

CITY OF GERMANTOWN TENNESSEE

Comprehensive Annual Financial Report For the Fiscal Year Ended June 30, 2017

Prepared by the City of Germantown Finance Department

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INTRODUCTORY SECTION (UNAUDITED)



CITY OF GERMANTOWN TENNESSEE

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

December 13, 2017

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, 2017. This document reports the sound financial position of the various funds of the City of Germantown and the financial results for operations during FY 17. 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, the City is experiencing significant economic growth and expansion of healthcare facilities. 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 75.6% against operating expenditures in FY 17. The City also maintained a Triple-A bond rating with Moody's and Standard & Poor's, one of just 76 municipalities in the nation to merit the highest ranking from both agencies.

Germantown's 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,
- maintain the lowest crime rate 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.

The City's municipal services and amenities contribute to the exceptional quality of place its residents enjoy; they also contribute to the attractiveness of the greater metropolitan area. Quality housing is a major "industry" for Germantown, ranging from single-family subdivisions and zero-lot homes 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.

Germantown's commitment to quality living is demonstrated through an 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.

KEY PERFORMANCE AREAS

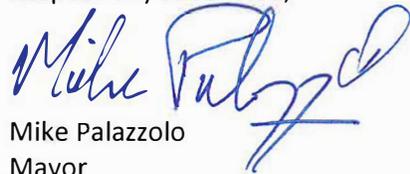
The City's long-range strategic plan-Germantown Forward 2030-developed through broad citizen input and adopted by the board in FY 16 establishes key performance areas and strategic objectives for the immediate future and long term sustainability for the City.

These key performance areas guide the development of the annual operating and capital improvement budgets for the next fiscal year. The key performance areas support:

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

This report, the operating budget and the capital improvements program demonstrate Germantown's responsiveness to citizen's needs, concerns and interest. The reports and the awards they have earned also confirm the City's commitment to performance excellence and to the 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

December 13, 2017

*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, 2017, 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, 2017. 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, 2017 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 fire services, street and drainage construction and maintenance, sanitation, cultural and recreational programs, planning and zoning and administrative services. In addition, the City operates a water and sewer system.

The 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's economy continues to grow and expand as the seeds of economic development initiatives and partnership with the Germantown Municipal School District begin to take root. Real and personal property are assessed by the Shelby County Assessor.

During the fiscal year, Shelby County completed the 2017 countywide reappraisal of property. Property values rose during the reappraisal year by approximately 13%. Property tax remains the most stable source of revenue at approximately 55% of total general fund revenue with collections remaining very strong. For fiscal year 2017, the City tax rate remained at \$1.93 per \$100 of assessed value. However, as a result of the reappraisal of property and the need to fund a new school as well as related road construction, the City adopted a new tax rate effective for FY 18 of \$1.97.

Property tax increased over the past year by \$541,033. This was due to new properties being added to the rolls. Sales tax is the second largest revenue source to the City. Local sales tax increased by \$584,822. This was due to improved economic conditions during the fiscal year. Intergovernmental taxes decreased by \$377,712. This is due to the impact of the phase out of the Hall Income tax which is a state tax on interest and dividend income over the prior year. 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 2017 the City issued 74 permits for new single family residence structures with a value of \$68,394,153 or average value of \$924,245. A key factor for the increase in property values was related to the Thornwood Apartment buildings contributing approximately \$33 million increase in property values for the fiscal year. As part of Economic Development initiatives for fiscal year 2017, 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 gaining momentum within the City limits as business growth within the community is expected to continue in the future.

During fiscal year 2017 new development projects began with Mid-America apartments developing a new corporate headquarters in one of the City's key commercial areas on the west side of town. A new hotel is also under development as part of the same mixed use project (TraVure) that is a total of \$100 million investment into the City. 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 opened in April 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 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 September 2017. On September 28, 2017 the City closed the sale of \$29,275,000 in new bonds. The new bonds were issued to fund a new Germantown Municipal School District elementary school and related road improvement along Forest Hill Irene Road. Bond proceeds will fund land, site work, construction and equipment for the new 500 plus seat school along with necessary safety improvements to Forest Hill Irene Road leading to the new school.

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, 2016. This was the 35th 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.

The Board of Mayor and Aldermen
City of Germantown, Tennessee
December 13, 2017

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.

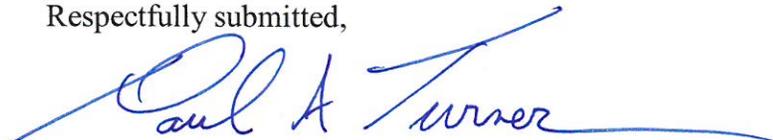
The Government Finance Officers Association of the United States and Canada (GFOA) has given an Award for Outstanding Achievement in Popular Annual Financial Reporting to the City of Germantown for its Popular Annual Financial Report for the fiscal year ended June 30, 2016. The Award for Outstanding Achievement in Popular Annual Financial Reporting is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government popular reports.

In order to receive an Award for Outstanding Achievement in Popular Annual Financial Reporting, a government unit must publish a Popular Annual Financial Report, whose contents conform to program standards of creativity, presentation, understanding and reader appeal. An Award for Outstanding Achievement in Popular Annual Financial Reporting is valid for a period of one year only. The City of Germantown has received a Popular Award for the last nine consecutive years (fiscal years ended 2008-2016). 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 32 years since the program was instituted in 1984. In order to qualify for the Distinguished Budget Presentation Award, the city budget document was judged to be proficient and/or outstanding in several categories including policy documentation, financial planning, operations and communications.

The preparation of this report could not be accomplished without the skill, effort and dedication of the entire staff of the Departments of Finance and 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,



Paul A. Turner, CPA
Finance Director



Government Finance Officers Association

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

Presented to

**City of Germantown
Tennessee**

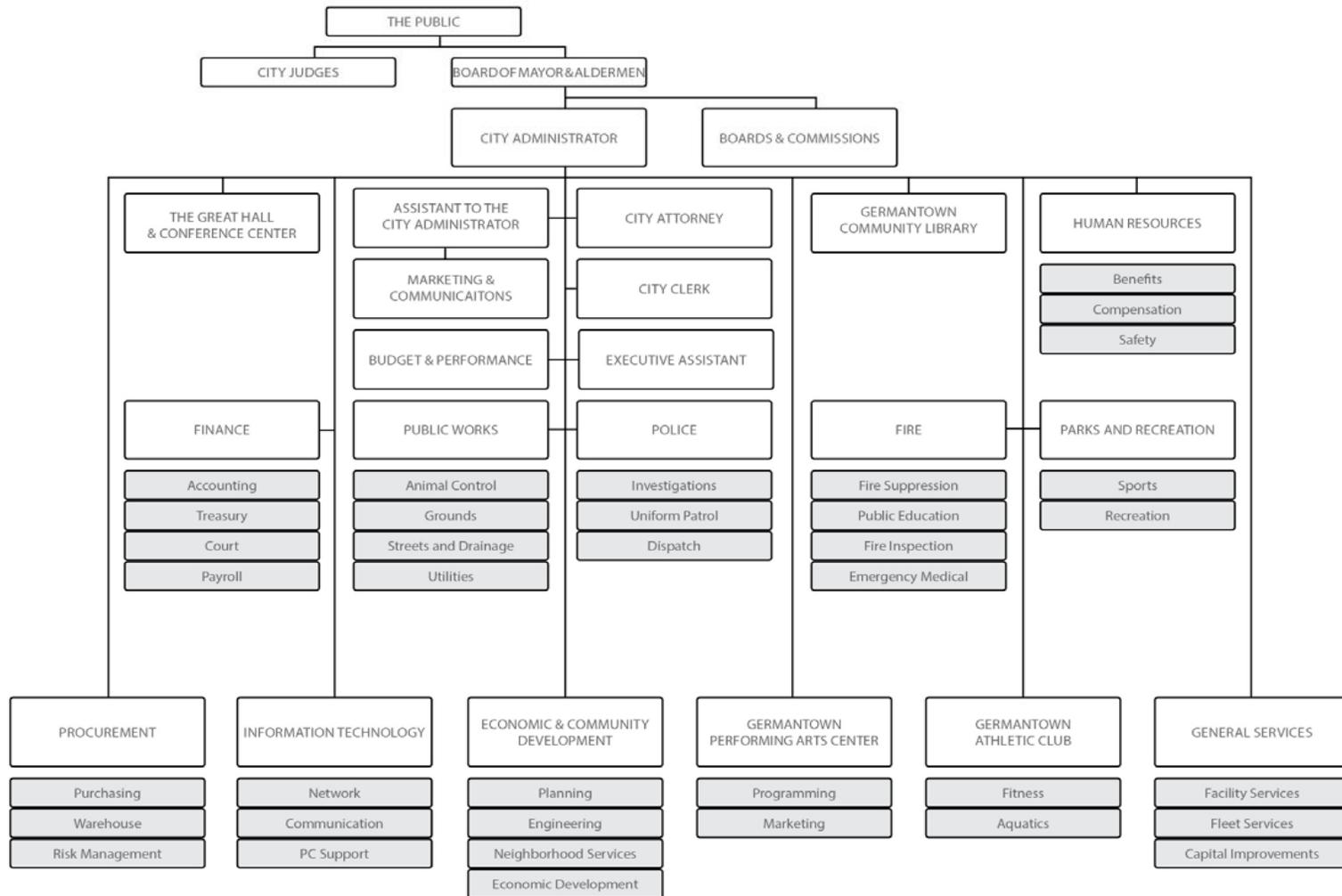
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2016



Executive Director/CEO

CITY OF GERMANTOWN, TENNESSEE
ORGANIZATIONAL CHART
 June 30, 2017



CITY OF GERMANTOWN, TENNESSEE
CITY OFFICIALS
June 30, 2017

MAYOR

Honorable Mike Palazzolo (2018*)

ALDERMEN

Mary Anne Gibson, Vice Mayor (2018*)

John Barzizza (2018*)
Forrest Owens (2020*)

Rocky Janda (2020*)
Dean Massey (2020*)

CITY OFFICIALS

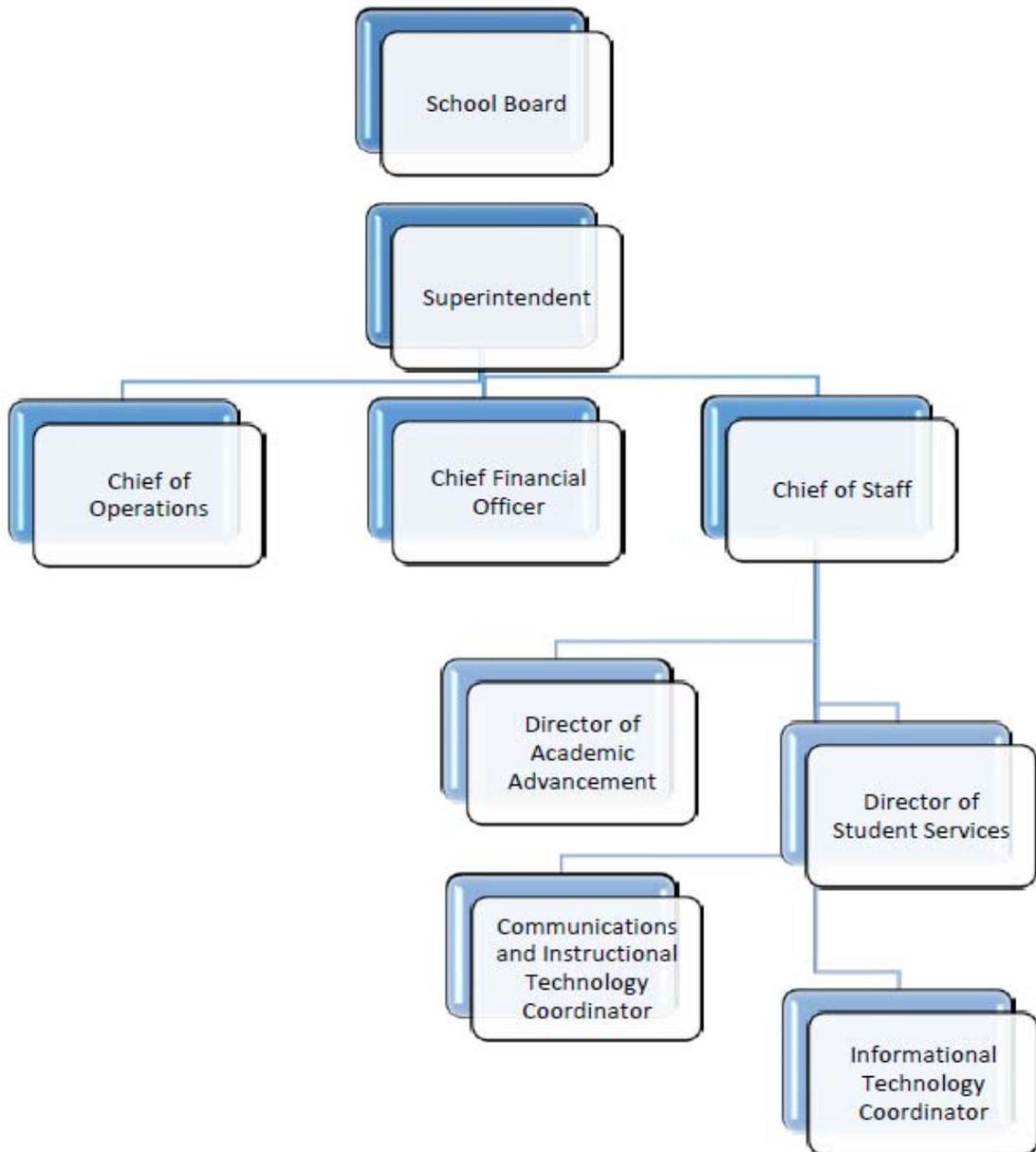
Chief Administrator Patrick J. Lawton
City Attorney David Harris
City Judges Raymond S. Cliff
Robert M. Brannon, Jr.

Director of Finance..... Paul Turner**
Economic and Community Development Services Director Cameron Ross
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 Director..... Lisa Piefer
Public Services Director..... Bo Mills

* Date elected term expires

** Designated CMFO

GMSD Cabinet



BOARD OF EDUCATION

Chair..... Linda Fischer, Position 1 (2020*)
Vice-Chair Lisa Parker, Position 4 (2018*)
Board Member Betsy Landers, Position 2 (2018*)
Board Member Suzanne Jones, Position 3 (2020*)
Board Member Amy Eoff, Position 5 (2020*)

ADMINISTRATION

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

* Date elected term expires
** Designated CMFO

FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor Mike Palazzolo and the Board of Aldermen of
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 fund and general purpose school fund, and the aggregate remaining fund information of the City of Germantown, Tennessee, (the "City") as of and for the year ended June 30, 2017, 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, 0.5 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 from 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, 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 statements of budgetary comparison for the general fund and general purpose school fund, and the aggregate remaining fund information of the City of Germantown, Tennessee, as of June 30, 2017, 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.

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Germantown, Tennessee's basic financial statements. The introductory section, combining and individual fund financial statements and schedules, supporting schedules, and statistical information section, are presented for purposes of additional analysis and are not a required part of the financial statements. The schedule of expenditures of federal awards and state financial assistance 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 basic financial statements.

The combining and individual fund financial statements and schedules and the schedule of expenditures of federal awards and state financial assistance are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the 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 financial statements and schedules and the schedule of expenditures of federal awards and state financial assistance are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory section, supporting schedules, and statistical information section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 13, 2017, 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 Mikusall, PLLC

Memphis, Tennessee
December 13, 2017

CITY OF GERMANTOWN, TENNESSEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2017

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, 2017. 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, 2017 by \$255,333,407 (net position). Of this amount, \$55,071,131 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
- At June 30, 2017, the City's governmental funds reported total fund balances of \$59,353,989. Of this amount, \$10,963,650 (unassigned fund balances) may be used to meet the general governments spending requirements. The unassigned fund balance represents 25% of total General Fund expenditures.
- During the fiscal year, the City's total debt decreased by \$3,860,453. The reduction in debt is due to paying down the principal and interest and no additional debt issued in the current fiscal year.

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, 2017. 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, Transportation and Environment, Community Services, 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.

CITY OF GERMANTOWN, TENNESSEE
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
For the Year Ended June 30, 2017

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 the General Purpose School Fund. Data from the other eighteen governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor 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. The School also utilizes an internal service fund to account for health insurance costs. Because each 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 nonmajor funds. These funds include the Sanitation, Great Hall, and Stormwater Funds. Conversely, the internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the form of combining statements 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.

CITY OF GERMANTOWN, TENNESSEE
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
For the Year Ended June 30, 2017

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 51-98 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 and the Germantown Municipal School District's pension cost and other postemployment benefits, Exhibits B-1 through B-22.

Combining and Individual Fund Statements and Schedules. The combining statements referred to earlier in connection with nonmajor 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-8 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 \$255,333,407 at June 30, 2017.

	Condensed Statement of Net Position					
	Governmental Activities		Business-Type Activities		Totals	
	2017	2016	2017	2016	2017	2016
Current and other assets	\$ 107,588,364	\$ 109,032,513	\$ 12,041,642	\$ 11,425,867	\$ 119,630,006	\$ 120,458,380
Capital assets	172,755,152	162,023,668	61,856,385	61,393,549	234,611,537	223,417,217
Total Assets	280,343,516	271,056,181	73,898,027	72,819,416	354,241,543	343,875,597
Deferred Outflows of Resources	22,060,453	17,731,863	960,988	835,849	23,021,441	18,567,712
Long-term liabilities outstanding	37,039,302	39,539,234	742,289	1,807,497	37,781,591	41,346,731
Other liabilities	41,985,755	37,459,745	5,357,443	5,245,972	47,343,198	42,705,717
Total Liabilities	79,025,057	76,998,979	6,099,732	7,053,469	85,124,789	84,052,448
Deferred Inflows of Resources	36,804,788	32,793,948	-	-	36,804,788	32,793,948
Net Asset						
Invested in capital assets	138,822,042	122,549,250	60,170,755	58,656,256	198,992,797	181,205,506
Restricted	481,518	513,416	787,961	-	1,269,479	513,416
Unrestricted	47,270,564	55,932,451	7,800,567	7,945,540	55,071,131	63,877,991
Total Net Position	\$ 186,574,124	\$ 178,995,117	\$ 68,759,283	\$ 66,601,796	\$ 255,333,407	\$ 245,596,913

By far the largest portion of the City's net position (78%) 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 (.50%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position (\$55,071,131) 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

CITY OF GERMANTOWN, TENNESSEE
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
For the Year Ended June 30, 2017

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.

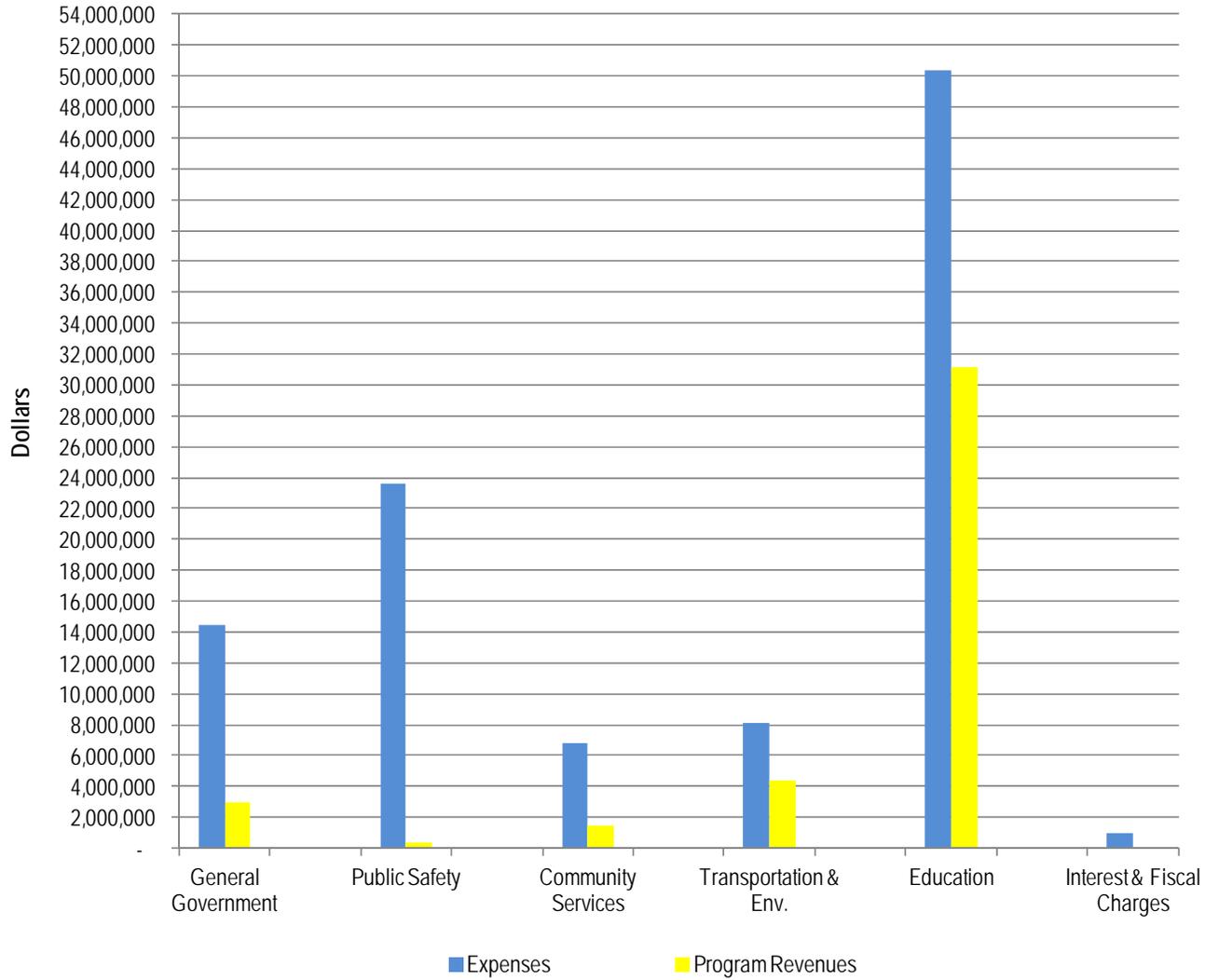
Governmental activities. Governmental activities increased the City's net position by \$7,579,007 from the prior fiscal year for an ending balance of \$186,574,124. Key elements of this increase are as follows:

	Condensed Statement of Changes in Net Position					
	Governmental Activities		Business-Type Activities		Totals	
	2017	2016	2017	2016	2017	2016
Revenues:						
Program Revenues:						
Charges for services	\$ 6,507,831	\$ 8,967,115	\$ 19,343,954	\$ 18,035,511	\$ 25,851,785	\$ 27,002,626
Operating grants and contributions	31,539,856	28,484,999	-	-	31,539,856	28,484,999
Capital grants and contributions	2,306,522	4,597,615	40,764	1,085,523	2,347,286	5,683,138
General Revenues:						
Property taxes	45,110,923	44,056,859	-	-	45,110,923	44,056,859
Local sales taxes	18,543,679	17,769,804	-	-	18,543,679	17,769,804
Intergovernmental	6,526,146	6,903,858	-	-	6,526,146	6,903,858
Interest on investments	310,119	166,588	72,856	39,376	382,975	205,964
Other revenue	818,311	716,573	52,939	-	871,250	716,573
Total Revenues	111,663,387	111,663,411	19,510,513	19,160,410	131,173,900	130,823,821
Expenses:						
General government	\$ 14,462,803	\$ 14,852,522	\$ -	\$ -	\$ 14,462,803	\$ 14,852,522
Public safety	23,560,038	23,000,775	-	-	23,560,038	23,000,775
Transportation and environment	8,077,347	9,710,135	-	-	8,077,347	9,710,135
Community services	6,792,239	4,191,362	-	-	6,792,239	4,191,362
Education	50,362,795	46,068,542	-	-	50,362,795	46,068,542
Interest and fiscal charges	926,194	1,358,382	-	-	926,194	1,358,382
Utilities	-	-	6,941,230	6,658,862	6,941,230	6,658,862
Athletic club	-	-	3,669,724	3,493,131	3,669,724	3,493,131
Nonmajor enterprise funds	-	-	6,751,769	4,821,327	6,751,769	4,821,327
Total Expenses	104,181,416	99,181,718	17,362,723	14,973,320	121,544,139	114,155,038
Increase/(Decrease) in net position before transfers	7,481,971	12,481,693	2,147,790	4,187,090	9,629,761	16,668,783
Gain on disposal of capital assets	98,073	51,726	8,660	-	106,733	51,726
Transfers	(1,037)	242,168	1,037	(242,168)	-	-
Increase/(Decrease) in net position	7,579,007	12,775,587	2,157,487	3,944,922	9,736,494	16,720,509
Net position, July 1, 2016	178,995,117	164,869,530	66,601,796	62,656,874	245,596,913	227,526,404
Prior period adjustment	-	1,350,000	-	-	-	1,350,000
Net position, June 30, 2017	\$ 186,574,124	\$ 178,995,117	\$ 68,759,283	\$ 66,601,796	\$ 255,333,407	\$ 245,596,913

- Property Taxes increased to \$45,110,923 which is \$1,054,064 greater than FY16. This is due to the addition of the Germantown Municipal School District. Total expenses increased by \$4,999,698 from FY16. Public safety, community services, and education expenses increased over the prior year. The largest increase is in education expense. The other increases in public safety and community services expenses are due to wage increase and overall cost increases.

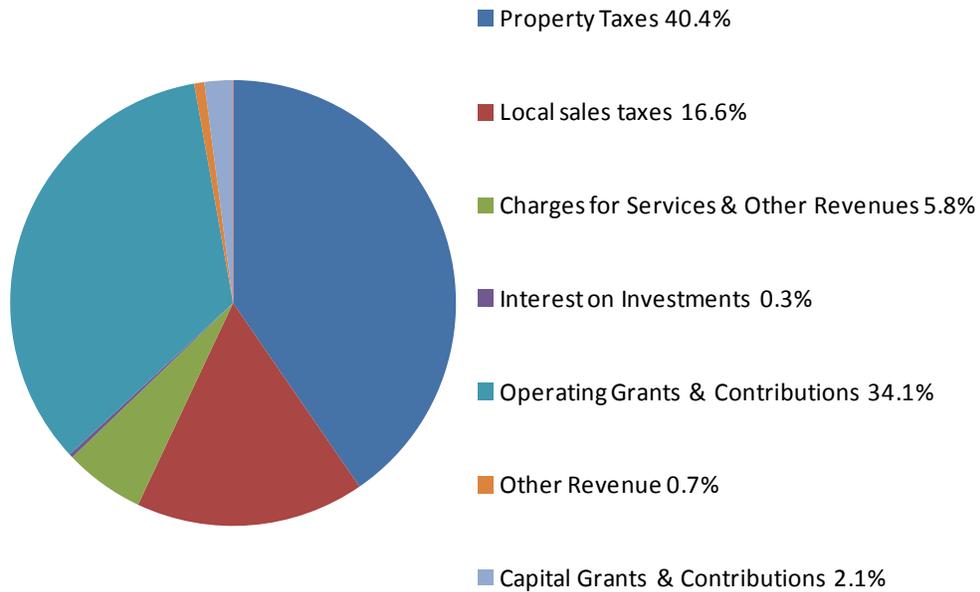
CITY OF GERMANTOWN, TENNESSEE
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
 For the Year Ended June 30, 2017

Governmental Revenues and Expenses



CITY OF GERMANTOWN, TENNESSEE
MANAGEMENT’S DISCUSSION AND ANALYSIS (CONTINUED)
For the Year Ended June 30, 2017

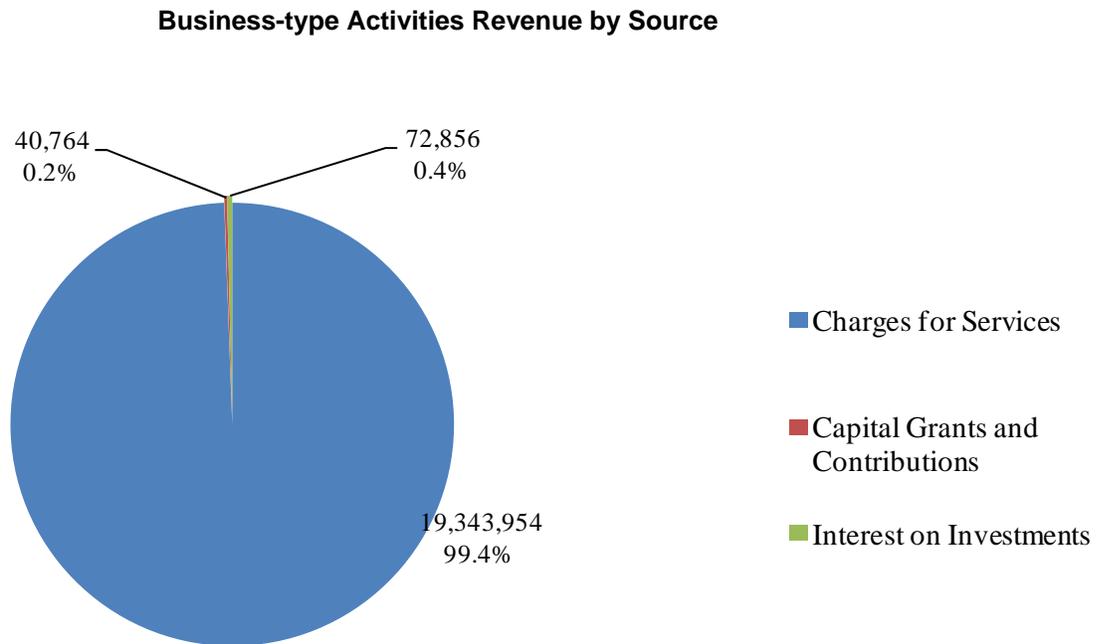
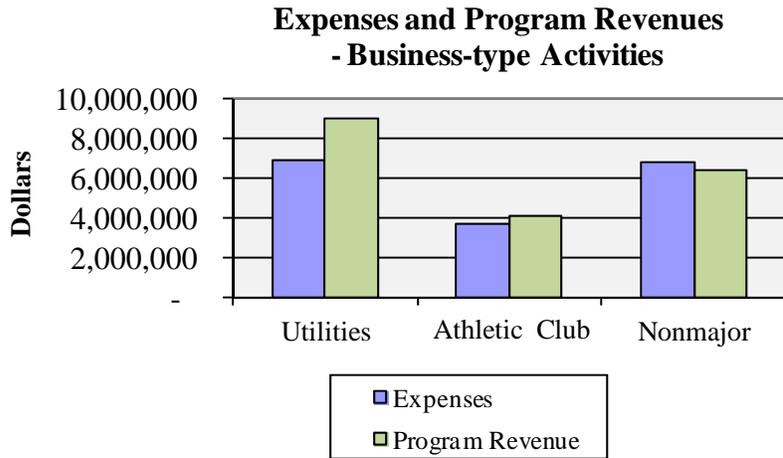
Governmental Revenues by Source



Business-type activities. Business-type activities increased the City's net position by \$2,157,487. The business-type activities are Utility, Athletic Club, and the Nonmajor Enterprise Funds.

- The Germantown Utility Fund increased by \$1,659,681 due to increased sewer service charges and lower debt interest expenses.
- The Germantown Athletic Club's net position increased by \$739,911 due to \$435,736 in operating income, interest revenue of \$4,175 and a transfer from the General Fund of \$300,000 .
- The Nonmajor Enterprise Fund's net position decreased by \$213,675 as a result of a pension allocation change to these funds. The Great Hall which had a positive net position of \$110,742 due to a transfer in of \$175,000. The Sanitation Fund and the Stormwater Fund had a decrease in net position of \$144,186 and \$180,231, respectively, as a result of a pension allocation change.

CITY OF GERMANTOWN, TENNESSEE
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
 For the Year Ended June 30, 2017



CITY OF GERMANTOWN, TENNESSEE
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
For the Year Ended June 30, 2017

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, 2017, the City's governmental funds reported combined ending fund balances of \$59,353,989, a decrease of \$5,168,366 in comparison with the prior year. The majority of the decrease was as a result of the addition at Riverdale Elementary School. Approximately 18.5% of this total amount of \$10,963,650 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 \$1,344,762, restricted \$3,230,614, committed \$18,387,303 and assigned \$25,427,660 amounts. The General Fund is the chief operating fund of the City.

At June 30, 2017, unassigned fund balance of the General Fund was \$10,963,650 while the total fund balance reached \$32,601,124. 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 25.2 % of total General Fund Expenditures, while total fund balance represents 74.9% of that same amount.

The fund balance of the City's General Fund increased by \$743,252 during the fiscal year ended June 30, 2017. Key factors are as follows:

- Total revenues increased \$166,179
- Property tax increased \$541,033
- Local sales tax increased \$584,822
- Intergovernmental taxes decreased \$377,712
- Fines and Forfeitures decreased \$438,113
- Licenses and Permits increased \$49,793
- Fees for services increased \$1,223,612
- Investment income increased \$85,844
- Grants increased \$57,634
- Other revenue decreased \$1,560,734
- Total expenditures decreased \$2,214,888

Property tax increased over the past year by \$541,033. This was due to new properties being added to the rolls. Local sales tax increased by \$584,822. This was due to improved economic conditions during the fiscal year. Intergovernmental taxes decreased by \$377,712. This is due to the impact of the phase out of the Hall Income tax which is a state tax on interest and dividend income over the prior year. Fines and Forfeitures decreased by \$438,113. This is due to a decrease in traffic and court revenue. Fees for services increased by \$1,223,612 and other revenues decreased by \$1,560,734 due to a reclassification of cable television fees which are now included in fees for services while being taken out of other revenue to increase the transparency of that revenue.

Total expenditures decreased by \$2,214,888 due to decreases in the Debt Principal which offset increases in Public Safety, Transportation and Environment, and Community Services. General government includes various departments with the City. The General Government expenditures decreased \$27,314. Public Safety expenses increased \$1,109,688. This is due to equipment purchases and the hiring of more Police officers. The remaining increase of \$642,285 consists of normal cost increases in Community Service, Transportation and Environment, and interest expense.

General Purpose School Fund (Germantown Municipal School District). As of June 30, 2017, GMSD's governmental funds reported combined ending fund balances of \$14,681,232, an increase of \$4,499,146 in comparison

CITY OF GERMANTOWN, TENNESSEE
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
For the Year Ended June 30, 2017

with the prior year. All funds are special revenue and are assigned or committed for education. The General Purpose School Fund is the chief operating fund for the school. Additional nonmajor special revenue funds include the School Federal Projects, School Cafeteria, and School Capital Projects.

The fund balance of the General Purpose School Fund increased by \$4,277,899 during the fiscal year ended June 30, 2017. Key factors are as follows:

- Total revenues increased \$2,636,281
- Property tax increased \$390,973
- Local sales and other option taxes increased \$220,341
- Intergovernmental taxes increased \$1,884,116
- Charges for services decreased \$35,198
- Grants increased \$76,537
- Other revenue increased \$62,847
- Interest income increased \$36,665
- Other financing sources increased \$51,619
- Total expenditures increased \$1,984,369

Property tax and local sales tax revenues are allocated to Germantown Municipal School District (GMSD) and other Shelby County School districts based upon their percentage of the weighted full-time equivalency of average daily attendance. For the fiscal year ended June 30, 2017, the weighted full-time equivalency of average daily attendance increased from 4.08% to 4.15%. As a result, property taxes increased by \$390,973, and local sales tax and other option taxes increased by \$220,341. Intergovernmental revenues increased by \$1,884,116. This is due to a \$1,181,166 increase in Basic Education Program funding from the Tennessee Department of Education and an increase in wheel tax revenues.

Charges for services decreased by \$35,198 due to an increase in the amount of indirect cost recoveries from Federal programs. Other revenues increased \$62,847 due to contributions for student laptop insurance. Interest income increased \$36,665 due to availability of increased reserves available to be invested. Other financing sources from the City of Germantown increased \$51,619 due to enhanced maintenance of effort and the funding of architect fees for the construction planning for a new elementary school.

Total expenditures increased by \$1,984,369 due to increases in salaries and fringe benefits and in capital outlay costs. Eligible employees received a 2% average salary increase plus an increase in related fringe benefits. Capital outlay costs increased due to the installation and leasing of modular classrooms at two elementary schools and due to increased architect fees for the construction planning of a new elementary school.

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 \$7,766,365 is comprised of, \$5,891,610 for the Utility Fund, \$1,241,268 for the Athletic Club Fund, and \$633,487 for the nonmajor enterprise funds. User fees support these funds.

General Fund Budgetary Highlights

The General Fund revenues were higher than budget by \$2,118,296. Property tax came in higher than budget by \$52,111. Local sales tax came in higher than budget by \$817,702 due to improved economic conditions. Intergovernmental revenue came in higher than budget by \$553,840. This was due to the Hall Tax being higher than projected. Fines and Forfeitures revenue came in higher than budget by \$251,400. License and permits are marginally higher than budget by \$36,120. This was due to building permits increasing by \$37,708 as a result of economic improvement and new buildings being built. Fees for services exceeded budget marginally by \$422. Grants increased over budget by \$170,866 as more grants were received than anticipated. Interest on investments exceeded budget by \$170,622 due to higher interest earnings. Other revenue exceeded budget by \$65,213.

CITY OF GERMANTOWN, TENNESSEE
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
For the Year Ended June 30, 2017

General Fund expenditures were lower than budget by \$1,888,268. 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 \$1,080,745. Savings were also achieved in Public Safety in the amount of \$387,890; Transportation and Environment in the amount of \$211,510 and Community Services in the amount of \$208,121.

