

CITY OF GERMANTOWN TENNESSEE

Comprehensive Annual Financial Report For the Fiscal Year Ended June 30, 2010

Prepared by the City of Germantown Finance Department

**CITY OF GERMANTOWN, TENNESSEE
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

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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 4, 2010

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, 2010. This document reports the sound financial position of the various funds of the City of Germantown and the financial results for operations during FY10. 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 significant growth and relocation of healthcare facilities in the City. Additionally, Germantown benefits from its proximity to the transportation, industrial and commercial sectors of the Memphis metropolitan area.

With a strong local economy and sound fiscal planning, the City of Germantown maintained a General Fund fund balance of 62.6% against operating expenditures in FY10. The City also maintained a Triple-A debt credit rating with Moody's and Standard & Poor's, one of just 65 municipalities in the nation to merit the highest ranking from both agencies.

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

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

Germantown's municipal services and amenities contribute to the quality of life of its residents; they also contribute to the attractiveness of the metropolitan area. Quality housing is a major "industry" for Germantown. The housing ranges from single-family subdivisions to zero-lot lines to congregate living for seniors, supplements a housing inventory in well-established neighborhoods and reflects 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 a university offer the broadest spectrum of educational resources.

OUR POLICY AGENDA

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

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

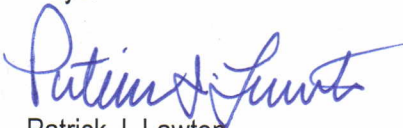
- ❑ a balanced, multi-year operating budget,
- ❑ a stable and diversified revenue structure,
- ❑ maintenance of adequate reserves and designation of fund balances,
- ❑ a multi-year capital improvements program, and
- ❑ debt and investment policies ensuring judicious management of the City's credit and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

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

Respectfully submitted,



Sharon Goldsworthy
Mayor



Patrick J. Lawton
City Administrator



CITY OF GERMANTOWN

TENNESSEE

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

December 4, 2010

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, 2010, 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, 2010, 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, 2010 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 conjunction with it. The City of Germantown's MD&A can be found immediately following the report of the independent auditors.

The Board of Mayor and Aldermen
City of Germantown, Tennessee:
December 4, 2010

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 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 – Our residents enjoy a low crime rate and affordable homeowner and business insurance premiums due to the efforts of our police and fire departments. The police have excellent emergency response times and provide enhanced services.

- Smart Growth – In 2008 the City adopted a Smart Growth code and plan to help position the City to stay on the cutting edge of retail development and changing shopping trends. We will continue to work with the development community in promoting the Smart Growth plan and through the completion of our transportation and connectivity plan for this redevelopment area.
- City Operating as a Business – This policy agenda item focuses on the continuation of transformation our city organization and the organization’s corporate culture into this public service business mode. This has been underscored during the past 18 to 24 months that the world for cities is changing.
- Germantown Economy – The City has become a highly desirable location for state of the art medical facilities and health care providers. Our ability to capitalize on our location, infrastructure and premier residential environment will further enhance economic development in this area and continue to provide a draw for new medical uses of technology.
- Neighborhood Preservation – The City continues to enforce the existing codes and ordinances and provide property maintenance inspections throughout the community. In exchange for this, the City will receive a return for its investment in terms of increased property tax revenue and in the preservation of the integrity of our neighborhoods.
- Transportation – An effective road system for automobile and traffic design management providing safety and efficient movement of vehicles are critical for our community. The strategy will focus on readable, attractive and regulatory road signs throughout our community and the effective enforcement of our traffic and speed laws.

Pension and Other Post Employment Benefits

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 for FY10 may be found on page 43 for emergency services personnel. The 2010 City contribution was \$2,269,772. The plan is professionally managed.

The City implemented Governmental Accounting Standard Board (GASB) 45 the Other Postemployment Benefits (OPEB) Fund. The OPEB is annually funded at recommended actuarial levels. In fiscal year 2010 the total contribution was \$931,373. The plan is professionally managed.

Long Term Financial Planning

The Board of Mayor and Aldermen adopts a Capital Improvement Program (CIP) that is a 6-year plan for capital expenditures to replace and expand the City’s infrastructure. The program is reviewed and updated annually to revise project cost estimates. The funding for the projects in

the CIP are from general obligation bonds, revenue bonds and state and federal funding. The major projects for FY10 are:

- Replacement of Fire Station Number 4.
- Major road construction of Farmington Boulevard Rehabilitation Phase I and Phase II, Germantown Road widening to the City limits, Poplar Avenue widening from Miller Farms to Dogwood, Extension of Wolf River Boulevard, Germantown Road Realignment and the widening of Forrest Hill-Irene.

The Board of Mayor and Aldermen
City of Germantown, Tennessee:
December 4, 2010

- Drainage projects of Howard Road and Mimosa Gardens Improvement.
- The Greenway Phase V and Phase VI around the City of Germantown.
- Sewer Outfall and Water Plant Refurbishment.

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 of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Germantown for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2009. This was the 28th consecutive year that the government has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

The Board of Mayor and Aldermen
City of Germantown, Tennessee:
December 4, 2010

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

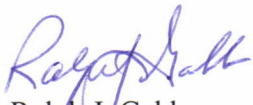
The Government Finance Officers Association of the United States and Canada (GFOA) has given an Award for Outstanding Achievement in Popular Annual Financial Reporting to the City of Germantown for its Popular Annual Financial Report for the fiscal year ended June 30, 2009. The Award for Outstanding Achievement in Popular Annual Financial Reporting is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government popular reports.

In order to receive an Award for Outstanding Achievement in Popular Annual Financial Reporting, a government unit must publish a Popular Annual Financial report, whose contents conform to program standards of creativity, presentation, understandability and reader appeal. An Award for Outstanding Achievement in Popular Annual Financial Reporting is valid for a period of one year only. The City of Germantown has received a Popular Award for the last two consecutive years (fiscal years ended 2008-2009). We believe our current report continues to conform to the Popular Annual Financial Reporting requirements, and we are submitting it to GFOA.

The City also received the GFOA's Distinguished Budget Presentation Award for its annual operating budget for the year ended June 30, 2010. The City has received the Award for each of the 25 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, 2009

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 be "J. R. Emer".

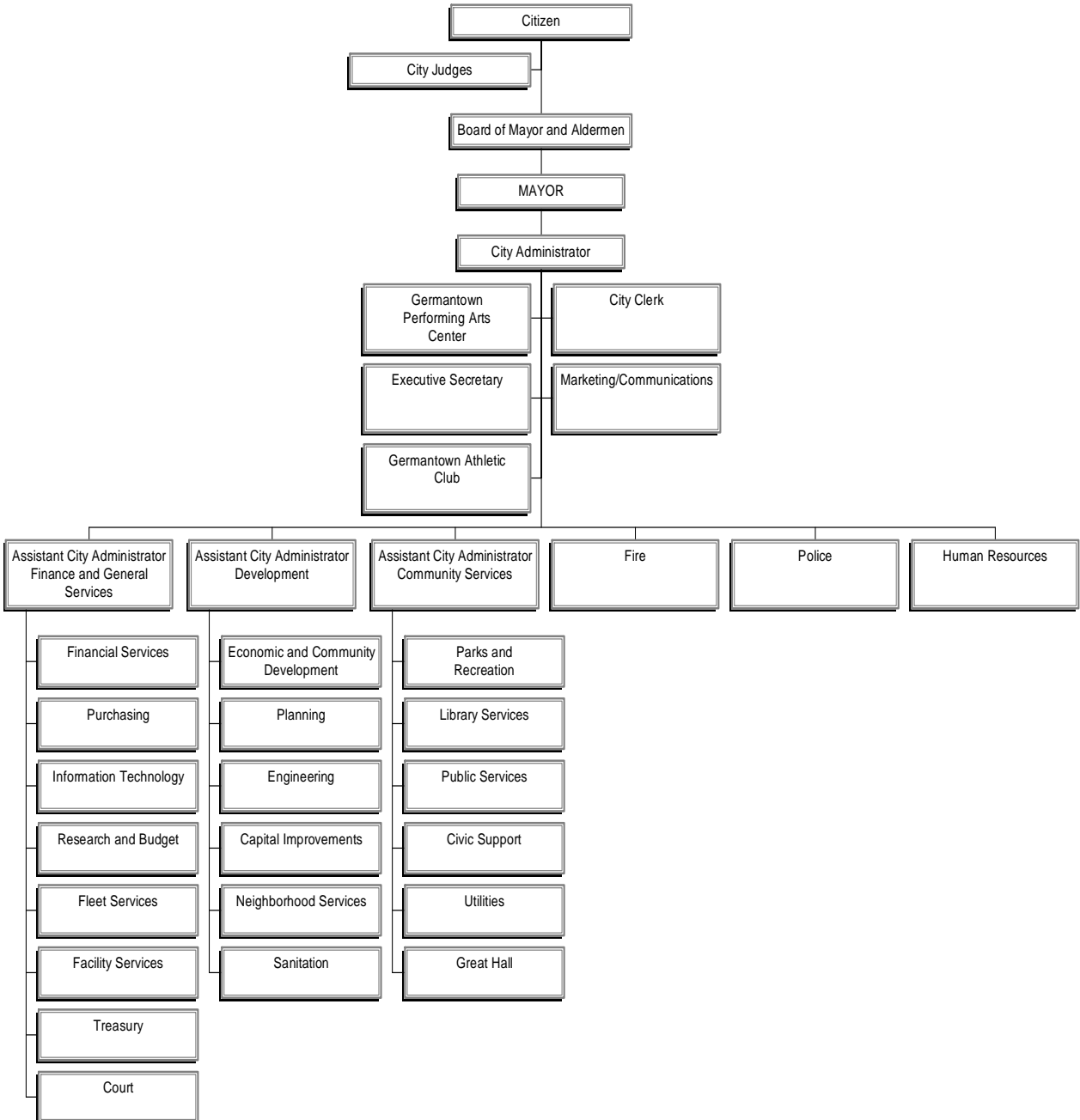
President

A handwritten signature in black ink, reading "Jeffrey R. Emer".

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

*(Date elected term expires)



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

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, 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, 2010, 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, 2010, 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 December 3, 2010 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.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements as a whole. The introductory section, combining and individual fund statements and schedules, supplementary schedules, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain other additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements taken as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Watkins Wilkerson, PLLC

Memphis, Tennessee
December 3, 2010

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, 2010. 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, 2010 by \$139,785,640 (net assets). Of this amount, \$39,655,940 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- At June 30, 2010, the City's governmental funds reported total fund balances of \$36,306,106. Of this amount, \$8,768,988 (undesignated fund balances) may be used to meet the general governments spending requirements. The undesignated fund balance represents 24.5% of total General Fund expenditures.
- During the fiscal year, the City's total debt decreased by \$2,830,000. The City paid existing debt down and did not issue any new debt.

Overview of the Financial Statements

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

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

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

The statement of activities presents information showing how the government's net assets changed during the year ended June 30, 2010. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include General Government, Public Safety, Community Services, Transportation and Environment, and Interest and Fiscal Charges. The business-type activities of the City include Utility, Athletic Club, Sanitation, and Great Hall 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-8.

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

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

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

The basic proprietary fund financial statements are presented as Exhibits A-9 through A-11.

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

The basic fiduciary fund financial statements are presented as Exhibits A-12 and A-13 of this report.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 45-76 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 \$139,785,640 at June 30, 2010.

Condensed Statement of Net Assets

| | <u>Governmental Activities</u> | | <u>Business-type Activities</u> | | <u>Total</u> | |
|--|--------------------------------|--------------------|---------------------------------|-------------------|--------------------|--------------------|
| | <u>2010</u> | <u>2009</u> | <u>2010</u> | <u>2009</u> | <u>2010</u> | <u>2009</u> |
| Current and Other Assets | \$64,841,164 | 66,442,610 | 8,250,706 | 10,583,874 | 73,091,870 | 77,026,484 |
| Capital Assets | 67,098,564 | 67,286,356 | 60,715,522 | 58,974,714 | 127,814,086 | 126,261,070 |
| Total Assets | <u>131,939,728</u> | <u>133,728,966</u> | <u>68,966,228</u> | <u>69,558,588</u> | <u>200,905,956</u> | <u>203,287,554</u> |
| Long-term liabilities outstanding | 21,966,933 | 23,909,228 | 7,311,032 | 8,137,535 | 29,277,965 | 32,046,763 |
| Other liabilities | 29,167,471 | 28,991,169 | 2,674,880 | 2,816,107 | 31,842,351 | 31,807,276 |
| Total Liabilities | <u>51,134,404</u> | <u>52,900,397</u> | <u>9,985,912</u> | <u>10,953,642</u> | <u>61,120,316</u> | <u>63,854,039</u> |
| Net Assets: | | | | | | |
| Invested in Capital Assets, net of related debt | 45,980,201 | 45,178,360 | 52,457,209 | 49,924,751 | 98,437,410 | 95,103,111 |
| Restricted | 1,692,290 | 1,661,780 | - | - | 1,692,290 | 1,661,780 |
| Unrestricted | 33,132,833 | 33,988,429 | 6,523,107 | 8,680,195 | 39,655,940 | 42,668,624 |
| Total Net Assets | <u>\$80,805,324</u> | <u>80,828,569</u> | <u>58,980,316</u> | <u>58,604,946</u> | <u>139,785,640</u> | <u>139,433,515</u> |

By far the largest portion of the City's net assets (70.4 %) 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 (\$39,655,940) 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.

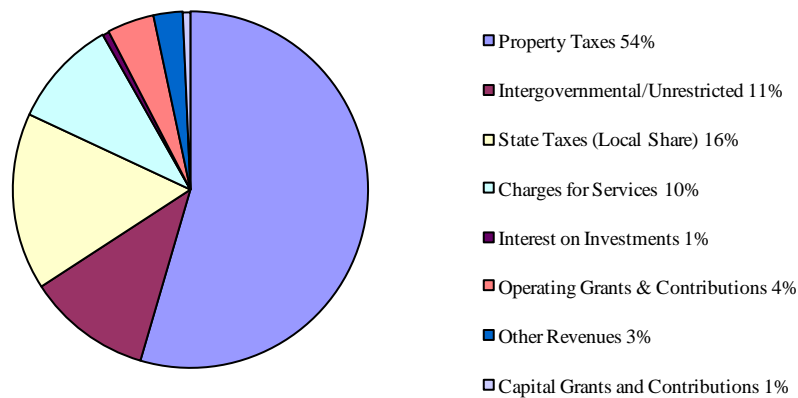
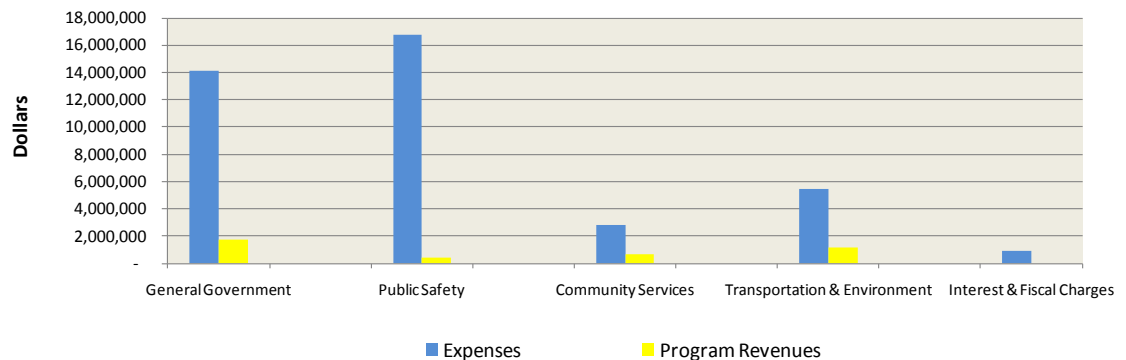
Governmental activities. Governmental activities decreased the City's net assets by \$23,245, thereby accounting for a 0.03% decrease in total assets. Key elements of this decrease are as follows:

Condensed Statement of Changes in Net Assets

| | <u>Governmental Activities</u> | | <u>Business-type Activities</u> | | <u>Total</u> | |
|--|--------------------------------|-------------------|---------------------------------|-------------------|--------------------|--------------------|
| | 2010 | 2009 | 2010 | 2009 | 2010 | 2009 |
| Revenues: | | | | | | |
| Program Revenues: | | | | | | |
| Charges for Services | \$ 4,005,290 | 3,507,579 | 13,840,635 | 13,845,155 | 17,845,925 | 17,352,734 |
| Operating Grants and Contributions | 1,731,228 | 1,237,633 | - | - | 1,731,228 | 1,237,633 |
| Capital Grants and Contributions | 280,244 | 400,000 | 417,437 | 96,502 | 697,681 | 496,502 |
| General Revenues: | | | | | | - |
| Property Taxes | 22,212,886 | 21,586,250 | - | - | 22,212,886 | 21,586,250 |
| State Taxes (local share) | 6,570,006 | 6,546,302 | - | - | 6,570,006 | 6,546,302 |
| Intergovernmental/Unrestricted | 4,589,839 | 5,345,168 | - | - | 4,589,839 | 5,345,168 |
| Interest on Investments | 244,182 | 783,049 | 73,394 | 246,017 | 317,576 | 1,029,066 |
| Other Revenue | 1,074,330 | 1,055,248 | - | - | 1,074,330 | 1,055,248 |
| Total Revenues | 40,708,005 | 40,461,229 | 14,331,466 | 14,187,674 | 55,039,471 | 54,648,903 |
| Expenses: | | | | | | |
| General Government | 14,126,482 | 12,165,467 | - | - | 14,126,482 | 12,165,467 |
| Public Safety | 16,746,970 | 16,687,140 | - | - | 16,746,970 | 16,687,140 |
| Community Services | 2,768,856 | 4,775,897 | - | - | 2,768,856 | 4,775,897 |
| Transportation and Environment | 5,434,148 | 5,088,019 | - | - | 5,434,148 | 5,088,019 |
| Interest and Fiscal Charges | 877,138 | 786,612 | - | - | 877,138 | 786,612 |
| Utilities | - | - | 7,046,258 | 6,502,565 | 7,046,258 | 6,502,565 |
| Athletic Club | - | - | 3,486,381 | 3,588,475 | 3,486,381 | 3,588,475 |
| Sanitation | - | - | 3,886,086 | 3,824,101 | 3,886,086 | 3,824,101 |
| Nonmajor Enterprise Fund | - | - | 366,376 | - | 366,376 | - |
| Total Expenses | 39,953,594 | 39,503,135 | 14,785,101 | 13,915,141 | 54,738,695 | 53,418,276 |
| Increase/(Decrease) in Net Assets before transfers | 754,411 | 958,094 | (453,635) | 272,533 | 300,776 | 1,230,627 |
| Gain (Loss) on Disposal of Capital Assets | - | - | 51,349 | 29,760 | 51,349 | 29,760 |
| Transfers | (777,656) | (1,120,000) | 777,656 | 1,120,000 | - | - |
| Increase/(Decrease) in Net Assets | (23,245) | (161,906) | 375,370 | 1,422,293 | 352,125 | 1,260,387 |
| Net Assets - July 1, 2009 | 80,828,569 | 80,990,475 | 58,604,946 | 57,182,653 | 139,433,515 | 138,173,128 |
| Net Assets - June 30, 2010 | <u>\$80,805,324</u> | <u>80,828,569</u> | <u>58,980,316</u> | <u>58,604,946</u> | <u>139,785,640</u> | <u>139,433,515</u> |

- Property Taxes increased to \$22,212,886, which is \$626,636 greater than FY09. The cost of providing General Government, Public Safety, Community Services, Transportation and Environment, Interest and Fiscal Charges, increased by \$450,459 during FY09. General Government increased by \$1,961,015, while Public Safety increased by \$59,830. Transportation and Environment increased by \$346,129. Community Services decreased by \$2,007,041, while Interest and Fiscal Charges increased by \$90,526. General Government's increase was due to increases in computer equipment maintenance in Information Technology and Civic Support grants. Public Safety increased slightly due to increases in the purchase of autos in FY10. Community Services decreased due to the transfer of program costs associated with contract maintenance to Public Services. This transfer of program costs to Public Services in contract maintenance is largely responsible for the increase in Transportation and Environment. The increase in Interest and Fiscal Charges was due to the start of interest payments being made on Series 2009 General Obligation Bonds.

**Expenses and Program Revenues
 Governmental Activities**



Business-type activities. Business-type activities increased the City’s net assets by \$375,370. The business-type activities are Utility, Athletic Club, Sanitation and the Nonmajor Enterprise Fund.

