

CITY OF GERMANTOWN TENNESSEE

Comprehensive Annual Financial Report For the Fiscal Year Ended June 30, 2009

Prepared by the City of Germantown Finance Department

**CITY OF GERMANTOWN, TENNESSEE
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

TABLE OF CONTENTS

		Page
INTRODUCTORY SECTION		
Letters of Transmittal		
Mayor		1
Finance Director		3
GFOA Certificate of Achievement for Excellence in Financial Reporting		8
Organizational Chart		9
City Officials		10
 FINANCIAL SECTION		
	Exhibit	Page
Independent Auditor’s Report		11
Management’s Discussion and Analysis		13
Basic Financial Statements:		
Government-wide Financial Statements:		
Statement of Net Assets	A-1	25
Statement of Activities	A-2	26
Fund Financial Statements:		
Balance Sheet – Governmental Funds	A-3	27
Reconciliation of the Balance Sheet to the Statement of Net Assets – Governmental Funds	A-4	28
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	A-5	29
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	A-6	30
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual on Basis of Budgeting – General Fund	A-7	31
Statement of Net Assets – Proprietary Funds	A-8	33
Statement of Revenues, Expenses, and Changes in Fund Equity – Proprietary Funds	A-9	35
Statement of Cash Flows – Proprietary Funds	A-10	36
Statement of Fiduciary Net Assets	A-11	38
Statement of Changes in Fiduciary Net Assets	A-12	39
Notes to Financial Statements		41

Required Supplementary Information:

Schedule of Public Employee Retirement System Employer Contributions	B-1	73
Schedule of Other Post Employment Benefits Funding Progress	B-2	74

Combining and Individual Fund Statements and Schedules:

Combining Balance Sheet – Nonmajor Governmental Funds	C-1	75
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Governmental Funds	C-2	76
Schedule of Revenues – Budget and Actual – General Fund	C-3	77
Schedule of Expenditures – Budget and Actual – General Fund	C-4	79
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual – Nonmajor Governmental Funds	C-5	83
Combining Statement of Net Assets – Internal Service Funds	D-1	89
Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets – Internal Service Funds	D-2	90
Combining Statement of Cash Flows – Internal Service Funds	D-3	91
Bail Deposit Agency Fund – Statement of Changes in Assets and Liabilities	D-4	92

Supplementary Schedules:

Schedule of Principal and Interest Maturities Serial General Obligation Bonds	E-1	93
Schedule of Principal and Interest Maturities Serial Bonds	E-2	96
Schedule of Expenditures of Federal and State Awards	E-3	97

STATISTICAL SECTION (UNAUDITED)

Net Assets by Component	F-1	99
Changes in Net Assets	F-2	100
Program Revenues by Function/Program	F-3	102
Fund Balances of Governmental Funds	F-4	103
Changes in Fund Balances of Governmental Funds	F-5	104
General Governmental Tax Revenues by Source	F-6	105
Assessed Value and Estimated Actual Value of Taxable Property	F-7	106
Property Tax Rates and Tax Levies	F-8	107
Principal Property Tax Payers	F-9	108
Property Tax Levies and Collections	F-10	109
Taxable Sales by Category	F-11	110
Local Sales Tax Revenue by Industry	F-12	111
Direct and Overlapping Sales Tax Rates	F-13	112

Ratios of Outstanding Debt by Type	F-14	113
Ratios of General Bonded Debt Outstanding	F-15	114
Direct and Overlapping Governmental Activities Debt	F-16	115
Pledged-Revenue Coverage	F-17	116
Capital Asset Statistics by Function/Program	F-18	117
Operating Indicators by Function/Program	F-19	118
Full-Time Equivalent City Government by Program/Cost Center	F-20	119
Principal Employers	F-21	120
Demographic and Economic Statistics	F-22	121
Schedule of Unaccounted For Water	F-23	122
Schedule of Utility Rate Structure and Number of Customers	F-24	123

GOVERNMENT AUDITING STANDARDS

Independent Auditor's Report on Internal Control Over Financial Reporting and Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	125
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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 1, 2009

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, 2009. This document reports the sound financial position of the various funds of the City of Germantown and the financial results for operations during FY09. It also provides information on the economic condition of the City.

GERMANTOWN'S ECONOMIC CONDITION AND OUTLOOK

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

With a strong local economy and sound fiscal planning, the City of Germantown maintained a General Fund fund balance of 67.7% against operating expenditures in FY09. The City also maintained a Triple-A debt credit rating with Moody's and Standard & Poor's, one of just 39 in the nation to merit the highest ranking from both agencies.

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

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

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

Our commitment to quality living is reflected in the extensive parks system, composed of athletic and playing field complexes, comprehensive parks, neighborhood parks, a greenway, state natural area and city nature area. The Germantown Athletic Club and other programs offer fitness facilities and equipment for a healthy lifestyle. Methodist LeBonheur Germantown Hospital, Baptist Rehabilitation-Germantown,

several major medical clinics and numerous physician practices provide top-notch, accessible health care. Both police and fire departments take pride in a five minute-or-less emergency response time. Eight public schools, three private elementary schools, three special needs learning centers and two universities offer the broadest spectrum of educational resources.

OUR POLICY AGENDA

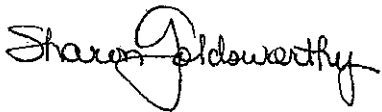
Each January, the Board of Mayor and Aldermen establishes a policy agenda that identifies and articulates primary goals for the immediate future and for the long term. The values and vision are derived from the long-range strategic plan—Vision 2020—developed through broad citizen input and adopted by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

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

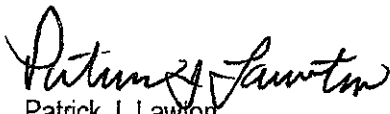
- a balanced, multi-year operating budget,
- a stable and diversified revenue structure,
- maintenance of adequate reserves and designation of fund balances,
- a multi-year capital improvements program, and
- debt and investment policies ensuring judicious management of the City's credit and available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

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

Respectfully submitted,



Sharon Goldsworthy
Mayor



Patrick J. Lawton
City Administrator



CITY OF GERMANTOWN TENNESSEE

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

December 1, 2009

The Board of Mayor and Aldermen
and Citizens of Germantown:

The Comprehensive Annual Financial Report (CAFR) of the City of Germantown, Tennessee, for the fiscal year ended June 30, 2009, is hereby submitted. The financial statements are presented in conformity with generally accepted accounting principles (GAAP) as set forth by the Governmental Accounting Standards Board (GASB) and have been audited in accordance with the generally accepted auditing standards.

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

The City's financial statements have been audited by Watkins Uiberall, PLLC, a firm of licensed certified public accountants. 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, 2009, 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 presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City's financial statements for the fiscal year ended June 30, 2009 are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

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

The Board of Mayor and Aldermen
City of Germantown, Tennessee:
December 1, 2009

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 area of Shelby County.

The Board of Mayor and (five) Aldermen are elected by popular vote. One-half of the Board is elected to four-year terms every two years. The Mayor appoints the City Administrator, Chief of Police and City Clerk/Recorder with confirmation of the Board of Aldermen. The City provides a full range of municipal services including police and fires services, streets and drainage construction and maintenance, sanitation, cultural and recreational programs, planning and zoning and administrative services. In addition, the City operates a water and sewer system.

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

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

Long-range planning

With the adoption of the Vision 2020 plan, the City has established a strategic vision and plan for the community as defined by a series of value based principles. The Board of Mayor and Aldermen centered on the goals, objectives and strategies identified in Vision 2020 planning

The Board of Mayor and Aldermen
City of Germantown, Tennessee:
December 1, 2009

process and identified several things in which to develop specific goals and provide budgetary direction. The Board identified and prioritized six themes, which are called "focus areas".

These areas are:

- Safe City – Citizens have enjoyed a low crime rate, safety and security because of the efforts of the police and fire departments.
- City Operating as a Business – The City has transformed the role of departments into thinking more as a business in performing their duties.
- Germantown Economy – Strategies were designed to retain existing businesses, support business expansion and growth, attract and develop new business and outpace competitive economic communities.
- Smart Growth Area Development – The City has identified areas in our downtown central business district prime for retail development, which will be key to the City's economic future.
- Neighborhood Preservation and Enhancements – The City has looked at ways to enforce existing codes and ordinances, provide property maintenance and replace existing infrastructure on a systematic and routine basis.
- Transportation and Traffic Flow – The City will address the efficient traffic flow throughout our community with minimal congestion on pedestrians and neighborhoods.

Fiduciary Operations

The City continues to fund the Employees' Retirement Plan annually at actuarially recommended levels. In 1995 the City amended the retirement plan. Under the amended plan, emergency service employees are required to contribute to the Public Employee Retirement Systems (PERS). Employee contributions in FY09 totaled \$691,670 for emergency services personnel. The 2009 City contribution was \$1,803,515. Net Assets of the Plan, which are under professional management, declined by \$4,872,285.

The City implemented in fiscal year 2008 under Governmental Accounting Standard Board (GASB) 45 the Other Postemployment Benefits (OPEB) Fund. The OPEB is annually funded at recommended actuarial levels. In fiscal year 2009 the annual required funding was \$940,278. Retirees contributed \$103,914 to the plan. Net Assets of the Plan, which are under professional management, increased \$510,658.

Debt Management

The City had total bonded debt of \$34,955,000 that is made up of \$26,055,000 from the general government and \$8,900,000 secured by revenue sources. During the Fiscal Year 2009 the City issued a water and sewer bond in the amount of \$5,000,000. In addition, the City refunded the 2000 Series bonds, a portion of the 2002 Series bond, and issued the 2009 Series General Obligation Bonds for \$9,635,000. The City of Germantown in Fiscal Year 2009 was issued a

The Board of Mayor and Aldermen
City of Germantown, Tennessee:
December 1, 2009

Triple-A credit rating by Moody's and Standard & Poor's. The City is among an elite group of municipalities nationwide to achieve such a rating.

Cash Management

The available assets of the various funds are pooled for investment purposes, as described in Note 4 to the Financial Statements. Investments are made in accordance with Tennessee State law and the City's Investment Policy, which include the requirement for delivery of securities and 105% collateralization of balances with the State of Tennessee or United States Treasury or Agency obligations. The Investment Policy further prescribes selection criteria for financial institutions, investment instruments and maturities of investments. All securities purchased have been delivered to the City and placed in safekeeping at a bank trust department.

Temporarily idle cash during the year was invested in Agency obligations and the State of Tennessee Local Government Investment Pool (LGIP). An appointed citizen advisory group from the Financial Advisory commission, which is comprised of residents of the City whose backgrounds are in banking and investments, meet quarterly to review City investments and annually to review the City's Investment Policy.

Risk Management

The City continues to follow sound risk management policies and procedures established early in the City's growth era. As a result, the infrastructure and facilities have been constructed with a keen regard for safety and limitation of municipal liability. The City has and continues to take legally required action to comply with the requirements of the American with Disabilities Act that went into effect January 25, 1992. Streets and water and sewer systems have been designed and reviewed by competent staff and consulting professional engineers. Attorneys review all contracts. Further, the City's internal systems and procedures have been developed in accordance with the highest risk management standards and principles.

Funds are appropriated annually to fund both insurance premiums and expected self-insured losses. Replacement cost coverage for real property, subject to a \$25,000 deductible, is maintained through Tennessee Municipal League Risk Management Pool. Liability coverage, which is within municipal tort liability limits set by statutes and subject to \$5,000 per claim, is obtained through the Tennessee Municipal League Risk Management Pool. The City is responsible for losses in excess of \$5 million for certain errors and omissions exposures not limited by law.

Awards and Acknowledgement

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its Comprehensive Annual Financial Report for the year ended June 30, 2008. The City has received this prestigious award for 27 consecutive years. In order to be awarded a Certificate of Achievement, the City published an

The Board of Mayor and Aldermen
City of Germantown, Tennessee:
December 1, 2009

easily readable and efficiently organized Comprehensive Annual Financial Report. That report satisfied both generally accepted accounting principles and applicable legal requirements.

Under the rules of the GFOA program, a Certificate of Achievement is valid for a period of one year only. We believe that our current Comprehensive Annual Financial Report continues to meet the Certificate of Achievement Program's requirements. We are submitting it to GFOA for review and determination of its eligibility for yet another certificate.

The City submitted for the first time and received the GFOA's Popular Annual Financial Report for the year ended June 30, 2008. This report substantially met the requirements of the PAFR Program. To qualify for this award, the report must meet requirements based on an evaluation of creativity, presentation, understandability and reader appeal. The City is submitting the June 30, 2009 PAFR for review to qualify for another certificate.

The City also received the GFOA's Distinguished Budget Presentation Award for its annual operating budget for the year ended June 30, 2009. The City has received the Award for each of the 24 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 efficient and dedicated staff of the Departments of Finance and Research and Budget throughout the fiscal year. I would like to express my appreciation to all the members of the departments who have assisted and contributed to this report, in addition to the City's independent certified public accountants, Watkins Uiberall, PLLC. I appreciate the Board of Mayor and Aldermen's interest, support and leadership in planning and conducting the financial operations of the City in a responsible and progressive manner.

Respectfully submitted,


Ralph J. Gabb
Finance Director

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

City of Germantown
Tennessee

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2008

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



A handwritten signature in black ink, appearing to read "M. L. M.", positioned above the title "President".

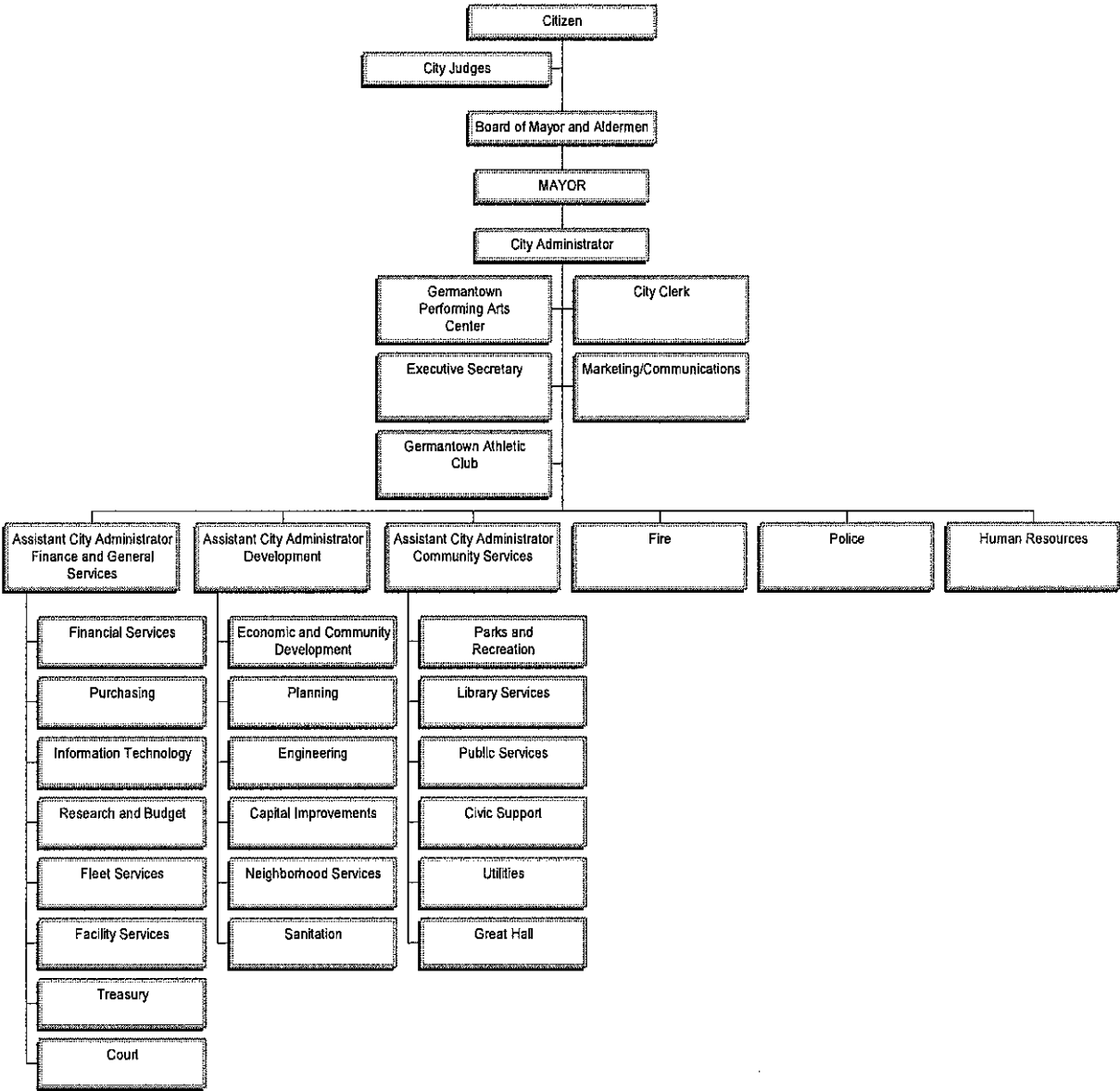
President

A handwritten signature in black ink, appearing to read "Jeffrey R. Emer", positioned above the title "Executive Director".

Executive Director

CITY OF GERMANTOWN, TENNESSEE

Organization Chart



**CITY OF GERMANTOWN
CITY OFFICIALS**

MAYOR

Honorable Sharon Goldsworthy (2010*)

ALDERMEN

John Drinnon (Vice Mayor – 2010*)

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

Carol Hinely (2010*)
Mark Billingsley (2012*)

CITY ADMINISTRATOR

Patrick J. Lawton

CITY ATTORNEY

C. Thomas Cates

CITY JUDGES

Bob Brannon
Raymond S. Clift

EXECUTIVES

Assistant City Administrator.....	Kristen A. Geiger
Assistant City Administrator.....	G. Andrew Pouncey
Assistant City Administrator.....	George Brogdon
Community Development Director.....	Jerry Cook
Finance Director.....	Ralph J. Gabb
Fire Chief.....	Dennis Wolf
Library Services Director.....	Melody Pittman
Parks and Recreation Director.....	Pam Beasley
Human Resources Director.....	Pat McConnell
Police Chief.....	Richard Hall
Public Services Director.....	Bo Mills



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

1661 Aaron Brenner Drive • Suite 300
Memphis, Tennessee 38120
901.761.2720 • Fax: 901.683.1120

499 Gloster Creek Village • Suite F-9
Tupelo, Mississippi 38801
662.269.4014 • Fax: 662.269.4016

www.wucpas.com

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, the statement of budgetary comparison for the general fund, and the aggregate remaining fund information of the City of Germantown, Tennessee, (the "City") as of and for the year ended June 30, 2009, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Germantown, Tennessee, as of June 30, 2009, and the respective changes in financial position and cash flows, where applicable, thereof, and the budgetary comparison for the general fund, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 25, 2009, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing

of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis, schedule of public employee retirement system employer contributions, and schedule of other post employment benefits funding progress as listed in the table of contents, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining and individual fund statements and schedules, supplementary schedules, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund statements and schedules and the supplementary schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Watkins Uihlwall, PLLC

Memphis, Tennessee
November 25, 2009

Management's Discussion and Analysis

As management of the City of Germantown (the City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2009. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal and notes to the financial statements.

Financial Highlights

- The assets of the City exceeded its liabilities at June 30, 2009 by \$139,433,515 (net assets). Of this amount, \$42,668,624 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- At June 30, 2009, the City's governmental funds reported total fund balances of \$37,521,212. Of this amount, \$9,657,012 (undesignated fund balances) may be used to meet the general governments spending requirements. The undesignated fund balance represents 27.2% of total General Fund expenditures.
- During the fiscal year, the City's total debt increased by \$8,770,000. The increase was due to the issuance of new debt and the refinancing of existing debt.

Overview of the Financial Statements

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

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

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

The statement of activities presents information showing how the government's net assets changed during the year ended June 30, 2009. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

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

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

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

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

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

The City maintains twelve individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General Fund that is considered to be a major fund. Data from the other eleven governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

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

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

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 and Sanitation operations.

Internal service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses internal service funds to account for the health insurance and vehicle maintenance costs. Because both of these services predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Utility Fund, Athletic Club Fund and Sanitation Fund, all of which are considered to be major funds of the City. Conversely, both internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the form of combining statements in this report.

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

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

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

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 41-71 of this report.

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

Other Information. In addition to the basic financial statements and accompanying notes, this report presents certain required supplementary information concerning the City's progress in funding its obligation to provide pension benefits to its employees and Other Post Employment Benefits. Required supplementary information is presented as Note 5 and Note 10 of this report.

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

Combining and Individual Fund Statements and Schedules are presented as Exhibits C-1 through D-4 of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$139,433,515 at June 30, 2009.

