-	-	-	-
Total Liabilities	455,520	-	2,096	12,039	12,925	102,940	12,858	1,221	135,897
Deferred Inflows of Resources									
Unavailable revenue - grants	-	-	-	-	-	-	-	-	5,750
Fund Balances									
Restricted	-	-	257,400	-	-	-	-	256,016	-
Committed	1,506,092	48,741	-	245,797	78,571	522,611	390,597	-	-
Assigned	-	-	-	-	-	-	-	-	-
Total fund balances	1,506,092	48,741	257,400	245,797	78,571	522,611	390,597	256,016	-
Total liabilities, deferred inflows of resources, and fund balances	\$ 1,961,612	\$ 48,741	\$ 259,496	\$ 257,836	\$ 91,496	\$ 625,551	\$ 403,455	\$ 257,237	\$ 141,647

Special Revenue (cont'd)		Capital Projects							
School Cafeteria	School Capital Projects	Major Roads	Intersections	General Government	Fire Dept	Parks Improvement	Germantown MS	Drainage Projects	Total
\$ 27,910	\$ 1,317,244	\$ 1,951,279	\$ 490,001	\$ 481,168	\$ 782,213	\$ 410,785	\$ -	\$ 170,670	\$ 8,775,811
-	-	-	-	-	-	-	-	-	215,742
52,584	301,780	203,615	23,454	-	-	588,469	-	-	1,599,453
-	1,062,028	-	-	-	-	-	-	-	1,062,028
-	-	110,041	-	-	-	5,400	10,340,984	4,569,312	15,282,974
<u>\$ 80,494</u>	<u>\$ 2,681,052</u>	<u>\$ 2,264,935</u>	<u>\$ 513,455</u>	<u>\$ 481,168</u>	<u>\$ 782,213</u>	<u>\$ 1,004,654</u>	<u>\$ 10,340,984</u>	<u>\$ 4,739,982</u>	<u>\$ 26,936,008</u>
\$ 44,236	1,363,279	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,038,964
-	-	199,178	73,135	52,092	-	32,426	-	353,470	710,301
-	-	-	-	-	-	-	-	-	3,175
7,326	-	-	-	-	-	-	-	-	108,198
28,932	-	-	-	-	-	-	-	-	28,932
80,494	1,363,279	199,178	73,135	52,092	-	32,426	-	353,470	2,889,570
-	-	185,121	25,134	-	-	30,263	-	-	246,268
-	1,317,773	-	-	-	-	-	-	-	1,831,189
-	-	1,439,350	415,186	243,372	-	76,434	10,340,984	2,555,723	17,863,458
-	-	441,286	-	185,704	782,213	865,531	-	1,830,789	4,105,523
-	1,317,773	1,880,636	415,186	429,076	782,213	941,965	10,340,984	4,386,512	23,800,170
<u>\$ 80,494</u>	<u>\$ 2,681,052</u>	<u>\$ 2,264,935</u>	<u>\$ 513,455</u>	<u>\$ 481,168</u>	<u>\$ 782,213</u>	<u>\$ 1,004,654</u>	<u>\$ 10,340,984</u>	<u>\$ 4,739,982</u>	<u>\$ 26,936,008</u>

CITY OF GERMANTOWN, TENNESSEE

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

For the Year Ended June 30, 2016

	Special Revenue								
	State Street Aid	Automated Enforcement	Drug Enforcement	Pickering	Farm Park	Ambulance	Recreation	Library Endowment	School Federal Projects
REVENUES									
Intergovernmental									
Gasoline & motor fuel tax	\$ 1,103,137	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Fines and forfeitures	-	3,500	-	-	-	-	-	-	-
Fees for services	-	-	-	32,090	31,248	993,788	514,668	-	-
Interest on investments	1,110	-	-	-	-	109	-	608	-
Grants	-	-	-	-	1,000	-	-	-	1,598,309
Other revenues	-	-	170,520	42,929	-	25	-	-	-
Total revenues	<u>1,104,247</u>	<u>3,500</u>	<u>170,520</u>	<u>75,019</u>	<u>32,248</u>	<u>993,922</u>	<u>514,668</u>	<u>608</u>	<u>1,598,309</u>
EXPENDITURES									
Public safety	-	84,974	225,398	-	-	1,590,624	-	-	-
Community services	-	-	-	42,531	151,044	-	439,014	8,101	-
Transportation and Environment	2,042,699	-	-	-	-	-	-	-	-
Education	-	-	-	-	-	-	-	-	1,577,239
Capital projects	-	-	-	-	-	-	-	-	-
Total expenditures	<u>2,042,699</u>	<u>84,974</u>	<u>225,398</u>	<u>42,531</u>	<u>151,044</u>	<u>1,590,624</u>	<u>439,014</u>	<u>8,101</u>	<u>1,577,239</u>
Excess (deficiency) of revenues over (under) expenditures	(938,452)	(81,474)	(54,878)	32,488	(118,796)	(596,702)	75,654	(7,493)	21,070
OTHER FINANCING SOURCES (USES)									
GO Bonds issued	-	-	-	-	-	-	-	-	-
GO Bond premium	-	-	-	-	-	-	-	-	-
GO Bond costs	-	-	-	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-	-	-	-
Transfers in	1,850,000	75,000	-	-	150,000	750,000	-	-	-
Transfers out	-	-	-	-	-	-	-	-	(21,070)
Total other financing sources	<u>1,850,000</u>	<u>75,000</u>	<u>-</u>	<u>-</u>	<u>150,000</u>	<u>750,000</u>	<u>-</u>	<u>-</u>	<u>(21,070)</u>
Net change in fund balance	911,548	(6,474)	(54,878)	32,488	31,204	153,298	75,654	(7,493)	-
Fund balances - beginning	594,544	55,215	312,278	213,309	47,367	369,313	314,943	263,509	-
Fund balances - ending	<u>\$ 1,506,092</u>	<u>\$ 48,741</u>	<u>\$ 257,400</u>	<u>\$ 245,797</u>	<u>\$ 78,571</u>	<u>\$ 522,611</u>	<u>\$ 390,597</u>	<u>\$ 256,016</u>	<u>\$ -</u>

Special Revenue (cont'd)		Capital Projects							Total
School Cafeteria	School Capital Projects	Major Roads	Intersections	General Government	Fire Dept	Parks Improvement	Germantown MS	Drainage Projects	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,103,137
-	-	-	-	-	-	-	-	-	3,500
610,749	-	-	-	-	-	-	-	-	2,182,543
-	-	-	-	-	-	-	11,479	-	13,306
262,858	-	998,606	107,371	-	-	1,357,779	-	-	4,325,923
-	2,234,455	-	-	-	-	-	-	-	2,447,929
873,607	2,234,455	998,606	107,371	-	-	1,357,779	11,479	-	10,076,338
-	-	-	-	-	-	-	-	-	1,900,996
-	-	-	-	-	-	-	-	-	640,690
-	-	-	-	-	-	-	-	-	2,042,699
1,126,195	2,153	-	-	-	-	-	-	-	2,705,587
-	2,590,219	1,457,851	250,802	927,387	219,269	2,265,883	-	743,302	8,454,713
1,126,195	2,592,372	1,457,851	250,802	927,387	219,269	2,265,883	-	743,302	15,744,685
(252,588)	(357,917)	(459,245)	(143,431)	(927,387)	(219,269)	(908,104)	11,479	(743,302)	(5,668,347)
-	-	288,750	-	-	-	288,750	10,220,000	3,172,500	13,970,000
-	-	121,828	-	-	-	121,828	1,976,352	1,359,341	3,579,349
-	-	(7,483)	-	-	-	(7,458)	(192,111)	(83,376)	(290,428)
-	-	-	-	-	-	-	-	-	-
252,588	1,674,736	-	200,000	-	1,000,000	578,000	-	250,000	6,780,324
-	-	-	-	-	-	-	(1,674,736)	-	(1,695,806)
252,588	1,674,736	403,095	200,000	-	1,000,000	981,120	10,329,505	4,698,465	22,343,439
-	1,316,819	(56,150)	56,569	(927,387)	780,731	73,016	10,340,984	3,955,163	16,675,092
-	954	1,936,786	358,617	1,356,463	1,482	868,949	-	431,349	7,125,078
\$ -	\$ 1,317,773	\$ 1,880,636	\$ 415,186	\$ 429,076	\$ 782,213	\$ 941,965	\$ 10,340,984	\$ 4,386,512	\$ 23,800,170

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, 2016

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive(Negative)</u>
	<u>Original</u>	<u>Final</u>		
STATE STREET AID				
REVENUES				
State gasoline taxes	\$ 1,050,000	\$ 1,050,000	\$ 1,103,137	\$ 53,137
Interest on investments	-	-	1,110	1,110
Total revenues	<u>1,050,000</u>	<u>1,050,000</u>	<u>1,104,247</u>	<u>54,247</u>
EXPENDITURES				
Transportation and Environment				
Material and supplies	<u>3,074,000</u>	<u>2,139,904</u>	<u>2,042,699</u>	<u>97,205</u>
Excess (deficiency) of revenues over (under) expenditures	(2,024,000)	(1,089,904)	(938,452)	151,452
OTHER FINANCING SOURCES				
Transfers in	<u>1,850,000</u>	<u>1,850,000</u>	<u>1,850,000</u>	<u>-</u>
Net change in fund balances	(174,000)	760,096	911,548	151,452
Fund balance - beginning	<u>594,544</u>	<u>594,544</u>	<u>594,544</u>	<u>-</u>
Fund balance - ending	<u>\$ 420,544</u>	<u>\$ 1,354,640</u>	<u>\$ 1,506,092</u>	<u>\$ 151,452</u>
AUTOMATED ENFORCEMENT				
REVENUES				
Other revenue	\$ 250,000	\$ 250,000	\$ 3,500	\$ (246,500)
EXPENDITURES				
Public Safety				
Personnel services	89,006	89,006	75,224	13,782
Materials and supplies	5,000	5,000	-	5,000
Other services and charges	<u>250,950</u>	<u>250,950</u>	<u>9,750</u>	<u>241,200</u>
Total expenditures	<u>344,956</u>	<u>344,956</u>	<u>84,974</u>	<u>259,982</u>
Excess (deficiency) of revenues over (under) expenditures	(94,956)	(94,956)	(81,474)	13,482
OTHER FINANCING SOURCES				
Transfers in	<u>75,000</u>	<u>75,000</u>	<u>75,000</u>	<u>-</u>
Net change in fund balances	(19,956)	(19,956)	(6,474)	13,482
Fund balance - beginning	<u>55,215</u>	<u>55,215</u>	<u>55,215</u>	<u>-</u>
Fund balance - ending	<u>\$ 35,259</u>	<u>\$ 35,259</u>	<u>\$ 48,741</u>	<u>\$ 13,482</u>

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, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive(Negative)
	Original	Final		
DRUG ENFORCEMENT				
REVENUES				
Other revenues	\$ 350,000	\$ 350,000	\$ 170,520	\$ (179,480)
EXPENDITURES				
Public Safety				
Personnel Services	96,000	104,000	93,963	10,037
Materials and supplies	138,000	120,825	92,478	28,347
Other services and charges	36,750	36,750	5,696	31,054
Capital outlay	-	33,320	33,261	59
Total expenditures	270,750	294,895	225,398	69,497
Net change in fund balances	79,250	55,105	(54,878)	(248,977)
Fund balance - beginning	312,278	312,278	312,278	-
Fund balance - ending	\$ 391,528	\$ 367,383	\$ 257,400	\$ (248,977)
PICKERING				
REVENUES				
Fees for services	\$ 27,405	\$ 27,405	\$ 32,090	\$ 4,685
Other revenues	38,344	38,344	42,929	4,585
Total revenues	65,749	65,749	75,019	9,270
EXPENDITURES				
Community Services				
Materials and supplies	7,500	7,352	6,788	564
Other services and charges	39,670	39,818	35,743	4,075
Capital outlay	-	-	-	-
Total expenditures	47,170	47,170	42,531	4,639
Net change in fund balances	18,579	18,579	32,488	4,631
Fund balance - beginning	213,309	213,309	213,309	-
Fund balance - ending	\$ 231,888	\$ 231,888	\$ 245,797	\$ 4,631