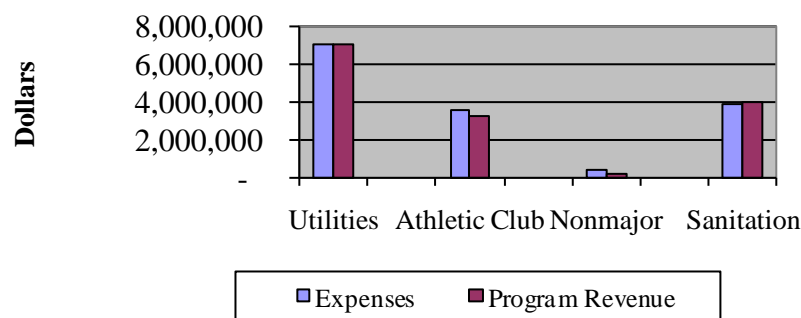
- The Germantown Utility Fund increased by \$93,699, due to a concerted effort of keeping expenses down.
- The Germantown Athletic Club net assets increased by \$448,444, due to an increase in membership fees and class fees. In addition, a decrease in expenses from FY09 contributed to the increase in net assets.
- The Germantown Sanitation net assets increased by \$65,333, due to an increase in sanitation fees.
- The Nonmajor Enterprise Fund’s net assets decreased by \$195,577, due a decrease in taxable rental revenue.

Financial Analysis of the Government’s Funds

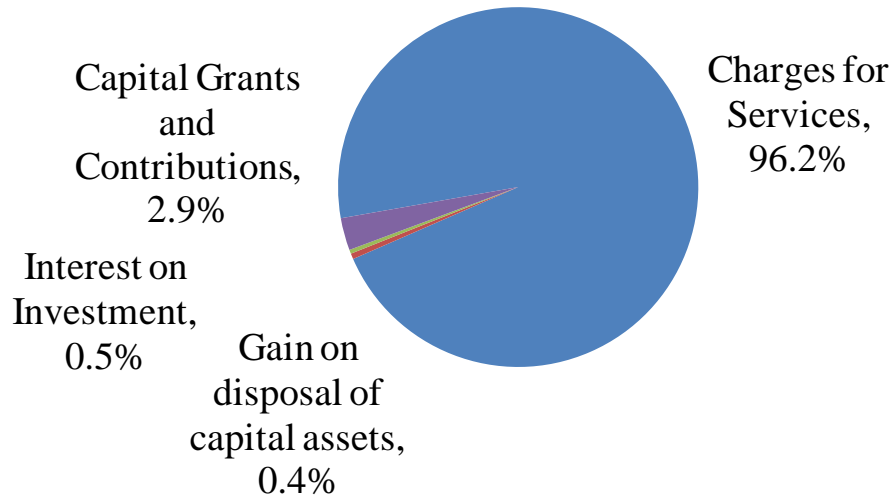
As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

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, 2010, the City's governmental funds reported combined ending fund balances of \$36,306,106, a decrease of \$1,215,106 in comparison with the prior year. Approximately 24.2% of this total amount or \$8,768,988 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 - \$7,596,488, 2) to provide a reserve to pay debt service - \$3,016,142, 3) to provide a reserve for tax anticipation - \$7,527,156, 4) Germantown Athletic Club advance - \$1,375,000, 5) Capital Projects - \$5,065,140, 6) Special Revenue - \$1,643,192, 7) to provide a reserve for Emergencies and Catastrophes- \$900,000 and 8) Capital Asset Replacement - \$414,000.

The General Fund is the chief operating fund of the City. At June 30, 2010, undesignated fund balance of the General Fund was \$8,768,988, while total fund balance reached \$22,409,653. 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 24.5% of total General Fund expenditures, while total fund balance represents 62.6% of that same amount.

The fund balance of the City's General Fund decreased by \$1,656,969 during the fiscal year ended June 30, 2010. Key factors are as follows:

- Property tax increased \$946,394
- Local sales tax increased \$23,704
- State taxes (local share) decreased \$755,329
- Fines and Forfeitures increased \$262,413
- License and Permits decreased \$1,423

- Fees for services decreased \$66,326
- Investment income decreased \$519,328
- Grants increased \$472,339
- Other revenue decreased \$44,350
- Total expenditures increased \$241,976.

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

Unrestricted net assets of \$6,501,365 are comprised of, \$7,153,112 for the Utility Fund, (\$1,111,491) for the Athletic Club Fund, \$381,696 for the Sanitation Fund, and \$78,048 for the nonmajor enterprise fund. User fees support these funds.

General Fund Budgetary Highlights

The General Fund revenues were higher than budgeted by \$1,999,869. The increase was due to increases in Property Tax of \$510,260, State Taxes (Local Share) of \$1,035,639, Other Revenue of \$67,600, Fines and Forfeitures of \$276,113, Licenses and Permits of \$26,331, and Grants for Services of \$469,662. There was a moderate decrease between budget and actual revenues in Local Sales Taxes and Fees for Services of \$93,975 and \$15,795, respectively. Interest on Investments was down by \$275,966, due to lower interest rates on investments.

General Fund expenditures were less than budgeted by \$1,748,608. 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 \$864,579. Savings were also achieved in Public Safety of \$512,234, Community Services of \$142,600, Transportation and Environment of \$214,332, and Debt Service of \$14,863.

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, 2010 amounts to \$127,814,086 (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 \$1,553,016. Governmental activities decreased \$187,792 or 0.3% and business activities increased \$1,740,808 or 3.0%.

Condensed Statement of Capital Assets

| | <u>Governmental Activities</u> | | <u>Business-type Activities</u> | | <u>Total</u> | |
|-----------------------------------|--------------------------------|-------------------|---------------------------------|-------------------|--------------------|--------------------|
| | <u>2010</u> | <u>2009</u> | <u>2010</u> | <u>2009</u> | <u>2010</u> | <u>2009</u> |
| Land and Buildings | \$28,265,538 | 28,355,457 | 15,206,903 | 13,299,011 | 43,472,441 | 41,654,468 |
| Improvements Other Than Buildings | 29,071,152 | 28,672,848 | 43,526,568 | 38,797,614 | 72,597,720 | 67,470,462 |
| Equipment | 4,927,862 | 5,398,642 | 1,299,823 | 1,088,850 | 6,227,685 | 6,487,492 |
| Construction in Progress | 4,834,012 | 4,859,409 | 682,228 | 5,789,239 | 5,516,240 | 10,648,648 |
| Total | <u>\$67,098,564</u> | <u>67,286,356</u> | <u>60,715,522</u> | <u>58,974,714</u> | <u>127,814,086</u> | <u>126,261,070</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, 2010 the City had total bonded debt outstanding of \$32,125,000. Of this amount \$24,000,000 comprises debt backed by the full faith and credit of the government and \$8,125,000 represents bonds secured by specified revenue sources (i.e., revenue bonds).

Condensed Statement of Outstanding Debt

General Obligation and Revenue Bonds

| | <u>Governmental Activities</u> | | <u>Business-type Activities</u> | | <u>Total</u> | |
|--------------------------|--------------------------------|-------------------|---------------------------------|------------------|-------------------|-------------------|
| | <u>2010</u> | <u>2009</u> | <u>2010</u> | <u>2009</u> | <u>2010</u> | <u>2009</u> |
| General Obligation Bonds | \$24,000,000 | 26,055,000 | - | - | 24,000,000 | 26,055,000 |
| Revenue Bonds | - | - | 8,125,000 | 8,900,000 | 8,125,000 | 8,900,000 |
| Total | <u>\$24,000,000</u> | <u>26,055,000</u> | <u>8,125,000</u> | <u>8,900,000</u> | <u>32,125,000</u> | <u>34,955,000</u> |

During FY10, the City's total debt decreased by \$2,830,000. Total debt includes general obligation bonds and revenue bonds. Total debt for governmental activities decreased by 7.9%. This decrease is due to no new debt being issued by the City. Also, business-type activities' debt decreased by 8.7%, due to City not issuing debt. The City continued to pay down its existing debt. Various construction programs were still in process at the end of the current fiscal year.

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

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 2011 fiscal year are more fully discussed in the Budget document and include:

- The FY11 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 eighth consecutive year.
- The City initiated Managed Competition during FY07 with an emphasis on creating greater efficiency and cost control. The FY11 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 FY11 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 FY10 undesignated fund balance in the General Fund decreased to \$8,768,988. The City has a total approved budget of \$94,048,615 in expenditures for FY11. The City's tax rate for FY11 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, 2010, Fiscal Year 2011 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, 2010

| | Governmental Activities | Business-Type Activities | Total |
|---|----------------------------|-----------------------------|-----------------------|
| ASSETS | | | |
| Cash and cash equivalents | \$ 28,130,553 | \$ 6,034,570 | \$ 34,165,123 |
| Investments | 8,669,012 | 2,352,469 | 11,021,481 |
| Receivables | | | |
| Property taxes | 22,196,950 | - | 22,196,950 |
| Interest | 70,887 | - | 70,887 |
| Customer and developers receivables | - | 1,202,444 | 1,202,444 |
| Other | 4,935,924 | 20,321 | 4,956,245 |
| Less allowance for doubtful accounts | (1,189,550) | (74,290) | (1,263,840) |
| Internal balances | 1,396,742 | (1,353,258) | 43,484 |
| Inventories | 173,283 | 68,450 | 241,733 |
| Restricted assets: | | | |
| Cash and cash equivalents | 457,363 | - | 457,363 |
| Capital assets, not being depreciated | 15,039,181 | 3,383,940 | 18,423,121 |
| Capital assets, being depreciated, net | 52,059,383 | 57,331,582 | 109,390,965 |
| Total assets | <u>131,939,728</u> | <u>68,966,228</u> | <u>200,905,956</u> |
| LIABILITIES | | | |
| Accounts payable | 2,120,935 | 1,141,318 | 3,262,253 |
| Accrued interest | 201,538 | 42,277 | 243,815 |
| Accrued vacation benefits | 948,189 | - | 948,189 |
| Customer deposits | - | 441,641 | 441,641 |
| Contracts payable | 483,424 | - | 483,424 |
| Unearned revenue | 23,129,082 | 223,619 | 23,352,701 |
| Noncurrent liabilities: | | | |
| Due within one year | 2,284,303 | 826,025 | 3,110,328 |
| Due in more than one year | 21,966,933 | 7,311,032 | 29,277,965 |
| Total liabilities | <u>51,134,404</u> | <u>9,985,912</u> | <u>61,120,316</u> |
| NET ASSETS | | | |
| Invested in capital assets, net of related debt | 45,980,201 | 52,457,209 | 98,437,410 |
| Restricted for: | | | |
| State Street Aid | 1,604,439 | - | 1,604,439 |
| Drug Enforcement | 87,851 | - | 87,851 |
| Unrestricted | 33,132,833 | 6,523,107 | 39,655,940 |
| Total net assets | <u>\$ 80,805,324</u> | <u>\$ 58,980,316</u> | <u>\$ 139,785,640</u> |

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

CITY OF GERMANTOWN, TENNESSEE

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2010

| Functions/Programs | Program Revenues | | | | Net (Expense) Revenue and Changes in Net Assets | | |
|--------------------------------------|----------------------|-------------------------|--|--|--|-----------------------------|-----------------------|
| | Expenses | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Governmental Activities | Business-Type Activities | Total |
| Primary government: | | | | | | | |
| Governmental Activities: | | | | | | | |
| General government | \$ 14,126,482 | \$ 1,736,391 | \$ - | \$ 271,638 | \$ (12,118,453) | \$ - | \$ (12,118,453) |
| Public safety | 16,746,970 | 431,689 | 177,856 | - | (16,137,425) | - | (16,137,425) |
| Community services | 2,768,856 | 694,866 | 465,004 | 8,606 | (1,600,380) | - | (1,600,380) |
| Transportation and environment | 5,434,148 | 1,142,344 | 1,088,368 | - | (3,203,436) | - | (3,203,436) |
| Interest and fiscal charges | 877,138 | - | - | - | (877,138) | - | (877,138) |
| Total governmental activities | <u>39,953,594</u> | <u>4,005,290</u> | <u>1,731,228</u> | <u>280,244</u> | <u>(33,936,832)</u> | <u>-</u> | <u>(33,936,832)</u> |
| Business-type activities: | | | | | | | |
| Utilities | 7,046,258 | 6,598,459 | - | 417,437 | - | (30,362) | (30,362) |
| Athletic Club | 3,486,381 | 3,221,736 | - | - | - | (264,645) | (264,645) |
| Sanitation | 3,886,086 | 3,905,442 | - | - | - | 19,356 | 19,356 |
| Nonmajor Enterprise Fund | 366,376 | 114,998 | - | - | - | (251,378) | (251,378) |
| Total business-type activities | <u>14,785,101</u> | <u>13,840,635</u> | <u>-</u> | <u>417,437</u> | <u>-</u> | <u>(527,029)</u> | <u>(527,029)</u> |
| Total primary government | <u>\$ 54,738,695</u> | <u>\$ 17,845,925</u> | <u>\$ 1,731,228</u> | <u>\$ 697,681</u> | <u>(33,936,832)</u> | <u>(527,029)</u> | <u>(34,463,861)</u> |
| General revenues: | | | | | | | |
| Property taxes | | | | | 22,212,886 | - | 22,212,886 |
| Local sales taxes | | | | | 6,570,006 | - | 6,570,006 |
| Intergovernmental / unrestricted | | | | | 4,589,839 | - | 4,589,839 |
| Interest on investments | | | | | 244,182 | 73,394 | 317,576 |
| Other revenues | | | | | 1,074,330 | - | 1,074,330 |
| Gain on disposal of capital assets | | | | | - | 51,349 | 51,349 |
| Transfers | | | | | (777,656) | 777,656 | - |
| Total general revenues and transfers | | | | | <u>33,913,587</u> | <u>902,399</u> | <u>34,815,986</u> |
| Change in net assets | | | | | (23,245) | 375,370 | 352,125 |
| Net assets - beginning | | | | | 80,828,569 | 58,604,946 | 139,433,515 |
| Net assets - ending | | | | | <u>\$ 80,805,324</u> | <u>\$ 58,980,316</u> | <u>\$ 139,785,640</u> |

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

CITY OF GERMANTOWN, TENNESSEE

BALANCE SHEET – GOVERNMENTAL FUNDS

June 30, 2010

| | General | Other Governmental Funds | Total Governmental Funds |
|--|----------------------|--------------------------------|--------------------------------|
| ASSETS | | | |
| Cash and cash equivalents | \$ 15,229,706 | \$ 11,220,377 | \$ 26,450,083 |
| Investments | 5,600,194 | 3,068,818 | 8,669,012 |
| Receivables | | | |
| Property taxes | 22,196,950 | - | 22,196,950 |
| Interest | 70,887 | - | 70,887 |
| Other | 4,725,800 | 206,835 | 4,932,635 |
| Less allowance for doubtful accounts | (1,189,550) | - | (1,189,550) |
| Advances to other funds | 1,375,000 | - | 1,375,000 |
| Inventories | 91,808 | - | 91,808 |
| Restricted assets: | | | |
| Cash and cash equivalents | 347,324 | 110,039 | 457,363 |
| Total assets | <u>\$ 48,448,119</u> | <u>\$ 14,606,069</u> | <u>\$ 63,054,188</u> |
| LIABILITIES AND FUND BALANCES | | | |
| Liabilities: | | | |
| Accounts payable | \$ 2,423,273 | \$ 223,770 | \$ 2,647,043 |
| Contracts payable | - | 483,424 | 483,424 |
| Deferred revenue | 23,615,193 | 2,422 | 23,617,615 |
| Total liabilities | <u>26,038,466</u> | <u>709,616</u> | <u>26,748,082</u> |
| Fund Balances: | | | |
| Reserved for: | | | |
| Encumbrances | 408,367 | 7,188,121 | 7,596,488 |
| Advances | 1,375,000 | - | 1,375,000 |
| Unreserved, reported in: | | | |
| General fund | | | |
| Designated for emergencies | 900,000 | - | 900,000 |
| Designated for capital asset replacement | 414,000 | - | 414,000 |
| Designated for tax anticipation | 7,527,156 | - | 7,527,156 |
| Designated for debt service | 3,016,142 | - | 3,016,142 |
| Undesignated | 8,768,988 | - | 8,768,988 |
| Special revenue funds | - | 1,643,192 | 1,643,192 |
| Capital projects funds | - | 5,065,140 | 5,065,140 |
| Total fund balances | <u>22,409,653</u> | <u>13,896,453</u> | <u>36,306,106</u> |
| Total liabilities and fund balances | <u>\$ 48,448,119</u> | <u>\$ 14,606,069</u> | <u>\$ 63,054,188</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, 2010

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

| | |
|--|-----------------------------|
| Total fund balances - total governmental funds | \$ 36,306,106 |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. | 66,955,076 |
| Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds. | 488,533 |
| 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. | 1,508,383 |
| Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds. | <u>(24,452,774)</u> |
| Net assets of governmental activities | <u><u>\$ 80,805,324</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, 2010

| | General | Other Governmental Funds | Total |
|--|----------------------|--------------------------------|----------------------|
| REVENUES | | | |
| Taxes: | | | |
| Property taxes | \$ 22,581,468 | \$ - | \$ 22,581,468 |
| Local sales taxes | 6,570,006 | - | 6,570,006 |
| State taxes (local share) | 4,589,839 | 1,088,368 | 5,678,207 |
| Fines and forfeitures | 1,321,613 | - | 1,321,613 |
| Licenses and permits | 1,037,046 | - | 1,037,046 |
| Fees for services | 134,851 | 424,447 | 559,298 |
| Interest on investments | 225,284 | 18,898 | 244,182 |
| Grants | 629,533 | 293,571 | 923,104 |
| Other revenues | 1,453,006 | 650,386 | 2,103,392 |
| Total revenues | <u>38,542,646</u> | <u>2,475,670</u> | <u>41,018,316</u> |
| EXPENDITURES | | | |
| Current: | | | |
| General government | 9,731,390 | - | 9,731,390 |
| Public safety | 16,710,584 | 789,030 | 17,499,614 |
| Community services | 2,620,166 | 495,435 | 3,115,601 |
| Transportation and environment | 3,760,644 | 1,768,091 | 5,528,735 |
| Debt services | | | |
| Principal | 2,055,000 | - | 2,055,000 |
| Interest and fiscal charges | 897,181 | - | 897,181 |
| Capital projects | - | 2,628,245 | 2,628,245 |
| Total expenditures | <u>35,774,965</u> | <u>5,680,801</u> | <u>41,455,766</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>2,767,681</u> | <u>(3,205,131)</u> | <u>(437,450)</u> |
| OTHER FINANCING SOURCES (USES) | | | |
| Transfers in | - | 3,646,994 | 3,646,994 |
| Transfers out | (4,424,650) | - | (4,424,650) |
| Total other financing sources (uses) | <u>(4,424,650)</u> | <u>3,646,994</u> | <u>(777,656)</u> |
| Net change in fund balances | (1,656,969) | 441,863 | (1,215,106) |
| Fund balances - beginning | 24,066,622 | 13,454,590 | 37,521,212 |
| Fund balances - ending | <u>\$ 22,409,653</u> | <u>\$ 13,896,453</u> | <u>\$ 36,306,106</u> |

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

CITY OF GERMANTOWN, TENNESSEE

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

For the Year Ended June 30, 2010

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

| | |
|---|--------------------|
| Net change in fund balance - total governmental funds | \$ (1,215,106) |
| 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. | (176,394) |
| Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. | (368,582) |
| 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. | 2,060,181 |
| 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. | (197,843) |
| Internal service funds are used by management to charge the costs of health insurance and vehicle maintenance to individual funds. The net cost of certain activities of internal service funds is reported with governmental activities. | <u>(125,501)</u> |
| Change in net assets of governmental activities | <u>\$ (23,245)</u> |