General Purpose School Fund (Germantown Municipal School District) Budgetary Highlights

The GMSD Fund revenues were higher than budgeted by \$1,415,688. Conservative revenue estimates are made during the budget development process. Property tax and local sales tax revenues are allocated to GMSD and other Shelby County School districts based upon their percentage of the weighted full-time equivalency of average daily attendance. For the fiscal year ended June 30, 2017, the weighted full-time equivalency of average daily attendance increased from 4.08% to 4.15%. As a result, property tax came in higher than budget by \$555,548 and local sales tax and other option sales taxes came in higher than budget by \$379,527. Basic education program revenue came in higher than budget by \$225,166 due to enrollment growth. Charges for services came in higher than budget by \$84,546. Wheel tax came in higher than budget by \$69,248. Interest income came in higher than budget by \$40,149. Mixed drink tax came in higher than budget by \$44,365. Other income came in higher than budget by \$26,461. Grants came in higher than budget by \$11,869.

The GMSD expenditures were lower than budget by \$4,544,933. Education and debt service expenditures were lower than budget due to regular instruction growth teaching positions not being filled and related attrition in teaching positions; lower than anticipated textbook purchases; lower than expected transportation and maintenance and repair costs; and lower than expected costs to support the cafeteria fund. Capital outlay costs were lower than budget due to costs associated with a building addition and with building improvements being incurred in the subsequent fiscal year.

Capital Asset and Debt Administration

Capital Assets. The City investment in capital assets for its governmental and business-type activities as of June 30, 2017 amounts to \$234,611,537 (net of accumulated depreciation). This investment in capital assets includes land, buildings, and improvements other than building, infrastructure, vehicles, machinery, equipment and construction in progress. The investment in capital assets for the current fiscal year increased by \$11,194,320. Governmental activities increased \$10,731,484 or 6.6% and business activities increased \$462,836, or .75%.

Condensed Statement of Capital Assets, Net of Depreciation

	Governmental Activities		Business-Type Activities		Totals	
	2017	2016	2017	2016	2017	2016
	Land	\$ 14,972,763	\$ 14,780,862	\$ 2,772,593	\$ 2,772,593	\$ 17,745,356
Buildings and improvements	64,249,812	66,545,792	25,623,228	24,590,223	89,873,040	91,136,015
Improvements other than buildings	35,148,976	32,517,218	29,847,861	30,678,259	64,996,837	63,195,477
Machinery and equipment	8,797,586	8,640,364	593,879	697,065	9,391,465	9,337,429
Vehicles	3,362,923	2,383,022	-	-	3,362,923	2,383,022
Infrastructure	33,061,043	32,999,167	-	-	33,061,043	32,999,167
Construction in progress	13,162,049	4,157,243	3,018,824	2,655,409	16,180,873	6,812,652
Total capital assets, net	\$ 172,755,152	\$ 162,023,668	\$ 61,856,385	\$ 61,393,549	\$ 234,611,537	\$ 223,417,217

Additional information on the City's capital assets can be found in Note 3-D of this report.

Long-term debt. At June 30, 2017 the City had total bonded debt outstanding of \$31,990,000. Of this amount \$30,325,000 comprises debt backed by the full faith and credit of the government and \$1,665,000 represents bonds secured by specified revenue sources (i.e., revenue bonds).

CITY OF GERMANTOWN, TENNESSEE
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
For the Year Ended June 30, 2017

	Condensed Statement of Outstanding Debt, net of premiums and discounts					
	Governmental Activities		Business-Type Activities		Totals	
	2017	2016	2017	2016	2017	2016
General obligation bonds	\$ 30,325,000	\$ 32,795,000	\$ -	\$ -	\$ 30,325,000	\$ 32,795,000
Revenue bonds	-	-	1,665,000	2,700,000	1,665,000	2,700,000
Total debt, net	\$ 30,325,000	\$ 32,795,000	\$ 1,665,000	\$ 2,700,000	\$ 31,990,000	\$ 35,495,000

During FY17, the City's total debt decreased by \$3,505,000. Total debt includes general obligation bonds and revenue bonds. Total debt for governmental activities decreased by 7.5%. Business-type activities' debt decreased by 38.3%, 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 AAA 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 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 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 3-E.

Factors considered in preparing the City's Budget for the 2018 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 a tax rate change as a result of the property reappraisal in FY 17. The budget for FY 18 has a property tax rate of \$1.97 compared to the FY 17 rate of \$1.93. The increase in the property tax was a result of the need for a new elementary school and road improvements necessitated by the location of the new school. Property taxes generated in Germantown comprise about 60% of overall General Fund operating revenues. The FY 18 budget anticipates approximately \$33.1 million in property tax revenue.
- As a result of the growth of the Germantown Municipal School District, the City worked very closely with the District to evaluate the need for a new elementary school in FY 18. The City to issue debt in the amount of \$29.275 million to fund the new elementary school construction and necessary road repairs in FY 18.
- Germantown currently has multiple mixed-use projects under construction in FY 18 representing over \$400 million in private investment. These projects will result in additional 110,000 square feet in retail shops, restaurants, hotel rooms, class-A office space and multifamily units. In addition, 180 new single family homes, with a total value of more than \$25 million, are being developed. These new Germantown properties will be assessed beginning in FY 18. Other revenue sources are subject to some degree of fluctuation in economic cycles. Sales tax represents 21% of total revenue for the operations of the City. The FY18 budget anticipates \$11.7 million in local sales tax revenue.
- As part of the Economic Development ongoing initiatives, focus began with the planning and design work on the City's southern border, with landowners beginning to implement the redevelopment of Forest Hill Heights. Smart growth is gaining momentum within the City limits as business growth within the community is expected to continue in the future. New developments continue in the City. Mid-America Apartments is developing a new corporate headquarters in one of the City's key commercial areas on the west side of town. A new hotel is also

CITY OF GERMANTOWN, TENNESSEE
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
For the Year Ended June 30, 2017

under development as part of the same mixed use project (TraVure) that is a total of \$100 million investment in the City. 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 opened in April 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.

- 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 \$10,963,650. The City has a total approved budget of \$169,789,923 in expenditures for FY18. The City tax rate for FY18 increased to \$1.97.

Factors considered in preparing the Schools Budget for the 2018 fiscal year are further discussed in the Budget document and include:

- County funds come from two primary sources, property and sales taxes. Shelby County assesses a property tax rate that is earmarked for education. Educational revenues from the property tax distribution are shared between the municipal school districts and Shelby County Schools based on the weighted full-time equivalent average daily attendance formula developed by the Tennessee Department of Education. The percentage varies each year between school districts according to their share of the total enrollment in the County. Half of all local sales tax revenue collections are given to education and distributed in the same manner as property taxes. For FY 18, the District's share is 4.15 percent. The net increase in County funds is projected at \$418,000 for property taxes and \$150,000 for sales tax revenues.
- State funds consist primarily of Basic Education Plan (BEP) funds and are projected to increase by \$757,000 for the 2018 fiscal year. The BEP portion of the State funds represents a preliminary estimate from the State based upon the 2017 fiscal year average daily membership. Funding is based on average daily membership.
- GMSD has created and updates a five-year capital plan and funding priorities. The 2018 fiscal year budget includes the planning and construction costs for a new elementary school. The plan was built on enrollment data, growth projections and facility conditions.
- GMSD has a total approved budget of \$84,642,021 in expenditures for the 2018 fiscal year.

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, 2017, FY18 Budget Reports and other information about the City may be found on the City's website www.germantown-tn.gov.

BASIC FINANCIAL STATEMENTS

CITY OF GERMANTOWN, TENNESSEE
STATEMENT OF NET POSITION
June 30, 2017

Exhibit A-1

	Primary Government			Component
	Governmental Activities	Business-type Activity	Total	Unit GPAC
ASSETS				
Cash and cash equivalents	\$ 55,883,390	\$ 9,408,641	\$ 65,292,031	\$ 528,456
Investments	3,052,408	947,592	4,000,000	499,389
Receivables				
Taxes	32,867,344	-	32,867,344	-
Accounts receivable	2,643,386	1,425,713	4,069,099	-
Other	815,180	-	815,180	93,366
Less allowance for doubtful accounts	(2,530,624)	(135,099)	(2,665,723)	-
Due from other governments	9,874,468	-	9,874,468	-
Internal balances	465,798	(465,798)	-	-
Inventories	142,402	33,371	175,773	3,906
Prepaid items	194,493	13,723	208,216	113,695
Restricted cash and cash equivalents	4,120,629	813,499	4,934,128	-
Capital assets, not being depreciated	28,134,812	5,791,417	33,926,229	51,250
Capital assets, being depreciated, net	144,620,340	56,064,968	200,685,308	69,813
Net pension asset	59,490	-	59,490	-
Total assets	<u>280,343,516</u>	<u>73,898,027</u>	<u>354,241,543</u>	<u>1,359,875</u>
DEFERRED OUTFLOWS OF RESOURCES				
Related to pension	21,754,579	960,988	22,715,567	-
Deferred charge on refunding	305,874	-	305,874	-
Total deferred outflows of resources	<u>22,060,453</u>	<u>960,988</u>	<u>23,021,441</u>	<u>-</u>
LIABILITIES				
Accounts payable and accrued liabilities	5,424,095	877,369	6,301,464	15,162
Accrued interest payable	153,714	13,450	167,164	-
Customer deposits payable	10,582	697,814	708,396	-
Accrued payroll	3,001,959	94,230	3,096,189	-
Unearned revenue	2,477,539	264,883	2,742,422	145,042
Noncurrent liabilities:				
Due within one year	2,811,694	1,075,000	3,886,694	-
Due in more than one year	37,039,302	742,289	37,781,591	-
Net pension liability	27,382,732	2,334,697	29,717,429	-
Net OPEB obligation	723,440	-	723,440	-
Total liabilities	<u>79,025,057</u>	<u>6,099,732</u>	<u>85,124,789</u>	<u>160,204</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred revenue - property taxes	32,150,662	-	32,150,662	-
Related to pension	4,654,126	-	4,654,126	-
Total deferred inflows of resources	<u>36,804,788</u>	<u>-</u>	<u>36,804,788</u>	<u>-</u>
NET POSITION				
Net investment in capital assets	138,822,042	60,170,755	198,992,797	121,063
Restricted for:				
Net pension asset	59,490	-	59,490	-
Drug enforcement	138,840	-	138,840	-
Federal asset forfeiture	35,603	-	35,603	-
Library endowment	247,585	-	247,585	-
Sanitation	-	787,961	787,961	-
Unrestricted	47,270,564	7,800,567	55,071,131	1,078,608
Total net position	<u>\$ 186,574,124</u>	<u>\$ 68,759,283</u>	<u>\$ 255,333,407</u>	<u>\$ 1,199,671</u>

The accompanying notes are an integral part of the financial statements

CITY OF GERMANTOWN, TENNESSEE
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2017

Exhibit A-2

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			Component Unit
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total	GPAC
Primary government:								
Governmental Activities:								
General government	\$ 14,462,803	\$ 2,926,397	\$ 79,528	\$ -	\$ (11,456,878)	\$ -	\$ (11,456,878)	\$ -
Public safety	23,560,038	163,442	174,638	-	(23,221,958)	-	(23,221,958)	-
Transportation and environment	8,077,347	1,042,161	1,254,935	2,074,903	(3,705,348)	-	(3,705,348)	-
Community services	6,792,239	1,227,751	17,700	231,619	(5,315,169)	-	(5,315,169)	-
Education	50,362,795	1,148,080	30,013,055	-	(19,201,660)	-	(19,201,660)	-
Interest on long-term debt	926,194	-	-	-	(926,194)	-	(926,194)	-
Total governmental activities	104,181,416	6,507,831	31,539,856	2,306,522	(63,827,207)	-	(63,827,207)	-
Business-type activity:								
Utilities	6,941,230	8,918,467	-	40,764	-	2,018,001	2,018,001	-
Athletic club	3,669,724	4,089,150	-	-	-	419,426	419,426	-
Nonmajor enterprise fund	6,751,769	6,336,337	-	-	-	(415,432)	(415,432)	-
Total business-type activities	17,362,723	19,343,954	-	40,764	-	2,021,995	2,021,995	-
Total primary government	\$ 121,544,139	\$ 25,851,785	\$ 31,539,856	\$ 2,347,286	(63,827,207)	2,021,995	(61,805,212)	-
Component Unit:								
GPAC	\$ 2,668,287	\$ 864,687	\$ 1,857,551	\$ -	-	-	-	53,951
General revenues:								
Property taxes					45,110,923	-	45,110,923	-
Local option sales tax					15,932,602	-	15,932,602	-
Other taxes								
Wholesale liquor and beer taxes					1,108,188	-	1,108,188	-
Local gross receipts tax					610,282	-	610,282	-
Business, cable tv, and hotel-motel taxes					892,607	-	892,607	-
Intergovernmental revenues:								
State sales tax					3,328,313	-	3,328,313	-
State income tax					2,969,807	-	2,969,807	-
Other state revenue					228,026	-	228,026	-
Other revenue					818,311	52,939	871,250	33,079
Interest on investments					310,119	72,856	382,975	-
Gain on sale of capital assets					98,073	8,660	106,733	-
Transfers					(1,037)	1,037	-	-
Total general revenues and transfers					71,406,214	135,492	71,541,706	33,079
Change in net position					7,579,007	2,157,487	9,736,494	87,030
Net position - beginning, as originally reported					178,995,117	66,601,796	245,596,913	1,080,152
Prior period adjustments					-	-	-	32,489
Net position - beginning, as restated					178,995,117	66,601,796	245,596,913	1,112,641
Net position - ending					\$ 186,574,124	\$ 68,759,283	\$ 255,333,407	\$ 1,199,671

The accompanying notes are an integral part of the financial statements

CITY OF GERMANTOWN, TENNESSEE
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2017

Exhibit A-3

	General Fund	General Purpose School Fund	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 24,826,634	\$ 13,277,166	\$ 13,957,706	\$ 52,061,506
Investments - unrestricted	2,916,164	-	136,244	3,052,408
Receivables				
Taxes	32,867,344	-	-	32,867,344
Customer	2,643,386	-	-	2,643,386
Other	292,779	11,694	108,482	412,955
Less allowance for doubtful accounts	(2,530,624)	-	-	(2,530,624)
Due from other governments	5,062,643	3,940,836	870,989	9,874,468
Due from other funds	330,958	156,765	550,973	1,038,696
Inventory	67,417	-	-	67,417
Prepaid Items	3,452	191,041	-	194,493
Advances to other funds	500,000	-	-	500,000
Restricted cash and cash equivalents	3,121,697	-	998,932	4,120,629
	<u>\$ 70,101,850</u>	<u>\$ 17,577,502</u>	<u>\$ 16,623,326</u>	<u>\$ 104,302,678</u>
LIABILITIES				
Accounts payable and accrued liabilities	\$ 1,225,709	\$ 473,813	\$ 2,405,542	\$ 4,105,064
Accrued payroll	681,850	2,251,323	55,382	2,988,555
Customer deposits	-	-	10,582	10,582
Due to other funds	511,363	370,568	156,765	1,038,696
Unearned revenue	2,444,575	-	32,964	2,477,539
Total liabilities	<u>4,863,497</u>	<u>3,095,704</u>	<u>2,661,235</u>	<u>10,620,436</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue				
Taxes	32,637,229	1,339,586	-	33,976,815
Grants	-	-	351,438	351,438
Total deferred inflows of resources	<u>32,637,229</u>	<u>1,339,586</u>	<u>351,438</u>	<u>34,328,253</u>
FUND BALANCES				
Nonspendable	1,153,721	191,041	-	1,344,762
Restricted	-	-	3,230,614	3,230,614
Committed	18,387,303	-	-	18,387,303
Assigned	2,096,450	12,951,171	10,380,039	25,427,660
Unassigned	10,963,650	-	-	10,963,650
Total fund balances	<u>32,601,124</u>	<u>13,142,212</u>	<u>13,610,653</u>	<u>59,353,989</u>
	<u>\$ 70,101,850</u>	<u>\$ 17,577,502</u>	<u>\$ 16,623,326</u>	<u>\$ 104,302,678</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 70,101,850</u>	<u>\$ 17,577,502</u>	<u>\$ 16,623,326</u>	<u>\$ 104,302,678</u>

The accompanying notes are an integral part of the financial statements

CITY OF GERMANTOWN, TENNESSEE

Exhibit A-4

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

June 30, 2017

Total fund balances, governmental funds		\$ 59,353,989
Amounts reported for governmental activities in the statement of net position are different because:		
(1) Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		172,755,152
(2) Other long-term assets are not available to pay for current-period expenditures and, therefore, are unearned or unavailable in the funds.		2,177,591
(3) Long-term debt is not due and payable in the current period and, therefore is not reported in the funds.		
Less: bonds payable	(30,325,000)	
Less: settlement obligation	(3,199,076)	
Less: unamortized premiums and discounts on debt	(3,221,961)	
Add: deferred amount on refunding	<u>305,874</u>	(36,440,163)
(4) Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.		
Less: accrued interest payable	(153,714)	
Less: compensated absences payable	<u>(3,104,959)</u>	(3,258,673)
(5) Net pension assets are not a financial resource in the current period and net pension liabilities and net other postemployment liabilities are not payable with current financial resources and, therefore, are not reported in the funds.		
Add: net pension asset	59,490	
Less: net pension liability	(27,382,732)	
Less: net other postemployment liability	<u>(723,440)</u>	(28,046,682)
(6) 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.		
Add: deferred outflows of resources related to pensions	21,754,579	
Less: deferred inflows of resources related to pensions	<u>(4,654,126)</u>	17,100,453
(7) Internal service funds are used by management to charge the cost of health insurance, workers' compensation, and retiree health insurance to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position.		<u>2,932,457</u>
Net position of governmental activities		<u><u>\$ 186,574,124</u></u>

The accompanying notes are an integral part of the financial statements

CITY OF GERMANTOWN, TENNESSEE

Exhibit A-5

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

For the Year Ended June 30, 2017

	<u>General Fund</u>	<u>General Purpose School Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES				
Property taxes	\$ 28,941,511	\$ 16,100,097	\$ -	\$ 45,041,608
Local sales taxes	12,007,202	6,536,477	-	18,543,679
Intergovernmental	6,526,146	27,058,662	985,950	34,570,758
Intergovernmental gas tax	-	-	1,110,540	1,110,540
Licenses and permits	1,082,190	-	-	1,082,190
Charges for services	1,398,372	315,461	2,566,866	4,280,699
Fines, forfeitures, and penalties	996,400	-	148,542	1,144,942
Federal, state and other grants	270,866	208,454	3,912,039	4,391,359
Interest on investments	235,622	40,169	34,328	310,119
Other	484,538	74,961	258,812	818,311
Total revenues	<u>51,942,847</u>	<u>50,334,281</u>	<u>9,017,077</u>	<u>111,294,205</u>
EXPENDITURES				
Current				
General government	13,288,255	-	-	13,288,255
Public safety	19,129,049	-	1,974,485	21,103,534
Transportation and environment	4,173,014	-	3,002,379	7,175,393
Community services	2,690,204	-	651,749	3,341,953
Education	-	46,651,279	2,717,410	49,368,689
Debt Service				
Principal	2,825,453	-	-	2,825,453
Interest	1,382,402	-	-	1,382,402
Capital outlays	-	1,356,798	16,718,016	18,074,814
Total expenditures	<u>43,488,377</u>	<u>48,008,077</u>	<u>25,064,039</u>	<u>116,560,493</u>
Excess (deficiency) of revenues over (under) expenditures	8,454,470	2,326,204	(16,046,962)	(5,266,288)
OTHER FINANCING SOURCES (USES)				
Sale of capital assets	98,959	-	-	98,959
Transfers in	522,704	2,068,631	15,843,583	18,434,918
Transfers out	(8,332,881)	(116,936)	(9,986,138)	(18,435,955)
Total other financing sources and uses	<u>(7,711,218)</u>	<u>1,951,695</u>	<u>5,857,445</u>	<u>97,922</u>
Net change in fund balances	743,252	4,277,899	(10,189,517)	(5,168,366)
Fund balances - beginning	<u>31,857,872</u>	<u>8,864,313</u>	<u>23,800,170</u>	<u>64,522,355</u>
Fund balances - ending	<u>\$ 32,601,124</u>	<u>\$ 13,142,212</u>	<u>\$ 13,610,653</u>	<u>\$ 59,353,989</u>

The accompanying notes are an integral part of the financial statements

CITY OF GERMANTOWN, TENNESSEE

Ex A-6

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

For the Year Ended June 30, 2017

Net change in fund balance - total governmental funds		\$ (5,168,366)
Amounts reported for governmental activities in the statement of activities are different because:		
(1) Governmental funds report capital outlays as expenditures. In the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.		
Capital outlays capitalize	21,091,258	
Depreciation expense	(9,456,754)	
Loss from the disposition of capital assets	<u>(903,020)</u>	10,731,484
(2) Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		194,685
(3) The issuance of long-term debt (e.g. bonds, notes, other loans) 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.		
Add: principal payments on long-term debt	2,825,453	
Add: amortization of premiums and discounts	107,845	
Less: change in deferred amount on refunding debt	<u>305,874</u>	3,239,172
(4) 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.		
Change in accrued interest payable	42,489	
Change in compensated absences	(175,822)	
Change in net pension asset	35,327	
Change in net pension liability	(6,186,750)	
Change in other postemployment benefits	724,300	
Change in deferred outflows related to pensions	21,754,579	
Change in deferred inflows related to pensions	<u>(17,558,786)</u>	(1,364,663)
(5) Internal service funds are used by management to charge the costs of health insurance, workmen's compensation, and retiree health insurance to individual funds. The net revenue (expense) of certain activities of internal service funds is reported with governmental activities.		<u>(53,305)</u>
Change in net position of governmental activities		<u>\$ 7,579,007</u>

The accompanying notes are an integral part of the financial statements

CITY OF GERMANTOWN, TENNESSEE
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND

Exhibit A-7

For the Year Ended June 30, 2017

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
PROPERTY TAXES				
Real property taxes	\$ 27,200,000	\$ 27,200,000	\$ 27,254,056	\$ 54,056
Personalty property taxes	800,000	800,000	791,369	(8,631)
Property tax interest and penalties	130,000	130,000	104,768	(25,232)
Receipts in lieu of taxes - TVA	459,400	459,400	472,461	13,061
Receipts in lieu of taxes - MLGW	300,000	300,000	318,857	18,857
Total property taxes	<u>28,889,400</u>	<u>28,889,400</u>	<u>28,941,511</u>	<u>52,111</u>
LOCAL TAXES				
Local sales tax	8,859,131	8,859,131	9,396,125	536,994
Wholesale beer and liquor tax	1,000,000	1,000,000	1,108,188	108,188
Gross receipts tax	510,369	510,369	610,282	99,913
Room occupancy tax	820,000	820,000	892,607	72,607
Total local taxes	<u>11,189,500</u>	<u>11,189,500</u>	<u>12,007,202</u>	<u>817,702</u>
INTERGOVERNMENTAL				
State of Tennessee shared taxes				
State sales tax	3,249,992	3,249,992	3,328,313	78,321
Income tax	2,500,000	2,500,000	2,969,807	469,807
Beer and liquor tax	140,062	140,062	146,887	6,825
Petroleum special tax	82,252	82,252	81,139	(1,113)
Total state shared taxes	<u>5,972,306</u>	<u>5,972,306</u>	<u>6,526,146</u>	<u>553,840</u>
LICENSES AND PERMITS				
Automobile registration	889,870	889,870	886,319	(3,551)
Building and related permits	56,000	56,000	93,708	37,708
Animal licenses	79,500	79,500	76,039	(3,461)
Beer and liquor licenses	20,700	20,700	26,124	5,424
Total licenses and permits	<u>1,046,070</u>	<u>1,046,070</u>	<u>1,082,190</u>	<u>36,120</u>
CHARGES FOR SERVICES				
Engineering fees	30,000	30,000	36,396	6,396
Zoning application fees	25,000	25,000	36,858	11,858
Cable TV and telecom fees	790,000	790,000	780,717	(9,283)
Fire inspection fees	13,000	13,000	14,900	1,900
Parks and recreation charges	47,350	47,350	15,401	(31,949)
Rental income	315,000	315,000	326,810	11,810
Performing arts center	85,000	85,000	100,264	15,264
Library fees	92,600	92,600	87,026	(5,574)
Total charge for services	<u>1,397,950</u>	<u>1,397,950</u>	<u>1,398,372</u>	<u>422</u>

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The accompanying notes are an integral part of the financial statements

CITY OF GERMANTOWN, TENNESSEE
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND

Exhibit A-7

For the Year Ended June 30, 2017

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
FINES, FORFEITURES, AND PENALTIES				
City court costs	\$ 740,000	\$ 740,000	\$ 990,236	\$ 250,236
Animal impoundment fees	5,000	5,000	6,164	1,164
	<u>745,000</u>	<u>745,000</u>	<u>996,400</u>	<u>251,400</u>
FEDERAL AND STATE GRANTS	100,000	100,000	270,866	170,866
INTEREST ON INVESTMENTS	65,000	65,000	235,622	170,622
OTHER	389,975	419,325	484,538	65,213
Total Revenues	<u>49,795,201</u>	<u>49,824,551</u>	<u>51,942,847</u>	<u>2,118,296</u>
EXPENDITURES				
GENERAL GOVERNMENT				
Aldermen				
Benefits	122,251	122,826	121,398	1,428
Contractual services	50,000	49,998	42,000	7,998
Materials and supplies	45,000	45,276	18,921	26,355
Other charges	14,402	13,827	9,654	4,173
	<u>231,653</u>	<u>231,927</u>	<u>191,973</u>	<u>39,954</u>
City Court				
Salaries	321,758	324,347	308,605	15,742
Benefits	354,261	352,828	333,408	19,420
Contractual services	10,500	9,275	4,847	4,428
Materials and supplies	5,600	6,899	6,638	261
Other charges	34,884	33,598	28,750	4,848
Expense reimbursement	3,271	3,271	2,828	443
	<u>730,274</u>	<u>730,218</u>	<u>685,076</u>	<u>45,142</u>
Administration				
Salaries	718,485	675,433	542,968	132,465
Benefits	265,382	283,902	226,495	57,407
Contractual services	625,000	637,332	621,452	15,880
Materials and supplies	21,899	27,632	27,498	134
Other charges	218,514	166,986	147,515	19,471
Expense reimbursement	(4,886)	(4,886)	(10,885)	5,999
	<u>1,844,394</u>	<u>1,786,399</u>	<u>1,555,043</u>	<u>231,356</u>
Personnel				
Salaries	372,660	373,260	359,152	14,108
Benefits	140,140	141,099	111,168	29,931
Contractual services	86,000	68,314	57,791	10,523
Materials and supplies	2,500	2,500	745	1,755
Other charges	72,511	61,226	56,389	4,837
Expense reimbursement	(33,857)	(33,857)	(34,448)	591
	<u>639,954</u>	<u>612,542</u>	<u>550,797</u>	<u>61,745</u>

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CITY OF GERMANTOWN, TENNESSEE
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND

Exhibit A-7

For the Year Ended June 30, 2017

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Finance				
Salaries	\$ 1,040,292	\$ 1,023,788	\$ 1,006,520	\$ 17,268
Benefits	410,291	400,681	374,070	26,611
Contractual services	238,200	286,206	284,738	1,468
Materials and supplies	95,000	73,982	48,007	25,975
Other charges	80,614	85,540	65,063	20,477
Expense reimbursement	(184,404)	(184,404)	(188,149)	3,745
	<u>1,679,993</u>	<u>1,685,793</u>	<u>1,590,249</u>	<u>95,544</u>
Information Technology				
Salaries	431,476	435,496	423,454	12,042
Benefits	157,864	160,588	123,857	36,731
Contractual services	192,461	210,615	148,959	61,656
Materials and supplies	1,147,387	928,179	890,328	37,851
Other charges	142,170	142,993	129,608	13,385
Capital outlay	422,000	399,305	308,656	90,649
Expense reimbursement	(83,599)	(83,599)	(85,599)	2,000
	<u>2,409,759</u>	<u>2,193,577</u>	<u>1,939,263</u>	<u>254,314</u>
Building Maintenance				
Salaries	820,699	825,912	791,017	34,895
Benefits	363,532	364,538	325,411	39,127
Contractual services	10,000	20,246	19,086	1,160
Materials and supplies	646,700	689,645	656,419	33,226
Other charges	29,065	26,703	18,803	7,900
Capital outlay	55,000	198,485	183,104	15,381
Expense reimbursement	(27,034)	(25,563)	(27,899)	2,336
	<u>1,897,962</u>	<u>2,099,966</u>	<u>1,965,941</u>	<u>134,025</u>
Research and Budget				
Salaries	212,711	212,711	207,771	4,940
Benefits	88,917	88,886	72,577	16,309
Materials and supplies	1,250	1,157	140	1,017
Other charges	63,590	63,935	44,076	19,859
Expense reimbursement	(20,539)	(20,539)	(20,620)	81
	<u>345,929</u>	<u>346,150</u>	<u>303,944</u>	<u>42,206</u>
Development				
Salaries	1,255,930	1,255,930	1,201,551	54,379
Benefits	484,912	444,647	422,218	22,429
Contractual services	168,000	156,056	156,005	51
Materials and supplies	119,627	115,642	84,773	30,869
Other charges	93,851	89,878	80,817	9,061
Capital outlay	27,000	51,621	51,617	4
Expense reimbursement	(31,939)	(31,119)	(34,878)	3,759
	<u>2,117,381</u>	<u>2,082,655</u>	<u>1,962,103</u>	<u>120,552</u>

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The accompanying notes are an integral part of the financial statements

CITY OF GERMANTOWN, TENNESSEE
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND

Exhibit A-7

For the Year Ended June 30, 2017

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
GPAC				
Salaries	\$ 748,261	\$ 751,379	\$ 743,065	\$ 8,314
Benefits	265,744	265,793	234,896	30,897
Contractual services	-	4,000	3,488	512
Materials and supplies	73,500	64,861	58,475	6,386
Other charges	138,025	141,445	134,728	6,717
Capital outlay	68,000	67,682	67,664	18
Expense reimbursement	22,502	22,502	19,455	3,047
	<u>1,316,032</u>	<u>1,317,662</u>	<u>1,261,771</u>	<u>55,891</u>
Civic Support				
Salaries	468,723	505,259	505,256	3
Benefits	162,743	156,600	156,593	7
Grants	515,951	620,252	620,246	6
	<u>1,147,417</u>	<u>1,282,111</u>	<u>1,282,095</u>	<u>16</u>
Total general government	<u>14,360,748</u>	<u>14,369,000</u>	<u>13,288,255</u>	<u>1,080,745</u>
PUBLIC SAFETY				
Police Services				
Salaries	7,133,615	7,244,460	7,209,317	35,143
Benefits	2,882,130	2,826,281	2,745,854	80,427
Contractual services	10,000	10,000	8,037	1,963
Materials and supplies	625,941	524,135	397,843	126,292
Other charges	165,780	168,019	137,698	30,321
Capital outlay	385,000	436,021	418,362	17,659
Expense reimbursement	478,271	478,271	442,719	35,552
	<u>11,680,737</u>	<u>11,687,187</u>	<u>11,359,830</u>	<u>327,357</u>
Fire Services				
Salaries	4,898,222	5,060,751	5,060,746	5
Benefits	1,818,675	1,763,407	1,761,199	2,208
Contractual services	14,990	15,979	15,977	2
Materials and supplies	303,558	344,343	335,743	8,600
Other charges	181,278	164,323	162,737	1,586
Capital outlay	92,000	88,113	70,400	17,713
Expense reimbursement	392,836	392,836	362,417	30,419
	<u>7,701,559</u>	<u>7,829,752</u>	<u>7,769,219</u>	<u>60,533</u>
Total public safety	<u>19,382,296</u>	<u>19,516,939</u>	<u>19,129,049</u>	<u>387,890</u>

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The accompanying notes are an integral part of the financial statements

CITY OF GERMANTOWN, TENNESSEE
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND

Exhibit A-7

For the Year Ended June 30, 2017

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
TRANSPORTATION AND ENVIRONMENT				
Public Services				
Salaries	\$ 1,809,231	\$ 1,786,672	\$ 1,775,556	\$ 11,116
Benefits	814,626	791,099	765,844	25,255
Materials and supplies	956,000	847,796	802,449	45,347
Other charges	32,900	37,900	35,514	2,386
Capital outlay	449,000	616,585	566,817	49,768
Expense reimbursement	(62,463)	(62,463)	(68,953)	6,490
	<u>3,999,294</u>	<u>4,017,589</u>	<u>3,877,227</u>	<u>140,362</u>
Animal Control				
Salaries	157,900	157,900	126,981	30,919
Benefits	74,845	75,021	59,762	15,259
Contractual services	7,200	7,200	7,200	-
Materials and supplies	63,900	93,250	80,769	12,481
Other charges	23,505	23,329	15,366	7,963
Expense reimbursement	10,235	10,235	5,709	4,526
	<u>337,585</u>	<u>366,935</u>	<u>295,787</u>	<u>71,148</u>
Total transportation and environment	<u>4,336,879</u>	<u>4,384,524</u>	<u>4,173,014</u>	<u>211,510</u>
COMMUNITY SERVICES				
Parks and Recreation				
Salaries	674,506	528,945	528,943	2
Benefits	202,328	204,038	138,198	65,840
Contractual services	40,000	39,627	29,920	9,707
Materials and supplies	38,500	46,141	34,322	11,819
Other charges	302,900	291,890	276,164	15,726
Capital outlay	72,000	98,949	77,104	21,845
Expense reimbursement	49,646	49,646	39,725	9,921
	<u>1,379,880</u>	<u>1,259,236</u>	<u>1,124,376</u>	<u>134,860</u>
Cultural Arts Program				
Contractual services	13,575	17,075	14,300	2,775
Materials and supplies	33,875	35,052	26,189	8,863
Other charges	18,547	20,598	5,910	14,688
	<u>65,997</u>	<u>72,725</u>	<u>46,399</u>	<u>26,326</u>
Genealogical Library				
Benefits	200	200	200	-
Contractual services	49,442	49,367	43,082	6,285
Materials and supplies	2,000	2,000	1,631	369
Other charges	25,707	26,200	16,402	9,798
Expense reimbursement	1,685	1,685	1,457	228
	<u>79,034</u>	<u>79,452</u>	<u>62,772</u>	<u>16,680</u>

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The accompanying notes are an integral part of the financial statements

CITY OF GERMANTOWN, TENNESSEE
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND

Exhibit A-7

For the Year Ended June 30, 2017

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Library				
Benefits	\$ 1,500	\$ 1,500	\$ 435	\$ 1,065
Contractual services	1,288,694	1,272,289	1,268,202	4,087
Materials and supplies	42,800	54,329	40,237	14,092
Other charges	125,330	133,021	125,499	7,522
Expense reimbursement	25,773	25,773	22,284	3,489
	<u>1,484,097</u>	<u>1,486,912</u>	<u>1,456,657</u>	<u>30,255</u>
Total community services	<u>3,009,008</u>	<u>2,898,325</u>	<u>2,690,204</u>	<u>208,121</u>
DEBT SERVICE				
Bond and note principal	2,825,453	2,825,453	2,825,453	-
Interest and fiscal charges	1,382,051	1,382,404	1,382,402	2
Total debt service	<u>4,207,504</u>	<u>4,207,857</u>	<u>4,207,855</u>	<u>2</u>
Total Expenditures	<u>45,296,435</u>	<u>45,376,645</u>	<u>43,488,377</u>	<u>1,888,268</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	4,498,766	4,447,906	8,454,470	4,006,564
OTHER FINANCING SOURCES (USES)				
Debt issuance	220,756	220,756	-	(220,756)
Sale of capital assets	15,000	15,000	98,959	83,959
Transfers in	484,683	533,422	522,704	(10,718)
Transfers out	(8,714,386)	(8,594,380)	(8,332,881)	261,499
Total Other Financing Sources (Uses)	<u>(7,993,947)</u>	<u>(7,825,202)</u>	<u>(7,711,218)</u>	<u>113,984</u>
Net change in fund balances	<u>\$ (3,495,181)</u>	<u>\$ (3,377,296)</u>	743,252	<u>\$ 4,120,548</u>
Fund balances - beginning			<u>31,857,872</u>	
Fund balances - ending			<u>\$ 32,601,124</u>	

The accompanying notes are an integral part of the financial statements

CITY OF GERMANTOWN, TENNESSEE
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL PURPOSE SCHOOL FUND
For the Year Ended June 30, 2017

Exhibit A-8

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
PROPERTY TAXES				
Property tax	\$ 15,856,409	\$ 15,227,231	\$ 15,837,526	\$ 610,295
Receipts in lieu of tax	290,329	317,318	262,571	(54,747)
Total property taxes	<u>16,146,738</u>	<u>15,544,549</u>	<u>16,100,097</u>	<u>555,548</u>
LOCAL TAXES	6,055,570	6,156,950	6,536,477	379,527
INTERGOVERNMENTAL				
Mixed drink taxes	83,149	83,149	127,514	44,365
Basic Education Program	25,077,000	25,177,000	25,402,166	225,166
Career Ladder Program	139,445	139,445	118,114	(21,331)
Wheel tax	52,322	1,336,500	1,405,748	69,248
Other	-	5,000	5,120	120
Total intergovernmental	<u>25,351,916</u>	<u>26,741,094</u>	<u>27,058,662</u>	<u>317,568</u>
CHARGES FOR SERVICES	240,215	230,915	315,461	84,546
GRANTS	174,129	196,585	208,454	11,869
OTHER	-	48,500	74,961	26,461
INTEREST INCOME	-	-	40,169	40,169
Total Revenues	<u>47,968,568</u>	<u>48,918,593</u>	<u>50,334,281</u>	<u>1,415,688</u>
EXPENDITURES				
EDUCATION				
Board of education services				
Salaries	26,500	42,110	23,425	18,685
Benefits	749,492	927,838	845,493	82,345
Contractual services	560,498	541,716	423,063	118,653
Materials and supplies	4,200	4,634	73	4,561
Insurance	252,300	252,300	197,446	54,854
Other charges	209,000	234,000	225,295	8,705
	<u>1,801,990</u>	<u>2,002,598</u>	<u>1,714,795</u>	<u>287,803</u>
Office of superintendent				
Salaries	238,067	242,267	239,824	2,443
Benefits	65,563	66,264	60,394	5,870
Materials and supplies	15,000	27,581	24,342	3,239
Other charges	178,400	178,400	174,771	3,629
	<u>497,030</u>	<u>514,512</u>	<u>499,331</u>	<u>15,181</u>