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, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive(Negative)
	Original	Final		
FARM PARK				
REVENUES				
Fees for services	\$ 65,000	\$ 65,000	\$ 31,248	\$ (33,752)
EXPENDITURES				
Community Services				
Personnel Services	70,322	70,378	59,657	10,721
Materials and supplies	25,500	25,561	15,642	9,919
Other services and charges	63,600	64,034	47,060	16,974
Capital outlay	37,500	53,340	28,685	24,655
Total expenditures	196,922	213,313	151,044	62,269
Excess (deficiency) of revenues over (under) expenditures	(131,922)	(148,313)	(119,796)	28,517
OTHER FINANCING SOURCES (USES)				
Transfers in	150,000	150,000	150,000	-
Net change in fund balances	18,078	1,687	30,204	28,517
Fund balance - beginning	47,367	47,367	47,367	-
Fund balance - ending	\$ 65,445	\$ 49,054	\$ 77,571	\$ 28,517

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, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive(Negative)
	Original	Final		
AMBULANCE				
REVENUES				
Fees for services	\$ 880,000	\$ 880,000	\$ 993,788	\$ 113,788
Other revenue	-	-	25	25
Interest on investments	-	-	109	109
Total revenues	880,000	880,000	993,922	113,922
EXPENDITURES				
Public Safety				
Personnel Services	1,568,295	1,561,936	1,399,019	162,917
Materials and supplies	86,495	85,425	73,011	12,414
Other services and charges	114,669	122,989	118,594	4,395
Total expenditures	1,769,459	1,770,350	1,590,624	179,726
Excess (deficiency) of revenues over (under) expenditures	(889,459)	(890,350)	(596,702)	(65,804)
OTHER FINANCING SOURCES				
Transfers in	750,000	750,000	750,000	-
Net change in fund balances	(139,459)	(140,350)	153,298	(65,804)
Fund balance - beginning	369,313	369,313	369,313	-
Fund balance - ending	\$ 229,854	\$ 228,963	\$ 522,611	\$ (65,804)
RECREATION				
REVENUES				
Fees for services	\$ 565,237	\$ 565,237	\$ 514,668	\$ (50,569)
EXPENDITURES				
Community Services				
Personnel Services	236,611	239,871	190,268	49,603
Materials and supplies	114,900	103,966	60,968	42,998
Other services and charges	207,480	210,165	156,099	54,066
Capital outlay	27,000	31,680	31,679	1
Total expenditures	585,991	585,682	439,014	146,668
Net change in fund balances	(20,754)	(20,445)	75,654	96,099
Fund balance - beginning	314,943	314,943	314,943	-
Fund balance - ending	\$ 294,189	\$ 294,498	\$ 390,597	\$ 96,099

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, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive(Negative)
	Original	Final		
LIBRARY ENDOWMENT				
REVENUES				
Interest on investments	\$ -	\$ -	\$ 608	\$ 608
EXPENDITURES				
Community Services				
Other services and charges	10,000	12,284	8,101	4,183
Net change in fund balances	(10,000)	(12,284)	(7,493)	4,791
Fund balance - beginning	263,509	263,509	263,509	-
Fund balance - ending	<u>\$ 253,509</u>	<u>\$ 251,225</u>	<u>\$ 256,016</u>	<u>\$ 4,791</u>
SCHOOL FEDERAL PROJECTS				
REVENUES				
Grants	\$ 1,674,879	\$ 1,866,075	\$ 1,598,309	\$ (267,766)
EXPENDITURES				
Education				
Personnel Services	1,256,476	1,380,353	1,245,646	134,707
Materials and supplies	75,758	107,188	95,041	12,147
Other services and charges	194,612	280,518	172,103	108,415
Capital outlay	47,697	73,916	64,449	9,467
Total expenditures	<u>1,574,543</u>	<u>1,841,975</u>	<u>1,577,239</u>	<u>264,736</u>
Net change in fund balances	100,336	24,100	21,070	(3,030)
Fund balance - beginning	-	-	-	-
Fund balance - ending	<u>\$ 100,336</u>	<u>\$ 24,100</u>	<u>\$ 21,070</u>	<u>\$ (3,030)</u>

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, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive(Negative)
	Original	Final		
SCHOOL CAFETERIA				
REVENUES				
Fees for services	\$ 795,200	\$ 808,999	\$ 610,749	\$ (198,250)
Grants	216,173	218,423	262,858	44,435
Total revenues	<u>1,011,373</u>	<u>1,027,422</u>	<u>873,607</u>	<u>(153,815)</u>
EXPENDITURES				
Education				
Personnel Services	-	109,913	109,914	(1)
Materials and supplies	-	179,089	127,646	51,443
Other services and charges	1,093,373	979,488	849,039	130,449
Capital outlay	18,000	46,400	39,596	6,804
Total expenditures	<u>1,111,373</u>	<u>1,314,890</u>	<u>1,126,195</u>	<u>188,695</u>
Excess (deficiency) of revenues over (under) expenditures	(100,000)	(287,468)	(252,588)	34,880
OTHER FINANCING SOURCES				
Transfers in	<u>100,000</u>	<u>287,468</u>	<u>252,588</u>	<u>(34,880)</u>
Net change in fund balances	-	-	-	-
Fund balance - beginning	-	-	-	-
Fund balance - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
SCHOOL CAPITAL PROJECTS				
REVENUES				
Other revenues	\$ 751,550	\$ 4,667,845	\$ 2,234,455	\$ (2,433,390)
EXPENDITURES				
Education				
Other services and charges	60,000	2,155	2,153	2
Capital outlay	691,550	4,665,690	2,590,219	2,075,471
Total expenditures	<u>751,550</u>	<u>4,667,845</u>	<u>2,592,372</u>	<u>2,075,473</u>
Net change in fund balances	-	-	(357,917)	(357,917)
Fund balance - beginning	954	954	954	-
Fund balance - ending	<u>\$ 954</u>	<u>\$ 954</u>	<u>\$ (356,963)</u>	<u>\$ (357,917)</u>

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, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive(Negative)
	Original	Final		
MAJOR ROADS				
REVENUES				
Grants	\$ -	\$ -	\$ 998,606	\$ 998,606
EXPENDITURES				
Capital Projects				
Architectural and engineering	830,000	889,329	486,128	403,201
Construction contracts	1,892,000	1,583,232	971,723	611,509
Debt Issue Costs	-	7,484	7,483	1
Total expenditures	<u>2,722,000</u>	<u>2,480,045</u>	<u>1,465,334</u>	<u>1,014,711</u>
Excess (deficiency) of revenues over (under) expenditures	(2,722,000)	(2,480,045)	(466,728)	2,013,317
OTHER FINANCING SOURCES				
GO Bonds Issued	-	-	410,578	(410,578)
Net change in fund balances	(2,722,000)	(2,480,045)	(56,150)	2,013,317
Fund balance - beginning	<u>1,936,786</u>	<u>1,936,786</u>	<u>1,936,786</u>	-
Fund balance - ending	<u>\$ (785,214)</u>	<u>\$ (543,259)</u>	<u>\$ 1,880,636</u>	<u>\$ 2,013,317</u>
INTERSECTIONS				
REVENUES				
Grants	\$ -	\$ -	\$ 107,371	\$ 107,371
EXPENDITURES				
Capital Projects				
Architectural and engineering	440,000	207,948	187,946	20,002
Construction contracts	205,000	228,483	62,856	165,627
Total expenditures	<u>645,000</u>	<u>436,431</u>	<u>250,802</u>	<u>185,629</u>
Excess (deficiency) of revenues over (under) expenditures	(645,000)	(436,431)	(143,431)	293,000
OTHER FINANCING SOURCES				
Transfers in	<u>300,000</u>	<u>200,000</u>	<u>200,000</u>	-
Net change in fund balances	(345,000)	(236,431)	56,569	293,000
Fund balance - beginning	<u>358,617</u>	<u>358,617</u>	<u>358,617</u>	-
Fund balance - ending	<u>\$ 13,617</u>	<u>\$ 122,186</u>	<u>\$ 415,186</u>	<u>\$ 293,000</u>

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, 2016

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive(Negative)</u>
	<u>Original</u>	<u>Final</u>		
GENERAL GOVERNMENT PROJECTS				
EXPENDITURES				
Capital Projects				
Architectural and engineering	\$ 80,000	\$ 88,437	\$ 25,645	\$ 62,792
Construction contracts	280,000	908,030	901,742	6,288
Total expenditures	360,000	996,467	927,387	69,080
OTHER FINANCING SOURCES				
Transfers in	278,000	278,000	-	(278,000)
Net change in fund balances	(82,000)	(718,467)	(927,387)	(208,920)
Fund balance - beginning	1,356,463	1,356,463	1,356,463	-
Fund balance - ending	<u>\$ 1,274,463</u>	<u>\$ 637,996</u>	<u>\$ 429,076</u>	<u>\$ (208,920)</u>
FIRE DEPT				
EXPENDITURES				
Capital Projects				
Construction contracts	\$ 958,000	\$ 219,992	\$ 219,269	\$ 723
OTHER FINANCING SOURCES				
Transfers in	1,000,000	1,000,000	1,000,000	-
Net change in fund balances	42,000	780,008	780,731	723
Fund balance - beginning	1,482	1,482	1,482	-
Fund balance - ending	<u>\$ 43,482</u>	<u>\$ 781,490</u>	<u>\$ 782,213</u>	<u>\$ 723</u>

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, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive(Negative)
	Original	Final		
PARKS IMPROVEMENTS				
REVENUES				
Grants	\$ -	\$ -	\$ 1,357,779	\$ 1,357,779
EXPENDITURES				
Capital Projects				
Architectural and engineering	200,000	177,100	12,080	165,020
Construction contracts	1,500,000	3,721,064	2,253,803	1,467,261
Debt Issue Costs	-	7,459	7,458	1
Total expenditures	<u>1,700,000</u>	<u>3,905,623</u>	<u>2,273,341</u>	<u>1,632,282</u>
Excess (deficiency) of revenues over (under) expenditures	(1,700,000)	(3,905,623)	(915,562)	2,990,061
OTHER FINANCING SOURCES				
GO Bonds Issued	-	-	410,578	
Transfers in	<u>200,000</u>	<u>578,000</u>	<u>578,000</u>	-
Total other financing sources	<u>200,000</u>	<u>578,000</u>	<u>988,578</u>	-
Net change in fund balances	(1,500,000)	(3,327,623)	73,016	2,990,061
Fund balance - beginning	<u>868,949</u>	<u>868,949</u>	<u>868,949</u>	-
Fund balance - ending	<u>\$ (631,051)</u>	<u>\$ (2,458,674)</u>	<u>\$ 941,965</u>	<u>\$ 2,990,061</u>

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, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive(Negative)
	Original	Final		
GTWN MUNICIPAL SCHOOLS PROJECTS				
REVENUES				
Interest on Investments	\$ -	\$ -	\$ 11,479	\$ 11,479
EXPENDITURES				
Capital Projects				
Debt Issue Costs	-	192,113	192,111	2
Excess (deficiency) of revenues over (under) expenditures	-	(192,113)	(180,632)	11,481
OTHER FINANCING SOURCES (USES)				
GO Bonds Issued	-	11,170,859	12,196,352	(1,025,493)
Transfers out	-	(11,000,000)	(1,674,736)	(9,325,264)
Total other financing sources (uses)	-	170,859	10,521,616	(10,350,757)
Net change in fund balances	-	(21,254)	10,340,984	(10,362,238)
Fund balance - beginning	-	-	-	-
Fund balance - ending	\$ -	\$ (21,254)	\$ 10,340,984	\$ (10,362,238)
DRAINAGE PROJECTS				
EXPENDITURES				
Capital Projects				
Architectural and engineering	\$ 60,000	\$ 337,150	\$ 337,145	5
Construction contracts	1,510,000	406,161	406,157	4
Contingency	250,000	1	-	1
Debt Issue Costs	-	83,376	83,376	
Total expenditures	1,820,000	826,688	826,678	10
Excess (deficiency) of revenues over (under) expenditures	(1,820,000)	(826,688)	(826,678)	10
OTHER FINANCING SOURCES				
GO Bonds Issued	-	1,200,000	4,531,841	(3,331,841)
Transfers in	-	-	250,000	(250,000)
Total other financing sources	-	1,200,000	4,781,841	(3,581,841)
Net change in fund balances	(1,820,000)	373,312	3,955,163	(3,581,851)
Fund balance - beginning	431,349	431,349	431,349	-
Fund balance - ending	\$ (1,388,651)	\$ 804,661	\$ 4,386,512	\$ (3,581,851)