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

CITY OF GERMANTOWN, TENNESSEE
STATEMENT OF REVENUES – BUDGET AND ACTUAL –
GENERAL FUND

For the Year Ended June 30, 2010

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget - Positive (Negative) |
|---|---------------------|---------------------|---------------------|---|
| | Original | Final | | |
| PROPERTY TAXES | | | | |
| Real property taxes | \$ 20,420,000 | \$ 20,420,000 | \$ 20,853,830 | \$ 433,830 |
| Personal property taxes | 968,929 | 968,929 | 944,567 | (24,362) |
| Penalties and interest - property taxes | 95,000 | 95,000 | 135,988 | 40,988 |
| Receipt in lieu of taxes - TVA | 404,745 | 404,745 | 450,768 | 46,023 |
| Receipt in lieu of taxes - MLGW | 182,534 | 182,534 | 196,315 | 13,781 |
| Total property taxes | <u>22,071,208</u> | <u>22,071,208</u> | <u>22,581,468</u> | <u>510,260</u> |
| LOCAL SALES TAXES | | | | |
| Sales taxes | 5,090,000 | 5,090,000 | 4,961,151 | (128,849) |
| Beer and liquor taxes | 640,981 | 640,981 | 685,813 | 44,832 |
| Gross receipts tax | 401,000 | 401,000 | 392,572 | (8,428) |
| Penalties and interest - gross receipts tax | 7,000 | 7,000 | 3,777 | (3,223) |
| Room occupancy tax | 525,000 | 525,000 | 526,693 | 1,693 |
| Total local sales taxes | <u>6,663,981</u> | <u>6,663,981</u> | <u>6,570,006</u> | <u>(93,975)</u> |
| STATE TAXES (LOCAL SHARE) | | | | |
| Sales taxes | 2,715,000 | 2,715,000 | 2,699,584 | (15,416) |
| Income taxes | 655,000 | 655,000 | 1,718,973 | 1,063,973 |
| Beer taxes | 24,000 | 24,000 | 20,307 | (3,693) |
| Liquor taxes | 70,000 | 70,000 | 62,982 | (7,018) |
| Property tax stabilization | 90,200 | 90,200 | 87,993 | (2,207) |
| Total state taxes (local share) | <u>3,554,200</u> | <u>3,554,200</u> | <u>4,589,839</u> | <u>1,035,639</u> |
| FINES AND FORFEITURES | | | | |
| Traffic and other violations | 234,000 | 234,000 | 264,870 | 30,870 |
| City court costs | 490,000 | 490,000 | 409,930 | (80,070) |
| Other court costs | 316,000 | 316,000 | 642,229 | 326,229 |
| Animal impoundment fees | 5,500 | 5,500 | 4,584 | (916) |
| Total fines and forfeitures | <u>1,045,500</u> | <u>1,045,500</u> | <u>1,321,613</u> | <u>276,113</u> |
| LICENSES AND PERMITS | | | | |
| Automobile registrations | 886,965 | 886,965 | 905,025 | 18,060 |
| Building permits | 25,000 | 25,000 | 32,510 | 7,510 |
| Animal licenses | 75,750 | 75,750 | 76,787 | 1,037 |
| Fence & sign permits | 5,000 | 5,000 | 3,895 | (1,105) |
| Liquor permits | 18,000 | 18,000 | 18,829 | 829 |
| Total licenses and permits | <u>\$ 1,010,715</u> | <u>\$ 1,010,715</u> | <u>\$ 1,037,046</u> | <u>\$ 26,331</u> |

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

CITY OF GERMANTOWN, TENNESSEE

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

For the Year Ended June 30, 2010

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget - Positive (Negative) |
|--------------------------------|------------------|---------------|-------------------|---|
| | Original | Final | | |
| FEES FOR SERVICES | | | | |
| Engineering fees | \$ 10,000 | \$ 10,000 | \$ 12,017 | \$ 2,017 |
| Fire inspection fees | 4,070 | 4,070 | 4,075 | 5 |
| Zoning applications | 10,000 | 10,000 | 11,229 | 1,229 |
| Library fees | 113,500 | 126,576 | 107,530 | (19,046) |
| Total fees for services | 137,570 | 150,646 | 134,851 | (15,795) |
| INTEREST ON INVESTMENTS | 501,250 | 501,250 | 225,284 | (275,966) |
| GRANTS | 100,000 | 159,871 | 629,533 | 469,662 |
| OTHER REVENUES | | | | |
| Cable television fees | 500,000 | 500,000 | 605,398 | 105,398 |
| Miscellaneous | 772,212 | 885,406 | 847,608 | (37,798) |
| Total other revenues | 1,272,212 | 1,385,406 | 1,453,006 | 67,600 |
| Total revenues | \$ 36,356,636 | \$ 36,542,777 | \$ 38,542,646 | \$ 1,999,869 |

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

CITY OF GERMANTOWN, TENNESSEE

STATEMENT OF EXPENDITURES – BUDGET AND ACTUAL –
GENERAL FUND

For the Year Ended June 30, 2010

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget - Positive (Negative) |
|------------------------------|------------------|--------------|-------------------|---|
| | Original | Final | | |
| GENERAL GOVERNMENT | | | | |
| Aldermen: | | | | |
| Personnel services | \$ 114,364 | \$ 114,545 | \$ 112,182 | \$ 2,363 |
| Materials and supplies | 15,000 | 15,000 | 11,795 | 3,205 |
| Other services and charges | 45,200 | 53,144 | 38,931 | 14,213 |
| Total Aldermen | 174,564 | 182,689 | 162,908 | 19,781 |
| Administration: | | | | |
| Personnel services | 749,542 | 791,563 | 769,813 | 21,750 |
| Materials and supplies | 15,430 | 20,980 | 15,838 | 5,142 |
| Other services and charges | 436,609 | 441,196 | 394,758 | 46,438 |
| Expense reimbursement | (45,896) | (45,896) | (45,896) | - |
| Total Administration | 1,155,685 | 1,207,843 | 1,134,513 | 73,330 |
| Personnel: | | | | |
| Personnel services | 562,776 | 610,983 | 582,513 | 28,470 |
| Materials and supplies | 7,500 | 7,500 | 2,840 | 4,660 |
| Other Services and charges | 92,183 | 44,012 | 35,093 | 8,919 |
| Expense reimbursement | (43,629) | (43,629) | (43,629) | - |
| Total Personnel | 618,830 | 618,866 | 576,817 | 42,049 |
| Information Technology: | | | | |
| Personnel services | 279,934 | 265,584 | 232,077 | 33,507 |
| Materials and supplies | 79,800 | 91,269 | 63,238 | 28,031 |
| Other services and charges | 605,235 | 739,600 | 623,219 | 116,381 |
| Capital outlay | 32,000 | 149,748 | 128,836 | 20,912 |
| Expense reimbursement | (45,830) | (45,830) | (45,830) | - |
| Total Information Technology | 951,139 | 1,200,371 | 1,001,540 | 198,831 |
| Finance: | | | | |
| Personnel services | 999,887 | 1,092,001 | 1,065,750 | 26,251 |
| Materials and supplies | 65,320 | 29,852 | 29,848 | 4 |
| Other services and charges | 267,507 | 264,582 | 264,559 | 23 |
| Expense reimbursement | (197,029) | (197,029) | (197,029) | - |
| Total Finance | \$ 1,135,685 | \$ 1,189,406 | \$ 1,163,128 | \$ 26,278 |

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

CITY OF GERMANTOWN, TENNESSEE

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

For the Year Ended June 30, 2010

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget - Positive (Negative) |
|---|------------------|---------------|-------------------|---|
| | Original | Final | | |
| Research and Budget: | | | | |
| Personnel services | \$ 207,507 | \$ 218,617 | \$ 211,906 | \$ 6,711 |
| Materials and supplies | 12,750 | 12,533 | 12,478 | 55 |
| Other services and charges | 11,813 | 4,849 | 4,843 | 6 |
| Expense reimbursement | (15,565) | (15,565) | (15,565) | - |
| Total Research and Budget | 216,505 | 220,434 | 213,662 | 6,772 |
| City Court: | | | | |
| Personnel services | 445,056 | 443,708 | 452,957 | (9,249) |
| Materials and supplies | 5,100 | 11,080 | 10,974 | 106 |
| Other services and charges | 59,960 | 55,860 | 42,937 | 12,923 |
| Total City Court | 510,116 | 510,648 | 506,868 | 3,780 |
| Civic Support: | | | | |
| Grants | 643,500 | 829,955 | 815,559 | 14,396 |
| Total Civic Support | 643,500 | 829,955 | 815,559 | 14,396 |
| Germantown Performing Arts Centre: | | | | |
| Personnel services | 761,923 | 820,195 | 807,036 | 13,159 |
| Materials and supplies | 15,919 | 18,222 | 18,220 | 2 |
| Other services and charges | 153,968 | 136,756 | 136,751 | 5 |
| Total Germantown Performing Arts Centre | 931,810 | 975,173 | 962,007 | 13,166 |
| Development: | | | | |
| Personnel services | 2,072,131 | 2,118,968 | 2,051,506 | 67,462 |
| Materials and supplies | 32,600 | 33,640 | 17,109 | 16,531 |
| Other services and charges | 278,872 | 249,891 | 195,548 | 54,343 |
| Expense reimbursement | (287,273) | (287,273) | (287,273) | - |
| Total Development | 2,096,330 | 2,115,226 | 1,976,890 | 138,336 |
| Facility Services: | | | | |
| Personnel services | 819,028 | 820,240 | 790,650 | 29,590 |
| Materials and supplies | 88,512 | 93,302 | 80,766 | 12,536 |
| Other services and charges | 455,010 | 466,974 | 217,895 | 249,079 |
| Capital outlay | 60,000 | 164,842 | 128,187 | 36,655 |
| Total Building Maintenance | 1,422,550 | 1,545,358 | 1,217,498 | 327,860 |
| Total General Government | \$ 9,856,714 | \$ 10,595,969 | \$ 9,731,390 | \$ 864,579 |

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

CITY OF GERMANTOWN, TENNESSEE

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

For the Year Ended June 30, 2010

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget - Positive (Negative) |
|-----------------------------|------------------|---------------|-------------------|---|
| | Original | Final | | |
| PUBLIC SAFETY | | | | |
| Police: | | | | |
| Personnel services | \$ 8,509,120 | \$ 8,527,795 | \$ 8,312,561 | \$ 215,234 |
| Materials and supplies | 416,739 | 432,800 | 369,593 | 63,207 |
| Other services and charges | 575,308 | 598,678 | 523,389 | 75,289 |
| Capital outlay | 134,000 | 273,683 | 268,717 | 4,966 |
| Total Police | 9,635,167 | 9,832,956 | 9,474,260 | 358,696 |
| Fire: | | | | |
| Personnel services | 6,026,415 | 6,274,290 | 6,120,678 | 153,612 |
| Materials and supplies | 189,716 | 185,002 | 184,990 | 12 |
| Other services and charges | 841,150 | 818,872 | 819,519 | (647) |
| Capital outlay | 30,000 | 111,698 | 111,137 | 561 |
| Total Fire | 7,087,281 | 7,389,862 | 7,236,324 | 153,538 |
| Total Public Safety | \$ 16,722,448 | \$ 17,222,818 | \$ 16,710,584 | \$ 512,234 |
| COMMUNITY SERVICES | | | | |
| Parks & Recreation: | | | | |
| Personnel services | \$ 809,854 | \$ 839,303 | \$ 795,789 | \$ 43,514 |
| Materials and supplies | 26,550 | 28,607 | 13,669 | 14,938 |
| Other services and charges | 348,050 | 358,485 | 338,948 | 19,537 |
| Capital outlay | 26,000 | 70,972 | 61,240 | 9,732 |
| Total Parks & Recreation | 1,210,454 | 1,297,367 | 1,209,646 | 87,721 |
| Cultural Arts Programs: | | | | |
| Materials and supplies | 40,930 | 47,429 | 30,298 | 17,131 |
| Other services and charges | 18,895 | 19,599 | 17,694 | 1,905 |
| Total Cultural Arts Program | 59,825 | 67,028 | 47,992 | 19,036 |
| Library: | | | | |
| Personnel services | 2,000 | 2,021 | 2,020 | 1 |
| Materials and supplies | 69,000 | 63,464 | 56,014 | 7,450 |
| Other services and charges | 1,242,813 | 1,264,969 | 1,238,711 | 26,258 |
| Total Library | 1,313,813 | 1,330,454 | 1,296,745 | 33,709 |

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

CITY OF GERMANTOWN, TENNESSEE

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

For the Year Ended June 30, 2010

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget - Positive (Negative) |
|---------------------------------------|------------------|---------------|-------------------|---|
| | Original | Final | | |
| Genealogical Library: | | | | |
| Personnel services | 250 | - | - | - |
| Materials and supplies | 13,500 | 10,752 | 10,432 | 320 |
| Other services and charges | 53,053 | 57,165 | 55,351 | 1,814 |
| Total Genealogical Library | 66,803 | 67,917 | 65,783 | 2,134 |
| Total Community Services | \$ 2,650,895 | \$ 2,762,766 | \$ 2,620,166 | \$ 142,600 |
| TRANSPORTATION AND ENVIRONMENT | | | | |
| Public Services: | | | | |
| Personnel services | \$ 2,674,599 | \$ 2,835,764 | \$ 2,761,635 | \$ 74,129 |
| Materials and supplies | 175,560 | 144,316 | 115,123 | 29,193 |
| Other services and charges | 1,106,163 | 1,042,357 | 938,689 | 103,668 |
| Capital outlay | - | 95,974 | 95,974 | - |
| Expense reimbursement | (422,682) | (422,682) | (422,682) | - |
| Total Environmental Services | 3,533,640 | 3,695,729 | 3,488,739 | 206,990 |
| Animal Control: | | | | |
| Personnel services | 213,801 | 221,115 | 215,591 | 5,524 |
| Materials and supplies | 38,000 | 34,445 | 33,305 | 1,140 |
| Other services and charges | 27,446 | 23,687 | 23,009 | 678 |
| Total Animal Control | 279,247 | 279,247 | 271,905 | 7,342 |
| Total Transportation and Environment | 3,812,887 | 3,974,976 | 3,760,644 | 214,332 |
| DEBT SERVICE | | | | |
| Bond and note principal | 2,055,000 | 2,055,000 | 2,055,000 | - |
| Interest and fiscal charges | 912,044 | 912,044 | 897,181 | 14,863 |
| Total Debt Service | 2,967,044 | 2,967,044 | 2,952,181 | 14,863 |
| Total Expenditures | \$ 36,009,988 | \$ 37,523,573 | \$ 35,774,965 | \$ 1,748,608 |

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, 2010

| ASSETS | Business Type Activities - Enterprise Funds | | | | Total | Governmental Activities - Internal Service Funds |
|---------------------------------------|---|-----------------------|--------------------|----------------------------------|---------------|---|
| | Utility Fund | Athletic Club Fund | Sanitation Fund | Nonmajor - Great Hall Fund | | |
| Current assets: | | | | | | |
| Cash and cash equivalents | \$ 5,090,168 | \$ 412,496 | \$ 459,647 | \$ 72,259 | \$ 6,034,570 | \$ 1,680,470 |
| Investments | 1,979,422 | 162,939 | 181,565 | 28,543 | 2,352,469 | - |
| Receivables: | | | | | | |
| Customers and developers | 1,039,891 | - | 158,313 | 4,240 | 1,202,444 | - |
| Others | 345 | 19,976 | - | - | 20,321 | 3,289 |
| Less allowance for doubtful accounts | (37,173) | (18,675) | (18,442) | - | (74,290) | - |
| Net receivables | 1,003,063 | 1,301 | 139,871 | 4,240 | 1,148,475 | 3,289 |
| Inventories | 59,970 | 8,480 | - | - | 68,450 | 81,475 |
| Total current assets | 8,132,623 | 585,216 | 781,083 | 105,042 | 9,603,964 | 1,765,234 |
| Noncurrent assets: | | | | | | |
| Capital assets, not being depreciated | | | | | | |
| Land | 310,132 | 2,391,580 | - | - | 2,701,712 | - |
| Construction in progress | 654,230 | 9,900 | - | 18,098 | 682,228 | - |
| Total non-depreciable assets | 964,362 | 2,401,480 | - | 18,098 | 3,383,940 | - |
| Capital assets, being depreciated | | | | | | |
| Buildings and improvements | 171,321 | 17,740,316 | - | - | 17,911,637 | 319,511 |
| Water treatment plant | 18,855,766 | - | - | - | 18,855,766 | - |
| Water mains and laterals | 22,824,712 | - | - | - | 22,824,712 | - |
| Sewer mains and laterals | 24,075,821 | - | - | - | 24,075,821 | - |
| Machinery and equipment | 2,532,273 | 527,000 | 17,572 | 181,331 | 3,258,176 | 326,617 |
| Less accumulated depreciation | (22,705,368) | (6,698,536) | (17,572) | (173,054) | (29,594,530) | (502,640) |
| Total depreciable assets, net | 45,754,525 | 11,568,780 | - | 8,277 | 57,331,582 | 143,488 |
| Total noncurrent assets | 46,718,887 | 13,970,260 | - | 26,375 | 60,715,522 | 143,488 |
| Total assets | \$ 54,851,510 | \$ 14,555,476 | \$ 781,083 | \$ 131,417 | \$ 70,319,486 | \$ 1,908,722 |

(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, 2010

| | Business Type Activities - Enterprise Funds | | | | Total | Governmental Activities - Internal Service Funds |
|---|---|-----------------------|--------------------|----------------------------------|----------------------|---|
| | Utility Fund | Athletic Club Fund | Sanitation Fund | Nonmajor - Great Hall Fund | | |
| LIABILITIES | | | | | | |
| Current liabilities: | | | | | | |
| Accounts payable | \$ 655,114 | \$ 143,508 | \$ 325,527 | \$ 17,169 | \$ 1,141,318 | \$ 422,081 |
| Accrued interest payable | 13,837 | 28,440 | - | - | 42,277 | - |
| Unearned revenue | - | 149,759 | 73,860 | - | 223,619 | - |
| Advances from other funds - current | - | 125,000 | - | - | 125,000 | - |
| Bonds payable - current | 826,025 | - | - | - | 826,025 | - |
| Total current liabilities | <u>1,494,976</u> | <u>446,707</u> | <u>399,387</u> | <u>17,169</u> | <u>2,358,239</u> | <u>422,081</u> |
| Noncurrent liabilities: | | | | | | |
| Customer deposits payable | 431,816 | - | - | 9,825 | 441,641 | - |
| Advances from other funds - net of current | - | 1,250,000 | - | - | 1,250,000 | - |
| Bonds payable - net of current | 7,311,032 | - | - | - | 7,311,032 | - |
| Total noncurrent liabilities | <u>7,742,848</u> | <u>1,250,000</u> | <u>-</u> | <u>9,825</u> | <u>9,002,673</u> | <u>-</u> |
| Total liabilities | <u>9,237,824</u> | <u>1,696,707</u> | <u>399,387</u> | <u>26,994</u> | <u>11,360,912</u> | <u>422,081</u> |
| NET ASSETS | | | | | | |
| Invested in capital assets, net of related debt | 38,460,574 | 13,970,260 | - | 26,375 | 52,457,209 | 143,488 |
| Unrestricted | 7,153,112 | (1,111,491) | 381,696 | 78,048 | 6,501,365 | 1,343,153 |
| Total net assets | <u>\$ 45,613,686</u> | <u>\$ 12,858,769</u> | <u>\$ 381,696</u> | <u>\$ 104,423</u> | <u>58,958,574</u> | <u>\$ 1,486,641</u> |
| Adjustment to reflect the consolidation of internal service funds related to enterprise funds | | | | | 21,742 | |
| Net assets of business-type activities | | | | | <u>\$ 58,980,316</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, 2010

| | Business Type Activities - Enterprise Funds | | | | Total | Governmental Activities - Internal Service Funds |
|---|---|-----------------------|--------------------|----------------------------------|--------------|---|
| | Utility Fund | Athletic Club Fund | Sanitation Fund | Nonmajor - Great Hall Fund | | |
| Operating Revenues: | | | | | | |
| Water sales | \$ 3,979,602 | \$ - | \$ - | \$ - | \$ 3,979,602 | \$ - |
| Sewer service charges | 2,444,113 | - | - | - | 2,444,113 | - |
| Connection and other fees | 93,237 | - | - | - | 93,237 | - |
| Forfeited discounts | 61,933 | - | 40,827 | - | 102,760 | - |
| Sanitation fees | - | - | 3,864,615 | - | 3,864,615 | - |
| Membership fees | - | 2,382,458 | - | - | 2,382,458 | - |
| Class fees | - | 567,823 | - | - | 567,823 | - |
| Daily admissions | - | 14,952 | - | - | 14,952 | - |
| Internal charges | - | - | - | - | - | 4,809,904 |
| Other income | 19,574 | 256,503 | - | 114,998 | 391,075 | - |
| Total operating revenues | 6,598,459 | 3,221,736 | 3,905,442 | 114,998 | 13,840,635 | 4,809,904 |
| Operating Expenses: | | | | | | |
| Personnel services | 1,587,254 | 1,340,623 | 43,152 | 137,801 | 3,108,830 | 639,592 |
| Materials and supplies | 158,271 | 156,526 | 23,100 | 5,411 | 343,308 | 14,386 |
| Utilities | 559,890 | - | - | - | 559,890 | - |
| Sewage treatment fees | 928,265 | - | - | - | 928,265 | - |
| Landfill fees | - | - | 476,617 | - | 476,617 | - |
| Garbage collection fees | - | - | 3,337,665 | - | 3,337,665 | - |
| Other services and charges | 1,982,278 | 1,373,280 | 5,283 | 198,013 | 3,558,854 | 4,329,572 |
| Depreciation | 1,489,495 | 561,511 | - | 5,516 | 2,056,522 | 31,868 |
| Total operating expenses | 6,705,453 | 3,431,940 | 3,885,817 | 346,741 | 14,369,951 | 5,015,418 |
| Operating income (loss) | (106,994) | (210,204) | 19,625 | (231,743) | (529,316) | (205,514) |
| Nonoperating Revenues (Expenses): | | | | | | |
| Interest on investments | 51,036 | (2,144) | 24,502 | - | 73,394 | - |
| Interest and fiscal charges | (318,623) | (39,208) | - | (20,790) | (378,621) | - |
| Gain on disposal of capital assets | 50,843 | - | - | 506 | 51,349 | - |
| Total nonoperating revenues (expenses) | (216,744) | (41,352) | 24,502 | (20,284) | (253,878) | - |
| Income (loss) | | | | | | |
| before contributions and transfers | (323,738) | (251,556) | 44,127 | (252,027) | (783,194) | (205,514) |
| Contributions from developers | 417,437 | - | - | - | 417,437 | - |
| Transfers in | - | 700,000 | 21,206 | 56,450 | 777,656 | - |
| Change in net assets | 93,699 | 448,444 | 65,333 | (195,577) | 411,899 | (205,514) |
| Total net assets - beginning | 45,519,987 | 12,410,325 | 316,363 | 300,000 | | 1,692,155 |
| Total net assets - ending | \$ 45,613,686 | \$ 12,858,769 | \$ 381,696 | \$ 104,423 | | \$ 1,486,641 |
| Adjustment to reflect the consolidation of internal service funds related to enterprise funds | | | | | 36,529 | |
| Change in net assets of business-type activities | | | | | \$ 448,428 | |