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CITY OF GERMANTOWN, TENNESSEE
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL PURPOSE SCHOOL FUND
For the Year Ended June 30, 2017

Exhibit A-8

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Office of principal				
Salaries	\$ 2,390,728	\$ 2,390,728	\$ 2,340,229	\$ 50,499
Benefits	629,858	629,858	593,104	36,754
Contractual services	-	12,000	12,000	-
Materials and supplies	147,000	147,000	146,999	1
Other charges	35,928	48,428	43,950	4,478
	<u>3,203,514</u>	<u>3,228,014</u>	<u>3,136,282</u>	<u>91,732</u>
Regular instruction				
Salaries	18,184,312	18,367,342	17,664,089	703,253
Benefits	4,690,403	4,710,422	4,440,612	269,810
Contractual services	554,000	556,500	501,894	54,606
Materials and supplies	1,608,000	1,806,792	1,484,951	321,841
Other charges	78,800	121,800	62,409	59,391
	<u>25,115,515</u>	<u>25,562,856</u>	<u>24,153,955</u>	<u>1,408,901</u>
Alternative education				
Salaries	236,964	267,236	266,535	701
Benefits	62,881	70,111	64,140	5,971
Materials and supplies	13,000	12,550	11,167	1,383
Other charges	11,000	11,450	10,737	713
	<u>323,845</u>	<u>361,347</u>	<u>352,579</u>	<u>8,768</u>
Special education				
Salaries	2,754,254	2,545,572	2,472,390	73,182
Benefits	671,855	655,891	629,195	26,696
Contractual services	50,000	50,000	44,814	5,186
Materials and supplies	17,000	17,000	16,032	968
Other charges	1,000	1,000	(424)	1,424
	<u>3,494,109</u>	<u>3,269,463</u>	<u>3,162,007</u>	<u>107,456</u>
Technical education				
Salaries	536,014	536,014	485,667	50,347
Benefits	146,831	162,190	147,921	14,269
Materials and supplies	62,000	62,000	52,054	9,946
	<u>744,845</u>	<u>760,204</u>	<u>685,642</u>	<u>74,562</u>
Other student support				
Salaries	843,999	843,999	843,196	803
Benefits	215,445	215,445	189,666	25,779
Contractual services	95,000	95,000	75,574	19,426
Materials and supplies	2,000	2,000	1,623	377
Other charges	22,500	22,500	9,593	12,907
	<u>1,178,944</u>	<u>1,178,944</u>	<u>1,119,652</u>	<u>59,292</u>

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CITY OF GERMANTOWN, TENNESSEE
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL PURPOSE SCHOOL FUND
For the Year Ended June 30, 2017

Exhibit A-8

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Regular instruction support				
Salaries	\$ 997,599	\$ 1,029,686	\$ 1,029,246	\$ 440
Benefits	271,397	276,932	257,700	19,232
Contractual services	15,000	15,000	8,606	6,394
Materials and supplies	53,000	65,108	58,677	6,431
Other charges	42,500	43,992	31,402	12,590
	<u>1,379,496</u>	<u>1,430,718</u>	<u>1,385,631</u>	<u>45,087</u>
Special education support				
Salaries	595,433	822,887	727,760	95,127
Benefits	150,564	170,780	160,842	9,938
Contractual services	12,000	12,000	12,000	-
Materials and supplies	15,000	19,500	19,482	18
Other charges	15,000	15,000	13,722	1,278
	<u>787,997</u>	<u>1,040,167</u>	<u>933,806</u>	<u>106,361</u>
Technical education support				
Contractual services	25,000	25,000	24,360	640
	<u>25,000</u>	<u>25,000</u>	<u>24,360</u>	<u>640</u>
Technology				
Salaries	516,735	571,413	562,752	8,661
Benefits	147,032	156,926	151,993	4,933
Contractual services	33,000	29,364	29,339	25
Materials and supplies	38,017	36,863	30,491	6,372
Other charges	1,798,169	1,737,886	1,709,423	28,463
	<u>2,532,953</u>	<u>2,532,452</u>	<u>2,483,998</u>	<u>48,454</u>
Fiscal services				
Salaries	265,540	270,593	270,430	163
Benefits	76,433	80,214	78,009	2,205
Contractual services	269,000	263,159	259,125	4,034
Materials and supplies	2,000	2,000	1,559	441
Other charges	4,300	4,300	3,204	1,096
	<u>617,273</u>	<u>620,266</u>	<u>612,327</u>	<u>7,939</u>
Human resources				
Salaries	183,528	187,440	191,404	(3,964)
Benefits	71,877	71,877	53,817	18,060
Contractual services	13,000	13,000	8,950	4,050
Materials and supplies	3,600	3,600	1,124	2,476
Other charges	33,395	33,395	20,899	12,496
	<u>305,400</u>	<u>309,312</u>	<u>276,194</u>	<u>33,118</u>

(CONTINUED ON NEXT PAGE)

The accompanying notes are an integral part of the financial statements

CITY OF GERMANTOWN, TENNESSEE
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL PURPOSE SCHOOL FUND
For the Year Ended June 30, 2017

Exhibit A-8

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Student services				
Salaries	\$ 301,285	\$ 301,285	\$ 296,664	\$ 4,621
Benefits	76,328	76,328	72,036	4,292
Contractual services	31,500	31,500	25,736	5,764
Materials and supplies	3,500	3,500	2,274	1,226
Other charges	23,500	23,500	15,971	7,529
	<u>436,113</u>	<u>436,113</u>	<u>412,681</u>	<u>23,432</u>
Health services				
Salaries	253,887	283,613	278,304	5,309
Benefits	91,101	104,668	83,663	21,005
Contractual services	3,000	270	269	1
Materials and supplies	14,500	16,644	10,680	5,964
Other charges	14,500	13,360	9,158	4,202
	<u>376,988</u>	<u>418,555</u>	<u>382,074</u>	<u>36,481</u>
Operation of plant				
Salaries	263,000	263,000	254,206	8,794
Benefits	80,625	82,742	76,436	6,306
Other charges	2,883,704	3,149,984	2,291,411	858,573
	<u>3,227,329</u>	<u>3,495,726</u>	<u>2,622,053</u>	<u>873,673</u>
Maintenance of plant				
Salaries	282,348	285,604	278,869	6,735
Benefits	85,348	85,898	81,103	4,795
Contractual services	6,000	6,000	5,801	199
Materials and supplies	1,000	9,140	8,883	257
Other charges	813,000	801,054	596,532	204,522
	<u>1,187,696</u>	<u>1,187,696</u>	<u>971,188</u>	<u>216,508</u>
Transportation				
Contractual services	1,512,000	1,512,000	1,329,020	182,980
Other charges	154,000	154,000	127,830	26,170
	<u>1,666,000</u>	<u>1,666,000</u>	<u>1,456,850</u>	<u>209,150</u>
Safety				
Materials and supplies	750	750	-	750
Other charges	19,250	19,750	8,666	11,084
	<u>20,000</u>	<u>20,500</u>	<u>8,666</u>	<u>11,834</u>
Technology				
Salaries	178,023	180,039	181,803	(1,764)
Benefits	41,299	41,640	41,057	583
Contractual services	24,391	30,891	30,766	125
Materials and supplies	12,000	3,143	2,082	1,061
Other charges	1,500	1,500	1,500	-
	<u>257,213</u>	<u>257,213</u>	<u>257,208</u>	<u>5</u>
Total education	<u>49,179,250</u>	<u>50,317,656</u>	<u>46,651,279</u>	<u>3,666,377</u>

(CONTINUED ON NEXT PAGE)

The accompanying notes are an integral part of the financial statements

CITY OF GERMANTOWN, TENNESSEE
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL PURPOSE SCHOOL FUND
For the Year Ended June 30, 2017

Exhibit A-8

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
CAPITAL OUTLAY	\$ 1,808,840	\$ 1,948,251	\$ 1,356,798	\$ 591,453
DEBT SERVICE				
Principal	-	287,104	-	287,104
Interest	-	-	-	-
Total debt service	-	287,104	-	287,104
Total Expenditures	<u>50,988,090</u>	<u>52,553,011</u>	<u>48,008,077</u>	<u>4,544,934</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(3,019,522)	(3,634,418)	2,326,204	5,960,622
OTHER FINANCING SOURCES (USES)				
Transfers in	2,189,386	2,068,630	2,068,631	1
Transfers out	<u>(169,864)</u>	<u>(169,864)</u>	<u>(116,936)</u>	<u>52,928</u>
Total Other Financing Sources (Uses)	<u>2,019,522</u>	<u>1,898,766</u>	<u>1,951,695</u>	<u>52,929</u>
Net change in fund balances	<u>\$ (1,000,000)</u>	<u>\$ (1,735,652)</u>	4,277,899	<u>\$ 6,013,551</u>
Fund balances - beginning			<u>8,864,313</u>	
Fund balances - ending			<u>\$ 13,142,212</u>	

The accompanying notes are an integral part of the financial statements

CITY OF GERMANTOWN, TENNESSEE
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2017

Exhibit A-9

	Business-type Activity - Enterprise Funds				Governmental
	Utility Fund	Athletic Club Fund	Nonmajor Enterprise Fund	Total	Activities Internal Service Funds
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 5,283,766	\$ 2,166,534	\$ 1,958,341	\$ 9,408,641	\$ 3,821,884
Investments	615,891	226,082	105,619	947,592	-
Receivables					
Customers	1,079,605	23,512	322,596	1,425,713	-
Other	-	-	-	-	3,201
Less allowance for doubtful accounts	(50,667)	(19,238)	(65,194)	(135,099)	-
Due from other funds	-	-	-	-	399,024
Inventory	31,672	1,699	-	33,371	74,985
Prepaid expenses	-	13,723	-	13,723	-
Restricted cash and cash equivalents	618,274	115,685	79,540	813,499	-
Total current assets	<u>7,578,541</u>	<u>2,527,997</u>	<u>2,400,902</u>	<u>12,507,440</u>	<u>4,299,094</u>
Noncurrent assets:					
Capital assets, not being depreciated	1,013,863	4,777,554	-	5,791,417	-
Capital assets, being depreciated, net	44,713,641	10,651,101	700,226	56,064,968	1,833,719
Total capital assets, net	<u>45,727,504</u>	<u>15,428,655</u>	<u>700,226</u>	<u>61,856,385</u>	<u>1,833,719</u>
Total assets	<u>53,306,045</u>	<u>17,956,652</u>	<u>3,101,128</u>	<u>74,363,825</u>	<u>6,132,813</u>
DEFERRED OUTFLOWS OF RESOURCES					
Related to pension	508,243	207,964	244,781	960,988	-
LIABILITIES					
Current liabilities:					
Accounts payable	247,336	200,939	429,094	877,369	1,319,031
Accrued interest payable	3,850	9,600	-	13,450	-
Accrued payroll	21,528	51,718	20,984	94,230	13,404
Customer deposits	618,274	-	79,540	697,814	-
Unearned revenue	-	188,349	76,534	264,883	-
Due to other funds	-	-	-	-	-
Advances from other funds, current	-	125,000	-	125,000	-
Bonds payable, current	1,075,000	-	-	1,075,000	-
Total current liabilities	<u>1,965,988</u>	<u>575,606</u>	<u>606,152</u>	<u>3,147,746</u>	<u>1,332,435</u>
Noncurrent liabilities:					
Advances from other funds, net of current	-	375,000	-	375,000	-
Bonds and payable, net of current portion, discounts, and premiums	610,630	-	-	610,630	-
Accrued compensated absences	69,427	38,842	23,390	131,659	-
Net pension liability	1,234,759	505,245	594,693	2,334,697	-
Other post employment benefits payable	-	-	-	-	-
Total noncurrent liabilities	<u>1,914,816</u>	<u>919,087</u>	<u>618,083</u>	<u>3,451,986</u>	<u>-</u>
Total liabilities	<u>3,880,804</u>	<u>1,494,693</u>	<u>1,224,235</u>	<u>6,599,732</u>	<u>1,332,435</u>
NET POSITION					
Net investment in capital assets	44,041,874	15,428,655	700,226	60,170,755	1,833,719
Restricted - sanitation	-	-	787,961	787,961	-
Unrestricted	5,891,610	1,241,268	633,487	7,766,365	2,966,659
Total net position	<u>\$ 49,933,484</u>	<u>\$ 16,669,923</u>	<u>\$ 2,121,674</u>	<u>68,725,081</u>	<u>\$ 4,800,378</u>
Adjustment to reflect the consolidation of internal service funds related to the enterprise fund				34,202	
Net position of the business-type activity				<u>\$ 68,759,283</u>	

The accompanying notes are an integral part of the financial statements

CITY OF GERMANTOWN, TENNESSEE
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
For the Year Ended June 30, 2017

Exhibit A-10

	Business-type Activity - Enterprise Funds				Governmental
	Utility Fund	Athletic Club Fund	Nonmajor Enterprise Fund	Total	Activities Internal Service Funds
Operating Revenues:					
Metered water sales	\$ 5,403,136	\$ -	\$ -	\$ 5,403,136	\$ -
Sewer service fee	3,279,737	-	-	3,279,737	-
Service connections fees	159,846	-	-	159,846	-
Membership fees	-	3,426,575	-	3,426,575	-
Class fees	-	575,924	-	575,924	-
Daily admissions	-	7,429	-	7,429	-
Sanitation fees	-	-	4,782,138	4,782,138	-
Stormwater fees	-	-	1,034,939	1,034,939	-
Forfeited discounts	75,748	-	48,067	123,815	-
Rental income	-	79,222	471,193	550,415	-
Internal charges	-	-	-	-	10,757,729
Other	39,192	686	13,061	52,939	-
Total operating revenues	<u>8,957,659</u>	<u>4,089,836</u>	<u>6,349,398</u>	<u>19,396,893</u>	<u>10,757,729</u>
Operating Expenses:					
Salaries	1,021,708	1,390,597	624,710	3,037,015	461,538
Benefits	422,422	367,299	578,045	1,367,766	187,365
Contractual services	1,464,566	436,174	4,837,671	6,738,411	-
Utilities	614,303	369,947	42,089	1,026,339	19,101
Materials and supplies	339,315	280,345	365,749	985,409	348,350
Other service charges	96,872	162,202	141,719	400,793	175,819
Capital outlay	-	-	-	-	-
Expense reimbursement	1,133,128	88,881	55,478	1,277,487	-
Insurance premiums	-	-	-	-	9,601,959
Depreciation	1,751,416	558,655	100,232	2,410,303	140,489
Total operating expenses	<u>6,843,730</u>	<u>3,654,100</u>	<u>6,745,693</u>	<u>17,243,523</u>	<u>10,934,621</u>
Operating income (loss)	2,113,929	435,736	(396,295)	2,153,370	(176,892)
Nonoperating Revenues (Expenses):					
Interest	39,361	19,799	13,696	72,856	-
Bond interest and fiscal charges	(69,070)	(15,624)	(6,076)	(90,770)	-
Gain on sale of capital assets	8,660	-	-	8,660	-
Total non-operating expenses	<u>(21,049)</u>	<u>4,175</u>	<u>7,620</u>	<u>(9,254)</u>	<u>-</u>
Income (loss) before contributions and transfers	2,092,880	439,911	(388,675)	2,144,116	(176,892)
Capital contributions - development	40,764	-	-	40,764	-
Transfers in	-	300,000	175,000	475,000	-
Transfers out	<u>(473,963)</u>	<u>-</u>	<u>-</u>	<u>(473,963)</u>	<u>-</u>
Change in net position	1,659,681	739,911	(213,675)	2,185,917	(176,892)
Total net position - beginning	<u>48,273,803</u>	<u>15,930,012</u>	<u>2,335,349</u>	<u>66,539,164</u>	<u>4,977,270</u>
Total net position - ending	<u>\$ 49,933,484</u>	<u>\$ 16,669,923</u>	<u>\$ 2,121,674</u>	<u>\$ 68,725,081</u>	<u>\$ 4,800,378</u>
Change in net position				\$ 2,185,917	
Adjustment to reflect the consolidation of internal service funds related to the enterprise fund				(28,430)	
Change in net position of the business-type activity				<u>\$ 2,157,487</u>	

The accompanying notes are an integral part of the financial statements

CITY OF GERMANTOWN, TENNESSEE
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended June 30, 2017

Exhibit A-11

	Business-type Activity - Enterprise Funds			Total	Governmental
	Utility Fund	Athletic Club Fund	Nonmajor Enterprise Fund		Activities Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers and users	\$ 9,082,290	\$ 4,114,469	\$ 6,340,659	\$ 19,537,418	\$ -
Receipts from interfund services provided	-	-	-	-	10,757,539
Payments to suppliers	(3,691,778)	(1,289,509)	(5,782,205)	(10,763,492)	(9,467,027)
Payments to employees	(1,525,968)	(1,737,329)	(864,644)	(4,127,941)	(666,154)
Other receipts	39,192	686	13,061	52,939	-
Net cash from operating activities	3,903,736	1,088,317	(293,129)	4,698,924	624,358
CASH FLOW FROM NONCAPITAL FINANCING ACTIVITIES					
Payments on advances from other funds	-	(125,000)	-	(125,000)	-
Interest paid on advances	-	(18,124)	-	(18,124)	-
Transfer from (to) other fund	(473,963)	300,000	175,000	1,037	(223,858)
Net cash from (used for) noncapital financing activities	(473,963)	156,876	175,000	(142,087)	(223,858)
CASH FLOW USED FOR CAPITAL AND RELATED FINANCING ACTIVITIES					
Capital contributions	40,764	-	-	40,764	-
Purchases of capital assets	(276,993)	(2,503,789)	(92,357)	(2,873,139)	(45,332)
Proceeds from sale of capital assets	8,660	-	-	8,660	-
Principal paid on capital debt	(1,035,000)	-	-	(1,035,000)	-
Interest paid on capital debt	(87,550)	-	(6,076)	(93,626)	-
Net cash from (used for) capital and related financing activities	(1,350,119)	(2,503,789)	(98,433)	(3,952,341)	(45,332)
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchase of investments	(76,376)	-	-	(76,376)	-
Sale of investments	-	294,593	75,573	370,166	-
Interest income	38,231	19,799	13,684	71,714	-
Net cash from (used for) investing activities	(38,145)	314,392	89,257	365,504	-
Net increase (decrease) in cash and cash equivalents	2,041,509	(944,204)	(127,305)	970,000	355,168
Cash and cash equivalents - beginning	3,860,531	3,226,423	2,165,186	9,252,140	3,466,716
Cash and cash equivalents - end	<u>\$ 5,902,040</u>	<u>\$ 2,282,219</u>	<u>\$ 2,037,881</u>	<u>\$ 10,222,140</u>	<u>\$ 3,821,884</u>
Classified as:					
Current assets	\$ 5,283,766	\$ 2,166,534	\$ 1,958,341	\$ 9,408,641	\$ 3,821,884
Restricted assets	618,274	115,685	79,540	813,499	-
	<u>\$ 5,902,040</u>	<u>\$ 2,282,219</u>	<u>\$ 2,037,881</u>	<u>\$ 10,222,140</u>	<u>\$ 3,821,884</u>

The accompanying notes are an integral part of the financial statements

CITY OF GERMANTOWN, TENNESSEE
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended June 30, 2017

Exhibit A-11

	Business-type Activity - Enterprise Funds			Total	Governmental
	Utility Fund	Athletic Club Fund	Nonmajor Enterprise Fund		Activities Internal Service Funds
Reconciliation of operating income to net cash from operating activities:					
Operating income	\$ 2,113,929	\$ 435,736	\$ (396,295)	\$ 2,153,370	\$ (176,892)
Adjustments to reconcile operating income to net cash from (used for) operating activities:					
Depreciation	1,751,416	558,655	100,232	2,410,303	140,489
Pension expense in excess of employer contributions	(37,097)	49,865	349,912	362,680	-
Change in assets and liabilities					
Receivables	143,989	745	(5,483)	139,251	(190)
Inventory	8,391	26	-	8,417	6,867
Prepaid expenses	-	10,479	-	10,479	-
Accounts payable	(51,985)	37,535	(339,499)	(353,949)	671,335
Accrued payroll	(55,567)	(41,061)	(15,667)	(112,295)	(17,251)
Compensated absences	10,826	11,763	3,866	26,455	-
Customer deposits	19,834	-	(1,347)	18,487	-
Unearned revenue	-	24,574	11,152	35,726	-
Net cash from operating activities	<u>\$ 3,903,736</u>	<u>\$ 1,088,317</u>	<u>\$ (293,129)</u>	<u>\$ 4,698,924</u>	<u>\$ 624,358</u>

The accompanying notes are an integral part of the financial statements

CITY OF GERMANTOWN, TENNESSEE
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
June 30, 2017

Exhibit A-12

	Amended & Restated Pension Fund	Cash Value Pension Fund	City OPEB Fund	GMSD OPEB Fund	Combined Agency Funds
ASSETS					
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ 9,388	\$ 972,036
Investments	67,396,802	534,840	5,099,352	2,041,494	-
Interest receivable	13,668	135	769	492	-
Inventory	-	-	-	-	11,207
Restricted cash and cash equivalents	994,320	253,338	853,086	-	-
Total assets	68,404,790	788,313	5,953,207	2,051,374	\$ 983,243
LIABILITIES					
Accounts payable	\$ 38,755	\$ 5,787	\$ 90,835	\$ 3,500	\$ -
Due to other funds	-	-	-	399,024	-
Bail bonds payable	-	-	-	-	53,460
Due to student general fund	-	-	-	-	431,749
Due to student groups	-	-	-	-	498,034
Total liabilities	38,755	5,787	90,835	402,524	\$ 983,243
NET POSITION					
Restricted for pensions	68,366,035	782,526	-	-	
Held in trust for OPEB benefits	-	-	5,862,372	1,648,850	
Total net position	\$ 68,366,035	\$ 782,526	\$ 5,862,372	\$ 1,648,850	

The accompanying notes are an integral part of the financial statements

CITY OF GERMANTOWN, TENNESSEE
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
For the Year Ended June 30, 2017

Exhibit A-13

	<u>Amended & Restated Pension Fund</u>	<u>Cash Value Pension Fund</u>	<u>City OPEB Fund</u>	<u>GMSD OPEB Fund</u>
ADDITIONS				
Contributions:				
Employer	\$ 2,166,080	\$ 172,085	\$ 526,390	\$ 840,000
Plan members	768,169	220,365	180,122	-
Total contributions	<u>2,934,249</u>	<u>392,450</u>	<u>706,512</u>	<u>840,000</u>
Investment earnings (losses):				
Interest and dividends	753,769	6,803	65,673	8,928
Net appreciation in fair value of investments	<u>6,802,438</u>	<u>41,440</u>	<u>512,883</u>	<u>5,157</u>
Total investment earnings	<u>7,556,207</u>	<u>48,243</u>	<u>578,556</u>	<u>14,085</u>
Less investment expense	-	-	-	-
Net investment earnings	<u>7,556,207</u>	<u>48,243</u>	<u>578,556</u>	<u>14,085</u>
Total additions	10,490,456	440,693	1,285,068	854,085
DEDUCTIONS				
Benefits	3,687,201	14,736	1,386,211	412,074
Administrative expense	<u>274,264</u>	<u>14,708</u>	<u>23,826</u>	<u>17,718</u>
Total deductions	<u>3,961,465</u>	<u>29,444</u>	<u>1,410,037</u>	<u>429,792</u>
Change in net position	6,528,991	411,249	(124,969)	424,293
Net position - beginning of the year	<u>61,837,044</u>	<u>371,277</u>	<u>5,987,341</u>	<u>1,224,557</u>
Net position - end of the year	<u>\$ 68,366,035</u>	<u>\$ 782,526</u>	<u>\$ 5,862,372</u>	<u>\$ 1,648,850</u>

The accompanying notes are an integral part of the financial statements

CITY OF GERMANTOWN, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

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 and is organized into the following functions: General Government, Public Safety, Community Services, Transportation and Environment, Education, Utilities, Athletic Club and Performing Arts Center.

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. Blended component units, although legally separate entities, are, in substance, part of a government's operations. The City has one blended component unit and one discretely presented component unit (see details below). The significant accounting policies followed by the component units are generally the same as those followed by the primary government.

Blended Component Unit:

Germantown Municipal School District ("Board of Education" or the "Schools") – The Board of Education is a legally separate organization that includes all the public schools within the City. The Board of Education has a separately elected governing board but is fiscally dependent upon the City. The City provides funding, approves its operating budget, and issues debt for its capital projects. The Board of Education's total debt outstanding is expected to be repaid entirely or almost entirely with the resources of the City. The Board of Education's general purpose fund, federal projects fund, and cafeteria fund are each reported as special revenue funds of the City. The Board of Education's capital projects fund is considered a nonmajor fund of the City. The Board of Education's student activity funds are an agency fund of the City. The Board of Education does not issue separate financial statements.

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. Basis of Presentation

Government-Wide Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and are designed to provide readers with a broad overview of the City's finances, in a manner similar to private-sector business. 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. Certain eliminations have been made in regards to interfund activities, payables, and receivables. All internal balances in the statement of net position have been eliminated except those representing balances between the governmental activities and business type activities, which are presented as internal balances and eliminated in the total primary government column. In the statement of activities, those transactions between governmental and business-type activities have not been eliminated. The City has one discretely presented component unit, the Germantown Performing Arts Center, for which the financial information is reported separately from the information presented for the primary government.

CITY OF GERMANTOWN, TENNESSEE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2017

The statement of net position presents information on all the City's assets, deferred outflows of resources, liabilities, 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 or net position that is otherwise restricted.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. The activities of the government are organized into funds, each of which are considered to be separate entities. Each fund is accounted for by providing a set of self-balancing accounts which constitute its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund balance, revenues, and expenditures/expenses. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

The City has presented all major funds that met the quantitative or qualitative qualifications to be reported as a major fund as separate columns in the fund financial statements. The City's major governmental funds include the General Fund, the General Purpose School Fund and the Capital Projects Fund. In addition, the City reports the Water and Sewer Fund as a major proprietary fund. Detailed descriptions of these funds are presented below.

1. Governmental Fund Financial Statements

Governmental fund financial statements include a balance sheet and statement of revenues, expenditures, and changes in fund balance individually for all major funds and in the aggregate for the remaining nonmajor funds. An accompanying schedule is presented to reconcile and explain the difference in fund balance and changes in fund balances as presented in these statements to net position and changes in net position presented in the government-wide financial statements. The governmental funds of the City are described below:

- a. **General Fund** – 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.
- b. **Special Revenue Fund** – These funds are used to account for the proceeds of specific revenue sources (other than special assessments, expendable trusts, or major capital projects) that are legally restricted or committed to expenditures for specific purposes. The special revenue funds include the State Street Aid Fund, Automated Enforcement Fund, Drug Enforcement Fund, Pickering Fund, Farm Park Fund, Ambulance Fund, Recreation Fund, Library Endowment Fund, School Federal Projects Fund, and School Cafeteria Fund. The special revenue funds also include the General Purpose School Fund which is considered a major fund and described in further detail below:

General Purpose School Fund – The operating fund of the Germantown Municipal School District and accounts for all general revenues and other receipts that are not allocated by law or contractual agreement to another Board of Education 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 School funds are paid from the General Purpose School Fund.

- c. **Capital Projects Fund** – These funds account for all the financing of major governmental fund capital asset purchases. The City maintains multiple capital improvement funds including the Major Roads Fund,

CITY OF GERMANTOWN, TENNESSEE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2017

Intersections Fund, General Government Fund, Fire Department Fund, Parks Improvement Fund, Germantown Municipal School Fund, and Drainage Fund. In addition, the Board of Education maintains the School Capital Projects Fund.

2. Proprietary Fund Financial Statements

Proprietary fund financial statements include a statement of net position, a statement of revenues, expenses, and changes in net position, and a statement of cash flows individually for all major enterprise funds and in the aggregate for the remaining nonmajor enterprise funds. A column representing internal service funds is also presented in these statements. However, internal service fund balances and activities are combined with the governmental activities in the government-wide financial statements. The proprietary funds of the City are described below:

- a. **Enterprise Fund** – These funds are used to account for business-like activities provided to the general public. The activities are financed primarily by user charges and the measurement of the financial activity focuses on net income measurement similar to private sector businesses. The enterprise funds include the Sanitation Fund, Great Hall Fund, and the Stormwater Fund. The enterprise funds also include the Utility Fund and the Athletic Club Fund which are considered major funds and are described in further detail below:

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 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 water and sewer fund operations, these obligations are reported in this fund.

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 Athletic Club Fund. The General Fund made an advance to the Athletic Club facility for a 20-year term.

- b. **Internal Service Fund** – Used to account for services provided to other departments and agencies of the government on a cost reimbursement basis. The City has three internal service funds: Health Insurance Fund, Vehicle Maintenance Fund, and the Municipal School Health Insurance Fund.

3. Fiduciary Fund Financial Statements

Fiduciary fund financial statements include a statement of fiduciary net position and statement of changes in fiduciary net position. Agency funds are fiduciary funds used to account for assets held by the City in a purely custodial capacity. Single agency funds are custodial in nature (i.e. assets equal liabilities), they do not involve the measurement of results of operations.

- a. **Pension (and Other Employee Benefit) Trust Fund** – These funds account for the activities and accumulation or resources that are required to be held in trust for the members and beneficiaries of defined benefit pension plans and other postemployment benefit plans. The City maintains two pension trust funds, the Amended and Restated Pension Plan Fund and the Employee Cash Balance Pension Plan Fund which are used to account for the accumulation of resources to provide defined benefits to qualified employees upon retirement. In addition, the City and the School each use an Other Postemployment Benefits Fund ("OPEB" and "School OPEB") to account for activity related to retiree group health and dental benefits.
- b. **Agency Fund** – These funds report resources held by the City in a purely custodial capacity. The Bail Bond Fund accounts for bail funds by persons awaiting trial in City Court. In addition, the School Activity Funds are used to account for cash and inventory held by the Germantown Municipal School District on behalf of the school

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
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activity fund for the Germantown City Schools. These funds were audited in a separate report and can be obtained by contacting the Germantown Municipal School District.

C. Measurement Focus and Basis of Accounting

Measurement focus is a term used to describe “which” transactions are recorded within the various financial statements. Basis of accounting refers to “when” transactions are recorded regardless of the measurement focus applied.

Measurement Focus

On the government-wide statement of net position and statement of activities, both governmental and business-type activities are presented using the “economic resources” measurement focus. Accordingly, all of the City’s assets and liabilities, including capital assets and long-term liabilities, along with deferred inflows and outflows of resources, are included in the accompanying statement of net position. The statement of activities presents changes in net position.

Proprietary funds and fiduciary funds are also accounted for using the “economic resources” measurement focus. Accordingly all assets, deferred outflows of resources, liabilities, and deferred inflows of resources (whether current or noncurrent) are included in the statement of net position. The statement of revenues, expenses, and changes in net position presents revenues (additions) and expenses (deductions) in total net position. Agency funds do not use the economic resources measurement focus.

All governmental funds utilize a “current financial resources” measurement focus. Only current financial assets, deferred outflows of resources, liabilities, and deferred inflows of resources are generally included on their balance sheets. Their operating statements present sources and uses of available resources during a given period. These funds use fund balance as their measure of available resources at the end of the period.

Basis of Accounting

The government-wide financial statements are presented using the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. 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. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied. 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 enterprise funds 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.

Governmental fund financial statements are reported using the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available to finance expenditures of the current period. 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. The primary revenue sources, which have been treated as susceptible to accrual by the City, are property taxes, other local taxes, and intergovernmental revenues. Licenses and permits, charges for services, fines and forfeitures, and miscellaneous revenues are considered to be measurable and available only when cash is received by the City. Expenditure-driven grants are recognized as revenue when the qualifying

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2017

expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability 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. The issuance of long-term debt is reported as other financing sources.

D - Assets, Liabilities, Deferred outflows/Inflows of Resources, and Net Position/Fund Balances

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 equivalents. Cash equivalents held by the trustee of the Amended and Restated Pension Fund, the Employee Cash Balance Pension Fund, the OPEB Fund, and the School OPEB Fund are included in cash and cash equivalents. Cash equivalents also include investments in the Local Government Investment Pool ("LGIP") due to the short-term nature of their maturity.

Investments, including pension and other postemployment benefit investments held in fiduciary funds, are reported at fair value except for those investments in the Local Government Investment Pool ("LGIP"). The LGIP qualifies as a 2a7-like pool and is reported at amortized cost using a Stable Net Asset Value which approximates fair value.

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

2. Receivables

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

Real and personal property taxes are Board approved by July 1 for each fiscal year on values assessed as of the prior January 1. The City has an enforceable legal claim as of January 1 (the assessment date). Property taxes are due on December 1 and are considered delinquent after February 28, at which time penalties and interest are assessed and property is available for tax lien. All property taxes are billed and collected by the City.

Property taxes receivable are recognized as of the date the City has an enforceable legal claim. Property taxes are reflected as revenues in the fiscal period for which they are levied, which is the subsequent fiscal year for the current fiscal year's assessment, provided they are received and collected within the current period or within 60 days following the fiscal year end (August 31). Since the receivable is recognized before the period of revenue recognition, the entire amount of the receivable, less an estimated allowance for uncollectible taxes, is reported as a deferred inflow of resources as of June 30. Delinquent taxes estimated to be collected subsequent to August 31 are included in the balance sheet as property taxes receivable and a deferred inflow of resources to reflect amounts that were not available as revenues at June 30, 2017. The property tax levy is without legal limit. The rate, as permitted by Tennessee State Law and City Charter, is set annually by the Board of Mayor and Aldermen and collected by the City Clerk.

Receivables due from other governments are primarily from the United States government, the State of Tennessee, and Shelby County, Tennessee. No allowance for uncollectible amounts has been recognized.

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 amounts relating to property taxes.

CITY OF GERMANTOWN, TENNESSEE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2017

3. Interfund Transactions

Interfund receivables and payables

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

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

Interfund transfers

Permanent reallocations of resources between funds of the City are classified as interfund transfers. For the purpose of the statement of activities, all transfers between individual governmental funds have been eliminated.

4. Inventories and prepaid items

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

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

The cost of inventory and prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

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 with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year are recorded at historical cost or estimated historical cost if purchased or constructed. Contributed capital assets are recorded at estimated acquisition value at the date received. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. 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.

Land and construction in progress are not depreciated. Property, plant and equipment of the primary government is depreciated using the straight-line method over the following estimated useful lives:

Buildings and improvements	20-40 years
Other improvements	10-25 years
Machinery and equipment	3-15 years
Vehicles	3-15 years
Infrastructure	20-50 years

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2017

6. Deferred outflows of resources

In addition to assets, the statement of financial 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 has qualifying items for reporting in this category. The unamortized discount on refunding reported in the government-wide statement of net position results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. Other deferred outflows of resources include pension changes in experience, pension changes in investment earnings, and employer contributions to the pension plan after the measurement date.

7. Compensated absences

Compensated absences for accumulated unpaid vacation and sick leave are accrued when incurred in the government-wide and proprietary fund financial statements. Accumulated unpaid overtime is also accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements. Compensated absences are paid out of the employee's cost center. GMSD employees may accrue up to 25 vacation days.

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 the governmental fund financial statements, bond premiums and discounts, issuance costs are recognized in the current period. The face amount of debt is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

9. Deferred inflows of resources

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. Deferred inflows of resources represent 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. These items are amounts in the governmental funds that were receivable and measureable at year-end but were not available to finance expenditures for the current year including unavailable revenues from property taxes. In addition, deferred inflows of resources include those related to pensions.

10. Net Position and Fund balance

In the government-wide financial statements and the proprietary fund in the fund financial statements, equity is classified as net position and displayed in three components:

Net investment in capital assets – consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted net position – consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments or (2) law through constitutional provisions or enabling legislations.

CITY OF GERMANTOWN, TENNESSEE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2017

Unrestricted net position – all other net position that does not meet the definition of restricted or net investment in capital assets.

In the fund financial statements, governmental funds report fund balances in classifications that compromise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in these funds can be spent. These classifications consist of the following five components, as applicable:

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

Restricted – 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 by formal action by ordinance adopted by the Board of Mayor and Aldermen and the Germantown Municipal School District Board of Education. 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 a specific purpose, but are neither restricted nor committed. The intent shall be expressed by the Board of Mayor and Aldermen or a designee authorized by the Board of Mayor and Aldermen with authority to assign amounts. 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 City Finance Director has been authorized to assign amounts in the general fund for a specific purpose in accordance with fund balance policy established by the Board of Mayor and Aldermen. The Germantown Municipal School District Board of Education has the authority to assign the fund balance for the School Funds. Amounts in excess of nonspendable, restricted, and committed fund balance in funds other than the general fund are reported as assigned fund balance.

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

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

11. Pensions

The City maintains six defined benefit retirement plans. Two are sponsored by the City and the remaining four are sponsored by the Tennessee Consolidated Retirement System.

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 fiduciary net position, and additions to/deductions from each plan's fiduciary net position have been determined on the same basis as they are reported by the actuaries. For this purpose, benefits (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms of each plan. Expenses of the plans, such as investment fees, trustee fees, and audit fees, are paid by the plans. However, certain administrative functions are performed by employees of the City and are not reimbursed by the plans. Investments, other than contracts, are reported at fair value. Investment income is recognized as earned. Plan assets do not include any securities of the City nor have any of the plans made any loans to the City.

