

CITY OF GERMANTOWN TENNESSEE

Comprehensive Annual Financial Report For the Fiscal Year Ended June 30, 2011

Prepared by the City of Germantown Finance Department

**CITY OF GERMANTOWN, TENNESSEE
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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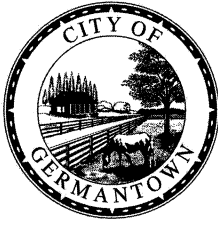
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CITY OF GERMANTOWN TENNESSEE

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

December 9, 2011

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, 2011. This document reports the sound financial position of the various funds of the City of Germantown and the financial results for operations during FY11. 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 54.8% against operating expenditures in FY11. 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. Newer home construction supplements a housing inventory in well-established neighborhoods that reflects exemplary efforts to preserve and improve older homes.

Our commitment to quality living is demonstrated in the extensive parks system, composed of athletic and playing field complexes, comprehensive parks, neighborhood parks, a greenway, state natural area 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.

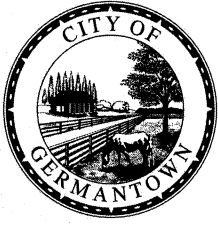
Respectfully submitted,



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 9, 2011

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, 2011, 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, 2011, 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, 2011 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 9, 2011

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.

Factors Affecting Financial Condition

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

Local Economy

The City of Germantown has shown some improvement as the economy declined in the past few years. Property tax remains the most stable source of revenue at approximately 60% of total revenue with collection remaining strong. Sales tax increased by 10% over the prior year, which represents the second highest source of revenue to the City. This increase in sales tax demonstrates that retail

The Board of Mayor and Aldermen
City of Germantown, Tennessee:
December 9, 2011

sales within the City show signs of improvement. In addition, the Halls Income Tax increased from the prior year by 28%, which is earmarked for CIP projects.

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 FY11 may be found on page 43 for emergency services personnel. The 2011 City contribution was \$2,297,580. 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 2011 the total contribution was \$981,179. The plan is professionally managed.

Long Term Financial Planning

The Board of Mayor and Aldermen adopt a Capital Improvements Program (CIP) that is a five 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 and available revenue sources. The funding for the projects in the CIP is from general reserves, grants and general obligation and revenue bonds. Highlights of the CIP for 2011 – 2015 are:

- Road and Street improvement projects to allow better traffic flow in and around the City. An example would be the Wolf River Blvd. two mile connection between Farmington and Kimbrough.
- Neighborhood Parks and the surrounding Greenway Phases V and VI.
- General Government with the construction of a new fire station that is Leeds certified and the proposed expansion of the library.

The City has been able to maintain a strong fund balance due to prudent financial management, solid reserves and the adoption of a fund balance policy. This fund balance policy has allowed the City to maintain adequate levels of reserve funds for emergencies and cash flow management. In addition, the City has maintained a Triple A rating from both Moody's and Standard and Poor's for many years.

Long-range Planning

The Board of Mayor and Aldermen discussed and reviewed the Vision 2020 plan during their annual retreat and established goals. The goals established by the Board for the City are Public Safety, Community Vitality, Quality of Life, City Services and Finances, and Environmental Quality. These goals serve as the frame work for the City during the year as well as the forthcoming year.

Focus areas have been developed to ensure that the policies and priorities identified by the Board are incorporated into the annual budget and addressed during the year.

The Board of Mayor and Aldermen
City of Germantown, Tennessee:
December 9, 2011

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, 2010. This was the 29th consecutive year that the government has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

The Board of Mayor and Aldermen
City of Germantown, Tennessee:
December 9, 2011

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, 2010. 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 three consecutive years (fiscal years ended 2008-2010). 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, 2011. The City has received the Award for each of the 26 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, 2010

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.



Linda C. Davison

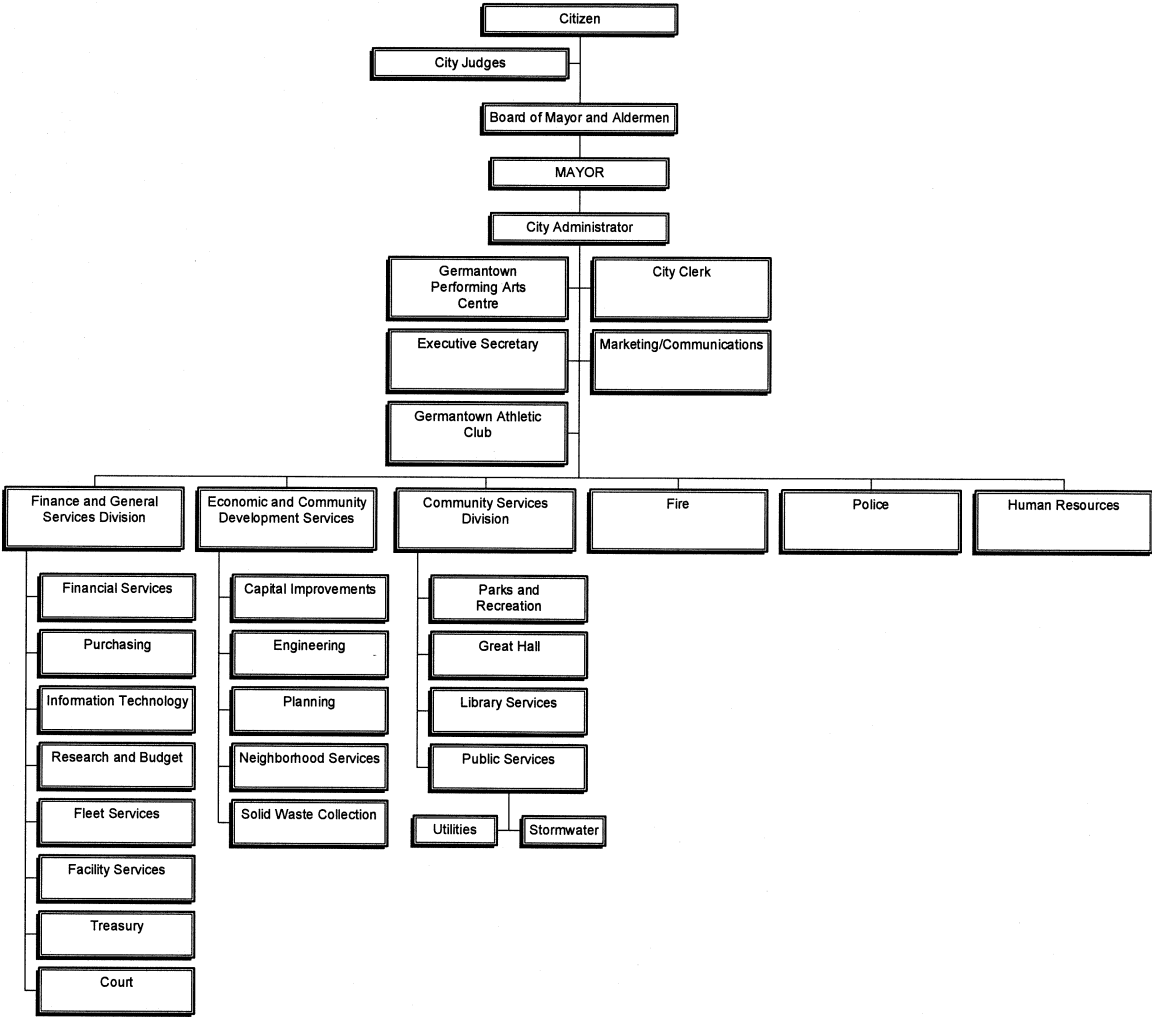
President

Jeffrey R. Emmer

Executive Director

CITY OF GERMANTOWN, TENNESSEE

Organization Chart



**CITY OF GERMANTOWN
CITY OFFICIALS**

MAYOR

Honorable Sharon Goldsworthy (2014*)

ALDERMEN

John Drinnon (Vice Mayor – 2014*)

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

Greg Marcom (2014*)
Mark Billingsley (2012*)

CITY ADMINISTRATOR

Patrick J. Lawton

CITY ATTORNEY

C. Thomas Cates

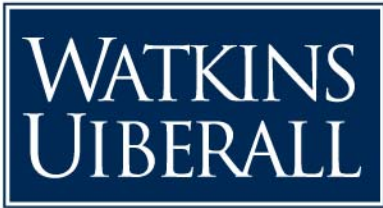
CITY JUDGES

Bob Brannon
Raymond S. Clift

EXECUTIVES

Finance and General Services Division Director.....Kristen A. Geiger
Economic and Community Development Services Director.....G. Andrew Pouncey
Community Services Division Director.....George Brogdon
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
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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, the discretely presented component unit, each major fund, the statement of budgetary comparison for the general fund, and the aggregate remaining fund information of the City of Germantown, Tennessee, (the "City") as of and for the year ended June 30, 2011, 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 opinions on these financial statements based on our audit. We did not audit the financial statements of the Germantown Performing Arts Center ("GPAC"), which is the City's component unit. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the component unit, is based on the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of GPAC were not audited in accordance with *Government Auditing Standards*. 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 and the report of the other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Germantown, Tennessee, as of June 30, 2011, 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 9, 2011, 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 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, 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 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 financial statements. The accompanying schedule of expenditures of federal and state awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements. The combining and individual fund financial statements and schedules, supplementary schedules, and the schedule of expenditures of federal and state awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other 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 do not express an opinion or provide any assurance on them.