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, 2010

| | Business-Type Activities - Enterprise Funds | | | | Totals | Governmental Activities - Internal Service Funds |
|---|---|-----------------------|--------------------|----------------------------------|---------------|---|
| | Utility Fund | Athletic Club Fund | Sanitation Fund | Nonmajor - Great Hall Fund | | |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | | | |
| Cash received from customers | \$ 6,618,619 | \$ 3,159,415 | \$ 3,931,766 | \$ 120,583 | \$ 13,830,383 | \$ 4,812,545 |
| Cash paid to suppliers | (3,761,518) | (1,631,110) | (3,829,015) | (194,620) | (9,416,263) | (4,209,632) |
| Cash paid to employees | (1,562,344) | (1,321,118) | (66,301) | (129,436) | (3,079,199) | (732,936) |
| Net cash provided (used) by operating activities | 1,294,757 | 207,187 | 36,450 | (203,473) | 1,334,921 | (130,023) |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | | | | | | |
| Transfer from other fund | - | 700,000 | 21,206 | 56,450 | 777,656 | - |
| Advances from other funds | - | (125,000) | - | - | (125,000) | - |
| Net cash provided by noncapital and related financing activities | - | 575,000 | 21,206 | 56,450 | 652,656 | - |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | | | | | |
| Bond and loan principal payments | (775,000) | - | - | - | (775,000) | - |
| Acquisition of capital assets | (2,580,925) | (765,976) | - | (31,891) | (3,378,792) | (20,470) |
| Proceeds from disposal of capital assets | 50,843 | - | - | 506 | 51,349 | - |
| Interest paid | (322,252) | (42,325) | - | (20,790) | (385,367) | - |
| Net cash used by capital and related financing activities | (3,627,334) | (808,301) | - | (52,175) | (4,487,810) | (20,470) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | | | |
| Purchase of investments | (23,784) | 73,431 | (35,339) | (28,543) | (14,235) | - |
| Interest received | 51,036 | (2,144) | 24,502 | - | 73,394 | - |
| Net cash provided (used) by investing activities | 27,252 | 71,287 | (10,837) | (28,543) | 59,159 | - |
| Net increase (decrease) in cash and cash equivalents | (2,305,325) | 45,173 | 46,819 | (227,741) | (2,441,074) | (150,493) |
| Cash and cash equivalents - beginning | 7,395,493 | 367,323 | 412,828 | 300,000 | 8,475,644 | 1,830,963 |
| Cash and cash equivalents - ending | \$ 5,090,168 | \$ 412,496 | \$ 459,647 | \$ 72,259 | \$ 6,034,570 | \$ 1,680,470 |

(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, 2010

| | Business-Type Activities - Enterprise Funds | | | | Totals | Governmental Activities - Internal Service Funds |
|--|---|-----------------------|--------------------|----------------------------------|--------------|---|
| | Utility Fund | Athletic Club Fund | Sanitation Fund | Nonmajor - Great Hall Fund | | |
| Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) By Operating Activities | | | | | | |
| Operating income (loss) | \$ (106,994) | \$ (210,204) | \$ 19,625 | \$ (231,743) | \$ (529,316) | \$ (205,514) |
| Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities | | | | | | |
| Depreciation expense | 1,489,495 | 561,511 | - | 5,516 | 2,056,522 | 31,868 |
| (Increase) decrease in assets: | | | | | | |
| Accounts receivable | (7,899) | 592 | 24,035 | (4,240) | 12,488 | 2,641 |
| Inventories | (17,384) | (304) | - | - | (17,688) | (22,019) |
| Increase (decrease) in liabilities: | | | | | | |
| Accounts payable | (90,520) | (81,495) | (9,450) | 17,169 | (164,296) | 63,001 |
| Accrued expenses | - | - | (49) | - | (49) | - |
| Customer deposits | 28,059 | (20,169) | - | 9,825 | 17,715 | - |
| Deferred revenue | - | (42,744) | 2,289 | - | (40,455) | - |
| Total adjustments | 1,401,751 | 417,391 | 16,825 | 28,270 | 1,864,237 | 75,491 |
| Net cash provided (used) by operating activities | \$ 1,294,757 | \$ 207,187 | \$ 36,450 | \$ (203,473) | \$ 1,334,921 | \$ (130,023) |
| Noncash investing, capital, and financing activities: | | | | | | |
| Contributions of capital assets from developers | \$ 417,437 | \$ - | \$ - | \$ - | \$ 417,437 | \$ - |

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

CITY OF GERMANTOWN, TENNESSEE

STATEMENT OF FIDUCIARY NET ASSETS

June 30, 2010

| | Pension Fund | OPEB Fund | Bail Deposit Fund |
|--|-------------------------|----------------------|----------------------------------|
| ASSETS | | | |
| Cash and cash equivalents | \$ 1,639,267 | \$ 296,068 | \$ 142,049 |
| Investments, at fair value | | | |
| Common stock | 8,026,361 | - | - |
| Foreign stock | 1,066,399 | - | - |
| U.S. government obligations | 1,241,931 | - | - |
| U.S. government mortgage backed securities | 4,446,631 | - | - |
| Collateralized mortgage obligation | 742,803 | - | - |
| State and municipal bonds | 3,904,121 | - | - |
| Mutual funds - equity | 9,105,762 | 868,824 | - |
| Mutual funds - fixed income | - | 654,588 | - |
| Mutual funds - international | 5,812,474 | 270,594 | - |
| Corporate bonds | 3,091,328 | - | - |
| Foreign Bonds, Notes & Debenture | 139,392 | - | - |
| Receivables: | | | |
| Accounts receivable | 3,194 | - | - |
| Interest | 155,200 | 3,844 | - |
| Total assets | <u>39,374,863</u> | <u>2,093,918</u> | <u>\$ 142,049</u> |
| LIABILITIES | | | |
| Accounts payable | 11,387 | 20,368 | - |
| Deposits held in trust | - | - | 142,049 |
| Total liabilities | <u>11,387</u> | <u>20,368</u> | <u>\$ 142,049</u> |
| NET ASSETS | | | |
| Held in trust for pension benefits and OPEB | <u>\$ 39,363,476</u> | <u>\$ 2,073,550</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, 2010

| | Pension Fund | OPEB Fund |
|---|-----------------------------|----------------------------|
| ADDITIONS | | |
| Contributions: | | |
| Employer | \$ 2,269,772 | \$ 931,373 |
| Plan members | 721,797 | 111,871 |
| Total contributions | <u>2,991,569</u> | <u>1,043,244</u> |
| Investment Income (Loss): | | |
| Net depreciation in fair value of investments | 3,517,389 | 155,124 |
| Interest and dividends | 1,044,580 | 37,368 |
| Total investment earnings (loss) | <u>4,561,969</u> | <u>192,492</u> |
| Total additions | 7,553,538 | 1,235,736 |
| DEDUCTIONS | | |
| Benefits paid | 1,742,152 | 582,509 |
| Administrative expense | 218,647 | 4,100 |
| Total deductions | <u>1,960,799</u> | <u>586,609</u> |
| Change in net assets | 5,592,739 | 649,127 |
| Net assets - beginning | <u>33,770,737</u> | <u>1,424,423</u> |
| Net assets - ending | <u><u>\$ 39,363,476</u></u> | <u><u>\$ 2,073,550</u></u> |

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



CITY OF GERMANTOWN, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2010

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, 2010

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, 2010

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

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

The Pension Fund, a pension and other employee benefit trust fund, is used to account for the accumulation of resources to be used to provide defined retirement benefits to all qualified employees upon retirement.

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

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

CITY OF GERMANTOWN, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2010

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

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

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

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

CITY OF GERMANTOWN, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2010

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

2. Receivables and payables

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

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

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

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

3. Inventories

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

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.

CITY OF GERMANTOWN, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2010

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

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

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

6. Compensated absences

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

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

7. Post Employment Benefits

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

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.

CITY OF GERMANTOWN, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2010

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

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

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

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

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.

CITY OF GERMANTOWN, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2010

One element of that reconciliation explains that "long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds." The details of this \$24,452,774 difference are as follows:

| | |
|--|----------------------|
| Bonds payable | \$ 24,000,000 |
| Deferred amount for issuance premium | 213,434 |
| Deferred amount for issuance costs | (668,318) |
| Accrued interest payable | 201,538 |
| Compensated absences | 706,120 |
| Net adjustment to reduce - fund balance - total governmental funds to arrive at net assets - governmental activities | <u>\$ 24,452,774</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 \$176,394 difference are as follows:

| | |
|--|---------------------|
| Capital outlay | \$ 3,939,030 |
| Depreciation expense | <u>(4,115,424)</u> |
| Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities | <u>\$ (176,394)</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."

CITY OF GERMANTOWN, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2010

The details of this \$2,060,181 difference are as follows:

| | |
|---|---------------------|
| Interest | \$ 20,043 |
| Debt Issue Costs | (14,862) |
| Principal repayments of general obligation debt | <u>2,055,000</u> |
| Net adjustment to increase net changes in fund balance - total governmental funds to arrive at changes in net assets of governmental activities | <u>\$ 2,060,181</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 \$197,843 difference are as follows:

| | |
|--|---------------------|
| Compensated absences | \$ (203,024) |
| Accrued interest | 20,043 |
| Amortization of issuance costs | (31,984) |
| Amortization of bond premium | <u>17,122</u> |
| Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities | <u>\$ (197,843)</u> |

NOTE 3 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A - Budgetary information

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

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

CITY OF GERMANTOWN, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2010

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

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, 2010, 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.

CITY OF GERMANTOWN, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2010

NOTE 4 - DETAILED NOTES ON ALL FUNDS

A. Deposits and investments

As of June 30, 2010, the City had the following investments:

| Investment Type | Fair Value | Weighted Average Maturities (Years) |
|--|----------------------|---|
| Common Stock | \$ 8,026,361 | |
| Foreign Stock | 1,066,399 | |
| U.S. Treasuries | 1,241,931 | 5.0 |
| U.S. Government Mortgage Backed Securities | 16,210,915 | 3.8 |
| State and Municipal bonds | 3,904,121 | 7.2 |
| Corporate Bonds | 3,091,328 | 13.8 |
| Foreign Bonds, Notes & Debenture | 139,392 | |
| Mutual Funds - Equity | 9,974,586 | |
| Mutual Funds - Fixed Income | 654,588 | |
| Mutual Funds - International | 6,083,068 | |
| Total fair value | <u>\$ 50,392,689</u> | 7.2 |
| Portfolio weighted average maturity | | |

CITY OF GERMANTOWN, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2010

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

| U.S. Treasuries | | | | Corporate Bonds | | | |
|---------------------------|--------------|-----|--------------|-----------------------------------|------------|-----|------------|
| Moody's | Amount | S&P | Amount | Moody's | Amount | S&P | Amount |
| Aaa | \$ 1,241,931 | AAA | \$ 1,241,931 | Aaa | \$ 167,123 | AA+ | \$ 373,874 |
| | | | | Aa2 | 543,425 | AA | 395,028 |
| | | | | Aa3 | 345,032 | AA- | 146,616 |
| State and Municipal Bonds | | | | A1 | 662,977 | A+ | 377,571 |
| Moody's | Amount | S&P | Amount | A2 | 664,268 | A | 1,136,050 |
| Aaa | \$ 797,770 | AAA | \$ 1,034,536 | A3 | 620,945 | A- | 365,097 |
| Aa1 | 650,500 | AA+ | 355,405 | Baa2 | 87,558 | BBB | 129,969 |
| A1 | 27,502 | AA | 378,044 | | | N/A | 167,123 |
| A2 | 266,118 | AA- | 349,933 | | | | |
| Aa2 | 569,634 | A+ | 84,342 | Foreign Bonds, Notes & Debentures | | | |
| Aa3 | 607,707 | A | 670,620 | Moody's | Amount | S&P | Amount |
| A3 | 155,891 | N/A | 1,031,241 | A1 | \$ 139,392 | A | \$ 139,392 |
| Baa1 | 415,009 | | | | | | |
| NR | 413,990 | | | | | | |

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.

CITY OF GERMANTOWN, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2010

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

| | | |
|--|--------------|-------|
| Federal Home Loan Bank | \$ 5,510,937 | 10.9% |
| Federal Home Loan Mortgage Corp. | 5,510,542 | 10.9% |
| Federal National Loan Mortgage Corporation | 3,108,325 | 6.2% |
| Federal National Mortgage Association | 1,188,586 | 2.4% |
| Government National Mortgage Association | 892,525 | 1.8% |

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 | Nonmajor - Great Hall Fund | Total |
|------------------------------------|----------------------|--------------------------------|---------------------|-----------------------|--------------------|----------------------------------|----------------------|
| Receivables: | | | | | | | |
| Property taxes | \$ 22,196,950 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 22,196,950 |
| Interest | 70,887 | - | - | - | - | - | 70,887 |
| Sales and income taxes | 4,725,800 | - | - | - | - | - | 4,725,800 |
| Accounts receivable | - | - | 1,039,891 | - | 158,313 | 4,240 | 1,202,444 |
| Other | - | 210,124 | 345 | 19,976 | - | - | 230,445 |
| Gross receivables | 26,993,637 | 210,124 | 1,040,236 | 19,976 | 158,313 | 4,240 | 28,426,526 |
| Less: allowance for uncollectibles | (1,189,550) | - | (37,173) | (18,675) | (18,442) | - | (1,263,840) |
| Net total receivables | <u>\$ 25,804,087</u> | <u>\$ 210,124</u> | <u>\$ 1,003,063</u> | <u>\$ 1,301</u> | <u>\$ 139,871</u> | <u>\$ 4,240</u> | <u>\$ 27,162,686</u> |

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

C. Property Taxes

The City levies property taxes annually based upon assessed valuations provided by the Shelby County Tax Assessor.

CITY OF GERMANTOWN, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2010

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

| | <u>Assessment Rate</u> | <u>Assessed Value</u> |
|--------------------------------|------------------------|-------------------------|
| Residential real property | 25% | \$ 1,180,222,015 |
| Farm real property | 25% | 2,555,975 |
| Commercial real property | 40% | 288,563,710 |
| Public utilities real property | 55% | 14,926,797 |
| Commercial personal property | 30% | 25,877,620 |
| | | <u>\$ 1,512,146,117</u> |

The estimated actual value was \$5,653,334,031 making the overall assessed value 26.7% of the estimated actual value based on the State of Tennessee's certified Equalization Ratio for Shelby County of 100%.

Current tax collections for the year ended June 30, 2010 were 97.4% 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, 2010 was \$1.425 per \$100 of assessed value.

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

| <u>Year</u> | <u>Taxes Receivable June 30, 2009</u> | <u>Taxes Levied And Accrued</u> | <u>Collections And Adjustments</u> | <u>Taxes Receivable June 30, 2010</u> |
|--------------|---|---|--|---|
| 2000 & Prior | \$ 9,649 | \$ - | \$ 1,110 | \$ 8,539 |
| 2001 | 3,674 | - | 158 | 3,516 |
| 2002 | 4,605 | - | 341 | 4,264 |
| 2003 | 21,797 | - | 845 | 20,952 |
| 2004 | 24,799 | - | 341 | 24,458 |
| 2005 | 27,282 | - | 1,137 | 26,145 |
| 2006 | 60,038 | - | 25,516 | 34,522 |
| 2007 | 128,624 | - | 87,583 | 41,041 |
| 2008 | 463,777 | - | 331,927 | 131,850 |
| 2009 | 21,291,084 | - | 20,724,774 | 566,310 |
| 2010 | - | 21,335,375 | - | 21,335,375 |
| Credit | (242) | - | (220) | (22) |
| | <u>\$ 22,035,087</u> | <u>\$ 21,335,375</u> | <u>\$ 21,173,512</u> | <u>\$ 22,196,950</u> |

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

CITY OF GERMANTOWN, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2010

D. Capital assets

Capital asset activity for the year ended June 30, 2010 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 | \$ 10,200,099 | \$ 5,070 | \$ - | \$ 10,205,169 |
| Construction in progress | 4,859,409 | 2,599,572 | (2,624,969) | 4,834,012 |
| Total capital assets, not being depreciated | <u>15,059,508</u> | <u>2,604,642</u> | <u>(2,624,969)</u> | <u>15,039,181</u> |
| Capital assets, being depreciated: | | | | |
| Buildings | 29,329,182 | 978,253 | (446,096) | 29,861,339 |
| Improvements other than buildings | 72,108,322 | 2,532,512 | (388) | 74,640,446 |
| Machinery and equipment | 22,230,781 | 428,988 | (218,446) | 22,441,323 |
| Total capital assets being depreciated | <u>123,668,285</u> | <u>3,939,753</u> | <u>(664,930)</u> | <u>126,943,108</u> |
| Less accumulated depreciation for: | | | | |
| Buildings | (11,173,824) | (828,290) | 201,144 | (11,800,970) |
| Improvements other than building | (43,435,474) | (2,143,780) | 9,960 | (45,569,294) |
| Machinery and equipment | (16,832,139) | (1,175,222) | 493,900 | (17,513,461) |
| Total accumulated depreciation | <u>(71,441,437)</u> | <u>(4,147,292)</u> | <u>705,004</u> | <u>(74,883,725)</u> |
| Total capital assets, being depreciated, net | <u>52,226,848</u> | <u>(207,539)</u> | <u>40,074</u> | <u>52,059,383</u> |
| Governmental activities capital assets, net | <u>\$ 67,286,356</u> | <u>\$ 2,397,103</u> | <u>\$ (2,584,895)</u> | <u>\$ 67,098,564</u> |

CITY OF GERMANTOWN, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2010

| | <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 | <u>5,789,239</u> | <u>2,086,198</u> | <u>(7,193,209)</u> | <u>682,228</u> |
| Total capital assets, not being depreciated | 8,490,951 | 2,086,198 | (7,193,209) | 3,383,940 |
| Capital assets, being depreciated: | | | | |
| Buildings | 15,558,202 | 2,353,435 | - | 17,911,637 |
| Improvements other than buildings | 59,703,597 | 6,052,702 | - | 65,756,299 |
| Machinery and equipment | <u>3,027,165</u> | <u>49,680</u> | <u>-</u> | <u>3,076,845</u> |
| Total capital assets being depreciated | 78,288,964 | 8,455,817 | - | 86,744,781 |
| Less accumulated depreciation for: | | | | |
| Buildings | (4,960,903) | (446,445) | 902 | (5,406,446) |
| Improvements other than building | (20,905,983) | (1,326,618) | 2,870 | (22,229,731) |
| Machinery and equipment | <u>(1,938,315)</u> | <u>(283,459)</u> | <u>444,752</u> | <u>(1,777,022)</u> |
| Total accumulated depreciation | <u>(27,805,201)</u> | <u>(2,056,522)</u> | <u>448,524</u> | <u>(29,413,199)</u> |
| Total capital assets, being depreciated, net | <u>50,483,763</u> | <u>6,399,295</u> | <u>448,524</u> | <u>57,331,582</u> |
| Business-type activities capital assets, net | <u>\$ 58,974,714</u> | <u>\$ 8,485,493</u> | <u>\$ (6,744,685)</u> | <u>\$ 60,715,522</u> |

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

| | | |
|--|--|---------------------|
| Governmental activities: | | |
| General government | | \$ 4,048,280 |
| Public safety | | 43,250 |
| Community service | | 8,968 |
| Transportation | | 14,926 |
| Capital assets held by the City's internal service funds are charged to the various functions based on their usage of the assets | | <u>31,868</u> |
| Total depreciation expense - government activities | | <u>\$ 4,147,292</u> |
| Business-type activities: | | |
| Utility | | \$ 1,489,495 |
| Athletic Club | | 561,511 |
| Great Hall | | <u>5,516</u> |
| Total depreciation expense - business-type activities | | <u>\$ 2,056,522</u> |

CITY OF GERMANTOWN, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2010

Construction commitments

The government has active construction projects as of June 30, 2010. At year end the government's commitments with contractors are as follows:

| <u>Function / Activity</u> | <u>Commitment</u> |
|----------------------------|---------------------|
| Major Roads | \$ 1,859,748 |
| Intersections | 311,905 |
| Drainage | 1,135,028 |
| Parks & Recreation | 40,155 |
| General Government | 179,598 |
| Great Hall | 20,609 |
| Utility | 628,075 |
| Fire | 2,859,237 |
| | <u>\$ 7,034,355</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>\$ 1,375,000</u> |

CITY OF GERMANTOWN, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2010

The composition of interfund transfers for the year ended June 30, 2010, is as follows:

| | Transfer In: | | | | |
|----------------------|--------------------------|-----------------------|--------------------|------------------------|--------------|
| Transfer out: | Nonmajor Governmental | Athletic Club Fund | Sanitation Fund | Nonmajor Enterprise | Total |
| General Fund | \$ 3,646,994 | \$ 700,000 | \$ 21,206 | \$ 56,450 | \$ 4,424,650 |

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

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.