CITY OF GERMANTOWN, TENNESSEE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2017

12. Fair Value Measurements

GASB Statement 72, Fair Value Measurement and Application, categorizes the inputs to valuation techniques used to measure fair value into three levels. Level 1 inputs include unadjusted quoted prices in active markets for identical assets or liabilities accessible at the measurement date. Level 2 inputs include quoted prices for similar assets or liabilities; quoted prices in inactive markets; or other inputs that can be corroborated by observable market data. Such inputs include market interest rates and volatilities, spreads and yield curves. Level 3 inputs are 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 methods used 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.

13. 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.

E – New Governmental Accounting Standards Board (GASB) Pronouncements

The City implemented GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other than Pension Plans*, in the fiscal year ending June 30, 2017. The implementation of the Statement modified note disclosures related to the City's OPEB plans and added additional required supplementary information schedules.

The City plans to adopt GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, required for fiscal periods beginning after June 15, 2017, in fiscal year 2018. This Statement improves accounting and financial reporting by state and local governments for postemployment benefits other than pensions.

The City adopted GASB Statement No. 77, *Tax Abatement Disclosures*, required for fiscal periods beginning after December 15, 2015. This Statement improves financial reporting by giving users of financial statements essential information regarding tax abatements that was not previously reported consistently or comprehensively.

The City adopted GASB Statement No. 82, *Pension Issues*, required for fiscal periods beginning after June 15, 2016, except for certain provisions effective for fiscal periods beginning after June 15, 2017. This Statement modifies the measure of payroll that is presented in the required supplementary information.

CITY OF GERMANTOWN, TENNESSEE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2017

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary information

The Board of Mayor and Aldermen annually approves the operating budgets of the general, special revenue, capital projects, debt service, and enterprise funds of the City. An annual budget for the capital projects is adopted by individual funds. The total budgets of these funds constitute legal spending limits, requiring ordinance amendment. Transfers within the funds are accomplished by resolution of the Board of Mayor and Aldermen to authorize expenditures of various grants received and to adjust the individual fund budgets as required within the total dollar limitations of the budget ordinance. The Mayor may approve transfers between categories within a cost center without the governing body's approval. The Board must approve other transfers or requests for additional funds. Thus, departmental or cost center appropriations comprise a legal spending limit for governmental fund types, except for capital projects funds for which the project length financial plans are adopted. The City disperses its capital projects fund monies to various projects, which may cause a deficit within the project. However, the City adopts a positive Capital Improvements Program where funds can be transferred within the fund with the 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 Germantown Municipal School District annually approves the operating budgets of the general purpose school fund, school federal projects fund, school cafeteria fund, and school capital projects fund. Annual budgets for all funds are adopted on a basis consistent with Tennessee Code Annotated, which is not materially different than the modified accrual basis of accounting for governmental funds.

B. Excess of expenditures over appropriations

For the year ended June 30, 2017, expenditures did not exceed appropriations for any fund.

C. Deficit fund equity

As of June 30, 2017, none of the funds had a deficit fund balance.

NOTE 3 - DETAILED NOTES ON ALL FUNDS

A. Deposits

Legal Provisions

Deposits must be collateralized by federal depository insurance, the Tennessee Bank Collateral Pool, collateral held by the City's agent in the City's name, collateral held by the Federal Reserve Banks acting as third party agents, or a combination of these methods. State statute requires that all uninsured deposits with financial institutions must be collateralized by securities whose market value is equal to 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 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 credit risk disclosure.

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City's policy for custodial risk is to follow state guidelines. As of June 30, 2017, all bank deposits were entirely insured by federal depository insurance and collateralized by the Bank Collateral Pool of the State of Tennessee.

CITY OF GERMANTOWN, TENNESSEE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2017

B. Investments

1. *Primary Government Investments*

Legal Provisions

Investments are limited to those authorized by Tennessee State Law. State statutes authorize the City to make direct investments in bonds, notes or treasury bills of the U.S. government and obligations guaranteed by the U.S. government or any of its agencies; deposit accounts at state and federal chartered banks and savings and loan associations; repurchase agreements; the Local Government Investment Pool (“LGIP”); bonds of any state or political subdivision rated A or higher by any nationally recognized rating service; and nonconvertible debt securities of certain federal government sponsored enterprises. Statutes also require that securities underlying repurchase agreements must have a market value at least equal to the amount of funds invested in the repurchase transaction.

The Tennessee Local Government Investment Pool (“LGIP”) represents the majority of the primary government’s investments at June 30, 2017. These investments are reported at amortized cost which approximates fair value and are included as cash equivalents.

Other investments of the primary government include investments in U.S. government obligations. These investments are valued based on the investments relationship to benchmark quoted prices and fall within Level 2 of the fair value hierarchy. For the year ended June 30, 2017, investments of the primary government reported at fair value are presented below:

Investments at Fair Value	Weighted Average Maturities	Level 1	Level 2	Level 3	Total
Primary Government:					
Federal Home Loan Bank (FHLB)	.45 years	\$ -	\$ 4,000,000	\$ -	\$ 4,000,000

Credit quality distributions for investments in U.S. government obligations are as follows at June 30, 2017:

U.S. Government Obligations			
Moody's	Amount	S&P	Amount
Aaa	\$ 4,000,000	AA+	\$4,000,000

2. *Fiduciary Investments*

The City administers four fiduciary funds whose investments are held by a third party trustee bank. Additionally, the City utilizes an advisor to select appropriate investment choices. In addition to the investments allowed by the City, the fiduciary funds’ investment policies authorize investments in mutual funds, common stocks, and other equities.

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, 2017.

- *Stocks*: Valued at the closing price reported on the active market on which the individual securities are traded.
- *Mutual Funds*: Valued based on the investments relationship to benchmark quoted prices.
- *Partnerships*: Valued using either a discounted cash flow or market comparable entities technique.

CITY OF GERMANTOWN, TENNESSEE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2017

The following table summarizes fair value disclosures and measurements for fiduciary investments at June 30, 2017:

Investments at Fair Value	Level 1	Level 2	Level 3	Total
Fiduciary Activities:				
Common stock	\$ 8,383,464	\$ -	\$ -	\$ 8,383,464
Foreign stock	674,106	-	-	674,106
Equity mutual funds	-	30,101,863	-	30,101,863
Fixed income mutual funds	-	8,475,790	-	8,475,790
Balanced mutual funds	-	367,722	-	367,722
Partnerships	-	-	27,069,543	27,069,543
	\$ 9,057,570	\$ 38,945,375	\$ 27,069,543	\$ 75,072,488

The table below set forth a summary of changes in the fair value of level 3 assets for the year ended June 30, 2017:

	Level 3
Balance, beginning of year	\$ 24,316,469
Shares purchased	9,631,903
Shares sold	(9,661,529)
Unrealized appreciation (depreciation)	2,773,849
Realized gain (loss)	8,851
Balance, end of year	\$ 27,069,543

Interest Rate Risk – The City manages its exposure to declines in fair value by 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. The City invests operating funds primarily in shorter-term securities or the LGIP and limits the average maturity of the portfolio to those established by TCA 6-5-106 for commercial paper and repurchase agreements 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 and OPEB benefits. 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, 2017.

CITY OF GERMANTOWN, TENNESSEE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2017

C. Interfund receivables, payables, and transfers

The composition of interfund balances as of June 30, 2017, is as follows:

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
Major Funds		
General Fund		
General Purpose School Fund	\$ 330,958	
School Capital Projects Fund	-	511,363
	<u>330,958</u>	<u>511,363</u>
General Purpose School Fund		
General Fund	-	330,958
School Cafeteria Fund	-	39,610
School Federal Projects Fund	156,765	-
	<u>156,765</u>	<u>370,568</u>
Nonmajor Funds		
School Capital Projects Fund		
General Fund	511,363	-
School Cafeteria Fund		
General Purpose School Fund	39,610	-
School Federal Projects Fund		
General Purpose School Fund	-	156,765
	<u>550,973</u>	<u>156,765</u>
	<u>\$ 1,038,696</u>	<u>\$ 1,038,696</u>

These balances resulted from the time lag between the dates that the interfund goods and services are provided or reimbursable expenditures occur and when payments between funds are made.

On October 31, 2000, the General Fund advanced \$2,500,000 for an expansion project at the Germantown Athletic Club. The advance is to be paid back over twenty years. As of June 30, 2017, advances to/from other funds of \$500,000 was payable from the Athletic Club Fund to the General Fund.

The composition of interfund transfers for the year ended June 30, 2017 is as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
Major Funds		
General Fund		
General Purpose School Fund	\$ -	\$ 1,968,631
State Street Aid Fund	-	1,650,000
Automated Enforcement Fund	48,741	-
Farm Park Fund	-	150,000
Ambulance Fund	-	600,000
Intersections Fund	-	507,250
General Government Fund	-	100,000
Fire Fund	-	1,432,000
Municipal Schools Projects Fund	-	100,000
Drainage Projects Fund	-	1,350,000
Utility Fund	473,963	-
Athletic Club Fund	-	300,000
Great Hall Fund	-	175,000
	<u>522,704</u>	<u>8,332,881</u>

CITY OF GERMANTOWN, TENNESSEE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2017

	Transfers In	Transfers Out
General Purpose School Fund		
General Fund	1,968,631	-
School Cafeteria Fund	-	116,936
Municipal Schools Projects Fund	100,000	-
	<u>2,068,631</u>	<u>116,936</u>
Utility Fund		
General Fund	-	473,963
	<u>-</u>	<u>473,963</u>
Athletic Club Fund		
General Fund	300,000	-
	<u>300,000</u>	<u>-</u>
Nonmajor Funds		
Automated Enforcement Fund		
General Fund	-	48,741
State Street Aid Fund		
General Fund	1,650,000	-
Ambulance Fund		
General Fund	600,000	-
Farm Park Fund		
General Fund	150,000	-
School Cafeteria Fund		
General Purpose School Fund	116,936	-
Intersections Fund		
General Fund	507,250	-
General Government Fund		
General Fund	100,000	-
Fire Fund		
General Fund	1,432,000	-
Municipal Schools Projects Fund		
General Fund	100,000	-
School Capital Projects Fund	-	9,837,397
General Purpose School Fund	-	100,000
Drainage Projects Fund		
General Fund	1,350,000	-
School Capital Projects Fund		
Municipal Schools Projects Fund	9,837,397	-
	<u>15,843,583</u>	<u>9,986,138</u>
Great Hall Fund		
General Fund	175,000	-
	<u>175,000</u>	<u>-</u>
	<u>\$ 18,909,918</u>	<u>\$ 18,909,918</u>

Transfers from the general fund were made to provide sufficient positive fund balance within the special revenue and enterprise funds and to provide capital project funding. Transfers from the general purpose school fund were made to provide sufficient positive fund balance within the other School special revenue funds. Transfer from the utility fund to the general fund are payment in lieu of taxes.

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.

CITY OF GERMANTOWN, TENNESSEE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2017

D. Capital assets

Capital asset activity for the year ended June 30, 2017, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 14,780,862	\$ 191,901	\$ -	\$ 14,972,763
Construction in progress	4,157,243	14,153,541	(5,148,735)	13,162,049
Total capital assets, not being depreciated	<u>18,938,105</u>	<u>14,345,442</u>	<u>(5,148,735)</u>	<u>28,134,812</u>
Capital assets, being depreciated:				
Buildings and improvements	86,522,350	839,176	(972,700)	86,388,826
Improvements other than buildings	61,807,708	4,717,542	-	66,525,250
Machinery and equipment	25,559,114	2,717,568	(87,121)	28,189,561
Vehicles	8,782,635	1,680,355	(346,898)	10,116,092
Infrastructure	65,072,400	1,939,910	-	67,012,310
Total capital assets, being depreciated	<u>247,744,207</u>	<u>11,894,551</u>	<u>(1,406,719)</u>	<u>258,232,039</u>
Less accumulated depreciation for:				
Buildings and improvements	(19,976,558)	(2,275,938)	113,482	(22,139,014)
Improvements other than buildings	(29,290,490)	(2,085,784)	-	(31,376,274)
Machinery and equipment	(16,918,750)	(2,517,427)	44,202	(19,391,975)
Vehicles	(6,399,613)	(699,571)	346,015	(6,753,169)
Infrastructure	(32,073,233)	(1,878,034)	-	(33,951,267)
Total accumulated depreciation	<u>(104,658,644)</u>	<u>(9,456,754)</u>	<u>503,699</u>	<u>(113,611,699)</u>
Total capital assets, being depreciated, net	<u>143,085,563</u>	<u>2,437,797</u>	<u>(903,020)</u>	<u>144,620,340</u>
Governmental activities capital assets, net	<u>\$ 162,023,668</u>	<u>\$ 16,783,239</u>	<u>\$ (6,051,755)</u>	<u>\$ 172,755,152</u>
	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 2,772,593	\$ -	\$ -	\$ 2,772,593
Construction in progress	2,655,409	2,507,798	(2,144,383)	3,018,824
Total capital assets, not being depreciated	<u>5,428,002</u>	<u>2,507,798</u>	<u>(2,144,383)</u>	<u>5,791,417</u>
Capital assets, being depreciated:				
Buildings and improvements	39,821,344	1,998,755	(2,378)	41,817,721
Improvements other than buildings	55,289,606	449,573	-	55,739,179
Machinery and equipment	3,676,591	61,396	(64,985)	3,673,002
Total capital assets, being depreciated	<u>98,787,541</u>	<u>2,509,724</u>	<u>(67,363)</u>	<u>101,229,902</u>
Less accumulated depreciation for:				
Buildings and improvements	(15,231,121)	(963,372)	-	(16,194,493)
Other improvements	(24,611,347)	(1,279,971)	-	(25,891,318)
Machinery and equipment	(2,979,526)	(166,960)	67,363	(3,079,123)
Total accumulated depreciation	<u>(42,821,994)</u>	<u>(2,410,303)</u>	<u>67,363</u>	<u>(45,164,934)</u>
Total capital assets, being depreciated, net	<u>55,965,547</u>	<u>99,421</u>	<u>-</u>	<u>56,064,968</u>
Business-type activities capital assets, net	<u>\$ 61,393,549</u>	<u>\$ 2,607,219</u>	<u>\$ (2,144,383)</u>	<u>\$ 61,856,385</u>

CITY OF GERMANTOWN, TENNESSEE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2017

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

Governmental Activities:	
General government	\$ 1,670,233
Public safety	1,340,525
Community service	806,216
Transportation and environment	3,399,119
Municipal school	2,240,661
Total depreciation expense - governmental activities	<u>\$ 9,456,754</u>
Business-type activities	
Utility	\$ 1,751,416
Athletic club	558,655
Nonmajor enterprise funds	100,232
Total depreciation expense - business-type activities	<u>\$ 2,410,303</u>

Construction and other significant commitments

The government has active construction projects as of June 30, 2017. At year-end the government's commitments with contractors are as follows:

<u>Function/Activity</u>	<u>Commitment</u>
Major roads construction & improvement	\$ 432,327
Intersections	648,779
Drainage	2,088,774
Parks and recreation	539,679
General government	303,882
GMSD	529,323
	<u>\$ 4,542,764</u>

E. Long-Term Liabilities

1. Long-Term Debt

General obligation and revenue bonds

The City periodically issues general obligation bonds for the acquisition, construction, and improvement of major capital facilities and infrastructure. The bonds are generally issued as 15 to 20-year serial bonds. The City is not subject to any state or other law that limits the amount of net bonded debt a City may have outstanding; therefore, there is no legal debt margin or computation thereof. The City's full faith, credit and unlimited taxing power are pledged to the repayment of all general obligation bond principal and interest and the City is contingently liable for the repayment of revenue bond principal and interest.

CITY OF GERMANTOWN, TENNESSEE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2017

Debt outstanding as of June 30, 2017 consisted of the following:

	Interest Rates	Maturity Date	Original Issue	Balance at Year End
Governmental activities:				
General obligation bonds:				
2009 Serial Bonds	3.25-3.75%	2022	\$ 9,635,000	\$ 1,900,000
2011 Serial Bonds	2.00-3.25%	2032	6,025,000	4,770,000
2013 Serial Bonds A	2.00-3.625%	2034	3,500,000	3,095,000
2013 Serial Bonds B	2.00-4.00%	2026	5,570,000	3,075,000
2016 Serial Bonds A	2.00-5.00%	2036	7,935,000	7,355,000
2016 Serial Bonds B	2.00-5.00%	2046	10,220,000	10,130,000
			<u>\$ 42,885,000</u>	<u>30,325,000</u>
Business-type activities:				
Revenue bonds:				
2006 Serial Bonds	4.00%	2018	\$ 4,255,000	\$ 510,000
2008 Serial Bonds	4.00%	2019	5,000,000	1,155,000
			<u>\$ 9,255,000</u>	<u>1,665,000</u>
			<u>\$ 52,140,000</u>	<u>31,990,000</u>

Annual debt service requirements to maturity for bonds and notes payable are as follows:

Years Ending June 30	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
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	1,725,000	992,903	-	-
2022	1,680,000	937,784	-	-
2023-2027	7,160,000	3,981,549	-	-
2028-2032	6,055,000	2,652,140	-	-
2033-2037	3,340,000	1,606,244	-	-
2038-2042	2,340,000	947,250	-	-
2043-2047	2,340,000	300,000	-	-
	<u>\$30,325,000</u>	<u>\$14,687,104</u>	<u>\$1,665,000</u>	<u>\$67,100</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 appraised 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.

2. Settlement Liability

In January 2014, the City and the School entered into a settlement agreement with the Board of Commissioners of Shelby County, Shelby County, Tennessee, and the Shelby County Board of Education. The School agreed to pay the Shelby County Board of Education twelve annual installments of \$355,453. The School elected to establish the liability incurred through the settlement agreement at its present value with a discount rate of 3.33%.

CITY OF GERMANTOWN, TENNESSEE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2017

Future payments under the settlement liability are as follows for the years ending June 30:

2018	\$355,453
2019	355,453
2020	355,453
2021	355,453
2022	355,453
2023-2026	<u>1,421,811</u>
Total payments	<u>\$3,199,076</u>
Less amount representing interest	<u>(480,044)</u>
	<u><u>\$ 2,719,032</u></u>

3. Changes in long-term liabilities

A summary of long-term liability activity, including debt, for the year ended June 30, 2017 is as follows. Additional detailed information is available following the summary.

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
General obligation bonds	\$ 32,795,000	\$ -	\$ (2,470,000)	\$ 30,325,000	\$ 2,300,000
Settlement obligation	3,554,529	-	(355,453)	3,199,076	355,454
Unamortized premiums (discounts), net	<u>3,329,806</u>	<u>-</u>	<u>(107,845)</u>	<u>3,221,961</u>	<u>-</u>
Total long-term debt	39,679,335	-	(2,933,298)	36,746,037	2,655,454
Compensated absences	2,929,137	332,062	(156,240)	3,104,959	156,240
Net pension liability*	21,195,982	6,186,750	-	27,382,732	-
Net OPEB obligation*	<u>1,447,740</u>	<u>-</u>	<u>(724,300)</u>	<u>723,440</u>	<u>-</u>
	<u><u>\$ 65,252,194</u></u>	<u><u>\$ 6,518,812</u></u>	<u><u>\$ (3,813,838)</u></u>	<u><u>\$ 67,957,168</u></u>	<u><u>\$ 2,811,694</u></u>
Business-type activities:					
Revenue bonds	\$ 2,700,000	\$ -	\$ (1,035,000)	\$ 1,665,000	\$ 1,075,000
Unamortized premiums	<u>37,293</u>	<u>-</u>	<u>(16,663)</u>	<u>20,630</u>	<u>-</u>
Total long-term debt	2,737,293	-	(1,051,663)	1,685,630	1,075,000
Compensated absences	112,432	19,227	-	131,659	-
Net pension liability*	<u>1,846,878</u>	<u>487,819</u>	<u>-</u>	<u>2,334,697</u>	<u>-</u>
	<u><u>\$ 4,696,603</u></u>	<u><u>\$ 507,046</u></u>	<u><u>\$ (1,051,663)</u></u>	<u><u>\$ 4,151,986</u></u>	<u><u>\$ 1,075,000</u></u>

*net increase (decrease) shown

For governmental activities, net pension liability, other postemployment benefits, and compensated absences are generally liquidated by the general fund. No interest was capitalized for the year ended June 30, 2017. For the governmental activities, \$2,507,053 of bond proceeds were not spent as of June 30, 2017. As such, these proceeds were not included in the calculation of net investment in capital assets. There were no unspent bond proceeds for business-type activities as of June 30, 2017.

F. Deferred Loss on Refunding

The unamortized deferred loss on refunding relates to General Obligation Refunding Bonds for governmental activities. Deferred loss on refunding reported in the statement of net position at June 30, 2017 consists \$305,874 related to the refunding of the Series 2009 bonds.

CITY OF GERMANTOWN, TENNESSEE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2017

G. Fund Balances by Purpose

Following is more detailed information on the governmental fund balances:

	<u>General Fund</u>	<u>General Purpose School Fund</u>	<u>Other Governmental Funds</u>	<u>Total</u>
Nonspendable for:				
Inventory	\$ 67,417	\$ -	\$ -	\$ 67,417
Prepaid expenditures	3,452	191,041	-	194,493
Long-term portion of receivable	1,082,852	-	-	1,082,852
Total nonspendable fund balance	<u>1,153,721</u>	<u>191,041</u>	<u>-</u>	<u>1,344,762</u>
Restricted for:				
State street aid	-	-	1,269,566	1,269,566
Drug enforcement	-	-	138,840	138,840
Federal asset forfeiture	-	-	35,603	35,603
Library endowment	-	-	247,585	247,585
Education	-	-	1,539,020	1,539,020
Total restricted fund balance	<u>-</u>	<u>-</u>	<u>3,230,614</u>	<u>3,230,614</u>
Committed for:				
Emergency purposes	900,000	-	-	900,000
Contingencies	50,000	-	-	50,000
Infrastructure replacement	1,600,000	-	-	1,600,000
Tax anticipation	10,956,206	-	-	10,956,206
Debt service	4,881,097	-	-	4,881,097
Total committed fund balance	<u>18,387,303</u>	<u>-</u>	<u>-</u>	<u>18,387,303</u>
Assigned to:				
Vacation Accrual	1,539,085	-	-	1,539,085
Contingencies	557,365	-	-	557,365
Pickering Center	-	-	276,631	276,631
Ambulance	-	-	423,771	423,771
Farm Park	-	-	133,213	133,213
Recreation	-	-	551,418	551,418
Major Road Capital Projects	-	-	1,323,676	1,323,676
Intersection Capital Projects	-	-	648,779	648,779
General Government Capital Projects	-	-	465,538	465,538
Fire Department Capital Projects	-	-	1,085,231	1,085,231
Parks Improvement Capital Projects	-	-	1,049,394	1,049,394
Municipal Schools Capital Projects	-	-	529,323	529,323
Drainage Capital Projects	-	-	3,893,065	3,893,065
Education	-	12,951,171	-	12,951,171
Total assigned fund balance	<u>2,096,450</u>	<u>12,951,171</u>	<u>10,380,039</u>	<u>25,427,660</u>
Unassigned	10,963,650	-	-	10,963,650
Total fund balances	<u>\$ 32,601,124</u>	<u>\$ 13,142,212</u>	<u>\$ 13,610,653</u>	<u>\$ 59,353,989</u>

CITY OF GERMANTOWN, TENNESSEE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2017

NOTE 4 – PENSIONS

The City of Germantown is the administrator of the following defined benefit single-employer Public Employee Retirement Plans established by the City to provide pension benefits for its employees:

- I. City of Germantown, Tennessee Amended and Restated Employees' Retirement Plan ("Amended and Restated Plan") – Employees of the City originally were eligible to participate in this plan. Effective June 30, 2013, the plan was closed to new employees, but continues to provide benefits to existing members.
- II. City of Germantown, Tennessee Defined Benefit Plan ("Employee Cash Balance Plan") – Employees hired on July 1, 2013 and after are eligible for this plan.

Each plan is considered a part of the City's financial reporting entity and is included in the City's financial reports as a pension trust fund. The City does not issue stand-alone financial reports for the Amended and Restated Plan or the Employee Cash Balance Plan. Benefits and contributions are established by the City and may be amended only by the Board of Mayor and Aldermen.

The Germantown City Board of Education participates in the following defined benefit multiple-employer Public Employee Retirement Plans administered by the Tennessee Consolidated Retirement System ("TCRS"):

- III. Legacy Public Employee Retirement Plan ("BOE Legacy") – Certain administrative employees of the Germantown City Board of Education with membership in TCRS prior to July 1, 2014 are included in this plan. This plan was closed to new membership on June 30, 2014, but continues to provide benefits to existing members. This is an agent multiple-employer pension plan.
- IV. Hybrid Public Employee Retirement Plan ("BOE Hybrid") – Certain administrative employees of the Germantown City Board of Education with membership in TCRS beginning on or after July 1, 2014 are included in this plan. This plan is a hybrid plan which features both a defined contribution element and a pension plan element. This is an agent multiple-employer pension plan.
- V. Teacher Legacy Pension Plan ("Teacher Legacy") – Teachers with membership in TCRS prior to July 1, 2014 are included in this plan. The plan was closed to new membership on June 30, 2014, but continues to provide benefits to existing members. The plan is a cost sharing multiple-employer pension plan.
- VI. Teacher Retirement Plan ("Teacher Hybrid") – Teachers with membership in TCRS beginning July 1, 2014 are included in this plan. The plan is a hybrid plan which features both a defined contribution element and a pension plan element. The plan is a cost sharing multiple-employer pension plan.

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. 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.

CITY OF GERMANTOWN, TENNESSEE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2017

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				
Amended and Restated Plan	\$ -	\$ 9,617,173	\$ 23,364,848	\$ -
Employee Cash Balance Plan	-	-	108,082	-
Legacy Public Employee Retirement Plan	-	349,825	70,510	-
Hybrid Public Employee Retirement Plan	7,321	52,474	-	-
Teacher Legacy Pension Plan	-	11,579,397	3,839,292	4,648,111
Teacher Retirement Plan	52,169	155,710	-	6,015
Total governmental activities	<u>\$ 59,490</u>	<u>\$ 21,754,579</u>	<u>\$ 27,382,732</u>	<u>\$ 4,654,126</u>
Business-type Activities				
Amended and Restated Plan	\$ -	\$ 960,988	\$ 2,334,697	\$ -

I. AMENDED AND RESTATED PLAN

A. General Information about the Pension Plan

Plan Description

The plan, as amended in 2001 and restated in 2008, is a single-employer defined benefit plan. Full-time employees at least 18 years of age (age 21 for Emergency Services Employees) hired before July 1, 2013 were eligible at date of employment as a condition of such employment. The City froze any new entrants to the plan for new hires on or after July 1, 2013.

Benefits Provided

Employees are 100% vested only after ten years of service or five years of service if hired before January 1, 2003. The retirement benefit is calculated at 2.25% of average compensation during the highest consecutive three years of service, during the ten years immediately preceding termination, multiplied by years of credit service not in excess of 30, with a maximum benefit of 67.5% of base salary.

Employees Covered by Benefit Terms

At June 30, 2017 (the date of the latest actuarial valuation), the Amended and Restated Plan membership consisted of:

Inactive employees or beneficiaries currently receiving benefits	175
Inactive employees entitled to but not yet receiving benefits	115
Active employees	283
	<u>573</u>

Contributions

Emergency Services employees with fewer than thirty years of credit service are required to contribute 6.8% of earnings to the retirement plan. Employer contributions are based on an actuarially determined rate. For the year ended June 30, 2017, the actuarially determined contribution ("ADC") for the plan was \$2,104,637 which equaled actual employer contributions of \$2,104,634 based on a rate of 11.05 percent of covered payroll.

CITY OF GERMANTOWN, TENNESSEE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2017

B. Assumptions

Actuarial assumptions

The total pension liability was determined as part of the July 1, 2016 actuarial valuation using the entry age normal level percent of pay cost method. Significant actuarial assumptions used in the valuation include:

Inflation	2.5%
Salary increases	4.0%, compounded annually
Investment rate of return	7.5%, net of investment expense, including inflation
Mortality table	RP-2000 with 2% load for expected mortality improvement

The actuarial assumptions used in the June 30, 2017 valuation were based on results of an actuarial experience study for the period January 1, 2016 through July 1, 2017.

Investment Policy

The long-term expected rate of return on pension plan investments was developed in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage.

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

Rate of Return

For the year ended June 30, 2017, the annual approximate rate of return on investments was 11.9%. The rate of return expresses investment performance, net of investment expenses, adjusted for the changing amounts actually invested.

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 contributions from the City will be made at actuarially determined rates. 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 of return on pension plan investments was applied to all periods projected benefit payments to determine the total pension liability.

CITY OF GERMANTOWN, TENNESSEE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2017

C. Net Pension Liability (Asset)

The components of the net pension liability of the Plan at June 30, 2017 were as follows:

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
Balances at 6/30/16	\$ 84,461,038	\$ 61,840,073	\$ 22,620,965
Changes for the year:			
Service cost	1,251,978	-	1,251,978
Interest	6,243,169	-	6,243,169
Differences between expected and actual experience	1,200,719	-	1,200,719
Contributions - employer	-	2,104,637	(2,104,637)
Contributions - employees	-	768,169	(768,169)
Net investment income	-	7,494,540	(7,494,540)
Benefit payments, including refunds of employee contributions	(3,689,552)	(3,689,552)	-
Administrative expenses	-	(113,077)	113,077
Other changes	4,636,983	-	4,636,983
Net changes	9,643,297	6,564,717	3,078,580
Balance at 6/30/17	<u>\$ 94,104,335</u>	<u>\$ 68,404,790</u>	<u>\$ 25,699,545</u>

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 7.5 percent, 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 (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate:

	1% Decrease 6.50%	Current Rate 7.50%	1% Increase 8.50%
Net pension liability	\$ 31,800,281	\$ 25,699,545	\$ 15,476,787

D. Pension Expense (Income) and Deferred Outflows of Resources Related to Pensions

Pension Expense

For the year ended June 30, 2017, the City recognized pension expense of \$4,842,663.

Deferred outflows of resources

For the year ended June 30, 2017, the City reported deferred outflows of resources related to pensions from the following sources:

Differences between expected and actual experience	\$ 2,793,305
Net difference between projected and actual earnings on pension plan investments	3,727,496
Change in assumptions	4,057,360
Total	<u>\$ 10,578,161</u>

CITY OF GERMANTOWN, TENNESSEE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2017

Amounts reported as deferred outflows of resources related to pensions will be recognized in pension expense as follows for the years ending June 30:

2018	\$	2,636,293
2019		2,636,293
2020		2,028,290
2021		428,232
2022		1,000,403
Thereafter		1,848,650

E. Payable to the Pension Plan

At June 30, 2017, the City reported a payable of \$38,755 for the outstanding amount of contributions and expenses to the pension plan.

II. EMPLOYEE CASH BALANCE PLAN

A. General Information about the Pension Plan

Plan Description

The plan is a single-employer defined benefit plan. The City froze any new entrances to the Amended and Restated Plan for new hires on or after July 1, 2013. Each employee, of a minimum of 21 years of age, hired on or after July 1, 2013 shall become a participant in the plan after a six month waiting period.

Benefits Provided

Employees must contribute 5% of their pay. The City matches the 5% and guarantees a 5% return. Participants are 100% vested in their contributions when they are made. Participants are 100% vested in employer matching contributions after ten years of service. The plan is portable and may be taken with the employee after vesting.

Employees Covered by Benefit Terms

At June 30, 2017, Employee Cash Balance Plan membership consisted of:

Inactive employees or beneficiaries currently receiving benefits	0
Inactive employees entitled to but not yet receiving benefits	1
Active employees	102
	<u>103</u>

Contributions

Covered employees are required to contribute 5% of earnings to the retirement plan. Employer contributions are based on an actuarially determined rate. For the year ended June 30, 2017, the actuarially determined contribution ("ADC") for the plan was \$163,644 while actual employer contributions were \$246,099 which is 7.51% of covered payroll.

B. Assumptions

Actuarial assumptions

The total pension liability was determined as part of the July 1, 2017 actuarial valuation using the entry age normal level percent of pay, actuarial cost method. Significant actuarial assumptions used in the valuation include:

Inflation	2.5%
Salary increases	4.0%, including inflation
Investment rate of return	5.0%, net of investment expense, including inflation

CITY OF GERMANTOWN, TENNESSEE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2017

Mortality table

IRS applicable mortality – post-retirement only

Investment Policy

The long-term expected rate of return on pension plan investments was developed in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage.

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

Rate of Return

For the year ended June 30, 2017, the annual approximate rate of return on investments was 10.3%. The rate of return expresses investment performance, net of investment expenses, adjusted for the changing amounts actually invested.

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

C. Net Pension Liability (Asset)

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
Balances at 6/30/16	\$ 444,852	\$ 288,822	\$ 156,030
Changes for the year:			
Service cost	459,963	-	459,963
Interest	21,875	-	21,875
Differences between expected and actual experience	(15,559)	-	(15,559)
Contributions - employer	-	246,099	(246,099)
Contributions - employees	-	220,365	(220,365)
Net investment income	-	48,243	(48,243)
Benefit payments, including refunds of employee contributions	(14,736)	(14,736)	-
Administrative expenses	-	(480)	480
Net changes	451,543	499,491	(47,948)
Balance at 6/30/17	\$ 896,395	\$ 788,313	\$ 108,082

Sensitivity of the Net Pension Asset to Changes in the Discount Rate

The following presents the net pension liability of the City calculated using the discount rate of 5 percent, 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 percent) or 1-percentage-point higher (6 percent) than the current rate:

	1% Decrease 4.0%	Current Rate 5.0%	1% Increase 6.0%
Net pension liability (asset)	\$ 352,938	\$ 108,082	\$ (74,360)

CITY OF GERMANTOWN, TENNESSEE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2017

D. Pension Expense

Pension Expense

For the year ended June 30, 2017, the City recognized pension expense of \$198,151.

E. Payable to the Pension Plan

At June 30, 2017, the City reported a payable of \$5,787 for the outstanding amount of contributions and expenses to the pension plan.

III. Legacy Public Employee Retirement Plan (BOE Legacy)

A. General Information about the Pension Plan

Plan Description

Certain administrative employees of the Board of Education with membership in TCRS prior to July 1, 2014 are included in this plan. This plan was closed to new membership on June 30, 2014, but continues to provide benefits to existing members. This is an agent multiple-employer pension plan.

Benefits Provided

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, 2016, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	8
Inactive employees entitled to but not yet receiving benefits	20
Active employees	101
	<u>129</u>

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. The 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, 2017, the employer contributions for the BOE Legacy plan were \$291,576 based on a rate of 9.27 percent of payroll. By law, employer contributions are required to be paid. The TCRS may intercept the Board of Education's state shared taxes if required employer contributions are not remitted. The employer's ADC and member contributions are expected

CITY OF GERMANTOWN, TENNESSEE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2017

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. Assumptions

The Board of Education's net pension liability (asset) was measured as of June 30, 2016, and the total pension liability (asset) used to calculate net pension liability (asset) was determined by an actuarial valuation as of that date.

Actuarial Assumptions

The total pension liability as of June 30, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

The actuarial assumptions used in the June 30, 2016 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.

Investment Policy

The long-term expected rate of return on pension plan investments were established by the TCRS Board of Trustees in conjunction with the June 30, 2012 actuarial experience study 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 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 assets 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>	<u>Long-Term Expected Real Rate of Return</u>	<u>Target Allocation</u>
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 Board of Education will be made at the actuarially determined contribution rate pursuant to an actuarial valuation

CITY OF GERMANTOWN, TENNESSEE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2017

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 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 total pension liability.

C. Changes in Net Pension Liability (Asset)

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
Balances at 6/30/15	\$ 461,010	\$ 414,906	\$ 46,104
Changes for the year:			
Service cost	419,227	-	419,227
Interest	65,393	-	65,393
Differences between expected and actual experience	19,334	-	19,334
Contributions - employer	-	304,673	(304,673)
Contributions - employees	-	165,864	(165,864)
Net investment income	-	16,955	(16,955)
Benefit payments, including refunds of employee contributions	(16,665)	(16,665)	-
Administrative expenses	-	(7,944)	7,944
Net changes	487,289	462,883	24,406
Balance at 6/30/16	<u>\$ 948,299</u>	<u>\$ 877,789</u>	<u>\$ 70,510</u>

Sensitivity of the Net Pension Liability (Asset) to Changes in the Discount Rate

The following presents the net pension liability (asset) of the Board of Education related to the BOE Legacy plan 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:

	1% Decrease 6.50%	Current Rate 7.50%	1% Increase 8.50%
Net pension liability (asset)	\$ 241,257	\$ 70,510	\$ (67,501)

D. Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

Pension Expense

For the year ended June 30, 2017, the Board of Education recognized pension expense of \$290,861 related to the BOE Legacy plan.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2017

Deferred Outflows of Resources and Deferred Inflows of Resources.

For the year ended June 30, 2017, the Board of Education reported deferred outflows of resources and deferred inflows of resources related to the BOE Legacy plan from the following sources:

	Deferred Outflows of Resources
Differences between expected and actual experience	\$ 28,122
Net difference between projected and actual earnings on pension plan investments	30,127
Contributions subsequent to the measurement date of June 30, 2016	291,576
Total	<u>\$ 349,825</u>

The amounts shown above for "Contributions subsequent to the measurement date of June 30, 2016," will be recognized as a reduction (increase) to net pension liability (asset) in the following measurement period.

Amounts reported as deferred outflows of resources related to pensions will be recognized in pension expense as follows for the years ending June 30:

2018	\$	12,001
2019		12,001
2020		12,001
2021		10,195
2022		4,018
Thereafter		8,036

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

IV. Hybrid Public Employee Retirement Plan (BOE Hybrid)

A. General Information about the Pension Plan

Plan Description

Certain administrative employees of the Board of Education with membership in TCRS beginning on or after July 1, 2014 are included in this plan. This plan is a hybrid plan which features both a defined contribution element and a pension plan element. This is an agent multiple-employer pension plan.