Memphis, Tennessee
December 9, 2011

Watkins Universal, PLLC

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, 2011. 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, 2011 by \$146,796,489 (net assets). Of this amount, \$35,472,915 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- At June 30, 2011, the City's governmental funds reported total fund balances of \$31,201,642. Of this amount, \$3,024,170 (unassigned fund balances) may be used to meet the general government's spending requirements. The unassigned fund balance represents 8.4% of total General Fund expenditures.
- During the fiscal year, the City's total debt decreased by \$3,000,000. 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, 2011. 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, Great Hall and Stormwater Funds.

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

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

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

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

The City maintains 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 and Capital Projects-Major Roads are considered to be major funds. Data from the other ten governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

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

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

Component unit. The component unit is not a “fund” of the City of Germantown as the primary government. However, the government-wide financial statements include a column for component unit as described in Note 1 – Summary of Significant Accounting Principles.

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

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

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

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

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

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

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 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-7 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 \$146,796,489 at June 30, 2011.

Condensed Statement of Net Assets

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Current and Other Assets	\$61,516,084	\$64,841,164	10,519,164	8,250,706	72,035,248	73,091,870
Capital Assets	74,921,666	67,098,564	60,245,702	60,715,522	135,167,368	127,814,086
Total Assets	<u>136,437,750</u>	<u>131,939,728</u>	<u>70,764,866</u>	<u>68,966,228</u>	<u>207,202,616</u>	<u>200,905,956</u>
Long-term liabilities outstanding	19,903,500	21,966,933	6,455,555	7,311,032	26,359,055	29,277,965
Other liabilities	31,013,973	29,167,471	3,033,099	2,674,880	34,047,072	31,842,351
Total Liabilities	<u>50,917,473</u>	<u>51,134,404</u>	<u>9,488,654</u>	<u>9,985,912</u>	<u>60,406,127</u>	<u>61,120,316</u>
Net Assets:						
Invested in Capital Assets, net of related debt	52,900,774	45,980,201	52,829,038	52,457,209	105,729,812	98,437,410
Restricted	2,511,848	1,692,290	-	-	2,511,848	1,692,290
Unrestricted	30,107,655	33,132,833	8,447,174	6,523,107	38,554,829	39,655,940
Total Net Assets	<u>\$85,520,277</u>	<u>\$80,805,324</u>	<u>61,276,212</u>	<u>58,980,316</u>	<u>146,796,489</u>	<u>139,785,640</u>

By far the largest portion of the City's net assets (72.0%) 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 (1.7%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (\$38,554,829) may be used to meet the government's ongoing obligations to citizens and creditors.

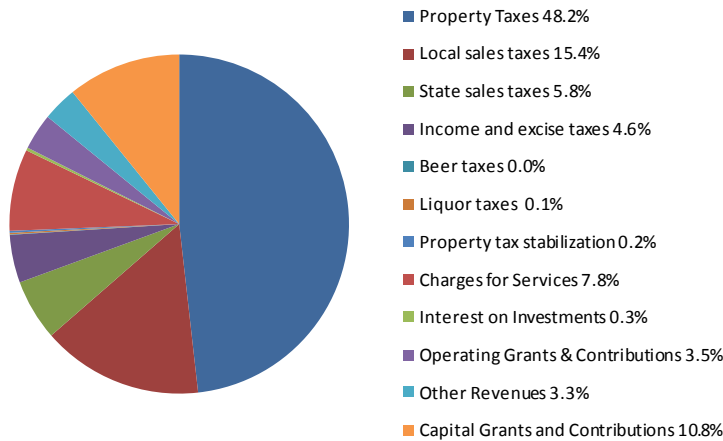
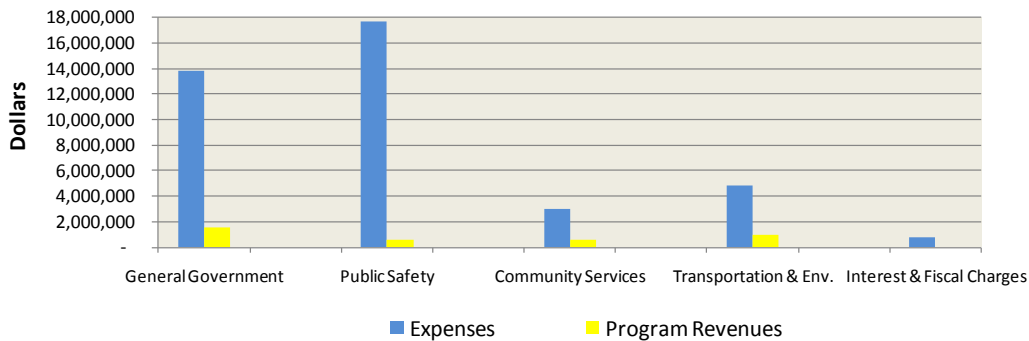
At the end of the current fiscal year, the City is able to report positive balances in both categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities. The positive unrestricted net assets for governmental activities are reflective 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 increased the City's net assets by \$4,714,953, thereby accounting for a 5.8% increase 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>	
	2011	2010	2011	2010	2011	2010
Revenues:						
Program Revenues:						
Charges for Services	\$ 3,625,462	4,005,290	16,432,603	13,840,635	20,058,065	17,845,925
Operating Grants and Contributions	1,607,271	1,731,228	-	-	1,607,271	1,731,228
Capital Grants and Contributions	5,025,552	280,244	171,857	417,437	5,197,409	697,681
General Revenues:						
Property Taxes	22,424,281	22,212,886	-	-	22,424,281	22,212,886
Local sales taxes	7,144,712	6,570,006	-	-	7,144,712	6,570,006
State sales taxes	2,707,249	2,699,584	-	-	2,707,249	2,699,584
Income and excise taxes	2,126,533	1,718,973	-	-	2,126,533	1,718,973
Beer taxes	21,377	20,307	-	-	21,377	20,307
Liquor taxes	67,424	62,982	-	-	67,424	62,982
Property tax stabilization	87,952	87,993	-	-	87,952	87,993
Interest on Investments	128,522	244,182	37,035	73,394	165,557	317,576
Other Revenue	1,534,824	1,074,330	-	-	1,534,824	1,074,330
Total Revenues	46,501,159	40,708,005	16,641,495	14,331,466	63,142,654	55,039,471
Expenses:						
General Government	13,883,051	14,126,482	-	-	13,883,051	14,126,482
Public Safety	17,670,477	16,746,970	-	-	17,670,477	16,746,970
Community Services	3,013,028	2,768,856	-	-	3,013,028	2,768,856
Transportation and Environment	4,792,033	5,434,148	-	-	4,792,033	5,434,148
Interest and Fiscal Charges	798,410	877,138	-	-	798,410	877,138
Utilities	-	-	7,230,379	7,046,258	7,230,379	7,046,258
Athletic Club	-	-	3,523,561	3,486,381	3,523,561	3,486,381
Sanitation	-	-	3,997,349	3,886,086	3,997,349	3,886,086
Nonmajor Enterprise Fund	-	-	1,253,252	366,376	1,253,252	366,376
Total Expenses	40,156,999	39,953,594	16,004,541	14,785,101	56,161,540	54,738,695
Increase/(Decrease) in Net Assets before transfers	6,344,160	754,411	636,954	(453,635)	6,981,114	300,776
Gain (Loss) on Disposal of Capital Assets	29,735	-	-	51,349	29,735	51,349
Transfers	(1,658,942)	(777,656)	1,658,942	777,656	-	-
Increase/(Decrease) in Net Assets	4,714,953	(23,245)	2,295,896	375,370	7,010,849	352,125
Net Assets - July 1, 2010	80,805,324	80,828,569	58,980,316	58,604,946	139,785,640	139,433,515
Net Assets - June 30, 2011	<u>\$85,520,277</u>	<u>80,805,324</u>	<u>61,276,212</u>	<u>58,980,316</u>	<u>146,796,489</u>	<u>139,785,640</u>