CITY OF GERMANTOWN, TENNESSEE

COMBINING STATEMENT OF NET POSITION – NONMAJOR ENTERPRISE FUNDS

June 30, 2016

	<u>Sanitation Fund</u>	<u>Great Hall Fund</u>	<u>Stormwater Fund</u>	<u>Total</u>
ASSETS				
Current Assets				
Cash and cash equivalents	\$ 1,297,881	\$ 294,354	\$ 572,951	\$2,165,186
Investments	181,180	-	-	181,180
Receivables				
Customers and developers	192,377	-	88,553	280,930
Other	-	27,318	-	27,318
Less allowance for doubtful accounts	<u>(18,998)</u>	<u>(9,229)</u>	<u>(28,102)</u>	<u>(56,329)</u>
Net receivables	<u>173,379</u>	<u>18,089</u>	<u>60,451</u>	<u>251,919</u>
Total current assets	1,652,440	312,443	633,402	2,598,285
Noncurrent Assets				
Capital Assets, Being Depreciated				
Buildings and improvements	-	597,680	-	597,680
Machinery and equipment	17,572	213,886	253,637	485,095
Construction in progress	-	92,834	-	92,834
Less accumulated depreciation	<u>(17,572)</u>	<u>(389,525)</u>	<u>(60,411)</u>	<u>(467,508)</u>
Total depreciable assets, net	<u>-</u>	<u>514,875</u>	<u>193,226</u>	<u>708,101</u>
Total assets	1,652,440	827,318	826,628	3,306,386
LIABILITIES				
Current Liabilities				
Accounts payable	651,932	92,312	61,000	805,244
Unearned revenue	65,382	-	-	65,382
Customer deposits payable	-	80,887	-	80,887
Total current liabilities	<u>717,314</u>	<u>173,199</u>	<u>61,000</u>	<u>951,513</u>
Noncurrent Liabilities				
Compensated absences	<u>2,979</u>	<u>4,513</u>	<u>12,032</u>	<u>19,524</u>
Total liabilities	<u>720,293</u>	<u>177,712</u>	<u>73,032</u>	<u>971,037</u>
NET POSITION				
Net investment in capital assets	-	514,875	193,226	708,101
Unrestricted	932,147	134,731	560,370	1,627,248
Total net position	<u>\$ 932,147</u>	<u>\$ 649,606</u>	<u>\$ 753,596</u>	<u>\$2,335,349</u>

CITY OF GERMANTOWN, TENNESSEE

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

For the Year Ended June 30, 2016

	<u>Sanitation Fund</u>	<u>Great Hall Fund</u>	<u>Stormwater Fund</u>	<u>Total</u>
Operating Revenues:				
Sanitation fees	\$ 3,377,711	\$ -	\$ -	\$3,377,711
Stormwater fees	-	-	1,003,425	1,003,425
Forfeited discounts	35,591	-	-	35,591
Other income	10,197	437,188	331	447,716
Total operating revenues	<u>3,423,499</u>	<u>437,188</u>	<u>1,003,756</u>	<u>4,864,443</u>
Operating Expenses:				
Personnel services	132,980	175,515	514,965	823,460
Materials and supplies	24,558	15,205	9,746	49,509
Utilities	-	38,827	-	38,827
Landfill fees	605,300	-	-	605,300
Garbage collection fees	2,609,736	-	-	2,609,736
Other charges and services	43,765	219,846	320,580	584,191
Capital outlay	10,070	-	-	10,070
Depreciation	-	59,627	33,131	92,758
Total operating expenses	<u>3,426,409</u>	<u>509,020</u>	<u>878,422</u>	<u>4,813,851</u>
Operating income (loss)	(2,910)	(71,832)	125,334	50,592
Nonoperating Revenues (Expenses):				
Interest on investments	4,858	270	2,608	7,736
Interest and fiscal charges	-	(7,476)	-	(7,476)
Total nonoperating revenues (expenses)	<u>4,858</u>	<u>(7,206)</u>	<u>2,608</u>	<u>260</u>
Income (loss) before transfers	1,948	(79,038)	127,942	50,852
Transfers in	<u>-</u>	<u>225,000</u>	<u>-</u>	<u>225,000</u>
Change in net position	1,948	145,962	127,942	275,852
Total net position - beginning	<u>930,199</u>	<u>503,644</u>	<u>625,654</u>	<u>2,059,497</u>
Total net position - ending	<u>\$ 932,147</u>	<u>\$ 649,606</u>	<u>\$ 753,596</u>	<u>\$2,335,349</u>

CITY OF GERMANTOWN, TENNESSEE

COMBINING STATEMENT OF CASH FLOWS – NONMAJOR ENTERPRISE FUNDS

For the Year Ended June 30, 2016

	<u>Sanitation Fund</u>	<u>Great Hall Fund</u>	<u>Stormwater Fund</u>	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from customers	\$ 3,411,869	\$ 421,452	\$ 1,002,226	\$ 4,835,547
Cash paid to suppliers	(2,864,630)	(222,149)	(302,662)	(3,389,441)
Cash paid to employees	(130,957)	(172,070)	(544,921)	(847,948)
Net cash provided by operating activities	416,282	27,233	154,643	598,158
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfer from other funds	-	225,000	-	225,000
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition of capital assets	-	(106,450)	(90,000)	(196,450)
Interest paid	-	(7,476)	-	(7,476)
Net cash used for capital and related financing activities	-	(113,926)	(90,000)	(203,926)
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of investments	(25,748)	-	-	(25,748)
Interest received	4,858	270	2,608	7,736
Net cash provided (used) by investing activities	(20,890)	270	2,608	(18,012)
Net increase in cash and cash equivalents	395,392	138,577	67,251	601,220
Cash and cash equivalents - beginning	902,489	155,777	505,700	1,563,966
Cash and cash equivalents - ending	<u>\$ 1,297,881</u>	<u>\$ 294,354</u>	<u>\$ 572,951</u>	<u>\$ 2,165,186</u>

CITY OF GERMANTOWN, TENNESSEE

COMBINING STATEMENT OF CASH FLOWS – NONMAJOR ENTERPRISE FUNDS
(CONTINUED)

For the Year Ended June 30, 2016

	<u>Sanitation Fund</u>	<u>Great Hall Fund</u>	<u>Stormwater Fund</u>	<u>Total</u>
Reconciliation of Operating				
Income (Loss) to Net Cash Provided (Used) By				
Operating Activities				
Operating income (loss)	\$ (2,910)	\$ (71,832)	\$ 125,334	\$ 50,592
Adjustments to reconcile operating income				
(loss) to net cash provided				
by operating activities				
Depreciation expense	-	59,627	33,131	92,758
Increase in assets:				
Accounts receivable	(12,238)	(18,089)	(1,530)	(31,857)
Increase (decrease) in liabilities:				
Accounts payable	431,102	54,558	16,918	502,578
Compensated absences	(280)	616	(19,210)	(18,874)
Customer deposits	-	2,353	-	2,353
Unearned revenue	608	-	-	608
Total adjustments	<u>419,192</u>	<u>99,065</u>	<u>29,309</u>	<u>547,566</u>
Net cash provided by operating activities	<u>\$ 416,282</u>	<u>\$ 27,233</u>	<u>\$ 154,643</u>	<u>\$ 598,158</u>

CITY OF GERMANTOWN, TENNESSEE

COMBINING STATEMENT OF NET POSITION - INTERNAL SERVICE FUNDS

June 30, 2016

	<u>Health Insurance</u>	<u>Municipal School Health Insurance</u>	<u>Vehicle Maintenance</u>	<u>Total</u>
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 1,297,795	\$ 798,927	\$ 369,179	\$ 2,465,901
Investments	-	1,000,815	-	1,000,815
Accounts receivable - other	3,011	175,166	-	178,177
Inventory	-	-	81,852	81,852
Total current assets	<u>1,300,806</u>	<u>1,974,908</u>	<u>451,031</u>	<u>3,726,745</u>
Noncurrent assets:				
Capital assets:				
Buildings	-	-	2,016,445	2,016,445
Machinery and equipment	-	-	744,667	744,667
	-	-	<u>2,761,112</u>	<u>2,761,112</u>
Less accumulated depreciation	-	-	(832,236)	(832,236)
Total capital assets	<u>-</u>	<u>-</u>	<u>1,928,876</u>	<u>1,928,876</u>
Total assets	1,300,806	1,974,908	2,379,907	5,655,621
LIABILITIES				
Current liabilities:				
Accounts payable	<u>311,161</u>	<u>308,978</u>	<u>58,212</u>	<u>678,351</u>
NET POSITION				
Invested in capital assets	-	-	1,928,876	1,928,876
Unrestricted	989,645	1,665,930	392,819	3,048,394
Total net position	<u>\$ 989,645</u>	<u>\$ 1,665,930</u>	<u>\$ 2,321,695</u>	<u>\$ 4,977,270</u>

CITY OF GERMANTOWN, TENNESSEE

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

For the Year Ended June 30, 2016

	<u>Health Insurance</u>	<u>Municipal School Health Insurance</u>	<u>Vehicle Maintenance</u>	<u>Total</u>
Operating Revenues:				
Charges for services	\$ 4,259,686	\$ 4,060,784	\$ 1,168,521	\$ 9,488,991
Operating Expenses:				
Personnel services	-	-	594,519	594,519
Materials and supplies	-	-	106,787	106,787
Other services and charges	4,247,973	3,764,338	324,687	8,336,998
Depreciation	-	-	142,872	142,872
Total operating expenses	<u>4,247,973</u>	<u>3,764,338</u>	<u>1,168,865</u>	<u>9,181,176</u>
Change in net position	11,713	296,446	(344)	307,815
Total net position - beginning	<u>977,932</u>	<u>1,369,484</u>	<u>2,322,039</u>	<u>4,669,455</u>
Total net position - ending	<u>\$ 989,645</u>	<u>\$ 1,665,930</u>	<u>\$ 2,321,695</u>	<u>\$ 4,977,270</u>

CITY OF GERMANTOWN, TENNESSEE

COMBINING STATEMENT OF CASH FLOWS - INTERNAL SERVICE FUNDS

For the Year Ended June 30, 2016

	<u>Health Insurance</u>	<u>Municipal School Health Insurance</u>	<u>Vehicle Maintenance</u>	<u>Totals</u>
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from customers and users	\$ 4,260,088	\$ 3,885,618	\$ 1,168,521	\$ 9,314,227
Cash received from grantors	-	-	-	-
Cash paid to suppliers	(4,415,545)	(3,708,117)	(416,639)	(8,540,301)
Cash paid to employees	-	-	(596,819)	(596,819)
Net cash provided (used) by operating activities	<u>(155,457)</u>	<u>177,501</u>	<u>155,063</u>	<u>177,107</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Purchases of capital assets	-	-	(62,976)	(62,976)
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchases of capital assets	-	(1,000,815)	-	(1,000,815)
Net increase (decrease) in cash and cash equivalents	(155,457)	(823,314)	92,087	(886,684)
Cash and cash equivalents - beginning of the year	<u>1,453,252</u>	<u>1,622,241</u>	<u>277,092</u>	<u>3,352,585</u>
Cash and cash equivalents - end of the year	<u>\$ 1,297,795</u>	<u>\$ 798,927</u>	<u>\$ 369,179</u>	<u>\$ 2,465,901</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) By Operating Activities:				
Operating income (loss)	\$ 11,713	\$ 296,446	\$ (344)	\$ 307,815
Adjustment to reconcile operating income (loss) to net cash provided (used) by operating activities				
Depreciation expense	-	-	142,872	142,872
(Increase) decrease in accounts receivable	402	(175,166)	-	(174,764)
(Increase) decrease in inventories	-	-	4,690	4,690
Increase (decrease) in accounts payable	(167,572)	56,221	7,845	(103,506)
Increase (decrease) in compensated absences	-	-	-	-
Total adjustments	<u>(167,170)</u>	<u>(118,945)</u>	<u>155,407</u>	<u>(130,708)</u>
Net cash provided (used) by operating activities	<u>\$ (155,457)</u>	<u>\$ 177,501</u>	<u>\$ 155,063</u>	<u>\$ 177,107</u>