Condensed Statement of Net Assets

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
Current and Other Assets	\$66,442,610	\$63,199,314	10,583,874	8,474,005	77,026,484	71,673,319
Capital Assets	67,286,356	65,509,594	58,974,714	55,179,261	126,261,070	120,688,855
Total Assets	<u>133,728,966</u>	<u>128,708,908</u>	<u>69,558,588</u>	<u>63,653,266</u>	<u>203,287,554</u>	<u>192,362,174</u>
Long-term liabilities outstanding	23,909,228	19,960,155	8,137,535	3,903,025	32,046,763	23,863,180
Other liabilities	28,991,169	27,758,278	2,816,107	2,567,588	31,807,276	30,325,866
Total Liabilities	<u>52,900,397</u>	<u>47,718,433</u>	<u>10,953,642</u>	<u>6,470,613</u>	<u>63,854,039</u>	<u>54,189,046</u>
Net Assets:						
Invested in Capital Assets, net of related debt	45,178,360	39,655,346	49,924,751	50,914,976	95,103,111	90,570,322
Restricted	1,661,780	1,406,872	-	-	1,661,780	1,406,872
Unrestricted	33,988,429	39,928,257	8,680,195	6,267,677	42,668,624	46,195,934
Total Net Assets	<u>\$80,828,569</u>	<u>\$80,990,475</u>	<u>58,604,946</u>	<u>57,182,653</u>	<u>139,433,515</u>	<u>138,173,128</u>

By far the largest portion of the City's net assets (68.2 %) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens. Consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net assets (1.2%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (\$42,668,624) may be used to meet the government's ongoing obligations to citizens and creditors.

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

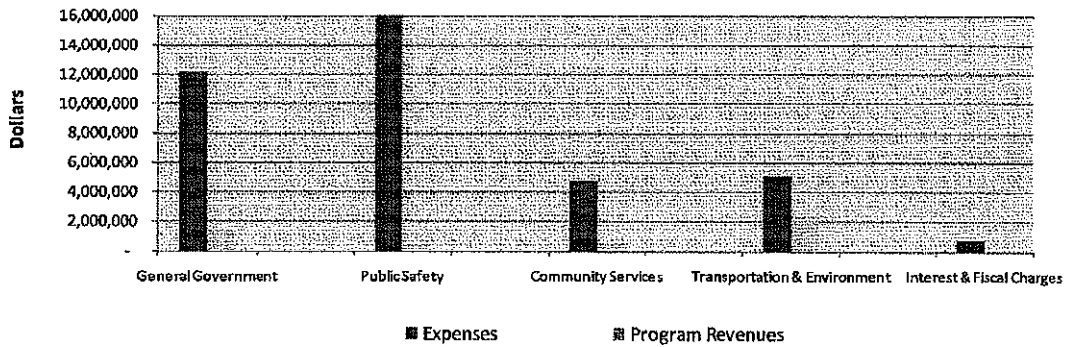
Governmental activities. Governmental activities decreased the City's net assets by \$161,906, thereby accounting for a 0.2% decrease in total assets. Key elements of this increase are as follows:

Condensed Statement of Changes in Net Assets

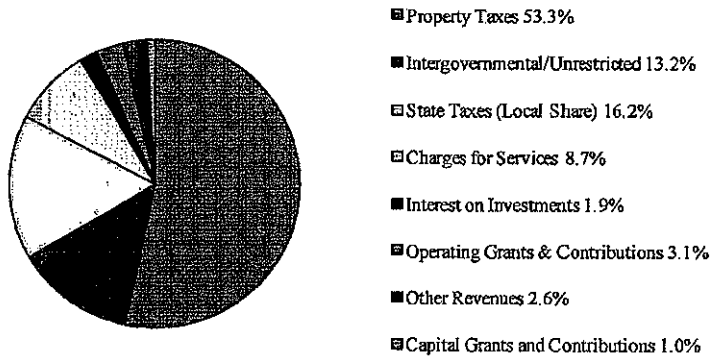
	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	2009	2008	2009	2008	2009	2008
Revenues:						
Program Revenues:						
Charges for Services	\$ 3,507,579	\$ 3,739,613	13,845,155	13,873,079	17,352,734	17,612,692
Operating Grants and Contributions	1,237,633	1,547,919	-	-	1,237,633	1,547,919
Capital Grants and Contributions	400,000	162,546	96,502	1,475,640	496,502	1,638,186
General Revenues:						
Property Taxes	21,586,250	21,192,804	-	-	21,586,250	21,192,804
State Taxes (local share)	6,546,302	7,578,275	-	-	6,546,302	7,578,275
Intergovernmental/Unrestricted	5,345,168	6,840,979	-	-	5,345,168	6,840,979
Interest on Investments	783,049	1,484,404	246,017	449,147	1,029,066	1,933,551
Other Revenue	1,055,248	951,038	-	-	1,055,248	951,038
Total Revenues	40,461,229	43,497,578	14,187,674	15,797,866	54,648,903	59,295,444
Expenses:						
General Government	12,165,467	10,074,368	-	-	12,165,467	10,074,368
Public Safety	16,687,140	16,918,305	-	-	16,687,140	16,918,305
Community Services	4,775,897	5,201,066	-	-	4,775,897	5,201,066
Transportation and Environment	5,088,019	4,279,001	-	-	5,088,019	4,279,001
Interest and Fiscal Charges	786,612	878,503	-	-	786,612	878,503
Utilities	-	-	6,502,565	6,100,526	6,502,565	6,100,526
Athletic Club	-	-	3,588,475	2,992,340	3,588,475	2,992,340
Sanitation	-	-	3,824,101	3,706,306	3,824,101	3,706,306
Total Expenses	39,503,135	37,351,243	13,915,141	12,799,172	53,418,276	50,150,415
Increase/(Decrease) in Net Assets before transfers	958,094	6,146,335	272,533	2,998,694	1,230,627	9,145,029
Gain (Loss) on Disposal of Capital Assets	-	(95,252)	29,760	385,974	29,760	290,722
Transfers	(1,120,000)	(1,025,000)	1,120,000	1,025,000	-	-
Increase/(Decrease) in Net Assets	(161,906)	5,026,083	1,422,293	4,409,668	1,260,387	9,435,751
Net Assets - July 1, 2008	80,990,475	75,964,392	57,182,653	52,772,985	138,173,128	128,737,377
Net Assets - June 30, 2009	\$80,828,569	\$80,990,475	58,604,946	57,182,653	139,433,515	138,173,128

- Property Taxes increased to \$21,586,250, which is \$393,446 greater than FY08. The cost of providing General Government, Public Safety, Community Services, Transportation and Environment, Interest and Fiscal Charges, increased by \$2,151,892 during FY09. General Government increased by \$2,091,099, while Public Safety decreased by \$231,165. Transportation and Environment increased by \$809,018. Community Services and Interest and Fiscal Charges decreased by \$425,169 and \$91,891, respectively. General Government's increase was due to increases in Civic Support grants and additional personnel in Facility Services. Community Services decreased due to the reduction in program costs associated with parks maintenance. Transportation and Environment's increase was due to the reorganization of parks maintenance. This reorganization moved expenses associated with park maintenance to Public Services' ground maintenance. The decrease in Interest and Fiscal Charges was due to the refunding of the Series 2000 and Series 2002 Bonds.

**Expenses and Program Revenues
 Governmental Activities**



Revenues By Source - Governmental Activities



Business-type activities. Business-type activities increased the City's net assets by \$1,422,293. The business-type activities are Utility, Athletic Club and Sanitation Funds.

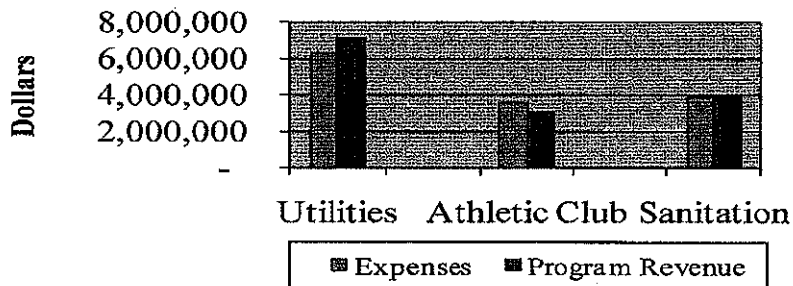
- The Germantown Utility Fund increased by \$834,751, due to an increase in Utility deposit revenues and the addition of some new Utility revenues identified during FY09. Expenses increased by \$256,186, due to increases in payroll costs and depreciation expense.
- The Germantown Athletic Club net assets increased by \$496,896 due to the implementation of a rate increase during FY09 and the addition of a City operating transfer. The Athletic Club revenue increased by \$872,704, however, the operating expenses grew by \$597,213.
- The Germantown Sanitation net assets increased by \$22,316, due to a transfer in from storm debris collection. In the third year, the contract revenue increased by \$59,591, due to additional garbage collection. Expenses increased by \$116,737, due to additional costs associated with storm debris collections. This is the third year of a three year contract.

Financial Analysis of the Government's Funds

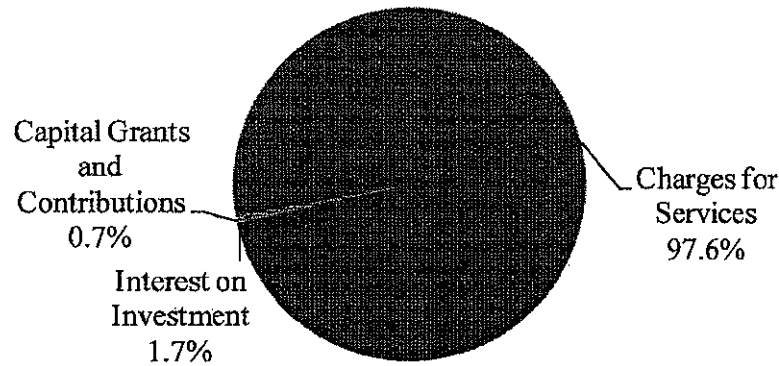
As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

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, undesignated fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

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



Revenues by Source - Business-type Activities



As of June 30, 2009, the City's governmental funds reported combined ending fund balances of \$37,521,212, an increase of \$1,134,286 in comparison with the prior year. Approximately 25.7% of this total amount or \$9,657,012 constitutes undesignated fund balance, which is available for spending at the government's discretion. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed 1) to liquidate contracts and purchase orders of the prior period - \$4,723,750, 2) to provide a reserve to pay debt service - \$3,264,000, 3) to provide a reserve for tax anticipation - \$7,139,574, 4) Germantown Athletic Club advance - \$1,750,000, 5) Capital Projects - \$7,983,234, 6) Special Revenue - \$1,821,642, 7) to provide a reserve for Emergencies and Catastrophes- \$900,000 and 8) Capital Asset Replacement - \$282,000.

The General Fund is the chief operating fund of the City. At June 30, 2009, undesignated fund balance of the General Fund was \$9,657,012, while total fund balance reached \$24,066,622. As a measure of the General Fund's liquidity, it may be useful to compare both undesignated fund balance and total fund balance to total fund expenditures. Undesignated fund balance represents 27.2% of total General Fund expenditures, while total fund balance represents 67.7% of that same amount.

The fund balance of the City's General Fund decreased by \$1,684,727 during the fiscal year ended June 30, 2009. Key factors are as follows:

- Property tax increased \$427,048
- Local sales tax decreased \$1,031,973
- State taxes (local share) decreased \$1,495,811
- Fines and Forfeitures decreased \$48,191
- License and Permits decreased \$21,079

- Fees for services decreased \$11,124
- Investment income decreased \$660,478
- Grants decreased \$87,307
- Other revenue decreased \$19,066
- Total expenditures increased \$467,339.

A refunding of the 2000 General Obligation Bonds and partial refunding of the 2002 General Obligation bond debt was made with a payment to the refunded bond escrow agent in the amount of \$3,666,048. General Obligation bonds were issued in the amount of \$3,635,000 with a premium of \$77,036. In addition, a transfer was made to other funds in the amount of \$4,420,000. Also, the sales of capital assets accounted for \$1,967.

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

Unrestricted net assets of \$8,621,924 are comprised of, \$9,361,031 for the Utility Fund, (\$1,055,470) for the Athletic Club Fund and \$316,363 for the Sanitation Fund. User fees support these funds.

General Fund Budgetary Highlights

The General Fund revenues were higher than budgeted by \$128,434. The increase was due to increases in Property Tax of \$226,519, State Taxes (Local Share) of \$460,898, Fees for Services of \$8,683, Interest on Investments of \$243,897, and Other Revenue of \$71,744. There were moderate decreases between budget and actual revenues in Local Sales Taxes, Fines and Forfeitures, Licenses and Permits and Grants for Services of \$460,966, \$360,952, \$10,602 and \$50,787, respectively.

General Fund expenditures were less than budgeted by \$1,575,346. The positive variances were due to the concerted effort of City government to control costs. Also, the City has adopted a managed competition focus. Whereby, the City looks at dollar savings and efficiency of City services. At mid-year, due to economic conditions, the City looked at additional cost cutting measures to ensure sufficient funds to manage the City and to maintain exceptional services levels. The largest positive variance was in General Government in the amount of \$529,785. Savings were also achieved in Public Safety of \$459,707, Community Services of \$176,140, Transportation and Environment of \$55,611, and Debt Service of \$354,103.

Capital Asset and Debt Administration

Capital assets. The City's investment in capital assets for its governmental and business-type activities as of June 30, 2009 amounts to \$126,261,070 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements other than building, machinery, equipment, and construction in progress. The City's total investment in capital assets

for the current fiscal year increased \$5,572,215. Governmental activities increased \$1,776,762 or 2.7% and business activities increased \$3,795,453 or 6.9%.

Condensed Statement of Capital Assets

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
Land and Buildings	\$28,355,457	\$27,073,368	\$ 13,299,011	13,505,311	41,654,468	40,578,679
Improvements Other Than Buildings	28,672,848	29,332,747	38,797,614	39,609,384	67,470,462	68,942,131
Equipment	5,398,642	4,590,235	1,088,850	540,327	6,487,492	5,130,562
Construction in Progress	4,859,409	4,513,244	5,789,239	1,524,239	10,648,648	6,037,483
Total	<u>\$67,286,356</u>	<u>\$65,509,594</u>	<u>58,974,714</u>	<u>55,179,261</u>	<u>126,261,070</u>	<u>120,688,855</u>

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

Long-term debt. At June 30, 2009 the City had total bonded debt outstanding of \$34,955,000. Of this amount \$26,055,000 comprises debt backed by the full faith and credit of the government and \$8,900,000 represents bonds secured by specified revenue sources (i.e., revenue bonds).

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
General Obligation Bonds	\$26,055,000	\$21,935,000	-	-	26,055,000	21,935,000
Revenue Bonds	-	-	8,900,000	4,250,000	8,900,000	4,250,000
Total	<u>\$26,055,000</u>	<u>\$21,935,000</u>	<u>8,900,000</u>	<u>4,250,000</u>	<u>34,955,000</u>	<u>26,185,000</u>

During FY09, the City's total debt increased by \$8,770,000. Total debt includes general obligation bonds and revenue bonds. Total debt for governmental activities increased by 18.8%, due to \$9.635 million of general obligation debt issued in FY09. Of this amount \$6.0 million was new debt and \$3.635 million was the refunding of Bond Series 2000 and 2002. Also, business-type activities' debt increased by 109.4% due to City issuing \$5.0 million in Water Revenue Bonds in December 2008. This issue supports the plant expansion of the Johnson Road Water Plant, Johnson Road Reservoir, water wells, automated controls (SCADA), and sewer pipeline rehabilitation.

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

The City's full faith and credit and unlimited taxing power has been pledged to the payment of general obligation debt principal and interest. There is no legal limit on the indebtedness, which may be incurred.

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

Economic Factors and Next Year's Budgets and Rates

Factors considered in preparing the City's Budget for the 2010 fiscal year are more fully discussed in the Budget document and include:

- The FY10 Budget does not require an increase to the City's property tax rate. A 40-cent tax rate increase was implemented in FY04 with the intention of sustaining the City's fiscal needs over a five-year planning period. Due to aggressive cost containment measures, the tax rate will remain the same for the seventh consecutive year.
- The City initiated Managed Competition during FY07 with an emphasis on creating greater efficiency and cost control. The FY10 Budget reflects the continued emphasis of Managed Competition and cost savings by looking at each element of operations with a business focus on customers and quality of service.
- The City continues to look at new sources of revenues and grants to supplement the stable property tax rate. The City will continue to reengineer the systems and process in the delivery of its services and thereby control operating expenses.
- The uncertain economic times and the continued uncertainty of state shared taxes and other forms of revenue sharing required an in-depth review of all revenue assumptions in formulating the FY10 Budget. Additionally, a thorough expense review including local issues of growth, new operating services, neighborhood preservation and quality of life will help to ensure the City's ability to provide responsible, high-quality leadership and services that residents have come to expect from its government.

During FY09 undesignated fund balance in the General Fund increased to \$9,657,012. The City has a total approved budget of \$71,015,009 in expenditures for FY10. The City's tax rate for FY10 has been set at \$1.425 per \$100 of assessed value.

Request for Information

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information may be addressed to the Department of Finance, City of Germantown, 1930 South Germantown Road, Germantown, Tennessee 38138. The Comprehensive Annual Financial Report June 30, 2009, Fiscal Year 2009 Budget Report and other information about the City may be found on the City's website www.germantown-tn.gov, as part of our continuing usage of advancing technology and e-commerce.

CITY OF GERMANTOWN, TENNESSEE

STATEMENT OF NET ASSETS

June 30, 2009

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 29,358,118	\$ 8,475,644	\$ 37,833,762
Investments	8,357,427	2,338,234	10,695,661
Prepaid expenses		-	-
Receivables			
Property taxes	22,035,087	-	22,035,087
Interest	75,672	-	75,672
Customer and developers receivables	-	1,236,367	1,236,367
Other	5,555,500	19,575	5,575,075
Less allowance for doubtful accounts	(1,057,511)	(94,979)	(1,152,490)
Internal balances	1,441,729	(1,441,729)	-
Inventories	112,634	50,762	163,396
Restricted assets:			
Cash and cash equivalents	563,954	-	563,954
Capital assets, not being depreciated	15,059,508	8,490,951	23,550,459
Capital assets, being depreciated, net	52,226,848	50,483,763	102,710,611
Total assets	<u>133,728,966</u>	<u>69,558,588</u>	<u>203,287,554</u>
LIABILITIES			
Accounts payable	2,515,675	1,305,614	3,821,289
Accrued interest	221,581	46,419	268,000
Accrued vacation benefits	917,233	-	917,233
Customer deposits	-	423,926	423,926
Contracts payable	210,285	-	210,285
Unearned revenue	22,942,092	264,123	23,206,215
Noncurrent liabilities:			
Due within one year	2,184,303	776,025	2,960,328
Due in more than one year	23,909,228	8,137,535	32,046,763
Total liabilities	<u>52,900,397</u>	<u>10,953,642</u>	<u>63,854,039</u>
NET ASSETS			
Invested in capital assets, net of related debt	45,178,360	49,924,751	95,103,111
Restricted for:			
State Street Aid	1,510,971	-	1,510,971
Drug Enforcement	150,809	-	150,809
Unrestricted	33,988,429	8,680,195	42,668,624
Total net assets	<u>\$ 80,828,569</u>	<u>\$ 58,604,946</u>	<u>\$ 139,433,515</u>

CITY OF GERMANTOWN, TENNESSEE

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2009

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating	Capital	Governmental Activities	Business-Type Activities	Total
			Grants and Contributions	Grants and Contributions			
Primary government:							
Governmental Activities:							
General government	\$ 12,165,467	\$ 1,497,312	\$ 125	\$ -	\$ (10,668,030)	\$ -	\$ (10,668,030)
Public safety	16,687,140	446,496	151,533	-	(16,089,111)	-	(16,089,111)
Community services	4,775,897	610,060	5,661	-	(4,160,176)	-	(4,160,176)
Transportation and environment	5,088,019	953,711	1,080,314	400,000	(2,653,994)	-	(2,653,994)
Interest and fiscal charges	786,612	-	-	-	(786,612)	-	(786,612)
Total governmental activities	39,503,135	3,507,579	1,237,633	400,000	(34,357,923)	-	(34,357,923)
Business-type activities:							
Utilities	6,502,565	7,030,835	-	96,502	-	624,772	624,772
Centre	3,588,475	3,003,894	-	-	-	(584,581)	(584,581)
Sanitation	3,824,101	3,810,426	-	-	-	(13,675)	(13,675)
Total business-type activities	13,915,141	13,845,155	-	96,502	-	26,516	26,516
Total primary government	\$ 53,418,276	\$ 17,352,734	\$ 1,237,633	\$ 496,502	(34,357,923)	26,516	(34,331,407)
General revenues:							
Property taxes					21,586,250	-	21,586,250
Local sales taxes					6,546,302	-	6,546,302
Intergovernmental / unrestricted					5,345,168	-	5,345,168
Interest on investments					783,049	246,017	1,029,066
Other revenues					1,055,248	-	1,055,248
Gain on disposal of capital assets					-	29,760	29,760
Transfers					(1,120,000)	1,120,000	-
Total general revenues and transfers					34,196,017	1,395,777	35,591,794
Change in net assets					(161,906)	1,422,293	1,260,387
Net assets - beginning					80,990,475	57,182,653	138,173,128
Net assets - ending					\$ 80,828,569	\$ 58,604,946	\$ 139,433,515