CITY OF GERMANTOWN, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2010

Changes in long-term liabilities

Long-term liability activity for the year ended June 30, 2010, was as follows:

| | Beginning Balance | Additions | Reductions | Ending Balance | Due Within One Year |
|---|----------------------|-------------------|-----------------------|----------------------|------------------------|
| Governmental activities: | | | | | |
| Bonds payable - general obligation | \$ 26,055,000 | \$ - | \$ (2,055,000) | \$ 24,000,000 | \$ 2,175,000 |
| Plus (less) deferred amounts: | | | | | |
| For issuance premium | 230,556 | - | (17,122) | 213,434 | 17,122 |
| For issuance costs | (700,302) | - | 31,984 | (668,318) | 37,204 |
| Compensated absences | 508,277 | 252,820 | (54,977) | 706,120 | 54,977 |
| Governmental activity long-term liabilities | <u>\$ 26,093,531</u> | <u>\$ 252,820</u> | <u>\$ (2,095,115)</u> | <u>\$ 24,251,236</u> | <u>\$ 2,284,303</u> |
| Business-type activities: | | | | | |
| Revenue bonds | \$ 8,900,000 | \$ - | \$ (775,000) | \$ 8,125,000 | \$ 825,000 |
| Plus (less) deferred amounts: | | | | | |
| For issuance premium | 149,963 | - | (16,650) | 133,313 | 16,650 |
| For issuance cost | (136,403) | - | 15,147 | (121,256) | (15,625) |
| Business-type activity long-term liabilities | <u>\$ 8,913,560</u> | <u>\$ -</u> | <u>\$ (776,503)</u> | <u>\$ 8,137,057</u> | <u>\$ 826,025</u> |

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

For the governmental activities, \$3,095,071 of bond proceeds was not spent as of June 30, 2010. 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, 2010

Bonds and similar debt payable at June 30, 2010, 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: | | | |
| 2002 Serial Bonds | 1.5-4.85 | 7,845,000 | 1,060,000 |
| 2005 Serial Bonds | 2.7-3.85 | 9,695,000 | 8,815,000 |
| 2006 Serial Bonds | 4.00 | 5,555,000 | 4,695,000 |
| 2009 Serial Bonds | 3.0-4.2 | 9,635,000 | 9,430,000 |
| | | <u>\$ 32,730,000</u> | 24,000,000 |
| Business-type activities: | | | |
| 2006 Revenue Bond | 4.00 | \$ 4,255,000 | \$ 3,535,000 |
| 2008 Revenue Bond | 3.0-4.0 | 5,000,000 | 4,590,000 |
| | | <u>\$ 9,255,000</u> | 8,125,000 |
| | | | <u>\$ 32,125,000</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> |
| 2011 | \$ 2,175,000 | \$ 841,142 | \$ 825,000 | \$ 300,775 |
| 2012 | 2,200,000 | 759,692 | 855,000 | 272,000 |
| 2013 | 2,305,000 | 679,673 | 880,000 | 241,663 |
| 2014 | 2,375,000 | 601,037 | 920,000 | 209,050 |
| 2015 | 2,050,000 | 519,248 | 955,000 | 174,437 |
| 2016 - 2020 | 7,150,000 | 1,701,000 | 3,690,000 | 301,400 |
| 2021 - 2025 | 3,840,000 | 766,271 | - | - |
| 2026 - 2029 | 1,905,000 | 172,531 | - | - |
| | <u>\$ 24,000,000</u> | <u>\$ 6,040,594</u> | <u>\$ 8,125,000</u> | <u>\$ 1,499,325</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, 2010

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, 2010, PERS membership consisted of:

| | |
|---|-------------------|
| Retirees and beneficiaries currently receiving benefits | 111 |
| Terminated employees entitled to benefits | 119 |
| Current employees: | |
| Vested | 261 |
| Nonvested | <u>102</u> |
| Total | <u><u>593</u></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, 2010

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. Funded Status and Funding Progress

As of June 30, 2010, the actuarial accrued liability for benefits was \$60,406,423 of which \$15,758,143 was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$18,998,306, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 83%.

E. Plan Expenses

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

F. Method Used to Value Investments

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

G. Annual Pension Cost

For the year ended June 30, 2010, the City's annual pension cost of \$2,269,772 was equal to the required and actual contributions. The required contribution was determined as part of the July 1, 2010 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 \$18,998,306.

CITY OF GERMANTOWN, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2010

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

| | |
|---|--------------|
| Annual required contribution | \$ 2,269,772 |
| Interest on net pension obligation | - |
| Adjustments to annual required contribution | - |
| Annual pension cost | 2,269,772 |
| Contributions made | 2,269,772 |
| Increase (decrease) in net pension obligation | - |
| Net pension obligation - beginning of year | - |
| Net pension obligation - end of year | \$ - |

H. Trend Information

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

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

| | 2010 | 2009 | 2008 |
|-------------------------------|--------------|--------------|--------------|
| Annual Pension Cost | \$ 2,269,772 | \$ 1,803,515 | \$ 1,653,220 |
| 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, 2010

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 <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> |
|---------------------------------------|--|--|------------------------|---------------------------|---|
| 7/1/2005 | \$ 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% |
| 7/1/2010 | 44,648,280 | 15,758,143 | 74% | 18,998,306 | 83% |

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, 2010 was \$526,149. There are no non-cancelable leases as of June 30, 2010.

Construction contract commitments at June 30, 2010 totaled \$7,034,355.

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, 2010

NOTE 8 - RISK MANAGEMENT

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

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

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

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

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

CITY OF GERMANTOWN, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2010

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

| | Year ended June 30, 2010 | Year ended June 30, 2009 |
|--|-----------------------------|-----------------------------|
| Unpaid claims, beginning of fiscal year* | \$ 73,900 | \$ 57,900 |
| Incurred claims* | 308,522 | 207,825 |
| Claim payments | (293,622) | (191,825) |
| Unpaid claims, end of fiscal year* | \$ 88,800 | \$ 73,900 |

*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:

| | |
|------------|--------------|
| 2011 | \$ 304,020 |
| 2012 | 308,161 |
| 2013 | 311,252 |
| 2014 | 318,082 |
| 2015 | 321,568 |
| Thereafter | 2,010,505 |
| | \$ 3,573,588 |

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, 2010, 60 retirees met the requirement for participation and participated in the plan. The City Trust paid \$582,509 in claims under the plan for the year-ended June 30, 2010.

CITY OF GERMANTOWN, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2010

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, 2010

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, 2010:

| <u>Annual OPEB Cost</u> | <u>Fiscal Year Ending 6/30/2010</u> |
|--|---|
| Annual Required Contribution | \$ 919,610 |
| Interest on net OPEB Obligation | - |
| Adjustment to Annual Required Contribution | - |
| Annual OPEB Expense | <u>919,610</u> |
| 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, 2010, the actuarial accrued liability for benefits was \$9,887,913 of which \$7,793,995 was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$18,998,306, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 41%. The actuarial value of the assets for other post employment benefits as of July 1, 2010 is \$2,093,818.

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, 2010

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, 2010

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, 2010

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, 2010

x. Retirement Rates

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

| <u>Age</u> | <u>General Services Employees</u> | <u>Emergency Services Employees</u> |
|------------|---------------------------------------|---|
| 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, 2010

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 | \$ 211,768 |
| Public safety | 509,948 |
| Community services | 25,161 |
| Transportation and environment | <u>109,219</u> |
| Total governmental activities OPEB expense | <u><u>\$ 856,096</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> | |
|---|------------------------------------|--------------------------|
| | 2010 | 2009 |
| Incurring Claims But Not Reported at Beginning of Fiscal Year | \$ 262,576 | \$ 204,294 |
| Claims Submitted for Fiscal Year | <u>4,122,563</u> | <u>2,924,654</u> |
| Total Available for Claims Payments | 4,385,139 | 3,128,948 |
| Claims Paid During Fiscal Year | <u>4,029,542</u> | <u>2,866,372</u> |
| Incurring Claims But Not Reported at End of Fiscal Year | <u><u>\$ 355,597</u></u> | <u><u>\$ 262,576</u></u> |

The City maintains a liability in the Group Health Insurance Fund in the amount of \$355,597 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, 2010

| <u>Year Ended June 30</u> | <u>Annual Required Contribution</u> | <u>Percent Contributed</u> |
|-------------------------------|---|--------------------------------|
| 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% |
| 2010 | 2,269,772 | 100% |

CITY OF GERMANTOWN, TENNESSEE

SCHEDULE OF OTHER POST EMPLOYMENT BENEFITS FUNDING PROGRESS

For the Year Ended June 30, 2010

| Actuarial Valuaion <u>Date</u> | Actuarial Value of <u>Assets</u> | Unfunded Actuarial Accrued <u>Liability-PUC</u> | Funded <u>Ratio</u> | Covered <u>Payroll</u> | UAAL as a Percentage of Covered <u>Payroll</u> |
|--------------------------------------|--|--|------------------------|---------------------------|---|
| 7/1/2008 | \$ 937,896 | \$ 8,094,728 | 10.4% | \$ 18,172,732 | 45% |
| 7/1/2009 | 1,455,484 | 8,299,082 | 14.9% | 18,846,765 | 44% |
| 7/1/2010 | 2,093,918 | 7,793,995 | 21.2% | 18,998,306 | 41% |

CITY OF GERMANTOWN, TENNESSEE

COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS

June 30, 2010

| | Special Revenue | | | | | Capital Projects | | | | | | |
|--|---------------------|-----------------------|------------------|-------------------|-------------------|---------------------|-------------------|--------------------|---------------------|-------------------|---------------------|----------------------|
| | State Street Aid | Automated Enforcement | Drug Enforcement | Pickering | Recreation | Major Roads | Intersections | General Government | Fire Dept | Parks Improvement | Drainage Projects | Governmental Funds |
| ASSETS | | | | | | | | | | | | |
| Cash and cash equivalents | \$ 1,097,029 | \$ 13,798 | \$ 87,843 | \$ 121,590 | \$ 216,175 | \$ 2,878,945 | \$ 432,594 | \$ 693,720 | \$ 3,363,459 | \$ 542,924 | \$ 1,772,300 | \$ 11,220,377 |
| Investments | 433,337 | 5,450 | - | 47,993 | 85,391 | 1,137,210 | 170,878 | 274,025 | - | 214,460 | 700,074 | 3,068,818 |
| Receivables - other | 199,980 | - | 6,855 | - | - | - | - | - | - | - | - | 206,835 |
| Restricted assets: | | | | | | | | | | | | |
| Cash and cash equivalents | - | - | - | - | - | 65,519 | - | - | 9,764 | - | 34,756 | 110,039 |
| Total assets | \$ 1,730,346 | \$ 19,248 | \$ 94,698 | \$ 169,583 | \$ 301,566 | \$ 4,081,674 | \$ 603,472 | \$ 967,745 | \$ 3,373,223 | \$ 757,384 | \$ 2,507,130 | \$ 14,606,069 |
| LIABILITIES | | | | | | | | | | | | |
| Accounts payable | \$ 125,907 | \$ 42,729 | 6,847 | \$ 8,494 | \$ 39,793 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 223,770 |
| Contracts payable | - | - | - | - | - | 18,174 | 5,931 | 1,980 | 227,387 | 11,759 | 218,193 | 483,424 |
| Deferred revenue | - | - | - | - | - | - | 2,422 | - | - | - | - | 2,422 |
| Total Liabilities | 125,907 | 42,729 | 6,847 | 8,494 | 39,793 | 18,174 | 8,353 | 1,980 | 227,387 | 11,759 | 218,193 | 709,616 |
| FUND BALANCES | | | | | | | | | | | | |
| Reserved for encumbrances | 412,134 | 16,400 | - | 72 | 19,873 | 1,839,795 | 318,251 | 163,998 | 2,641,614 | 35,633 | 1,740,351 | 7,188,121 |
| Undesignated | 1,192,305 | (39,881) | 87,851 | 161,017 | 241,900 | 2,223,705 | 276,868 | 801,767 | 504,222 | 709,992 | 548,586 | 6,708,332 |
| Total fund balances | 1,604,439 | (23,481) | 87,851 | 161,089 | 261,773 | 4,063,500 | 595,119 | 965,765 | 3,145,836 | 745,625 | 2,288,937 | 13,896,453 |
| Total liabilities and fund balances | \$ 1,730,346 | \$ 19,248 | \$ 94,698 | \$ 169,583 | \$ 301,566 | \$ 4,081,674 | \$ 603,472 | \$ 967,745 | \$ 3,373,223 | \$ 757,384 | \$ 2,507,130 | \$ 14,606,069 |

CITY OF GERMANTOWN, TENNESSEE

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

For the Year Ended June 30, 2010

| | 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 | \$ 1,088,368 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 1,088,368 |
| Fees for services | - | - | - | 26,127 | 398,320 | - | - | - | - | - | - | 424,447 |
| Interest on investments | 17,243 | - | - | - | - | 1,655 | - | - | - | - | - | 18,898 |
| Grants | - | - | 13,326 | - | - | 205,080 | 66,559 | - | - | 8,606 | - | 293,571 |
| Other revenues | 155,948 | 296,415 | 117,873 | 41,064 | - | - | 39,086 | - | - | - | - | 650,386 |
| Total revenues | 1,261,559 | 296,415 | 131,199 | 67,191 | 398,320 | 206,735 | 105,645 | - | - | 8,606 | - | 2,475,670 |
| EXPENDITURES | | | | | | | | | | | | |
| Personnel services | - | 316,248 | 46,810 | - | - | - | - | - | - | - | - | 363,058 |
| Material and supplies | 1,768,091 | 2,975 | 96,029 | 20,125 | 62,781 | - | - | - | - | - | - | 1,950,001 |
| Other services and charges | - | 275,650 | 8,312 | 30,449 | 217,500 | - | - | - | - | - | - | 531,911 |
| Architectural and engineering | - | - | - | - | - | 526,118 | 36,861 | 66,559 | 36,731 | 110,493 | 105,425 | 882,187 |
| Construction contracts | - | - | - | - | - | 3,215 | 105,246 | 360,806 | 430,993 | 39,410 | 806,388 | 1,746,058 |
| Other costs | - | - | 43,006 | - | 164,580 | - | - | - | - | - | - | 207,586 |
| Total expenditures | 1,768,091 | 594,873 | 194,157 | 50,574 | 444,861 | 529,333 | 142,107 | 427,365 | 467,724 | 149,903 | 911,813 | 5,680,801 |
| Excess (deficiency) of revenues over (under) expenditures | (506,532) | (298,458) | (62,958) | 16,617 | (46,541) | (322,598) | (36,462) | (427,365) | (467,724) | (141,297) | (911,813) | (3,205,131) |
| OTHER FINANCING SOURCES (USES) | | | | | | | | | | | | |
| Transfers in(out) | 600,000 | 112,944 | - | - | - | 2,351,050 | - | 600,000 | 765,000 | (382,000) | (400,000) | 3,646,994 |
| Net change in fund balance | 93,468 | (185,514) | (62,958) | 16,617 | (46,541) | 2,028,452 | (36,462) | 172,635 | 297,276 | (523,297) | (1,311,813) | 441,863 |
| Fund balances - beginning | 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 |
| Fund balances - ending | \$ 1,604,439 | \$ (23,481) | \$ 87,851 | \$ 161,089 | \$ 261,773 | \$ 4,063,500 | \$ 595,119 | \$ 965,765 | \$ 3,145,836 | \$ 745,625 | \$ 2,288,937 | \$ 13,896,453 |

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, 2010

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget Positive(Negative) |
|--|------------------|--------------|-------------------|---|
| | Original | Final | | |
| STATE STREET AID | | | | |
| REVENUES | | | | |
| State gasoline taxes | \$ 1,100,000 | \$ 1,100,000 | \$ 1,088,368 | \$ (11,632) |
| Other revenues | - | - | 155,948 | 155,948 |
| Interest on investments | 23,700 | 23,700 | 17,243 | (6,457) |
| Total revenues | 1,123,700 | 1,123,700 | 1,261,559 | 137,859 |
| EXPENDITURES | | | | |
| Material and supplies | 2,010,000 | 2,239,251 | 1,768,091 | 471,160 |
| Excess (deficiency) of revenues over (under) expenditures | (886,300) | (1,115,551) | (506,532) | 609,019 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | 600,000 | 600,000 | 600,000 | - |
| Net change in fund balances | (286,300) | (515,551) | 93,468 | 609,019 |
| Fund balance - beginning | 661,846 | 1,008,099 | 1,510,971 | 849,125 |
| Fund balance - ending | \$ 375,546 | \$ 492,548 | \$ 1,604,439 | \$ 1,458,144 |
| AUTOMATED ENFORCEMENT | | | | |
| REVENUES | | | | |
| Red lights | \$ 456,000 | \$ 456,000 | \$ 296,415 | \$ (159,585) |
| EXPENDITURES | | | | |
| Personnel services | 228,314 | 335,504 | 316,248 | 19,256 |
| Material and supplies | 6,000 | 2,977 | 2,975 | 2 |
| Other services and charges | 219,800 | 275,652 | 275,650 | 2 |
| Total expenditures | 454,114 | 614,133 | 594,873 | 19,260 |
| Excess (deficiency) of revenues over (under) expenditures | (225,800) | (278,629) | (278,625) | 38,516 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | - | 70,434 | 112,944 | 42,510 |
| Net change in fund balances | 1,886 | (87,699) | (185,514) | (136,335) |
| Fund balance - beginning | 401,667 | 200,675 | 162,033 | (239,634) |
| Fund balance - ending | \$ 403,553 | \$ 112,976 | \$ (23,481) | \$ (375,969) |

(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, 2010

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget Positive(Negative) |
|-----------------------------|------------------|------------|-------------------|---|
| | Original | Final | | |
| DRUG ENFORCEMENT | | | | |
| REVENUES | | | | |
| Other revenues | \$ 300,000 | \$ 300,000 | \$ 131,199 | \$ (168,801) |
| EXPENDITURES | | | | |
| Personnel services | 75,000 | 85,000 | 46,810 | 38,190 |
| Material and supplies | 190,500 | 141,800 | 96,029 | 45,771 |
| Other services and charges | 33,750 | 33,750 | 8,312 | 25,438 |
| Capital outlay | - | 45,107 | 43,006 | 2,101 |
| Total expenditures | 299,250 | 305,657 | 194,157 | 111,500 |
| Net change in fund balances | 750 | (5,657) | (62,958) | (57,301) |
| Fund balance - beginning | 536,609 | 262,958 | 150,809 | (385,800) |
| Fund balance - ending | \$ 537,359 | \$ 257,301 | \$ 87,851 | \$ (443,101) |
| PICKERING | | | | |
| REVENUES | | | | |
| Fees for services | \$ 27,210 | \$ 27,210 | \$ 26,127 | \$ (1,083) |
| Other revenues | 47,000 | 47,000 | 41,064 | (5,936) |
| Total revenues | 74,210 | 74,210 | 67,191 | (7,019) |
| EXPENDITURES | | | | |
| Material and supplies | 4,500 | 22,166 | 20,125 | 2,041 |
| Other services and charges | 40,005 | 40,005 | 30,449 | 9,556 |
| Total expenditures | 44,505 | 62,171 | 50,574 | 11,597 |
| Net change in fund balances | 29,705 | 12,039 | 16,617 | 4,578 |
| Fund balance - beginning | 105,771 | 101,837 | 144,472 | 38,701 |
| Fund balance - ending | \$ 135,476 | \$ 113,876 | \$ 161,089 | \$ 43,279 |