CITY OF GERMANTOWN, TENNESSEE

COMBINING STATEMENT OF CHANGES IN ASSETS
AND LIABILITIES – AGENCY FUNDS

For the Year Ended June 30, 2016

	Balance July 1, 2015	Additions	Deletions	Balance June 30, 2016
BAIL DEPOSIT FUND				
Assets				
Cash and cash equivalents	\$ 41,237	\$ 131,483	\$ 132,960	\$ 39,760
Liabilities				
Deposits held in trust	\$ 41,237	\$ 131,483	\$ 132,960	\$ 39,760
SCHOOL STUDENT ACTIVITY FUND				
Assets				
Cash and cash equivalents	\$ 792,218	\$ 2,367,739	\$ 2,222,436	\$ 937,521
Inventory	11,622	6,891	-	18,513
Total assets	<u>\$ 803,840</u>	<u>\$ 2,374,630</u>	<u>\$ 2,222,436</u>	<u>\$ 956,034</u>
Liabilities				
Due to schools	<u>\$ 803,840</u>	<u>\$ 2,374,630</u>	<u>\$ 2,222,436</u>	<u>\$ 956,034</u>
TOTALS - ALL AGENCY FUNDS				
Assets				
Cash and cash equivalents	\$ 833,455	\$ 2,499,222	\$ 2,355,396	\$ 977,281
Inventory	11,622	6,891	-	18,513
Total assets	<u>\$ 845,077</u>	<u>\$ 2,506,113</u>	<u>\$ 2,355,396</u>	<u>\$ 995,794</u>
Liabilities				
Deposits held in trust	\$ 41,237	\$ 131,483	\$ 132,960	\$ 39,760
Due to schools	803,840	2,374,630	2,222,436	956,034
Total liabilities	<u>\$ 845,077</u>	<u>\$ 2,506,113</u>	<u>\$ 2,355,396</u>	<u>\$ 995,794</u>

CITY OF GERMANTOWN, TENNESSEE

SCHEDULE OF PRINCIPAL AND INTEREST MATURITIES
SERIAL GENERAL OBLIGATION BONDS

June 30, 2016

	Series 09 Bonds		Series 11 Bonds		Series 13 Bonds (Series A)		Series 13 Bonds (Series B)		Series 16 Bonds (Series A)		Series 16 Bonds (Series B)		Total Series Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2017	\$ 510,000	\$ 84,144	\$ 265,000	\$ 129,525	\$ 145,000	\$ 88,244	\$ 880,000	\$ 95,240	\$ 580,000	\$ 411,132	\$ 90,000	\$ 572,267	\$ 2,470,000	\$ 1,380,552
2018	525,000	67,569	270,000	124,175	150,000	85,294	895,000	77,490	265,000	321,750	195,000	462,200	2,300,000	1,138,478
2019	540,000	49,194	275,000	118,725	155,000	82,244	240,000	63,740	260,000	316,450	200,000	458,300	1,670,000	1,088,653
2020	270,000	30,294	280,000	113,175	155,000	79,144	250,000	53,940	555,000	311,250	205,000	454,300	1,715,000	1,042,103
2021	275,000	20,844	285,000	107,525	160,000	75,994	260,000	43,740	535,000	294,600	210,000	450,200	1,725,000	992,903
2022	290,000	10,875	290,000	101,775	160,000	72,794	270,000	33,140	460,000	273,200	210,000	446,000	1,680,000	937,784
2023	-	-	295,000	95,188	165,000	69,337	280,000	24,590	435,000	264,000	220,000	439,700	1,395,000	892,815
2024	-	-	305,000	87,688	170,000	65,568	285,000	18,234	460,000	242,250	225,000	435,300	1,445,000	849,040
2025	-	-	310,000	79,613	175,000	61,381	295,000	11,413	480,000	219,250	230,000	428,550	1,490,000	800,207
2026	-	-	320,000	70,950	175,000	56,831	300,000	3,900	505,000	195,250	240,000	419,350	1,540,000	746,281
2027	-	-	330,000	61,600	180,000	51,856	-	-	530,000	170,000	250,000	409,750	1,290,000	693,206
2028	-	-	340,000	51,550	185,000	46,381	-	-	560,000	143,500	265,000	397,250	1,350,000	638,681
2029	-	-	350,000	41,200	195,000	40,559	-	-	580,000	115,500	270,000	384,000	1,395,000	581,259
2030	-	-	360,000	30,325	200,000	34,263	-	-	210,000	86,500	285,000	370,500	1,055,000	521,588
2031	-	-	375,000	18,606	205,000	27,425	-	-	225,000	76,000	300,000	356,250	1,105,000	478,281
2032	-	-	385,000	6,256	215,000	20,075	-	-	235,000	64,750	315,000	341,250	1,150,000	432,331
2033	-	-	-	-	220,000	12,325	-	-	245,000	53,000	330,000	325,500	795,000	390,825
2034	-	-	-	-	230,000	4,169	-	-	260,000	40,750	345,000	309,000	835,000	353,919
2035	-	-	-	-	-	-	-	-	270,000	27,750	365,000	291,750	635,000	319,500
2036	-	-	-	-	-	-	-	-	285,000	14,250	385,000	273,500	670,000	287,750
2037	-	-	-	-	-	-	-	-	-	-	405,000	254,250	405,000	254,250
2038	-	-	-	-	-	-	-	-	-	-	425,000	234,000	425,000	234,000
2039	-	-	-	-	-	-	-	-	-	-	445,000	212,750	445,000	212,750
2040	-	-	-	-	-	-	-	-	-	-	465,000	190,500	465,000	190,500
2041	-	-	-	-	-	-	-	-	-	-	490,000	167,250	490,000	167,250
2042	-	-	-	-	-	-	-	-	-	-	515,000	142,750	515,000	142,750
2043	-	-	-	-	-	-	-	-	-	-	540,000	117,000	540,000	117,000
2044	-	-	-	-	-	-	-	-	-	-	570,000	90,000	570,000	90,000
2045	-	-	-	-	-	-	-	-	-	-	600,000	61,500	600,000	61,500
2046	-	-	-	-	-	-	-	-	-	-	630,000	31,500	630,000	31,500
	<u>\$ 2,410,000</u>	<u>\$ 262,920</u>	<u>\$ 5,035,000</u>	<u>\$ 1,237,876</u>	<u>\$ 3,240,000</u>	<u>\$ 973,884</u>	<u>\$ 3,955,000</u>	<u>\$ 425,427</u>	<u>\$ 7,935,000</u>	<u>\$ 3,641,132</u>	<u>\$ 10,220,000</u>	<u>\$ 9,526,417</u>	<u>\$ 32,795,000</u>	<u>\$ 16,067,656</u>

CITY OF GERMANTOWN, TENNESSEE

SCHEDULE OF PRINCIPAL AND INTEREST MATURITIES
SETTLEMENT LIABILITY

June 30, 2016

	Settlement Liability		
	Principal	Interest	Total
2017	\$ 254,896	\$ 100,557	\$ 355,453
2018	263,514	91,939	355,453
2019	272,425	83,028	355,453
2020	281,636	73,817	355,453
2021	291,159	64,294	355,453
2022	301,004	54,449	355,453
2023	311,182	44,271	355,453
2024	321,704	33,749	355,453
2025	332,582	22,871	355,453
2026	343,827	11,626	355,453
	<u>\$ 2,973,929</u>	<u>\$ 580,601</u>	<u>\$ 3,554,530</u>

CITY OF GERMANTOWN, TENNESSEE

SCHEDULE OF PRINCIPAL AND INTEREST MATURITIES
SERIAL BONDS

June 30, 2016

	Series 06 Bonds		Series 08 Bonds		Total Series Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
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>\$ 1,000,000</u>	<u>\$ 60,400</u>	<u>\$ 1,700,000</u>	<u>\$ 103,800</u>	<u>\$ 2,700,000</u>	<u>\$ 164,200</u>

CITY OF GERMANTOWN, TENNESSEE

SCHEDULE OF OFFICIAL BONDS OF PRINCIPAL OFFICIALS

June 30, 2016

	<u>Amount of Bond/Insurance *</u>
Mayor	\$500,000
Honorable Mike Palazzolo	
Five Aldermen (each) *	
Rocky Janda	500,000
Forrest Owens	500,000
Mary Anne Gibson	500,000
David Klevan	500,000
John Barzizza	500,000
City Administrator *	
Patrick J. Lawton	500,000
City Clerk Recorder *	
Michele Betty	500,000
Economic and Community Development Director *	
Cameron Ross	500,000
Finance Director*	
Paul A. Turner	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 *	
Steve Wilensky	500,000
Information Technology Director *	
Tony Fischer	500,000
Library Services Director*	
Daniel Page	500,000
Parks and Recreation Director *	
Pam Beasley	500,000
Police Chief *	
Richard Hall	500,000
Public Service Director *	
Bo Mills	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, 2016

Grantor/Pass-through Grantor	CFDA #	Grant Number	Receivable (Deferral) June 30, 2015	Receipts 2016	Expenditures 2016	Receivable (Deferral) June 30, 2016
Federal Awards						
USDA/TN Department of Education						
School Breakfast Program	10.553	N/A	\$ -	\$ 174,741	\$ 174,741	\$ -
National School Lunch Program	10.555	N/A	-	16,172	16,172	-
Subtotal - Nutrition Cluster			-	190,913	190,913	-
Fresh Fruit and Vegetable Program	10.582	N/A	-	56,185	56,185	-
Healthy, Hunger-Free Kids Act of 2010	10.592	N/A	-	1,971	1,971	-
Total USDA			-	249,069	249,069	-
US Dept of Transportation/TN Dept of Transportation						
Highway Planning and Construction	20.205	Fed Proj #STP-M-9420(1) & 9420(5)	118,713	1,046,531	1,519,194	591,376
Highway Planning and Construction	20.205	Fed Proj #HSIP-R-177(28)	20,418	20,418	-	-
Highway Planning and Construction	20.205	Fed Proj #STP-M-NH-177(37)	6,668	10,254	27,554	23,968
Highway Planning and Construction	20.205	Fed Proj #STO-M-NH-177(36)	32,348	75,680	62,095	18,763
Highway Planning and Construction	20.205	Fed Proj #STP-M-9420(7)	-	-	198	198
Highway Planning and Construction	20.205	Fed Proj #STP -M-9420(8)	-	-	145,857	145,857
Highway Planning and Construction	20.205	Fed Proj #STP-M-NH-57(62)	24,953	36,929	28,328	16,352
Highway Planning and Construction	20.205	Fed Proj #STP-M-5431(10)	13,352	770,934	764,831	7,249
Total DOT			216,452	1,960,746	2,548,057	803,763
US Dept of Education/TN Department of Education						
Title I Grants to Local Education Agencies	84.010	S010A140042	280	256,262	284,142	28,160
Consolidated Admin	84.010	N/A	-	22,689	16,939	(5,750)
Subtotal - Title I-A			280	278,951	301,081	22,410

See accompanying notes to the schedule.