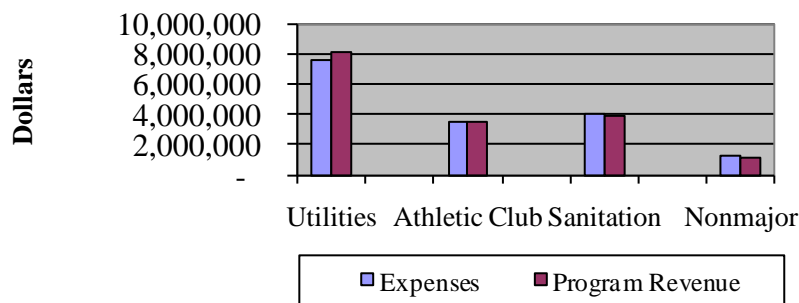
- Property Taxes increased to \$22,424,281, which is \$211,395 greater than FY10. The cost of providing General Government, Public Safety, Community Services, Transportation and Environment, Interest and Fiscal Charges, increased by \$203,405 during FY10. General Government decreased by \$243,431, while Public Safety increased by \$923,507. Transportation and Environment decreased by \$642,115. Community Services increased by \$244,172, while Interest and Fiscal Charges decreased by \$78,728. General Government's decrease was due partly to a decrease in computer equipment maintenance expenses in Information Technology. These savings were obtained through the renegotiation of several of our larger computer equipment maintenance contracts. Public Safety increased due to an increase in personnel expenses in FY11, which was the result of filling vacant positions. These positions include an Assistant Fire Marshall position and fully staffing various Police positions that were left vacant in FY10. Community Services increased due partly to an increase in consulting services for the Library. Transportation and Environment's decrease is due to the transfer of employees and their associated benefits from Public Services to the Stormwater enterprise fund. The decrease in Interest and Fiscal expenses was due to the reduction of outstanding debt.



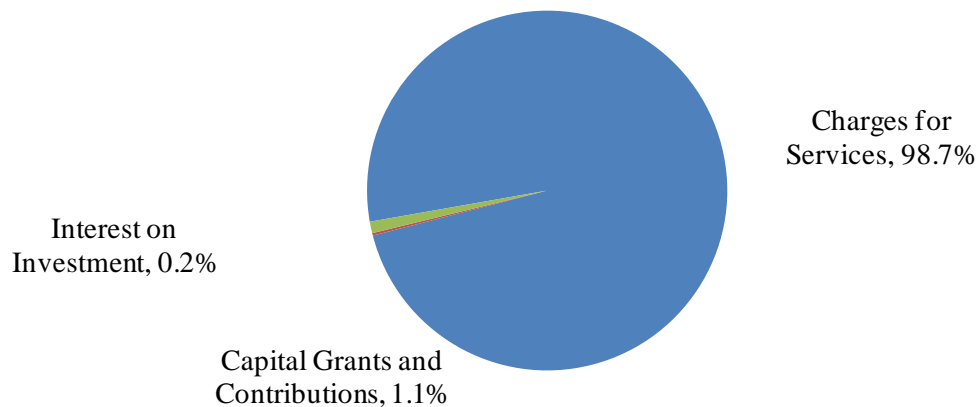
Business-type activities. Business-type activities increased the City’s net assets by \$2,295,896. The business-type activities are Utility, Athletic Club, Sanitation and the Nonmajor Enterprise Funds.

- The Germantown Utility Fund increased by \$611,943, due to an increase of water sales.
- The Germantown Athletic Club net assets increased by \$1,110,839, due to an increase in membership fees and class fees. In addition, an increase in revenues over FY10 contributed to the increase in net assets.
- The Germantown Sanitation net assets decreased by \$50,756, due to an increase in garbage collection fee expenses.
- The Nonmajor Enterprise Fund’s net assets increased by \$736,113, due the collection of stormwater fees.

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



**Revenues by Source -
 Business-type Activities**



Financial Analysis of the Government's Funds

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

Governmental funds. The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of June 30, 2011, the City's governmental funds reported combined ending fund balances of \$31,201,642, a decrease of \$5,104,464 in comparison with the prior year. Approximately 9.7% of this total amount of \$3,024,170 constitutes unassigned fund balance, which is available for spending at the government's discretion. The remainder of the fund balance is made up of nonspendable, \$1,192,317, restricted, \$91,532, committed, \$16,921,715, assigned \$9,971,908. The General Fund is the chief operating fund of the City.

At June 30, 2011, unassigned fund balance of the General Fund was \$3,024,170, while the total fund balance reached \$19,826,726. As a measure of the General Fund's liquidity, it may be useful to compare the unassigned fund balance and the total fund balance to total fund expenditures. Unassigned fund balance represents 8.4% of the total General Fund Expenditures, while total fund balance represents 54.8% of that same amount.

The fund balance of the City's General Fund decreased by \$2,582,927 during the fiscal year ended June 30, 2011. Key factors are as follows:

- Property tax decreased \$538,375
- Local sales tax increased \$574,706
- State sales taxes increased \$420,696
- Fines and Forfeitures decreased \$195,505
- Licenses and Permits decreased \$7,191
- Fees for service increased \$3,827
- Investment income decreased \$96,008
- Grants decreased \$354,780
- Other revenue decreased \$112,751
- Total expenditures increased \$411,386

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

Unrestricted net assets of \$8,537,675 are comprised of, \$7,566,599 for the Utility Fund, \$84,788 for the Athletic Club Fund, \$330,940 for the Sanitation Fund, and \$555,348 for the nonmajor enterprise funds. User fees support these funds.

General Fund Budgetary Highlights

The General Fund revenues were higher than budgeted by \$2,267,730. The increase was due to increases in Property Tax of \$107,380, Local Sales Taxes \$686,682, State Taxes (Local Share) of \$1,398,615, Fines and Forfeitures of \$32,508, Licenses and Permits of \$12,755, Fees for Services \$12,198 and Grants of \$160,109 over FY11 budget. There was a moderate decrease between budget and actual revenues in Other Revenues of \$35,513. Interest on Investments was lower than budget by \$107,004, due to lower interest rates on investments.

General Fund expenditures were less than budgeted by \$221,033. 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. The largest positive variance was in General Government in the amount of \$86,294. Savings were also achieved in Public Safety of \$58,434, Community Services of \$22,642, Transportation and Environment of \$52,664, and Debt Service of \$999.

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, 2011 amounts to \$135,167,368 (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 \$7,353,282. Governmental activities increased \$7,823,102 or 11.7% and business activities decreased \$469,820 or 0.8%.

Condensed Statement of Capital Assets

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2009</u>	<u>2011</u>	<u>2010</u>
Land and Buildings	\$28,674,744	28,265,538	14,709,977	15,206,903	43,384,721	43,472,441
Improvements Other Than Buildings	30,752,372	29,071,152	42,415,169	43,526,568	73,167,541	72,597,720
Equipment	5,277,958	4,927,862	1,030,204	1,299,823	6,308,162	6,227,685
Construction in Progress	10,216,592	4,834,012	2,090,352	682,228	12,306,944	5,516,240
Total	<u>\$74,921,666</u>	<u>\$67,098,564</u>	<u>60,245,702</u>	<u>60,715,522</u>	<u>135,167,368</u>	<u>127,814,086</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, 2011 the City had total bonded debt outstanding of \$29,125,000. Of this amount \$21,825,000 comprises debt backed by the full faith and credit of the government and \$7,300,000 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>	
	2011	2010	2011	2010	2011	2010
General Obligation Bonds	\$21,825,000	24,000,000	-	-	21,825,000	24,000,000
Revenue Bonds	-	-	7,300,000	8,125,000	7,300,000	8,125,000
Total	\$21,825,000	24,000,000	7,300,000	8,125,000	29,125,000	32,125,000

During FY11, the City’s total debt decreased by \$3,000,000. Total debt includes general obligation bonds and revenue bonds. Total debt for governmental activities decreased by 9.1%. This decrease is due to no new debt being issued by the City. Also, business-type activities’ debt decreased by 10.2%, due to the City not issuing debt. The City continued to pay down its existing debt. Various construction programs were still in process at the end of the current fiscal year.