Benefits Provided

Members are eligible to retire with an unreduced benefit at age 65 with 5 years of service or pursuant to the rule of 90 in which the member's age and service credit total 90. 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 permitted at age 60 and vested or pursuant to the rule of 80 in which the member's age and service credit total 80. 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.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2017

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. Moreover, there are defined cost controls and unfunded liability controls that provide for the adjustment of benefit terms and conditions on an automatic basis.

Employees Covered by Benefit Terms

At the measurement date of June 30, 2016, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	0
Inactive employees entitled to but not yet receiving benefits	4
Active employees	13
	<u>17</u>

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. The 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 the Board of Education's state shared taxes if required employer contributions are not remitted. Employer contributions to the BOE Hybrid plan for the year ended June 30, 2017 were \$31,017, which is 4.0 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. Assumptions

The Board of Education's net pension liability (asset) was measured as of June 30, 2016, and the total pension liability (asset) used to calculate net pension liability (asset) was determined by an actuarial valuation as of that date.

Actuarial Assumptions

The total pension liability as of June 30, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

The actuarial assumptions used in the June 30, 2016 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.

Investment Policy

The long-term expected rate of return on pension plan investments were established by the TCRS Board of Trustees in conjunction with the June 30, 2012 actuarial experience study 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 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

CITY OF GERMANTOWN, TENNESSEE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2017

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 assets 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>	<u>Long-Term Expected Real Rate of Return</u>	<u>Target Allocation</u>
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 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 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 total pension liability.

C. Net Pension Liability (Asset)

	<u>Increase (Decrease)</u>		
	<u>Total Pension Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Net Pension Liability (Asset)</u>
Balances at 6/30/15	\$ 2,597	\$ 1,683	\$ 914
Changes for the year:			
Service cost	4,077	-	4,077
Interest	501	-	501
Differences between expected and actual experience	21,700	-	21,700
Contributions - employer	-	15,582	(15,582)
Contributions - employees	-	19,477	(19,477)
Net investment income	-	500	(500)
Benefit payments, including refunds of employee contributions	-	-	-
Administrative expenses	-	(1,046)	1,046
Net changes	<u>26,278</u>	<u>34,513</u>	<u>(8,235)</u>
Balance at 6/30/16	<u>\$ 28,875</u>	<u>\$ 36,196</u>	<u>\$ (7,321)</u>

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2017

Sensitivity of the Net Pension Liability (Asset) to Changes in the Discount Rate

The following presents the net pension liability (asset) of the Board of Education related to the BOE Legacy plan 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:

	1% Decrease 6.50%	Current Rate 7.50%	1% Increase 8.50%
Net pension liability (asset)	\$ (708)	\$ (7,321)	\$ (12,508)

D. Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

Negative Pension Expense

For the year ended June 30, 2017, the Board of Education recognized negative pension expense of \$13,019 related to the BOE Hybrid plan.

Deferred Outflows of Resources and Deferred Inflows of Resources.

For the year ended June 30, 2017, the Board of Education reported deferred outflows of resources related to the BOE Hybrid plan from the following sources:

	<u>Deferred Outflows of Resources</u>
Differences between expected and actual experience	\$ 20,713
Net difference between projected and actual earnings on pension plan investments	744
Contributions subsequent to the measurement date of June 30, 2016	31,017
Total	<u>\$ 52,474</u>

The amounts shown above for "Contributions subsequent to the measurement date of June 30, 2016," will be recognized as a reduction (increase) to net pension liability (asset) in the following measurement period.

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows for the years ending June 30:

2018	\$ 2,236
2019	2,236
2020	2,236
2021	2,229
2022	2,049
Thereafter	10,473

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

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2017

V. Teacher Legacy Pension Plan (Teacher Legacy)

A. General Information about the Pension Plan

Plan Description

Teachers with membership in TCRS prior to July 1, 2014 are included in this plan. The plan was closed to new membership on June 30, 2014, but continues to provide benefits to existing members. The plan is a cost sharing multiple-employer pension plan.

Benefits Provided

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. 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. Under the Teacher Legacy plan, benefit terms and conditions, including COLAs, 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. 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 plan are required to be paid. 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 to the Teacher Legacy plan for the year ended June 30, 2017 were \$1,951,239, which is 9.04 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. Assumptions

Actuarial Assumptions

The total pension liability as of June 30, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

CITY OF GERMANTOWN, TENNESSEE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2017

The actuarial assumptions used in the June 30, 2016 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.

Investment Policy

The long-term expected rate of return on pension plan investments were established by the TCRS Board of Trustees in conjunction with the June 30, 2012 actuarial experience study 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 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 assets 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%
		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 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 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 total pension liability.

C. Pension Liabilities (Assets)

Pension Liabilities (Assets)

At June 30, 2017, the Board of Education reported a liability of \$3 for its proportionate share of the net pension liability related to the Teacher Legacy plan. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial value as of that date. The Board of Education's proportion of the net pension liability was based on Board of Education's share of contributions to the Teacher Legacy plan relative to the contributions of all participating LEAs. At the measurement date of June 30, 2016, the Board of Education's proportion was 0.968084 percent. The proportion measured as of June 30, 2015 was 0.534251 percent.

Sensitivity of the Proportionate Share of Net Pension Liability (Asset) to Changes in the Discount Rate

The following presents proportionate share of the net pension liability (asset) of the Board of Education related to the Teacher Legacy plan calculated using the discount rate of 7.5 percent, as well as what the net pension liability (asset)

CITY OF GERMANTOWN, TENNESSEE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2017

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 6.50%	Current Rate 7.50%	1% Increase 8.50%
Proportionate share of the net pension liability (asset)	\$ 21,082,216	\$ 3,839,292	\$ (10,443,967)

Pension Plan Fiduciary Net Position

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

D. Pension Expense, and Deferred Outflows of Resources Related to Pensions

Pension Expense

For the year ended June 30, 2017, the Board of Education recognized pension expense of \$1,717,076 related to the Teacher Legacy plan.

Deferred Outflows of Resources and Deferred Inflows of Resources

For the year ended June 30, 2017, the Board of Education reported deferred outflows of resources and deferred inflows of resources related to the Teacher Legacy plan from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 161,571	\$ 4,648,111
Net difference between projected and actual earnings on pension plan investments	4,286,622	-
Changes in proportion of net pension liability (asset)	5,179,965	-
Contributions subsequent to the measurement date of June 30, 2016	1,951,239	-
Total	<u>\$ 11,579,397</u>	<u>\$ 4,648,111</u>

The Board of Education employer contributions of \$1,951,239, reported as pension related deferred outflows of resources subsequent to the measurement date, will be recognized as an increase of net pension liability (asset) in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows for the years ending June 30:

2018	\$ 546,224
2019	546,224
2020	2,602,514
2021	1,466,488
2022	(181,402)
Thereafter	-

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

CITY OF GERMANTOWN, TENNESSEE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2017

VI. Teacher Retirement Plan (Teacher Hybrid)

A. General Information about the Pension Plan

Plan Description

Teachers with membership in TCRS beginning on or after July 1, 2014 are included in this plan. The plan is a hybrid plan which features both a defined contribution element and a pension plan element. The plan is a cost sharing multiple-employer pension plan.

Benefits Provided

Members are eligible to retire with an unreduced benefit 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. 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 60 and vested or pursuant to the rule of 80. 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. Under the Teacher Legacy Pension Plan, benefit terms and conditions, including COLAs, 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. 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 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 for the Teacher Hybrid plan are required to be paid. 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 to the Teacher Hybrid plan for the year ended June 30, 2017 were \$139,670, 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. Assumptions

Actuarial Assumptions

The total pension liability as of June 30, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2017

The actuarial assumptions used in the June 30, 2016 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.

Investment Policy

The long-term expected rate of return on pension plan investments were established by the TCRS Board of Trustees in conjunction with the June 30, 2012 actuarial experience study 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 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 assets 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%
		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 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 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 total pension liability.

C. Pension Liabilities (Assets)

Pension Liabilities (Assets)

At June 30, 2017, the Board of Education reported an asset of \$52,169 for its proportionate share of the net pension asset related to the Teacher Hybrid plan. The net pension asset was measured as of June 30, 2016, and the total pension asset used to calculate the net pension asset was determined by an actuarial value as of that date. The Board of Education's proportion of the net pension asset was based on Board of Education's share of contributions to the Teacher Hybrid plan relative to the contributions of all participating LEAs. At the measurement date of June 30, 2016, the Board of Education's proportion was 0.501126 percent. The proportion measured as of June 30, 2015 was 0.600631 percent.

Sensitivity of the Proportionate Share of Net Pension Liability (Asset) to Changes in the Discount Rate

The following presents proportionate share of the net pension liability (asset) of the Board of Education related to the Teacher Hybrid plan calculated using the discount rate of 7.5 percent, as well as what the net pension liability (asset)

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2017

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 6.50%	Current Rate 7.50%	1% Increase 8.50%
Proportionate share of the net pension liability (asset)	\$ 24,635	\$ (52,169)	\$ (108,758)

Pension Plan Fiduciary Net Position

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

D. Pension Expense, and Deferred Outflows of Resources Related to Pensions

Pension Expense

For the year ended June 30, 2017, the Board of Education recognized pension expense of \$43,880 related to the Teacher Hybrid plan.

Deferred Outflows of Resources and Deferred Inflows of Resources

For the year ended June 30, 2017, the Board of Education reported deferred outflows of resources and deferred inflows of resources related to the Teacher Hybrid plan from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 5,055	\$ 6,015
Net difference between projected and actual earnings on pension plan investments	8,542	-
Changes in proportion of net pension liability (asset)	2,443	-
Contributions subsequent to the measurement date of June 30, 2016	139,670	-
Total	\$ 155,710	\$ 6,015

The Board of Education employer contributions of \$139,670, reported as pension related deferred outflows of resources subsequent to the measurement date, will be recognized as an increase of net pension liability (asset) in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows for the years ending June 30:

2018	\$ 2,315
2019	2,315
2020	2,315
2021	1,908
2022	78
Thereafter	1,093

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

CITY OF GERMANTOWN, TENNESSEE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2017

NOTE 5 – DEFINED CONTRIBUTION EMPLOYEE BENEFIT PLAN

401(k) Plan

The Teacher Retirement Plan and the Hybrid Public Employee Retirement Plan (the Hybrid Plans) provide a combination of a defined benefit plan and a defined contribution plan. The defined benefit portion of the Hybrid Plans are 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. Enrolled employees may, at their option, contribute 2% of their salaries and employers are required to contribute 5% of those salaries to the defined contribution (401(k)) portion of the Hybrid Plans. Contributions are made on a tax-deferred basis. During 2017, the Board of Education's employer contribution to the Hybrid Plans was \$213,390.

NOTE 6 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSION (OPEB)

In addition to the pension benefits described in Note 4, the City and Board of Education each administer a single-employer defined benefit other postemployment plan to provide health care benefits to certain retirees and their spouses under the provisions of the Retirement System of the City of Germantown i.e. City of Germantown, Tennessee Other Postemployment Benefit Plan and Germantown Municipal School District Other Postemployment Benefit Plan.

Basis of Accounting

The OPEB plans' financial statements are prepared using economic resources measurement focus and the accrual basis of accounting. Plan member contributions are recognized in the period that the contributions are due. Employer contributions are recognized when due and the employer has made a formal commitment in accordance with terms of the OPEB plan. Neither OPEB plan issues a separate, audited financial statement.

Method Used to Value Investments

OPEB plan investments are reported at fair market value.

I. CITY POSTEMPLOYMENT BENEFIT PLAN

A. General Information about the OPEB Plan

Benefits Provided

The Plan provides healthcare and dental benefits for retirees through the City's health insurance plans, which cover active and retired participants. Employees may retire after age 62 (age 55 for Emergency Services participants). Employees may also retire after age 55 (age 50 for Emergency Services participants) and the completion of 15 years of service. The plan is a single-employer defined benefit plan. Prior to January 1, 2008, the City's insurance became secondary to Medicare Insurance. After January 1, 2008 but before January 1, 2014, employees who retired and had reached age 65 are eligible for only the City's dental prescription drugs. Employees retiring on or after January 1, 2014, are eligible for the City's dental plan only. Any retiree or dependent who becomes eligible for Medicare at any age will no longer participate in the City's Health Care plan. The City also provides Medicare subsidies to retirees which vary based on retirement date and marital status. The benefit provisions and contribution requirements are established and may be amended by the Board of Mayor and Aldermen.

Employees Covered by Benefit Terms

At January 1, 2017, the membership consisted of:

Inactive employees or beneficiaries currently receiving benefits	95
Active employees	390
	<u>485</u>

CITY OF GERMANTOWN, TENNESSEE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2017

Contributions

The City has adopted a contributory OPEB plan for its employees requiring employee contributions to be made in accordance with the employee's age and employment status. The City is required to contribute the remaining amounts to meet the minimum funding requirement. Employer contributions are based on an actuarially determined rate. For the year ended, June 30, 2017, the actuarially determined contribution for the plan was \$491,229 which equaled employer contributions to the plan.

B. Assumptions

Actuarial Assumption

The annual required contribution for the current year was determined as part of the July 1, 2016 actuarial valuation using the entry age normal level percent of pay actuarial cost method.

Inflation	2.5%
Salary increases	4.0%
Investment rate of return	7.5%, net of investment expense, including inflation
Mortality table	RP-2000 with 2% load for expected mortality improvement
Health care cost trend rate	8.0% initial rate, 4.0% ultimate rate, 9 year grading period

Actuarial valuations for OPEB plans involved estimates of the value of reported amounts and assumptions about the probability of events far into the future. As such, the actuarial calculations of the OPEB plan reflect a long-term perspective. Actuarially determined amounts are subject to continual revision as results are compared to past expectations and new estimates are made about the future.

Investment Policy

The long-term expected rate of return on OPEB plan investments were established by weighting the 10 year expected rate of return by the target asset allocation. 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>	<u>Long-Term Expected Real Rate of Return</u>	<u>Target Allocation</u>
Equity	6.75%	45%
Hedged strategy	5.30%	35%
Fixed income	2.75%	15%
MLP's	5.00%	5%
Cash and cash equivalents	2.00%	0%
		<u>100%</u>

Rate of Return

For the year ended June 30, 2017, the annual money-weighted rate of return on investments was 10.02 percent. The money-weighted rate of return expresses investment performance, net of investment expenses, adjusted for the changing amounts actually invested.

Discount Rate Information

The discount rate used in valuing OPEB liabilities in funded plans as of the measurement date must be based on the long-term expected rate of return on OPEB plan investments that are expected to be used to finance future benefit payments to the extent that they are sufficient to pay for projected benefit payments and the OPEB plan assets are invested using a strategy that will achieve that return. When the OPEB plan investments are insufficient to cover future benefit payments, a yield for the 20-year tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher (or equivalent quality on another rating scale) must be used. The final equivalent single discount rate as of June 30, 2017 is 7% with the assumption that the City of Germantown will eventually pay the pay-go costs out of the OPEB Trust at the time the Trust is expected to be sufficient to finance all future benefit payments.

CITY OF GERMANTOWN, TENNESSEE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2017

C. Net OPEB Liability

The components of the City's net OPEB liability at June 30, 2017, were as follows:

Total OPEB liability	\$ 8,363,644
Plan fiduciary net position	5,953,208
City's net OPEB liability	<u>\$ 2,410,436</u>
 Plan fiduciary net position as a percentage of total OPEB liability	 <u>71.2%</u>

Sensitivity of the Net OPEB Liability (Asset) to Changes in the Discount Rate

The following presents the City's net OPEB liability (asset) calculated using the discount rate of 7.5 percent, as well as what the net OPEB 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 <u>6.50%</u>	Current Rate <u>7.50%</u>	1% Increase <u>8.50%</u>
Net OPEB liability (asset)	\$ 3,250,969	\$ 2,410,436	\$ 1,676,868

Sensitivity of the Net OPEB Liability (Asset) to Changes in the Healthcare Cost Trend Rate

The following presents the City's net OPEB liability (asset) calculated using the healthcare cost trend rate of 8.0 percent decreasing to 4.0 percent as well as what the net OPEB liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (7.0 percent decreasing to 3.0 percent) or 1-percentage-point higher (9.0 percent decreasing to 5.0%) than the current rate:

	1% Decrease <u>(7% to 3%)</u>	Current Rate <u>(8% to 4%)</u>	1% Increase <u>(9% to 5%)</u>
Net OPEB liability (asset)	\$ 1,403,313	\$ 2,410,436	\$ 3,523,179

D. Employer Disclosures

Annual OPEB Cost and Net OPEB Obligation

The City's annual OPEB cost (expense) is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. 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 annual required contribution for the current year was determined as part of the July 1, 2015 actuarial valuation using the projected unit credit actuarial cost method. Actuarial valuations of an ongoing plan involve estimates of the value of the reported amounts about the probability of the occurrence of events far into the future.

The City's annual OPEB cost and net OPEB obligation for the current year were as follows:

Annual required contribution (ARC)	\$ 491,229
Interest on net OPEB obligation	-
Adjustment to annual required contribution	-
Annual OPEB cost	<u>491,229</u>
Contributions or payments made	<u>(491,229)</u>
Increase in net OPEB obligation	-
Net OPEB obligation, beginning of year	-
Net OPEB obligation, end of year	<u>\$ -</u>

CITY OF GERMANTOWN, TENNESSEE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2017

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

Fiscal Year Ending	Annual OPEB Cost	Percentage of OPEB Cost Contributed	Net OPEB Obligation
6/30/2015	\$ 684,360	100.0%	\$ -
6/30/2016	491,229	100.0%	-
6/30/2017	491,229	100.0%	-

Funded Status and Funding Progress

As of June 30, 2017, the plan was 59.8% funded. The actuarial accrued liability for benefits was \$9,947,328, and the actuarial value of assets was \$5,953,208, resulting in an unfunded actuarial accrued liability (UAAL) of \$3,994,120. The covered payroll (annual payroll of active employees covered by the plan) was \$22,882,490, and the ratio of UAAL to covered payroll was 17%.

Amortization of Net OPEB Obligation

The amortization method used is the level dollar, closed approach which amortizes the initial unfunded actuarial liability over thirty years, actual gains/losses over ten years, and plan amendments over twenty years. The equivalent single amortization period remaining as of June 30, 2017 is 13 years.

E. Payable to the OPEB Plan

At June 30, 2017, the City reported a payable of \$90,835 for the outstanding amount of contributions and expenses to the pension plan.

II. SCHOOL POSTEMPLOYMENT BENEFIT PLAN

A. General Information about the OPEB Plan

Benefits Provided

Legacy employees that qualify for full retirement benefits under the TCRS are eligible for post-retirement health and life insurance benefits. Eligible employees must complete 25 years of service or at least age 55 with 15 years of service with the Germantown Municipal School District and meet the requirements under TCRS. Those who are former employees of Shelby County School District or Memphis City Schools must complete 30 years of service or at least age 60 with 15 years of continuous service with GMSD, Shelby County, and/or Memphis City Schools prior to retirement. All employees must be hired before July 1, 2017 to be eligible. Non-Legacy employees are not eligible for any post-retirement health benefits. Current retirees, along with employees having 10 or more years of creditable service are eligible to continue coverage on the GMSD's pre-65 plan until Medicare eligibility. The GMSD and the retiree shall share the cost of the premium at the same rate as active employees. All other eligible employees will receive a monthly subsidy which varies depending on marital status upon retirement until reach Medicare eligibility. Current retirees may continue on the GMSD post-65 plan for life with the district paying 67% of the cost of coverage. Future retirees are eligible to receive a monthly subsidy which varies depending on marital status. Retirees are required to contribute the portion of premiums not covered by the GMSD's explicit subsidy. Surviving spouses of legacy retirees are able to stay on the plan at their own expense until eligible for Medicare. Those retiring on or prior to September 1, 2017 are eligible to receive life insurance benefits for life while those retiring after September 1, 2017 are eligible to receive life insurance benefits until reaching age 65. The GMSD has established benefit provisions and contribution obligations.

CITY OF GERMANTOWN, TENNESSEE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2017

Employees Covered by Benefit Terms

At June 30, 2017, the membership consisted of:

Inactive employees or beneficiaries currently receiving benefits	27
Active employees	506
	533

Contributions

The School has adopted a contributory OPEB plan for its employees requiring employee contributions to be made in accordance with the employee's age and employment status. The School's intention is to partially fund the annual required contribution and pay for the pay-go costs from the general purpose school fund until the Trust balance is sufficient to meet future benefit payments. Employer contributions are based on an actuarially determined rate. For the year ended, June 30, 2017, the actuarially determined contribution for the plan was \$1,982,233 which exceeded the employer contributions to the plan of \$840,000 by \$1,142,233.

B. Assumptions

Actuarial Assumption

The annual required contribution for the current year was determined as part of the June 30, 2017 actuarial valuation using the entry age normal level percent of pay actuarial cost method. Liabilities are based on an actuarial valuation date of July 1, 2016.

Inflation	3.0%
Salary increases	3.0%
Investment rate of return	7.0%, net of investment expense, including inflation
Mortality table	RPH-2017 Total Dataset fully generational using Scale MP-2017
Health care cost trend rate	9.0% initial rate, 5.0% ultimate rate

Actuarial valuations for OPEB plans involved estimates of the value of reported amounts and assumptions about the probability of events far into the future. As such, the actuarial calculations of the OPEB plan reflect a long-term perspective. Actuarially determined amounts are subject to continual revision as results are compared to past expectations and new estimates are made about the future.

Investment Policy

The long-term expected rate of return on OPEB plan investments was established by weighting the 10 year expected rate of return by the target asset allocation. The investment strategy includes a diverse investment portfolio designed to provide potential for growth primarily and income secondarily with an emphasis place on near-market-level total returns. 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	Minimum-Maximum Allocation	Target Allocation
Fixed income	25%-50%	35%
Equity	45%-70%	60%
Real estate	0%-10%	5%
		100%

Rate of Return

For the year ended June 30, 2017, the annual money-weighted rate of return on investments was 1.05 percent. The money-weighted rate of return expresses investment performance, net of investment expenses, adjusted for the changing amounts actually invested.

CITY OF GERMANTOWN, TENNESSEE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2017

Discount Rate Information

The discount rate used in valuing OPEB liabilities in funded plans as of the measurement date must be based on the long-term expected rate of return on OPEB plan investments that are expected to be used to finance future benefit payments to the extent that they are sufficient to pay for projected benefit payments and the OPEB plan assets are invested using a strategy that will achieve that return. When the OPEB plan investments are insufficient to cover future benefit payments, a yield for 20-year tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher (or equivalent quality on another rating scale) must be used. The final equivalent single discount rate as of June 30, 2017 is 7.0% with the assumption that GMSD will eventually pay the pay-go costs out of the OPEB Trust at the time the Trust is expected to be sufficient to finance all future benefit payments.

C. Net OPEB Liability

The components of the School's net OPEB liability at June 30, 2017, were as follows:

Total OPEB liability	\$ 8,125,448
Plan fiduciary net position	<u>2,051,373</u>
City's net OPEB liability	<u><u>\$ 6,074,075</u></u>
 Plan fiduciary net position as a percentage of total OPEB liability	 <u><u>25.2%</u></u>

Sensitivity of the Net OPEB Liability (Asset) to Changes in the Discount Rate

The following presents the City's net OPEB liability (asset) calculated using the discount rate of 7.0 percent, as well as what the net OPEB liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.0 percent) or 1-percentage-point higher (8.0 percent) than the current rate:

	1% Decrease 6.00%	Current Rate 7.00%	1% Increase 8.00%
Net OPEB liability (asset)	<u>\$ 6,924,890</u>	<u>\$ 6,074,075</u>	<u>\$ 5,332,931</u>

Sensitivity of the Net OPEB Liability (Asset) to Changes in the Healthcare Cost Trend Rate

The following presents the City's net OPEB liability (asset) calculated using the healthcare cost trend rate of 9.0 percent decreasing to 5.0 percent as well as what the net OPEB liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (8.0 percent decreasing to 4.0 percent) or 1-percentage-point higher (10.0 percent decreasing to 6.0%) than the current rate:

	1% Decrease (8% to 4%)	Current Rate (9% to 5%)	1% Increase (10% to 6%)
Net OPEB liability (asset)	<u>\$ 5,444,192</u>	<u>\$ 6,074,075</u>	<u>\$ 6,802,020</u>

D. Employer Disclosures

Annual OPEB Cost and Net OPEB Obligation

The School's annual OPEB cost (expense) is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. 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 annual required contribution for the current year was determined as part of the July 1, 2015 actuarial valuation using the level dollar over 30 years based on a closed group. Actuarial valuations of an ongoing plan involve estimates of the value of the reported amounts about the probability of the occurrence of events far into the future.

CITY OF GERMANTOWN, TENNESSEE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2017

The City's annual OPEB cost and net OPEB obligation for the current year were as follows:

Annual required contribution (ARC)	\$ 715,741
Interest on net OPEB obligation	73,175
Adjustment to annual required contribution	<u>(486,626)</u>
Annual OPEB cost	302,290
Contributions or payments made	<u>(1,026,590)</u>
Increase in net OPEB obligation	(724,300)
Net OPEB obligation, beginning of year	<u>1,447,740</u>
Net OPEB obligation, end of year	<u><u>\$ 723,440</u></u>

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

Fiscal Year Ending	Annual OPEB Cost	Percentage of OPEB Cost Contributed	Net OPEB Obligation
6/30/2015	\$1,297,857	46.2%	\$ 697,857
6/30/2016	1,550,445	52.0%	1,447,740
6/30/2017	302,290	339.3%	723,440

Funded Status and Funding Progress

As of June 30, 2017, the plan was 19.2% funded. The actuarial accrued liability for benefits was \$7,285,126, and the actuarial value of assets was \$1,397,236, resulting in an unfunded actuarial accrued liability (UAAL) of \$5,887,890. The covered payroll (annual payroll of active employees covered by the plan) was \$27,467,457, and the ratio of UAAL to covered payroll was 21.4%.

E. Payable to the OPEB Plan

At June 30, 2017, the City reported a payable of \$402,523 for the outstanding amount of contributions and expenses to the pension plan.

NOTE 7 - COMMITMENTS AND CONTINGENCIES

Lease Revenues

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 for the years ending June 30:

2018	\$ 339,126
2019	322,981
2020	316,258
2021	305,436
2022	294,126
Thereafter	<u>4,627,253</u>
	<u><u>\$ 6,205,180</u></u>

CITY OF GERMANTOWN, TENNESSEE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2017

Operating Leases

The City rents office space and equipment under operating leases. Total rent expense for all funds for the year ended June 30, 2017 was \$485,113. The future minimum lease payments under operating leases are as follows for the years ending June 30:

2018	\$ 757,717
2019	236,985
2020	233,515
	<u>\$ 1,228,217</u>

Legal Contingencies

Several lawsuits against the City are ongoing, 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 is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; employee injuries and other unanticipated casualties; and natural disasters. The City considers it more economically feasible to participate in a public entity risk pool as opposed to purchasing commercial insurance for its general liability, workers' compensation, and property and casualty insurance. As such, the City participates in the Tennessee Municipal League Risk Management Pool ("TML Pool"), which is a public entity risk pool consisting of member political subdivisions of the State of Tennessee 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. Each political subdivision that has participated in the TML pool is subject to assessment if the funds it paid as premiums are insufficient to meet the obligations of the TML Pool. The TML pool may reinsure through the Local Government Reinsurance Fund of Tennessee or a commercial insurance company.

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 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 \$5,000 deductible amount. Given its geographical location and the risk of significant infrastructure loss, the City considers it prudent to obtain supplemental insurance for excess 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 the City has not incurred any losses in excess of commercial insurance coverage for the past three fiscal years. Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated.

CITY OF GERMANTOWN, TENNESSEE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2017

Changes in the balances of claims liabilities during the years are as follows:

	2017	2016
Unpaid claims, beginning of fiscal year*	\$ 69,007	\$ 60,656
Claims incurred during the year*	175,000	157,200
Claims payments	(161,761)	(148,849)
Unpaid claims, end of fiscal year*	<u>\$ 82,246</u>	<u>\$ 69,007</u>

* All amounts included "Incurred But Not Reported"

Health Insurance

The City and the School each maintain a self-insured Group Health Insurance Fund for its active and retired employees and their dependents, separately funded by participation of City and its employees and the School and its employees.

The schedule below presents the changes in the liabilities for the past two years for the City's Group Health Insurance Fund:

	2017	2016
Incurred claims but not reported, beginning of fiscal year	\$ 311,161	\$ 478,733
Claims submitted for fiscal year	<u>5,146,274</u>	<u>4,247,973</u>
Total available for claims payments	5,457,435	4,726,706
Claims paid during fiscal year	<u>(4,834,206)</u>	<u>(4,415,545)</u>
Incurred claims but not reported, end of fiscal year	<u>\$ 623,229</u>	<u>\$ 311,161</u>

The schedule below presents the changes in the liabilities for the past two years for the School's Group Health Insurance Fund:

	2017	2016
Incurred claims but not reported, beginning of fiscal year	\$ 308,978	\$ 252,757
Claims submitted for fiscal year	<u>3,345,850</u>	<u>3,710,610</u>
Total available for claims payments	3,654,828	3,963,367
Claims paid during fiscal year	<u>(2,981,592)</u>	<u>(3,654,389)</u>
Incurred claims but not reported, end of fiscal year	<u>\$ 673,236</u>	<u>\$ 308,978</u>

The City and the School maintain a liability in the Group Health Insurance Funds in the amount of \$623,229 and \$673,236, respectively, which is comprised of medical claims incurred prior to but not reported until after June 30, 2017. The amounts were estimated by a third party administrator and are included in the accounts payable of the governmental activities internal service funds.

NOTE 9 – DONOR-RESTRICTED ENDOWMENT

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 the LGIP and earmarked for use as directed by the Library Endowment Committee. For the year ended June 30, 2017, the net amount of appreciation on investment of the endowment was \$1,303.

CITY OF GERMANTOWN, TENNESSEE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2017

NOTE 10 – TAX ABATEMENTS

GASB Statement No. 77, Tax Abatement Disclosures (“GASB 77”), requires governments that enter into tax abatement agreements to disclose: (1). Brief descriptive information concerning the agreement; (2) The gross dollar amount of taxes abated during the period; and 3) Commitments made by government, other than to abate taxes, that are part of the tax abatement agreement.

The following tax abatement agreements were entered into by the Industrial Development Board of the City of Germantown (“IDB”)

ThyssenKrupp Elevator Manufacturing Inc. (TKEM)

ThyssenKrupp Elevator Manufacturing Inc. (TKEM) produces elevators and industrial lifting equipment with their North American manufacturing headquarters in Germantown. In 2006, TKEM entered into a payment-in-lieu-of-taxes (PILOT) agreement with the Industrial Development Board (IDB) for the City of Germantown. Under the agreement, TKEM agreed to add 21 jobs at a median wage of \$78,828 and a capital investment of \$19,500,000. The PILOT is for a 75 percent abatement of real and tangible personal property taxes to help with improvements at its 72,000 square foot Germantown facility. During the audited fiscal year, ThyssenKrupp through the PILOT arrangement abated \$45,266 in real estate taxes and \$6,365 in personal property taxes for a total of \$51,631. The PILOT terminated on August 15, 2016. On August 16, 2016, TKEM entered into a 7-year retention PILOT. Under TKEM's Retention PILOT, the company plans to retain 286 jobs and add 12 new jobs with average annual wages of \$77,355. When real property (\$674,000), tangible personal property (\$6.4 million) and intangible personal property (\$12 million) are combined, TKEM's total planned investment would be about \$19 million.

West Fraser

West Fraser, Inc. in Germantown is the US corporate office for West Fraser, Inc. - one of the largest lumber producers in North America. As noted in their PILOT application, West Fraser, Inc. mills augment the core solid wood business of West Fraser's existing US mills. They expanded Southern Yellow Pine lumber production and chose to place their mills in a well-established timber basket. US operations are managed from the Germantown office and report to the company's office in Canada. Company-wide, there are 3,400 full time employees, and it generates an estimated \$751.1 million in annual revenue. In 2007, West Fraser entered into a payment-in-lieu-of-taxes (PILOT) agreement with the Industrial Development Board (IDB) for the City of Germantown. Under the agreement, West Fraser agreed to add 90 jobs at a median wage of \$104,389 and a capital investment of \$1,900,000. The PILOT is for a 75 percent abatement of real and tangible personal property taxes. During the audited fiscal year, West Fraser through the PILOT arrangement abated \$3,376 in real estate taxes and \$2,267 in tangible personal property taxes for a total of \$5,643.

NOTE 11 – SUBSEQUENT EVENT

In September 2017, two major bond rating agencies, Standard & Poor's and Moody's awarded the highest possible bond rating to the City of Germantown. The reaffirmation of Germantown's AAA rating, awarded to the City by Moody's since 1987 and Standard & Poor's since 1994, occurred as a result of the issuance of \$29.275 million in bonds for the construction of a new elementary school and related road construction in the City. The triple- A rating is the highest possible rating that can be given to a municipality and allows the City to secure financing at a lower interest rate. Both Moody's and Standard & Poor's cited the City's large diverse tax base, active financial management, stable reserves and liquidity and low debt and pension burdens as the rationale for awarding the triple- A ratings to the City. Of the 19,492 municipal governments in the U.S., Germantown is one of only 76 earning the highest possible rating from both Moody's and Standard & Poor's.

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 June 30

Exhibit B-1

	2017	2016	2015	2014	2013	2012	2011	2010
Total Pension Liability								
Service cost	\$ 1,251,978	\$ 1,199,379	\$ 1,208,653	\$ 1,267,271	\$ 1,190,521	\$ 1,389,808	\$ 1,470,322	\$ 1,399,997
Interest	6,243,169	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	-	-	-	-
Differences between expected and actual experience	1,200,719	1,217,222	1,185,371	810,017	(382,255)	1,439,079	(862,794)	43,575
Changes in assumptions	4,636,983	-	-	-	-	(5,630,135)	-	-
Benefit payments	(3,689,552)	(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	9,643,297	5,905,277	5,328,504	5,519,902	3,558,062	64,823	3,497,466	4,211,463
Total pension liability - beginning	84,461,038	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	\$ 94,104,335	\$ 84,461,038	\$ 78,555,761	\$ 73,227,257	\$ 67,707,355	\$ 64,149,293	\$ 64,084,470	\$ 60,587,004
Plan Fiduciary Net Position								
Contributions - employer	2,104,637	1,382,685	1,594,372	2,238,029	2,287,758	2,306,853	2,297,580	2,269,772
Contributions - employee	768,169	708,541	693,659	698,881	683,344	665,402	639,112	654,129
Net investment income	7,494,540	(2,771,503)	2,106,078	10,166,680	6,824,377	(975,521)	7,407,973	4,636,664
Benefit payments	(3,689,552)	(3,369,319)	(2,923,701)	(2,643,055)	(2,382,147)	(2,260,687)	(1,957,022)	(1,742,152)
Administrative expense	(113,077)	(109,217)	(115,523)	(179,296)	(166,195)	(149,086)	(222,560)	(225,674)
Net change in plan fiduciary net position	6,564,717	(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	61,840,073	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	\$ 68,404,790	\$ 61,840,073	\$ 65,998,886	\$ 64,644,001	\$ 54,362,762	\$ 47,115,625	\$ 47,528,664	\$ 39,363,581
Net pension liability	\$ 25,699,545	\$ 22,620,965	\$ 12,556,875	\$ 8,583,256	\$ 13,344,593	\$ 17,033,668	\$ 16,555,806	\$ 21,223,423
Plan fiduciary net position as a percentage of the total pension liability	72.69%	73.22%	84.02%	88.28%	80.29%	73.45%	74.17%	64.97%
Covered payroll	\$ 18,386,870	\$ 19,040,740	\$ 19,043,019	\$ 19,209,705	\$ 20,187,727	\$ 19,214,167	\$ 18,449,784	\$ 18,998,306
Net pension liability as a percentage of covered payroll	139.77%	118.80%	65.94%	44.68%	66.10%	88.65%	89.73%	111.71%

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
AMENDED AND RESTATED PENSION PLAN
Last Ten Fiscal Years June 30

Exhibit B-2

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Actuarially determined contribution	\$ 2,104,637	\$ 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>2,104,637</u>	<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 (surplus)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 19,040,740	\$ 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 payroll	11.05%	7.26%	8.30%	11.09%	11.91%	12.50%	12.09%	12.04%	9.92%	9.96%

NOTE 1 - VALUATION DATE

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

NOTE 2 - METHODS AND ASSUMPTIONS USED TO DETERMINE CONTRIBUTION RATES

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 of return	8.0%, net of plan investment expense, including inflation
Retirement age	General service employees - age 65 Emergency service employees - age 58 Public works employees - age 55
Mortality	RP-2000 with a 2% load for expected mortality improvement
Withdrawal rates	T-3 Actuaries Pension Handbook
Other Information	Closed to new employees after 6/30/2013

CITY OF GERMANTOWN, TENNESSEE
SCHEDULE OF MONEY-WEIGHTED RATE OF RETURN
AMENDED AND RESTATED PENSION PLAN
Last Ten Fiscal Years June 30

Exhibit B-3

	Annual Money-Weighted Rate of Return <u>Net of Investment Expenses</u>
2017	11.90%
2016	-4.40%
2015	3.10%
2014	18.30%
2013	14.00%
2012	-2.35%
2011	18.56%
2010	13.27%
2009	-14.50%
2008	-4.40%

CITY OF GERMANTOWN, TENNESSEE
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
EMPLOYEE CASH BALANCE PENSION PLAN
Last Ten Fiscal Years June 30

Exhibit B-4

	2017	2016	2015	2014
Total Pension Liability				
Service cost	\$ 459,963	\$ 295,803	\$ 144,160	\$ 28,439
Interest	21,875	8,126	1,258	-
Changes of benefit items	-	-	-	-
Differences between expected and actual experience	(15,559)	(13,342)	(2,213)	-
Changes in assumptions	-	-	-	-
Benefit payments	(14,736)	(16,523)	(856)	-
Net change in total pension liability	451,543	274,064	142,349	28,439
Total pension liability - beginning	444,852	170,788	28,439	-
Total pension liability - ending	\$ 896,395	\$ 444,852	\$ 170,788	\$ 28,439
Plan Fiduciary Net Position				
Contributions - employer	\$ 246,099	\$ 82,455	\$ 17,925	\$ -
Contributions - employee	220,365	132,159	61,705	10,513
Net investment income	48,243	4,319	219	1
Benefit payments	(14,736)	(16,523)	(856)	-
Administrative expense	(480)	(3,921)	(203)	-
Other	-	1,029	-	-
Net change in plan fiduciary net position	499,491	199,518	78,790	10,514
Plan fiduciary net position - beginning	288,822	89,304	10,514	-
Plan fiduciary net position -ending	\$ 788,313	\$ 288,822	\$ 89,304	\$ 10,514
Net pension liability (asset)	\$ 108,082	\$ 156,030	\$ 81,484	\$ 17,925
Plan fiduciary net position as a percentage of the total pension liability	87.94%	64.93%	52.29%	36.97%
Covered payroll	\$ 4,966,815	\$ 3,272,881	\$ 1,649,109	\$ 358,493
Net pension liability as a percentage of covered payroll	2.18%	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 CONTRIBUTIONS
EMPLOYEE CASH BALANCE PENSION PLAN
Last Ten Fiscal Years June 30

Exhibit B-5

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Actuarially determined contribution	\$ 163,644	\$ 82,455	\$ 17,925
Contributions	<u>246,099</u>	<u>82,455</u>	<u>17,925</u>
Contribution deficiency (surplus)	<u>\$ (82,455)</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 3,272,881	\$ 1,649,109	\$ 358,493
Contributions as a percentage of covered payroll	7.52%	5.00%	5.00%

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

NOTE 1 - VALUATION DATE

Actuarially determined contributions are calculated as of June 30th, as of the fiscal year in which contributions are reported.