(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, 2010

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget Positive(Negative) |
|--|------------------|----------------|-------------------|---|
| | Original | Final | | |
| RECREATION | | | | |
| REVENUES | | | | |
| Fees for services | \$ 306,198 | \$ 375,558 | \$ 398,320 | \$ 22,762 |
| EXPENDITURES | | | | |
| Material and supplies | 46,783 | 81,609 | 62,781 | 18,828 |
| Other services and charges | 210,705 | 276,577 | 217,500 | 59,077 |
| Capital outlay | - | 164,580 | 164,580 | - |
| Total expenditures | 257,488 | 522,766 | 444,861 | 77,905 |
| Net change in fund balances | 48,710 | (147,208) | (46,541) | 100,667 |
| Fund balance - beginning | 100,515 | 96,441 | 308,314 | 207,799 |
| Fund balance - ending | \$ 149,225 | \$ (50,767) | \$ 261,773 | \$ 308,466 |
| MAJOR ROADS | | | | |
| REVENUES | | | | |
| Interest on investments | \$ - | \$ - | \$ 1,655 | \$ (1,655) |
| Grants | - | - | 205,080 | (205,080) |
| Total revenues | - | - | 206,735 | (206,735) |
| EXPENDITURES | | | | |
| Architectural and engineering | 360,000 | 839,195 | 526,118 | 313,077 |
| Construction contracts | 7,370,000 | 7,619,263 | 3,215 | 7,616,048 |
| Total expenditures | 7,730,000 | 8,458,458 | 529,333 | 7,929,125 |
| Excess (deficiency) of revenues over (under) expenditures | (7,730,000) | (8,458,458) | (322,598) | (8,135,860) |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | 200,000 | 2,351,000 | 2,351,050 | (50) |
| Net change in fund balances | (7,530,000) | (6,107,458) | 2,028,452 | (8,135,910) |
| Fund balance - beginning | 171,367 | (371,872) | 2,035,048 | 1,863,681 |
| Fund balance - ending | \$ (7,358,633) | \$ (6,479,330) | \$ 4,063,500 | \$ (6,272,229) |

(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, 2010

| | <u>Budgeted Amounts</u> | | <u>Actual Amounts</u> | <u>Variance with Final Budget Positive(Negative)</u> |
|--|-------------------------|----------------|---------------------------|--|
| | <u>Original</u> | <u>Final</u> | | |
| INTERSECTIONS | | | | |
| REVENUES | | | | |
| Grants | \$ - | \$ - | \$ 66,559 | \$ 66,559 |
| Other revenues | - | 39,086 | 39,086 | - |
| Total revenues | - | 39,086 | 105,645 | 66,559 |
| EXPENDITURES | | | | |
| Architectural and engineering | 108,000 | 233,100 | 36,861 | 196,239 |
| Construction contracts | 1,284,000 | 1,178,327 | 105,246 | 1,073,081 |
| Total expenditures | 1,392,000 | 1,411,427 | 142,107 | 1,269,320 |
| Excess (deficiency) of revenues over (under) expenditures | (1,392,000) | (1,372,341) | (36,462) | (1,202,761) |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | 325,000 | - | - | - |
| Net change in fund balances | (1,067,000) | (1,372,341) | (36,462) | (1,202,761) |
| Fund balance - beginning | (77,506) | (91,561) | 631,581 | 709,087 |
| Fund balance - ending | \$ (1,144,506) | \$ (1,463,902) | \$ 595,119 | \$ (493,674) |
| GENERAL GOVERNMENT PROJECTS | | | | |
| EXPENDITURES | | | | |
| Architectural and engineering | \$ - | \$ 100,262 | \$ 66,559 | \$ 33,703 |
| Construction contracts | 200,000 | 546,745 | 360,806 | 185,939 |
| Total expenditures | 200,000 | 647,007 | 427,365 | 219,642 |
| Excess (deficiency) of revenues over (under) expenditures | (200,000) | (647,007) | (427,365) | 219,642 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | 200,000 | 600,000 | 600,000 | - |
| Net change in fund balances | - | (47,007) | 172,635 | 219,642 |
| Fund balance - beginning | (2,110,583) | (3,265,672) | 793,130 | 2,903,713 |
| Fund balance - ending | \$ (2,110,583) | \$ (3,312,679) | \$ 965,765 | \$ 3,123,355 |

(Continued)

CITY OF GERMANTOWN, TENNESSEE

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

For the year ended June 30, 2010

| | <u>Budgeted Amounts</u> | | <u>Actual Amounts</u> | <u>Variance with Final Budget Positive(Negative)</u> |
|--|-------------------------|----------------|---------------------------|--|
| | <u>Original</u> | <u>Final</u> | | |
| FIRE DEPT | | | | |
| EXPENDITURES | | | | |
| Architectural and engineering | \$ - | \$ 63,140 | \$ 36,731 | \$ 26,409 |
| Construction contracts | 2,400,000 | 3,047,647 | 430,993 | 2,616,654 |
| Total expenditures | 2,400,000 | 3,110,787 | 467,724 | 2,643,063 |
| Excess (deficiency) of revenues over (under) expenditures | (2,400,000) | (3,110,787) | (467,724) | (2,643,063) |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | - | 765,000 | 765,000 | - |
| Net change in fund balances | (2,400,000) | (2,345,787) | 297,276 | (2,643,063) |
| Fund balance - beginning | (1,941,620) | 1,231,586 | 2,848,560 | 4,790,180 |
| Fund balance - ending | \$ (4,341,620) | \$ (1,114,201) | \$ 3,145,836 | \$ 2,147,117 |
| PARKS IMPROVEMENTS | | | | |
| Other revenues | \$ - | \$ - | \$ 8,606 | \$ 8,606 |
| EXPENDITURES | | | | |
| Architectural and engineering | 50,000 | 154,383 | 110,493 | 43,890 |
| Construction contracts | 450,000 | 569,875 | 39,410 | 530,465 |
| Total expenditures | 500,000 | 724,258 | 149,903 | 574,355 |
| Excess (deficiency) of revenues over (under) expenditures | (500,000) | (724,258) | (141,297) | (565,749) |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers out | (136,000) | (382,000) | (382,000) | - |
| Net change in fund balances | (636,000) | (1,106,258) | (523,297) | (565,749) |
| Fund balance - beginnning | (677,366) | 46,741 | 1,268,922 | 1,946,288 |
| Fund balance - ending | \$ (1,313,366) | \$ (1,059,517) | \$ 745,625 | \$ 1,380,539 |

(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, 2010

| | <u>Budgeted Amounts</u> | | <u>Actual Amounts</u> | <u>Variance with Final Budget Positive(Negative)</u> |
|--|-------------------------|-----------------------|---------------------------|--|
| | <u>Original</u> | <u>Final</u> | | |
| DRAINAGE PROJECTS | | | | |
| EXPENDITURES | | | | |
| Architectural and engineering | \$ - | \$ 105,426 | \$ 105,425 | \$ 1 |
| Construction contracts | 1,300,000 | 2,638,048 | 806,388 | 1,831,660 |
| Contingency | 200,000 | 523 | - | 523 |
| Total expenditures | <u>1,500,000</u> | <u>2,743,997</u> | <u>911,813</u> | <u>1,832,184</u> |
| Excess (deficiency) of revenues over (under) expenditures | (1,500,000) | (2,743,997) | (911,813) | (1,832,184) |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers out | <u>(2,153,000)</u> | <u>(600,000)</u> | <u>(400,000)</u> | <u>200,000</u> |
| Net change in fund balances | (3,653,000) | (3,343,997) | (1,311,813) | (1,632,184) |
| Fund balance - beginning | <u>(5,173,086)</u> | <u>(2,927,938)</u> | <u>3,600,750</u> | <u>8,773,836</u> |
| Fund balance - ending | <u>\$ (8,826,086)</u> | <u>\$ (6,271,935)</u> | <u>\$ 2,288,937</u> | <u>\$ 7,141,652</u> |

CITY OF GERMANTOWN, TENNESSEE

COMBINING STATEMENT OF NET ASSETS - INTERNAL SERVICE FUNDS

June 30, 2010

| | Health Insurance | Vehicle Maintenance | Totals |
|-------------------------------|-----------------------------|--------------------------------|---------------------|
| ASSETS | | | |
| Current assets: | | | |
| Cash and cash equivalents | \$ 1,464,745 | \$ 215,725 | \$ 1,680,470 |
| Accounts receivable - other | 3,289 | - | 3,289 |
| Inventory | - | 81,475 | 81,475 |
| Total current assets | <u>1,468,034</u> | <u>297,200</u> | <u>1,765,234</u> |
| Noncurrent assets: | | | |
| Capital assets: | | | |
| Buildings | - | 319,511 | 319,511 |
| Machinery and equipment | - | 326,617 | 326,617 |
| | - | 646,128 | 646,128 |
| Less accumulated depreciation | - | (502,640) | (502,640) |
| Total capital assets | <u>-</u> | <u>143,488</u> | <u>143,488</u> |
| Total assets | <u>1,468,034</u> | <u>440,688</u> | <u>1,908,722</u> |
| LIABILITIES | | | |
| Current liabilities: | | | |
| Accounts payable | <u>355,597</u> | <u>66,484</u> | <u>422,081</u> |
| NET ASSETS | | | |
| Invested in capital assets | - | 143,488 | 143,488 |
| Unrestricted | 1,112,437 | 230,716 | 1,343,153 |
| Total net assets | <u>\$ 1,112,437</u> | <u>\$ 374,204</u> | <u>\$ 1,486,641</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, 2010

| | Health Insurance | Vehicle Maintenance | Total |
|------------------------------|-----------------------------|--------------------------------|---------------------|
| Operating Revenues: | | | |
| Charges for services | \$ 3,906,454 | \$ 903,450 | \$ 4,809,904 |
| Operating Expenses: | | | |
| Personnel services | - | 639,592 | 639,592 |
| Materials and supplies | - | 14,386 | 14,386 |
| Other services and charges | 4,122,563 | 207,009 | 4,329,572 |
| Depreciation | - | 31,868 | 31,868 |
| Total operating expenses | <u>4,122,563</u> | <u>892,855</u> | <u>5,015,418</u> |
| Change in net assets | (216,109) | 10,595 | (205,514) |
| Total net assets - beginning | <u>1,328,546</u> | <u>363,609</u> | <u>1,692,155</u> |
| Total net assets - ending | <u>\$ 1,112,437</u> | <u>\$ 374,204</u> | <u>\$ 1,486,641</u> |

CITY OF GERMANTOWN, TENNESSEE

COMBINING STATEMENT OF CASH FLOWS - INTERNAL SERVICE FUNDS

For the Year Ended June 30, 2010

| | Health Insurance | Vehicle Maintenance | Totals |
|---|-----------------------------|--------------------------------|---------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Cash received from customers and users | \$ 3,909,095 | \$ 903,450 | \$ 4,812,545 |
| Cash paid to suppliers | (4,029,542) | (180,090) | (4,209,632) |
| Cash paid to employees | - | (732,936) | (732,936) |
| Net cash provided (used) by operating activities | <u>(120,447)</u> | <u>(9,576)</u> | <u>(130,023)</u> |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | | |
| Purchases of capital assets | - | (20,470) | (20,470) |
| Net increase (decrease) in cash and cash equivalents | (120,447) | (30,046) | (150,493) |
| Cash and cash equivalents - beginning of the year | <u>1,585,192</u> | <u>245,771</u> | <u>1,830,963</u> |
| Cash and cash equivalents - end of the year | <u>\$ 1,464,745</u> | <u>\$ 215,725</u> | <u>\$ 1,680,470</u> |
| Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) By Operating Activities: | | | |
| Operating income (loss) | \$ (216,109) | \$ 10,595 | \$ (205,514) |
| Adjustment to reconcile operating income (loss) to net cash provided (used) by operating activities | | | |
| Depreciation expense | - | 31,868 | 31,868 |
| (Increase) decrease in accounts receivable | 2,641 | - | 2,641 |
| (Increase) decrease in inventories | - | (22,019) | (22,019) |
| Increase (decrease) in accounts payable | 93,021 | (30,020) | 63,001 |
| Total adjustments | <u>95,662</u> | <u>(20,171)</u> | <u>75,491</u> |
| Net cash provided (used) by operating activities | <u>\$ (120,447)</u> | <u>\$ (9,576)</u> | <u>\$ (130,023)</u> |

CITY OF GERMANTOWN, TENNESSEE

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

For the Year Ended June 30, 2010

| | Balance July 1, 2009 | Additions | Deletions | Balance June 30, 2010 |
|---------------------------|-------------------------|------------|------------|--------------------------|
| Assets | | | | |
| Cash and cash equivalents | \$ 134,883 | \$ 254,869 | \$ 247,703 | \$ 142,049 |
| Liabilities | | | | |
| Deposits held in trust | \$ 134,883 | \$ 254,869 | \$ 247,703 | \$ 142,049 |

CITY OF GERMANTOWN, TENNESSEE

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

June 30, 2010

| | Series 02 Bonds | | Series 05 Bonds | | Series 06 Bonds | |
|------|---------------------|------------------|---------------------|---------------------|---------------------|-------------------|
| | Principal | Interest | Principal | Interest | Principal | Interest |
| 2011 | \$ 520,000 | \$ 42,670 | \$ 720,000 | \$ 288,898 | \$ 310,000 | \$ 181,600 |
| 2012 | 540,000 | 21,870 | 740,000 | 266,998 | 690,000 | 161,600 |
| 2013 | - | - | 765,000 | 243,849 | 715,000 | 133,500 |
| 2014 | - | - | 790,000 | 218,963 | 735,000 | 104,500 |
| 2015 | - | - | 815,000 | 192,474 | 755,000 | 74,700 |
| 2016 | - | - | 845,000 | 164,458 | 490,000 | 49,800 |
| 2017 | - | - | 870,000 | 134,868 | 500,000 | 30,000 |
| 2018 | - | - | 900,000 | 103,893 | 130,000 | 17,400 |
| 2019 | - | - | 260,000 | 83,463 | 125,000 | 12,300 |
| 2020 | - | - | 270,000 | 73,923 | 125,000 | 7,300 |
| 2021 | - | - | 280,000 | 63,883 | 120,000 | 2,400 |
| 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>\$ 1,060,000</u> | <u>\$ 64,540</u> | <u>\$ 8,815,000</u> | <u>\$ 1,988,013</u> | <u>\$ 4,695,000</u> | <u>\$ 775,100</u> |

(Continued)

CITY OF GERMANTOWN, TENNESSEE

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

June 30, 2010

| | Series 09 Bonds | | Total Series Bonds | |
|------|---------------------|---------------------|----------------------|---------------------|
| | Principal | Interest | Principal | Interest |
| 2011 | \$ 625,000 | \$ 327,974 | \$ 2,175,000 | \$ 841,142 |
| 2012 | 230,000 | 309,224 | 2,200,000 | 759,692 |
| 2013 | 825,000 | 302,324 | 2,305,000 | 679,673 |
| 2014 | 850,000 | 277,574 | 2,375,000 | 601,037 |
| 2015 | 480,000 | 252,074 | 2,050,000 | 519,248 |
| 2016 | 495,000 | 237,674 | 1,830,000 | 451,932 |
| 2017 | 510,000 | 222,824 | 1,880,000 | 387,692 |
| 2018 | 525,000 | 206,249 | 1,555,000 | 327,542 |
| 2019 | 540,000 | 187,874 | 925,000 | 283,637 |
| 2020 | 565,000 | 168,974 | 960,000 | 250,197 |
| 2021 | 580,000 | 149,199 | 980,000 | 215,482 |
| 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>\$ 9,430,000</u> | <u>\$ 3,212,941</u> | <u>\$ 24,000,000</u> | <u>\$ 6,040,594</u> |

(Continued)

CITY OF GERMANTOWN, TENNESSEE

SCHEDULE OF PRINCIPAL AND INTEREST MATURITIES
SERIAL BONDS

June 30, 2010

| | Series 06 Bonds | | Series 08 Bonds | | Total Series Bonds | |
|------|---------------------|-------------------|---------------------|-------------------|---------------------|---------------------|
| | Principal | Interest | Principal | Interest | Principal | Interest |
| 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>\$ 3,535,000</u> | <u>\$ 668,000</u> | <u>\$ 4,590,000</u> | <u>\$ 831,325</u> | <u>\$ 8,125,000</u> | <u>\$ 1,499,325</u> |

CITY OF GERMANTOWN, TENNESSEE

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

For the Year Ended June 30, 2010

| | Grant Number | Receivable (Deferral) 6/30/09 | Receipts FY10 | Expenditures FY10 | Receivable (Deferral) 6/30/10 |
|--|------------------------------|-------------------------------------|------------------|----------------------|-------------------------------------|
| Federal Government Awards | | | | | |
| Dept. of Transportation | ARRA-STP-M-9420(2) | \$ - | \$ 95,165 | \$ 95,165 | \$ - |
| Dept. of Transportation | Fed Proj #STP-M-NHE-57(46) | - | 48,594 | 48,594 | - |
| Dept. of Transportation | Fed Proj #HSIP-R00S(55) | - | 19,620 | 19,620 | - |
| Dept. of Transportation | Fed Proj #STP-M-9409(134) | - | 23,539 | 23,539 | - |
| Dept. of Transportation | Fed Proj #HSIP-R00S(56) | - | 23,400 | 23,400 | - |
| Dept. of Transportation | Fed Proj #STPMNHE5756 | - | 61,321 | 61,321 | - |
| Dept. of Transportation | Fed Proj #ARRA-STP-M-9420(4) | - | 8,606 | 8,606 | - |
| State Government Awards | | | | | |
| Dept. of State - Community Development | Z-09-213676-00 | - | 14,775 | 14,775 | - |
| Dept. of State - Community Development | FEMA-1851-DR-TN | - | 38,357 | 38,357 | - |
| Dept. of State - Community Development | FEMA-1745-DR-TN | - | 11,871 | 11,871 | - |
| Dept. of State - Community Development | 2009-SB-B9-2466 | - | 17,200 | 17,200 | - |
| Dept. of State - Community Development | GG-09-26737-00 | 400,000 | 400,000 | - | - |
| | | <u>\$400,000</u> | <u>\$762,448</u> | <u>\$ 362,448</u> | <u>\$ -</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 | 95 |
| <p>These exhibits contain trend information to help the reader understand how the City’s financial performance and well-being have changed over time.</p> | |
| Revenue Capacity | 100 |
| <p>These exhibits contain information to help the reader assess the factors affecting the City’s ability to generate its property and sales taxes.</p> | |
| Debt Capacity | 109 |
| <p>These exhibits present information to help the reader assess the affordability of the City’s current levels of outstanding debt and the City’s ability to issue additional debt in the future.</p> | |
| Demographic and Economic Information | 113 |
| <p>These exhibits offer demographic and economic indicators to help the reader understand the environment within which the City’s financial activities take place, to help make comparisons over time and with other governments.</p> | |