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

CITY OF GERMANTOWN, TENNESSEE

BALANCE SHEET – GOVERNMENTAL FUNDS

June 30, 2009

	General	Other Governmental Funds	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 16,517,191	\$ 11,009,964	\$ 27,527,155
Investments	5,552,178	2,805,249	8,357,427
Receivables			
Property taxes	22,035,087	-	22,035,087
Interest	75,672	-	75,672
Other	5,350,340	199,230	5,549,570
Less allowance for doubtful accounts	(1,057,511)	-	(1,057,511)
Advances to other funds	1,500,000	-	1,500,000
Inventories	53,178	-	53,178
Restricted assets:			
Cash and cash equivalents	-	563,954	563,954
Total assets	<u>\$ 50,026,135</u>	<u>\$ 14,578,397</u>	<u>\$ 64,604,532</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 2,322,453	\$ 751,375	\$ 3,073,828
Contracts payable	-	210,285	210,285
Deferred revenue	23,637,060	162,147	23,799,207
Total liabilities	<u>25,959,513</u>	<u>1,123,807</u>	<u>27,083,320</u>
Fund Balances:			
Reserved for:			
Encumbrances	1,074,036	3,649,714	4,723,750
Advances	1,750,000	-	1,750,000
Unreserved, reported in:			
General fund			
Designated for emergencies	900,000	-	900,000
Designated for capital asset replacement	282,000	-	282,000
Designated for tax anticipation	7,139,574	-	7,139,574
Designated for debt service	3,264,000	-	3,264,000
Undesignated	9,657,012	-	9,657,012
Special revenue funds	-	1,821,642	1,821,642
Capital projects funds	-	7,983,234	7,983,234
Total fund balances	<u>24,066,622</u>	<u>13,454,590</u>	<u>37,521,212</u>
Total liabilities and fund balances	<u>\$ 50,026,135</u>	<u>\$ 14,578,397</u>	<u>\$ 64,604,532</u>

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

CITY OF GERMANTOWN, TENNESSEE

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

June 30, 2009

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

Total fund balances - total governmental funds	\$ 37,521,212
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	67,131,470
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	857,115
Internal service funds are used by management to charge the costs of health insurance, and vehicle maintenance to other funds. The assets and liabilities of the internal service funds are included governmental activities in the statement of net assets.	1,633,884
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	<u>(26,315,112)</u>
Net assets of governmental activities	<u><u>\$ 80,828,569</u></u>

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

CITY OF GERMANTOWN, TENNESSEE

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

For the Year Ended June 30, 2009

	General	Other Governmental Funds	Total
REVENUES			
Taxes:			
Property taxes	\$ 21,635,074	\$ -	\$ 21,635,074
Local sales taxes	6,546,302	-	6,546,302
State taxes (local share)	5,345,168	1,080,314	6,425,482
Fines and forfeitures	1,059,200	-	1,059,200
Licenses and permits	1,038,469	-	1,038,469
Fees for services	201,177	267,083	468,260
Interest on investments	744,612	38,437	783,049
Grants	157,194	125	157,319
Other revenues	1,497,356	509,913	2,007,269
Total revenues	38,224,552	1,895,872	40,120,424
EXPENDITURES			
Current:			
General government	9,746,932	-	9,746,932
Public safety	16,249,808	667,468	16,917,276
Community services	3,919,684	282,527	4,202,211
Transportation and environment	2,738,628	2,292,037	5,030,665
Debt services			
Principal	2,025,000	-	2,025,000
Interest and fiscal charges	810,284	-	810,284
Bond issuance cost	42,653	66,872	109,525
Capital projects	-	5,115,870	5,115,870
Total expenditures	35,532,989	8,424,774	43,957,763
Excess (deficiency) of revenues over (under) expenditures	2,691,563	(6,528,902)	(3,837,339)
OTHER FINANCING SOURCES (USES)			
Transfers in	-	3,300,000	3,300,000
Transfers out	(4,420,000)	-	(4,420,000)
General obligation bonds issued	3,635,000	6,000,000	9,635,000
Premium on general obligation bonds issued	77,036	47,915	124,951
Payment to refunded bond escrow agent	(3,666,048)	-	(3,666,048)
Sale of capital assets	(1,967)	-	(1,967)
Contingency	(311)	-	(311)
Total other financing sources (uses)	(4,376,290)	9,347,915	4,971,625
Net change in fund balances	(1,684,727)	2,819,013	1,134,286
Fund balances - beginning	25,751,349	10,635,577	36,386,926
Fund balances - ending	\$ 24,066,622	\$ 13,454,590	\$ 37,521,212

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

CITY OF GERMANTOWN, TENNESSEE

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

For the Year Ended June 30, 2009

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

Net change in fund balance - total governmental funds	\$ 1,134,286
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Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	1,808,758
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	351,176
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The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	(3,959,378)
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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.	(36,526)
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Internal service funds are used by management to charge the costs of health insurance and vehicle maintenance to individual funds. The net cost of certain activities of of internal service funds is reported with governmental activities.	<u>539,778</u>
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Change in net assets of governmental activities	<u><u>\$ (161,906)</u></u>
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The notes to the financial statements are an integral part of this statement.

CITY OF GERMANTOWN, TENNESSEE

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

For the Year Ended June 30, 2009

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive(Negative)
	Original	Final		
REVENUES				
Property taxes	\$ 21,408,555	\$ 21,408,555	\$ 21,635,074	\$ 226,519
Local sales taxes	7,007,268	7,007,268	6,546,302	(460,966)
State taxes (local share)	4,884,270	4,884,270	5,345,168	460,898
Fines and forfeitures	1,420,152	1,420,152	1,059,200	(360,952)
Licenses and permits	1,045,728	1,049,071	1,038,469	(10,602)
Fees for services	187,280	192,494	201,177	8,683
Interest on investments	500,715	500,715	744,612	243,897
Grants	177,000	207,981	157,194	(50,787)
Other revenues	1,212,943	1,425,612	1,497,356	71,744
Total revenues	37,843,911	38,096,118	38,224,552	128,434
EXPENDITURES				
General government				
Aldermen	148,591	154,798	137,089	17,709
Administration	1,332,503	1,365,260	1,360,254	5,006
Personnel	639,141	620,858	617,283	3,575
Information Technology	1,018,080	973,483	785,802	187,681
Finance	1,196,833	1,206,494	1,233,285	(26,791)
Research and Budget	202,554	221,097	215,733	5,364
City Court	496,493	482,478	470,362	12,116
Civic Support	514,000	697,081	687,547	9,534
Germantown Performing Arts Centre	886,690	949,581	943,883	5,698
Community and Economic Development	2,244,079	2,119,427	2,102,125	17,302
Facility Services	1,487,111	1,486,160	1,193,569	292,591
Total general government	10,166,075	10,276,717	9,746,932	529,785
Public safety				
Police	9,397,829	9,377,022	9,096,734	280,288
Fire	7,247,647	7,332,493	7,153,074	179,419
Total public safety	16,645,476	16,709,515	16,249,808	459,707

(Continued)

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

CITY OF GERMANTOWN, TENNESSEE

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

For the Year Ended June 30, 2009

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive(Negative)
	Original	Final		
Community services				
Parks & Recreation	3,400,362	2,612,808	2,469,962	142,846
Cultural Arts Programs	61,675	63,754	51,277	12,477
Library	1,310,687	1,330,587	1,316,127	14,460
Genealogical Library	71,803	88,675	82,318	6,357
Total community services	4,844,527	4,095,824	3,919,684	176,140
Transportation and environment				
Public services	1,847,820	2,513,157	2,460,817	52,340
Animal control	277,739	281,082	277,811	3,271
Total transportation and environment	2,125,559	2,794,239	2,738,628	55,611
Debt service				
Bond and note principal	2,182,836	2,182,836	2,025,000	157,836
Interest and fiscal charges	1,004,726	1,006,551	810,284	196,267
Bond issue costs	-	42,653	42,653	-
Total debt service	3,187,562	3,232,040	2,877,937	354,103
Total expenditures	36,969,199	37,108,335	35,532,989	1,575,346
Excess (deficiency) of revenues over (under) expenditures	874,712	987,783	2,691,563	1,703,780
OTHER FINANCING SOURCES (USES)				
Transfers out	(2,970,000)	(4,420,000)	(4,420,000)	-
GO bonds issued	-	3,635,000	3,635,000	-
Premium on GO bonds issued	-	77,036	77,036	-
Payment to refunded bond escrow agent	-	(3,666,048)	(3,666,048)	-
Sale of capital assets	-	-	(1,967)	(1,967)
Contingency	(50,000)	(2,305)	(311)	1,994
Total other financing sources (uses)	(3,020,000)	(4,376,317)	(4,376,290)	27
Net change in fund balances	(2,145,288)	(3,388,534)	(1,684,727)	1,703,807
Fund balance - beginning	25,351,469	20,702,147	25,751,349	399,880
Fund balance - ending	\$ 23,206,181	\$ 17,313,613	\$ 24,066,622	\$ 2,103,687

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

CITY OF GERMANTOWN, TENNESSEE

STATEMENT OF NET ASSETS - PROPRIETARY FUNDS

June 30, 2009

ASSETS	Business Type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	Utility Fund	Athletic Club Fund	Sanitation Fund	Total	
Current assets:					
Cash and cash equivalents	\$ 7,395,493	\$ 667,323	\$ 412,828	\$ 8,475,644	\$ 1,830,963
Investments	1,955,638	236,370	146,226	2,338,234	-
Receivables:					
Customers and developers	1,046,646	-	189,721	1,236,367	-
Others	568	19,007	-	19,575	5,930
Less allowance for doubtful accounts	(52,050)	(17,114)	(25,815)	(94,979)	-
Net receivables	995,164	1,893	163,906	1,160,963	5,930
Inventories	42,586	8,176	-	50,762	59,456
Total current assets	10,388,881	913,762	722,960	12,025,603	1,896,349
Noncurrent assets:					
Capital assets, not being depreciated					
Land	310,132	2,391,580	-	2,701,712	-
Construction in progress	5,789,239	-	-	5,789,239	-
Total non-depreciable assets	6,099,371	2,391,580	-	8,490,951	-
Capital assets, being depreciated					
Buildings and improvements	171,321	16,970,447	-	17,141,768	319,511
Water treatment plant	12,040,832	-	-	12,040,832	-
Water mains and laterals 22,148,	747	-	-	22,148,747	-
Sewer mains and laterals	23,930,452	-	-	23,930,452	-
Machinery and equipment	2,298,873	710,540	17,572	3,026,985	306,146
Less accumulated depreciation	(21,480,677)	(6,306,772)	(17,572)	(27,805,021)	(470,771)
Total depreciable assets, net	39,109,548	11,374,215	-	50,483,763	154,886
Total noncurrent assets	45,208,919	13,765,795	-	58,974,714	154,886
Total assets	\$ 55,597,800	\$ 14,679,557	\$ 722,960	\$ 71,000,317	\$ 2,051,235

(Continued)

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

CITY OF GERMANTOWN, TENNESSEE

STATEMENT OF NET ASSETS – PROPRIETARY FUNDS (CONTINUED)

June 30, 2009

	Business Type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	Utility Fund	Athletic Club Fund	Sanitation Fund	Total	
LIABILITIES					
Current liabilities:					
Accounts payable	\$ 745,634	\$ 225,003	\$ 334,977	\$ 1,305,614	\$ 359,080
Accrued interest payable	14,862	31,557	-	46,419	-
Unearned revenue	-	192,503	71,620	264,123	-
Advances from other funds - current	-	125,000	-	125,000	-
Bonds payable - current	776,025	-	-	776,025	-
Total current liabilities	<u>1,536,521</u>	<u>574,063</u>	<u>406,597</u>	<u>2,517,181</u>	<u>359,080</u>
Noncurrent liabilities:					
Customer deposits payable	403,757	20,169	-	423,926	-
Advances from other funds - net of current	-	1,375,000	-	1,375,000	-
Bonds payable - net of current	8,137,535	-	-	8,137,535	-
Total noncurrent liabilities	<u>8,541,292</u>	<u>1,395,169</u>	<u>-</u>	<u>9,936,461</u>	<u>-</u>
Total liabilities	<u>10,077,813</u>	<u>1,969,232</u>	<u>406,597</u>	<u>12,453,642</u>	<u>359,080</u>
NET ASSETS					
Invested in capital assets, net of related debt	36,158,956	13,765,795	-	49,924,751	154,886
Unrestricted	9,361,031	(1,055,470)	316,363	8,621,924	1,537,269
Total net assets	<u>\$ 45,519,987</u>	<u>\$ 12,710,325</u>	<u>\$ 316,363</u>	<u>58,546,675</u>	<u>\$ 1,692,155</u>
Adjustment to reflect the consolidation of internal service funds related to enterprise funds				58,271	
Net assets of business-type activities				<u>\$ 58,604,946</u>	

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

CITY OF GERMANTOWN, TENNESSEE

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

For the Year Ended June 30, 2009

	Business Type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	Utility Fund	Athletic Club Fund	Sanitation Fund	Total	
Operating Revenues:					
Water sales	\$ 4,321,582	\$ -	\$ -	\$ 4,321,582	\$ -
Sewer service charges	2,552,604	-	-	2,552,604	-
Connection and other fees	81,888	-	-	81,888	-
Forfeited discounts	62,060	-	36,644	98,704	-
Sanitation fees	-	-	3,773,782	3,773,782	-
Membership fees	-	2,117,181	-	2,117,181	-
Class fees	-	498,790	-	498,790	-
Daily admissions	-	19,209	-	19,209	-
Internal charges	-	-	-	-	4,674,646
Other income	12,701	368,714	-	381,415	-
Total operating revenues	7,030,835	3,003,894	3,810,426	13,845,155	4,674,646
Operating Expenses:					
Personnel services	1,560,332	1,427,313	40,096	3,027,741	709,715
Materials and supplies	178,231	144,075	28,126	350,432	19,106
Utilities	652,184	-	-	652,184	-
Sewage treatment fees	872,447	-	-	872,447	-
Landfill fees	-	-	511,745	511,745	-
Garbage collection fees	-	-	3,242,938	3,242,938	-
Other services and charges	1,732,809	1,420,041	2,183	3,155,033	3,305,719
Bad debt expense	-	2,903	-	2,903	-
Depreciation	1,293,426	553,002	-	1,846,428	31,997
Total operating expenses	6,289,429	3,547,334	3,825,088	13,661,851	4,066,537
Operating income (loss)	741,406	(543,440)	(14,662)	183,304	608,109
Nonoperating Revenues (Expenses):					
Interest on investments	222,502	6,537	16,978	246,017	-
Interest and fiscal charges	(255,419)	(66,201)	-	(321,620)	-
Gain on disposal of capital assets	29,760	-	-	29,760	-
Total nonoperating revenues (expenses)	(3,157)	(59,664)	16,978	(45,843)	-
Income (loss) before contributions and transfer	738,249	(603,104)	2,316	137,461	608,109
Contributions from developers	96,502	-	-	96,502	-
Transfers in	-	1,100,000	20,000	1,120,000	-
Change in net assets	834,751	496,896	22,316	1,353,963	608,109
Total net assets - beginning	44,685,236	12,213,429	294,047		1,084,046
Total net assets - ending	\$ 45,519,987	\$ 12,710,325	\$ 316,363		\$ 1,692,155
Adjustment to reflect the consolidation of internal service funds related to enterprise funds				68,330	
Change in net assets of business-type activities				\$ 1,422,293	

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

CITY OF GERMANTOWN, TENNESSEE

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS

For the Year Ended June 30, 2009

	Business-Type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	Utility Fund	Athletic Club Fund	Sanitation Fund	Totals	
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash received from customers	\$ 7,093,933	\$ 2,438,458	\$ 3,816,156	\$ 13,348,547	\$ 4,674,875
Cash paid to suppliers	(3,141,124)	(1,388,397)	(3,727,650)	(8,257,171)	(3,240,746)
Cash paid to employees	(1,569,937)	(1,421,967)	(66,832)	(3,058,736)	(717,826)
Net cash provided (used) by operating activities	2,382,872	(371,906)	21,674	2,032,640	716,303
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Transfer from other fund	-	1,100,000	20,000	1,120,000	-
Advances from other funds	-	(125,000)	-	(125,000)	-
Net cash provided by noncapital and related financing activities	-	975,000	20,000	995,000	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Bond and loan principal payments	(350,000)	-	-	(350,000)	-
Proceeds from issuance of bonds	5,000,000	-	-	5,000,000	-
Acquisition of capital assets	(5,257,738)	(285,760)	-	(5,543,498)	-
Proceeds from disposal of capital assets	29,760	-	-	29,760	-
Interest paid	(243,161)	(69,288)	-	(312,449)	-
Net cash used by capital and related financing activities	(821,139)	(355,048)	-	(1,176,187)	-
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchase of investments	104,119	(59,491)	(9,869)	34,759	-
Interest received	222,502	6,535	16,978	246,015	-
Net cash provided (used) by investing activities	326,621	(52,956)	7,109	280,774	-
Net increase (decrease) in cash and cash equivalents	1,888,354	195,090	48,783	2,132,227	716,303
Cash and cash equivalents - beginning	5,507,139	472,233	364,045	6,343,417	1,114,660
Cash and cash equivalents - ending	\$ 7,395,493	\$ 667,323	\$ 412,828	\$ 8,475,644	\$ 1,830,963

(Continued)

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

CITY OF GERMANTOWN, TENNESSEE

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS (CONTINUED)

For the Year Ended June 30, 2009

	Business-Type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	Utility Fund	Athletic Club Fund	Sanitation Fund	Totals	
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) By Operating Activities					
Operating income (loss)	\$ 741,406	\$ (543,440)	\$ (14,662)	\$ 183,304	\$ 608,109
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities					
Depreciation expense	1,293,426	553,002	-	1,846,428	31,997
(Increase) decrease in assets:					
Accounts receivable	50,772	1,010	8,073	59,855	230
Prepaid expenses	-	129,830	-	129,830	-
Inventories	(579)	(8,176)	-	(8,755)	55,365
Increase (decrease) in liabilities:					
Accounts payable	285,521	59,411	29,216	374,148	20,602
Accrued expenses	-	-	1,390	1,390	-
Customer deposits	12,326	2,552	-	14,878	-
Deferred revenue	-	(566,095)	(2,343)	(568,438)	-
Total adjustments	1,641,466	171,534	36,336	1,849,336	108,194
Net cash provided (used) by operating activities	<u>\$ 2,382,872</u>	<u>\$ (371,906)</u>	<u>\$ 21,674</u>	<u>\$ 2,032,640</u>	<u>\$ 716,303</u>
Noncash investing, capital, and financing activities:					
Contributions of capital assets from developers	<u>\$ 96,502</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 96,502</u>	<u>\$ -</u>

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

CITY OF GERMANTOWN, TENNESSEE
STATEMENT OF FIDUCIARY NET ASSETS

June 30, 2009

	Pension Fund	OPEB Fund	Bail Deposit Fund
ASSETS			
Cash and cash equivalents	\$ 3,014,734	\$ 191,111	\$ 134,883
Investments, at fair value			
Common stock	5,937,323	-	-
Foreign stock	1,042,824	-	-
U.S. government obligations	509,918	-	-
U.S. government mortgage backed securities	4,913,930	-	-
Collateralized mortgage obligation	839,008	-	-
State and municipal bonds	2,397,535	-	-
Mutual funds - equity	8,244,783	635,447	-
Mutual funds - fixed income	-	442,420	-
Mutual funds - international	4,713,144	187,479	-
Corporate bonds	2,366,933	-	-
Foreign Bonds, Notes & Debenture	117,140		
Receivables:			
Accounts receivable	414	-	-
Interest	117,677	495	-
Total assets	<u>34,215,363</u>	<u>1,456,952</u>	<u>\$ 134,883</u>
LIABILITIES			
Accounts payable	444,626	32,529	\$ -
Deposits held in trust	-	-	134,883
Total liabilities	<u>444,626</u>	<u>32,529</u>	<u>\$ 134,883</u>
NET ASSETS			
Held in trust for pension benefits and OPEB	<u>\$ 33,770,737</u>	<u>\$ 1,424,423</u>	

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

CITY OF GERMANTOWN, TENNESSEE

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS

For the Year Ended June 30, 2009

	Pension Fund	OPEB Fund
ADDITIONS		
Contributions:		
Employer	\$ 1,803,515	\$ 940,278
Plan members	691,670	103,914
Total contributions	<u>2,495,185</u>	<u>1,044,192</u>
Investment Income (Loss):		
Net depreciation in fair value of investments	(6,503,630)	(120,635)
Interest and dividends	1,006,201	17,478
Total investment earnings (loss)	<u>(5,497,429)</u>	<u>(103,157)</u>
Total additions	(3,002,244)	941,035
DEDUCTIONS		
Benefits paid	1,646,142	418,064
Administrative expense	223,899	12,313
Total deductions	<u>1,870,041</u>	<u>430,377</u>
Change in net assets	(4,872,285)	510,658
Net assets - beginning	<u>38,643,022</u>	<u>913,765</u>
Net assets - ending	<u>\$ 33,770,737</u>	<u>\$ 1,424,423</u>

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

CITY OF GERMANTOWN, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2009

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting entity

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

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

B. Government-wide and fund financial statements

The government-wide financial statements (i.e., the statements of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

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

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the governmental-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

CITY OF GERMANTOWN, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2009

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

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

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

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

The City reports the following major governmental funds:

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

The City reports the following major proprietary funds:

The Utility Fund accounts for water and sewer fees in connection with the operation of the City's water and sewer system. The proceeds of several bond issues and intergovernmental loans have been used specifically for the construction or acquisition of water and sewer systems and facilities. Since it is the intention of the City to repay these bonds and loans through the operations of this fund, these obligations are classified as debt of this fund.