CITY OF GERMANTOWN, TENNESSEE

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS (CONTINUED)

For the Year Ended June 30, 2016

Grantor/Pass-through Grantor	CFDA #	Grant Number	Receivable (Deferral) June 30, 2015	Receipts 2016	Expenditures 2016	Receivable (Deferral) June 30, 2016
Special Education Grants to States	84.027	H207A140052	-	964,438	1,057,047	92,609
Special Education Preschool Grants	84.173	H173A140095	-	12,571	12,571	-
Subtotal - Special Education Cluster			-	977,009	1,069,618	92,609
English Language Acquisition State Grants	84.365	S365A140042	-	12,956	13,406	450
Title III - Immigration Supplement	84.365	S365B140042	-	3,802	3,802	-
Consolidated Admin	84.365	N/A	-	471	471	-
Subtotal - Title III-ELL			-	17,229	17,679	450
Supporting Effective Instruction State Grant	84.367	SO13A150042	3,732	132,092	143,038	14,678
Consolidated Admin	84.367	N/A	-	29,645	29,645	-
Subtotal - Title II-A			3,732	161,737	172,683	14,678
Career and Tech Educational State Grants	84.048	V048A150042	-	37,248	37,248	-
Total USDOE			4,012	1,472,174	1,598,309	130,147
TOTAL FEDERAL AWARDS			220,464	3,681,989	4,395,435	933,910
<u>State Financial Assistance</u>						
Department of Transportation	N/A	Fed Proj #STP-M-NH-177(37)	834	1,282	3,444	2,996
Department of Transportation	N/A	Fed Proj #STO-M-NH-177(36)	8,087	18,920	15,524	4,691
Department of Transportation	N/A	Fed Proj #STP-M-NH-57(62)	6,238	9,235	7,085	4,088
DOE Coordinated School Health	N/A	N/A	-	89,643	89,643	-
DOE Safe Schools Act of 1998	N/A	N/A	-	19,655	19,655	-
DOE Child Nutrition State	N/A	N/A	-	13,789	13,789	-
DOE Governor's Leadership Training	N/A	N/A	-	2,032	2,032	-
TOTAL FEDERAL AND STATE AWARDS			\$ 235,623	\$ 3,836,545	\$ 4,546,607	\$ 945,685

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, 2016

NOTE A – BASIS OF PRESENTATION

The schedule of expenditures of federal and state awards (the Schedule) includes the federal and state grant activity of the City of Germantown, TN (the City) under programs of the federal and state governments for the year ended June 30, 2016. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). 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 position, or cash flows of the City.

NOTE B – 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 either OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, or the Uniform Guidance, as applicable, wherein certain types of expenditures are not allowable or are limited as to reimbursement.
- 2) Pass-through entity contract numbers are presented where available.
- 3) There were no federal awards passed through to subrecipients.
- 4) The City has elected not to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE C – 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	\$ 4,671,072
Change in deferred revenue at the fund level	110,354
Non-federal and non-state grants	<u>(234,819)</u>
Total federal and state awards	<u>\$ 4,546,607</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	156
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	161
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	169
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	173
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 Ten Fiscal Years
(accrual basis of accounting)

Exhibit F-1

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Governmental activities										
Net investment in capital assets	\$ 122,549,250	\$ 131,667,006	\$ 129,976,697	\$ 79,702,940	\$ 64,381,386	\$ 52,900,774	\$ 45,980,201	\$ 45,178,360	\$ 39,655,346	\$ 39,655,346
Restricted	513,416	575,787	346,637	1,218,763	1,768,896	2,511,848	1,692,290	1,661,780	1,406,872	1,288,885
Unrestricted	55,933,177	32,626,737	27,785,350	2,868,826	25,674,724	30,107,655	33,132,833	33,988,429	39,928,257	35,020,161
Total governmental activities net position	<u>\$ 178,995,843</u>	<u>\$ 164,869,530</u>	<u>\$ 158,108,684</u>	<u>\$ 83,790,529</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>
Business-type activities										
Net investment in capital assets	\$ 58,656,256	\$ 55,875,216	\$ 54,777,680	\$ 55,092,513	\$ 54,753,414	\$ 52,829,038	\$ 52,457,209	\$ 49,924,751	\$ 50,914,976	\$ 46,556,454
Unrestricted	7,944,814	6,781,658	6,306,322	5,857,711	7,011,809	8,447,174	6,523,107	8,680,195	6,267,677	6,216,531
Total business-type activities net position	<u>\$ 66,601,070</u>	<u>\$ 62,656,874</u>	<u>\$ 61,084,002</u>	<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>
Primary government										
Net investment in capital assets	\$ 181,205,506	\$ 187,542,222	\$ 184,754,377	\$ 134,795,453	\$ 119,134,800	\$ 105,729,812	\$ 98,437,410	\$ 95,103,111	\$ 90,570,322	\$ 86,211,800
Restricted	513,416	575,787	346,637	1,218,763	1,768,896	2,511,848	1,692,290	1,661,780	1,406,872	1,288,885
Unrestricted	63,877,991	39,408,395	34,091,672	26,726,537	32,686,533	38,554,829	39,655,940	42,668,624	46,195,934	41,236,692
Total primary government net position	<u>\$ 245,596,913</u>	<u>\$ 227,526,404</u>	<u>\$ 219,192,686</u>	<u>\$ 162,740,753</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>

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

Exhibit F-2

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Expenses										
Governmental activities:										
General government	\$ 14,852,522	\$ 10,883,179	\$ 9,815,248	\$ 15,085,014	\$ 14,455,690	\$ 13,883,051	\$ 14,126,482	\$ 12,165,467	\$ 10,074,368	\$ 11,172,137
Public safety	23,000,775	20,763,626	19,605,811	18,283,716	18,714,470	17,670,477	16,746,970	16,687,140	16,918,305	15,186,485
Community services	4,191,362	4,013,624	3,757,032	4,286,244	3,038,987	3,013,028	2,768,856	4,775,897	5,201,066	5,329,489
Transportation and environment	9,710,135	8,296,168	7,696,305	5,436,003	5,969,305	4,792,033	5,434,148	5,088,019	4,279,001	2,891,573
Education	46,068,542	40,182,352	5,918,915	-	-	-	-	-	-	-
Interest and fiscal charges	1,358,382	679,845	831,623	1,415,478	950,133	798,410	877,138	786,612	878,503	1,062,319
Total governmental activities expenses	<u>99,181,718</u>	<u>84,818,794</u>	<u>47,624,934</u>	<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>
Business-type activities:										
Utilities	6,658,862	7,184,410	7,279,545	7,309,861	6,884,307	7,230,379	7,046,258	6,502,565	6,100,526	5,928,575
Athletic Club	3,493,131	3,278,419	3,257,518	3,404,771	3,579,023	3,523,561	3,486,381	3,588,475	2,992,340	2,673,695
Sanitation	-	-	-	-	3,409,532	3,997,349	3,886,086	3,824,101	3,706,306	3,609,186
Nonmajor Enterprise Fund	4,821,327	4,717,365	4,851,474	4,587,955	1,387,559	1,253,252	366,376	-	-	-
Total business-type activities expenses	<u>14,973,320</u>	<u>15,180,194</u>	<u>15,388,537</u>	<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>
Total primary government expenses	<u>\$ 114,155,038</u>	<u>\$ 99,998,988</u>	<u>\$ 63,013,471</u>	<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>
Program Revenues										
Governmental activities:										
Charges for services:										
General government	\$ 2,791,978	\$ 2,058,870	\$ 2,006,017	\$ 1,266,206	\$ 1,156,280	\$ 1,517,274	\$ 1,736,391	\$ 1,497,312	\$ 1,581,629	\$ 1,824,188
Public safety	1,182,858	1,298,067	943,545	175,474	484,006	590,284	431,689	446,496	630,712	1,050,389
Community services	832,155	803,292	455,041	348,865	600,909	546,195	694,866	610,060	554,945	567,634
Transportation and environment	952,147	970,079	969,947	978,001	956,379	971,709	1,142,344	953,711	972,327	982,354
Education	3,207,977	729,266	-	-	-	-	-	-	-	-
Operating grants and contributions	35,388,857	34,081,394	6,703,431	7,103,351	1,401,676	1,607,271	1,731,228	1,237,633	1,547,919	450,883
Capital grants and contributions	4,597,615	620,874	53,265,528	10,316,156	8,269,611	5,025,552	280,244	400,000	162,546	733,382
Total governmental activities program revenues	<u>48,953,587</u>	<u>40,561,842</u>	<u>64,343,509</u>	<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>
Business-type activities:										
Charges for services:										
Utilities	8,917,412	8,468,543	6,681,013	6,793,703	7,471,805	7,896,551	6,598,459	7,030,835	7,991,054	8,486,257
Athletic Club	4,253,656	4,095,114	4,026,672	3,900,935	3,709,915	3,517,289	3,221,736	3,003,894	2,131,190	2,090,233
Sanitation	-	-	-	-	3,530,418	3,944,499	3,905,442	3,810,426	3,750,835	3,731,045
Nonmajor Enterprise Fund	4,864,443	4,823,836	4,866,213	4,853,521	1,280,333	1,074,264	114,998	-	-	-
Capital grants and contributions	1,085,523	329,674	259,000	86,243	116,797	171,857	417,437	96,502	1,475,640	1,320,633
Total business-type activities program revenues	<u>19,121,034</u>	<u>17,717,167</u>	<u>15,832,898</u>	<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>
Total primary government program revenues	<u>\$ 68,074,621</u>	<u>\$ 58,925,385</u>	<u>\$ 80,176,407</u>	<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>
Net (expense)/revenue										
Governmental activities	\$ 50,228,131	\$ 44,256,952	\$ (16,718,575)	\$ (24,318,402)	\$ (30,259,724)	\$ (29,898,714)	\$ (33,936,832)	\$ (34,357,923)	\$ (31,901,165)	\$ (30,033,173)
Business-type activities	(4,147,714)	(2,536,973)	(444,361)	331,815	848,847	599,919	(527,029)	26,516	2,549,547	3,416,712
Total primary government net expense	<u>\$ 46,080,417</u>	<u>\$ 41,719,979</u>	<u>\$ (17,162,936)</u>	<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>

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

Exhibit F-3

Function/Program	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Governmental activities:										
General government	\$ 2,791,978	\$ 2,058,870	\$ 2,006,017	\$ 1,266,206	\$ 1,156,280	\$ 1,517,274	\$ 1,736,391	\$ 1,497,312	\$ 1,581,629	\$ 2,187,448
Public safety	1,182,858	1,298,067	943,545	175,474	484,006	590,284	431,689	446,496	630,712	1,588,031
Community services	832,155	803,292	455,041	348,865	600,909	546,195	694,866	610,060	554,945	850,997
Transportation and environment	952,147	970,079	969,947	978,001	956,379	971,709	1,142,344	953,711	972,327	982,354
Education	3,207,977	729,266	-	-	-	-	-	-	-	-
Total governmental activities	8,967,115	5,859,574	4,374,550	2,768,546	3,197,574	3,625,462	4,005,290	3,507,579	3,739,613	5,608,830
Business-type activities:										
Utilities	8,917,412	8,468,543	6,681,013	6,793,703	7,471,805	7,896,551	6,598,459	7,030,835	7,991,054	9,806,890
Athletic Club	4,253,656	4,095,114	4,026,672	3,900,935	3,709,915	3,517,289	3,221,736	3,003,894	2,131,190	2,090,233
Sanitation	-	-	-	-	3,530,418	3,944,499	3,905,442	3,810,426	3,750,835	3,731,045
Nonmajor Enterprise Fund	4,864,443	4,823,836	4,866,213	4,853,521	1,280,333	1,074,264	114,998	-	-	-
Total business-type activities	18,035,511	17,387,493	15,573,898	15,548,159	15,992,471	16,432,603	13,840,635	13,845,155	13,873,079	15,628,168
Total primary government	\$ 27,002,626	\$ 23,247,067	\$ 19,948,448	\$ 18,316,705	\$ 19,190,045	\$ 20,058,065	\$ 17,845,925	\$ 17,352,734	\$ 17,612,692	\$ 21,236,998