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

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 FY12 Budget requires an increase to the City’s property tax rate of six cents. 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 ninth consecutive year.
- The City initiated Managed Competition during FY07 with an emphasis on creating greater efficiency and cost control. The FY12 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 FY12 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 FY11 the City implemented GASB 54. The unassigned fund balance in the General Fund is \$3,042,170. The City has a total approved budget of \$73,718,231 in expenditures for FY12. The City's tax rate for FY12 has been set at \$1.485 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, 2011, Fiscal Year 2012 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, 2011

	Primary Government			Component
	Governmental Activities	Business-Type Activities	Total	Unit GPAC
ASSETS				
Cash and cash equivalents	\$ 29,781,893	\$ 9,546,905	\$ 39,328,798	\$ 271,474
Investments	1,637,122	860,769	2,497,891	
Receivables				
Property taxes	22,704,839	-	22,704,839	-
Interest	1,667	-	1,667	-
Customer and developers receivables	-	1,489,844	1,489,844	69,262
Other	6,787,028	19,474	6,806,502	230,107
Less allowance for doubtful accounts	(1,535,122)	(120,021)	(1,655,143)	-
Internal balances	1,340,501	(1,340,501)	-	-
Inventories	200,546	62,694	263,240	863
Restricted assets:				
Cash and cash equivalents	597,610	-	597,610	-
Capital assets, not being depreciated	21,624,158	4,862,945	26,487,103	-
Capital assets, being depreciated, net	53,297,508	55,382,757	108,680,265	113,481
Total assets	<u>136,437,750</u>	<u>70,764,866</u>	<u>207,202,616</u>	<u>685,187</u>
LIABILITIES				
Accounts payable	3,485,820	1,353,220	4,839,040	4,621
Accrued interest	124,986	37,965	162,951	-
Customer deposits	-	494,172	494,172	-
Contracts payable	1,550,175	-	1,550,175	-
Unearned revenue	23,556,834	292,742	23,849,576	44,596
Noncurrent liabilities:				
Due within one year	2,296,158	855,000	3,151,158	-
Due in more than one year	19,903,500	6,455,555	26,359,055	-
Total liabilities	<u>50,917,473</u>	<u>9,488,654</u>	<u>60,406,127</u>	<u>49,217</u>
NET ASSETS				
Invested in capital assets, net of related debt	52,900,774	52,829,038	105,729,812	113,481
Restricted for:				
State Street Aid	2,420,316	-	2,420,316	-
Drug Enforcement	91,532	-	91,532	-
Unrestricted	30,107,655	8,447,174	38,554,829	522,489
Total net assets	<u>\$ 85,520,277</u>	<u>\$ 61,276,212</u>	<u>\$ 146,796,489</u>	<u>\$ 635,970</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, 2011

Functions/Programs	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental Activities:				
General government	\$ 13,883,051	\$ 1,517,274	\$ 224,333	\$ 4,550,282
Public safety	17,670,477	590,284	256,617	396,649
Community services	3,013,028	546,195	18,136	78,621
Transportation and environment	4,792,033	971,709	1,108,185	-
Interest and fiscal charges	798,410	-	-	-
Total governmental activities	40,156,999	3,625,462	1,607,271	5,025,552
Business-type activities:				
Utilities	7,230,379	7,896,551	-	171,857
Athletic Club	3,523,561	3,517,289	-	-
Sanitation	3,997,349	3,944,499	-	-
Nonmajor Enterprise Fund	1,253,252	1,074,264	-	-
Total business-type activities	16,004,541	16,432,603	-	171,857
Total primary government	\$ 56,161,540	\$ 20,058,065	\$ 1,607,271	\$ 5,197,409
Component unit:				
GPAC	\$ 2,111,884	\$ 681,612	\$ 1,540,370	\$ -

General revenues:
Property taxes
Local sales taxes
State sales taxes
Income and excise taxes
Beer taxes
Liquor taxes
Property taxes
Interest on investments
Other revenues
Gain on disposal of capital assets
Transfers
 Total general revenues and transfers
 Change in net assets
Net assets - beginning

Net assets - ending

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

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

Primary Government			Component Unit
Governmental Activities	Business-Type Activities	Total	GPAC
\$ (7,591,162)	\$ -	\$ (7,591,162)	
(16,426,927)	-	(16,426,927)	
(2,370,076)	-	(2,370,076)	
(2,712,139)	-	(2,712,139)	
(798,410)	-	(798,410)	
(29,898,714)	-	(29,898,714)	
	838,029	838,029	
	(6,272)	(6,272)	
	(52,850)	(52,850)	
	(178,988)	(178,988)	
	599,919	599,919	
(29,898,714)	599,919	(29,298,795)	
			\$ 110,098
22,424,281	-	22,424,281	-
7,144,712	-	7,144,712	-
2,707,249	-	2,707,249	-
2,126,533	-	2,126,533	-
21,377	-	21,377	-
67,424	-	67,424	-
87,952	-	87,952	-
128,522	37,035	165,557	-
1,534,824	-	1,534,824	11,279
29,735	-	29,735	-
(1,658,942)	1,658,942	-	-
34,613,667	1,695,977	36,309,644	11,279
4,714,953	2,295,896	7,010,849	121,377
80,805,324	58,980,316	139,785,640	514,593
\$ 85,520,277	\$ 61,276,212	\$ 146,796,489	\$ 635,970

CITY OF GERMANTOWN, TENNESSEE

BALANCE SHEET – GOVERNMENTAL FUNDS

June 30, 2011

	General	Capital Projects - Major Roads	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 17,269,947	\$ 3,297,672	\$ 8,061,594	\$ 28,629,213
Investments	1,431,734	-	205,388	1,637,122
Receivables				
Property taxes	22,704,839	-	-	22,704,839
Interest	1,667	-	-	1,667
Other	5,476,065	1,073,554	233,877	6,783,496
Less allowance for doubtful accounts	(1,535,122)	-	-	(1,535,122)
Advances to other funds	1,250,000	-	-	1,250,000
Inventories	67,317	-	-	67,317
Restricted assets:				
Cash and cash equivalents	348,040	65,622	183,948	597,610
Total assets	\$ 47,014,487	\$ 4,436,848	\$ 8,684,807	\$ 60,136,142
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 2,793,836	\$ 2,572	\$ 161,362	\$ 2,957,770
Contracts payable	-	804,765	745,410	1,550,175
Deferred revenue	24,393,925	23,107	9,523	24,426,555
Total liabilities	27,187,761	830,444	916,295	28,934,500
Fund Balances:				
Nonspendable	1,192,317	-	-	1,192,317
Restricted	-	-	91,532	91,532
Committed	13,027,239	-	3,894,476	16,921,715
Assigned	2,583,000	3,606,404	3,782,504	9,971,908
Unassigned	3,024,170	-	-	3,024,170
Total fund balances	19,826,726	3,606,404	7,768,512	31,201,642
Total liabilities and fund balances	\$ 47,014,487	\$ 4,436,848	\$ 8,684,807	\$ 60,136,142

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, 2011

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

Total fund balances - total governmental funds	\$ 31,201,642
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	74,810,173
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	869,721
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.	963,385
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	<u>(22,324,644)</u>
Net assets of governmental activities	<u><u>\$ 85,520,277</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, 2011

	General	Capital Projects - Major Roads	Other Governmental Funds	Total
REVENUES				
Taxes:				
Property taxes	\$ 22,043,093	\$ -	\$ -	\$ 22,043,093
Local sales taxes	7,144,712	-	-	7,144,712
State taxes (local share)	5,010,535	-	1,108,185	6,118,720
Fines and forfeitures	1,126,108	-	-	1,126,108
Licenses and permits	1,029,855	-	-	1,029,855
Fees for services	138,678	-	393,340	532,018
Interest on investments	129,276	103	(857)	128,522
Grants	274,753	4,532,217	717,668	5,524,638
Other revenues	1,340,255	-	1,166,655	2,506,910
Total revenues	<u>38,237,265</u>	<u>4,532,320</u>	<u>3,384,991</u>	<u>46,154,576</u>
EXPENDITURES				
Current:				
General government	9,868,644	-	-	9,868,644
Public safety	17,256,442	-	532,243	17,788,685
Community services	2,631,661	-	415,980	3,047,641
Transportation and environment	3,412,462	-	1,391,451	4,803,913
Debt services				
Principal	2,175,000	-	-	2,175,000
Interest and fiscal charges	842,142	-	-	842,142
Capital projects	-	5,299,006	5,778,067	11,077,073
Total expenditures	<u>36,186,351</u>	<u>5,299,006</u>	<u>8,117,741</u>	<u>49,603,098</u>
Excess (deficiency) of revenues over (under) expenditures	<u>2,050,914</u>	<u>(766,686)</u>	<u>(4,732,750)</u>	<u>(3,448,522)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	366,159	309,590	2,668,309	3,344,058
Transfers out	(5,003,000)	-	-	(5,003,000)
Sale of capital assets	3,000	-	-	3,000
Total other financing sources (uses)	<u>(4,633,841)</u>	<u>309,590</u>	<u>2,668,309</u>	<u>(1,655,942)</u>
Net change in fund balances	(2,582,927)	(457,096)	(2,064,441)	(5,104,464)
Fund balances - beginning	<u>22,409,653</u>	<u>4,063,500</u>	<u>9,832,953</u>	<u>36,306,106</u>
Fund balances - ending	<u>\$ 19,826,726</u>	<u>\$ 3,606,404</u>	<u>\$ 7,768,512</u>	<u>\$ 31,201,642</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, 2011