CITY OF GERMANTOWN, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2009

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

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

Additionally, the City reports the following fund types:

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

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

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

The Pension Fund, a private purpose trust fund, is used to account for the accumulation of resources to be used to provide defined retirement benefits to all qualified employees upon retirement.

The Other Post Employment Benefits Fund, a private purpose trust fund, is used to account for the accumulation of resources to be used to provide health and dental benefits to all qualified retired employees.

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

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-

CITY OF GERMANTOWN, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2009

sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government – wide financial statements.

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Utility Fund, Athletic Club Fund, and the Sanitation Fund are charges to customers for sales and services.

The Utility Fund also recognizes, as operating revenue, the portion of tap fees intended to recover the cost of connecting new customers to the system.

Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

D - Assets, liabilities and fund equity

1. Deposits and investments

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

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

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

CITY OF GERMANTOWN, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2009

2. Receivables and payables

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

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

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

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

3. Inventories

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

4. Restricted assets

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

5. Capital assets

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

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

CITY OF GERMANTOWN, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2009

Major outlays for capital assets and improvements are capitalized as projects are constructed. Property, plant and equipment of the primary government is depreciated using the straight-line method over the following estimated useful lives:

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

6. Compensated absences

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

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

7. Post Employment Benefits

In addition to providing pension benefits, the City provides health insurance coverage for current and future retirees and their spouses as described at Note 11.

8. Long-term obligations

In the governmental-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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

CITY OF GERMANTOWN, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2009

9. Fund equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

10. Fair Value Measurement

Effective July 1, 2008, the City adopted the provisions of the Financial Accounting Standards Board's Statement No. 157 – Fair Value Measurement (SFAS 157). SFAS 157 defines fair value, establishes a framework for measuring fair value, and establishes a fair value hierarchy which prioritizes the inputs to valuation techniques. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value into the following three broad levels:

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

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

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

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

The governmental fund balance sheet includes a reconciliation between fund balance - total governmental funds and net assets - governmental activities as reported in the government-wide statement of net assets. One element of that reconciliation explains that "long-term liabilities,

CITY OF GERMANTOWN, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2009

including bonds payable, are not due and payable in the current period and therefore are not reported in the funds." The details of this \$26,315,112 difference are as follows:

Bonds payable	\$ 26,055,000
Deferred amount for issuance premium	230,556
Deferred amount for issuance costs	(700,302)
Accrued interest payable	221,581
Compensated absences	508,277
Net adjustment to reduce - fund balance - total governmental funds to arrive at net assets - governmental activities	<u>\$ 26,315,112</u>

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

The governmental fund statement of revenues, expenditures, and changes in fund balances includes reconciliation between net changes in fund balances - total governmental funds and changes in net assets of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains that "Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. The details of the \$1,808,758 difference are as follows:

Capital outlay	\$ 5,722,755
Depreciation expense	<u>(3,913,997)</u>
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ 1,808,758</u>

Another element of that reconciliation states that "the issuance of long-term debt (e.g. bond, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities." The details of this \$3,959,378 difference are as follows:

CITY OF GERMANTOWN, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2009

Issuance of general obligation bonds	\$ (9,635,000)
Less: Premiums	(124,949)
Plus: Issuance costs	109,523
Principal repayments of general obligation debt	2,025,000
Payment to escrow agent for refunding	3,666,048
Net adjustment to increase net changes in fund balance - total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ (3,959,378)</u>

Another element of that reconciliation states that "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." The details of this \$36,526 difference are as follows:

Compensated absences	\$ (45,336)
Accrued interest	23,672
Amortization of issuance costs	(23,662)
Amortization of bond premium	8,800
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ (36,526)</u>

NOTE 3 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A - Budgetary information

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

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

CITY OF GERMANTOWN, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2009

from the governing body. Supplemental appropriations were required during the year and the accompanying budgetary data has been revised for amendments authorized by resolution during the year. The basis of accounting applied to budgetary data presented is consistent with the appropriate basis of accounting for each fund type.

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

B. Excess of expenditures over appropriations

For the year ended June 30, 2009, expenditures did not exceed appropriations in any fund.

C. Budgetary basis of accounting

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

NOTE 4 - DETAILED NOTES ON ALL FUNDS

A. Deposits and investments

As of June 30, 2009, the City had the following investments:

Investment Type	Fair Value	Weighted Average Maturities (Years)
Common Stock	\$ 5,937,323	-
Foreign Stock	1,042,824	
U.S. Treasuries	509,918	6.7
U.S. Government Mortgage Backed Securities	16,448,599	4.5
State and Municipal Bonds	2,397,535	6.0
Corporate Bonds	2,366,933	9.9
Foreign Bonds, Notes & Debenture	117,140	
Mutual Funds - Equity	8,880,230	
Mutual Funds - Fixed Income	442,420	
Mutual Funds - International	4,900,623	
Total fair value	<u>\$ 43,043,545</u>	
Portfolio weighted average maturity		6.2

CITY OF GERMANTOWN, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2009

The City invests in various fixed income debt securities such as U.S. treasuries, U.S. government backed mortgage securities, state and municipal bonds, and corporate bonds. These fixed income debt securities all fall within Level 1 of the hierarchy for valuation purposes under SFAS 157. Credit quality distributions for investments in fixed income debt securities, with credit risk as a percentage of total investments are approximately as follows at June 30:

U.S. Treasuries				Corporate Bonds			
Moody's	Amount	S&P	Amount	Moody's	Amount	S&P	Amount
Aaa	\$ 509,918	AAA	\$ 509,918	Aaa	\$ 139,500	AAA	\$ 264,397
				Aa2	454,763	AA+	83,096
				Aa3	267,588	AA	216,708
				A1	384,317	AA-	153,346
				A2	532,119	A+	442,420
				A3	510,158	A	933,479
				Baa2	78,488	A-	181,265
						BBB+	92,222

State and Municipal Bonds			
Moody's	Amount	S&P	Amount
Aaa	\$ 189,063	AAA	\$ 876,120
Aa1	282,705	AA+	214,814
A2	233,879	AA	376,437
Aa2	287,571	AA-	107,148
Aa3	585,839	A+	330,493
A3	247,570	A	384,991
Baa1	140,531	NR	107,532
NR	430,377		

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

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

Credit Rate Risk – The City adopted the investment policy of the State of Tennessee whereby deposits or investments are secured by the obligations of the United States or the State of Tennessee having a market value of at least 105% of the deposit or investment; provided further that the said securities are held by a third party preferably a Federal Reserve Bank or a Federal Home Loan Bank. The City investment in the Tennessee Local Government Investment Pool whose investments are time deposits, such as CDs, commercial paper, U.S. agency securities, repurchase agreements, and U.S. treasuries. The Tennessee Local Government Investment Pool Investment Policy governs the investing of these funds. Also, the City's investment in U.S. Treasuries, U.S. Government Mortgage Backed Securities were rated Aaa by Moody's Investors Services and AAA by Standard & Poor's.

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

CITY OF GERMANTOWN, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2009

Federal Home Loan Bank	\$ 4,112,500	9.6%
Federal Home Loan Mortgage Corporation	6,583,256	15.3%
Federal National Mortgage Association	1,368,244	3.2%
Federal National Loan Mortgage Corporation	3,494,652	8.1%
Government National Mortgage Association	889,947	2.1%

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

B. Receivables

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

	General	Nonmajor and Other Funds	Utility Fund	Athletic Club Fund	Sanitation Fund	Total
Receivables:						
Property taxes	\$ 22,035,087	\$ -	\$ -	\$ -	\$ -	\$ 22,035,087
Interest	75,672	-	-	-	-	75,672
Sales and income taxes	4,950,340	-	-	-	-	4,950,340
Federal and state grants	400,000	-	-	-	-	400,000
Accounts receivable	-	-	1,046,646	-	189,721	1,236,367
Other	-	199,230	568	19,007	-	218,805
Gross receivables	<u>27,461,099</u>	<u>199,230</u>	<u>1,047,214</u>	<u>19,007</u>	<u>189,721</u>	<u>28,916,271</u>
Less: allowance for uncollectibles	<u>(1,057,511)</u>	<u>-</u>	<u>(52,050)</u>	<u>(17,114)</u>	<u>(25,815)</u>	<u>(1,152,490)</u>
Net total receivables	<u>\$ 26,403,588</u>	<u>\$ 199,230</u>	<u>\$ 995,164</u>	<u>\$ 1,893</u>	<u>\$ 163,906</u>	<u>\$ 27,763,781</u>

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

C. Property Taxes

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

CITY OF GERMANTOWN, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2009

	<u>Assessment Rate</u>	<u>Assessed Value</u>
Residential real property	25%	\$ 1,057,734,155
Farm real property	25%	3,034,575
Commercial real property	40%	263,523,140
Public utilities real property	55%	14,652,167
Commercial personal property	30%	28,482,630
		<u>\$ 1,367,426,667</u>

The estimated actual value was \$5,082,693,103 making the overall assessed value 26.4% of the estimated actual value based on the State of Tennessee's certified Equalization Ratio for Shelby County of 100%.

Current tax collections for the year ended June 30, 2009 were 97.8% of the tax levy. The property tax levy is without legal limit. The rate, as permitted by Tennessee State Law and City Charter, is set annually by the Board of Mayor and Aldermen and collected by the City Clerk.

The property tax rate for the year ended June 30, 2009 was \$1.54 per \$100 of assessed value.

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

<u>Year</u>	<u>Taxes Receivable June 30, 2008</u>	<u>Taxes Levied And Accrued</u>	<u>Collections And Adjustments</u>	<u>Taxes Receivable June 30, 2009</u>
1999 & Prior	\$ 10,104	\$ -	\$ 7,525	\$ 2,579
2000	12,111	-	5,041	7,070
2001	11,976	-	8,302	3,674
2002	15,228	-	10,623	4,605
2003	27,189	-	5,392	21,797
2004	29,903	-	5,104	24,799
2005	34,977	-	7,695	27,282
2006	93,781	-	33,743	60,038
2007	423,348	-	294,724	128,624
2008	20,832,727	-	20,368,950	463,777
2009	-	21,291,084	-	21,291,084
Credit	(140)	-	102	(242)
	<u>\$ 21,491,204</u>	<u>\$ 21,291,084</u>	<u>\$ 20,747,201</u>	<u>\$ 22,035,087</u>

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

CITY OF GERMANTOWN, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2009

D. Capital assets

Capital asset activity for the year ended June 30, 2009 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 8,701,287	\$ 1,498,812	\$ -	\$ 10,200,099
Construction in progress	4,513,244	1,488,733	(1,142,568)	4,859,409
Total capital assets, not being depreciated	<u>13,214,531</u>	<u>2,987,545</u>	<u>(1,142,568)</u>	<u>15,059,508</u>
Capital assets, being depreciated:				
Buildings	28,756,620	608,836	(36,274)	29,329,182
Improvements other than buildings	70,633,535	1,474,787	-	72,108,322
Machinery and equipment	20,789,303	1,821,706	(380,228)	22,230,781
Total capital assets being depreciated	<u>120,179,458</u>	<u>3,905,329</u>	<u>(416,502)</u>	<u>123,668,285</u>
Less accumulated depreciation for:				
Buildings	(10,384,539)	(798,007)	8,722	(11,173,824)
Improvements other than building	(41,300,788)	(2,134,686)	-	(43,435,474)
Machinery and equipment	(16,199,068)	(1,013,301)	380,230	(16,832,139)
Total accumulated depreciation	<u>(67,884,395)</u>	<u>(3,945,994)</u>	<u>388,952</u>	<u>(71,441,437)</u>
Total capital assets, being depreciated, net	<u>52,295,063</u>	<u>(40,665)</u>	<u>(27,550)</u>	<u>52,226,848</u>
Governmental activities capital assets, net	<u>\$ 65,509,594</u>	<u>\$ 2,946,880</u>	<u>\$ (1,170,118)</u>	<u>\$ 67,286,356</u>

CITY OF GERMANTOWN, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2009

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-type Activities:				
Capital assets, not being depreciated:				
Land	\$ 2,701,712	\$ -	\$ -	\$ 2,701,712
Construction in progress	1,524,239	4,265,000	-	5,789,239
Total capital assets, not being depreciated	<u>4,225,951</u>	<u>4,265,000</u>	-	8,490,951
Capital assets, being depreciated:				
Buildings	15,330,670	227,532	-	15,558,202
Improvements other than buildings	59,214,695	488,902	-	59,703,597
Machinery and equipment	2,439,863	660,448	(73,146)	3,027,165
Total capital assets being depreciated	<u>76,985,228</u>	<u>1,376,882</u>	<u>(73,146)</u>	78,288,964
Less accumulated depreciation for:				
Buildings	(4,527,071)	(433,832)	-	(4,960,903)
Improvements other than building	(19,605,311)	(1,300,672)	-	(20,905,983)
Machinery and equipment	(1,899,537)	(111,924)	73,146	(1,938,315)
Total accumulated depreciation	<u>(26,031,919)</u>	<u>(1,846,428)</u>	<u>73,146</u>	<u>(27,805,201)</u>
Total capital assets, being depreciated, net	<u>50,953,309</u>	<u>(469,546)</u>	-	50,483,763
Business-type activities capital assets, net	<u>\$ 55,179,260</u>	<u>\$ 3,795,454</u>	<u>\$ -</u>	<u>\$ 58,974,714</u>

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

Governmental activities:		
General government		\$ 2,356,466
Public safety		685,168
Community service		714,062
Transportation		158,301
Capital assets held by the City's internal service funds are charged to the various functions based on their usage of the assets		<u>31,997</u>
Total depreciation expense - government activities		<u>\$ 3,945,994</u>
Business-type activities:		
Utility		\$ 1,293,426
Centre		553,002
Total depreciation expense - business-type activities		<u>\$ 1,846,428</u>

CITY OF GERMANTOWN, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2009

Construction commitments

The government has active construction projects as of June 30, 2009. At year end the government's commitments with contractors are as follows:

<u>Function / Activity</u>	<u>Commitment</u>
Intersections	\$ 203,214
Drainage	1,727,666
Parks and recreation	207,494
General government	1,185,907
Utility	1,537,580
Germantown Athletic Club	739,992
	<u>\$ 5,601,853</u>

E. Interfund Receivables, Payables, and Transfers

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

Advances from/to other funds

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Athletic Club	<u>\$ 1,500,000</u>

The composition of interfund transfers for the year ended June 30, 2009, is as follows:

	Transfer In:			<u>Total</u>
	<u>Non-major Governmental</u>	<u>Athletic Club Fund</u>	<u>Sanitation Fund</u>	
Transfer out:				
General Fund	<u>\$ 4,100,000</u>	<u>\$ 300,000</u>	<u>\$ 20,000</u>	<u>\$ 4,420,000</u>

Transfers were made to provide sufficient positive fund balance within the special revenue and capital project funds.

CITY OF GERMANTOWN, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2009

F. Long Term Debt

General obligation bonds

The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities.

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

Revenue bonds

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

Advance and current refundings

The City issued \$9,635,000 of general obligation refunding bonds to provide resources to purchase U.S. Government securities that were placed in an irrevocable trust for the purposes of generating resources for all future debt service payments of \$3,490,000 of general obligation bonds. As a result, the refunded bonds were considered to be defeased and the liability has been removed from the governmental activities column of the statement of net assets. The reacquisition price exceeded the net carrying amount of old debt by \$176,048. This amount is being netted against the new debt and amortized over the remaining life of the refunded debt, which is shorter than the life of the new debt issued. This advance refunding was undertaken to reduce total debt service payments over the next 13 years by \$151,943 and resulted in an economic gain of \$178,775.

CITY OF GERMANTOWN, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2009

Changes in long-term liabilities

Long-term liability activity for the year ended June 30, 2009, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Bonds payable - general obligation	\$ 21,935,000	\$ 9,635,000	\$ (5,515,000)	\$ 26,055,000	\$ 2,075,000
Plus (less) deferred amounts:					
For issuance premium	114,407	124,949	(8,800)	230,556	17,122
For issuance costs	(438,393)	(285,571)	23,662	(700,302)	37,204
Compensated absences	462,941	119,142	(73,806)	508,277	54,977
Governmental activity long-term liabilities	<u>\$ 22,073,955</u>	<u>\$ 9,593,520</u>	<u>\$ (5,573,944)</u>	<u>\$ 26,093,531</u>	<u>\$ 2,184,303</u>
Business-type activities:					
Revenue bonds	\$ 4,250,000	\$ 5,000,000	\$ (350,000)	\$ 8,900,000	\$ 775,000
Plus (less) deferred amounts:					
For issuance premium	87,286	79,340	(16,663)	149,963	16,650
For issuance cost	(73,002)	(83,263)	19,862	(136,403)	(15,625)
Business-type activity long-term liabilities	<u>\$ 4,264,284</u>	<u>\$ 4,996,077</u>	<u>\$ (346,801)</u>	<u>\$ 8,913,560</u>	<u>\$ 776,025</u>

For the governmental activities, compensated absences are generally liquidated by the general fund.

For the governmental activities, \$4,177,560 of bond proceeds, for the current year, was not spent as of June 30, 2009. As such, these proceeds were not included in the calculation of invested in capital assets, net of related debt.

CITY OF GERMANTOWN, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2009

Bonds and similar debt payable at June 30, 2009, are comprised of the following individual issues:

	<u>Interest Rates</u>	<u>Original Issue</u>	<u>Balance Outstanding at Year End</u>
Governmental activities:			
Bonds payable:			
1997 Serial Bonds	4.5-4.75	\$ 9,800,000	\$ 455,000
2000 Serial Bonds	4.6-4.8	5,590,000	355,000
2002 Serial Bonds	1.5-4.85	7,845,000	1,565,000
2005 Serial Bonds	2.7-3.85	9,695,000	9,050,000
2006 Serial Bonds	4.00	5,555,000	4,995,000
2009 Serial Bonds	3.0-4.2	9,635,000	9,635,000
		<u>\$ 48,120,000</u>	26,055,000
Business-type activities:			
2006 Revenue Bond	4.00	\$ 4,255,000	\$ 3,900,000
2008 Revenue Bond	3.0-4.0	5,000,000	5,000,000
		<u>\$ 9,255,000</u>	8,900,000
			<u>\$ 34,955,000</u>

Annual debt service requirements to maturity are as follows:

<u>Years Ending June 30</u>	<u>Government Activities</u>		<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2010	\$ 2,055,000	\$ 1,189,000	\$ 775,000	\$ 328,200
2011	2,175,000	988,665	825,000	300,775
2012	2,200,000	914,815	855,000	272,000
2013	2,305,000	693,973	880,000	241,663
2014	2,375,000	615,737	920,000	209,050
2015 - 2019	8,240,000	2,010,051	4,645,000	475,837
2020 - 2024	4,120,000	923,384	-	-
2025 - 2029	2,585,000	270,515	-	-
	<u>\$ 26,055,000</u>	<u>\$ 7,606,140</u>	<u>\$ 8,900,000</u>	<u>\$ 1,827,525</u>

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

CITY OF GERMANTOWN, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2009

NOTE 5 - EMPLOYEE RETIREMENT SYSTEM

A. Plan Description

The City of Germantown is the administrator of a single-employer public employee retirement system ("PERS") established and administered by the City to provide pension benefits for its employees. The PERS is considered to be part of the City of Germantown's financial reporting entity and is included in the City's financial reports as a pension trust fund. The Plan does not issue a stand-alone financial report.

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

At June 30, 2009, PERS membership consisted of:

Retirees and beneficiaries currently receiving benefits	98
Terminated employees entitled to benefits	126
Current employees:	
Vested	229
Nonvested	136
Total	<u>589</u>

B. Funding Policy

Emergency Services employees are required to contribute to the PERS. This contribution pays for an unreduced normal retirement benefit at age 55 to age 65. The normal retirement date for all other employees remains at age 62. The City contributes additional amounts necessary to finance the coverage for its employees. Benefits and contributions are established by the City and may be amended only by the Board of Mayor and Aldermen.

CITY OF GERMANTOWN, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2009

C. Basis of Accounting

PERS financial statements are prepared using the accrual basis of accounting. Employer contributions are recognized as revenues when due based upon the period in which employee services are performed. Benefit payments and refunds to participants are recognized when distributed, and plan expenses are recognized when incurred.

D. Plan Expenses

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

E. Method Used to Value Investments

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

F. Annual Pension Cost

For the year ended June 30, 2009, the City's annual pension cost of \$1,803,515 was equal to the required and actual contributions. The required contribution was determined as part of the July 1, 2009 annual actuarial valuation using the aggregate actuarial cost method. The aggregate actuarial cost method does not identify or separately amortize unfunded actuarial accrued liabilities. Significant actuarial assumptions used in the computation included (a) a rate of return on the investment of present and future assets of 8% a year compounded annually, (b) projected salary increases 4.5% per year, and (c) no post-retirement benefit increases. The inflationary rate is 2.5%. Payroll for employees covered by this plan was \$18,846,765.

CITY OF GERMANTOWN, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2009

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

Annual required contribution	\$ 1,803,515
Interest on net pension obligation	-
Adjustments to annual required contribution	-
Annual pension cost	1,803,515
Contributions made	1,803,515
Increase (decrease) in net pension obligation	-
Net pension obligation - beginning of year	-
Net pension obligation - end of year	\$ -

G. Trend Information

Trend information gives an indication of the progress made in accumulating sufficient assets to pay benefits when due. A ten-year (inception to date) summary of revenues by source and expenses by type and analysis of funding progress has been presented in the City's Comprehensive Annual Financial Report's supplemental section.