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

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
General fund										
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,783,367	\$ 2,824,036	\$ 2,090,726	\$ 2,296,984
Unreserved	-	-	-	-	-	-	20,626,286	21,242,586	23,660,623	23,741,000
Nonspendable	1,439,204	696,207	829,361	953,837	1,073,255	1,192,317	-	-	-	-
Committed	15,897,287	14,769,333	15,121,607	14,031,590	12,828,407	13,027,239	-	-	-	-
Assigned	2,449,205	2,589,254	1,823,473	1,358,669	325,000	2,583,000	-	-	-	-
Unassigned	12,072,176	10,195,572	6,295,396	2,876,078	2,483,836	3,024,170	-	-	-	-
Total general fund	<u>\$ 31,857,872</u>	<u>\$ 28,250,366</u>	<u>\$ 24,069,837</u>	<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>
Municipal Schools										
Unassigned	<u>\$ 8,864,313</u>	<u>\$ 5,289,945</u>								
Total Municipal Schools	<u>\$ 8,864,313</u>	<u>\$ 5,289,945</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>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,314,245</u>	<u>\$ 5,223,684</u>	<u>\$ 3,606,404</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
Unreserved, reported in:										
Special revenue funds	-	-	-	-	-	-	1,643,192	1,821,642	1,791,386	1,526,765
Capital projects funds	-	-	-	-	-	-	5,065,140	7,983,234	5,619,174	4,954,762
Nonspendable	-	-	69,811	-	-	-	-	-	-	-
Restricted	513,416	575,787	346,637	904,907	393,863	91,532	-	-	-	-
Committed	17,863,458	5,305,410	4,512,531	2,214,284	1,582,384	3,894,476	-	-	-	-
Assigned	3,639,815	1,242,927	2,125,718	1,209,127	6,454,853	3,782,504	-	-	-	-
Unassigned	1,783,481	954	(66,597)	-	-	-	-	-	-	-
Total all other governmental funds	<u>\$ 23,800,170</u>	<u>\$ 7,125,078</u>	<u>\$ 6,988,100</u>	<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>

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>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Revenues										
Taxes	\$ 95,029,659	\$ 90,177,767	\$ 44,119,410	\$ 38,220,104	\$ 35,571,416	\$ 35,306,525	\$ 34,829,681	\$ 34,606,858	\$ 36,882,620	\$ 34,496,302
Fines and forfeitures	1,438,013	750,866	778,641	812,454	766,110	1,126,108	1,321,613	1,059,200	1,107,391	1,327,456
Licenses and permits	1,032,397	1,071,188	1,026,260	1,036,498	1,004,480	1,029,855	1,037,046	1,038,469	1,059,548	1,052,800
Fees for services	2,707,962	2,163,055	1,112,584	377,852	338,750	532,018	559,298	468,260	469,961	439,648
Interest on investments	166,588	75,688	65,482	82,582	109,193	128,522	244,182	783,049	1,484,404	1,838,031
Grants	4,671,072	2,668,322	3,195,374	9,555,678	8,661,249	5,524,638	923,104	157,319	244,501	1,107,120
Other revenues	4,505,315	2,332,403	2,427,881	3,271,793	2,755,933	2,506,910	2,103,392	2,007,269	2,355,595	2,515,895
Total revenues	<u>109,551,006</u>	<u>99,239,289</u>	<u>52,725,632</u>	<u>53,356,961</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>
Expenditures										
General government	13,300,569	10,380,587	9,505,519	10,121,258	10,214,400	9,868,644	9,731,390	9,746,932	9,742,760	8,940,800
Public safety	19,920,357	19,361,763	18,850,518	18,984,883	19,213,459	17,788,685	17,499,614	16,917,276	16,700,245	14,826,704
Community services	3,214,441	3,310,940	3,029,081	4,410,517	3,204,284	3,047,641	3,115,601	4,202,211	4,995,877	4,753,135
Transportation and Environment	6,112,829	6,291,023	5,825,167	6,043,143	6,144,103	4,803,913	5,528,735	5,030,665	4,140,337	4,583,977
Education	48,729,295	42,328,473	2,603,341	-	-	-	-	-	-	-
Debt service										
Principal	6,765,000	2,480,000	8,290,000	2,545,000	2,200,000	2,175,000	2,055,000	2,025,000	1,950,000	2,250,000
Interest	959,454	688,485	762,645	830,248	863,525	842,142	897,181	810,284	900,535	1,086,395
Bond issuance cost	-	-	-	-	-	-	-	109,525	-	62,078
Capital outlay	8,454,713	5,127,384	7,214,238	18,168,534	14,650,580	11,077,073	2,628,245	5,115,870	2,827,924	3,913,926
Total expenditures	<u>107,456,658</u>	<u>89,968,655</u>	<u>56,080,509</u>	<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>
Excess of revenues over (under) expenditures	2,094,348	9,270,634	(3,354,877)	(7,746,622)	(7,283,220)	(3,448,522)	(437,450)	(3,837,339)	2,346,342	2,360,237
Other financing sources (uses)										
Transfers in	9,400,156	7,860,761	4,547,201	2,582,496	3,684,323	3,344,058	3,646,994	3,300,000	5,400,000	3,978,000
Transfers out	(9,172,988)	(7,592,946)	(4,220,000)	(1,415,887)	(3,308,000)	(5,003,000)	(4,424,650)	(4,420,000)	(6,425,000)	(4,838,000)
Debt Proceeds - General Obligation	13,970,000	-	9,070,000	-	6,025,000	-	-	9,635,000	-	-
Refunding bond issued	4,185,000	-	-	-	-	-	-	-	-	5,555,000
Discount on bond issued	-	-	-	-	-	-	-	-	-	-
Premium on bonds issued	3,579,349	-	222,803	-	130,456	-	-	124,951	-	123,207
Payment to refunded bond escrow agent	-	-	-	-	-	-	-	(3,666,048)	-	(5,612,314)
Contribution from developers	-	-	-	-	-	-	-	-	-	-
Sale of Capital Assets	91,529	69,007	50,649	38,985	6,000	3,000	-	(1,967)	-	-
Disposal of Capital Assets	-	-	-	-	-	-	-	-	31,482	8,372
Bond Issuance Costs	(290,428)	-	(120,576)	-	(90,919)	-	-	-	-	-
Contingency	-	-	-	-	-	-	-	(311)	-	-
Total other financing sources (uses)	<u>21,762,618</u>	<u>336,822</u>	<u>9,550,077</u>	<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>
Net change in fund balances	<u>\$ 23,856,966</u>	<u>\$ 9,607,456</u>	<u>\$ 6,195,200</u>	<u>\$ (6,541,028)</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>
Debt service as a percentage of noncapital expenditures	7.8%	3.7%	18.5%	7.9%	7.3%	7.8%	7.6%	7.3%	8.0%	9.1%

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

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Property Taxes	\$ 44,109,602	\$ 42,564,359	\$ 27,806,758	\$ 22,508,880	\$ 22,580,235	\$ 22,409,252	\$ 22,581,468	\$ 21,635,074	\$ 21,208,026	\$ 20,575,134
Local Sales Taxes	17,738,516	15,525,399	9,684,656	8,844,583	7,245,188	7,144,712	6,570,006	6,546,302	7,578,275	6,759,894
State Taxes (Local Share)	33,181,541	32,088,009	6,627,996	6,866,641	5,745,993	6,118,720	5,678,207	6,425,482	8,096,319	7,161,274
Total	<u>\$ 95,029,659</u>	<u>\$ 90,177,767</u>	<u>\$ 44,119,410</u>	<u>\$ 38,220,104</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>

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					
2016	\$ 1,097,572,000	\$ 1,288,200	\$ 282,235,055	\$ 12,323,985	\$ 26,496,540	\$ 1,419,915,780	1.930	\$ 5,302,215,745	26.78%
2015	1,089,881,650	1,194,550	282,283,980	13,470,927	28,081,710	1,414,912,817	1.930	5,277,145,095	26.81%
2014	1,086,542,975	1,630,500	294,463,130	12,946,203	26,852,980	1,422,435,788	1.930	5,292,064,151	26.88%
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%

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

Note: Property in Shelby County is reassessed once every four 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	
2016	\$ 1.930	\$ 1.45	\$ 2.14	\$ 0.78	\$ -	\$ 6.30
2015	1.930	1.45	2.14	0.78	-	6.30
2014	1.930	1.45	2.14	0.78	-	6.30
2013	1.485	1.36	1.91	0.75	0.04	5.55
2012	1.485	1.36	1.91	0.75	0.04	5.55
2011	1.425	1.36	1.91	0.75	0.04	5.49
2010	1.425	1.33	1.90	0.79	0.04	5.49
2009	1.54	1.23	1.98	0.81	0.04	5.60
2008	1.54	1.22	2.02	0.80	0.05	5.63
2007	1.54	1.22	2.02	0.80	0.05	5.63

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 Ten Years Ago

Taxpayer	2016			2006		
	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.	\$ 16,848,760	1	1.20%	\$ -	-	-
HCP Germantown LLC	9,664,320	2	0.69%	-	-	-
V A Germantown LLC	8,310,400	3	0.59%	-	-	-
Germantown Village Square Joint Venture	6,807,400	4	0.48%	-	-	-
Vineyards Apartments, Inc.	6,664,520	5	0.47%	6,219,440	9	0.50%
Taylor Sentor C (TR) etal	6,116,640	6	0.43%	7,053,400	6	0.57%
Shops at Saddle Creek Inc	6,093,040	7	0.43%	-	-	-
SWC Poplar FHI Partners LLC	4,860,080	8	0.34%	-	-	-
HRT of Tennessee	4,812,520	9	0.34%	-	-	-
Baptist Memorial Healthcare Corporation	4,634,520	10	0.33%	6,067,720	10	0.49%
BIC-MTS Partners (PSO)	-	-	-	14,491,000	1	1.17%
Brook Chase Apartments LLC	-	-	-	9,423,080	2	0.76%
Belz Investment Company (PSO)	-	-	-	9,046,960	3	0.73%
Empirian Colonneade LLC	-	-	-	7,825,360	4	0.63%
Methodist Hospital of Memphis	-	-	-	7,102,830	5	0.57%
UT Medical Group Inc.	-	-	-	6,835,080	7	0.55%
SM Properties Memphis LLC	-	-	-	6,288,480	8	0.51%
Totals	\$ 74,812,200		5.30%	\$ 80,353,350		6.48%

Source: Shelby County Board of Assessments

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

<u>Levy Year</u>	<u>Total Tax Levy</u>	<u>Current Tax Collections</u>	<u>Percent of Levy Collected</u>	<u>Collections in Subsequent Years</u>	<u>Total Tax Collections</u>	<u>Percent of Tax Collections to Tax Levy</u>	<u>Outstanding Delinquent Taxes</u>	<u>Percent of Outstanding Delinquent Taxes to Tax Levy</u>
2015	\$ 27,166,522	\$ 26,791,978	98.6%	-	\$ 26,791,978	98.6%	\$ 374,544	1.4%
2014	27,047,828	26,665,756	98.6%	\$ 282,247	26,948,003	99.6%	99,825	0.4%
2013	27,203,149	26,805,236	98.5%	352,755	27,157,991	99.8%	45,158	0.2%
2012	21,762,476	21,442,774	98.5%	288,178	21,730,952	99.9%	31,524	0.1%
2011	21,982,373	21,579,284	98.2%	384,149	21,963,433	99.9%	18,940	0.1%
2010	21,335,375	21,028,288	98.6%	292,175	21,320,463	99.9%	14,912	0.1%
2009	21,291,084	20,724,774	97.3%	556,170	21,280,944	99.9%	10,140	0.0%
2008	20,832,727	20,368,950	97.8%	452,516	20,821,466	99.9%	11,261	0.1%
2007	20,306,656	19,883,309	97.9%	411,541	20,294,850	99.9%	11,806	0.1%
2006	19,770,408	19,404,872	98.2%	335,502	19,740,374	99.9%	30,034	0.2%

Note: The Shelby County Assessor's office assesses 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