NOTE 2 - METHODS AND ASSUMPTIONS USED TO DETERMINE CONTRIBUTION RATES

Actuarial cost method	Entry age normal
Amortization method	Level dollar, closed
Asset valuation method	Market value
Inflation	2.50%
Salary increases	4.0%, including inflation
Investment rate of return	5.0%, net of plan investment expense, including inflation
Retirement age	Age 62
Mortality	IRS applicable mortality - post-retirement only
Withdrawal rates	None
Other Information	Plan adopted effective July 1, 2013

CITY OF GERMANTOWN, TENNESSEE
SCHEDULE OF MONEY-WEIGHTED RATE OF RETURN
EMPLOYEE CASH BALANCE PENSION PLAN
Last Ten Fiscal Years June 30

Exhibit B-6

	Annual Money-Weighted Rate of Return <u>Net of Investment Expenses</u>
2017	10.30%
2016	0.20%
2015	0.00%

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 June 30, 2015. Years will be added to this schedule in future fiscal years until 10 years of information is available.

CITY OF GERMANTOWN, TENNESSEE
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
LEGACY PUBLIC EMPLOYEE PENSION PLAN OF TCRS
Last Ten Fiscal Years June 30

Exhibit B-7

	2016	2015
Total Pension Liability		
Service cost	\$ 419,227	\$ 416,170
Interest	65,393	31,185
Changes of benefit items	-	-
Differences between expected and actual experience	19,334	14,407
Changes in assumptions	-	-
Benefit payments	(16,665)	(752)
Net change in total pension liability	487,289	461,010
Total pension liability - beginning	461,010	-
Total pension liability - ending	\$ 948,299	\$ 461,010
Plan Fiduciary Net Position		
Contributions - employer	\$ 304,673	\$ 270,452
Contributions - employee	165,864	145,718
Net investment income	16,955	6,292
Benefit payments	(16,665)	(752)
Administrative expense	(7,944)	(6,804)
Net change in plan fiduciary net position	462,883	414,906
Plan fiduciary net position - beginning	414,906	-
Plan fiduciary net position -ending	\$ 877,789	\$ 414,906
Net pension liability (asset)	\$ 70,510	\$ 46,104
Plan fiduciary net position as a percentage of the total pension liability	92.56%	90.00%
Covered payroll	\$ 3,319,098	\$ 2,917,498
Net pension liability as a percentage of covered payroll	2.12%	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
LEGACY PUBLIC EMPLOYEE RETIREMENT PLAN OF TCRS
 Last Ten Fiscal Years June 30

Exhibit B-8

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Actuarially determined contribution	\$ 291,576	\$ 304,673	\$ 270,452
Contributions	<u>291,576</u>	<u>304,673</u>	<u>270,452</u>
Contribution deficiency (surplus)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 3,145,380	\$ 3,319,098	\$ 2,917,498
Contributions as a percentage of covered payroll	9.27%	9.18%	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.

NOTE 1 - VALUATION DATE

Actuarially determined contribution rates for fiscal year 2017 were calculated based on the June 30, 2015 actuarial valuation.

NOTE 2 - METHODS AND ASSUMPTIONS USED TO DETERMINE CONTRIBUTION RATES

Actuarial cost method	Frozen initial liability
Amortization method	Level dollar, closed (not to exceed 20 years)
Remaining amortization period	Varies by year
Asset valuation method	10 year smoothed with a 20% corridor to market value
Inflation	3.0%
Salary increases	Graded salary ranges from 8.97% to 3.71% based on age, including inflation
Investment rate of return	7.5%, net of investment expenses, 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%

CITY OF GERMANTOWN, TENNESSEE
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
HYBRID PUBLIC EMPLOYEE PENSION PLAN OF TCRS
Last Ten Fiscal Years June 30

Exhibit B-9

	2016	2015
Total Pension Liability		
Service cost	\$ 4,077	\$ 1,357
Interest	501	102
Changes of benefit items	-	-
Differences between expected and actual experience	21,700	1,138
Changes in assumptions	-	-
Benefit payments	-	-
Net change in total pension liability	<u>26,278</u>	<u>2,597</u>
Total pension liability - beginning	<u>2,597</u>	<u>-</u>
Total pension liability - ending	<u>\$ 28,875</u>	<u>\$ 2,597</u>
Plan Fiduciary Net Position		
Contributions - employer	\$ 15,582	\$ 776
Contributions - employee	19,477	969
Net investment income	500	26
Benefit payments	-	-
Administrative expense	(1,046)	(30)
Other	-	(58)
Net change in plan fiduciary net position	<u>34,513</u>	<u>1,683</u>
Plan fiduciary net position - beginning	<u>1,683</u>	<u>-</u>
Plan fiduciary net position -ending	<u>\$ 36,196</u>	<u>\$ 1,683</u>
Net pension liability (asset)	<u>\$ (7,321)</u>	<u>\$ 914</u>
Plan fiduciary net position as a percentage of the total pension liability	125.35%	64.81%
Covered payroll	\$ 389,537	\$ 19,389
Net pension liability as a percentage of covered payroll	-1.88%	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
HYBRID PUBLIC EMPLOYEE RETIREMENT PLAN OF TCRS
Last Ten Fiscal Years June 30

Exhibit B-10

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Actuarially determined contribution	\$ 15,917	\$ 7,791	\$ 388
Contributions	<u>31,017</u>	<u>15,582</u>	<u>776</u>
Contribution deficiency (surplus)	<u>\$ (15,100)</u>	<u>\$ (7,791)</u>	<u>\$ (388)</u>
Covered payroll	\$ 776,425	\$ 389,537	\$ 19,389
Contributions as a percentage of covered payroll	4.00%	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.

NOTE 1 - VALUATION DATE

Actuarially determined contribution rates for fiscal year 2017 were calculated based on the June 30, 2015 actuarial valuation.

NOTE 2 - METHODS AND ASSUMPTIONS USED TO DETERMINE CONTRIBUTION RATES

Actuarial cost method	Frozen initial liability
Amortization method	Level dollar, closed (not to exceed 20 years)
Remaining amortization period	Varies by year
Asset valuation method	10 year smoothed with a 20% corridor to market value
Inflation	3.0%
Salary increases	Graded salary ranges from 8.97% to 3.71% based on age, including inflation
Investment rate of return	7.5%, net of investment expenses, 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%

CITY OF GERMANTOWN, TENNESSEE
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET)
TEACHER LEGACY PENSION PLAN OF TCRS
 Last Ten Fiscal Years June 30*

Exhibit B-11

	2016	2015	2014
Proportion of the net pension liability (asset)	0.614341%	0.534251%	0.002723%
Proportionate share of the net pension liability (asset)	\$ 3,839,293	\$ 218,847	\$ (442)
Covered payroll	\$ 22,176,498	\$ 19,999,692	\$ 106,875
Proportionate share of the net pension liability (asset) as a percentage of its covered payroll	17.31%	1.09%	-0.41%
Plan fiduciary net position as a percentage of the total pension liability	97.14%	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 CONTRIBUTIONS
TEACHER LEGACY PENSION PLAN OF TCRS
 Last Ten Fiscal Years June 30

Exhibit B-12

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required	\$ 1,951,239	\$ 2,004,754	\$ 1,807,972
Contribution in relation to the contractually required contribution	<u>1,951,239</u>	<u>2,004,754</u>	<u>1,807,972</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 21,584,518	\$ 22,176,498	\$ 19,999,692
Contributions as a percentage of covered payroll	9.04%	9.04%	9.04%

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 PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET)
TEACHER RETIREMENT PLAN OF TCRS
 Last Ten Fiscal Years June 30*

Exhibit B-13

	<u>2016</u>	<u>2015</u>
Proportion of the net pension liability (asset)	0.501126%	0.600631%
Proportionate share of the net pension liability (asset)	\$ (52,169)	\$ (24,163)
Covered payroll	\$ 2,204,980	\$ 1,247,965
Proportionate share of the net pension liability (asset) as a percentage of its covered payroll	-2.37%	-1.94%
Plan fiduciary net position as a percentage of the total pension liability	121.88%	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 CONTRIBUTIONS
TEACHER RETIREMENT PLAN OF TCRS
 Last Ten Fiscal Years June 30

Exhibit B-14

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required	\$ 139,670	\$ 88,299	\$ 31,199
Contribution in relation to the contractually required contribution	<u>139,670</u>	<u>88,299</u>	<u>49,918</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (18,719)</u>
Covered payroll	\$ 3,491,744	\$ 2,204,980	\$ 1,247,965
Contributions as a percentage of covered payroll	4.00%	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 FUNDING PROGRESS
CITY OTHER POSTEMPLOYMENT BENEFIT PLAN
 Last Ten Fiscal Years June 30

Exhibit B-15

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability - PUC	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
7/1/2008	\$ 937,896	\$ 9,032,624	\$ 8,094,728	10.4%	\$ 18,172,732	45%
7/1/2009*	1,455,484	9,754,566	8,299,082	14.9%	18,846,765	44%
7/1/2010	2,093,918	9,887,913	7,793,995	21.2%	18,998,306	41%
7/1/2011*	3,112,582	10,876,356	7,763,774	28.6%	18,449,784	42%
7/1/2012	3,718,914	14,717,598	10,998,684	25.3%	19,214,167	57%
7/1/2013	5,141,813	16,043,657	10,901,844	32.0%	20,187,727	54%
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%
7/1/2017*	5,953,208	9,947,328	3,994,120	59.8%	22,882,490	17%

*Projected from previous valuation.

CITY OF GERMANTOWN, TENNESSEE
SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS
CITY OTHER POSTEMPLOYMENT BENEFIT PLAN
Last Ten Fiscal Years June 30

Exhibit B-16

	<u>2017</u>
Total OPEB Liability	
Service cost	\$ 183,386
Interest	551,617
Changes of benefit items	-
Differences between expected and actual experience	1,054,723
Changes in assumptions	-
Benefit payments	<u>(1,378,579)</u>
Net change in total OPEB liability	411,147
Total OPEB liability - beginning	<u>7,952,497</u>
Total OPEB liability - ending	<u>\$ 8,363,644</u>
 Plan Fiduciary Net Position	
Contributions - employer	\$ 491,229
Contributions - employee	180,121
Net investment income	578,557
Benefit payments	(1,378,579)
Administrative expense	<u>(17,869)</u>
Net change in plan fiduciary net position	(146,541)
Plan fiduciary net position - beginning	<u>6,099,749</u>
Plan fiduciary net position -ending	<u>\$ 5,953,208</u>
 Net OPEB liability (asset)	 <u><u>\$ 2,410,436</u></u>
 Plan fiduciary net position as a percentage of the total OPEB liability	 71.18%
 Covered payroll	 \$ 22,882,490
 Net OPEB liability as a percentage of covered payroll	 10.53%

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
CITY OTHER POSTEMPLOYMENT BENEFIT PLAN
 Last Ten Fiscal Years June 30

Exhibit B-17

	2017
Actuarially determined contribution	\$ 491,229
Contributions	491,229
Contribution deficiency (surplus)	\$ -
Covered payroll	\$ 22,882,490
Contributions as a percentage of covered payroll	2.15%

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.

NOTE 1 - VALUATION DATE

Actuarially determined contributions were rolled backward and forward from January 1, 2017.

NOTE 2 - METHODS AND ASSUMPTIONS USED TO DETERMINE CONTRIBUTION RATES

Actuarial cost method	Entry age normal - level percent of pay
Amortization method	Level dollar, closed
Remaining amortization period	5 years
Asset valuation method	Market value
Inflation	2.5%
Healthcare cost trend rates	8% initial, decreasing to an ultimate rate of 4%, 9 year grading
Salary increases	4.0%
Investment rate of return	7.5%, net of investment expenses, including inflation
Mortality	RP-2000 Mortality Table with 2% load for expected mortality improvement

CITY OF GERMANTOWN, TENNESSEE
SCHEDULE OF MONEY-WEIGHTED RATE OF RETURN
CITY OTHER POSTEMPLOYMENT BENEFIT PLAN
Last Ten Fiscal Years June 30

Exhibit B-18

	Annual Money-Weighted Rate of Return <u>Net of Investment Expenses</u>
2017	10.02%

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

Exhibit B-19

SCHEDULE OF FUNDING PROGRESS

OTHER POSTEMPLOYMENT BENEFIT PLAN OF GERMANTOWN MUNICIPAL SCHOOL DISTRICT

Last Ten Fiscal Years June 30

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	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
7/1/2016	1,397,236	7,285,126	5,887,890	19.2%	27,467,457	21.4%

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 CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS
SCHOOL OTHER POSTEMPLOYMENT BENEFIT PLAN
Last Ten Fiscal Years June 30

Exhibit B-20

	<u>2017</u>
Total OPEB Liability	
Service cost	\$ 863,233
Interest	1,063,416
Changes of benefit items	(8,867,692)
Differences between expected and actual experience	74,057
Changes in assumptions	(104,778)
Benefit payments	(185,730)
Net change in total OPEB liability	<u>(7,157,494)</u>
Total OPEB liability - beginning	<u>15,282,942</u>
Total OPEB liability - ending	<u>\$ 8,125,448</u>
 Plan Fiduciary Net Position	
Contributions - employer	\$ 800,000
Contributions - employee	40,000
Net investment income	14,084
Benefit payments	(185,730)
Administrative expense	(14,217)
Net change in plan fiduciary net position	<u>654,137</u>
Plan fiduciary net position - beginning	<u>1,397,236</u>
Plan fiduciary net position -ending	<u>\$ 2,051,373</u>
 Net OPEB liability (asset)	 <u><u>\$ 6,074,075</u></u>
 Plan fiduciary net position as a percentage of the total OPEB liability	 25.25%
 Covered payroll	 \$ 27,467,457
 Net OPEB liability as a percentage of covered payroll	 22.11%

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
SCHOOL OTHER POSTEMPLOYMENT BENEFIT PLAN
 Last Ten Fiscal Years June 30

Exhibit B-21

	2017
Actuarially determined contribution	\$ 1,982,233
Contributions	840,000
Contribution deficiency (surplus)	\$ 1,142,233
Covered payroll	\$ 27,467,457
Contributions as a percentage of covered payroll	3.06%

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.

NOTE 1 - VALUATION DATE

Actuarially determined contributions were based on a measurement date of June 30, 2017. Liabilities as of July 1, 2016 are based on an actuarial valuation date of July 1, 2016.

NOTE 2 - METHODS AND ASSUMPTIONS USED TO DETERMINE CONTRIBUTION RATES

Actuarial cost method	Entry age normal - level percent of pay
Amortization method	Level dollar
Remaining amortization period	29 years
Asset valuation method	Market value
Inflation	3.0%
Healthcare cost trend rates	9% initial, decreasing to an ultimate rate of 5%,
Salary increases	3.0%
Investment rate of return	7.0%, net of investment expenses, including inflation
Mortality	RPH-2017 Total Dataset Mortality Table fully generational using Scale MP-2017

CITY OF GERMANTOWN, TENNESSEE
SCHEDULE OF MONEY-WEIGHTED RATE OF RETURN
SCHOOL OTHER POSTEMPLOYMENT BENEFIT PLAN
Last Ten Fiscal Years June 30

Exhibit B-22

	Annual Money-Weighted Rate of Return <u>Net of Investment Expenses</u>
2017	1.05%

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.

SUPPLEMENTARY INFORMATION

COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES

CITY OF GERMANTOWN, TENNESSEE
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
 June 30, 2017

Exhibit C-1

	Special Revenue Funds									
	State Street Aid	Automated Enforcement	Drug Enforcement	Federal Asset Forfeiture	Pickering Center	Farm Park	Ambulance	Recreation	Library Endowment	Federal Projects
ASSETS										
Cash and cash equivalents	\$ 1,305,617	\$ -	\$ -	\$ -	\$ 277,900	\$ 142,238	\$ 355,195	\$ 564,268	\$ -	\$ -
Investments	136,244	-	-	-	-	-	-	-	-	-
Receivables										
Other	-	-	-	-	90	-	106,410	-	-	-
Due from other governments	193,051	-	-	-	-	-	-	-	-	180,672
Due from other funds	-	-	-	-	-	-	-	-	-	-
Restricted cash and cash equivalents	-	-	146,149	35,603	10,582	3,275	-	-	248,907	-
Total assets	<u>\$ 1,634,912</u>	<u>\$ -</u>	<u>\$ 146,149</u>	<u>\$ 35,603</u>	<u>\$ 288,572</u>	<u>\$ 145,513</u>	<u>\$ 461,605</u>	<u>\$ 564,268</u>	<u>\$ 248,907</u>	<u>\$ 180,672</u>
LIABILITIES										
Accounts payable and accrued liabilities	\$ 365,346	\$ -	\$ 7,309	\$ -	\$ 1,359	\$ 7,589	\$ 8,331	\$ 8,743	\$ 1,322	\$ 3,571
Accrued payroll	-	-	-	-	-	1,436	29,503	4,107	-	20,336
Customer deposits	-	-	-	-	10,582	-	-	-	-	-
Due to other funds	-	-	-	-	-	-	-	-	-	156,765
Unearned revenue	-	-	-	-	-	3,275	-	-	-	-
Total liabilities	<u>365,346</u>	<u>-</u>	<u>7,309</u>	<u>-</u>	<u>11,941</u>	<u>12,300</u>	<u>37,834</u>	<u>12,850</u>	<u>1,322</u>	<u>180,672</u>
DEFERRED INFLOWS OF RESOURCES										
Unavailable revenue - grants	-	-	-	-	-	-	-	-	-	-
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES										
Restricted	1,269,566	-	138,840	35,603	-	-	-	-	247,585	-
Assigned	-	-	-	-	276,631	133,213	423,771	551,418	-	-
Total fund balances	<u>1,269,566</u>	<u>-</u>	<u>138,840</u>	<u>35,603</u>	<u>276,631</u>	<u>133,213</u>	<u>423,771</u>	<u>551,418</u>	<u>247,585</u>	<u>-</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 1,634,912</u>	<u>\$ -</u>	<u>\$ 146,149</u>	<u>\$ 35,603</u>	<u>\$ 288,572</u>	<u>\$ 145,513</u>	<u>\$ 461,605</u>	<u>\$ 564,268</u>	<u>\$ 248,907</u>	<u>\$ 180,672</u>

(CONTINUED ON NEXT PAGE)

CITY OF GERMANTOWN, TENNESSEE
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2017

Exhibit C-1

	Spec. Rev. Fund									
	School Cafeteria	Major Roads	Intersections	General Government Projects	Fire Department	Parks Improvement	Municipal Schools Projects	Drainage Projects	School Capital Projects	Total Nonmajor Governmental Funds
ASSETS										
Cash and cash equivalents	\$ 10,142	\$ 1,334,395	\$ 695,745	\$ 476,051	\$ 1,085,231	\$ 1,108,219	\$ 31,639	\$ 4,507,684	\$ 2,063,382	\$ 13,957,706
Investments	-	-	-	-	-	-	-	-	-	136,244
Receivables										
Other	1,982	-	-	-	-	-	-	-	-	108,482
Due from other governments	-	330,684	143,378	-	-	23,204	-	-	-	870,989
Due from other funds	39,610	-	-	-	-	-	-	-	511,363	550,973
Restricted cash and cash equivalents	-	-	-	-	-	-	499,079	55,337	-	998,932
Total assets	\$ 51,734	\$ 1,665,079	\$ 839,123	\$ 476,051	\$ 1,085,231	\$ 1,131,423	\$ 530,718	\$ 4,563,021	\$ 2,574,745	\$ 16,623,326
LIABILITIES										
Accounts payable and accrued liabilities	\$ 22,045	\$ 43,981	\$ 147,566	\$ 10,513	\$ -	\$ 70,791	\$ 1,395	\$ 669,956	\$ 1,035,725	\$ 2,405,542
Accrued payroll	-	-	-	-	-	-	-	-	-	55,382
Customer deposits	-	-	-	-	-	-	-	-	-	10,582
Due to other funds	-	-	-	-	-	-	-	-	-	156,765
Unearned revenue	29,689	-	-	-	-	-	-	-	-	32,964
Total liabilities	51,734	43,981	147,566	10,513	-	70,791	1,395	669,956	1,035,725	2,661,235
DEFERRED INFLOWS OF RESOURCES										
Unavailable revenue - grants	-	297,422	42,778	-	-	11,238	-	-	-	351,438
Total deferred inflows of resources	-	297,422	42,778	-	-	11,238	-	-	-	351,438
FUND BALANCES										
Restricted	-	-	-	-	-	-	-	-	1,539,020	3,230,614
Assigned	-	1,323,676	648,779	465,538	1,085,231	1,049,394	529,323	3,893,065	-	10,380,039
Total fund balances	-	1,323,676	648,779	465,538	1,085,231	1,049,394	529,323	3,893,065	1,539,020	13,610,653
Total liabilities, deferred inflows of resources and fund balances	\$ 51,734	\$ 1,665,079	\$ 839,123	\$ 476,051	\$ 1,085,231	\$ 1,131,423	\$ 530,718	\$ 4,563,021	\$ 2,574,745	\$ 16,623,326

CITY OF GERMANTOWN, TENNESSEE
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2017

Exhibit C-2

	Special Revenue Funds									
	State Street Aid	Automated Enforcement	Drug Enforcement	Federal Asset Forfeiture	Pickering Center	Farm Park	Ambulance	Recreation	Library Endowment	Federal Projects
REVENUES										
Taxes										
Local sales taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental - state gas tax	1,110,540	-	-	-	-	-	-	-	-	-
Intergovernmental - grants	-	-	-	-	-	-	-	-	-	-
Charges for services	-	-	-	-	37,194	25,030	1,042,161	629,862	-	-
Fines, forfeitures, and penalties	-	-	115,730	32,812	-	-	-	-	-	-
Federal, state and other grants	-	-	-	-	-	1,000	-	-	-	1,502,394
Interest on investments	5,313	-	-	-	-	-	1,976	-	1,303	-
Other	-	-	-	-	44,226	-	9	-	1,000	-
Total revenues	<u>1,115,853</u>	<u>-</u>	<u>115,730</u>	<u>32,812</u>	<u>81,420</u>	<u>26,030</u>	<u>1,044,146</u>	<u>629,862</u>	<u>2,303</u>	<u>1,502,394</u>
EXPENDITURES										
Current										
Public safety	-	-	204,441	27,058	-	-	1,742,986	-	-	-
Transportation and environment	3,002,379	-	-	-	-	-	-	-	-	-
Community services	-	-	-	-	50,586	121,388	-	469,041	10,734	-
Education	-	-	-	-	-	-	-	-	-	1,502,394
Debt Service										
Principal	-	-	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-	-	-
Bond issuance costs	-	-	-	-	-	-	-	-	-	-
Capital outlays	-	-	-	-	-	-	-	-	-	-
Total expenditures	<u>3,002,379</u>	<u>-</u>	<u>204,441</u>	<u>27,058</u>	<u>50,586</u>	<u>121,388</u>	<u>1,742,986</u>	<u>469,041</u>	<u>10,734</u>	<u>1,502,394</u>
Excess (deficiency) of revenues over (under) expenditures	(1,886,526)	-	(88,711)	5,754	30,834	(95,358)	(698,840)	160,821	(8,431)	-
OTHER FINANCING SOURCES (USES)										
Issuance of debt	-	-	-	-	-	-	-	-	-	-
Premium on bonds issued	-	-	-	-	-	-	-	-	-	-
Payment to escrow agent	-	-	-	-	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-	-	-	-	-
Transfers in	1,650,000	-	-	-	-	150,000	600,000	-	-	-
Transfers out	-	(48,741)	-	-	-	-	-	-	-	-
Total other financing sources and uses	<u>1,650,000</u>	<u>(48,741)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>150,000</u>	<u>600,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(236,526)	(48,741)	(88,711)	5,754	30,834	54,642	(98,840)	160,821	(8,431)	-
Fund balances - beginning	<u>1,506,092</u>	<u>48,741</u>	<u>227,551</u>	<u>29,849</u>	<u>245,797</u>	<u>78,571</u>	<u>522,611</u>	<u>390,597</u>	<u>256,016</u>	<u>-</u>
Fund balances - ending	<u>\$ 1,269,566</u>	<u>\$ -</u>	<u>\$ 138,840</u>	<u>\$ 35,603</u>	<u>\$ 276,631</u>	<u>\$ 133,213</u>	<u>\$ 423,771</u>	<u>\$ 551,418</u>	<u>\$ 247,585</u>	<u>\$ -</u>

(CONTINUED ON NEXT PAGE)

CITY OF GERMANTOWN, TENNESSEE
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2017

Exhibit C-2

	Spec. Rev. Fund		Capital Projects						Total Nonmajor Governmental Funds	
	School Cafeteria	Major Roads	Intersections	General Government Projects	Fire Department	Parks Improvement	Municipal Schools Projects	Drainage Projects		School Capital Projects
REVENUES										
Taxes										
Local sales taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental - state gas tax	-	-	-	-	-	-	-	-	-	1,110,540
Intergovernmental - grants	-	-	-	-	-	-	-	-	985,950	985,950
Charges for services	832,619	-	-	-	-	-	-	-	-	2,566,866
Fines, forfeitures, and penalties	-	-	-	-	-	-	-	-	-	148,542
Federal, state and other grants	257,595	1,573,118	327,288	-	-	250,644	-	-	-	3,912,039
Interest on investments	-	-	-	-	-	-	25,736	-	-	34,328
Other	7,866	-	16,950	188,761	-	-	-	-	-	258,812
Total revenues	1,098,080	1,573,118	344,238	188,761	-	250,644	25,736	-	985,950	9,017,077
EXPENDITURES										
Current										
Public safety	-	-	-	-	-	-	-	-	-	1,974,485
Transportation and environment	-	-	-	-	-	-	-	-	-	3,002,379
Community services	-	-	-	-	-	-	-	-	-	651,749
Education	1,215,016	-	-	-	-	-	-	-	-	2,717,410
Debt Service										
Principal	-	-	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-	-	-
Bond issuance costs	-	-	-	-	-	-	-	-	-	-
Capital outlays	-	2,130,078	617,895	252,299	1,128,982	143,215	-	1,843,447	10,602,100	16,718,016
Total expenditures	1,215,016	2,130,078	617,895	252,299	1,128,982	143,215	-	1,843,447	10,602,100	25,064,039
Excess (deficiency) of revenues over (under) expenditures	(116,936)	(556,960)	(273,657)	(63,538)	(1,128,982)	107,429	25,736	(1,843,447)	(9,616,150)	(16,046,962)
OTHER FINANCING SOURCES (USES)										
Issuance of debt	-	-	-	-	-	-	-	-	-	-
Premium on bonds issued	-	-	-	-	-	-	-	-	-	-
Payment to escrow agent	-	-	-	-	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-	-	-	-	-
Transfers in	116,936	-	507,250	100,000	1,432,000	-	100,000	1,350,000	9,837,397	15,843,583
Transfers out	-	-	-	-	-	-	(9,937,397)	-	-	(9,986,138)
Total other financing sources and uses	116,936	-	507,250	100,000	1,432,000	-	(9,837,397)	1,350,000	9,837,397	5,857,445
Net change in fund balances	-	(556,960)	233,593	36,462	303,018	107,429	(9,811,661)	(493,447)	221,247	(10,189,517)
Fund balances - beginning	-	1,880,636	415,186	429,076	782,213	941,965	10,340,984	4,386,512	1,317,773	23,800,170
Fund balances - ending	\$ -	\$ 1,323,676	\$ 648,779	\$ 465,538	\$ 1,085,231	\$ 1,049,394	\$ 529,323	\$ 3,893,065	\$ 1,539,020	\$ 13,610,653

CITY OF GERMANTOWN, TENNESSEE

Exhibit C-3

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
STATE STREET AID FUND

For the Year Ended June 30, 2017

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Intergovernmental - state gas tax				\$ -
Gas motor fuel	\$ 1,055,000	\$ 1,055,000	\$ 759,086	
Gas 1989	-	-	123,058	
Gas 3 cent	-	-	228,396	
Charges for services	-	-	-	-
Grants	-	-	-	-
Interest income	-	-	5,313	5,313
Planned use of fund balance	-	-	-	-
Total Revenues	<u>1,055,000</u>	<u>1,055,000</u>	<u>1,115,853</u>	<u>5,313</u>
EXPENDITURES:				
Public Works				
Materials and supplies	1,800,000	2,883,960	2,095,083	788,877
Other charges	900,000	907,297	907,296	1
Total Expenditures	<u>2,700,000</u>	<u>3,791,257</u>	<u>3,002,379</u>	<u>788,878</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(1,645,000)	(2,736,257)	(1,886,526)	849,731
OTHER FINANCING SOURCES (USES)				
Transfers out	-	-	-	-
Total Other Financing Sources (Uses)	<u>1,650,000</u>	<u>1,650,000</u>	<u>1,650,000</u>	<u>-</u>
Net change in fund balances	<u>\$ 5,000</u>	<u>\$ (1,086,257)</u>	(236,526)	<u>\$ 849,731</u>
Fund balances - beginning			<u>1,506,092</u>	
Fund balances - ending			<u>\$ 1,269,566</u>	

CITY OF GERMANTOWN, TENNESSEE
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
AUTOMATED ENFORCEMENT FUND
For the Year Ended June 30, 2017

Exhibit C-4

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
OTHER FINANCING SOURCES (USES)				
Transfers out	\$ -	\$ (48,739)	\$ (48,741)	\$ (2)
Net change in fund balances	<u>\$ -</u>	<u>\$ (48,739)</u>	(48,741)	<u>\$ (2)</u>
Fund balances - beginning			<u>48,741</u>	
Fund balances - ending			<u>\$ -</u>	

CITY OF GERMANTOWN, TENNESSEE

Exhibit C-5

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
DRUG ENFORCEMENT FUND**

For the Year Ended June 30, 2017

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Fines and forfeitures	\$ 350,000	\$ 350,000	\$ 115,730	\$ (234,270)
EXPENDITURES:				
Public Safety				
Salaries	36,000	36,000	26,170	9,830
Benefits	75,000	70,225	37,407	32,818
Materials and supplies	138,000	92,500	80,601	11,899
Other charges	12,750	12,750	6,504	6,246
Capital outlay	-	53,760	53,759	1
Total Expenditures	<u>261,750</u>	<u>265,235</u>	<u>204,441</u>	<u>60,794</u>
Net change in fund balances	<u>\$ 88,250</u>	<u>\$ 84,765</u>	(88,711)	<u>\$ (173,476)</u>
Fund balances - beginning			<u>227,551</u>	
Fund balances - ending			<u>\$ 138,840</u>	

CITY OF GERMANTOWN, TENNESSEE
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FEDERAL ASSET FORFEITURE FUND
For the Year Ended June 30, 2017

Exhibit C-6

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Fines and forfeitures	\$ 50,000	\$ 50,000	\$ 32,812	\$ (17,188)
EXPENDITURES:				
Public Safety				
Benefits	20,000	20,000	19,060	940
Materials and supplies	30,000	30,000	7,998	22,002
Total Expenditures	<u>50,000</u>	<u>50,000</u>	<u>27,058</u>	<u>22,942</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	5,754	<u>\$ 5,754</u>
Fund balances - beginning			<u>29,849</u>	
Fund balances - ending			<u>\$ 35,603</u>	

CITY OF GERMANTOWN, TENNESSEE
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
PICKERING CENTER FUND

Exhibit C-7

For the Year Ended June 30, 2017

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Charges for services	\$ 28,500	\$ 28,500	\$ 37,194	\$ 8,694
Other income	38,344	38,344	44,226	5,882
Total Revenues	<u>66,844</u>	<u>66,844</u>	<u>81,420</u>	<u>14,576</u>
EXPENDITURES:				
Community Services				
Contractual services	31,176	38,620	33,319	5,301
Materials and supplies	7,500	5,602	5,147	455
Other charges	13,899	12,853	12,120	733
Capital outlay	25,000	25,000	-	25,000
Total Expenditures	<u>77,575</u>	<u>82,075</u>	<u>50,586</u>	<u>31,489</u>
Net change in fund balances	<u>\$ (10,731)</u>	<u>\$ (15,231)</u>	30,834	<u>\$ 46,065</u>
Fund balances - beginning			<u>245,797</u>	
Fund balances - ending			<u>\$ 276,631</u>	

**CITY OF GERMANTOWN, TENNESSEE
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FARM PARK FUND**

Exhibit C-8

For the Year Ended June 30, 2017

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Charges for services	\$ 80,500	\$ 80,500	\$ 25,030	\$ (55,470)
Grants	-	-	1,000	1,000
Total Revenues	<u>80,500</u>	<u>80,500</u>	<u>26,030</u>	<u>(54,470)</u>
EXPENDITURES:				
Community Services				
Salaries	80,997	80,997	51,332	29,665
Benefits	6,431	6,431	4,143	2,288
Contractual services	28,023	26,966	25,953	1,013
Materials and supplies	24,000	19,843	16,390	3,453
Other charges	44,810	46,167	23,570	22,597
Capital outlay	32,500	15,269	-	15,269
Total Expenditures	<u>216,761</u>	<u>195,673</u>	<u>121,388</u>	<u>74,285</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(136,261)	(115,173)	(95,358)	19,815
OTHER FINANCING SOURCES (USES)				
Transfers in	<u>150,000</u>	<u>150,000</u>	<u>150,000</u>	<u>-</u>
Net change in fund balances	<u>\$ 13,739</u>	<u>\$ 34,827</u>	54,642	<u>\$ 19,815</u>
Fund balances - beginning			<u>78,571</u>	
Fund balances - ending			<u>\$ 133,213</u>	

CITY OF GERMANTOWN, TENNESSEE
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
AMBULANCE FUND

Exhibit C-9

For the Year Ended June 30, 2017

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Charges for services	\$ 980,000	\$ 980,000	\$ 1,042,161	\$ 62,161
Interest income	-	-	1,976	1,976
Other income	-	-	9	9
Total Revenues	<u>980,000</u>	<u>980,000</u>	<u>1,044,146</u>	<u>64,146</u>
EXPENDITURES:				
Public Safety				
Salaries	1,123,798	1,163,906	1,159,071	4,835
Benefits	407,220	374,577	368,717	5,860
Contractual services	61,750	66,929	66,928	1
Materials and supplies	93,550	94,205	89,914	4,291
Other charges	78,243	67,778	58,356	9,422
Total Expenditures	<u>1,764,561</u>	<u>1,767,395</u>	<u>1,742,986</u>	<u>24,409</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(784,561)	(787,395)	(698,840)	88,555
OTHER FINANCING SOURCES (USES)				
Transfers in	<u>700,000</u>	<u>600,000</u>	<u>600,000</u>	<u>-</u>
Net change in fund balances	<u>\$ (84,561)</u>	<u>\$ (187,395)</u>	<u>(98,840)</u>	<u>\$ 88,555</u>
Fund balances - beginning			<u>522,611</u>	
Fund balances - ending			<u>\$ 423,771</u>	

CITY OF GERMANTOWN, TENNESSEE

Exhibit C-10

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
RECREATION FUND**

For the Year Ended June 30, 2017

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Charges for services	\$ 665,487	\$ 665,487	\$ 629,862	\$ (35,625)
Total Revenues	<u>665,487</u>	<u>665,487</u>	<u>629,862</u>	<u>(35,625)</u>
EXPENDITURES:				
Community Services				
Salaries	267,622	273,122	200,029	73,093
Benefits	36,937	37,089	30,626	6,463
Contractual services	183,297	183,297	137,032	46,265
Materials and supplies	146,156	141,713	86,634	55,079
Other charges	24,870	24,870	14,720	10,150
Total Expenditures	<u>658,882</u>	<u>660,091</u>	<u>469,041</u>	<u>191,050</u>
Net change in fund balances	<u>\$ 6,605</u>	<u>\$ 5,396</u>	160,821	<u>\$ 155,425</u>
Fund balances - beginning			<u>390,597</u>	
Fund balances - ending			<u>\$ 551,418</u>	