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

	2009	2008	2007
Annual Pension Cost	\$ 1,803,515	\$ 1,653,220	\$ 1,721,066
Percentage of APC contributed	100%	100%	100%
Net Pension Obligation	-	-	-

CITY OF GERMANTOWN, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2009

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

Actuarial Valuation Date	Actuarial Value of Assets	Unfunded Actuarial Accrued Liability-PUC	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
7/1/2004	\$ 24,647,166	\$ 7,964,485	76%	\$ 16,467,341	48%
7/1/2005	28,068,919	8,103,029	78%	15,884,991	51%
7/1/2006	31,718,460	9,892,642	76%	16,834,212	59%
7/1/2007	36,456,572	8,993,694	80%	16,594,653	54%
7/1/2008	40,668,198	9,615,201	81%	18,172,732	53%
7/1/2009	40,477,105	15,898,436	72%	18,846,765	84%

NOTE 6 - INTERFUND BALANCES AND TRANSACTIONS

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

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

NOTE 7 - COMMITMENTS AND CONTINGENCIES

Total rental expense for all funds for the year ended June 30, 2009 was \$280,873. There are no non-cancelable leases as of June 30, 2009.

Construction contract commitments at June 30, 2009 totaled \$5,601,853.

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

CITY OF GERMANTOWN, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2009

NOTE 8 - RISK MANAGEMENT

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

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

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

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

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

CITY OF GERMANTOWN, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2009

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

	Year ended June 30, 2009	Year ended June 30, 2008
Unpaid claims, beginning of fiscal year*	\$ 57,900	\$ 38,000
Incurring claims*	207,825	243,832
Claim payments	(191,825)	(223,932)
Unpaid claims, end of fiscal year*	\$ 73,900	\$ 57,900

*All amounts include "Incurred But Not Reported"

NOTE 9 - LEASE REVENUE

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

2010	\$ 301,214
2011	304,020
2012	308,161
2013	311,252
2014	318,082
Thereafter	2,332,073
	\$ 3,874,802

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

In addition, to the pension benefits described in Note 5, the City provides certain post-retirement health care benefits to employees who retire from the City under the provisions of PERS. The City, in conjunction with PERS, has established benefit provisions and contribution obligations. The premium charged retirees is a percentage of the group rate. Prior to January 1, 2008 the City's insurance became secondary to Medicare Insurance. After January 1, 2008 the plan was changed whereby future retirees could only obtain the City's dental and prescription drugs. At year-ended June 30, 2009, 52 retirees met the requirement for participation and participated in the plan. The City Trust paid \$418,064 in claims under the plan for the year-ended June 30, 2009.

CITY OF GERMANTOWN, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2009

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

A. Plan Description

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

B. Funding Policy

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

C. Accounting Policy

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

D. Annual OPEB Cost and Net OPEB Obligation

The City's annual other post employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC). The City has engaged an actuary to calculate the ARC and related information per the provisions of GASB Statement 45 for employers in plans with more than one hundred total plan members. The ARC represents a funding level that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The amortization method used is a level dollar, closed approach which amortizes the initial unfunded actuarial accrued liability over thirty years, actuarial gains/losses over ten years, and plan amendments over fifteen years.

CITY OF GERMANTOWN, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2009

The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan and the City's net OPEB obligation to the Trust at June 30, 2009:

<u>Annual OPEB Cost</u>	Fiscal Year Endin <u>6/30/2009</u>
Annual Required Contribution	\$ 855,451
Interest on net OPEB Obligation	64,159
Adjustment to Annual Required Contribution	<u>-</u>
Annual OPEB Expense	919,610
Net OPEB Contributions Made During the Fiscal Year	<u>919,610</u>
Net OPEB Obligation at End of Year	<u><u>\$ -</u></u>
 Percent of Expense Contributed	 100%

E. Funded Status and Funding Progress

As of June 30, 2009, the actuarial accrued liability for benefits was \$9,754,566 of which \$8,299,082 was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$18,846,765, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 44%.

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

F. Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employer and the plan members to the point. The methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial

CITY OF GERMANTOWN, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2009

value of assets, consistent with the long-term perspective of the calculations. The actuarial cost method is the projected unit credit cost method. The investment return was assumed to be 7.5% inclusive of 2.5% inflation, 0% projected salary increases, 0% post-retirement benefit increases, and a graded healthcare cost trend rate starting at 9% and grading down to 5% over 9 nine years. The following assumptions were made:

i. Measurement Date

July 1, 2008

ii. Discount Rate as of June 30, 2009

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

iii. Mortality Table

The 1983 Group Annuity Mortality Table was used.

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

iv. Withdrawal From Service

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

CITY OF GERMANTOWN, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2009

v. Opt-out Rates

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

vi. Medicare

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

vii. Marriage rates

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

viii. Health Care Trend Rate

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

ix. Salary Scale

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

CITY OF GERMANTOWN, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2009

x. Retirement Rates

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

<u>Age</u>	<u>General Services</u>	<u>Emergency Services</u>
	<u>Employees</u>	<u>Employees</u>
55	10%	10%
56	10%	10%
57	10%	10%
58	10%	10%
59	10%	10%
60	10%	10%
61	10%	10%
62	20%	100%
63	20%	
64	20%	
65	100%	

xi. Change in Assumptions

None.

xii. Change in Plan provisions

Prior to January 1, 2008 the City's insurance became secondary to Medicare Insurance. After January 1, 2008 the plan was changed whereby future retirees could only obtain the City's dental and prescription drugs.

CITY OF GERMANTOWN, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2009

G. Allocation of Post Employment Benefits

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

Government Activities:	
General government	\$ 210,362
Public safety	510,562
Community services	49,711
Transportation and environment	<u>84,487</u>
 Total governmental activities OPEB expense	 <u><u>\$ 855,122</u></u>

NOTE 11 - SELF-INSURED GROUP HEALTH INSURANCE BENEFITS

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

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

	<u>Group Health Insurance Fund</u>	
	<u>2009</u>	<u>2008</u>
Incurred Claims But Not Reported at Beginning of Fiscal Year	\$ 204,294	\$ 305,262
Claims Submitted for Fiscal Year	2,924,654	3,917,194
Increase in Incurred Claims	-	-
Total Available for Claims Payments	<u>3,128,948</u>	<u>4,222,456</u>
Claims Paid During Fiscal Year	<u>2,866,372</u>	<u>4,018,162</u>
Incurred Claims But Not Reported at End of Fiscal Year	<u><u>\$ 262,576</u></u>	<u><u>\$ 204,294</u></u>

The City maintains a liability in the Group Health Insurance Fund in the amount of \$262,576 which is incurred but not reported and was estimated by a third party administrator and is included in accounts payable.

**CITY OF GERMANTOWN
TENNESSEE**

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF GERMANTOWN, TENNESSEE

SCHEDULE OF PUBLIC EMPLOYEE RETIREMENT SYSTEM
EMPLOYER CONTRIBUTIONS

For the Year Ended June 30, 2009

<u>Year Ended June 30</u>	<u>Annual Required Contribution</u>	<u>Percent Contributed</u>
2004	\$ 1,443,145	100%
2005	1,502,285	100%
2006	1,541,065	100%
2007	1,721,066	100%
2008	1,653,220	100%
2009	1,803,515	100%

CITY OF GERMANTOWN, TENNESSEE

SCHEDULE OF OTHER POST EMPLOYMENT BENEFITS FUNDING PROGRESS

For the Year Ended June 30, 2009

Actuarial Valuaion <u>Date</u>	Actuarial Value of <u>Assets</u>	Unfunded Actuarial Accrued <u>Liability-PUC</u>	Funded <u>Ratio</u>	Covered <u>Payroll</u>	UAAL as a Percentage of Covered <u>Payroll</u>
7/1/2008	\$ 937,896	\$ 8,094,728	10.4%	\$ 18,172,732	45%
7/1/2009	1,455,484	8,299,082	14.9%	18,846,795	44%

CITY OF GERMANTOWN, TENNESSEE

COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS

June 30, 2009

	Special Revenue					Capital Projects						Total Nonmajor Governmental Funds
	State Street Aid	Automated Enforcement	Drug Enforcement	Pickering	Recreation	Major Roads	Intersections	General Government	Fire Dept	Parks Improvement	Drainage Projects	
ASSETS												
Cash and cash equivalents	\$ 1,555,768	\$ 141,783	\$ 210,944	\$ 111,901	\$ 238,819	\$ 1,108,140	\$ 473,053	\$ 665,402	\$ 2,879,096	\$ 944,354	\$ 2,680,704	\$ 11,009,964
Investments	551,062	50,220	-	39,604	84,591	392,509	167,558	235,689	-	334,496	949,520	2,805,249
Receivables - other	196,051	-	3,179	-	-	-	-	-	-	-	-	199,230
Restricted assets:												
Cash and cash equivalents	-	-	-	-	-	563,954	-	-	-	-	-	563,954
Total assets	\$ 2,302,881	\$ 192,003	\$ 214,123	\$ 151,505	\$ 323,410	\$ 2,064,603	\$ 640,611	\$ 901,091	\$ 2,879,096	\$ 1,278,850	\$ 3,630,224	\$ 14,578,397
LIABILITIES												
Accounts payable	\$ 635,962	\$ 29,970	63,314	\$ 7,033	\$ 15,096	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 751,375
Contracts payable	-	-	-	-	-	29,555	2,831	107,961	30,536	9,928	29,474	210,285
Intergovernmental loans	-	-	-	-	-	-	-	-	-	-	-	-
Deferred revenue	155,948	-	-	-	-	-	6,199	-	-	-	-	162,147
Total Liabilities	791,910	29,970	63,314	7,033	15,096	29,555	9,030	107,961	30,536	9,928	29,474	1,123,807
FUND BALANCES												
Reserved for encumbrances	229,251	91,500	6,407	17,666	110,133	807,829	36,107	376,332	67,416	102,419	1,804,654	3,649,714
Undesignated	1,281,720	70,533	144,402	126,806	198,181	1,227,219	595,474	416,798	2,781,144	1,166,503	1,796,096	9,804,876
Total fund balances	1,510,971	162,033	150,809	144,472	308,314	2,035,048	631,581	793,130	2,848,560	1,268,922	3,600,750	13,454,590
Total liabilities and fund balances	\$ 2,302,881	\$ 192,003	\$ 214,123	\$ 151,505	\$ 323,410	\$ 2,064,603	\$ 640,611	\$ 901,091	\$ 2,879,096	\$ 1,278,850	\$ 3,630,224	\$ 14,578,397

CITY OF GERMANTOWN, TENNESSEE

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

For the Year Ended June 30, 2009

	Special Revenue					Capital Projects						Total Nonmajor Governmental Funds
	State Street Aid	Automated Enforcement	Drug Enforcement	Pickering	Recreation	Major Roads	Intersections	General Government	Fire Dept	Parks Improvement	Drainage Projects	
REVENUES												
State gasoline taxes	\$ 1,080,314	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,080,314
Fees for services	-	-	-	25,484	241,599	-	-	-	-	-	-	267,083
Interest on investments	29,352	-	-	-	-	9,085	-	-	-	-	-	38,437
Grants	-	-	-	-	-	-	-	-	-	-	125	125
Other revenues	-	258,650	166,981	42,690	-	-	41,592	-	-	-	-	509,913
Total revenues	1,109,666	258,650	166,981	68,174	241,599	9,085	41,592	-	-	-	125	1,895,872
EXPENDITURES												
Personnel services	-	377,084	44,483	-	-	-	-	-	-	-	-	421,567
Material and supplies	2,292,037	3,514	95,754	1,324	36,700	-	-	-	-	-	-	2,429,329
Other services and charges	-	107,168	5,054	32,240	164,641	-	-	-	-	-	-	309,103
Architectural and engineering	-	-	-	-	-	545,633	40,907	296,155	149,696	46,939	218,700	1,298,030
Construction contracts	-	-	-	-	-	71,839	214,228	1,352,280	593,712	1,534,781	51,000	3,817,840
Other costs	-	-	34,411	-	47,622	-	-	-	-	-	-	82,033
Bond issuance costs	-	-	-	-	-	6,805	-	-	27,980	12,311	19,776	66,872
Total expenditures	2,292,037	487,766	179,702	33,564	248,963	624,277	255,135	1,648,435	771,388	1,594,031	289,476	8,424,774
Excess (deficiency) of revenues over (under) expenditures	(1,182,371)	(229,116)	(12,721)	34,610	(7,364)	(615,192)	(213,543)	(1,648,435)	(771,388)	(1,594,031)	(289,351)	(6,528,902)
OTHER FINANCING SOURCES (USES)												
Transfers in(out)	1,450,000	-	-	-	-	-	-	1,114,336	-	50,000	685,664	3,300,000
General obligation bonds issued	-	-	-	-	-	603,160	-	-	2,508,000	1,103,501	1,785,339	6,000,000
Pemium on general obligation bonds	-	-	-	-	-	4,840	-	-	19,980	8,810	14,285	47,915
Total other financing sources (uses)	1,450,000	-	-	-	-	608,000	-	1,114,336	2,527,980	1,162,311	2,485,288	9,347,915
Net change in fund balance	267,629	(229,116)	(12,721)	34,610	(7,364)	(7,192)	(213,543)	(534,099)	1,756,592	(431,720)	2,195,937	2,819,013
Fund balances - beginning	1,243,342	391,149	163,530	109,862	315,678	2,042,240	845,124	1,327,229	1,091,968	1,700,642	1,404,813	10,635,577
Fund balances - ending	\$ 1,510,971	\$ 162,033	\$ 150,809	\$ 144,472	\$ 308,314	\$ 2,035,048	\$ 631,581	\$ 793,130	\$ 2,848,560	\$ 1,268,922	\$ 3,600,750	\$ 13,454,590

CITY OF GERMANTOWN, TENNESSEE

SCHEDULE OF REVENUES – BUDGET AND ACTUAL –
GENERAL FUND

For the Year Ended June 30, 2009

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
PROPERTY TAXES				
Real property taxes	\$ 20,089,375	\$ 20,089,375	\$ 20,360,353	\$ 270,978
Personal property taxes	624,180	624,180	589,656	(34,524)
Penalties and interest - property taxes	95,000	95,000	110,482	15,482
Receipt in lieu of taxes - TVA	390,000	390,000	392,955	2,955
Receipt in lieu of taxes - MLGW	210,000	210,000	181,628	(28,372)
Total property taxes	21,408,555	21,408,555	21,635,074	226,519
LOCAL SALES TAXES				
Sales taxes	5,511,000	5,511,000	5,057,382	(453,618)
Beer and liquor taxes	599,940	599,940	614,680	14,740
Gross receipts tax	363,600	363,600	425,384	61,784
Penalties and interest - gross receipts tax	7,528	7,528	7,018	(510)
Room occupancy tax	525,200	525,200	441,838	(83,362)
Total local sales taxes	7,007,268	7,007,268	6,546,302	(460,966)
STATE TAXES (LOCAL SHARE)				
Sales taxes	2,843,070	2,843,070	2,688,079	(154,991)
Income taxes	1,850,000	1,850,000	2,514,017	664,017
Beer taxes	24,000	24,000	21,374	(2,626)
Liquor taxes	77,000	77,000	33,543	(43,457)
Property tax stabilization	90,200	90,200	88,155	(2,045)
Total state taxes (local share)	4,884,270	4,884,270	5,345,168	460,898
FINES AND FORFEITURES				
Traffic and other violations	265,234	265,234	246,456	(18,778)
City court costs	685,620	685,620	272,107	(413,513)
Other court costs	463,798	463,798	536,527	72,729
Animal impoundment fees	5,500	5,500	4,110	(1,390)
Total fines and forfeitures	1,420,152	1,420,152	1,059,200	(360,952)
LICENSES AND PERMITS				
Automobile registrations	903,950	903,950	872,196	(31,754)
Building permits	40,000	40,000	65,588	25,588
Animal licenses	79,790	83,133	77,405	(5,728)
Fence & sign permits	3,838	3,838	5,655	1,817
Liquor permits	18,150	18,150	17,625	(525)
Total licenses and permits	\$ 1,045,728	\$ 1,049,071	\$ 1,038,469	\$ (10,602)

(Continued)

CITY OF GERMANTOWN, TENNESSEE

SCHEDULE OF REVENUES – BUDGET AND ACTUAL –
GENERAL FUND (CONTINUED)

For the Year Ended June 30, 2009

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
FEES FOR SERVICES				
Engineering fees	\$ 43,680	\$ 43,680	\$ 19,570	\$ (24,110)
Fire inspection fees	2,000	2,000	4,060	2,060
Zoning applications	44,000	44,000	17,760	(26,240)
Library fees	97,600	102,814	159,787	56,973
Total fees for services	187,280	192,494	201,177	8,683
INTEREST ON INVESTMENTS	500,715	500,715	744,612	243,897
GRANTS	177,000	207,981	157,194	(50,787)
OTHER REVENUES				
Cable television fees	485,000	485,000	535,423	50,423
Miscellaneous	727,943	940,612	961,933	21,321
Total other revenues	1,212,943	1,425,612	1,497,356	71,744
Total revenues	\$ 37,843,911	\$ 38,096,118	\$ 38,224,552	\$ 128,434

CITY OF GERMANTOWN, TENNESSEE

SCHEDULE OF EXPENDITURES – BUDGET AND ACTUAL –
GENERAL FUND (CONTINUED)

For the Year Ended June 30, 2009

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
GENERAL GOVERNMENT				
Aldermen:				
Personnel services	\$ 82,391	\$ 82,370	\$ 74,285	\$ 8,085
Materials and supplies	20,000	21,122	21,122	-
Other services and charges	46,200	51,306	41,682	9,624
Total Aldermen	148,591	154,798	137,089	17,709
Administration:				
Personnel services	839,240	857,304	856,817	487
Materials and supplies	18,230	30,999	30,003	996
Other services and charges	523,485	506,586	503,063	3,523
Capital outlay	-	18,823	18,823	-
Expense reimbursement	(48,452)	(48,452)	(48,452)	-
Total Administration	1,332,503	1,365,260	1,360,254	5,006
Personnel:				
Personnel services	555,526	584,752	584,717	35
Materials and supplies	6,000	2,492	2,390	102
Other Services and charges	119,580	75,579	72,141	3,438
Expense reimbursement	(41,965)	(41,965)	(41,965)	-
Total Personnel	639,141	620,858	617,283	3,575
Information Technology:				
Personnel services	173,948	219,483	211,130	8,353
Materials and supplies	120,000	114,470	109,921	4,549
Other services and charges	649,516	506,270	420,958	85,312
Capital outlay	114,000	172,644	83,177	89,467
Expense reimbursement	(39,384)	(39,384)	(39,384)	-
Total Information Technology	1,018,080	973,483	785,802	187,681
Finance:				
Personnel services	1,071,268	1,104,220	1,103,032	1,188
Materials and supplies	64,275	51,324	50,828	496
Other services and charges	255,918	245,578	274,053	(28,475)
Expense reimbursement	(194,628)	(194,628)	(194,628)	-
Total Finance	\$ 1,196,833	\$ 1,206,494	\$ 1,233,285	\$ (26,791)

(Continued)

CITY OF GERMANTOWN, TENNESSEE

SCHEDULE OF EXPENDITURES – BUDGET AND ACTUAL –
GENERAL FUND (CONTINUED)

For the Year Ended June 30, 2009

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Research and Budget:				
Personnel services	\$ 194,268	\$ 215,870	\$ 214,628	\$ 1,242
Materials and supplies	12,750	12,750	10,426	2,324
Other services and charges	11,813	8,754	6,956	1,798
Expense reimbursement	(16,277)	(16,277)	(16,277)	-
Total Research and Budget	202,554	221,097	215,733	5,364
City Court:				
Personnel services	438,407	419,070	412,374	6,696
Materials and supplies	7,300	7,877	6,985	892
Other services and charges	50,786	55,531	51,003	4,528
Total City Court	496,493	482,478	470,362	12,116
Civic Support:				
Grants	514,000	697,081	687,547	9,534
Total Civic Support	514,000	697,081	687,547	9,534
Germantown Performing Arts Centre:				
Personnel services	682,053	777,763	775,972	1,791
Materials and supplies	33,700	20,285	18,614	1,671
Other services and charges	163,937	151,533	149,297	2,236
Capital outlay	7,000	-	-	-
Total Germantown Performing Arts Centre	886,690	949,581	943,883	5,698
Development:				
Personnel services	2,184,982	2,141,397	2,141,392	5
Materials and supplies	34,018	35,695	28,016	7,679
Other services and charges	321,830	249,374	239,756	9,618
Capital outlay	28,000	17,712	17,712	-
Expense reimbursement	(324,751)	(324,751)	(324,751)	-
Total Development	2,244,079	2,119,427	2,102,125	17,302
Building Maintenance:				
Personnel services	827,938	813,900	763,037	50,863
Materials and supplies	81,512	94,004	90,267	3,737
Other services and charges	362,661	356,164	265,746	90,418
Capital outlay	215,000	222,092	74,519	147,573
Total Building Maintenance	1,487,111	1,486,160	1,193,569	292,591
Total General Government	\$ 10,166,075	\$ 10,276,717	\$ 9,746,932	\$ 529,785