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Building Materials	\$ 8,783,028	\$ 8,193,042	\$ 7,587,962	\$ 7,230,598	\$ 58,918,876	\$ 5,751,382	\$ 5,026,853	\$ 5,821,268	\$ 6,135,150	\$ 6,275,280
General Merchandise	47,143,087	45,593,824	45,515,254	43,883,755	41,511,127	39,730,828	37,640,466	38,507,812	39,133,168	32,921,730
Food Stores	89,897,399	74,450,934	70,966,313	69,706,380	74,747,953	74,471,623	73,914,195	78,156,102	75,996,649	71,903,573
MV Dealers/Service Stations	13,428,589	9,268,145	10,660,232	10,821,656	59,272,044	11,307,651	11,206,377	10,453,608	10,286,392	10,302,064
Apparel & Accessories	58,394,019	60,416,565	61,458,112	59,929,794	37,993,292	59,103,823	55,002,845	58,064,064	65,690,412	69,010,888
Furniture & Home Décor	31,402,158	29,652,335	29,080,559	34,617,549	6,241,411	33,635,931	26,561,300	30,232,779	28,835,577	25,103,179
Eating & Drinking	65,406,111	67,204,184	63,427,005	61,948,792	10,994,725	58,885,084	53,820,045	54,040,756	53,590,618	54,146,824
Other Retail	49,449,860	50,093,358	52,328,190	51,790,156	55,074,728	54,315,420	55,272,420	57,354,174	57,804,063	64,786,132
Other	81,427,826	69,380,695	62,604,962	64,872,951	73,337,760	70,191,347	63,581,646	70,223,203	83,615,875	82,036,950
	<u>\$ 445,332,077</u>	<u>\$ 414,253,082</u>	<u>\$ 403,628,589</u>	<u>\$ 404,801,631</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>

Source: Tennessee Department of Revenue, Research Division

Note: Figures subject to revision due to amended taxpayer returns

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

	2016				2007			
	<u>Number of Filers</u>	<u>Percentage of Total</u>	<u>Tax Liability</u>	<u>Percentage of Total</u>	<u>Number of Filers</u>	<u>Percentage of Total</u>	<u>Tax Liability</u>	<u>Percentage of Total</u>
Retail Trade	401	51.48%	\$ 10,688,858	83.15%	571	60.11%	\$ 7,670,702	82.84%
Services	210	26.96%	1,174,916	9.14%	230	24.21%	1,187,924	12.83%
Manufacturing	26	3.34%	122,538	0.95%	30	3.16%	100,059	1.08%
Wholesale Trade	41	5.26%	30,321	0.24%	66	6.95%	39,183	0.42%
Construction	8	1.03%	2,689	0.02%	11	1.16%	41,644	0.45%
Finance Insurance Real Estate/	4	0.51%	340	0.00%	6	0.63%	2,576	0.03%
Agriculture	8	1.03%	25,538	0.20%	13	1.37%	50,033	0.54%
Other, Non Classified	81	10.40%	810,344	6.30%	23	2.42%	167,902	1.81%
Total	779	100.00%	\$ 12,855,544	100.00%	950	100.00%	\$ 9,260,023	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. Thus, amounts presented above do not match to amounts reflected within the financial report.
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>
2016	1.625 %	1.125 %	7.00 %
2015	1.625	1.125	7.00
2014	1.625	1.125	7.00
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

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			
2016	\$ 32,795,000	\$ -	\$ -	\$ -	\$ 2,700,000	\$ -	\$ 35,495,000	23.00%	\$ 885
2015	21,141,095	-	-	-	3,743,955	-	24,885,050	19.72%	620
2014	23,614,882	-	-	-	4,715,618	-	28,330,500	22.45%	706
2013	23,337,318	-	-	-	5,652,281	-	28,989,599	22.97%	723
2012	25,954,333	-	-	-	6,454,052	-	32,408,385	24.40%	834
2011	21,402,936	-	-	-	7,310,555	-	28,713,491	18.17%	739
2010	25,466,025	-	-	-	8,137,057	-	33,603,082	23.60%	783
2009	25,585,254	-	-	-	8,913,560	-	34,498,814	20.26%	841
2008	21,611,014	-	-	-	4,264,284	-	25,875,298	15.81%	631
2007	23,540,552	-	-	-	4,600,714	-	28,141,266	17.37%	687

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	<u>Governmental Activities</u>				Total	Percentage of Actual Taxable Value of Property	Per Capita
	General Obligation Bonds	Demand Bonds	Capital Lease	Capital Note			
2016	\$ 32,795,000	\$ -	\$ -	\$ -	\$ 32,795,000	0.62%	\$ 817.36
2015	21,141,095	-	-	-	21,141,095	0.40%	526.91
2014	23,614,882	-	-	-	23,614,882	0.45%	588.56
2013	23,337,318	-	-	-	23,337,318	0.42%	581.64
2012	25,954,333	-	-	-	25,954,333	0.46%	668.17
2011	21,402,936	-	-	-	21,402,936	0.38%	551.00
2010	25,466,025	-	-	-	25,466,025	0.44%	620.96
2009	25,585,254	-	-	-	25,585,254	0.50%	624.38
2008	21,611,014	-	-	-	21,611,014	0.44%	535.30
2007	23,540,552	-	-	-	23,540,552	0.49%	582.89

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, 2016

	<u>Net Outstanding Debt</u>	<u>Percentage Applicable City of Germantown</u>	<u>Overlapping Debt</u>
City Net General Obligation Debt	\$ 32,795,000	100.00%	\$ 32,795,000
Shelby County (including School Board)	<u>1,005,370,351</u>	7.91%	<u>79,524,795</u>
Direct, Overlapping Debt	<u>\$ 1,038,165,351</u>		<u>\$ 112,319,795</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	
2016	\$ 8,917,412	\$ 4,838,161	\$ 4,079,251	\$ 990,000	\$ 128,050	3.65
2015	8,468,543	5,386,238	3,082,305	955,000	165,688	2.75
2014	6,681,013	5,386,006	1,295,007	920,000	182,608	1.17
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

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	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol units	38	37	37	37	37	37	37	37	39	38
Fire Stations	4	4	4	4	4	4	4	4	4	4
Other public works										
Streets (miles)	215	210	210	210	206	206	200	200	198.5	196.5
Highways (miles)	10.5	10.5	10.5	10.5	10.5	10.5	10.5	10.5	10.5	10.5
Streetlights	5,099	5,097	5,097	5,258	5,135	5,122	5,115	5,102	5,095	4,936
Parks and recreation										
Acreage	748	748	748	748	748	748	748	748	748	748
Playgrounds	30	30	30	30	30	30	26	26	26	26
Baseball/softball diamonds	15	15	15	15	15	15	21	21	21	21
Soccer/football fields	11	11	11	21	21	21	14	14	14	14
Community center	0	0	0	1	1	1	1	1	1	1
Water										
Water mains (miles)	256	210	235	213	209	208	208	207	206	205
Fire hydrants	2,599	2,606	2,559	2,419	2,384	2,373	2,365	2,357	2,351	2,334
Storage capacity (million gallons)	8.1	8.1	7.9	8.1	8.1	8.1	8.1	6.375	6.375	6.375
Wastewater*										
Sanitary sewers (miles)	233	210	232	213	211	211	211	210	209	208

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	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Police										
Physical arrests	1,163	1,730	1,227	1,009	2,354	2,738	2,881	2,938	2,840	2,461
Parking violations	123	159	83	101	140	164	338	132	95	55
Traffic violations	23,024	16,728	6,758	5,318	12,411	14,475	16,423	17,995	17,271	15,362
Fire										
Emergency responses	3,928	3,551	3,354	3,300	3,109	2,924	2,806	2,789	2,703	2,790
Fires extinguished	56	45	44	82	102	89	111	114	119	152
Inspections	1,939	1,515	1,613	1,585	1,803	1,210	1,193	1,233	1,272	1,096
Other public works										
Street resurfacing (miles)	8	8.75	7.5	7	8	7	5	8	8	8
Parks and recreation										
Athletic field permits issued	n/a	n/a	2		n/a	n/a	68	159	178	153
Germantown Athletic Club										
*Admissions - per day	1,568	1,310	1,233	1,232	1,132	1,029	1,004	957	779	860
*Admissions - per year	564,349	471,675	443,855	443,686	407,476	370,497	361,422	344,763	284,404	301,000
**Library										
Volumes in collection	139,545	136,005	143,618	146,819	158,689	152,129	149,974	146,141	144,090	140,337
Total volumes borrowed	347,908	324,892	333,227	356,314	351,997	367,495	372,622	367,844	323,333	289,225
Water										
New connections	58	40	56	69	42	59	51	40	101	111
Water main breaks	16	20	22	19	12	8	18	7	6	8
Average daily consumption (TGL)	7.530	6,899	7.2047	8.658	8.600	8326.000	7.038	7.518	7.779	7.650
Peak daily consumption (TGL)	13.580	13.275	13.969	15.818	17.200	15.120	15.722	15.668	21.328	21.300

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 included in these numbers

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

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

Program/Cost Center: (Full Time Equivalents- Non-Exempt/Exempt Employees)	2016		2015		2014		2013		2012		2011		2010		2009		2008		2007	
	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	-	7	-	7	3	7	1	7	-	7	-	6	-	6	-	5	-	5	-
Administration	5	0.5	5	1	5	0.5	5		4	1	5	1	5	1	5	2	9	2	9	2
Human Resources	6	-	7	-	6	-	6		6	-	6	-	6	-	6	-	6	-	6	-
Information Technology	5	-	5	-	5	-	5		5	-	4	-	3	1	2	1	2	-	5	-
Finance	11	-	10	-	16	0.5	9	1	15	1	14	1	15	1	15	1	16	-	15	1
Procurement	7	-	7	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Economic and Community Development	20	-	19	-	20	-	22		21	-	21	-	26	-	27	-	27	-	27	-
Facility Services	16	-	14	-	12	-	12		13	-	15	-	15	-	16	-	10	3	10	3
GPAC	10	1.5	10	2	9	4.5	9	36	9	5	9	5	9	5	9	4	10	5	9	5
Office of Budget & Performance	3	-	3	-	2	-	2		2	-	2	-	2	-	2	-	2	1	3	1
Public Safety																				
Police	113	-	115	1	107	-	107		110	1	109	1	109	1	108	1	108	1	106	1
Fire	67	1	66	1	70	1	79	1	69	1	69	1	68	1	68	1	69	1	69	1
Transportation & Environment																				
Public Services	38	1	39	1	39	1	44	2	39	1	38	-	44	-	29	-	29	-	29	-
Fleet Services	9	-	8	1	10	-	10		10	-	10	-	10	-	10	-	10	-	11	-
Animal Control	4	0.5	4	1	5	-	4		4	-	4	-	4	-	4	-	4	-	4	-
Community Services																				
Parks & Recreation	7	6	6	6	7	4.5	5	21	7	4	6	5	9	4	32	4	33	3	37	3
The Farm	-	1	-	1	-	1		4	-	-	-	-	-	-	-	-	-	-	-	-
Community Education	1	7.5	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Ambulance Fund	19	-	16	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Germantown Athletic Club																				
Recreation	10	11.9	10	12	11	11.9	9	69	10	12	10	12	11	11	10	12	8	15	15	15
Aquatics	2	13.5	2	14	2	13.5	2	78	2	14	2	14	2	13	2	13	2	13	3	13
Personal Training	1	3	1	1	1	1	-	-	-	-	-	-	-	-	2	-	2	-	-	-
Great Hall	2	1	2	1	2	1	-	3	2	1	2	1	2	1	-	-	-	-	-	-
Utilities																				
Water	17	-	21	-	20	-	20		20	-	20	-	20	-	20	-	20	-	21	-
Sewer	5	-	6	-	6	-	6		6	-	6	-	6	-	6	-	6	-	6	-
Sanitation	2	-	1	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Stormwater	7	-	7	-	7	-	-	-	7	-	8	-	-	-	-	-	-	-	-	-
Recreation	-	-	-	-	-	-	-	-	-	-	-	1	6	-	6	-	6	-	6	-
Municipal Schools *																				
Full Time (Employees)	505	-	517	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	899	48	908	43	368	43	363	216	368	41	367	42	378	39	385	39	384	44	396	45

Source: City of Germantown

Notes:

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

* 5,732 Students Enrolled

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

Employer	2016			2011		
	Employees	Rank	*Percentage of Total County Employment	Employees	Rank	Percentage of Total County Employment
Methodist LeBonheur Hospital – Germantown	1,960	1	0.39%	1,299	1	0.28%
Germantown Municipal School District	505	2	0.10%	--	--	--
City of Germantown	394	3	0.08%	368	3	0.08%
Stern Cardiovascular	356	4	0.07%	150	10	0.03%
Campbell Clinic	350	5	0.07%	350	4	0.08%
Kroger	332	6	0.07%	--	--	--
Villages of Germantown	330	7	0.07%	--	--	--
ThyssenKrupp Elevator Manufacturing, Inc.	291	8	0.06%	300	7	0.07%
Orgill, Inc.	284	9	0.06%	303	6	0.07%
Baptist Rehabilitation – Germantown	129	10	0.03%	305	5	0.07%
O.R. Nurses	--	--	--	228	8	0.05%
El Porton	--	--	--	200	9	0.04%
Shelby County School System	--	--	--	759	2	0.17%