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

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

| | <u>2010</u> | <u>2009</u> | <u>2008</u> | <u>2007</u> | <u>2006</u> | <u>2005</u> | <u>2004</u> | <u>2003</u> |
|---|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Governmental activities | | | | | | | | |
| Invested in capital assets, net of related debt | \$ 45,980,201 | \$ 45,178,360 | \$ 39,655,346 | \$ 39,655,346 | \$ 34,419,127 | \$ 35,229,522 | \$ 31,205,296 | \$ 29,161,246 |
| Restricted | 1,692,290 | 1,661,780 | 1,406,872 | 1,288,885 | 1,556,120 | 1,642,569 | 1,449,453 | 555,958 |
| Unrestricted | 33,132,833 | 33,988,429 | 39,928,257 | 35,020,161 | 33,723,089 | 28,236,735 | 30,762,875 | 27,820,376 |
| Total governmental activities net assets | <u>\$ 80,805,324</u> | <u>\$ 80,828,569</u> | <u>\$ 80,990,475</u> | <u>\$ 75,964,392</u> | <u>\$ 69,698,336</u> | <u>\$ 65,108,826</u> | <u>\$ 63,417,624</u> | <u>\$ 57,537,580</u> |
| Business-type activities | | | | | | | | |
| Invested in capital assets, net of related debt | \$ 52,457,209 | \$ 49,924,751 | \$ 50,914,976 | \$ 46,556,454 | \$ 45,205,036 | \$ 44,982,477 | \$ 43,838,752 | \$ 41,491,816 |
| Restricted | - | - | - | - | - | - | - | - |
| Unrestricted | 6,523,107 | 8,680,195 | 6,267,677 | 6,216,531 | 2,884,810 | 763,811 | 2,144,791 | 4,394,545 |
| Total business-type activities net assets | <u>\$ 58,980,316</u> | <u>\$ 58,604,946</u> | <u>\$ 57,182,653</u> | <u>\$ 52,772,985</u> | <u>\$ 48,089,846</u> | <u>\$ 45,746,288</u> | <u>\$ 45,983,543</u> | <u>\$ 45,886,361</u> |
| Primary government | | | | | | | | |
| Invested in capital assets, net of related debt | \$ 98,437,410 | \$ 95,103,111 | \$ 90,570,322 | \$ 86,211,800 | \$ 79,624,163 | \$ 80,211,999 | \$ 75,044,048 | \$ 70,653,062 |
| Restricted | 1,692,290 | 1,661,780 | 1,406,872 | 1,288,885 | 1,556,120 | 1,642,569 | 1,449,453 | 555,958 |
| Unrestricted | 39,655,940 | 42,668,624 | 46,195,934 | 41,236,692 | 36,607,899 | 29,000,546 | 32,907,666 | 32,214,921 |
| Total primary government net assets | <u>\$ 139,785,640</u> | <u>\$ 139,433,515</u> | <u>\$ 138,173,128</u> | <u>\$ 128,737,377</u> | <u>\$ 117,788,182</u> | <u>\$ 110,855,114</u> | <u>\$ 109,401,167</u> | <u>\$ 103,423,941</u> |

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

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

| | <u>2010</u> | <u>2009</u> | <u>2008</u> | <u>2007</u> | <u>2006</u> | <u>2005</u> | <u>2004</u> | <u>2003</u> |
|---|----------------------|----------------------|----------------------|----------------------|----------------------|-----------------------|----------------------|-----------------------|
| General Revenues and Other Changes in Net Assets | | | | | | | | |
| Governmental activities: | | | | | | | | |
| Taxes | | | | | | | | |
| Property taxes | \$ 22,212,886 | \$ 21,586,250 | \$ 21,192,804 | \$ 20,551,945 | \$ 20,102,440 | \$ 19,270,811 | \$ 18,934,190 | \$ 14,261,326 |
| Sales taxes (local share) | 6,570,006 | 6,546,302 | 7,578,275 | 6,759,894 | 7,103,233 | 7,289,531 | 7,235,582 | 6,710,898 |
| Intergovernmental/Unrestricted | 4,589,839 | 5,345,168 | 6,840,979 | 7,161,274 | 5,716,104 | 4,906,417 | 4,392,636 | 5,403,228 |
| Interest on investments | 244,182 | 783,049 | 1,484,404 | 1,838,031 | 1,229,713 | 773,585 | 289,272 | 820,781 |
| Other revenues | 1,074,330 | 1,055,248 | 951,038 | 848,085 | 811,136 | 785,743 | 602,277 | 737,266 |
| Gain (Loss) on disposal of capital asse | - | - | (95,252) | - | - | - | - | - |
| Transfer | (777,656) | (1,120,000) | (1,025,000) | (860,000) | (167,370) | - | - | - |
| Total governmental activities | <u>33,913,587</u> | <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> | <u>31,453,957</u> | <u>27,933,499</u> |
| Business-type activities: | | | | | | | | |
| Interest on investments | 73,394 | 246,017 | 449,147 | 406,427 | 113,173 | 38,364 | (550) | 97,335 |
| Gain on disposal of capital assets | 51,349 | 29,760 | 385,974 | - | - | - | 88,000 | - |
| Transfers | 777,656 | 1,120,000 | 1,025,000 | 860,000 | 167,370 | - | - | - |
| Total business-type activities | <u>902,399</u> | <u>1,395,777</u> | <u>1,860,121</u> | <u>1,266,427</u> | <u>280,543</u> | <u>38,364</u> | <u>87,450</u> | <u>97,335</u> |
| Total primary government | <u>\$ 34,815,986</u> | <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> | <u>\$ 31,541,407</u> | <u>\$ 28,030,834</u> |
| Change in Net Assets | | | | | | | | |
| Governmental activities | \$ (23,245) | \$ (161,906) | \$ 5,026,083 | \$ 6,266,056 | \$ 5,056,101 | \$ 1,691,202 | \$ 4,607,085 | \$ (482,806) |
| Business-type activities | 375,370 | 1,422,293 | 4,409,668 | 4,683,139 | 2,343,558 | (3,810,183) | (3,432,696) | (4,535,200) |
| Total primary government | <u>\$ 352,125</u> | <u>\$ 1,260,387</u> | <u>\$ 9,435,751</u> | <u>\$ 10,949,195</u> | <u>\$ 7,399,659</u> | <u>\$ (2,118,981)</u> | <u>\$ 1,174,389</u> | <u>\$ (5,018,006)</u> |

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

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

| | <u>2010</u> | <u>2009</u> | <u>2008</u> | <u>2007</u> | <u>2006</u> | <u>2005</u> | <u>2004</u> | <u>2003</u> |
|---|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|
| Expenses | | | | | | | | |
| Governmental activities: | | | | | | | | |
| General government | \$ 14,126,482 | \$ 12,165,467 | \$ 10,074,368 | \$ 11,172,137 | \$ 9,638,679 | \$ 10,777,667 | \$ 8,706,578 | \$ 8,946,947 |
| Public safety | 16,746,970 | 16,687,140 | 16,918,305 | 15,186,485 | 14,231,653 | 13,496,390 | 12,586,245 | 11,773,065 |
| Community services | 2,768,856 | 4,775,897 | 5,201,066 | 5,329,489 | 5,897,428 | 5,516,813 | 4,307,917 | 4,456,108 |
| Transportation and environment | 5,434,148 | 5,088,019 | 4,279,001 | 2,891,573 | 3,868,498 | 4,620,915 | 4,412,537 | 5,384,391 |
| Interest and fiscal charges | 877,138 | 786,612 | 878,503 | 1,062,319 | 1,078,349 | 1,174,147 | 1,121,354 | 1,375,429 |
| Total governmental activities expenses | <u>39,953,594</u> | <u>39,503,135</u> | <u>37,351,243</u> | <u>35,642,003</u> | <u>34,714,607</u> | <u>35,585,932</u> | <u>31,134,631</u> | <u>31,935,940</u> |
| Business-type activities: | | | | | | | | |
| Utilities | 7,046,258 | 6,502,565 | 6,100,526 | 5,928,575 | 5,581,195 | 5,065,689 | 5,063,642 | 5,121,292 |
| Athletic Club | 3,486,381 | 3,588,475 | 2,992,340 | 2,673,695 | 2,659,614 | 2,614,365 | 2,586,537 | 2,388,867 |
| Sanitation | 3,886,086 | 3,824,101 | 3,706,306 | 3,609,186 | 3,900,496 | 3,686,616 | 3,637,643 | 3,503,680 |
| Nonmajor Enterprise Fund | 366,376 | - | - | - | - | - | - | - |
| Total business-type activities expenses | <u>14,785,101</u> | <u>13,915,141</u> | <u>12,799,172</u> | <u>12,211,456</u> | <u>12,141,305</u> | <u>11,366,670</u> | <u>11,287,822</u> | <u>11,013,839</u> |
| Total primary government expenses | <u>\$ 54,738,695</u> | <u>\$ 53,418,276</u> | <u>\$ 50,150,415</u> | <u>\$ 47,853,459</u> | <u>\$ 46,855,912</u> | <u>\$ 46,952,602</u> | <u>\$ 42,422,453</u> | <u>\$ 42,949,779</u> |
| Program Revenues | | | | | | | | |
| Governmental activities: | | | | | | | | |
| Charges for services: | | | | | | | | |
| General government | \$ 1,736,391 | \$ 1,497,312 | \$ 1,581,629 | \$ 1,824,188 | \$ 1,552,140 | \$ 1,407,862 | \$ 1,421,717 | \$ 1,352,925 |
| Public safety | 431,689 | 446,496 | 630,712 | 1,050,389 | 638,670 | 434,272 | 980,025 | 596,861 |
| Community services | 694,866 | 610,060 | 554,945 | 567,634 | 483,461 | 385,687 | 287,806 | 237,774 |
| Transportation and environment | 1,142,344 | 953,711 | 972,327 | 982,354 | 980,535 | 978,076 | 939,080 | 923,609 |
| Operating grants and contributions | 1,731,228 | 1,237,633 | 1,547,919 | 450,883 | 513,490 | 743,749 | 521,318 | 162,179 |
| Capital grants and contributions | 280,244 | 400,000 | 162,546 | 733,382 | 807,156 | 301,401 | 137,813 | 246,287 |
| Total governmental activities program revenues | <u>6,016,762</u> | <u>5,145,212</u> | <u>5,450,078</u> | <u>5,608,830</u> | <u>4,975,452</u> | <u>4,251,047</u> | <u>4,287,759</u> | <u>3,519,635</u> |
| Business-type activities: | | | | | | | | |
| Charges for services: | | | | | | | | |
| Utilities | 6,598,459 | 7,030,835 | 7,991,054 | 8,486,257 | 7,628,554 | 4,458,056 | 4,061,994 | 3,779,536 |
| Athletic Club | 3,221,736 | 3,003,894 | 2,131,190 | 2,090,233 | 2,207,882 | 2,714,056 | 2,211,128 | 1,985,990 |
| Sanitation | 3,905,442 | 3,810,426 | 3,750,835 | 3,731,045 | 3,608,470 | - | - | - |
| Nonmajor Enterprise Fund | 114,998 | - | - | - | - | - | - | - |
| Capital grants and contributions | 417,437 | 96,502 | 1,475,640 | 1,320,633 | 759,414 | 346,011 | 1,494,554 | 615,778 |
| Total business-type activities program revenues | <u>14,258,072</u> | <u>13,941,657</u> | <u>15,348,719</u> | <u>15,628,168</u> | <u>14,204,320</u> | <u>7,518,123</u> | <u>7,767,676</u> | <u>6,381,304</u> |
| Total primary government program revenues | <u>\$ 20,274,834</u> | <u>\$ 19,086,869</u> | <u>\$ 20,798,797</u> | <u>\$ 21,236,998</u> | <u>\$ 19,179,772</u> | <u>\$ 11,769,170</u> | <u>\$ 12,055,435</u> | <u>\$ 9,900,939</u> |
| Net (expense)/revenue | | | | | | | | |
| Governmental activities | \$ (33,936,832) | \$ (34,357,923) | \$ (31,901,165) | \$ (30,033,173) | \$ (29,739,155) | \$ (31,334,885) | \$ (26,846,872) | \$ (28,416,305) |
| Business-type activities | (527,029) | 26,516 | 2,549,547 | 3,416,712 | 2,063,015 | (3,848,547) | (3,520,146) | (4,632,535) |
| Total primary government net expense | <u>\$ (34,463,861)</u> | <u>\$ (34,331,407)</u> | <u>\$ (29,351,618)</u> | <u>\$ (26,616,461)</u> | <u>\$ (27,676,140)</u> | <u>\$ (35,183,432)</u> | <u>\$ (30,367,018)</u> | <u>\$ (33,048,840)</u> |

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

| Function/Program | 2010 | 2009 | 2008 | 2007 | 2006 | 2005 | 2004 | 2003 |
|--------------------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| Governmental activities: | | | | | | | | |
| General government | \$ 1,736,391 | \$ 1,497,312 | \$ 1,581,629 | \$ 2,187,448 | \$ 1,552,140 | \$ 1,407,862 | \$ 2,004,846 | \$ 1,551,215 |
| Public safety | 431,689 | 446,496 | 630,712 | 1,588,031 | 1,155,561 | 622,282 | 997,725 | 807,037 |
| Community services | 694,866 | 610,060 | 554,945 | 850,997 | 1,287,216 | 1,217,966 | 346,108 | 237,774 |
| Transportation and environment | 1,142,344 | 953,711 | 972,327 | 982,354 | 980,535 | 1,002,937 | 939,080 | 923,609 |
| Total governmental activities | <u>4,005,290</u> | <u>3,507,579</u> | <u>3,739,613</u> | <u>5,608,830</u> | <u>4,975,452</u> | <u>4,251,047</u> | <u>4,287,759</u> | <u>3,519,635</u> |
| Business-type activities: | | | | | | | | |
| Utilities | 6,598,459 | 7,030,835 | 7,991,054 | 9,806,890 | 8,387,968 | 4,804,067 | 5,556,548 | 4,395,314 |
| Athletic Club | 3,221,736 | 3,003,894 | 2,131,190 | 2,090,233 | 2,207,882 | 2,714,056 | 2,211,128 | 1,985,990 |
| Sanitation | 3,905,442 | 3,810,426 | 3,750,835 | 3,731,045 | 3,608,470 | 3,572,928 | 3,529,878 | 3,505,863 |
| Nonmajor Enterprise Fund | 114,998 | - | - | - | - | - | - | - |
| Total business-type activities | <u>13,840,635</u> | <u>13,845,155</u> | <u>13,873,079</u> | <u>15,628,168</u> | <u>14,204,320</u> | <u>11,091,051</u> | <u>11,297,554</u> | <u>9,887,167</u> |
| Total primary government | <u>\$ 17,845,925</u> | <u>\$ 17,352,734</u> | <u>\$ 17,612,692</u> | <u>\$ 21,236,998</u> | <u>\$ 19,179,772</u> | <u>\$ 15,342,098</u> | <u>\$ 15,585,313</u> | <u>\$ 13,406,802</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)

| | <u>2010</u> | <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> |
|------------------------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| General fund | | | | | | | | | | |
| Reserved | \$ 1,783,367 | \$ 2,824,036 | \$ 2,090,726 | \$ 2,296,984 | \$ 2,210,255 | \$ 2,335,255 | \$ 2,573,220 | \$ 2,361,270 | \$ 2,905,145 | \$ 419,703 |
| Unreserved | 20,626,286 | 21,242,586 | 23,660,623 | 23,741,000 | 21,087,404 | 20,084,787 | 20,208,863 | 17,064,094 | 16,009,835 | 17,939,925 |
| Total general fund | <u>\$ 22,409,653</u> | <u>\$ 24,066,622</u> | <u>\$ 25,751,349</u> | <u>\$ 26,037,984</u> | <u>\$ 23,297,659</u> | <u>\$ 22,420,042</u> | <u>\$ 22,782,083</u> | <u>\$ 19,425,364</u> | <u>\$ 18,914,980</u> | <u>\$ 18,359,628</u> |
| All other governmental funds | | | | | | | | | | |
| Reserved | \$ 7,188,121 | \$ 3,649,714 | \$ 3,225,017 | \$ 2,514,591 | \$ 4,603,913 | \$ 4,603,913 | \$ 2,121,201 | \$ 1,734,128 | \$ 2,421,687 | \$ 531,762 |
| Unreserved, reported in: | | | | | | | | | | |
| Special revenue funds | 1,643,192 | 1,821,642 | 1,791,386 | 1,526,765 | 1,342,842 | 1,240,148 | 1,177,503 | 499,248 | 426,677 | 660,895 |
| Capital projects funds | 5,065,140 | 7,983,234 | 5,619,174 | 4,954,762 | 4,215,186 | (314,352) | 4,309,956 | 4,406,266 | 6,003,168 | 5,241,118 |
| Total all other governmental funds | <u>\$ 13,896,453</u> | <u>\$ 13,454,590</u> | <u>\$ 10,635,577</u> | <u>\$ 8,996,118</u> | <u>\$ 10,161,941</u> | <u>\$ 5,529,709</u> | <u>\$ 7,608,660</u> | <u>\$ 6,639,642</u> | <u>\$ 8,851,532</u> | <u>\$ 6,433,775</u> |

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

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

| | <u>2010</u> | <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> |
|--|-----------------------|---------------------|---------------------|---------------------|---------------------|-----------------------|---------------------|-----------------------|---------------------|---------------------|
| Revenues | | | | | | | | | | |
| Taxes | \$ 34,829,681 | \$ 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 |
| Fines and forfeitures | 1,321,613 | 1,059,200 | 1,107,391 | 1,327,456 | 1,080,416 | 896,692 | 904,842 | 872,559 | 896,665 | 813,432 |
| Licenses and permits | 1,037,046 | 1,038,469 | 1,059,548 | 1,052,800 | 1,050,238 | 1,037,867 | 1,050,742 | 954,481 | 963,150 | 938,942 |
| Fees for services | 559,298 | 468,260 | 469,961 | 439,648 | 732,136 | 1,071,380 | 268,319 | 219,817 | 183,965 | 167,397 |
| Interest on investments | 244,182 | 783,049 | 1,484,404 | 1,838,031 | 1,229,713 | 773,585 | 289,272 | 820,781 | 1,280,395 | 1,832,126 |
| Grants | 923,104 | 157,319 | 244,501 | 1,107,120 | 988,963 | 236,871 | 659,131 | 316,441 | 282,930 | 238,131 |
| Other revenues | 2,103,392 | 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 |
| Total revenues | <u>41,018,316</u> | <u>40,120,424</u> | <u>43,604,020</u> | <u>42,777,252</u> | <u>39,878,896</u> | <u>37,515,017</u> | <u>35,747,298</u> | <u>31,393,189</u> | <u>30,596,908</u> | <u>30,588,823</u> |
| Expenditures | | | | | | | | | | |
| General government | 9,731,390 | 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 |
| Public safety | 17,499,614 | 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 |
| Community services | 3,115,601 | 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 |
| Transportation and Environment | 5,528,735 | 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 |
| Debt service | | | | | | | | | | |
| Principal | 2,055,000 | 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 |
| Interest | 897,181 | 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 |
| Bond issuance cost | - | 109,525 | - | 62,078 | 106,327 | - | - | - | - | - |
| Capital outlay | 2,628,245 | 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 |
| Total expenditures | <u>41,455,766</u> | <u>43,957,763</u> | <u>41,257,678</u> | <u>40,417,015</u> | <u>38,648,820</u> | <u>39,956,009</u> | <u>32,606,520</u> | <u>33,186,722</u> | <u>35,468,170</u> | <u>36,374,785</u> |
| Excess of revenues over (under) expenditures | (437,450) | (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) |
| Other financing sources (uses) | | | | | | | | | | |
| Transfers in | 3,646,994 | 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 |
| Transfers out | (4,424,650) | (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) |
| 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) | <u>(777,656)</u> | <u>4,971,625</u> | <u>(993,518)</u> | <u>(785,735)</u> | <u>4,746,364</u> | <u>-</u> | <u>(88,000)</u> | <u>92,025</u> | <u>7,845,000</u> | <u>4,942,800</u> |
| Net change in fund balances | <u>\$ (1,215,106)</u> | <u>\$ 1,134,286</u> | <u>\$ 1,352,824</u> | <u>\$ 1,574,502</u> | <u>\$ 5,976,440</u> | <u>\$ (2,440,992)</u> | <u>\$ 3,052,778</u> | <u>\$ (1,701,508)</u> | <u>\$ 2,973,738</u> | <u>\$ (843,162)</u> |
| Debt service as a percentage of noncapital expenditures | 7.6% | 7.3% | 8.0% | 9.1% | 8.7% | 9.9% | 11.5% | 14.0% | 23.9% | 24.3% |

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

| | <u>2010</u> | <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> |
|---------------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| Property Taxes | \$ 22,581,468 | \$ 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 |
| Local Sales Taxes | 6,570,006 | 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 |
| State Taxes (Local Share) | 5,678,207 | 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 |
| Total | <u>\$ 34,829,681</u> | <u>\$ 34,606,858</u> | <u>\$ 36,882,620</u> | <u>\$ 34,496,302</u> | <u>\$ 32,878,675</u> | <u>\$ 31,626,486</u> | <u>\$ 30,465,931</u> | <u>\$ 26,407,532</u> | <u>\$ 25,695,180</u> | <u>\$ 24,970,386</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 | | | | | |
| 2010 | \$1,180,222,015 | \$ 2,555,975 | \$ 288,563,710 | \$ 14,926,797 | \$ 25,877,620 | \$ 1,512,146,117 | \$1.425 | \$ 5,653,334,031 | 26.75% |
| 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% |