(Continued)

CITY OF GERMANTOWN, TENNESSEE

SCHEDULE OF EXPENDITURES – BUDGET AND ACTUAL –
GENERAL FUND (CONTINUED)

For the Year Ended June 30, 2009

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
PUBLIC SAFETY				
Police:				
Personnel services	\$ 8,121,091	\$ 8,214,541	\$ 8,115,429	\$ 99,112
Materials and supplies	432,940	417,601	354,912	62,689
Other services and charges	600,798	623,469	540,996	82,473
Capital outlay	243,000	121,411	85,397	36,014
Total Police	9,397,829	9,377,022	9,096,734	280,288
Fire:				
Personnel services	5,936,279	6,123,342	6,123,327	15
Materials and supplies	252,182	213,290	189,798	23,492
Other services and charges	901,186	899,645	839,387	60,258
Capital outlay	158,000	96,216	562	95,654
Total Fire	7,247,647	7,332,493	7,153,074	179,419
Total Public Safety	\$ 16,645,476	\$ 16,709,515	\$ 16,249,808	\$ 459,707
COMMUNITY SERVICES				
Parks & Recreation:				
Personnel services	\$ 2,002,263	\$ 1,516,206	\$ 1,497,672	\$ 18,534
Materials and supplies	166,785	103,745	89,792	13,953
Other services and charges	1,093,314	903,660	849,716	53,944
Capital outlay	138,000	89,197	32,782	56,415
Total Parks & Recreation	3,400,362	2,612,808	2,469,962	142,846
Cultural Arts Programs:				
Materials and supplies	41,100	43,359	32,174	11,185
Other services and charges	20,575	20,395	19,103	1,292
Total Cultural Arts Program	61,675	63,754	51,277	12,477
Library:				
Personnel services	-	2,500	532	1,968
Materials and supplies	7,874	123,852	115,722	8,130
Other services and charges	1,302,813	1,204,235	1,199,873	4,362
Total Library	1,310,687	1,330,587	1,316,127	14,460

(Continued)

CITY OF GERMANTOWN, TENNESSEE

SCHEDULE OF EXPENDITURES – BUDGET AND ACTUAL –
GENERAL FUND (CONTINUED)

For the Year Ended June 30, 2009

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Genealogical Library:				
Materials and supplies	-	21,965	18,492	3,473
Other services and charges	71,803	56,711	53,827	2,884
Capital outlay	-	9,999	9,999	-
Total Genealogical Library	71,803	88,675	82,318	6,357
Total Community Services	\$ 4,844,527	\$ 4,095,824	\$ 3,919,684	\$ 176,140
TRANSPORTATION AND ENVIRONMENT				
Public Services:				
Personnel services	\$ 1,776,006	\$ 2,210,838	\$ 2,199,512	\$ 11,326
Materials and supplies	94,937	123,893	105,946	17,947
Other services and charges	302,675	580,546	557,489	23,057
Capital outlay	110,000	33,678	33,668	10
Expense reimbursement	(435,798)	(435,798)	(435,798)	-
Total Environmental Services	1,847,820	2,513,157	2,460,817	52,340
Animal Control:				
Personnel services	213,777	217,662	216,631	1,031
Materials and supplies	36,300	33,740	32,762	978
Other services and charges	27,662	29,680	28,418	1,262
Total Animal Control	277,739	281,082	277,811	3,271
Total Transportation and Environment	2,125,559	2,794,239	2,738,628	55,611
DEBT SERVICE				
Bond and note principal	2,182,836	2,182,836	2,025,000	157,836
Interest and fiscal charges	1,004,726	1,006,551	810,284	196,267
Bond issuance costs	-	42,653	42,653	-
Total Debt Service	3,187,562	3,232,040	2,877,937	354,103
Total Expenditures	\$ 36,969,199	\$ 37,108,335	\$ 35,532,989	\$ 1,575,346

CITY OF GERMANTOWN, TENNESSEE

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

For the Year Ended June 30, 2009

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive(Negative)
	Original	Final		
STATE STREET AID				
REVENUES				
State gasoline taxes	\$ 1,195,000	\$ 1,195,000	\$ 1,080,314	\$ (114,686)
Interest on investments	17,600	17,600	29,352	11,752
Total revenues	1,212,600	1,212,600	1,109,666	(102,934)
EXPENDITURES				
Material and supplies	2,328,730	2,591,646	2,292,037	299,609
Excess (deficiency) of revenues over (under) expenditures	(1,116,130)	(1,379,046)	(1,182,371)	196,675
OTHER FINANCING SOURCES (USES)				
Transfers in	1,120,000	1,450,000	1,450,000	-
Net change in fund balances	3,870	70,954	267,629	196,675
Fund balance - beginning	657,976	937,145	1,243,342	585,366
Fund balance - ending	\$ 661,846	\$ 1,008,099	\$ 1,510,971	\$ 782,041
AUTOMATED ENFORCEMENT				
REVENUES				
Red lights	\$ 550,000	\$ 550,000	\$ 258,650	\$ (291,350)
EXPENDITURES				
Personnel services	285,163	377,421	377,084	337
Material and supplies	9,500	8,350	3,514	4,836
Other services and charges	219,800	297,792	107,168	190,624
Total expenditures	514,463	683,563	487,766	195,797
Net change in fund balances	35,537	(133,563)	(229,116)	(95,553)
Fund balance - beginning	366,130	334,238	391,149	25,019
Fund balance - ending	\$ 401,667	\$ 200,675	\$ 162,033	\$ (70,534)

(Continued)

CITY OF GERMANTOWN, TENNESSEE

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

For the Year Ended June 30, 2009

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive(Negative)
	Original	Final		
DRUG ENFORCEMENT				
REVENUES				
Other revenues	\$ 215,000	\$ 273,652	\$ 166,981	\$ (106,671)
EXPENDITURES				
Personnel services	100,000	92,835	44,483	48,352
Material and supplies	76,500	103,152	95,754	7,398
Other services and charges	35,750	33,165	5,054	28,111
Capital outlay	-	41,750	34,411	7,339
Total expenditures	212,250	270,902	179,702	91,200
Net change in fund balances	2,750	2,750	(12,721)	(15,471)
Fund balance - beginning	533,859	260,208	163,530	(370,329)
Fund balance - ending	\$ 536,609	\$ 262,958	\$ 150,809	\$ (385,800)
PICKERING				
REVENUES				
Fees for services	\$ 27,210	\$ 27,210	\$ 25,484	\$ (1,726)
Other revenues	38,000	38,000	42,690	4,690
Total revenues	65,210	65,210	68,174	2,964
EXPENDITURES				
Material and supplies	19,500	19,500	1,324	18,176
Other services and charges	40,105	40,264	32,240	8,024
Total expenditures	59,605	59,764	33,564	26,200
Net change in fund balances	5,605	5,446	34,610	29,164
Fund balance - beginning	100,166	96,391	109,862	9,696
Fund balance - ending	\$ 105,771	\$ 101,837	\$ 144,472	\$ 38,860

(Continued)

CITY OF GERMANTOWN, TENNESSEE

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

For the year ended June 30, 2009

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive(Negative)
	Original	Final		
RECREATION				
REVENUES				
Fees for services	\$ 304,735	\$ 304,735	\$ 241,599	\$ (63,136)
EXPENDITURES				
Material and supplies	46,869	50,715	36,700	14,015
Other services and charges	219,080	219,308	164,641	54,667
Capital outlay	250,000	250,000	47,622	202,378
Total expenditures	515,949	520,023	248,963	271,060
Net change in fund balances	(211,214)	(215,288)	(7,364)	207,924
Fund balance - beginning	311,729	311,729	315,678	3,949
Fund balance - ending	\$ 100,515	\$ 96,441	\$ 308,314	\$ 211,873
MAJOR ROADS				
REVENUES				
Interest on investments	\$ -	\$ -	\$ 9,085	\$ (9,085)
EXPENDITURES				
Architectural and engineering	450,000	920,960	545,633	375,327
Construction contracts	500,000	946,773	71,839	874,934
Bond issuance costs	-	6,805	6,805	-
Total expenditures	950,000	1,874,538	624,277	1,250,261
Excess (deficiency) of revenues over (under) expenditures	(950,000)	(1,874,538)	(615,192)	(1,259,346)
OTHER FINANCING SOURCES (USES)				
GO bonds issued	-	603,160	603,160	-
Premium on GO bonds issued	-	-	4,840	(4,840)
Total other financing sources (uses)	-	603,160	608,000	(4,840)
Net change in fund balances	(950,000)	(1,271,378)	(7,192)	(1,264,186)
Fund balance - beginning	1,121,367	899,506	2,042,240	920,873
Fund balance - ending	\$ 171,367	\$ (371,872)	\$ 2,035,048	\$ (343,313)

(Continued)

CITY OF GERMANTOWN, TENNESSEE

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

For the year ended June 30, 2009

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive(Negative)
	Original	Final		
INTERSECTIONS				
REVENUES				
Other revenues	\$ -	\$ 41,542	\$ 41,592	\$ 50
EXPENDITURES				
Architectural and engineering	-	55,800	40,907	14,893
Construction contracts	299,000	490,542	214,228	276,314
Total expenditures	299,000	546,342	255,135	291,207
Net change in fund balances	(299,000)	(504,800)	(213,543)	(291,157)
Fund balance - beginning	221,494	413,239	845,124	623,630
Fund balance - ending	\$ (77,506)	\$ (91,561)	\$ 631,581	\$ 332,473
GENERAL GOVERNMENT PROJECTS				
EXPENDITURES				
Architectural and engineering	\$ 421,000	\$ 491,378	\$ 296,155	\$ 195,223
Construction contracts	1,799,000	2,716,624	1,352,280	1,364,344
Total expenditures	2,220,000	3,208,002	1,648,435	1,559,567
Excess (deficiency) of revenues over (under) expenditures	(2,220,000)	(3,208,002)	(1,648,435)	1,559,567
OTHER FINANCING SOURCES (USES)				
Transfers in	1,050,000	1,114,336	1,114,336	-
Net change in fund balances	(1,170,000)	(2,093,666)	(534,099)	1,559,567
Fund balance - beginning	(940,583)	(1,172,006)	1,327,229	2,267,812
Fund balance - ending	\$ (2,110,583)	\$ (3,265,672)	\$ 793,130	\$ 3,827,379

(Continued)

CITY OF GERMANTOWN, TENNESSEE

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

For the year ended June 30, 2009

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive(Negative)
FIRE DEPT				
EXPENDITURES				
Architectural and engineering	\$ 178,000	\$ 207,600	\$ 149,696	\$ 57,904
Construction contracts	2,162,000	2,132,400	593,712	1,538,688
Bond issuance costs	-	27,980	27,980	-
Total expenditures	2,340,000	2,367,980	771,388	1,596,592
Excess (deficiency) of revenues over (under) expenditures	(2,340,000)	(2,367,980)	(771,388)	(1,596,592)
OTHER FINANCING SOURCES (USES)				
GO bonds issued	-	2,508,000	2,508,000	-
Premium on GO bonds issued	-	-	19,980	(19,980)
Total other financing sources (uses)	-	2,508,000	2,527,980	(19,980)
Net change in fund balances	(2,340,000)	140,020	1,756,592	(1,616,572)
Fund balance - beginning	398,380	1,091,566	1,091,968	693,588
Fund balance - ending	\$ (1,941,620)	\$ 1,231,586	\$ 2,848,560	\$ (922,984)
PARKS IMPROVEMENTS				
EXPENDITURES				
Architectural and engineering	\$ 28,000	\$ 146,310	\$ 46,939	\$ 99,371
Construction contracts	1,418,000	1,969,803	1,534,781	435,022
Bond issuance costs	-	12,311	12,311	-
Total expenditures	1,446,000	2,128,424	1,594,031	534,393
Excess (deficiency) of revenues over (under) expenditures	(1,446,000)	(2,128,424)	(1,594,031)	(534,393)
OTHER FINANCING SOURCES (USES)				
GO bonds issued	-	1,103,501	1,103,501	-
Premium on GO bonds issued	-	-	8,810	8,810
Transfers in	-	50,000	50,000	-
Total other financing sources (uses)	-	1,153,501	1,162,311	8,810
Net change in fund balances	(1,446,000)	(974,923)	(431,720)	(525,583)
Fund balance - beginning	768,634	1,021,664	1,700,642	932,008
Fund balance - ending	\$ (677,366)	\$ 46,741	\$ 1,268,922	\$ 406,425

(Continued)

CITY OF GERMANTOWN, TENNESSEE

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

For the year ended June 30, 2009

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive(Negative)
	Original	Final		
DRAINAGE PROJECTS				
REVENUES				
Grant proceeds	\$ -	\$ -	\$ 125	\$ (125)
EXPENDITURES				
Architectural and engineering	80,000	301,448	218,700	82,748
Construction contracts	2,520,000	2,450,224	51,000	2,399,224
Bond issuance costs	-	19,776	19,776	-
Contingency	200,000	90,287	-	90,287
Total expenditures	2,800,000	2,861,735	289,476	2,572,259
Excess (deficiency) of revenues over (under) expenditures	(2,800,000)	(2,861,735)	(289,351)	(2,572,384)
OTHER FINANCING SOURCES (USES)				
GO bonds issued	-	1,785,339	1,785,339	-
Premium on GO bonds issued	-	-	14,285	(14,285)
Transfers in	-	685,664	685,664	-
Total other financing sources (uses)	-	2,471,003	2,485,288	(14,285)
Net change in fund balances	(2,800,000)	(390,732)	2,195,937	(2,586,669)
Fund balance - beginning	(2,373,086)	(2,537,206)	1,404,813	3,777,899
Fund balance - ending	\$ (5,173,086)	\$ (2,927,938)	\$ 3,600,750	\$ 1,191,230

CITY OF GERMANTOWN, TENNESSEE

COMBINING STATEMENT OF NET ASSETS - INTERNAL SERVICE FUNDS

June 30, 2009

	Health Insurance	Vehicle Maintenance	Totals
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 1,585,192	\$ 245,771	\$ 1,830,963
Accounts receivable - other	5,930	-	5,930
Inventory	-	59,456	59,456
Total current assets	<u>1,591,122</u>	<u>305,227</u>	<u>1,896,349</u>
Noncurrent assets:			
Capital assets:			
Buildings	-	319,511	319,511
Machinery and equipment	-	306,146	306,146
	-	<u>625,657</u>	<u>625,657</u>
Less accumulated depreciation	-	(470,771)	(470,771)
Total capital assets	-	<u>154,886</u>	<u>154,886</u>
Total assets	<u>1,591,122</u>	<u>460,113</u>	<u>2,051,235</u>
LIABILITIES			
Current liabilities:			
Accounts payable	<u>262,576</u>	<u>96,504</u>	<u>359,080</u>
NET ASSETS			
Invested in capital assets	-	154,886	154,886
Unrestricted	1,328,546	208,723	1,537,269
Total net assets	<u>\$ 1,328,546</u>	<u>\$ 363,609</u>	<u>\$ 1,692,155</u>

CITY OF GERMANTOWN, TENNESSEE

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

For the Year Ended June 30, 2009

	Health Insurance	Vehicle Maintenance	Total
Operating Revenues:			
Charges for services	\$ 3,710,184	\$ 964,462	\$ 4,674,646
Operating Expenses:			
Personnel services	-	709,715	709,715
Materials and supplies	-	19,106	19,106
Other services and charges	3,102,075	203,644	3,305,719
Depreciation	-	31,997	31,997
Total operating expenses	<u>3,102,075</u>	<u>964,462</u>	<u>4,066,537</u>
Change in net assets	608,109	-	608,109
Total net assets - beginning	<u>720,437</u>	<u>363,609</u>	<u>1,084,046</u>
Total net assets - ending	<u>\$ 1,328,546</u>	<u>\$ 363,609</u>	<u>\$ 1,692,155</u>

CITY OF GERMANTOWN, TENNESSEE

COMBINING STATEMENT OF CASH FLOWS - INTERNAL SERVICE FUNDS

For the Year Ended June 30, 2009

	Health Insurance	Vehicle Maintenance	Totals
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers and users	\$ 3,710,414	\$ 964,461	\$ 4,674,875
Cash paid to suppliers	(3,043,793)	(196,953)	(3,240,746)
Cash paid to employees	-	(717,826)	(717,826)
Net cash provided (used) by operating activities	<u>666,621</u>	<u>49,682</u>	<u>716,303</u>
Cash and cash equivalents - beginning of the year	<u>918,571</u>	<u>196,089</u>	<u>1,114,660</u>
Cash and cash equivalents - end of the year	<u>\$ 1,585,192</u>	<u>\$ 245,771</u>	<u>\$ 1,830,963</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) By Operating Activities:			
Operating income (loss)	\$ 608,109	\$ -	\$ 608,109
Adjustment to reconcile operating income (loss) to net cash provided (used) by operating activities			
Depreciation expense	-	31,997	31,997
(Increase) decrease in accounts receivable	230	-	230
(Increase) decrease in inventories	-	55,365	55,365
Increase (decrease) in accounts payable	58,282	(37,680)	20,602
Total adjustments	<u>58,512</u>	<u>49,682</u>	<u>108,194</u>
Net cash provided (used) by operating activities	<u>\$ 666,621</u>	<u>\$ 49,682</u>	<u>\$ 716,303</u>

CITY OF GERMANTOWN, TENNESSEE

BAIL DEPOSIT AGENCY FUND
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

For the Year Ended June 30, 2009

	Balance July 1, 2008	Additions	Deletions	Balance June 30, 2009
Assets				
Cash and cash equivalents	\$ 112,514	\$ 236,244	\$ 213,875	\$ 134,883
Liabilities				
Deposits held in trust	\$ 112,514	\$ 236,244	\$ 213,875	\$ 134,883

CITY OF GERMANTOWN, TENNESSEE

SCHEDULE OF PRINCIPAL AND INTEREST MATURITIES
SERIAL GENERAL OBLIGATION BONDS

June 30, 2009

	Series 97 Bonds		Series 00 Bonds		Series 02 Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2010	\$ 455,000	\$ 10,806	\$ 355,000	\$ 154,318	\$ 505,000	\$ 203,435
2011	-	-	-	-	520,000	183,993
2012	-	-	-	-	540,000	163,193
2013	-	-	-	-	-	-
2014	-	-	-	-	-	-
2015	-	-	-	-	-	-
2016	-	-	-	-	-	-
2017	-	-	-	-	-	-
2018	-	-	-	-	-	-
2019	-	-	-	-	-	-
2020	-	-	-	-	-	-
2021	-	-	-	-	-	-
2022	-	-	-	-	-	-
2023	-	-	-	-	-	-
2024	-	-	-	-	-	-
2025	-	-	-	-	-	-
2026	-	-	-	-	-	-
2027	-	-	-	-	-	-
2028	-	-	-	-	-	-
2029	-	-	-	-	-	-
	<u>\$ 455,000</u>	<u>\$ 10,806</u>	<u>\$ 355,000</u>	<u>\$ 154,318</u>	<u>\$ 1,565,000</u>	<u>\$ 550,621</u>

(Continued)

CITY OF GERMANTOWN, TENNESSEE

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

June 30, 2009

	Series 05 Bonds		Series 06 Bonds	
	Principal	Interest	Principal	Interest
2010	\$ 235,000	\$ 303,223	\$ 300,000	\$ 199,800
2011	720,000	288,898	310,000	187,800
2012	740,000	266,998	690,000	175,400
2013	765,000	243,849	715,000	147,800
2014	790,000	218,963	735,000	119,200
2015	815,000	192,474	755,000	89,800
2016	845,000	164,458	490,000	59,600
2017	870,000	134,868	500,000	40,000
2018	900,000	103,893	130,000	20,000
2019	260,000	83,463	125,000	14,800
2020	270,000	73,923	125,000	9,800
2021	280,000	63,883	120,000	4,800
2022	290,000	53,338	-	-
2023	300,000	42,423	-	-
2024	310,000	31,060	-	-
2025	325,000	19,073	-	-
2026	335,000	6,449	-	-
2027	-	-	-	-
2028	-	-	-	-
2029	-	-	-	-
	<u>\$ 9,050,000</u>	<u>\$ 2,291,236</u>	<u>\$4,995,000</u>	<u>\$1,068,800</u>

(Continued)

CITY OF GERMANTOWN, TENNESSEE

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

June 30, 2009

	Series 09 Bonds		Total Series Bonds	
	Principal	Interest	Principal	Interest
2010	\$ 205,000	\$ 317,418	\$ 2,055,000	\$ 1,189,000
2011	625,000	327,974	2,175,000	988,665
2012	230,000	309,224	2,200,000	914,815
2013	825,000	302,324	2,305,000	693,973
2014	850,000	277,574	2,375,000	615,737
2015	480,000	252,074	2,050,000	534,348
2016	495,000	237,674	1,830,000	461,732
2017	510,000	222,824	1,880,000	397,692
2018	525,000	206,249	1,555,000	330,142
2019	540,000	187,874	925,000	286,137
2020	565,000	168,974	960,000	252,697
2021	580,000	149,199	980,000	217,882
2022	610,000	128,174	900,000	181,512
2023	330,000	105,299	630,000	147,722
2024	340,000	92,511	650,000	123,571
2025	355,000	78,911	680,000	97,984
2026	370,000	64,711	705,000	71,160
2027	385,000	49,911	385,000	49,911
2028	400,000	34,030	400,000	34,030
2029	415,000	17,430	415,000	17,430
	<u>\$ 9,635,000</u>	<u>\$ 3,530,359</u>	<u>\$26,055,000</u>	<u>\$ 7,606,140</u>

CITY OF GERMANTOWN, TENNESSEE

SCHEDULE OF PRINCIPAL AND INTEREST MATURITIES
SERIAL BONDS

June 30, 2009

	Series 06 Bonds		Series 08 Bonds		Total Series Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2010	\$ 365,000	\$ 156,000	\$ 410,000	\$ 172,200	\$ 775,000	\$ 328,200
2011	380,000	141,400	445,000	159,375	825,000	300,775
2012	395,000	126,200	460,000	145,800	855,000	272,000
2013	410,000	110,400	470,000	131,263	880,000	241,663
2014	430,000	94,000	490,000	115,050	920,000	209,050
2015	450,000	76,800	505,000	97,637	955,000	174,437
2016	470,000	58,800	520,000	78,400	990,000	137,200
2017	490,000	40,000	545,000	57,100	1,035,000	97,100
2018	510,000	20,400	565,000	34,900	1,075,000	55,300
2019	-	-	590,000	11,800	590,000	11,800
	<u>\$ 3,900,000</u>	<u>\$ 824,000</u>	<u>\$5,000,000</u>	<u>\$1,003,525</u>	<u>\$8,900,000</u>	<u>\$1,827,525</u>

CITY OF GERMANTOWN, TENNESSEE

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

For the Year Ended June 30, 2009

	Grant Number	Receivable (Deferral) 6/30/08	Receipts FY' 09	Expenditures FY' 09	Receivable (Deferral) 6/30/09
State Government Awards					
Department of Transportation	Z08023817	\$ -	\$ 4,665	\$ 4,665	\$ -
Department of State - Community Development	Z08212825-00	-	6,788	6,788	-
Department of State - Community Development	Z08212825-01	-	11,361	11,361	-
Department of State - Community Development	GG-09-26737-00	-	-	400,000	400,000
		<u>\$ -</u>	<u>\$ 22,814</u>	<u>\$ 422,814</u>	<u>\$ 400,000</u>

BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal and state awards includes the federal and state grant activity of the City of Germantown and is presented on the accrual basis of accounting. The information presented in this schedule may differ from amounts presented in, or used in the preparation of the financial statements.