*Approximately 5,059 Personnel Staff per Shelby County Human Resources Representative

**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		School Enrollment		Unemployment Rate 6
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
2014	40,123	3	113,294	3	49,857	3	8,551	6	5.6
2015	40,123	3	114,520	8	53,329	8	5,732	7	4.6
2016	40,123	3	154,355	9	54,229	9	5,732	7	3.9

Sources:

- (1) Estimated unless otherwise noted
- (2) Federal Census
- (3) Special Local Census
- (4) Memphis Business Journal
- (5) U.S. Census Bureau * 2006 Unemployment rate not available by document deadline.
2008, 2011, 2013 and 2014 Unemployment rate derived from Sperling's Best Places. 2010 Unemployment rate derived from The Commercial Appeal. 2012 unemployment rate derived from the Department of Labor and Workforce Development; 2016 derived from Homefacts.com and Career Trends.com
- (6) Homefacts.com
Note: U.S. Census Bureau and Memphis Business Journal information is reported on a calendar basis.
- (7) Germantown Municipal School District.
- (8) Sperling's Best Places.
- (9) City of Germantown Website



AWWA Free Water Audit Software: Reporting Worksheet

WAS v5.0
American Water Works Association
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Click to access definition
 Click to add a comment

Water Audit Report for: **City of Germantown (0000262)**
Reporting Year: **2016** / **7/2015 - 6/2016**

Please enter data in the white cells below. Where available, metered values should be used; if metered values are unavailable please estimate a value. Indicate your confidence in the accuracy of the input data by grading each component (n/a or 1-10) using the drop-down list to the left of the input cell. Hover the mouse over the cell to obtain a description of the grades

All volumes to be entered as: MILLION GALLONS (US) PER YEAR

To select the correct data grading for each input, determine the highest grade where the utility meets or exceeds all criteria for that grade and all grades below it.

Master Meter and Supply Error Adjustments

WATER SUPPLIED

		<----- Enter grading in column 'E' and 'J' ----->			Pcnt:	Value:		
Volume from own sources:	<input type="button" value="+"/> <input type="button" value="8"/>	<input type="text" value="8"/>	<input type="text" value="2,266.874"/>	MG/Yr	<input type="button" value="+"/> <input type="button" value="8"/>	<input type="text" value="1.00%"/>	<input type="text" value=""/>	MG/Yr
Water imported:	<input type="button" value="+"/> <input type="button" value="9"/>	<input type="text" value="9"/>	<input type="text" value="13.773"/>	MG/Yr	<input type="button" value="+"/> <input type="button" value="8"/>	<input type="text" value="1.00%"/>	<input type="text" value=""/>	MG/Yr
Water exported:	<input type="button" value="+"/> <input type="button" value="n/a"/>	<input type="text" value="n/a"/>	<input type="text" value=""/>	MG/Yr	<input type="button" value="+"/> <input type="button" value="8"/>	<input type="text" value=""/>	<input type="text" value=""/>	MG/Yr

Enter negative % or value for under-registration
Enter positive % or value for over-registration

WATER SUPPLIED: MG/Yr

AUTHORIZED CONSUMPTION

Billed metered:	<input type="button" value="+"/> <input type="button" value="8"/>	<input type="text" value="8"/>	<input type="text" value="2,105.714"/>	MG/Yr
Billed unmetered:	<input type="button" value="+"/> <input type="button" value="n/a"/>	<input type="text" value="n/a"/>	<input type="text" value=""/>	MG/Yr
Unbilled metered:	<input type="button" value="+"/> <input type="button" value="n/a"/>	<input type="text" value="n/a"/>	<input type="text" value=""/>	MG/Yr
Unbilled unmetered:	<input type="button" value="+"/> <input type="button" value="8"/>	<input type="text" value="8"/>	<input type="text" value="79.343"/>	MG/Yr

Unbilled Unmetered volume entered is greater than the recommended default value

AUTHORIZED CONSUMPTION: MG/Yr

Click here: for help using option buttons below

Pcnt: Value: MG/Yr

Use buttons to select percentage of water supplied OR value

WATER LOSSES (Water Supplied - Authorized Consumption)

MG/Yr

Apparent Losses

Unauthorized consumption: MG/Yr

Default option selected for unauthorized consumption - a grading of 5 is applied but not displayed

Customer metering inaccuracies:	<input type="button" value="+"/> <input type="button" value="8"/>	<input type="text" value="8"/>	<input type="text" value="21.270"/>	MG/Yr
Systematic data handling errors:	<input type="button" value="+"/> <input type="button" value="8"/>	<input type="text" value="8"/>	<input type="text" value="4.843"/>	MG/Yr

Apparent Losses: MG/Yr

Pcnt: Value: | | | MG/Yr |

Real Losses (Current Annual Real Losses or CARL)

Real Losses = Water Losses - Apparent Losses: MG/Yr

WATER LOSSES: MG/Yr

NON-REVENUE WATER

NON-REVENUE WATER: MG/Yr

= Water Losses + Unbilled Metered + Unbilled Unmetered

SYSTEM DATA

Length of mains:	<input type="button" value="+"/> <input type="button" value="9"/>	<input type="text" value="9"/>	<input type="text" value="225.0"/>	miles
Number of <u>active AND inactive</u> service connections:	<input type="button" value="+"/> <input type="button" value="9"/>	<input type="text" value="9"/>	<input type="text" value="14,191"/>	
Service connection density:	<input type="button" value="8"/>	<input type="text" value="8"/>	<input type="text" value="63"/>	conn./mile main

Are customer meters typically located at the curbside or property line? (length of service line, beyond the property boundary, that is the responsibility of the utility)

Average length of customer service line has been set to zero and a data grading score of 10 has been applied

Average operating pressure: psi

COST DATA

Total annual cost of operating water system:	<input type="button" value="+"/> <input type="button" value="10"/>	<input type="text" value="10"/>	<input type="text" value="\$4,485,836"/>	\$/Year
Customer retail unit cost (applied to Apparent Losses):	<input type="button" value="+"/> <input type="button" value="9"/>	<input type="text" value="9"/>	<input type="text" value="\$2.62"/>	\$/1000 gallons (US)
Variable production cost (applied to Real Losses):	<input type="button" value="+"/> <input type="button" value="9"/>	<input type="text" value="9"/>	<input type="text" value="\$305.96"/>	\$/Million gallons <input type="checkbox"/> Use Customer Retail Unit Cost to value real losses

WATER AUDIT DATA VALIDITY SCORE:

***** YOUR SCORE IS: 82 out of 100 *****

A weighted scale for the components of consumption and water loss is included in the calculation of the Water Audit Data Validity Score

PRIORITY AREAS FOR ATTENTION:

Based on the information provided, audit accuracy can be improved by addressing the following components:

- 1: Volume from own sources
- 2: Unauthorized consumption
- 3: Billed metered



AWWA Free Water Audit Software: System Attributes and Performance Indicators

WAS v5.0

American Water Works Association.
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Water Audit Report for: City of Germantown (0000262)
 Reporting Year: 2016 7/2015 - 6/2016

*** YOUR WATER AUDIT DATA VALIDITY SCORE IS: 82 out of 100 ***

System Attributes:

	Apparent Losses:	31.758	MG/Yr
+	Real Losses:	41.251	MG/Yr
=	Water Losses:	73.009	MG/Yr

? Unavoidable Annual Real Losses (UARL): 73.28 MG/Yr

Annual cost of Apparent Losses: \$83,206

Annual cost of Real Losses: \$12,621

Valued at **Variable Production Cost**
Return to Reporting Worksheet to change this assumption

Performance Indicators:

Financial: { Non-revenue water as percent by volume of Water Supplied: 6.7%
 Non-revenue water as percent by cost of operating system: 2.7% Real Losses valued at Variable Production Cost

Operational Efficiency: { Apparent Losses per service connection per day: 6.13 gallons/connection/day
 Real Losses per service connection per day: 7.96 gallons/connection/day
 Real Losses per length of main per day*: N/A
 Real Losses per service connection per day per psi pressure: 0.13 gallons/connection/day/psi

From Above, Real Losses = Current Annual Real Losses (CARL): 41.25 million gallons/year

? Infrastructure Leakage Index (ILI) [CARL/UARL]: 0.56

* This performance indicator applies for systems with a low service connection density of less than 32 service connections/mile of pipeline

CITY OF GERMANTOWN, TENNESSEE
SCHEDULE OF UTILITY RATE STRUCTURE AND NUMBER OF CUSTOMERS
JUNE 30, 2016

As of June 30, 2016, City of Germantown, Tennessee served approximately 13,638 water customers and had the following rate structure in place:

<u>Water Rates</u>		<u>Amount</u> (TGL = Thousand Gallons)	
Residential	Minimum (5 TGL)	\$8.78	
	6 TGL – 15 TGL	\$2.15	per TGL
	16 TGL – 50 TGL	\$2.47	per TGL
	51 TGL and above	\$3.12	per TGL
Commercial	Minimum (5 TGL)	\$13.17	
	6 TGL – 15 TGL	\$3.42	per TGL
	16 TGL – 50 TGL	\$3.90	per TGL
	51 TGL and above	\$4.88	per TGL

**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 Mike Palazzolo, 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 and municipal schools funds, and the aggregate remaining fund information of the City of Germantown, Tennessee, (the "City") as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated November 18, 2016. 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.

Internal Control over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies

may exist that were not identified. We did identify a deficiency in internal control, described in the accompanying schedule of findings and questioned costs, that we consider to be a material weakness: 2016-001, Prior Period Adjustments.

Compliance and Other Matters

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

Response to Finding

The City's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Watkins Wilmsall, PLLC

Memphis, Tennessee
November 18, 2016

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Honorable Mike Palazzolo, 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 Compliance Supplement* that could have a direct and material effect on the City's major federal program for the year ended June 30, 2016. 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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our 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, 2016.

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 the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Watkins Wilburall, PLLC

Memphis Tennessee
November 18, 2016

CITY OF GERMANTOWN, TENNESSEE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2016

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. A material weakness disclosed during the audit of the financial statements is reported in the *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*.
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 2 CFR Section 200.516(a).
7. The program tested as a major program was CFDA number 20.205 – Highway Planning and Construction.
8. The threshold for distinguishing between Type A and B programs was \$750,000.
9. The City of Germantown, Tennessee qualifies as a low risk auditee.

B. FINDINGS – FINANCIAL STATEMENTS AUDIT

2016-001 Prior Period Adjustments

Condition: Prior period adjustments were required to beginning governmental activities net position on the statement of activities related to sales and delinquent property tax revenues of Germantown Municipal School District (GMSD) that were not recognized in the prior fiscal year.

Criteria: Internal controls should be in place that provide reasonable assurance that revenue recognition is complete and accurate for financial reporting.

Cause: Management of GMSD was not aware of the existence of the unrecognized sales and delinquent property tax revenues and receivables (which pass through Shelby County, Tennessee) until subsequent to the year-end reporting period for the year ended June 30, 2015.

CITY OF GERMANTOWN, TENNESSEE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

For the Year Ended June 30, 2016

2016-001
(Cont'd)

Effect: Beginning governmental activities net position was understated by \$1,350,000.

Recommendation: GMSD management is now aware of the timing of the receipt of sales tax and delinquent property tax revenues that pass through Shelby County, Tennessee, and has implemented internal controls to ensure they are appropriately reflected in governmental activities in the correct fiscal year and on a timely basis. No further recommendation is given.

Views of Responsible Officials and Planned Corrective Actions: The City and GMSD agree with the finding. GMSD has sound internal controls over financial reporting currently in place; however, going forward there will be improved communication with the Shelby County Finance Department to obtain and record estimated sales and delinquent property taxes.

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

None reported

CITY OF GERMANTOWN, TENNESSEE
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

For the Year Ended June 30, 2016

None