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

Net change in fund balance - total governmental funds	\$ (5,104,464)
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.	7,855,097
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	381,188
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.	2,218,732
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. This is the change in compensated absences.	(90,602)
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>(544,998)</u>
Change in net assets of governmental activities	<u><u>\$ 4,714,953</u></u>

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

CITY OF GERMANTOWN, TENNESSEE
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCE – BUDGET AND ACTUAL – GENERAL FUND

For the Year Ended June 30, 2011

	<u>Budgeted Amounts</u>		<u>Actual</u> Amounts	<u>Variance with</u> <u>Final Budget -</u> <u>Positive</u> <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>		
<u>REVENUES</u>				
PROPERTY TAXES				
Real property taxes	\$ 20,536,238	\$ 20,536,238	\$ 20,656,775	\$ 120,537
Personal property taxes	645,000	645,000	553,287	(91,713)
Penalties and interest - property taxes	95,000	95,000	172,247	77,247
Receipt in lieu of taxes - TVA	463,500	463,500	461,148	(2,352)
Receipt in lieu of taxes - MLGW	195,975	195,975	199,636	3,661
Total property taxes	<u>21,935,713</u>	<u>21,935,713</u>	<u>22,043,093</u>	<u>107,380</u>
LOCAL SALES TAXES				
Sales taxes	4,954,250	4,954,250	5,418,275	464,025
Beer and liquor taxes	645,000	645,000	694,762	49,762
Gross receipts tax	380,700	380,700	491,896	111,196
Penalties and interest - gross receipts tax	4,800	4,800	1,357	(3,443)
Room occupancy tax	473,280	473,280	538,422	65,142
Total local sales taxes	<u>6,458,030</u>	<u>6,458,030</u>	<u>7,144,712</u>	<u>686,682</u>
STATE TAXES (LOCAL SHARE)				
Sales taxes	2,571,920	2,571,920	2,707,249	135,329
Income taxes	875,000	875,000	2,126,533	1,251,533
Beer taxes	22,000	22,000	21,377	(623)
Liquor taxes	55,000	55,000	67,424	12,424
Property tax stabilization	88,000	88,000	87,952	(48)
Total state taxes (local share)	<u>3,611,920</u>	<u>3,611,920</u>	<u>5,010,535</u>	<u>1,398,615</u>
FINES AND FORFEITURES				
Traffic and other violations	255,000	255,000	214,108	(40,892)
City court costs	500,000	500,000	195,553	(304,447)
Other court costs	335,000	335,000	713,039	378,039
Animal impoundment fees	3,600	3,600	3,408	(192)
Total fines and forfeitures	<u>1,093,600</u>	<u>1,093,600</u>	<u>1,126,108</u>	<u>32,508</u>
LICENSES AND PERMITS				
Automobile registrations	892,000	892,000	884,385	(7,615)
Building permits	25,000	25,000	38,167	13,167
Animal licenses	77,400	77,400	83,916	6,516
Fence & sign permits	4,000	4,000	3,260	(740)
Liquor permits	18,700	18,700	20,127	1,427
Total licenses and permits	<u>1,017,100</u>	<u>1,017,100</u>	<u>1,029,855</u>	<u>12,755</u>

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

CITY OF GERMANTOWN, TENNESSEE

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCE - BUDGET AND ACTUAL –GENERAL FUND (CONTINUED)

For the Year Ended June 30, 2011

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
FEEES FOR SERVICES				
Engineering fees	\$ 12,000	\$ 12,000	\$ 14,500	\$ 2,500
Fire inspection fees	3,500	3,500	7,010	3,510
Zoning applications	15,000	15,000	18,618	3,618
Library fees	100,000	95,980	98,550	2,570
Total fees for services	130,500	126,480	138,678	12,198
INTEREST ON INVESTMENTS	236,280	236,280	129,276	(107,004)
GRANTS	100,000	114,644	274,753	160,109
OTHER REVENUES				
Cable television fees	540,000	540,000	552,480	12,480
Miscellaneous	780,000	835,768	787,775	(47,993)
Total other revenues	1,320,000	1,375,768	1,340,255	(35,513)
Total revenues	35,903,143	35,969,535	38,237,265	2,267,730
<u>EXPENDITURES</u>				
GENERAL GOVERNMENT				
Aldermen:				
Personnel services	108,375	90,727	89,604	1,123
Materials and supplies	15,000	15,000	14,772	228
Other services and charges	49,200	79,012	68,288	10,724
Total Aldermen	172,575	184,739	172,664	12,075
Administration:				
Personnel services	727,408	703,508	702,904	604
Materials and supplies	14,630	162,882	162,877	5
Other services and charges	722,413	797,116	796,282	834
Expense reimbursement	(34,768)	(34,768)	(34,768)	-
Total Administration	1,429,683	1,628,738	1,627,295	1,443
Personnel:				
Personnel services	571,914	633,951	629,266	4,685
Materials and supplies	7,500	7,500	5,648	1,852
Other Services and charges	122,183	104,073	87,847	16,226
Expense reimbursement	(42,626)	(42,626)	(42,626)	-
Total Personnel	658,971	702,898	680,135	22,763

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

CITY OF GERMANTOWN, TENNESSEE

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCE - BUDGET AND ACTUAL –GENERAL FUND (CONTINUED)

For the Year Ended June 30, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Information Technology:				
Personnel services	\$ 303,450	\$ 337,073	\$ 336,419	\$ 654
Materials and supplies	83,000	129,005	129,003	2
Other services and charges	577,677	498,637	494,955	3,682
Capital outlay	34,000	35,404	35,403	1
Expense reimbursement	(34,161)	(34,161)	(34,161)	-
Total Information Technology	963,966	965,958	961,619	4,339
Finance:				
Personnel services	996,952	1,073,309	1,071,068	2,241
Materials and supplies	65,300	58,517	55,530	2,987
Other services and charges	268,011	307,191	303,721	3,470
Expense reimbursement	(145,687)	(145,687)	(145,687)	-
Total Finance	1,184,576	1,293,330	1,284,632	8,698
Research and Budget:				
Personnel services	205,324	228,628	228,579	49
Materials and supplies	12,750	11,164	10,521	643
Other services and charges	41,227	33,854	33,581	273
Expense reimbursement	(14,547)	(14,547)	(14,547)	-
Total Research and Budget	244,754	259,099	258,134	965
City Court:				
Personnel services	527,898	547,684	546,977	707
Materials and supplies	5,100	10,157	10,017	140
Other services and charges	66,850	44,372	42,691	1,681
Total City Court	599,848	602,213	599,685	2,528
Civic Support:				
Grants	300,625	300,705	299,078	1,627
Total Civic Support	300,625	300,705	299,078	1,627
Germantown Performing Arts Centre:				
Personnel services	765,887	831,925	830,650	1,275
Materials and supplies	16,900	9,897	7,875	2,022
Other services and charges	161,514	172,846	167,191	5,655
Capital outlay	-	1	-	1
Total Germantown Performing Arts Centre	944,301	1,014,669	1,005,716	8,953

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

CITY OF GERMANTOWN, TENNESSEE

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCE - BUDGET AND ACTUAL - GENERAL FUND (CONTINUED)

For the Year Ended June 30, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Development:				
Personnel services	\$ 1,723,567	\$ 1,755,343	\$ 1,748,785	\$ 6,558
Materials and supplies	26,075	24,815	24,030	785
Other services and charges	206,874	207,789	203,541	4,248
Capital outlay	20,000	16,679	16,678	1
Expense reimbursement	(163,208)	(163,208)	(163,208)	-
Total Development	1,813,308	1,841,418	1,829,826	11,592
Facility Services:				
Personnel services	793,293	744,899	738,963	5,936
Materials and supplies	90,900	112,938	110,817	2,121
Other services and charges	449,289	303,334	300,080	3,254
Total Building Maintenance	1,333,482	1,161,171	1,149,860	11,311
Total General Government	9,646,089	9,954,938	9,868,644	86,294
PUBLIC SAFETY				
Police:				
Personnel services	8,498,880	8,625,421	8,622,714	2,707
Materials and supplies	481,250	385,085	383,162	1,923
Other services and charges	595,605	603,761	578,430	25,331
Capital outlay	220,000	215,632	213,165	2,467
Total Police	9,795,735	9,829,899	9,797,471	32,428
Fire:				
Personnel services	6,064,038	6,272,288	6,255,204	17,084
Materials and supplies	182,528	249,977	248,424	1,553
Other services and charges	848,861	947,712	940,437	7,275
Capital outlay	50,000	15,000	14,906	94
Total Fire	7,145,427	7,484,977	7,458,971	26,006
Total Public Safety	16,941,162	17,314,876	17,256,442	58,434