**CITY OF GERMANTOWN, TENNESSEE
STATISTICAL SECTION**

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

<u>Contents</u>	<u>Page</u>
Financial Trends	99
These exhibits contain trend information to help the reader understand how the City’s financial performance and well-being have changed over time.	
Revenue Capacity	104
These exhibits contain information to help the reader assess the factors affecting the City’s ability to generate its property and sales taxes.	
Debt Capacity	113
These exhibits present information to help the reader assess the affordability of the City’s current levels of outstanding debt and the City’s ability to issue additional debt in the future.	
Demographic and Economic Information	117
These exhibits offer demographic and economic indicators to help the reader understand the environment within which the City’s financial activities take place, to help make comparisons over time and with other governments.	

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

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

	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
Governmental activities					
Invested in capital assets, net of related debt	\$ 45,178,360	\$ 39,655,346	\$ 39,655,346	\$ 34,419,127	\$ 35,229,522
Restricted	1,661,780	1,406,872	1,288,885	1,556,120	1,642,569
Unrestricted	33,988,429	39,928,257	35,020,161	33,723,089	28,236,735
Total governmental activities net assets	<u>\$ 80,828,569</u>	<u>\$ 80,990,475</u>	<u>\$ 75,964,392</u>	<u>\$ 69,698,336</u>	<u>\$ 65,108,826</u>
Business-type activities					
Invested in capital assets, net of related debt	\$ 49,924,751	\$ 50,914,976	\$ 46,556,454	\$ 45,205,036	\$ 44,982,477
Restricted	-	-	-	-	-
Unrestricted	8,680,195	6,267,677	6,216,531	2,884,810	763,811
Total business-type activities net assets	<u>\$ 58,604,946</u>	<u>\$ 57,182,653</u>	<u>\$ 52,772,985</u>	<u>\$ 48,089,846</u>	<u>\$ 45,746,288</u>
Primary government					
Invested in capital assets, net of related debt	\$ 95,103,111	\$ 90,570,322	\$ 86,211,800	\$ 79,624,163	\$ 80,211,999
Restricted	1,661,780	1,406,872	1,288,885	1,556,120	1,642,569
Unrestricted	42,668,624	46,195,934	41,236,692	36,607,899	29,000,546
Total primary government net assets	<u>\$ 139,433,515</u>	<u>\$ 138,173,128</u>	<u>\$ 128,737,377</u>	<u>\$ 117,788,182</u>	<u>\$ 110,855,114</u>

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

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

	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
General Revenues and Other Changes in Net Assets					
Governmental activities:					
Taxes					
Property taxes	\$ 21,586,250	\$ 21,192,804	\$ 20,551,945	\$ 20,102,440	\$ 19,270,811
Sales taxes (local share)	6,546,302	7,578,275	6,759,894	7,103,233	7,289,531
Intergovernmental/Unrestricted	5,345,168	6,840,979	7,161,274	5,716,104	4,906,417
Interest on investments	783,049	1,484,404	1,838,031	1,229,713	773,585
Other revenues	1,055,248	951,038	848,085	811,136	785,743
Gain (Loss) on disposal of capital assets	-	(95,252)	-	-	-
Transfer	(1,120,000)	(1,025,000)	(860,000)	(167,370)	-
Total governmental activities	<u>34,196,017</u>	<u>36,927,248</u>	<u>36,299,229</u>	<u>34,795,256</u>	<u>33,026,087</u>
Business-type activities:					
Interest on investments	246,017	449,147	406,427	113,173	38,364
Gain (Loss) on disposal of capital assets	29,760	385,974	-	-	-
Transfers	1,120,000	1,025,000	860,000	167,370	-
Total business-type activities	<u>1,395,777</u>	<u>1,860,121</u>	<u>1,266,427</u>	<u>280,543</u>	<u>38,364</u>
Total primary government	<u>\$ 35,591,794</u>	<u>\$ 38,787,369</u>	<u>\$ 37,565,656</u>	<u>\$ 35,075,799</u>	<u>\$ 33,064,451</u>
Change in Net Assets					
Governmental activities	\$ (161,906)	\$ 5,026,083	\$ 6,266,056	\$ 5,056,101	\$ 1,691,202
Business-type activities	1,422,293	4,409,668	4,683,139	2,343,558	(237,255)
Total primary government	<u>\$ 1,260,387</u>	<u>\$ 9,435,751</u>	<u>\$ 10,949,195</u>	<u>\$ 7,399,659</u>	<u>\$ 1,453,947</u>

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

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

	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
Expenses					
Governmental activities:					
General government	\$ 12,165,467	\$ 10,074,368	\$ 11,172,137	\$ 9,638,679	\$ 10,777,667
Public safety	16,687,140	16,918,305	15,186,485	14,231,653	13,496,390
Community services	4,775,897	5,201,066	5,329,489	5,897,428	5,516,813
Transportation and environment	5,088,019	4,279,001	2,891,573	3,868,498	4,620,915
Interest and fiscal charges	786,612	878,503	1,062,319	1,078,349	1,174,147
Total governmental activities expenses	<u>39,503,135</u>	<u>37,351,243</u>	<u>35,642,003</u>	<u>34,714,607</u>	<u>35,585,932</u>
Business-type activities:					
Utilities	6,502,565	6,100,526	5,928,575	5,581,195	5,065,689
Athletic Club	3,588,475	2,992,340	2,673,695	2,659,614	2,614,365
Sanitation	3,824,101	3,706,306	3,609,186	3,900,496	3,686,616
Total business-type activities expenses	<u>13,915,141</u>	<u>12,799,172</u>	<u>12,211,456</u>	<u>12,141,305</u>	<u>11,366,670</u>
Total primary government expenses	<u>53,418,276</u>	<u>50,150,415</u>	<u>\$ 47,853,459</u>	<u>\$ 46,855,912</u>	<u>\$ 46,952,602</u>
Program Revenues					
Governmental activities:					
Charges for services:					
General government	\$ 1,497,312	\$ 1,581,629	\$ 1,824,188	\$ 1,552,140	\$ 1,407,862
Public safety	446,496	630,712	1,050,389	638,670	434,272
Community services	610,060	554,945	567,634	483,461	385,687
Transportation and environment	953,711	972,327	982,354	980,535	978,076
Operating grants and contributions	1,237,633	1,547,919	450,883	513,490	743,749
Capital grants and contributions	400,000	162,546	733,382	807,156	301,401
Total governmental activities program revenues	<u>5,145,212</u>	<u>5,450,078</u>	<u>5,608,830</u>	<u>4,975,452</u>	<u>4,251,047</u>
Business-type activities:					
Charges for services:					
Utilities	7,030,835	7,991,054	8,486,257	7,628,554	4,458,056
Athletic Club	3,003,894	2,131,190	2,090,233	2,207,882	2,714,056
Sanitation	3,810,426	3,750,835	3,731,045	3,608,470	3,572,928
Operating grants and contributions	-	-	-	-	-
Capital grants and contributions	96,502	1,475,640	1,320,633	759,414	346,011
Total business-type activities program revenues	<u>13,941,657</u>	<u>15,348,719</u>	<u>15,628,168</u>	<u>14,204,320</u>	<u>11,091,051</u>
Total primary government program revenues	<u>\$ 19,086,869</u>	<u>\$ 20,798,797</u>	<u>\$ 21,236,998</u>	<u>\$ 19,179,772</u>	<u>\$ 15,342,098</u>
Net (expense)/revenue					
Governmental activities	\$ (34,357,923)	\$ (31,901,165)	\$ (30,033,173)	\$ (29,739,155)	\$ (31,334,885)
Business-type activities	26,516	2,549,547	3,416,712	2,063,015	(275,619)
Total primary government net expense	<u>\$ (34,331,407)</u>	<u>\$ (29,351,618)</u>	<u>\$ (26,616,461)</u>	<u>\$ (27,676,140)</u>	<u>\$ (31,610,504)</u>

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

Function/Program	2009	2008	2007	2006	2005
Governmental activities:					
General government	\$ 1,497,312	\$ 1,581,629	\$ 2,187,448	\$ 1,552,140	\$ 1,407,862
Public safety	446,496	630,712	1,588,031	1,155,561	622,282
Community services	610,060	554,945	850,997	1,287,216	1,217,966
Transportation and environment	953,711	972,327	982,354	980,535	1,002,937
Total governmental activities	<u>3,507,579</u>	<u>3,739,613</u>	<u>5,608,830</u>	<u>4,975,452</u>	<u>4,251,047</u>
Business-type activities:					
Utilities	7,030,835	7,991,054	9,806,890	8,387,968	4,804,067
Centre	3,003,894	2,131,190	2,090,233	2,207,882	2,714,056
Sanitation	3,810,426	3,750,835	3,731,045	3,608,470	3,572,928
Total business-type activities	<u>13,845,155</u>	<u>13,873,079</u>	<u>15,628,168</u>	<u>14,204,320</u>	<u>11,091,051</u>
Total primary government	<u>\$ 17,352,734</u>	<u>\$ 17,612,692</u>	<u>\$ 21,236,998</u>	<u>\$ 19,179,772</u>	<u>\$ 15,342,098</u>

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

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

	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000
General fund										
Reserved	\$ 2,824,036	\$ 2,090,726	\$ 2,296,984	\$ 2,210,255	\$ 2,335,255	\$ 2,573,220	\$ 2,361,270	\$ 2,905,145	\$ 419,703	\$ 585,793
Unreserved	21,242,586	23,660,623	23,741,000	21,087,404	20,084,787	20,208,863	17,064,094	16,009,835	17,939,925	14,956,715
Total general fund	<u>\$ 24,066,622</u>	<u>\$ 25,751,349</u>	<u>\$ 26,037,984</u>	<u>\$ 23,297,659</u>	<u>\$ 22,420,042</u>	<u>\$ 22,782,083</u>	<u>\$ 19,425,364</u>	<u>\$ 18,914,980</u>	<u>\$ 18,359,628</u>	<u>\$ 15,542,508</u>
All other governmental funds										
Reserved	\$ 3,649,714	\$ 3,225,017	\$ 2,514,591	\$ 4,603,913	\$ 4,603,913	\$ 2,121,201	\$ 1,734,128	\$ 2,421,687	\$ 531,762	\$ 4,362,648
Unreserve, reported in:										
Special revenue funds	1,821,642	1,791,386	1,526,765	1,342,842	1,240,148	1,177,503	499,248	426,677	660,895	726,384
Capital projects funds	7,983,234	5,619,174	4,954,762	4,215,186	(314,352)	4,309,956	4,406,266	6,003,168	5,241,118	4,989,952
Total all other governmental funds	<u>\$ 13,454,590</u>	<u>\$ 10,635,577</u>	<u>\$ 8,996,118</u>	<u>\$ 10,161,941</u>	<u>\$ 5,529,709</u>	<u>\$ 7,608,660</u>	<u>\$ 6,639,642</u>	<u>\$ 8,851,532</u>	<u>\$ 6,433,775</u>	<u>\$ 10,078,984</u>

Note: Any increase/decrease in fund balance is explained in the Management's Discussion and Analysis.

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

	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000
Revenues										
Taxes	\$ 34,606,858	\$ 36,882,620	\$ 34,496,302	\$ 32,878,675	\$ 31,626,486	\$ 30,465,931	\$ 26,407,532	\$ 25,695,180	\$ 24,970,386	\$ 23,845,490
Fines and forfeitures	1,059,200	1,107,391	1,327,456	1,080,416	896,692	904,842	872,559	896,665	813,432	822,182
Licenses and permits	1,038,469	1,059,548	1,052,800	1,050,238	1,037,867	1,050,742	954,481	963,150	938,942	959,182
Fees for services	468,260	469,961	439,648	732,136	1,071,380	268,319	219,817	183,965	167,397	148,521
Interest on investments	783,049	1,484,404	1,838,031	1,229,713	773,585	289,272	820,781	1,280,395	1,832,126	1,752,329
Grants	157,319	244,501	1,107,120	988,963	236,871	659,131	316,441	282,930	238,131	511,239
Other revenues	2,007,269	2,355,595	2,515,895	1,918,755	1,872,136	2,109,061	1,801,578	1,294,623	1,628,409	1,987,195
Total revenues	40,120,424	43,604,020	42,777,252	39,878,896	37,515,017	35,747,298	31,393,189	30,596,908	30,588,823	30,026,138
Expenditures										
General government	9,746,932	9,742,760	8,940,800	9,084,807	10,265,237	7,797,540	7,951,982	7,970,375	7,355,476	6,724,938
Public safety	16,917,276	16,700,245	14,826,704	14,271,995	13,787,738	12,514,362	11,565,916	11,370,365	10,807,308	10,360,560
Community services	4,202,211	4,995,877	4,753,135	4,775,028	4,622,165	3,949,855	3,758,999	3,293,349	3,030,186	2,697,316
Transportation and environment	5,030,665	4,140,337	4,583,977	3,986,024	3,507,403	3,444,064	3,454,248	3,316,889	3,448,270	2,663,166
Debt service										
Principal	2,025,000	1,950,000	2,250,000	1,985,005	2,028,175	2,029,132	2,666,624	6,369,700	5,706,309	2,771,897
Interest	810,284	900,535	1,086,395	1,076,192	1,506,532	1,563,275	1,694,940	1,765,290	2,215,471	2,141,456
Bond issuance cost	109,525	-	62,078	106,327	-	-	-	-	-	-
Capital outlay	5,115,870	2,827,924	3,913,926	3,363,442	4,238,759	1,308,292	2,094,013	1,382,202	3,811,765	6,009,828
Total expenditures	43,957,763	41,257,678	40,417,015	38,648,820	39,956,009	32,606,520	33,186,722	35,468,170	36,374,785	33,369,161
Excess of revenues over (under) expenditures	(3,837,339)	2,346,342	2,360,237	1,230,076	(2,440,992)	3,140,778	(1,793,533)	(4,871,262)	(5,785,962)	(3,343,023)
Other financing sources (uses)										
Transfers in	3,300,000	5,400,000	3,978,000	3,512,630	2,148,000	4,931,543	617,557	560,205	1,214,000	5,867,621
Transfers out	(4,420,000)	(6,425,000)	(4,838,000)	(3,680,000)	(2,148,000)	(5,019,543)	(617,557)	(560,205)	(1,861,200)	(6,020,621)
Debt Proceeds - General Obligation	9,635,000	-	-	4,800,000	-	-	-	7,845,000	5,590,000	-
Refunding bond issued	-	-	5,555,000	4,895,000	-	-	-	-	-	-
Discount on bond issued	-	-	-	(28,685)	-	-	-	-	-	-
Premium on bonds issued	124,951	-	123,207	-	-	-	-	-	-	-
Payment to refunded bond escrow agent	(3,666,048)	-	(5,612,314)	(4,752,581)	-	-	-	-	-	-
Contribution from developers	-	-	-	-	-	-	92,025	-	-	-
Sale of Capital Assets	(1,967)	-	-	-	-	-	-	-	-	-
Disposal of Capital Assets	-	31,482	8,372	-	-	-	-	-	-	-
Contingency	(311)	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	4,971,625	(993,518)	(785,735)	4,746,364	-	(88,000)	92,025	7,845,000	4,942,800	(153,000)
Net change in fund balances	\$ 1,134,286	\$ 1,352,824	\$ 1,574,502	\$ 5,976,440	\$ (2,440,992)	\$ 3,052,778	\$ (1,701,508)	\$ 2,973,738	\$ (843,162)	\$ (3,496,023)
Debt service as a percentage of noncapital expenditures	7.3%	8.0%	9.1%	8.7%	9.9%	11.5%	14.0%	23.9%	24.3%	18.0%

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

	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>
Property Taxes	\$ 21,635,074	\$ 21,208,026	\$ 20,575,134	\$ 20,059,338	\$ 19,430,538	\$ 18,837,713	\$ 14,293,406	\$ 13,905,209	\$ 13,109,908	\$ 12,765,780
Local Sales Taxes	6,546,302	7,578,275	6,759,894	7,103,233	7,289,531	7,235,582	6,710,898	6,349,762	6,441,675	5,977,470
State Taxes (Local Share)	6,425,482	8,096,319	7,161,274	5,716,104	4,906,417	4,392,636	5,403,228	5,440,209	5,418,803	5,102,240
Total	<u>\$ 34,606,858</u>	<u>\$ 36,882,620</u>	<u>\$ 34,496,302</u>	<u>\$ 32,878,675</u>	<u>\$ 31,626,486</u>	<u>\$ 30,465,931</u>	<u>\$ 26,407,532</u>	<u>\$ 25,695,180</u>	<u>\$ 24,970,386</u>	<u>\$ 23,845,490</u>

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

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

Calendar Year Ended	Real Property				Commercial Personal Property	Total Taxable Assessed Value	Tax Rate	Estimated Actual Taxable Value	Taxable Assessed Value as a Percentage of Actual Taxable Value
	Residential Property	Farm Property	Commercial Property	Public Utilities Property					
2009	1,057,734,155	3,034,575	263,523,140	14,652,167	28,482,630	1,367,426,667	1.54	5,082,693,103	26.90%
2008	1,032,906,875	3,096,525	256,651,090	14,500,493	25,959,580	1,333,114,563	1.54	4,936,751,633	27.00%
2007	1,010,925,200	3,817,725	248,191,850	15,073,276	25,036,090	1,303,044,141	1.54	4,812,012,156	27.08%
2006	986,502,650	3,224,050	244,805,450	14,500,278	25,378,780	1,274,411,208	1.54	4,703,993,042	27.09%
2005	865,853,775	2,531,400	193,242,850	13,569,564	24,394,450	1,099,592,039	1.70	4,079,819,735	26.95%
2004	850,046,225	2,586,975	193,993,995	13,158,662	24,715,700	1,084,501,557	1.70	4,006,706,149	27.07%
2003	836,979,200	2,578,025	188,845,035	15,061,817	23,570,420	1,067,034,497	1.30	3,941,450,922	27.07%
2002	821,754,975	3,304,675	184,752,050	14,932,615	21,751,350	1,046,495,665	1.30	3,863,671,009	27.09%
2001	680,905,200	1,769,075	137,887,360	13,324,876	17,928,410	851,814,921	1.47	3,162,240,847	26.94%
2000	656,986,575	2,341,650	133,541,160	14,829,804	18,276,920	825,976,109	1.47	3,034,411,700	27.22%

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

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

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

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

Calendar Year	Property Tax Rates (Per \$100 of Assessed Valuation)			Property Tax Levies		
	City	County	Total	City	County	Total
2009	\$ 1.54	\$ 4.06	\$ 5.60	\$ 20,832,727	\$ 730,042,595	\$ 750,875,322
2008	1.54	4.09	5.63	20,306,656	717,010,251	737,316,907
2007	1.54	4.09	5.63	19,770,408	704,279,575	724,049,983
2006	1.54	4.09	5.63	19,402,628	685,406,723	704,809,351
2005	1.70	4.09	5.79	18,462,382	683,544,849	702,007,231
2004	1.70	4.09	5.79	18,436,441	582,130,399	600,566,840
2003	1.30	3.79	5.09	13,675,645	561,971,390	575,647,035
2002	1.30	3.79	5.09	13,871,449	560,109,358	573,980,807
2001	1.47	3.54	5.01	12,325,804	454,523,923	466,849,727
2000	1.47	3.54	5.01	12,141,849	453,536,640	465,678,489