CITY OF GERMANTOWN, TENNESSEE

Exhibit C-11

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
LIBRARY ENDOWMENT FUND

For the Year Ended June 30, 2017

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Interest income	\$ -	\$ -	\$ 1,303	\$ 1,303
Other Income	-	-	1,000	1,000
Total Revenues	<u>-</u>	<u>-</u>	<u>2,303</u>	<u>2,303</u>
EXPENDITURES:				
Community Services				
Salaries	-	1,300	576	724
Benefits	-	45	44	1
Contractual services	-	2,758	2,418	340
Other charges	10,000	7,697	7,696	1
Total Expenditures	<u>10,000</u>	<u>11,800</u>	<u>10,734</u>	<u>1,066</u>
Net change in fund balances	<u>\$ (10,000)</u>	<u>\$ (11,800)</u>	(8,431)	<u>\$ 3,369</u>
Fund balances - beginning			<u>256,016</u>	
Fund balances - ending			<u>\$ 247,585</u>	

CITY OF GERMANTOWN, TENNESSEE
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FEDERAL PROJECTS FUND
For the Year Ended June 30, 2017

Exhibit C-12

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Grants	\$ 1,691,750	\$ 1,917,932	\$ 1,502,394	\$ (415,538)
EXPENDITURES:				
Education				
Regular instruction				
Salaries	183,782	128,513	111,807	16,706
Benefits	49,986	24,046	23,052	994
Materials and supplies	13,720	118,954	50,329	68,625
Other charges	-	35,000	4,677	30,323
Special education				
Salaries	666,645	716,145	648,248	67,897
Benefits	243,229	212,810	185,561	27,249
Contractual services	57,967	68,067	51,116	16,951
Materials and supplies	32,405	127,488	71,759	55,729
Other charges	4,510	4,510	4,174	336
Technical education				
Materials and supplies	39,305	39,305	-	39,305
Other Student support				
Materials and supplies	1,343	-	-	-
Other charges	23,584	23,584	23,484	100
Regular instruction support				
Salaries	139,281	139,281	135,999	3,282
Benefits	33,703	38,803	35,412	3,391
Materials and supplies	-	500	437	63
Other charges	71,046	103,335	52,465	50,870
Special education support				
Salaries	25,000	25,000	23,838	1,162
Benefits	9,047	7,584	7,056	528
Other charges	61,722	105,007	72,980	32,027
Student services				
Salaries	27,500	-	-	-
Benefits	7,975	-	-	-
Total Expenditures	<u>1,691,750</u>	<u>1,917,932</u>	<u>1,502,394</u>	<u>415,538</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
Fund balances - beginning			<u>-</u>	
Fund balances - ending			<u>\$ -</u>	

CITY OF GERMANTOWN, TENNESSEE
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
SCHOOL CAFETERIA FUND
For the Year Ended June 30, 2017

Exhibit C-13

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Charges for services	\$ 809,583	\$ 809,583	\$ 832,619	\$ 23,036
Grants	236,673	236,673	257,595	20,922
Other income	6,000	6,000	7,866	1,866
Total Revenues	<u>1,052,256</u>	<u>1,052,256</u>	<u>1,098,080</u>	<u>45,824</u>
EXPENDITURES:				
Education				
Cafeteria				
Contractual services	1,090,121	1,090,121	1,089,299	822
Materials and supplies	82,000	82,000	90,634	(8,634)
Other charges	50,000	50,000	35,083	14,917
Total Expenditures	<u>1,222,121</u>	<u>1,222,121</u>	<u>1,215,016</u>	<u>7,105</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(169,865)	(169,865)	(116,936)	52,929
OTHER FINANCING SOURCES (USES)				
Transfers in	<u>169,865</u>	<u>169,865</u>	<u>116,936</u>	<u>(52,929)</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
Fund balances - beginning			<u>-</u>	
Fund balances - ending			<u>\$ -</u>	

CITY OF GERMANTOWN, TENNESSEE

Exhibit C-14

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
 MAJOR ROADS FUND

For the Year Ended June 30, 2017

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Grants	\$ -	\$ -	\$ 1,573,118	\$ 1,573,118
EXPENDITURES:				
Capital Outlay				
Architectural and engineering	676,000	388,916	354,283	34,633
Land	54,000	62,772	62,772	-
Construction contracts	477,000	1,780,350	1,713,023	67,327
Total Expenditures	<u>1,207,000</u>	<u>2,232,038</u>	<u>2,130,078</u>	<u>101,960</u>
Net change in fund balances	<u>\$ (1,207,000)</u>	<u>\$ (2,232,038)</u>	(556,960)	<u>\$ 1,675,078</u>
Fund balances - beginning			<u>1,880,636</u>	
Fund balances - ending			<u>\$ 1,323,676</u>	

CITY OF GERMANTOWN, TENNESSEE
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
INTERSECTIONS FUND
For the Year Ended June 30, 2017

Exhibit C-15

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Grants	\$ -	\$ -	\$ 327,288	\$ 327,288
Other income	-	-	16,950	16,950
Planned use of fund balance	-	-	-	-
Total Revenues	<u>-</u>	<u>-</u>	<u>344,238</u>	<u>344,238</u>
EXPENDITURES:				
Capital Outlay				
Architectural and engineering	675,000	557,489	476,475	81,014
Land	905,000	905,000	76,100	828,900
Construction contracts	354,600	365,575	65,320	300,255
Total Expenditures	<u>1,934,600</u>	<u>1,828,064</u>	<u>617,895</u>	<u>1,210,169</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	\$ (1,934,600)	\$ (1,828,064)	\$ (273,657)	\$ 1,554,407
OTHER FINANCING SOURCES (USES)				
Transfers in	<u>518,000</u>	<u>507,250</u>	<u>507,250</u>	<u>-</u>
Net change in fund balances	<u>\$ (1,416,600)</u>	<u>\$ (1,320,814)</u>	<u>233,593</u>	<u>\$ 1,554,407</u>
Fund balances - beginning			<u>415,186</u>	
Fund balances - ending			<u>\$ 648,779</u>	

CITY OF GERMANTOWN, TENNESSEE
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL GOVERNMENT PROJECTS FUND
For the Year Ended June 30, 2017

Exhibit C-16

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Other income	\$ -	\$ -	\$ 188,761	\$ 188,761
EXPENDITURES:				
Capital Outlay				
Architectural and engineering	48,000	97,198	83,945	13,253
Land	72,000	72,000	71,701	299
Construction contracts	180,000	359,622	96,653	262,969
Total Expenditures	<u>300,000</u>	<u>528,820</u>	<u>252,299</u>	<u>276,521</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	\$ (300,000)	\$ (528,820)	\$ (63,538)	\$ 465,282
OTHER FINANCING SOURCES (USES)				
Transfers in	<u>100,000</u>	<u>100,000</u>	<u>100,000</u>	<u>-</u>
Net change in fund balances	<u>\$ (200,000)</u>	<u>\$ (428,820)</u>	36,462	<u>\$ 465,282</u>
Fund balances - beginning			<u>429,076</u>	
Fund balances - ending			<u>\$ 465,538</u>	

CITY OF GERMANTOWN, TENNESSEE

Exhibit C-17

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

FIRE DEPARTMENT FUND

For the Year Ended June 30, 2017

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
EXPENDITURES:				
Capital Outlay				
Equipment	\$ 1,475,000	\$ 1,135,098	\$ 1,128,982	\$ 6,116
OTHER FINANCING SOURCES (USES)				
Transfers in	<u>1,432,000</u>	<u>1,432,000</u>	<u>1,432,000</u>	<u>-</u>
Net change in fund balances	<u>\$ (43,000)</u>	<u>\$ 296,902</u>	303,018	<u>\$ 6,116</u>
Fund balances - beginning			<u>782,213</u>	
Fund balances - ending			<u>\$ 1,085,231</u>	

CITY OF GERMANTOWN, TENNESSEE

Exhibit C-18

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
 PARKS IMPROVEMENTS FUND

For the Year Ended June 30, 2017

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Grants	\$ -	\$ -	\$ 250,644	\$ 250,644
EXPENDITURES:				
Capital Outlay				
Architectural and engineering	694,000	157,221	103,215	54,006
Land	1,899,578	2,016,012	40,000	1,976,012
Total Expenditures	<u>2,593,578</u>	<u>2,173,233</u>	<u>143,215</u>	<u>2,030,018</u>
Net change in fund balances	<u>\$ (2,593,578)</u>	<u>\$ (2,173,233)</u>	107,429	<u>\$ 2,280,662</u>
Fund balances - beginning			<u>941,965</u>	
Fund balances - ending			<u>\$ 1,049,394</u>	

CITY OF GERMANTOWN, TENNESSEE
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GERMANTOWN MUNICIPAL SCHOOLS PROJECTS FUND
For the Year Ended June 30, 2017

Exhibit C-19

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Other income	\$ -	\$ -	\$ 25,736	\$ 25,736
EXPENDITURES:				
Capital Outlay				
Architectural and engineering	100,000	100,000	-	100,000
Land	-	33,000	-	33,000
Total Expenditures	<u>100,000</u>	<u>133,000</u>	<u>-</u>	<u>133,000</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	\$ (100,000)	\$ (133,000)	\$ 25,736	\$ 158,736
OTHER FINANCING SOURCES (USES)				
Transfers in	-	100,000	100,000	-
Transfers out	-	(120,037)	(9,937,397)	(9,817,360)
Total Other Financing Sources (Uses)	<u>-</u>	<u>(20,037)</u>	<u>(9,837,397)</u>	<u>(9,817,360)</u>
Net change in fund balances	<u>\$ (100,000)</u>	<u>\$ (153,037)</u>	(9,811,661)	<u>\$ (9,658,624)</u>
Fund balances - beginning			<u>10,340,984</u>	
Fund balances - ending			<u>\$ 529,323</u>	

CITY OF GERMANTOWN, TENNESSEE

Exhibit C-20

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
DRAINAGE PROJECTS FUND

For the Year Ended June 30, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
EXPENDITURES:				
Capital Outlay				
Architectural and engineering	\$ 440,000	\$ 311,897	\$ 238,837	\$ 73,060
Land	50,000	2,005,562	1,604,610	400,952
Contingency	250,000	83,235	-	83,235
Construction contracts	1,280,000	256,223	-	256,223
Total Expenditures	<u>2,020,000</u>	<u>2,656,917</u>	<u>1,843,447</u>	<u>813,470</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	<u>1,100,000</u>	<u>1,350,000</u>	<u>1,350,000</u>	<u>-</u>
Net change in fund balances	<u>\$ (920,000)</u>	<u>\$ (1,306,917)</u>	<u>(493,447)</u>	<u>\$ 813,470</u>
Fund balances - beginning			<u>4,386,512</u>	
Fund balances - ending			<u>\$ 3,893,065</u>	

CITY OF GERMANTOWN, TENNESSEE
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
SCHOOL CAPITAL PROJECTS FUND
For the Year Ended June 30, 2017

Exhibit C-21

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Grants	\$ -	\$ -	\$ -	\$ -
EXPENDITURES:				
Capital Outlay				
Architectural and engineering	314,000	206,198	155,420	50,778
Land	200,000	-	-	-
Construction contracts	7,507,155	10,119,066	9,460,730	658,336
Total Expenditures	<u>8,021,155</u>	<u>10,325,264</u>	<u>9,616,150</u>	<u>709,114</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	\$ (8,021,155)	\$(10,325,264)	\$ (9,616,150)	\$ 709,114
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	9,837,397	9,837,397
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	221,247	<u>\$ 221,247</u>
Fund balances - beginning			<u>1,317,773</u>	
Fund balances - ending			<u>\$ 1,539,020</u>	

CITY OF GERMANTOWN, TENNESSEE
COMBINING STATEMENT OF NET POSITION
NONMAJOR ENTERPRISE FUNDS
June 30, 2017

Exhibit D-1

	<u>Sanitation Fund</u>	<u>Great Hall Fund</u>	<u>Stormwater Fund</u>	<u>Total</u>
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 1,012,137	\$ 270,569	\$ 675,635	\$ 1,958,341
Investments	105,619	-	-	105,619
Receivables				
Customers	215,001	32,501	75,094	322,596
Other	-	-	-	-
Less allowance for doubtful accounts	(21,027)	(17,232)	(26,935)	(65,194)
Due from other funds	-	-	-	-
Inventory	-	-	-	-
Prepaid expenses	-	-	-	-
Restricted investments	-	79,540	-	79,540
Total current assets	<u>1,311,730</u>	<u>365,378</u>	<u>723,794</u>	<u>2,400,902</u>
Noncurrent assets:				
Capital assets, being depreciated, net	-	493,492	206,734	700,226
Total assets	<u>1,311,730</u>	<u>858,870</u>	<u>930,528</u>	<u>3,101,128</u>
DEFERRED OUTFLOWS OF RESOURCES				
Related to pension	27,527	-	217,254	244,781
LIABILITIES				
Current liabilities:				
Accounts payable	400,547	6,805	21,742	429,094
Accrued payroll	3,260	5,266	12,458	20,984
Customer deposits	-	79,540	-	79,540
Unearned revenue	76,534	-	-	76,534
Total current liabilities	<u>480,341</u>	<u>91,611</u>	<u>34,200</u>	<u>606,152</u>
Noncurrent liabilities:				
Accrued compensated absences	4,079	6,911	12,400	23,390
Net pension liability	66,876	-	527,817	594,693
Total noncurrent liabilities	<u>70,955</u>	<u>6,911</u>	<u>540,217</u>	<u>618,083</u>
Total liabilities	<u>551,296</u>	<u>98,522</u>	<u>574,417</u>	<u>1,224,235</u>
NET POSITION				
Net investment in capital assets	-	493,492	206,734	700,226
Restricted	787,961	-	-	787,961
Unrestricted	-	266,856	366,631	633,487
Total net position	<u>\$ 787,961</u>	<u>\$ 760,348</u>	<u>\$ 573,365</u>	<u>\$ 2,121,674</u>

CITY OF GERMANTOWN, TENNESSEE

Exhibit D-2

COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

NONMAJOR ENTERPRISE FUNDS

For the Year Ended June 30, 2017

	Sanitation Fund	Great Hall Fund	Stormwater Fund	Total
Operating Revenues:				
Sanitation fees	\$ 4,782,138	\$ -	\$ -	\$ 4,782,138
Stormwater fees	-	-	1,034,939	1,034,939
Forfeited discounts	48,067	-	-	48,067
Rental income	-	471,193	-	471,193
Other	6,890	5,968	203	13,061
Total operating revenues	<u>4,837,095</u>	<u>477,161</u>	<u>1,035,142</u>	<u>6,349,398</u>
Operating Expenses:				
Salaries	88,407	142,888	393,415	624,710
Benefits	69,865	36,703	471,477	578,045
Contractual services	4,790,864	46,807	-	4,837,671
Utilities	-	42,089	-	42,089
Materials and supplies	-	81,124	284,625	365,749
Other service charges	39,159	101,356	1,204	141,719
Expense reimbursement	-	22,257	33,221	55,478
Depreciation	-	63,764	36,468	100,232
Total operating expenses	<u>4,988,295</u>	<u>536,988</u>	<u>1,220,410</u>	<u>6,745,693</u>
Operating income (loss)	(151,200)	(59,827)	(185,268)	(396,295)
Nonoperating Revenues (Expenses):				
Interest	7,014	1,645	5,037	13,696
Bond interest and fiscal charges	-	(6,076)	-	(6,076)
Total non-operating expenses	<u>7,014</u>	<u>(4,431)</u>	<u>5,037</u>	<u>7,620</u>
Income (loss) before transfers	(144,186)	(64,258)	(180,231)	(388,675)
Transfers in	-	175,000	-	175,000
Change in net position	<u>(144,186)</u>	<u>110,742</u>	<u>(180,231)</u>	<u>(213,675)</u>
Total net position - beginning	<u>932,147</u>	<u>649,606</u>	<u>753,596</u>	<u>2,335,349</u>
Total net position - ending	<u>\$ 787,961</u>	<u>\$ 760,348</u>	<u>\$ 573,365</u>	<u>\$ 2,121,674</u>

CITY OF GERMANTOWN, TENNESSEE
COMBINING STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS
For the Year Ended June 30, 2017

Exhibit D-3

	<u>Sanitation Fund</u>	<u>Great Hall Fund</u>	<u>Stormwater Fund</u>	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers and users	\$ 4,820,762	\$ 472,666	\$ 1,047,231	\$ 6,340,659
Payments to suppliers	(5,076,918)	(372,507)	(332,780)	(5,782,205)
Payments to employees	(119,053)	(178,560)	(567,031)	(864,644)
Other receipts	6,890	5,968	203	13,061
Net cash from (used for) operating activities	<u>(368,319)</u>	<u>(72,433)</u>	<u>147,623</u>	<u>(293,129)</u>
CASH FLOW FROM NONCAPITAL FINANCING ACTIVITIES				
Transfer from (to) other fund	-	175,000	-	175,000
CASH FLOW USED FOR CAPITAL AND RELATED FINANCING ACTIVITIES				
Purchases of capital assets	-	(42,381)	(49,976)	(92,357)
Interest paid on capital debt	-	(6,076)	-	(6,076)
Net cash from (used for) capital and related financing activities	<u>-</u>	<u>(48,457)</u>	<u>(49,976)</u>	<u>(98,433)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Sale of investments	75,573	-	-	75,573
Interest income	7,002	1,645	5,037	13,684
Net cash from (used for) investing activities	<u>82,575</u>	<u>1,645</u>	<u>5,037</u>	<u>89,257</u>
Net increase (decrease) in cash and cash equivalents	(285,744)	55,755	102,684	(127,305)
Cash and cash equivalents - beginning	<u>1,297,881</u>	<u>294,354</u>	<u>572,951</u>	<u>2,165,186</u>
Cash and cash equivalents - end	<u>\$ 1,012,137</u>	<u>\$ 350,109</u>	<u>\$ 675,635</u>	<u>\$ 2,037,881</u>
Classified as:				
Current assets	\$ 1,012,137	\$ 270,569	\$ 675,635	\$ 1,958,341
Restricted assets	-	79,540	-	79,540
	<u>\$ 1,012,137</u>	<u>\$ 350,109</u>	<u>\$ 675,635</u>	<u>\$ 2,037,881</u>
Reconciliation of operating income to net cash from operating activities:				
Operating income	\$ (151,200)	\$ (59,827)	\$ (185,268)	\$ (396,295)
Adjustments to reconcile operating income to net cash from (used for) operating activities				
Depreciation	-	63,764	36,468	100,232
Pension expense in excess of employer contributions	39,349	-	310,563	349,912
Change in assets and liabilities				
Receivables	(20,595)	2,820	12,292	(5,483)
Accounts payable	(246,895)	(78,874)	(13,730)	(339,499)
Accrued payroll	(1,230)	(1,367)	(13,070)	(15,667)
Compensated absences	1,100	2,398	368	3,866
Customer deposits	-	(1,347)	-	(1,347)
Unearned revenue	11,152	-	-	11,152
Net cash from operating activities	<u>\$ (368,319)</u>	<u>\$ (72,433)</u>	<u>\$ 147,623</u>	<u>\$ (293,129)</u>

CITY OF GERMANTOWN, TENNESSEE
COMBINING STATEMENT OF NET POSITION
INTERNAL SERVICE FUNDS
June 30, 2017

Exhibit D-4

	Health Insurance	Municipal School Health Insurance	Vehicle Maintenance	Total
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 1,427,484	\$ 1,945,439	\$ 448,961	\$ 3,821,884
Receivables - other	3,201	-	-	3,201
Due from other funds	-	399,024	-	399,024
Inventory	-	-	74,985	74,985
Total current assets	<u>1,430,685</u>	<u>2,344,463</u>	<u>523,946</u>	<u>4,299,094</u>
Noncurrent assets:				
Capital assets, being depreciated, net	-	-	1,833,719	1,833,719
Total assets	<u>1,430,685</u>	<u>2,344,463</u>	<u>2,357,665</u>	<u>6,132,813</u>
LIABILITIES				
Current liabilities:				
Accounts payable	623,229	673,236	22,566	1,319,031
Accrued payroll	-	-	13,404	13,404
Total current liabilities	<u>623,229</u>	<u>673,236</u>	<u>35,970</u>	<u>1,332,435</u>
NET POSITION				
Net investment in capital assets	-	-	1,833,719	1,833,719
Unrestricted	807,456	1,671,227	487,976	2,966,659
Total net position	<u>\$ 807,456</u>	<u>\$ 1,671,227</u>	<u>\$ 2,321,695</u>	<u>\$ 4,800,378</u>

CITY OF GERMANTOWN, TENNESSEE

Exhibit D-5

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

For the Year Ended June 30, 2017

	<u>Health Insurance</u>	<u>Municipal School Health Insurance</u>	<u>Vehicle Maintenance</u>	<u>Total</u>
OPERATING REVENUES				
Charges for services	\$ 4,964,085	\$ 4,038,184	\$ 1,755,460	\$ 10,757,729
OPERATING EXPENSES:				
Salaries	-	-	461,538	461,538
Benefits	-	-	187,365	187,365
Utilities	-	-	19,101	19,101
Materials and supplies	-	-	348,350	348,350
Other service charges	19,552	160,490	(4,223)	175,819
Insurance premiums	5,126,722	3,872,397	602,840	9,601,959
Depreciation	-	-	140,489	140,489
Total operating expenses	<u>5,146,274</u>	<u>4,032,887</u>	<u>1,755,460</u>	<u>10,934,621</u>
Operating income	(182,189)	5,297	-	(176,892)
Fund balances - beginning	<u>989,645</u>	<u>1,665,930</u>	<u>2,321,695</u>	<u>4,977,270</u>
Fund balances - ending	<u>\$ 807,456</u>	<u>\$ 1,671,227</u>	<u>\$ 2,321,695</u>	<u>\$ 4,800,378</u>

CITY OF GERMANTOWN, TENNESSEE
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
For the Year Ended June 30, 2017

Exhibit D-6

	Health Insurance	Municipal School Health Insurance	Vehicle Maintenance	Total
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from interfund services provided	\$ 4,963,895	\$ 4,038,184	\$ 1,755,460	\$ 10,757,539
Payments to suppliers	(4,834,206)	(3,668,629)	(964,192)	(9,467,027)
Payments to employees	-	-	(666,154)	(666,154)
Net cash provided by (used for)	<u>129,689</u>	<u>369,555</u>	<u>125,114</u>	<u>624,358</u>
CASH FLOW FROM NONCAPITAL FINANCING ACTIVITIES				
Transfer from (to) other fund	<u>-</u>	<u>(223,858)</u>	<u>-</u>	<u>(223,858)</u>
CASH FLOW USED FOR CAPITAL AND RELATED FINANCING ACTIVITIES				
Purchases of capital assets	<u>-</u>	<u>-</u>	<u>(45,332)</u>	<u>(45,332)</u>
Net increase in cash and cash equivalents	129,689	145,697	79,782	355,168
Cash and cash equivalents - beginning	<u>\$ 1,297,795</u>	<u>\$ 1,799,742</u>	<u>\$ 369,179</u>	<u>3,466,716</u>
Cash and cash equivalents - ending	<u><u>\$ 1,427,484</u></u>	<u><u>\$ 1,945,439</u></u>	<u><u>\$ 448,961</u></u>	<u><u>\$ 3,821,884</u></u>
Reconciliation of operating income to net cash from operating activities				
Operating income (loss)	\$ (182,189)	\$ 5,297	\$ -	\$ (176,892)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities				
Depreciation	-	-	140,489	140,489
Change in assets and liabilities				
Receivables	(190)	-	-	(190)
Inventory	-	-	6,867	6,867
Accounts payable	312,068	364,258	(4,991)	671,335
Accrued payroll	<u>-</u>	<u>-</u>	<u>(17,251)</u>	<u>(17,251)</u>
Net cash provided by (used for) operating activities	<u><u>\$ 129,689</u></u>	<u><u>\$ 369,555</u></u>	<u><u>\$ 125,114</u></u>	<u><u>\$ 624,358</u></u>

CITY OF GERMANTOWN, TENNESSEE
COMBINING STATEMENT OF ASSETS AND LIABILITIES
AGENCY FUNDS
June 30, 2017

Exhibit D-7

	Bail Bond Fund	School Activity Fund	Total Funds
ASSETS			
Cash and cash equivalents	\$ 53,460	\$ 918,576	\$ 972,036
Inventory	-	11,207	11,207
Total assets	<u>\$ 53,460</u>	<u>\$ 929,783</u>	<u>\$ 983,243</u>
LIABILITIES			
Bail bonds payable	\$ 53,460	\$ -	\$ 53,460
Due to student general fund	-	431,749	431,749
Due to student groups	-	498,034	498,034
Total liabilities	<u>\$ 53,460</u>	<u>\$ 929,783</u>	<u>\$ 983,243</u>

CITY OF GERMANTOWN, TENNESSEE
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS
For the Year Ended June 30, 2017

Exhibit D-8

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Assets				
Bail Bond Fund				
Cash and cash equivalents	\$ 39,760	\$ 150,742	\$ (137,042)	\$ 53,460
School Activity Funds				
Cash	937,521	2,385,399	(2,404,344)	918,576
Inventory	18,513	36,576	(43,882)	11,207
	<u>\$ 995,794</u>	<u>\$ 2,572,717</u>	<u>\$ (2,585,268)</u>	<u>\$ 983,243</u>
Liabilities				
Bail Bond Fund				
Deposits held in trust	\$ 39,760	\$ 150,742	\$ (137,042)	\$ 53,460
School Activity Funds				
Due to student general fund	513,153	790,293	(871,697)	431,749
Due to student groups	442,881	1,625,378	(1,570,225)	498,034
	<u>\$ 995,794</u>	<u>\$ 2,566,413</u>	<u>\$ (2,578,964)</u>	<u>\$ 983,243</u>

SUPPORTING SCHEDULES (UNAUDITED)

CITY OF GERMANTOWN, TENNESSEE
SCHEDULE OF PRINCIPAL AND INTEREST REQUIREMENTS - SERIAL GENERAL OBLIGATION BONDS
GOVERNMENTAL FUNDS
 June 30, 2017

Exhibit E-1

Fiscal Year	Series 2009 Bonds		Series 2011 Bonds		Series 2013 Bonds (Series A)		Series 2013 Bonds (Series B)		Series 2016 Bonds (Series A)		Series 2016 Bonds (Series B)		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
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	330,825
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>\$1,900,000</u>	<u>\$178,776</u>	<u>\$4,770,000</u>	<u>\$1,108,351</u>	<u>\$3,095,000</u>	<u>\$885,640</u>	<u>\$3,075,000</u>	<u>\$330,187</u>	<u>\$7,355,000</u>	<u>\$3,230,000</u>	<u>\$10,130,000</u>	<u>\$8,954,150</u>	<u>\$30,325,000</u>	<u>\$14,687,104</u>

CITY OF GERMANTOWN, TENNESSEE

Exhibit E-2

SCHEDULE PRINCIPAL AND INTEREST REQUIREMENTS - SETTLEMENT LIABILITY

GOVERNMENTAL FUNDS

June 30, 2017

Fiscal Year	Shelby County Settlement Liability		
	Principal	Interest	Total
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	343,826	11,626	355,452
	<u>\$2,719,032</u>	<u>\$480,044</u>	<u>\$3,199,076</u>

CITY OF GERMANTOWN, TENNESSEE

Exhibit E-3

SCHEDULE PRINCIPAL AND INTEREST REQUIREMENTS - SERIAL REVENUE BONDS

UTILITY FUND

June 30, 2017

Fiscal Year	Series 2006 Bonds		Series 2008 Bonds		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2018	\$ 510,000	\$ 20,400	\$ 565,000	\$ 34,900	\$ 1,075,000	\$ 55,300
2019	-	-	590,000	11,800	590,000	11,800
	<u>\$ 510,000</u>	<u>\$ 20,400</u>	<u>\$ 1,155,000</u>	<u>\$ 46,700</u>	<u>\$ 1,665,000</u>	<u>\$ 67,100</u>

CITY OF GERMANTOWN, TENNESSEE

Exhibit E-4

SCHEDULE OF CHANGES IN PROPERTY TAXES RECEIVABLE - BY LEVY YEAR

For the Year Ended June 30, 2017

<u>Year</u>	<u>June 30, 2016</u>	<u>Assessment</u>	<u>Collections/</u>	<u>June 30, 2017</u>
2017	\$ -	\$ 32,268,236	\$ -	\$ 32,268,236
2016	28,038,173	-	(27,718,407)	319,766
2015	375,690	-	(285,933)	89,757
2014	99,825	-	(63,297)	36,528
2013	45,158	-	(11,793)	33,365
2012	31,524	-	(5,508)	26,016
2011	18,940	-	(805)	18,135
2010	14,912	-	(1,056)	13,856
2009	10,140	-	(279)	9,861
2008	11,261	-	(1)	11,260
2007 & Prior	41,840	-	(1,276)	40,564
	<u>28,687,463</u>	<u>\$ 32,268,236</u>	<u>\$ (28,088,355)</u>	<u>32,867,344</u>
Allowance for uncollectible property taxes	<u>(1,987,340)</u>			<u>(2,530,624)</u>
	<u>\$ 26,700,123</u>			<u>\$ 30,336,720</u>

CITY OF GERMANTOWN, TENNESSEE
SCHEDULE OF OFFICIAL BONDS OF PRINCIPAL OFFICIALS
 June 30, 2017

Exhibit E-5

	<u>Amount of Bond/Issuance*</u>
Mayor	
Honorable Mike Palazzolo	\$ 500,000
Five Aldermen (each)*	
Rocky Janda	500,000
Forrest Owens	500,000
Mary Anne Gibson	500,000
Dean Massey	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 UTILITY RATE STRUCTURE AND NUMBER OF CUSTOMERS
 June 30, 2017

Exhibit E-6

As of June 30, 2017, City of Germantown, Tennessee served approximately 13,703 water customers and had the following rate structure in place:

Water Rates	Amount	
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
Commerical		
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

(TGL = Thousand Gallons)

**CITY OF GERMANTOWN, TENNESSEE
SCHEDULE OF UNACCOUNTED FOR WATER**

Exhibit E-7

AWWA Free Water Audit Software: WAS v5.0
 Reporting Worksheet American Water Works Association,
Copyright ©2014. All Rights Reserved.

Water Audit Report for: **City of Germantown (0000262)**

Reporting Year: **2017** 7/2016 - 6/2017

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

WATER SUPPLIED

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

← Enter grading in column 'E' and 'J' →

Volume from own sources:	+ ? 8	2,274.463	MG/Yr		
Water imported:	+ ? 9	8.188	MG/Yr		
Water exported:	+ ? n/a		MG/Yr		
WATER SUPPLIED:		2,260.050	MG/Yr		

Master Meter and Supply Error Adjustments

	Pcnt:		Value:		
+ ? 8	1.00%	<input checked="" type="radio"/>	<input type="radio"/>		MG/Yr
+ ? 8	1.00%	<input checked="" type="radio"/>	<input type="radio"/>		MG/Yr
+ ?		<input checked="" type="radio"/>	<input type="radio"/>		MG/Yr

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

AUTHORIZED CONSUMPTION

Billed metered:	+ ? 9	2,024.773	MG/Yr		
Billed unmetered:	+ ? n/a		MG/Yr		
Unbilled metered:	+ ? n/a		MG/Yr		
Unbilled unmetered:	+ ?	28.251	MG/Yr		
AUTHORIZED CONSUMPTION:		2,053.024	MG/Yr		

Default option selected for Unbilled unmetered - a grading of 5 is applied but not displayed

Click here:

	Pcnt:		Value:		
1.25%	<input checked="" type="radio"/>	<input type="radio"/>			MG/Yr

Use buttons to select percentage of water supplied OR value

	Pcnt:		Value:		
0.25%	<input checked="" type="radio"/>	<input type="radio"/>			MG/Yr
1.00%	<input checked="" type="radio"/>	<input type="radio"/>			MG/Yr
0.25%	<input checked="" type="radio"/>	<input type="radio"/>			MG/Yr

WATER LOSSES (Water Supplied - Authorized Consumption)

207.027 MG/Yr

Apparent Losses

Unauthorized consumption:	+ ?	5.650	MG/Yr		
Default option selected for unauthorized consumption - a grading of 5 is applied but not displayed					
Customer metering inaccuracies:	+ ? 9	20.452	MG/Yr		
Systematic data handling errors:	+ ?	5.062	MG/Yr		
Default option selected for Systematic data handling errors - a grading of 5 is applied but not displayed					
Apparent Losses:		31.164	MG/Yr		

Real Losses (Current Annual Real Losses or CARL)

Real Losses = Water Losses - Apparent Losses: ? **175.863** MG/Yr

WATER LOSSES: **207.027** MG/Yr

NON-REVENUE WATER

NON-REVENUE WATER: ? **235.277** MG/Yr

= Water Losses + Unbilled Metered + Unbilled Unmetered

SYSTEM DATA

Length of mains:	+ ? 9	227.0	miles		
Number of active AND inactive service connections:	+ ? 9	14,282			
Service connection density:	?	63	conn./mile main		
Are customer meters typically located at the curbstop or property line?		Yes			
Average length of customer service 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:	+ ? 8	60.0	psi		

COST DATA

Total annual cost of operating water system:	+ ? 10	\$4,485,836	\$/Year		
Customer retail unit cost (applied to Apparent Losses):	+ ? 9	\$4.20	\$/1000 gallons (US)		
Variable production cost (applied to Real Losses):	+ ? 9	\$347.62	\$/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

AWWA Free Water Audit Software:
System Attributes and Performance Indicators

WAS v5.0
American Water Works Association
Copyright © 2014. All Rights Reserved.