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

CITY OF GERMANTOWN, TENNESSEE

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCE - BUDGET AND ACTUAL - GENERAL FUND (CONTINUED)

For the Year Ended June 30, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
COMMUNITY SERVICES				
Parks & Recreation:				
Personnel services	\$ 744,107	\$ 695,633	\$ 694,804	\$ 829
Materials and supplies	18,300	18,286	16,634	1,652
Other services and charges	338,065	456,049	454,528	1,521
Total Parks & Recreation	1,100,472	1,169,968	1,165,966	4,002
Cultural Arts Programs:				
Materials and supplies	34,940	35,255	29,291	5,964
Other services and charges	18,895	20,360	18,143	2,217
Total Cultural Arts Program	53,835	55,615	47,434	8,181
Library:				
Personnel services	2,000	500	493	7
Materials and supplies	30,000	62,745	60,037	2,708
Other services and charges	1,301,682	1,297,464	1,291,675	5,789
Total Library	1,333,682	1,360,709	1,352,205	8,504
Genealogical Library:				
Personnel services	250	250	111	139
Materials and supplies	7,000	12,662	12,100	562
Other services and charges	59,904	55,099	53,845	1,254
Total Genealogical Library	67,154	68,011	66,056	1,955
Total Community Services	2,555,143	2,654,303	2,631,661	22,642
TRANSPORTATION AND ENVIRONMENT				
Public Services:				
Personnel services	2,292,081	2,406,323	2,400,020	6,303
Materials and supplies	138,060	125,836	120,057	5,779
Other services and charges	999,103	975,890	944,024	31,866
Capital outlay	90,000	90,000	88,942	1,058
Expense reimbursement	(425,727)	(425,727)	(425,727)	-
Total Environmental Services	3,093,517	3,172,322	3,127,316	45,006

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

CITY OF GERMANTOWN, TENNESSEE

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCE - BUDGET AND ACTUAL - GENERAL FUND (CONTINUED)

For the Year Ended June 30, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Animal Control:				
Personnel services	\$ 212,561	\$ 220,434	\$ 218,991	\$ 1,443
Materials and supplies	46,000	45,262	42,595	2,667
Other services and charges	26,509	27,108	23,560	3,548
Total Animal Control	285,070	292,804	285,146	7,658
Total Transportation and Environment	3,378,587	3,465,126	3,412,462	52,664
DEBT SERVICE				
Bond and note principal	2,175,000	2,175,000	2,175,000	-
Interest and fiscal charges	843,141	843,141	842,142	999
Total Debt Service	3,018,141	3,018,141	3,017,142	999
Total Expenditures	35,539,122	36,407,384	36,186,351	221,033
Excess (deficiency) of revenues over (under) expenditures	364,021	(437,849)	2,050,914	2,488,763
OTHER FINANCING SOURCES (USES)				
Transfers in	361,772	361,772	366,159	4,387
Transfers out	(4,097,000)	(5,003,000)	(5,003,000)	-
Sale of capital assets	-	-	3,000	3,000
Contingency	(50,000)	(205)	-	205
Total other financing sources (uses)	(3,785,228)	(4,641,433)	(4,633,841)	7,592
Net change in fund balances	(3,421,207)	(5,079,282)	(2,582,927)	2,496,355
Fund balance - beginning	22,409,653	22,409,653	22,409,653	-
Fund balance - ending	\$ 18,988,446	\$ 17,330,371	\$ 19,826,726	\$ 2,496,355

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, 2011

ASSETS	Business Type Activities - Enterprise Funds					Governmental Activities - Internal Service Funds
	Athletic		Other		Total	
	Utility Fund	Club Fund	Sanitation Fund	Enterprise Funds		
Current assets:						
Cash and cash equivalents	\$ 6,702,089	\$ 1,652,390	\$ 539,716	\$ 652,710	\$ 9,546,905	\$ 1,152,680
Investments	648,280	160,172	52,317	-	860,769	-
Receivables:						
Customers and developers	1,191,891	-	174,575	123,378	1,489,844	-
Others	235	19,239	-	-	19,474	3,532
Less allowance for doubtful accounts	(41,776)	(19,239)	(20,085)	(38,921)	(120,021)	-
Net receivables	1,150,350	-	154,490	84,457	1,389,297	3,532
Inventories	53,501	9,193	-	-	62,694	133,229
Total current assets	8,554,220	1,821,755	746,523	737,167	11,859,665	1,289,441
Noncurrent assets:						
Capital assets, not being depreciated						
Land	381,013	2,391,580	-	-	2,772,593	-
Construction in progress	1,311,637	497,900	-	280,815	2,090,352	-
Total non-depreciable assets	1,692,650	2,889,480	-	280,815	4,862,945	-
Capital assets, being depreciated						
Buildings and improvements	171,321	17,740,316	-	-	17,911,637	319,511
Water treatment plant	18,929,360	-	-	-	18,929,360	-
Water mains and laterals	22,934,744	-	-	-	22,934,744	-
Sewer mains and laterals	24,137,646	-	-	-	24,137,646	-
Machinery and equipment	2,350,010	527,000	17,572	181,331	3,075,913	326,617
Less accumulated depreciation	(24,140,037)	(7,271,976)	(17,572)	(176,958)	(31,606,543)	(534,635)
Total depreciable assets, net	44,383,044	10,995,340	-	4,373	55,382,757	111,493
Total noncurrent assets	46,075,694	13,884,820	-	285,188	60,245,702	111,493
Total assets	\$ 54,629,914	\$ 15,706,575	\$ 746,523	\$ 1,022,355	\$ 72,105,367	\$ 1,400,934

(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, 2011

	Business Type Activities - Enterprise Funds				Total	Governmental Activities - Internal Service Funds
	Utility Fund	Athletic Club Fund	Sanitation Fund	Other Enterprise Funds		
LIABILITIES						
Current liabilities:						
Accounts payable	\$ 615,299	\$ 241,032	\$ 343,536	\$ 153,353	\$ 1,353,220	\$ 528,050
Accrued interest payable	12,725	25,240	-	-	37,965	-
Unearned revenue	-	220,695	72,047	-	292,742	-
Customer deposits payable	-	-	-	28,466	28,466	-
Advances from other funds - current	-	125,000	-	-	125,000	-
Bonds payable - current	855,000	-	-	-	855,000	-
Total current liabilities	<u>1,483,024</u>	<u>611,967</u>	<u>415,583</u>	<u>181,819</u>	<u>2,692,393</u>	<u>528,050</u>
Noncurrent liabilities:						
Customer deposits payable	465,706	-	-	-	465,706	-
Advances from other funds - net of current	-	1,125,000	-	-	1,125,000	-
Bonds payable - net of current	6,455,555	-	-	-	6,455,555	-
Total noncurrent liabilities	<u>6,921,261</u>	<u>1,125,000</u>	<u>-</u>	<u>-</u>	<u>8,046,261</u>	<u>-</u>
Total liabilities	<u>8,404,285</u>	<u>1,736,967</u>	<u>415,583</u>	<u>181,819</u>	<u>10,738,654</u>	<u>528,050</u>
NET ASSETS						
Invested in capital assets, net of related debt	38,659,030	13,884,820	-	285,188	52,829,038	111,493
Unrestricted	7,566,599	84,788	330,940	555,348	8,537,675	761,391
Total net assets	<u>\$ 46,225,629</u>	<u>\$ 13,969,608</u>	<u>\$ 330,940</u>	<u>\$ 840,536</u>	<u>61,366,713</u>	<u>\$ 872,884</u>
Adjustment to reflect the consolidation of internal service funds related to enterprise funds					(90,501)	
Net assets of business-type activities					<u>\$ 61,276,212</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, 2011