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

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

Taxpayer	2009			2000		
	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value	Taxpayer	Rank	Percentage of Total City Taxable Assessed Value
The Village at Germantown Inc.	\$ 14,683,160	1	1.07%			
Belz Investment Company (PSO)	9,046,960	2	0.66%	6,814,880	2	0.88%
UT Medical Group Inc.	7,494,760	3	0.55%			
Empirian Colonneade LLC 75%/Bushreal	7,482,480	4	0.55%			
BIC-MTS Partners (PSO)	6,583,840	5	0.48%	12,677,800	1	1.65%
Vinyards Apartments Inc.	6,398,880	6	0.47%	5,598,080	4	0.73%
Senter Crook Taylor Et Al	5,808,360	7	0.42%	3,219,840	7	0.42%
SWC Poplar FHI Partners LLC	5,697,000	8	0.42%			
Sherriff LLC	5,416,280	9	0.40%	4,121,440	5	0.53%
Lightman Exeter Village Co G P	5,033,440	10	0.37%			
Methodist Hospital of Memphis				2,897,830	9	0.38%
Wolf River Medical Center LTD				2,750,520	10	0.36%
Gables - Tennessee Properties				6,400,800	3	0.83%
Northwestern Mutual Life Insurance				3,319,400	6	0.43%
Wal-Mart Stores, Inc.				3,013,280	8	0.39%
Totals	\$ 73,645,160		5.39%	\$ 50,813,870		6.59%

Source: Shelby County Board of Assessments

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

<u>Fiscal Year</u>	<u>Total Tax Levy</u>	<u>Current Tax Collections</u>	<u>Percent of Levy Collected</u>	<u>Tax Collections</u>	<u>Total Tax Collections</u>	<u>Percent of Tax Collections to Tax Levy</u>	<u>Outstanding Delinquent Taxes</u>	<u>Percent of Outstanding Delinquent Taxes to Tax Levy</u>
2009	\$ 20,832,727	\$ 20,368,950	97.8%	\$ 378,149	\$ 20,747,099	99.6%	\$ 744,244	3.6%
2008	20,306,656	19,883,309	97.9%	374,873	20,258,182	99.8%	658,477	3.2%
2007	19,770,408	19,404,872	98.2%	351,506	19,756,378	99.9%	608,526	3.1%
2006	19,402,628	19,145,169	98.7%	225,092	19,370,261	99.8%	588,945	3.0%
2005	18,462,382	18,210,131	98.6%	414,081	18,624,212	100.9%	563,222	3.1%
2004	18,436,441	18,041,574	97.9%	312,653	18,354,227	99.6%	725,574	3.9%
2003	13,871,449	13,358,252	96.3%	394,144	13,752,396	99.1%	643,361	4.6%
2002	13,604,444	13,184,705	96.9%	313,916	13,498,621	99.2%	659,154	4.8%
2001	12,325,804	12,030,689	97.6%	536,865	12,567,554	102.0%	598,199	4.9%
2000	12,141,849	11,546,933	95.1%	674,890	12,221,823	100.7%	684,263	5.6%

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

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

	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>
Building Materials	\$ 5,821,268	\$ 6,135,150	\$ 6,275,280	\$ 6,160,411	\$ 6,058,189	\$ 5,894,979	\$ 5,242,496	\$ 5,448,522
General Merchandise	38,507,812	39,133,168	32,921,730	34,469,245	37,522,667	41,954,537	41,506,465	74,712,012
Food Stores	78,156,102	75,996,649	71,903,573	67,752,633	65,343,661	62,348,830	63,239,854	59,681,773
MV Dealers/Service Stations	10,453,608	10,286,392	10,302,064	10,766,590	8,830,661	8,131,042	8,649,799	5,342,156
Apparel & Accessories	58,064,064	65,690,412	69,010,888	75,397,435	73,683,104	69,569,801	66,097,398	63,081,423
Furniture & Home Décor	30,232,779	28,835,577	25,103,179	24,046,293	14,100,870	10,724,433	10,486,188	9,468,895
Eating & Drinking	54,040,756	53,590,618	54,146,824	54,329,183	53,126,259	50,175,236	50,685,736	49,662,075
Other Retail	57,354,174	57,804,063	64,786,132	61,721,161	58,961,427	57,059,440	58,633,120	58,320,548
Other	70,223,203	83,615,875	82,036,950	82,668,416	69,335,103	80,534,498	89,630,457	90,573,686
	<u>\$402,853,766</u>	<u>\$421,087,904</u>	<u>\$ 416,486,620</u>	<u>\$ 417,311,367</u>	<u>\$ 386,961,941</u>	<u>\$ 386,392,796</u>	<u>\$ 394,171,513</u>	<u>\$ 416,291,090</u>

Source: Tennessee Department of Revenue, Research Division

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

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

	2009				2001			
	Number of Filers	Percentage of Total	Tax Liability	Percentage of Total	Number of Filers	Percentage of Total	Tax Liability	Percentage of Total
Retail Trade	523	57.22%	\$ 7,218,085	80.75%	581	59.23%	\$7,434,855	83.73%
Services	236	25.82%	1,058,132	11.84%	254	25.89%	1,065,837	12.00%
Manufacturing	41	4.49%	84,723	0.95%	43	4.38%	66,975	0.75%
Wholesale Trade	70	7.66%	43,464	0.49%	63	6.42%	30,892	0.35%
Construction	10	1.09%	15,745	0.18%	10	1.02%	17,145	0.19%
Agriculture	12	1.31%	63,401	0.71%	13	1.33%	70,253	0.79%
Other, Non Classified	22	2.41%	455,084	5.09%	17	1.73%	193,080	2.17%
Total	914	100.00%	\$ 8,938,634	100.00%	981	100.00%	\$8,879,037	100.00%

Source: Tennessee Department of Revenue, Research Division.

Notes:

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

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

<u>Fiscal Year</u>	<u>City Direct Rate</u>	<u>Shelby County</u>	<u>State of Tennessee</u>
2009	1.125 %	1.125 %	7.00 %
2008	1.125	1.125	7.00
2007	1.125	1.125	7.00
2006	1.125	1.125	7.00
2005	1.125	1.125	7.00
2004	1.125	1.125	7.00
2003	1.125	1.125	7.00
2002	1.125	1.125	6.00
2001	1.125	1.125	6.00
2000	1.125	1.125	6.00

Source: State of Tennessee Financial Control

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

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

Fiscal Years	Governmental Activities				Business-type Activities		Total Primary Government	Percentage of Personal Income	Per Capita
	General Obligation Bonds	Demand Bonds	Capital Lease	Capital Note	Bonds	Intergovernmental Loans			
2009	\$ 26,055,000	-	-	-	8,900,000	-	34,955,000	20.53%	\$ 13,089
2008	21,935,000	-	-	-	4,250,000	-	26,185,000	16.00%	\$ 9,443
2007	23,885,000	-	-	-	4,585,000	-	28,470,000	17.57%	\$ 10,118
2006	26,000,000	-	-	-	4,905,000	-	30,905,000	21.00%	\$ 11,165
2005	22,885,000	-	-	-	5,205,000	87,887	28,177,887	19.40%	\$ 10,148
2004	24,913,175	-	-	-	5,680,000	213,945	30,807,120	22.80%	\$ 11,087
2003	26,901,860	-	39,158	-	6,140,000	333,215	33,414,233	27.30%	\$ 12,018
2002	29,389,580	-	219,351	-	6,575,000	446,703	36,630,634	32.50%	\$ 13,196
2001	27,365,000	-	589,493	180,000	6,990,000	554,362	35,678,855	29.50%	\$ 12,833
2000	26,505,000	321,342	855,433	360,000	7,395,000	656,516	36,093,291	30.00%	\$ 12,990

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

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

Fiscal Years	Governmental Activities				Total	Percentage of Actual Taxable Value of Property	Per Capita
	General Obligation Bonds	Demand Bonds	Capital Lease	Capital Note			
2009	\$ 26,055,000	-	-	-	\$ 26,055,000	0.51%	\$ 635.84
2008	21,935,000	-	-	-	21,935,000	0.44%	535.30
2007	23,885,000	-	-	-	23,885,000	0.50%	582.89
2006	26,000,000	-	-	-	26,000,000	0.55%	646.72
2005	22,885,000	-	-	-	22,885,000	0.56%	569.24
2004	24,913,175	-	-	-	24,913,175	0.62%	619.68
2003	26,901,860	-	39,158	-	26,941,018	0.68%	670.12
2002	29,389,580	-	219,351	-	29,608,931	0.77%	783.35
2001	27,365,000	-	589,493	180,000	28,134,493	0.89%	716.27
2000	26,505,000	321,342	855,433	360,000	28,041,775	0.92%	713.91

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

See schedule 7 for property value data.

Population data can be found in Exhibit F-22.

CITY OF GERMANTOWN, TENNESSEE
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
As of June 30, 2009

	<u>Net Outstanding Debt</u>	<u>Percentage Applicable City of Germantown</u>	<u>Overlapping Debt</u>
City Net General Obligation Debt	\$ 26,055,000	100.00%	\$ 26,055,000
Shelby County (including School Board)	<u>1,586,905,481</u>	8.17%	<u>129,709,755</u>
Direct, Overlapping, and Short-term Debt	<u>\$ 1,612,960,481</u>		<u>\$ 155,764,755</u>

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

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

Fiscal Year	Utility Service Charges	Less: Operating Expenses	Net Available Revenue	Debt Service		Coverage
				Principal	Interest	
2009	7,030,835	4,996,003	2,034,832	350,000	255,419	3.36
2008	7,991,054	4,826,184	3,164,870	335,000	116,296	7.01
2007	8,486,257	4,406,062	4,080,195	315,000	282,167	6.83
2006	7,628,554	4,183,328	3,445,226	387,887	230,104	5.57
2005	4,458,056	3,723,103	734,953	1,716,417	313,771	0.36
2004	4,061,994	3,560,778	501,216	1,694,629	337,650	0.25
2003	3,779,536	3,677,697	101,839	548,488	313,717	0.12
2002	4,015,844	3,502,537	513,307	522,659	335,973	0.60
2001	4,843,049	3,255,089	1,587,960	507,154	357,414	1.84
2000	4,747,863	2,951,923	1,795,940	493,975	377,338	2.06

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

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

Function/Program	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol units	37	39	38	37	37	37	37	37	37	33
Fire Stations	4	4	4	4	4	4	4	4	4	4
Other public works										
Streets (miles)	200	198.5	196.5	195.5	193.5	192.5	189.5	189.5	181.5	181.5
Highways (miles)	10.5	10.5	10.5	10.5	10.5	10.5	10.5	10.5	10.5	10.5
Streetlights	5,102	5,095	4,936	4,896	4,863	4,749	4,685	4,681	4,603	4,458
Parks and recreation										
Acreage	748	748	748	722	722	722	722	722	722	722
Playgrounds	26	26	26	27	27	25	23	23	23	22
Baseball/softball diamonds	21	21	21	21	22	22	22	22	22	22
Soccer/football fields	14	14	14	13	12	12	12	12	12	12
Community center	1	1	1	1	1	1	1	1	1	1
Water										
Water mains (miles)	207	206	205	200	199	199	194	194	190	180
Fire hydrants	2,357	2,351	2,334	2,317	2,290	2,254	2,248	2,247	2,230	2,189
Storage capacity (million gallons)	6375	6,375	6,375	6,375	6,375	6,375	6,375	6,375	6,375	6,375
Wastewater*										
Sanitary sewers (miles)	210	209	208	200	195	186	181	181	175	175

Sources: Various City departments.

Notes:

* Wastewater treatment is provided through the City of Memphis via an agreement between the City and Memphis. The charge is then passed on to the customer as a service fee on their monthly bill.

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

Function/Program	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000
Police										
Physical arrests	2,938	2,840	2,461	2,352	2,571	2,554	2,400	2,355	2,289	2,039
Parking violations	132	95	55	179	N/A	N/A	N/A	N/A	N/A	N/A
Traffic violations	17,995	17,271	15,362	13,868	15,363	15,703	13,803	13,921	14,515	18,985
Fire										
Emergency responses	2,789	2,703	2,790	2,685	2,574	2,435	2,193	2,304	2,228	1,971
Fires extinguished	114	119	152	141	117	166	203	198	214	188
Inspections	1,233	1,272	1,096	1,295	1,239	1,210	1,138	1,061	944	N/A
Other public works										
Street resurfacing (miles)	7.5	8.1	8.0	8.6	10.0	10.0	10.0	10.0	10.0	10.0
Parks and recreation										
Athletic field permits issued	159	178	153	205	N/A	N/A	N/A	N/A	N/A	N/A
Germantown Athletic Club										
*Admissions - per day	957	779	860	800	850	830	810	800	700	650
*Admissions - per year	344,763	284,404	301,000	288,000	306,000	298,000	291,600	288,000	252,000	234,000
**Library										
Volumes in collection	132,173	144,090	140,337	152,384	134,623	139,603	136,663	131,516	124,153	118,136
Total volumes borrowed	367,844	323,333	289,225	326,744	300,361	N/A	N/A	N/A	N/A	N/A
Water										
New connections	40	101	111	258	361	(6)	-	-	495	513
Water main breaks	7	6	8	15	15	15	15	15	15	15
Average daily consumption (TGL)	7.518	7.779	7.650	7.632	5.500	5.400	6.500	6.500	6.500	6.500
Peak daily consumption (TGL)	15.668	21.328	21.300	18.930	17.475	11.080	13.327	10.532	12.386	16.879

Sources: Various City departments.

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

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

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

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

Program/Cost Center: (Full Time Equivalents - Non-Exempt/Exempt Employees)	2009		2008		2007		2006		2005		2004		2003		2002		2001		2000	
	Full Time	Part Time	Full Time	Part Time	Full Time	Part Time	Full Time	Part Time	Full Time	Part Time	Full Time	Part Time	Full Time	Part Time	Full Time	Part Time	Full Time	Part Time	Full Time	Part Time
General Government																				
City Court Administration	6	-	5	-	5	-	6	-	6	3	6	-	6	-	6	-	5	-	5	1
Human Resources	5	2	9	2	9	2	7	1	7	1	8	1	8	1	9	1	8	1	9	1
Morgan Woods Theatre	6	-	6	-	6	-	6	-	6	-	6	-	6	-	6	-	6	-	5	-
Information Technology	-	-	-	-	-	-	-	-	1	-	1	-	1	-	1	-	1	-	1	-
GPAC	2	1	2	-	5	-	5	-	5	-	5	-	5	-	5	-	5	-	5	-
Finance	9	4	10	5	9	5	9	5	10	5	10	4	10	4	12	1	10	1	10	1
Community and Economic Development	15	1	16	-	15	1	17	-	17	-	17	-	18	-	21	-	20	-	19	1
Research & Budget	27	-	27	-	27	-	30	-	30	1	29	-	29	0	29	-	24	-	28	-
	2	-	2	1	3	1	3	1	3	1	3	-	3	-	-	-	-	-	-	-
Public Safety																				
Police	108	1	108	1	106	1	102	1	102	2	101	3	101	3	102	3	99	2	99	2
Fire	68	1	69	1	69	1	69	1	69	1	69	1	69	1	69	1	69	1	69	-
Transportation & Environment																				
Public Services	29	-	29	-	29	-	29	-	31	-	31	-	31	-	31	-	31	-	27	-
Fleet Services	10	-	10	-	11	-	11	-	11	-	11	-	11	-	11	-	11	-	11	-
Animal Control	4	-	4	-	4	-	4	-	4	-	2	-	4	-	4	-	4	-	3	-
Community Services																				
Parks & Recreation	32	4	33	3	37	3	39	3	39	4	39	2	42	2	40	2	39	6	38	7
Facility Services	16	-	10	3	10	3	10	3	10	2	10	2	10	2	12	-	10	-	10	-
Germantown Athletic Club																				
Recreation	10	12	8	15	15	15	12	15	12	18	12	15	12	18	15	30	11	22	10	22
Aquatics	2	13	2	13	3	13	3	14	3	15	3	12	3	15	-	-	-	-	-	-
Business	2	-	2	-	-	-	3	1	3	1	-	-	-	-	-	-	-	-	-	-
Utilities																				
Water	20	-	20	-	21	-	21	-	21	-	21	-	21	-	21	-	21	-	16	-
Sewer	6	-	6	-	6	-	6	-	7	-	7	-	7	-	7	-	7	-	7	-
Total	379	39	378	44	390	45	392	45	397	54	391	40	397	46	401	38	381	33	372	35

Source: City of Germantown

Notes:

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

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

Employer	2009			2000		
	Employees	Rank	Percentage of Total County Employment	Employees	Rank	Percentage of Total County Employment
Methodist Le Bonheur Hospital - Germantown	1,913	1	0.48%	N/A	N/A	N/A
Shelby County School System - Germantown Schools	758	2	0.19%	N/A	N/A	N/A
Baptist Rehabilitation - Germantown	526	3	0.13%	N/A	N/A	N/A
City of Germantown	379	4	0.10%	N/A	N/A	N/A
Campbell Clinic	300	5	0.08%	N/A	N/A	N/A
Orgill, Inc.	287	6	0.07%	N/A	N/A	N/A
O.R. Nurses	280	7	0.07%	N/A	N/A	N/A
El Porton	200	9	0.05%	N/A	N/A	N/A
Schnucks	191	8	0.05%	N/A	N/A	N/A
Stern Cardiovascular	186	10	0.05%	N/A	N/A	N/A

Note: Information from prior years not available.

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

	Population	1	Personal Income (thousands of dollars) 4	1	Per Capita Personal Income 4	School Enrollment 5	Unemployment Rate 6
2000	39,279		120,833		43,500	9,582	1.1
2001	37,798	2	112,786		40,603	8,915	1.3
2002	40,203	3	122,281		44,021	8,635	1.6
2003	40,203		135,081		48,629	8,659	1.8
2004	40,203		145,306		52,310	9,073	1.8
2005	40,203		147,394	4	53,165	8,914	4.1
2006	40,977	3	162,055	4	57,591	9,117	N/A*
2007	40,977		163,643	4	59,017	8,558	3.4
2008	40,977		170,252	4	61,275	8,363	4.5
2009	41,011		154,292	4	55,632	8,099	8.6

Sources:

(1) Estimated unless otherwise noted

(2) Federal Census

(3) Special Local Census

(4) Memphis Business Journal

(5) Shelby County Board of Education

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

2008 Unemployment rate derived from Sperlings BestPlaces.

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

CITY OF GERMANTOWN, TENNESSEE
SCHEDULE OF UNACCOUNTED FOR WATER
June 30, 2009

(All amounts in 1,000 gallons)

A Water Treated and Purchased:		
B Water Pumped (potable)	2,723,640	
C Water Purchased	0	
D Total Water Treated and Purchased		2,723,640
(Sum Line B and C)		
E Accounted for Water:		
F Water Sold	2,227,930	
G Metered for Consumption (in-house usage)	35,100	
H Fire Department(s) usage	3,500	
I Flushing	14,000	
J Tank Cleaning/Filling	400	
K Street Cleaning	0	
L Bulk Sales	0	
M Water Bill Adjustments	(14,173)	
N Total Accounted for Water		2,266,757
(Sum Line F thru M)		
O Unaccounted for Water		456,883
(Line D minus Line N)		
P Percent Unaccounted for Water		16.775%
(Line O divided by Line D times 100)		
Q Other (explain)		0

Explain Other: A zero was placed in other.

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

CITY OF GERMANTOWN, TENNESSEE
SCHEDULE OF UTILITY RATE STRUCTURE AND NUMBER OF CUSTOMERS
June 30, 2009

As of June 30, 2009, City of Germantown, Tennessee served approximately 13,246 water customers and had the following rate structure in place:

<u>Water Rates</u>		<u>Amount</u> (TGL=thousand Gallons)
Residential	Minimum (5 TGL)	\$ 6.75 per TGL
	6 TGL - 15 TGL	1.75 per TGL
	16 TGL - 50 TGL	1.90 per TGL
	51 to 999,999	2.40 per TGL
Commercial	Minimum (5 TGL)	10.13 per TGL
	6 TGL - 15 TGL	2.63 per TGL
	16 - 50 TGL	3.00 per TGL
	51 to 999,999	3.75 per TGL





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

1661 Aaron Brenner Drive • Suite 300
Memphis, Tennessee 38120
901.761.2720 • Fax: 901.683.1120

499 Gloster Creek Village • Suite F-9
Tupelo, Mississippi 38801
662.269.4014 • Fax: 662.269.4016

www.wucpas.com

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

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, the statement of budgetary comparison for the general fund, and the aggregate remaining fund information of the City of Germantown, Tennessee, (the "City") as of and for the year ended June 30, 2009, which collectively comprise the City's basic financial statements and have issued our report thereon dated November 25, 2009. 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.

Internal Control Over Financial Reporting

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

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combinations of control deficiencies, that adversely affects the City's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City's financial statements that is more than inconsequential will not be prevented or detected by the City's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City's internal control.

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

Compliance and Other Matters

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

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

Watkins Liberal, PLLC

Memphis, Tennessee
November 25, 2009