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 |
| 2010 | \$ 1.425 | \$ 4.02 | \$ 5.445 | \$ 21,291,084 | \$ 672,304,214 | \$ 693,595,298 |
| 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 |

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 | 2010 | | | 2001 | | |
|--------------------------------------|------------------------|------|---|----------------------|------|---|
| | 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 | 0.97% | | | |
| Belz Investment Company (PSO) | 9,046,960 | 2 | 0.60% | 6,814,880 | 3 | 0.88% |
| UT Medical Group Inc. | 7,494,760 | 3 | 0.50% | | | |
| Empirian Colonneade LLC 75%/Bushreal | 7,482,480 | 4 | 0.49% | | | |
| Vinyards Apartments Inc. | 6,398,880 | 5 | 0.42% | 5,598,120 | 5 | 0.73% |
| Senter Crook Taylor Et Al | 5,808,360 | 6 | 0.38% | 3,817,720 | 8 | 0.50% |
| Sherriff LLC | 5,200,000 | 7 | 0.34% | 4,121,440 | 7 | 0.53% |
| BIC-MTS Partners (PSO) | 5,167,040 | 8 | 0.34% | 10,170,640 | 1 | 1.32% |
| CH Realty III/Germantown LLC | 4,845,760 | 9 | 0.32% | | | |
| SWC Poplar FHI Partners LLC | 4,696,640 | 10 | 0.31% | | | |
| ER Johnson Rd. Hotel/Inv LLC | | | | 3,500,800 | 9 | 0.45% |
| Methodist Hospital of Memphis | | | | 4,879,560 | 6 | 0.63% |
| Wolf River Medical Center LTD | | | | | | |
| Gables - Tennessee Properties | | | | 6,400,800 | 4 | 0.83% |
| Northwestern Mutual Life Insurance | | | | 7,838,840 | 2 | 1.02% |
| Wal-Mart Stores, Inc. | | | | 3,013,280 | 10 | 0.39% |
| Totals | \$ 70,824,040 | | 4.68% | \$ 56,156,080 | | 7.29% |

Source: Shelby County Board of Assessments

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

| Fiscal Year | Total Tax Levy | Current Tax Collections | Percent of Levy Collected | Collections in Subsequent Years | Total Tax Collections | Percent of Tax Collections to Tax Levy | Outstanding Delinquent Taxes | Percent of Outstanding Delinquent Taxes to Tax Levy |
|--------------------|-----------------------|--------------------------------|----------------------------------|--|------------------------------|---|-------------------------------------|--|
| 2010 | \$ 21,291,084 | \$ 20,724,774 | 97.3% | \$ 457,097 | \$ 21,181,871 | 99.5% | \$ 853,216 | 4.0% |
| 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% |

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

Source: Tennessee Department of Revenue, Research Division

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

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

| | 2010 | | | | 2002 | | | |
|-----------------------|-----------------------------|--------------------------------|--------------------------|--------------------------------|-----------------------------|--------------------------------|--------------------------|--------------------------------|
| | <u>Number of Filers</u> | <u>Percentage of Total</u> | <u>Tax Liability</u> | <u>Percentage of Total</u> | <u>Number of Filers</u> | <u>Percentage of Total</u> | <u>Tax Liability</u> | <u>Percentage of Total</u> |
| Retail Trade | 569 | 60.47% | \$ 7,504,168 | 83.83% | 504 | 56.19% | \$7,292,642 | 83.32% |
| Services | 240 | 25.50% | 1,157,558 | 12.93% | 230 | 25.64% | 979,623 | 11.19% |
| Manufacturing | 35 | 3.72% | 55,653 | 0.62% | 39 | 4.35% | 73,772 | 0.84% |
| Wholesale Trade | 61 | 6.48% | 50,839 | 0.57% | 58 | 6.47% | 31,058 | 0.35% |
| Construction | 8 | 0.85% | 16,938 | 0.19% | 12 | 1.34% | 5,777 | 0.07% |
| Agriculture | 12 | 1.28% | 62,461 | 0.70% | 14 | 1.56% | 43,396 | 0.50% |
| Other, Non Classified | 16 | 1.70% | 104,364 | 1.17% | 40 | 4.46% | 326,692 | 3.73% |
| Total | <u>941</u> | <u>100.00%</u> | <u>\$ 8,951,981</u> | <u>100.00%</u> | <u>897</u> | <u>100.00%</u> | <u>\$8,752,960</u> | <u>100.00%</u> |

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> |
|------------------------|---------------------------------|--------------------------|-----------------------------------|
| 2010 | 1.125 % | 1.125 % | 7.00 % |
| 2009 | 1.125 | 1.125 | 7.00 |
| 2008 | 1.125 | 1.125 | 7.00 |
| 2007 | 1.125 | 1.125 | 7.00 |
| 2006 | 1.125 | 1.125 | 7.00 |
| 2005 | 1.125 | 1.125 | 7.00 |
| 2004 | 1.125 | 1.125 | 7.00 |
| 2003 | 1.125 | 1.125 | 7.00 |
| 2002 | 1.125 | 1.125 | 6.00 |
| 2001 | 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 | | | |
| 2010 | \$ 24,000,000 | \$ - | \$ - | \$ - | \$ 8,125,000 | \$ - | \$ 32,125,000 | 22.57% | \$ 783 |
| 2009 | 26,055,000 | - | - | - | 8,900,000 | - | 34,955,000 | 20.53% | 852 |
| 2008 | 21,935,000 | - | - | - | 4,250,000 | - | 26,185,000 | 16.00% | 639 |
| 2007 | 23,885,000 | - | - | - | 4,585,000 | - | 28,470,000 | 17.57% | 695 |
| 2006 | 26,000,000 | - | - | - | 4,905,000 | - | 30,905,000 | 21.00% | 754 |
| 2005 | 22,885,000 | - | - | - | 5,205,000 | 87,887 | 28,177,887 | 19.40% | 701 |
| 2004 | 24,913,175 | - | - | - | 5,680,000 | 213,945 | 30,807,120 | 22.80% | 766 |
| 2003 | 26,901,860 | - | 39,158 | - | 6,140,000 | 333,215 | 33,414,233 | 27.30% | 831 |
| 2002 | 29,389,580 | - | 219,351 | - | 6,575,000 | 446,703 | 36,630,634 | 32.50% | 911 |
| 2001 | 27,365,000 | - | 589,493 | 180,000 | 6,990,000 | 554,362 | 35,678,855 | 29.50% | 944 |

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 | | | |
| 2010 | \$ 24,000,000 | \$ - | \$ - | \$ - | \$ 24,000,000 | 0.42% | \$ 585.21 |
| 2009 | 26,055,000 | - | - | - | 26,055,000 | 0.51% | 635.84 |
| 2008 | 21,935,000 | - | - | - | 21,935,000 | 0.44% | 535.30 |
| 2007 | 23,885,000 | - | - | - | 23,885,000 | 0.50% | 582.89 |
| 2006 | 26,000,000 | - | - | - | 26,000,000 | 0.55% | 646.72 |
| 2005 | 22,885,000 | - | - | - | 22,885,000 | 0.56% | 569.24 |
| 2004 | 24,913,175 | - | - | - | 24,913,175 | 0.62% | 619.68 |
| 2003 | 26,901,860 | - | 39,158 | - | 26,941,018 | 0.68% | 670.12 |
| 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 |

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, 2010

| | <u>Net Outstanding Debt</u> | <u>Percentage Applicable City of Germantown</u> | <u>Overlapping Debt</u> |
|---|-------------------------------------|---|------------------------------|
| City Net General Obligation Debt | \$ 24,000,000 | 100.00% | \$ 24,000,000 |
| Shelby County (including School Board) | <u>1,661,630,482</u> | 8.18% | <u>135,946,128</u> |
| Direct, Overlapping, and Short-term Debt | <u><u>\$ 1,685,630,482</u></u> | | <u><u>\$ 159,946,128</u></u> |

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

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

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

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 | 2010 | 2009 | 2008 | 2007 | 2006 | 2005 | 2004 | 2003 | 2002 | 2001 |
|------------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Police | | | | | | | | | | |
| Stations | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Patrol units | 37 | 37 | 39 | 38 | 37 | 37 | 37 | 37 | 37 | 37 |
| Fire Stations | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 4 |
| Other public works | | | | | | | | | | |
| Streets (miles) | 200 | 200 | 198.5 | 196.5 | 195.5 | 193.5 | 192.5 | 189.5 | 189.5 | 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 | 5,115 | 5,102 | 5,095 | 4,936 | 4,896 | 4,863 | 4,749 | 4,685 | 4,681 | 4,603 |
| Parks and recreation | | | | | | | | | | |
| Acreage | 748 | 748 | 748 | 748 | 722 | 722 | 722 | 722 | 722 | 722 |
| Playgrounds | 26 | 26 | 26 | 26 | 27 | 27 | 25 | 23 | 23 | 23 |
| Baseball/softball diamonds | 21 | 21 | 21 | 21 | 21 | 22 | 22 | 22 | 22 | 22 |
| Soccer/football fields | 14 | 14 | 14 | 14 | 13 | 12 | 12 | 12 | 12 | 12 |
| Community center | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Water | | | | | | | | | | |
| Water mains (miles) | 208 | 207 | 206 | 205 | 200 | 199 | 199 | 194 | 194 | 190 |
| Fire hydrants | 2,365 | 2,357 | 2,351 | 2,334 | 2,317 | 2,290 | 2,254 | 2,248 | 2,247 | 2,230 |
| Storage capacity (million gallons) | 8.1 | 6375 | 6.375 | 6.375 | 6.375 | 6.375 | 6.375 | 6.375 | 6.375 | 6.375 |
| Wastewater* | | | | | | | | | | |
| Sanitary sewers (miles) | 211 | 210 | 209 | 208 | 200 | 195 | 186 | 181 | 181 | 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 | 2010 | 2009 | 2008 | 2007 | 2006 | 2005 | 2004 | 2003 | 2002 | 2001 |
|---------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Police | | | | | | | | | | |
| Physical arrests | 2,881 | 2,938 | 2,840 | 2,461 | 2,352 | 2,571 | 2,554 | 2,400 | 2,355 | 2,289 |
| Parking violations | 338 | 132 | 95 | 55 | 179 | N/A | N/A | N/A | N/A | N/A |
| Traffic violations | 16,423 | 17,995 | 17,271 | 15,362 | 13,868 | 15,363 | 15,703 | 13,803 | 13,921 | 14,515 |
| Fire | | | | | | | | | | |
| Emergency responses | 2,806 | 2,789 | 2,703 | 2,790 | 2,685 | 2,574 | 2,435 | 2,193 | 2,304 | 2,228 |
| Fires extinguished | 111 | 114 | 119 | 152 | 141 | 117 | 166 | 203 | 198 | 214 |
| Inspections | 1,193 | 1,233 | 1,272 | 1,096 | 1,295 | 1,239 | 1,210 | 1,138 | 1,061 | 944 |
| Other public works | | | | | | | | | | |
| Street resurfacing (miles) | 5.0 | 7.5 | 8.1 | 8.0 | 8.6 | 10.0 | 10.0 | 10.0 | 10.0 | 10.0 |
| Parks and recreation | | | | | | | | | | |
| Athletic field permits issued | 68 | 159 | 178 | 153 | 205 | N/A | N/A | N/A | N/A | N/A |
| Germantown Athletic Club | | | | | | | | | | |
| *Admissions - per day | 1,004 | 957 | 779 | 860 | 800 | 850 | 830 | 810 | 800 | 700 |
| *Admissions - per year | 361,422 | 344,763 | 284,404 | 301,000 | 288,000 | 306,000 | 298,000 | 291,600 | 288,000 | 252,000 |
| **Library | | | | | | | | | | |
| Volumes in collection | 149,974 | 146,141 | 144,090 | 140,337 | 152,384 | 134,623 | 139,603 | 136,663 | 131,516 | 124,153 |
| Total volumes borrowed | 372,622 | 367,844 | 323,333 | 289,225 | 326,744 | 300,361 | N/A | N/A | N/A | N/A |
| Water | | | | | | | | | | |
| New connections | 51 | 40 | 101 | 111 | 258 | 361 | (6) | - | - | 495 |
| Water main breaks | 18 | 7 | 6 | 8 | 15 | 15 | 15 | 15 | 15 | 15 |
| Average daily consumption (TGL) | 7.038 | 7.518 | 7.779 | 7.650 | 7.632 | 5.500 | 5.400 | 6.500 | 6.500 | 6.500 |
| Peak daily consumption (TGL) | 15.722 | 15.668 | 21.328 | 21.300 | 18.930 | 17.475 | 11.080 | 13.327 | 10.532 | 12.386 |

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) | 2010 | | 2009 | | 2008 | | 2007 | | 2006 | | 2005 | | 2004 | | 2003 | | 2002 | | 2001 | |
|---|------------|-----------|------------|-----------|------------|-----------|------------|-----------|------------|-----------|------------|-----------|------------|-----------|------------|-----------|------------|-----------|------------|-----------|
| | 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 | 6 | 0 | 6 | - | 5 | - | 5 | - | 6 | - | 6 | 3 | 6 | - | 6 | - | 6 | - | 5 | - |
| Administration | 5 | 1 | 5 | 2 | 9 | 2 | 9 | 2 | 7 | 1 | 7 | 1 | 8 | 1 | 8 | 1 | 9 | 1 | 8 | 1 |
| Human Resources | 6 | - | 6 | - | 6 | - | 6 | - | 6 | - | 6 | - | 6 | - | 6 | - | 6 | - | 6 | - |
| Morgan Woods Theatre | - | - | - | - | - | - | - | - | - | - | 1 | - | 1 | - | 1 | - | 1 | - | 1 | - |
| Information Technology | 3 | 1 | 2 | 1 | 2 | - | 5 | - | 5 | - | 5 | - | 5 | - | 5 | - | 5 | - | 5 | - |
| GPAC | 9 | 5 | 9 | 4 | 10 | 5 | 9 | 5 | 9 | 5 | 10 | 5 | 10 | 4 | 10 | 4 | 12 | 1 | 10 | 1 |
| Finance | 15 | 1 | 15 | 1 | 16 | - | 15 | 1 | 17 | - | 17 | - | 17 | - | 18 | - | 21 | - | 20 | - |
| Community and Economic Development | 26 | - | 27 | - | 27 | - | 27 | - | 30 | - | 30 | 1 | 29 | - | 29 | 0 | 29 | - | 24 | - |
| Research & Budget | 2 | - | 2 | - | 2 | 1 | 3 | 1 | 3 | 1 | 3 | 1 | 3 | - | 3 | - | - | - | - | - |
| Public Safety | | | | | | | | | | | | | | | | | | | | |
| Police | 109 | 1 | 108 | 1 | 108 | 1 | 106 | 1 | 102 | 1 | 102 | 2 | 101 | 3 | 101 | 3 | 102 | 3 | 99 | 2 |
| Fire | 68 | 1 | 68 | 1 | 69 | 1 | 69 | 1 | 69 | 1 | 69 | 1 | 69 | 1 | 69 | 1 | 69 | 1 | 69 | 1 |
| Transportation & Environment | | | | | | | | | | | | | | | | | | | | |
| Public Services | 44 | - | 29 | - | 29 | - | 29 | - | 29 | - | 31 | - | 31 | - | 31 | - | 31 | - | 31 | - |
| Fleet Services | 10 | - | 10 | - | 10 | - | 11 | - | 11 | - | 11 | - | 11 | - | 11 | - | 11 | - | 11 | - |
| Animal Control | 4 | - | 4 | - | 4 | - | 4 | - | 4 | - | 4 | - | 2 | - | 4 | - | 4 | - | 4 | - |
| Community Services | | | | | | | | | | | | | | | | | | | | |
| Parks & Recreation | 9 | 4 | 32 | 4 | 33 | 3 | 37 | 3 | 39 | 3 | 39 | 4 | 39 | 2 | 42 | 2 | 40 | 2 | 39 | 6 |
| Facility Services | 15 | - | 16 | - | 10 | 3 | 10 | 3 | 10 | 3 | 10 | 2 | 10 | 2 | 10 | 2 | 12 | - | 10 | - |
| Germantown Athletic Club | | | | | | | | | | | | | | | | | | | | |
| Recreation | 11 | 11 | 10 | 12 | 8 | 15 | 15 | 15 | 12 | 15 | 12 | 18 | 12 | 15 | 12 | 18 | 15 | 30 | 11 | 22 |
| Aquatics | 2 | 13 | 2 | 13 | 2 | 13 | 3 | 13 | 3 | 14 | 3 | 15 | 3 | 12 | 3 | 15 | - | - | - | - |
| Business | - | - | 2 | - | 2 | - | - | - | 3 | 1 | 3 | 1 | - | - | - | - | - | - | - | - |
| Great Hall | 2 | 1 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Utilities | | | | | | | | | | | | | | | | | | | | |
| Water | 20 | - | 20 | - | 20 | - | 21 | - | 21 | - | 21 | - | 21 | - | 21 | - | 21 | - | 21 | - |
| Sewer | 6 | - | 6 | - | 6 | - | 6 | - | 6 | - | 7 | - | 7 | - | 7 | - | 7 | - | 7 | - |
| Total | 372 | 39 | 379 | 39 | 378 | 44 | 390 | 45 | 392 | 45 | 397 | 54 | 391 | 40 | 397 | 46 | 401 | 38 | 381 | 33 |

Source: City of Germantown

Notes:

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

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

| Employer | 2010 | | | 2006 | | |
|--|-----------|------|--|-----------|------|--|
| | Employees | Rank | Percentage of Total County Employment | Employees | Rank | Percentage of Total County Employment |
| Methodist Le Bonheur Hospital - Germantown | 1,938 | 1 | 0.49% | 1,206 | 1 | 0.20% |
| Shelby County School System - Germantown Schools | 741 | 2 | 0.19% | 811 | 2 | 0.13% |
| Baptist Rehabilitation - Germantown | 523 | 3 | 0.13% | 659 | 3 | 0.11% |
| City of Germantown | 372 | 4 | 0.09% | 400 | 4 | 0.06% |
| Campbell Clinic | 350 | 5 | 0.09% | 340 | 5 | 0.06% |
| O.R. Nurses | 323 | 6 | 0.08% | | | |
| Orgill, Inc. | 295 | 7 | 0.07% | 275 | 6 | 0.04% |
| El Porton | 200 | 9 | 0.05% | 200 | 9 | 0.03% |
| Schnucks | 200 | 8 | 0.05% | 193 | 10 | 0.03% |
| Stern Cardiovascular | 170 | 10 | 0.04% | 200 | 8 | 0.03% |
| Ezon, Inc. | | | | 216 | 7 | 0.04% |

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 |
|------|-------------------|----------|---|----------|---|--------------------------------------|--------------------------------------|
| 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 |
| 2010 | 41,011 | | 142,358 | 4 | 51,215 | 7,927 | 6.9 |

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. 2010 Unemployment rate derived from The Commercial Appeal.

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, 2010

(All amounts in 1,000 gallons)

| | | | |
|----------|--|-----------|------------------|
| A | Water Treated and Purchased: | | |
| B | Water Pumped (potable) | 2,568,912 | |
| C | Water Purchased | 0 | |
| D | Total Water Treated and Purchased | | 2,568,912 |
| | (Sum Line B and C) | | |
| E | Accounted for Water: | | |
| F | Water Sold | 1,872,056 | |
| G | Metered for Consumption (in-house usage) | 25,516 | |
| H | Fire Department(s) usage | 5,250 | |
| I | Flushing | 1,260 | |
| J | Tank Cleaning/Filling | 425 | |
| K | Street Cleaning | 0 | |
| L | Bulk Sales | 0 | |
| M | Water Bill Adjustments | 9,472 | |
| N | Total Accounted for Water | | 1,913,979 |
| | (Sum Line F thru M) | | |
| O | Unaccounted for Water | | 654,933 |
| | (Line D minus Line N) | | |
| P | Percent Unaccounted for Water | | 25.495% |
| | (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, 2010

As of June 30, 2010, 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 | 1.65 per TGL |
| 16 TGL - 50 TGL | 1.90 per TGL |
| 51 to 999,999 | 2.40 per TGL |
| Commercial | |
| Minimum (5 TGL) | 10.13 per TGL |
| 6 TGL - 15 TGL | 2.63 per TGL |
| 16 - 50 TGL | 3.00 per TGL |
| 51 to 999,999 | 3.75 per TGL |





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**INDEPENDENT AUDITOR’S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND 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, 2010, which collectively comprise the City’s basic financial statements and have issued our report thereon dated December 3, 2010. 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 deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected on a timely basis.

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

Memphis, Tennessee
December 3, 2010