	Business Type Activities - Enterprise Funds				Total	Governmental Activities - Internal Service Funds
	Utility Fund	Athletic Club Fund	Sanitation Fund	Other Enterprise Funds		
Operating Revenues:						
Water sales	\$ 4,964,607	\$ -	\$ -	\$ -	\$ 4,964,607	\$ -
Sewer service charges	2,744,814	-	-	-	2,744,814	-
Connection and other fees	76,933	-	-	-	76,933	-
Forfeited discounts	76,883	-	39,009	-	115,892	-
Sanitation fees	-	-	3,816,627	-	3,816,627	-
Membership fees	-	2,750,189	-	-	2,750,189	-
Class fees	-	592,218	-	-	592,218	-
Daily admissions	-	19,522	-	-	19,522	-
Stormwater fees	-	-	-	904,378	904,378	-
Internal charges	-	-	-	-	-	5,925,477
Other income	33,314	155,360	88,863	169,886	447,423	-
Total operating revenues	7,896,551	3,517,289	3,944,499	1,074,264	16,432,603	5,925,477
Operating Expenses:						
Personnel services	1,607,171	1,358,227	41,232	630,540	3,637,170	629,262
Materials and supplies	181,867	161,407	25,969	23,985	393,228	15,166
Utilities	725,238	-	-	-	725,238	-
Sewage treatment fees	1,097,830	-	-	-	1,097,830	-
Landfill fees	-	-	472,260	-	472,260	-
Garbage collection fees	-	-	3,432,233	-	3,432,233	-
Other services and charges	1,564,931	1,391,805	25,655	578,897	3,561,288	5,862,811
Bad debt expense	-	928	-	-	928	-
Depreciation	1,650,288	573,440	-	3,904	2,227,632	31,995
Total operating expenses	6,827,325	3,485,807	3,997,349	1,237,326	15,547,807	6,539,234
Operating income (loss)	1,069,226	31,482	(52,850)	(163,062)	884,796	(613,757)
Nonoperating Revenues (Expenses):						
Interest on investments	27,830	7,111	2,094	-	37,035	-
Interest and fiscal charges	(290,811)	(37,754)	-	(15,926)	(344,491)	-
Total nonoperating revenues (expenses)	(262,981)	(30,643)	2,094	(15,926)	(307,456)	-
Income (loss) before contributions and transfers	806,245	839	(50,756)	(178,988)	577,340	(613,757)
Contributions from developers	171,857	-	-	-	171,857	-
Transfers in (out)	(366,159)	1,110,000	-	915,101	1,658,942	-
Change in net assets	611,943	1,110,839	(50,756)	736,113	2,408,139	(613,757)
Total net assets - beginning	45,613,686	12,858,769	381,696	104,423		1,486,641
Total net assets - ending	\$ 46,225,629	\$ 13,969,608	\$ 330,940	\$ 840,536		\$ 872,884
Adjustment to reflect the consolidation of internal service funds related to enterprise funds					(112,243)	
Change in net assets of business-type activities					\$ 2,295,896	

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, 2011

	Business-Type Activities - Enterprise Funds				Total	Governmental Activities - Internal Service Funds
	Utility Fund	Athletic Club Fund	Sanitation Fund	Other Enterprise Funds		
CASH FLOWS FROM OPERATING ACTIVITIES						
Cash received from customers	\$ 7,783,154	\$ 3,588,598	\$ 3,930,322	\$ 1,012,688	\$ 16,314,762	\$ 5,925,234
Cash paid to suppliers	(3,617,790)	(1,462,233)	(3,940,363)	(492,888)	(9,513,274)	(5,829,433)
Cash paid to employees	(1,592,593)	(1,352,395)	(41,232)	(604,350)	(3,590,570)	(623,591)
Net cash provided (used) by operating activities	2,572,771	773,970	(51,273)	(84,550)	3,210,918	(527,790)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES						
Transfer (to) from other fund	(366,159)	1,110,000	-	915,101	1,658,942	-
Advances from other funds	-	(125,000)	-	-	(125,000)	-
Net cash provided by noncapital and related financing activities	(366,159)	985,000	-	915,101	1,533,942	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Bond and loan principal payments	(825,000)	-	-	-	(825,000)	-
Acquisition of capital assets	(835,240)	(488,000)	-	(262,717)	(1,585,957)	-
Proceeds from disposal of capital assets	-	-	-	-	-	-
Interest paid	(293,423)	(40,954)	-	(15,926)	(350,303)	-
Net cash used by capital and related financing activities	(1,953,663)	(528,954)	-	(278,643)	(2,761,260)	-
CASH FLOWS FROM INVESTING ACTIVITIES						
Sale of investments	1,331,142	2,767	129,248	28,543	1,491,700	-
Interest received	27,830	7,111	2,094	-	37,035	-
Net cash provided (used) by investing activities	1,358,972	9,878	131,342	28,543	1,528,735	-
Net increase (decrease) in cash and cash equivalents	1,611,921	1,239,894	80,069	580,451	3,512,335	(527,790)
Cash and cash equivalents - beginning	5,090,168	412,496	459,647	72,259	6,034,570	1,680,470
Cash and cash equivalents - ending	\$ 6,702,089	\$ 1,652,390	\$ 539,716	\$ 652,710	\$ 9,546,905	\$ 1,152,680

(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, 2011

	Business-Type Activities - Enterprise Funds				Total	Governmental Activities - Internal Service Funds
	Utility Fund	Athletic Club Fund	Sanitation Fund	Other Enterprise Funds		
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used)						
By Operating Activities						
Operating income (loss)	\$ 1,069,226	\$ 31,482	\$ (52,850)	\$ (163,062)	\$ 884,796	\$ (613,757)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities						
Depreciation expense	1,650,288	573,440	-	3,904	2,227,632	31,995
(Increase) decrease in assets:						
Accounts receivable	(147,287)	1,301	(14,619)	(80,217)	(240,822)	(243)
Inventories	6,469	(713)	-	-	5,756	(51,754)
Increase (decrease) in liabilities:						
Accounts payable	(39,815)	97,524	15,754	136,184	209,647	105,969
Accrued expenses	-	-	(22)	-	(22)	-
Customer deposits	33,890	-	-	18,641	52,531	-
Unearned revenue	-	70,936	464	-	71,400	-
Total adjustments	1,503,545	742,488	1,577	78,512	2,326,122	85,967
Net cash provided (used) by operating activities	\$ 2,572,771	\$ 773,970	\$ (51,273)	\$ (84,550)	\$ 3,210,918	\$ (527,790)
Noncash investing, capital, and financing activities:						
Contributions of capital assets from developers	\$ 171,857	\$ -	\$ -	\$ -	\$ 171,857	\$ -

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

CITY OF GERMANTOWN, TENNESSEE
STATEMENT OF FIDUCIARY NET ASSETS

June 30, 2011

	Pension Fund	OPEB Fund	Bail Deposit Fund
ASSETS			
Cash and cash equivalents	\$ 2,030,351	\$ 310,078	\$ 129,078
Investments, at fair value			
Common stock	12,025,884	-	-
Foreign stock	1,551,824	-	-
U.S. government obligations	3,923,746	-	-
State and municipal bonds	3,098,322	-	-
Mutual funds - equity	18,034,861	1,821,051	-
Mutual funds - fixed income	-	981,447	-
Mutual funds - international	4,618,682	-	-
Corporate bonds	2,131,142	-	-
Receivables:			
Accounts receivable	138	-	-
Interest	113,853	6	-
Total assets	<u>47,528,803</u>	<u>3,112,582</u>	<u>\$ 129,078</u>
LIABILITIES			
Accounts payable	369	14,080	-
Deposits held in trust	-	-	129,078
Total liabilities	<u>369</u>	<u>14,080</u>	<u>\$ 129,078</u>
NET ASSETS			
Held in trust for pension benefits and OPEB	<u>\$ 47,528,434</u>	<u>\$ 3,098,502</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, 2011

	Pension Fund	OPEB Fund
ADDITIONS		
Contributions:		
Employer	\$ 2,297,580	\$ 948,179
Plan members	710,723	128,537
Total contributions	<u>3,008,303</u>	<u>1,076,716</u>
Investment Income (Loss):		
Net depreciation in fair value of investments	6,053,202	309,485
Interest and dividends	1,293,988	74,460
Total investment earnings (loss)	<u>7,347,190</u>	<u>383,945</u>
Total additions	10,355,493	1,460,661
DEDUCTIONS		
Benefits paid	1,957,022	421,747
Administrative expense	233,513	13,962
Total deductions	<u>2,190,535</u>	<u>435,709</u>
Change in net assets	8,164,958	1,024,952
Net assets - beginning	<u>39,363,476</u>	<u>2,073,550</u>
Net assets - ending	<u><u>\$ 47,528,434</u></u>	<u><u>\$ 3,098,502</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, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting entity

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

As required by accounting principles generally accepted in the United States of America, these financial statements present the government and its component units, entities for which the government is considered to be financially accountable. The City's one component unit has a June 30 year-end and their separate financial statements are available as indicated below. The significant accounting policies followed by the component unit are generally the same as those followed by the primary government.