Water Audit Report for:

Reporting Year:

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

System Attributes:

Apparent Losses:	31.164	MG/Yr	
+ Real Losses:	175.863	MG/Yr	
= Water Losses:	207.027	MG/Yr	
<input type="checkbox"/> Unavoidable Annual Real Losses (UARL): <input type="text" value="73.81"/> MG/Yr			
Annual cost of Apparent Losses:	<input type="text" value="\$130,890"/>		
Annual cost of Real Losses:	<input type="text" value="\$61,133"/>	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:	<input type="text" value="10.4%"/>	Real Losses valued at Variable Production Cost
		Non-revenue water as percent by cost of operating system:	<input type="text" value="4.5%"/>	
Operational Efficiency:	{	Apparent Losses per service connection per day:	<input type="text" value="5.98"/> gallons/connection/day	
		Real Losses per service connection per day:	<input type="text" value="33.74"/> gallons/connection/day	
		Real Losses per length of main per day*:	<input type="text" value="N/A"/>	
		Real Losses per service connection per day per psi pressure:	<input type="text" value="0.56"/> gallons/connection/day/psi	
From Above, Real Losses = Current Annual Real Losses (CARL):		<input type="text" value="175.86"/> million gallons/year		
		<input type="checkbox"/> Infrastructure Leakage Index (ILI) [CARL/UARL]:	<input type="text" value="2.38"/>	

STATISTICAL INFORMATION SECTION (UNAUDITED)

CITY OF GERMANTOWN, TENNESSEE
NET POSITION BY COMPONENT

Exhibit F-1

Last Ten Fiscal Years
(accrual basis of accounting)

	<u>2017</u>	<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>
Governmental activities										
Net investment in capital assets	\$ 138,822,042	\$ 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
Restricted	481,518	513,416	575,787	346,637	1,218,763	1,768,896	2,511,848	1,692,290	1,661,780	1,406,872
Unrestricted	47,270,564	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
Total governmental activities net position	<u>\$ 186,574,124</u>	<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>
Business-type activities										
Net investment in capital assets	\$ 60,170,755	\$ 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
Restricted	787,961	-	-	-	-	-	-	-	-	-
Unrestricted	7,800,567	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
Total business-type activities net position	<u>\$ 68,759,283</u>	<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>
Primary government										
Net investment in capital assets	\$ 198,992,797	\$ 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
Restricted	1,269,479	513,416	575,787	346,637	1,218,763	1,768,896	2,511,848	1,692,290	1,661,780	1,406,872
Unrestricted	55,071,131	63,877,991	39,408,395	34,091,672	8,726,537	32,686,533	38,554,829	39,655,940	42,668,624	46,195,934
Total primary government net position	<u>\$ 255,333,407</u>	<u>\$ 245,596,913</u>	<u>\$ 227,526,404</u>	<u>\$ 219,192,686</u>	<u>\$ 144,740,753</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>

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

Exhibit F-2

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Expenses										
Governmental activities:										
General government	\$ 14,462,803	\$ 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
Public safety	23,560,038	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
Community services	8,077,347	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
Transportation and environment	6,792,239	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
Education	50,362,795	46,068,542	40,182,352	5,918,915	-	-	-	-	-	-
Interest and fiscal charges	926,194	1,358,382	679,845	831,623	1,415,478	950,133	798,410	877,138	786,612	878,503
Total governmental activities expenses	104,181,416	99,181,718	84,818,794	47,624,934	44,506,455	43,128,585	40,156,999	39,953,594	39,503,135	37,351,243
Business-type activities:										
Utilities	6,941,230	6,659,588	7,184,410	7,279,545	7,309,861	6,884,307	7,230,379	7,046,258	6,502,565	6,100,526
Athletic Club	3,669,724	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
Sanitation	-	-	-	-	-	3,409,532	3,997,349	3,886,086	3,824,101	3,706,306
Nonmajor Enterprise Fund	6,751,769	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	17,362,723	14,974,046	15,180,194	15,388,537	15,302,587	15,260,421	16,004,541	14,785,101	13,915,141	12,799,172
Total primary government expenses	\$ 121,544,139	\$ 114,155,764	\$ 99,998,988	\$ 63,013,471	\$ 59,809,042	\$ 58,389,006	\$ 56,161,540	\$ 54,738,695	\$ 53,418,276	\$ 50,150,415
Program Revenues										
Governmental activities:										
Charges for services:										
General government	\$ 2,926,397	\$ 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
Public safety	163,442	1,182,858	1,298,067	943,545	175,474	484,006	590,284	431,689	446,496	630,712
Transportation and environment	1,042,161	952,147	970,079	969,947	978,001	956,379	971,709	1,142,344	953,711	972,327
Community services	1,227,751	832,155	803,292	455,041	348,865	600,909	546,195	694,866	610,060	554,945
Education	1,148,080	3,207,977	729,266	-	-	-	-	-	-	-
Operating grants and contributions	31,539,856	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
Capital grants and contributions	2,306,522	4,597,615	620,874	53,265,528	10,316,156	8,269,611	5,025,552	280,244	400,000	162,546
Total governmental activities program revenues	40,354,209	48,953,587	40,561,842	64,343,509	20,188,053	12,868,861	10,258,285	6,016,762	5,145,212	5,450,078
Business-type activities:										
Charges for services:										
Utilities	8,918,467	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
Athletic Club	4,089,150	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
Sanitation	-	-	-	-	-	3,530,418	3,944,499	3,905,442	3,810,426	3,750,835
Nonmajor Enterprise Fund	6,336,337	4,864,443	4,823,836	4,866,213	4,853,521	1,280,333	1,074,264	114,998	-	-
Operating grants and contributions	-	-	-	-	-	-	-	-	-	-
Capital grants and contributions	40,764	1,085,523	329,674	259,000	86,243	116,797	171,857	417,437	96,502	1,475,640
Total business-type activities program revenues	19,384,718	19,121,034	17,717,167	15,832,898	15,634,402	16,109,268	16,604,460	14,258,072	13,941,657	15,348,719
Total primary government program revenues	\$ 59,738,927	\$ 68,074,621	\$ 58,925,385	\$ 80,176,407	\$ 35,822,455	\$ 28,978,129	\$ 26,862,745	\$ 20,274,834	\$ 19,086,869	\$ 20,798,797
Net (expense)/revenue										
Governmental activities	\$ 63,827,207	\$ 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)
Business-type activities	(2,021,995)	(4,146,988)	(2,536,973)	(444,361)	331,815	848,847	599,919	(527,029)	26,516	2,549,547
Total primary government net expense	\$ 61,805,212	\$ 46,081,143	\$ 41,719,979	\$ (17,162,936)	\$ (23,986,587)	\$ (29,410,877)	\$ (29,298,795)	\$ (34,463,861)	\$ (34,331,407)	\$ (29,351,618)

CITY OF GERMANTOWN, TENNESSEE
FUND BALANCES OF GOVERNMENTAL FUNDS

Exhibit F-3

Last Ten Fiscal Years
(modified accrual basis of accounting)

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
General fund										
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,783,367	\$ 2,824,036	\$ 2,090,726
Unreserved	-	-	-	-	-	-	-	20,626,286	21,242,586	23,660,623
Nonspendable	1,153,721	1,439,204	696,207	829,361	953,837	1,073,255	1,192,317	-	-	-
Committed	18,387,303	15,897,287	14,769,333	15,121,607	14,031,590	12,828,407	13,027,239	-	-	-
Assigned	2,096,450	2,449,205	2,589,254	1,823,473	1,358,669	325,000	2,583,000	-	-	-
Unassigned	10,963,650	12,072,176	10,195,572	6,295,396	2,876,078	2,483,836	3,024,170	-	-	-
Total general fund	<u>\$ 32,601,124</u>	<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>
Municipal Schools										
Nonspendable	\$ 191,041	\$ -	\$ -							
Assigned	12,951,171	8,864,313	5,289,945							
Total Municipal Schools	<u>\$ 13,142,212</u>	<u>\$ 8,864,313</u>	<u>\$ 5,289,945</u>							
Major Roads										
Restricted	\$ -	\$ -	\$ -	\$ -	\$ 313,856	\$ 1,375,033	\$ -	\$ -	\$ -	\$ -
Committed	-	-	-	-	1,000,389	3,848,651	-	-	-	-
Assigned	-	-	-	-	-	-	3,606,404	-	-	-
Total major roads	<u>\$ -</u>	<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>
All other governmental funds										
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 7,188,121	\$ 3,649,714	\$ 3,225,017
Unreserved, reported in:										
Special revenue funds	-	-	-	-	-	-	-	1,643,192	1,821,642	1,791,386
Capital projects funds	-	-	-	-	-	-	-	5,065,140	7,983,234	5,619,174
Nonspendable	-	-	-	69,811	-	-	-	-	-	-
Restricted	3,230,614	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	10,380,039	5,423,296	1,243,881	2,125,718	1,209,127	6,454,853	3,782,504	-	-	-
Unassigned	-	-	-	(66,597)	-	-	-	-	-	-
Total all other governmental funds	<u>\$ 13,610,653</u>	<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>

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

Exhibit F-4

Last Ten Fiscal Years
(modified accrual basis of accounting)

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Revenues										
Taxes	\$ 99,266,585	\$ 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
Fines and forfeitures	1,144,942	1,438,013	750,866	778,641	812,454	766,110	1,126,108	1,321,613	1,059,200	1,107,391
Licenses and permits	1,082,190	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
Charges for services	4,280,699	2,707,962	2,163,055	1,112,584	377,852	338,750	532,018	559,298	468,260	469,961
Interest on investments	310,119	166,588	75,688	65,482	82,582	109,193	128,522	244,182	783,049	1,484,404
Grants	4,391,359	4,671,072	2,668,322	3,195,374	9,555,678	8,661,249	5,524,638	923,104	157,319	244,501
Other revenues	818,311	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
Total revenues	111,294,205	109,551,006	99,239,289	52,725,632	53,356,961	49,207,131	46,154,576	41,018,316	40,120,424	43,604,020
Expenditures										
General government	13,288,255	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
Public safety	21,103,534	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
Transportation and Environment	7,175,393	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
Community services	3,341,953	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
Education	49,368,689	48,729,295	42,328,473	2,603,341						
Debt service										
Principal	2,825,453	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
Interest	1,382,402	959,454	688,485	762,645	830,248	863,525	842,142	897,181	810,284	900,535
Bond issuance cost	-	-	-	-	-	-	-	-	109,525	-
Capital outlay	18,074,814	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
Total expenditures	116,560,493	107,456,658	89,968,655	56,080,509	61,103,583	56,490,351	49,603,098	41,455,766	43,957,763	41,257,678
Excess of revenues over (under) expenditures	(5,266,288)	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
Other financing sources (uses)										
Transfers in	18,434,918	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
Transfers out	(18,435,955)	(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)
Debt Proceeds - General Obligation	-	13,970,000	-	9,070,000	-	6,025,000	-	-	9,635,000	-
Refunding bond issued	-	4,185,000	-	-	-	-	-	-	-	-
Discount on bond issued	-	-	-	-	-	-	-	-	-	-
Premium on bonds issued	-	3,579,349	-	222,803	-	130,456	-	-	124,951	-
Payment to refunded bond escrow agent	-	-	-	-	-	-	-	-	(3,666,048)	-
Contribution from developers	-	-	-	-	-	-	-	-	-	-
Sale of Capital Assets	98,959	91,529	69,007	50,649	38,985	6,000	3,000	-	(1,967)	-
Disposal of Capital Assets	-	-	-	-	-	-	-	-	-	31,482
Bond Issuance Costs	-	(290,428)	-	(120,576)	-	(90,919)	-	-	-	-
Contingency	-	-	-	-	-	-	-	-	(311)	-
Total other financing sources (uses)	97,922	21,762,618	336,822	9,550,077	1,205,594	6,446,860	(1,655,942)	(777,656)	4,971,625	(993,518)
Net change in fund balances	\$ (5,168,366)	\$ 23,856,966	\$ 9,607,456	\$ 6,195,200	\$ (6,541,028)	\$ (836,360)	\$ (5,104,464)	\$ (1,215,106)	\$ 1,134,286	\$ 1,352,824
Debt service as a percentage of noncapital expenditures	4.3%	7.8%	3.7%	18.5%	7.9%	7.3%	7.8%	7.6%	7.3%	7.4%

CITY OF GERMANTOWN, TENNESSEE
ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY

Exhibit F-5

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					
2017	\$ 1,106,585,750	\$ 1,033,450	\$ 311,589,830	\$ 11,832,219	\$ 28,048,120	\$ 1,459,089,369	1.930	\$ 5,414,894,925	26.95%
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%

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

Note: Property in Shelby County is reassessed 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
DIRECT AND OVERLAPPING PROPERTY TAX RATES
 Last Ten Fiscal Years

Exhibit F-6

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	
2017	\$ 1.930	\$ 1.45	\$ 2.14	\$ 0.78	\$ -	\$ 6.30
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	1.540	1.23	1.98	0.81	0.04	5.60
2008	1.540	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 Nine Years Ago

Exhibit F-7

Taxpayer	2017			2008		
	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.	\$ 15,869,080	1	0.99%	\$ 13,966,880	1	1.07%
Whitney Bridges LLC	11,304,000	2	0.70%	-	-	-
HCP Germantown LLC	10,817,360	3	0.67%	-	-	-
PEBB Germantown LEB LLC	8,987,520	4	0.56%	-	-	-
G&I VIII Brook Chase LLC	8,831,680	5	0.55%	-	-	-
Shops at Saddle Creek Inc	8,511,640	6	0.53%	-	-	-
Crestwyn Health Group LLC	8,247,120	7	0.51%	-	-	-
EREP Forest Hill I LLC	7,838,440	8	0.49%	-	-	-
Vineyards Apartments Inc	7,574,840	9	0.47%	6,219,440	6	0.48%
Taylor Sentor Crook (TR) etal	7,475,760	10	0.46%	5,668,000	7	0.43%
Belz Investment Company (PSO)	-	-	-	9,046,960	2	0.69%
Empirian Colonneade LLC	-	-	-	7,825,360	3	0.60%
BIC-MTS Partners (PSO)	-	-	-	7,238,720	4	0.55%
UT Medical Group Inc.	-	-	-	6,835,080	5	0.52%
Sherriff LLC	-	-	-	5,188,000	8	0.40%
Lightman Exeter Village Co GP	-	-	-	4,889,640	9	0.37%
CH Realty III/Germantown LLC	-	-	-	4,845,760	10	0.37%
Totals	<u>\$ 95,457,440</u>		<u>5.93%</u>	<u>\$ 71,723,840</u>		<u>5.48%</u>

Source: Shelby County Board of Assessments

**CITY OF GERMANTOWN, TENNESSEE
PROPERTY TAX LEVIES AND COLLECTIONS**

Exhibit F-8

Last Ten Calendar Years

Levy Year	Total Tax Levy	Current Tax Collections	Percent of Levy Collected	Collections in Subsequent Years	Total Tax Collections	Percent of Tax Collections to Tax Levy	Outstanding Delinquent Taxes	Percent of Outstanding Delinquent Taxes to Tax Levy
2016	\$ 28,038,173	\$ 27,718,407	98.9%	-	\$ 27,718,407	98.9%	\$ 319,766	1.1%
2015	27,166,522	26,791,978	98.6%	\$ 285,933	27,077,911	99.7%	88,611	0.3%
2014	27,047,828	26,665,756	98.6%	345,544	27,011,300	99.9%	36,528	0.1%
2013	27,203,149	26,805,236	98.5%	364,548	27,169,784	99.9%	33,365	0.1%
2012	21,762,476	21,442,774	98.5%	293,686	21,736,460	99.9%	26,016	0.1%
2011	21,982,373	21,579,284	98.2%	384,954	21,964,238	99.9%	18,135	0.1%
2010	21,335,375	21,028,288	98.6%	293,231	21,321,519	99.9%	13,856	0.1%
2009	21,291,084	20,724,774	97.3%	556,449	21,281,223	100.0%	9,861	0.0%
2008	20,832,727	20,368,950	97.8%	452,517	20,821,467	99.9%	11,260	0.1%
2007	20,306,656	19,404,872	98.2%	335,502	19,740,374	97.2%	566,282	2.8%

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
GENERAL GOVERNMENTAL TAX REVENUES BY SOURCE

Exhibit F-9

Last Ten Fiscal Years
(modified accrual basis of accounting)

	<u>2017</u>	<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>
Property Taxes	\$ 45,041,608	\$ 44,109,602	\$ 42,564,359	\$ 27,806,758	\$ 22,508,880	\$ 22,580,235	\$ 22,409,252	\$ 22,581,468	\$ 21,635,074	\$ 44,109,602
Local Sales Taxes	18,543,679	17,738,516	15,525,399	9,684,656	8,844,583	7,245,188	7,144,712	6,570,006	6,546,302	17,738,516
State Taxes (Local Share)	35,681,298	33,181,541	32,088,009	6,627,996	6,866,641	5,745,993	6,118,720	5,678,207	6,425,482	33,181,541
Total	<u>\$ 99,266,585</u>	<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>\$ 95,029,659</u>

CITY OF GERMANTOWN, TENNESSEE
PROGRAM REVENUES BY FUNCTION/PROGRAM

Exhibit F-10

Last Ten Fiscal Years
(accrual basis of accounting)

Function/Program	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Governmental activities:										
General government	\$ 2,926,397	\$ 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
Public safety	163,442	1,182,858	1,298,067	943,545	175,474	484,006	590,284	431,689	446,496	630,712
Transportation and environment	1,042,161	952,147	970,079	969,947	978,001	956,379	971,709	1,142,344	953,711	972,327
Community services	1,227,751	832,155	803,292	455,041	348,865	600,909	546,195	694,866	610,060	554,945
Education	1,148,080	3,207,977	729,266							
Total governmental activities	<u>6,507,831</u>	<u>8,967,115</u>	<u>5,859,574</u>	<u>4,374,550</u>	<u>2,768,546</u>	<u>3,197,574</u>	<u>3,625,462</u>	<u>4,005,290</u>	<u>3,507,579</u>	<u>3,739,613</u>
Business-type activities:										
Utilities	8,918,467	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
Athletic Club	4,089,150	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
Sanitation	-	-	-	-	-	3,530,418	3,944,499	3,905,442	3,810,426	3,750,835
Nonmajor Enterprise Fund	6,336,337	4,864,443	4,823,836	4,866,213	4,853,521	1,280,333	1,074,264	114,998	-	-
Total business-type activities	<u>19,343,954</u>	<u>18,035,511</u>	<u>17,387,493</u>	<u>15,573,898</u>	<u>15,548,159</u>	<u>15,992,471</u>	<u>16,432,603</u>	<u>13,840,635</u>	<u>13,845,155</u>	<u>13,873,079</u>
Total primary government	<u>\$ 25,851,785</u>	<u>\$ 27,002,626</u>	<u>\$ 23,247,067</u>	<u>\$ 19,948,448</u>	<u>\$ 18,316,705</u>	<u>\$ 19,190,045</u>	<u>\$ 20,058,065</u>	<u>\$ 17,845,925</u>	<u>\$ 17,352,734</u>	<u>\$ 17,612,692</u>

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

Exhibit F-11

<u>Fiscal Year</u>	<u>City Direct Rate</u>	<u>Shelby County</u>	<u>State of Tennessee</u>
2017	1.625 %	1.125 %	7.00 %
2016	1.625	1.125	7.00
2015	1.625	1.125	7.00
2014	1.625	1.125	7.00
2013	1.125	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

Source: State of Tennessee Financial Control

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

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

Exhibit F-12

	<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>
Building Materials	\$ 9,423,908	\$ 8,783,028	\$ 8,193,042	\$ 7,587,962	\$ 7,230,598	\$ 6,241,411	\$ 5,751,382	\$ 5,180,070	\$ 5,602,918	\$ 6,135,150
General Merchandise Stores	46,580,651	47,143,087	45,643,091	45,515,254	43,883,755	41,511,127	39,730,828	37,640,466	38,538,048	39,133,168
Food Stores	108,357,155	89,897,399	74,465,084	70,966,313	69,706,380	74,747,953	74,471,623	73,914,195	78,156,102	75,996,649
MV Dealers and Service Stations	12,006,595	13,428,589	9,268,145	10,660,232	10,821,656	10,994,725	11,307,651	11,206,377	10,453,608	10,286,392
Apparel Stores	58,827,556	58,394,019	60,454,666	61,458,112	59,929,794	58,961,721	59,103,823	55,002,845	58,244,267	65,690,412
Furniture Stores	34,284,022	31,402,158	29,583,505	29,080,559	34,617,549	37,993,292	34,749,108	26,472,843	29,658,669	28,835,577
Eating and Drinking Places	75,056,545	65,406,111	67,204,184	63,427,005	62,588,306	58,689,814	58,742,030	53,845,598	54,122,435	53,590,618
Other Retail	51,751,333	49,449,860	50,139,706	51,958,109	51,795,399	55,086,019	53,176,098	54,682,210	57,283,925	57,804,063
All Other Outlets	85,813,650	81,427,826	69,391,314	62,610,756	65,628,935	74,062,214	70,504,418	64,379,612	71,197,565	83,615,875
	<u>\$482,101,415</u>	<u>\$445,332,077</u>	<u>\$414,342,737</u>	<u>\$403,264,302</u>	<u>\$406,202,372</u>	<u>\$418,288,276</u>	<u>\$407,536,961</u>	<u>\$382,324,216</u>	<u>\$403,257,537</u>	<u>\$421,087,904</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

Exhibit F-13

Current Year and Nine Years Ago

	2017				2008			
	Number of Filers	Percentage of Total	Tax Liability	Percentage of Total	Number of Filers	Percentage of Total	Tax Liability	Percentage of Total
Retail Trade	409	46.27%	\$11,183,560	82.05%	536	58.97%	\$7,671,515	82.04%
Services	229	25.90%	1,175,549	8.62%	220	24.20%	1,238,991	13.25%
Manufacturing	34	3.85%	157,823	1.16%	35	3.85%	99,041	1.06%
Wholesale Trade	56	6.33%	43,045	0.32%	62	6.82%	39,763	0.43%
Construction	14	1.58%	4,140	0.03%	12	1.32%	54,533	0.58%
Finance Insurance Real Estate	6	0.68%	3,485	0.03%	6	0.66%	3,306	0.04%
Agriculture	8	0.90%	23,161	0.17%	13	1.43%	56,887	0.61%
Other, Non Classified	128	14.48%	1,039,944	7.63%	25	2.75%	186,360	1.99%
Total	884	100%	\$13,630,707	100%	909	100%	\$9,350,396	100%

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 taxpayers 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 Transportation and Utilities.

CITY OF GERMANTOWN, TENNESSEE
RATIOS OF OUSTANDING DEBT BY TYPE

Exhibit F-14

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			
2017	\$30,325,000	-	-	-	\$1,665,000	-	\$31,990,000	20.72%	\$ 797
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

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 OUSTANDING
 Last Ten Fiscal Years

Exhibit F-15

Fiscal Years	Governmental Activities				Total	Percentage of Actual Taxable Value of Property	Per Capita
	General Obligation Bonds	Demand Bonds	Capital Lease	Capital Note			
2017	\$ 30,325,000	\$ -	\$ -	\$ -	\$ 30,325,000	0.56%	\$ 755.80
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

Notes: Details regarding the City's outstanding debt can be found in the notes to the financial statements.
 See Exhibit F-5 for property value data.
 Population data can be found in Exhibit F-18.

CITY OF GERMANTOWN, TENNESSEE
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
As of June 30, 2017

Exhibit F-16

	<u>Net Outstanding Debt</u>	<u>Percentage Applicable City of Germantown</u>	<u>Overlapping Debt</u>
City Net General Obligation Debt	\$ 30,325,000	100.00%	\$ 30,325,000
Shelby County (including School Board)	<u>\$ 18,963,394,275</u>	8.64%	<u>1,637,981,540</u>
Direct, Overlapping Debt	<u>\$ 18,993,719,275</u>		<u>\$ 1,668,306,540</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

Exhibit F-17

Fiscal Year	Utility Service Charges	Less: Operating Expenses	Net Available Revenue	Debt Service		Coverage
				Principal	Interest	
2017	\$ 8,957,659	\$ 5,399,813	\$ 3,557,846	\$ 1,035,000	\$ 97,100	3.14
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

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
DEMOGRAPHIC AND ECONOMIC STATISTICS
 Last Ten Calendar Years

Exhibit F-18

	<u>Population</u> (1)	<u>Median Income</u> (4)	<u>Per Capita Personal Income</u> (4)	<u>School Enrollment</u>	<u>Unemployment Rate</u> (6)
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
2017	40,123 (3)	\$ 154,163 (10)	54,229 (9)	5,874 (7)	3.9

Sources:

- (1) Estimated unless otherwise noted
- (3) Special Local Census
- (4) Memphis Business Journal
- (6) 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 Unemployment rate derived from Homefacts.com and CareerTrends.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, updated December 2016
- (9) City of Germantown website
- (10) Germantown Life & Stories

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

Exhibit F-19

Employer	2017			2012		
	Employees	Rank	Percentage of Total County Employment	Employees	Rank	Percentage of Total County Employment
Methodist LeBonheur Hospital - Germantown	1,958	1	0.39%	1,277	-	0.22%
Germantown Municipal School District	556	2	0.11%	-	-	-
City of Germantown	394	3	0.08%	367	3	0.06%
Stern Cardiovascular	355	4	0.07%	150	10	0.03%
Campbell Clinic	352	5	0.07%	350	4	0.06%
Kroger	330	6	0.07%	-	-	-
ThyssenKrupp Elevator Manufacturing, Inc.	310	7	0.06%	300	7	0.05%
Orgill, Inc.	286	8	0.06%	330	5	0.06%
Baptist Rehabilitation - Germantown	231	9	0.05%	205	8	0.04%
Villages of Germantown	221	10	0.04%	-	-	-
O.R. Nurses	-	-	-	328	6	0.06%
El Porton	-	-	-	200	9	0.03%
Shelby County School System	-	-	-	636	2	0.11%

Notes:

*Approximately 4,981 Personnel Staff per Shelby County Human Resources Representative

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

Exhibit F-20

(Full Time Equivalents- Non-Exempt/Exempt Employees)	2017		2016		2015		2014		2013		2012		2011		2010		2009		2008	
	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
Program/Cost Center:																				
General Government																				
City Court	7	-	7	-	7	-	7	3	7	1	7	-	7	-	6	-	6	-	5	-
Administration	7	2	5	1	5	1	5	1	5	1	4	1	5	1	5	1	5	2	9	2
Human Resources	5	-	6	-	7	-	6	-	6	-	6	-	6	-	6	-	6	-	6	-
Information Technology	5	1	5	-	5	-	5	-	5	-	5	-	4	-	3	1	2	1	2	-
Finance	11	-	11	-	10	-	16	1	9	1	15	1	14	1	15	1	15	1	16	-
Procurement	7	-	7	-	7	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Economic and Community Development	19	-	20	-	19	-	20	-	22	-	21	-	21	-	26	-	27	-	27	-
Facility Services	17	-	16	-	14	-	12	-	12	-	13	-	15	-	15	-	16	-	10	3
GPAC	11	24	10	2	10	2	9	5	9	36	9	5	9	5	9	5	9	4	10	5
Office of Budget & Performance	3	-	3	-	3	-	2	-	2	-	2	-	2	-	2	-	2	-	2	1
Public Safety																				
Police	122	5	113	-	115	1	107	-	107	-	110	1	109	1	109	1	108	1	108	1
Fire	68	1	67	1	66	1	70	1	79	1	69	1	69	1	68	1	68	1	69	1
Transportation & Environment																				
Public Services	40	1	38	1	39	1	39	1	44	2	39	1	38	-	44	-	29	-	29	-
Fleet Services	9	-	9	-	8	1	10	-	10	-	10	-	10	-	10	-	10	-	10	-
Animal Control	3	-	4	1	4	1	5	-	4	-	4	-	4	-	4	-	4	-	4	-
Community Services																				
Parks & Recreation	7	6	7	6	6	6	7	5	5	21	7	4	6	5	9	4	32	4	33	3
The Farm	-	3	-	1	-	1	-	1	-	4	-	-	-	-	-	-	-	-	-	-
Community Education	1	6	1	8	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Ambulance Fund	19	-	19	-	16	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Germantown Athletic Club																				
Recreation	11	44	10	12	10	12	11	12	9	69	10	12	10	12	11	11	10	12	8	15
Aquatics	2	38	2	14	2	14	2	14	2	78	2	14	2	14	2	13	2	13	2	13
Personal Training	-	-	1	3	1	1	1	1	-	-	-	-	-	-	-	-	2	-	2	-
Great Hall	2	3	2	1	2	1	2	1	-	3	2	1	2	1	2	1	-	-	-	-
Utilities																				
Water	16	-	17	-	21	-	20	-	20	-	20	-	20	-	20	-	20	-	20	-
Sewer	5	-	5	-	6	-	6	-	6	-	6	-	6	-	6	-	6	-	6	-
Sanitation	2	-	2	-	1	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Stormwater	7	-	7	-	7	-	7	-	-	-	7	-	8	-	-	-	-	-	-	-
Recreation	-	-	-	-	-	-	-	-	-	-	-	-	-	1	6	-	6	-	6	-
Municipal Schools *																				
Full Time (Employees)	527	-	505	-	517	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	<u>933</u>	<u>131</u>	<u>899</u>	<u>48</u>	<u>908</u>	<u>43</u>	<u>368</u>	<u>43</u>	<u>363</u>	<u>216</u>	<u>368</u>	<u>41</u>	<u>367</u>	<u>42</u>	<u>378</u>	<u>39</u>	<u>385</u>	<u>39</u>	<u>384</u>	<u>44</u>

Source: City of Germantown

Notes:

A full-time employee is scheduled to work 2,080 hours per year (including vacation and sick leave).
 5,874 Students Enrolled

CITY OF GERMANTOWN, TENNESSEE
OPERATING INDICATORS BY FUNCTION/PROGRAM

Exhibit F-21

Last Ten Fiscal Years

Function/Program	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Police										
Physical arrests	2,447	1,163	1,730	1,227	1,009	2,354	2,738	2,881	2,938	2,840
Parking violations	370	123	159	83	101	140	164	338	132	95
Traffic violations	18,267	23,024	16,728	6,758	5,318	12,411	14,475	16,423	17,995	17,271
Fire										
Emergency responses	4,115	3,928	3,551	3,354	3,300	3,109	2,924	2,806	2,789	2,703
Fires extinguished	54	56	45	44	82	102	89	111	114	119
Inspections	1,517	1,939	1,515	1,613	1,585	1,803	1,210	1,193	1,233	1,272
Other public works										
Street resurfacing (miles)	7	8	9	8	7	8	7	5	8	8
Parks and recreation										
Athletic field permits issued	3	n/a	n/a	2	n/a	n/a	n/a	68	159	178
Germantown Athletic Club										
*Admissions - per day	1,425	1,568	1,310	1,233	1,232	1,132	1,029	1,004	957	779
*Admissions - per year	512,845	564,349	471,675	443,855	443,686	407,476	370,497	361,422	344,763	284,404
**Library										
Volumes in collection	135,532	139,545	136,005	143,618	146,819	158,689	152,129	149,974	146,141	144,090
Total volumes borrowed	338,761	347,908	324,892	333,227	356,314	351,997	367,495	372,622	367,844	323,333
Water										
New connections	70	58	40	56	69	42	59	51	40	101
Water main breaks	18	16	20	22	19	12	8	18	7	6
Average daily consumption (TGL)	6.229	7.530	6,899	7.205	8.658	8.600	8.326	7.038	7.518	7.779
Peak daily consumption (TGL)	12.150	13.580	13.275	13.969	15.818	17.200	15.120	15.722	15.668	21.328

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
CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM
 Last Ten Fiscal Years

Exhibit F-22

Function/Program	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol units	39	38	37	37	37	37	37	37	37	39
Fire Stations	4	4	4	4	4	4	4	4	4	4
Other public works										
Streets (miles)	220	215	210	210	210	206	206	200	200	198.5
Highways (miles)	10.5	10.5	10.5	10.5	10.5	10.5	10.5	10.5	10.5	10.5
Streetlights	5,014	5,099	5,097	5,097	5,258	5,135	5,122	5,115	5,102	5,095
Parks and recreation										
Acreage	748	748	748	748	748	748	748	748	748	748
Playgrounds	30	30	30	30	30	30	30	26	26	26
Baseball/softball diamonds	15	15	15	15	15	15	15	21	21	21
Soccer/football fields	11	11	11	11	21	21	21	14	14	14
Community center	0	0	0	0	1	1	1	1	1	1
Water										
Water mains (miles)	256	256	210	235	213	209	208	208	207	206
Fire hydrants	2,611	2,599	2,606	2,559	2,419	2,384	2,373	2,365	2,357	2,351
Storage capacity (million gallons)		8.1	8.1	7.9	8.1	8.1	8.1	8.1	6.375	6.375
Wastewater*										
Sanitary sewers (miles)	233	233	210	232	213	211	211	211	210	209

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.

GOVERNMENT AUDITING STANDARDS SECTION

CITY OF GERMANTOWN, TENNESSEE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE
For the Year Ended June 30, 2017

Exhibit G-1

Federal Grantor/Pass-Through Grantor/Program	CFDA Number	Contract Number	Beginning Accrued (Deferred)	Cash Receipts	Expenditures	Ending Accrued (Deferred)
Federal Awards						
<u>U.S. Department of Agriculture/TN Department of Education</u>						
Child Nutrition Cluster						
School Breakfast Program	10.553		\$ -	\$ 24,881	\$ 24,881	\$ -
National School Lunch Program - Cash Assistance	10.555		-	182,870	182,870	-
Total Child Nutrition Cluster			-	207,751	207,751	-
Fresh Fruit and Vegetable Program	10.582		-	49,844	49,844	-
Total U.S. Department of Agriculture			-	257,595	257,595	-
<u>U.S. Department of Transportation/TN Dept of Transportation</u>						
Highway Planning and Construction Cluster						
Highway Planning and Construction	20.205	Fed Proj #STP-M-9420(1) & 9420(5)	591,376	591,792	1,240	824
Highway Planning and Construction	20.205	Fed Proj #STP-M-NH-177(37)	23,968	23,968	-	-
Highway Planning and Construction	20.205	Fed Proj #STO-M-NH-177(36)	18,763	183,567	275,506	110,702
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	1,262,448	1,116,591	-
Highway Planning and Construction	20.205	Fed Proj #STP-M-NH-57(62)	16,352	201,574	421,371	236,149
Highway Planning and Construction	20.205	Fed Proj #STP-M-5431(10)	7,249	7,249	-	-
Highway Planning and Construction	20.205	Fed Proj #STP-M-9409(210)	-	10,000	15,000	5,000
Highway Planning and Construction	20.205	Fed Proj #STP-M-2830(10)	-	7,042	18,067	11,025
Highway Planning and Construction	20.205	Fed Proj #TAP-M-9420(10)	-	-	22,380	22,380
Highway Planning and Construction	20.205	Fed Proj #STP-M-NH-57(68)	-	-	19,578	19,578
Total U.S. Department of Transportation			803,763	2,287,838	1,889,733	405,658
<u>National Endowment for the Arts/ Arts Midwest</u>						
Promotion of the Arts Grants to Organizations and Individuals	45.024	17810	-	10,500	10,500	-
<u>U.S. Department of Education/TN Department of Education</u>						
Title I Grants to Local Education Agencies	84.010	S010A140042	28,160	160,672	166,658	34,146
Consolidated Administration	84.010	N/A	(5,750)	4,421	19,323	9,152
Subtotal - Title I-A			22,410	165,093	185,981	43,298

See accompanying notes to the schedule

CITY OF GERMANTOWN, TENNESSEE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE
For the Year Ended June 30, 2017

Exhibit G-1

Federal Grantor/Pass-Through Grantor/Program	CFDA Number	Contract Number	Beginning Accrued (Deferred)	Cash Receipts	Expenditures	Ending Accrued (Deferred)
Special Education Cluster (IDEA)						
IDEA Part B	84.027	H027A150052	92,609	1,047,345	1,070,504	115,768
IDEA Discretionary	84.027	H027A150052	-	4,170	4,339	169
Special Education - Preschool Grants	84.173	H173A150095	-	7,342	7,888	546
Subtotal - Special Education Cluster (IDEA)			92,609	1,058,857	1,082,731	116,483
English Language Acquisition State Grants	84.365	S365A150042	450	19,959	22,738	3,229
Title III Immigrant Supplemental Funds	84.365	S365B150042	-	7,682	7,682	-
Consolidated Administration	84.365	N/A	-	177	177	-
Subtotal - Title III			450	27,818	30,597	3,229
Improving Teacher Quality State Grants	84.367	SO13A150042	14,678	161,987	164,971	17,662
Consolidated Administration	84.367	N/A	-	38,114	38,114	-
Subtotal - Title II			14,678	200,101	203,085	17,662
Career and Technical Education Grants to States	84.048	V048A150042	-	47,305	47,305	-
Total U.S. Department of Education			130,147	1,499,174	1,549,699	180,672
U.S. Department of Homeland Security / FEMA						
Assistance to Firefighters Grant	97.044	EMW-205-FO-03731	-	55,589	55,589	-
Total Federal Awards			933,910	4,110,696	3,763,116	586,330

See accompanying notes to the schedule

CITY OF GERMANTOWN, TENNESSEE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE (CONTINUED)
For the Year Ended June 30, 2017

Exhibit G-1

Federal Grantor/Pass-Through Grantor/Program	CFDA Number	Contract Number	Beginning Accrued (Deferred)	Cash Receipts	Expenditures	Ending Accrued (Deferred)
<u>State Financial Assistance</u>						
Department of Transportation	N/A	Fed Proj #STP-M-NH-177(37)	\$ 2,996	\$ 2,996	\$ -	\$ -
Department of Transportation	N/A	Fed Proj #STO-M-NH-177(36)	4,691	45,892	68,877	27,676
Department of Transportation	N/A	Fed Proj #STP-M-NH-57(62)	4,088	50,394	105,343	59,037
Department of Transportation	N/A	Fed Proj #STP-M-NH-57(68)	-	-	4,895	4,895
TN Dept of Environment and Conservation	N/A	GG43265	-	208,000	208,000	-
TN Dept of Agriculture - Agricultural Growth Initiative	N/A	45349	-	1,000	1,000	-
TN Arts Commission - Arts Program Categorical Grants	N/A	2853	-	5,200	5,200	-
DOE Coordinated School Health	N/A	N/A	-	80,687	90,000	9,313
DOE Safe Schools Act of 1998	N/A	N/A	-	16,351	30,000	13,649
DOE Child Nutrition State	N/A	N/A	-	7,047	7,047	-
DOE Governor's Leadership Training	N/A	N/A	-	3,275	3,275	-
DOE Teacher Leader Network	N/A	N/A	-	8,000	8,000	-
COE Read to Be Ready Coaching Network	N/A	N/A	-	5,000	5,000	-
Total State Financial Assistance			<u>11,775</u>	<u>433,842</u>	<u>536,637</u>	<u>114,570</u>
Total Federal Awards and State Financial Assistance			<u>\$ 945,685</u>	<u>\$ 4,544,538</u>	<u>\$ 4,299,753</u>	<u>\$ 700,900</u>

See accompanying notes to the schedule

CITY OF GERMANTOWN, TENNESSEE
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE

For the Year Ended June 30, 2017

NOTE A – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards and state financial assistance (the Schedule) includes the federal and state grant activity of the City of Germantown, Tennessee (the City) under programs of the federal government for the year ended June 30, 2017. 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, Costs 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 assets, 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 AWARDS AND STATE FINANCIAL ASSISTANCE TO THE FINANCIAL STATEMENTS

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

Total grant revenue per governmental funds financial statements	\$ 4,391,359
Change in deferred revenue at the fund level	125,370
Non-federal and non-state grants	
City of Germantown	(199,149)
Germantown Municipal School District	(17,827)
Total federal awards and state financial assistance	<u>\$ 4,299,753</u>

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 Mayor Mike Palazzolo and the Board of Aldermen of
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 statements of budgetary comparison for the general fund and general purpose school fund, and the aggregate remaining fund information of the City of Germantown, Tennessee (the "City"), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 13, 2017. Our report includes a reference to other auditors who audited the financial statements of GPAC, as described in our report on the City financial statements. This report does not include the results of the other auditor's 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that were not identified.

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*.

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 City'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 City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Watkins Mikusall, PLLC

Memphis, Tennessee
December 13, 2017

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

To the Honorable Mayor Mike Palazzolo and the Board of Aldermen of
City of Germantown, Tennessee:

Report on Compliance for Each Major Federal Program

We have audited the City of Germantown, Tennessee's (the "City") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the City's major federal program for the year ended June 30, 2017. The City's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the 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 the City's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Governmental 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 programs for the year ended June 30, 2017.

Report on Internal Control over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of 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 each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an 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 a 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.

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

Memphis, Tennessee
December 13, 2017

CITY OF GERMANTOWN, TENNESSEE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2017

A. SUMMARY OF AUDITOR'S RESULTS

1. The auditor's report expresses an unmodified opinion on whether the financial statements of the City of Germantown, Tennessee (the "City") were prepared in accordance with accounting principles generally accepted in the United States of America.
2. No significant deficiencies or material weaknesses relating to the audit of the financial statements are 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, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. No significant deficiencies or material weaknesses 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 expresses an unmodified opinion on the major 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

None reported for the year ended June 30, 2017.

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

None reported for the year ended June 30, 2017.

CITY OF GERMANTOWN, TENNESSEE
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
For the Year Ended June 30, 2017

A. PRIOR YEAR FINDINGS – FINANCIAL STATEMENT 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 that were not recognized in the prior fiscal year.

Recommendation: GMSD management is now aware of the timing of 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.

Current Status: The recommendation was adopted in fiscal year 2017. No similar findings were noted in the fiscal year 2017 audit.

B. PRIOR YEAR FINDINGS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

None reported.