Discretely Presented Component Unit:

Germantown Performing Arts Center (GPAC) – The purpose of GPAC is to foster and promote theatrical and musical performances to the community at the Germantown Performing Arts Center. GPAC receives significant funding by the City in the form of payroll and related expenses as well as providing the building used by GPAC. GPAC is a 501(c)3 organization with separately issued financial statements which may be obtained from the Germantown Performing Arts Center, 1801 Exeter Road, Germantown, Tennessee 38138, (901)757-7500.

B. Government-wide and fund financial statements

The government-wide financial statements (i.e., the statements of net assets and the statement of activities) 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

CITY OF GERMANTOWN, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2011

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.

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

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

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

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

The City reports the following major governmental funds:

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

CITY OF GERMANTOWN, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2011

The Capital Projects – Major Roads Fund accounts for the acquisition and construction of major roads. The primary funding source is bond proceeds and federal and state grants.

The City reports the following major proprietary funds:

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

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

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

Additionally, the City reports the following fund types:

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

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

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.

CITY OF GERMANTOWN, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2011

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

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

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

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

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

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

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

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

When an expenditure is incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) amounts are available, it is the policy of the City to generally consider restricted amounts to have been reduced first. When an expenditure is incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used, it is the policy of the City that committed amounts would be reduced first, followed by assigned amounts, and then

CITY OF GERMANTOWN, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2011

unassigned amounts. In both instances, when a proposed expenditure is made with specific balances identified as the source of the funding, that specific fund balance will be used.

D - Assets, liabilities and fund equity

1. Deposits and investments

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

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

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

2. Receivables and payables

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

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

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

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

3. Inventories

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

CITY OF GERMANTOWN, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2011

4. Restricted assets

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

5. Capital assets

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

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

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

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

6. Compensated absences

Compensated absences for accumulated unpaid vacation are accrued when incurred in 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.

CITY OF GERMANTOWN, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2011

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.

9. *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.

CITY OF GERMANTOWN, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2011

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

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

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

One element of that reconciliation explains that "long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds." The details of this \$22,324,644 difference are as follows:

Bonds payable	\$ 21,825,000
Deferred amount for issuance premium	195,892
Deferred amount for issuance costs	(617,956)
Accrued interest payable	124,986
Compensated absences	796,722
Net adjustment to reduce fund balance - total governmental funds to arrive at net assets - governmental activities	<u>\$ 22,324,644</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 \$7,855,097 difference are as follows:

Capital outlay	\$ 12,055,519
Gain on capital asset disposal	(7,870)
Depreciation expense	(4,192,552)
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ 7,855,097</u>

CITY OF GERMANTOWN, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2011

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

The details of this \$2,218,732 difference are as follows:

Decrease in accrued interest payable	\$ 76,552
Amortization of issuance costs and bond premiums	(32,820)
Principal repayments of general obligation debt	<u>2,175,000</u>
Net adjustment to increase net changes in fund balance - total governmental funds to arrive at changes in net assets of governmental activities	<u><u>\$ 2,218,732</u></u>

NOTE 3 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A - Budgetary information

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

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

CITY OF GERMANTOWN, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2011

B. Excess of expenditures over appropriations

For the year ended June 30, 2011, expenditures did not exceed appropriations in any fund.

C. Budgetary basis of accounting

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

NOTE 4 - DETAILED NOTES ON ALL FUNDS

A. Deposits and investments

As of June 30, 2011, the City had the following investments:

Investment Type	Fair Value	Weighted Average Maturities (Years)
Common Stock	\$ 12,025,884	
Foreign Stock	1,551,824	
U.S. Government Obligations	6,421,637	14.9
State and Municipal bonds	3,098,322	7
Corporate Bonds	2,131,142	11.3
Mutual Funds - Equity	19,855,912	
Mutual Funds - Fixed Income	981,447	
Mutual Funds - International	4,618,682	
Total fair value	<u>\$ 50,684,850</u>	
Portfolio weighted average maturity		6.9

CITY OF GERMANTOWN, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2011

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	\$ 381,750	NR	\$ 381,750	Aaa	\$ 141,186	AAA	\$ 141,186
				Aa2	440,509	AA+	331,403
				Aa3	241,873	AA	109,106
				A1	157,369	AA-	186,571
				A2	558,420	A+	186,448
				A3	400,131	A	402,091
				Baa1	92,564	A-	681,773
				Baa2	99,090	BBB	92,564
State and Municipal Bonds							
Moody's	Amount	S&P	Amount				
Aaa	\$ 778,804	AAA	\$ 1,166,426				
Aa1	955,746	AA+	701,675				
A2	173,422	AA	523,476				
Aa2	472,533	A+	284,578				
Aa3	57,208	A	261,943				
A3	158,748	BBB	114,846				
Baa1	114,846	NR	45,378				
NR	387,015						

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, 2011

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	\$ 2,497,891	4.9%
Federal National Mortgage Association - REMIC	177,169	0.3%
Federal National Mortgage Association	1,766,066	3.5%
Federal National Loan Mortgage Corporation	495,405	1.0%
Floating Rate Notes	505,195	1.0%
Government National Mortgage Association	598,317	1.2%

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	Major Roads Fund	Other Governmental Funds	Utility Fund	Athletic Club Fund	Sanitation Fund	Nonmajor Enterprise Funds	Total
Receivables:								
Property taxes	\$ 22,704,839	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 22,704,839
Interest	1,667	-	-	-	-	-	-	1,667
Sales and income taxes	5,468,192	-	-	-	-	-	-	5,468,192
Federal and state grants	7,873	-	-	-	-	-	-	7,873
Accounts receivable	-	-	-	1,191,891	-	174,575	123,378	1,489,844
Other	-	1,073,554	233,877	235	19,239	-	-	1,326,905
Gross receivables	28,182,571	1,073,554	233,877	1,192,126	19,239	174,575	123,378	30,999,320
Less: allowance for uncollectibles	(1,535,122)	-	-	(41,776)	(19,239)	(20,085)	(38,921)	(1,655,143)
Net total receivables	<u>\$ 26,647,449</u>	<u>\$ 1,073,554</u>	<u>\$ 233,877</u>	<u>\$ 1,150,350</u>	<u>\$ -</u>	<u>\$ 154,490</u>	<u>\$ 84,457</u>	<u>\$ 29,344,177</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, 2011

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

Residential real property	25%	\$ 1,179,127,275
Farm real property	25%	2,555,975
Commercial real property	40%	289,658,450
Public utilities real property	55%	14,049,120
Commercial personal property	30%	25,877,620
		<u>\$ 1,511,268,440</u>

The estimated actual value was \$5,651,738,255 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, 2011 were 98.6% of the tax levy. The property tax levy is without legal limit. The rate, as permitted by Tennessee State Law and City Charter, is set annually by the Board of Mayor and Aldermen and collected by the City Clerk.

The property tax rate for the year ended June 30, 2011 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, 2010</u>	<u>Taxes Levied And Accrued</u>	<u>Collections And Adjustments</u>	<u>Taxes Receivable June 30, 2011</u>
2001 & Prior	\$ 12,055	\$ -	\$ 10,488	\$ 1,567
2002	4,264	-	2,266	1,998
2003	20,952	-	3,478	17,474
2004	24,458	-	3,653	20,805
2005	26,145	-	7,554	18,591
2006	34,522	-	18,465	16,057
2007	41,041	-	26,200	14,841
2008	131,850	-	92,514	39,336
2009	566,310	-	371,093	195,217
2010	21,335,375	-	20,938,775	396,600
2011	-	21,982,373	-	21,982,373
Credit	(22)	-	(2)	(20)
	<u>\$ 22,196,950</u>	<u>\$ 21,982,373</u>	<u>\$ 21,474,484</u>	<u>\$ 22,704,839</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, 2011

D. Capital assets

Capital asset activity for the year ended June 30, 2011, 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	\$ 10,205,169	\$ 1,202,397	\$ -	\$ 11,407,566
Construction in progress	4,834,012	9,190,964	(3,808,384)	10,216,592
Total capital assets, not being depreciated	<u>15,039,181</u>	<u>10,393,361</u>	<u>(3,808,384)</u>	<u>21,624,158</u>
Capital assets, being depreciated:				
Buildings	29,861,339	93,400	-	29,954,739
Improvements other than buildings	74,640,446	3,877,916	-	78,518,362
Machinery and equipment	22,441,323	1,499,226	(159,165)	23,781,384
Total capital assets being depreciated	<u>126,943,108</u>	<u>5,470,542</u>	<u>(159,165)</u>	<u>132,254,485</u>
Less accumulated depreciation for:				
Buildings	(11,800,970)	(886,591)	-	(12,687,561)
Improvements other than building	(45,569,294)	(2,196,696)	-	(47,765,990)
Machinery and equipment	(17,513,461)	(1,141,260)	151,295	(18,503,426)
Total accumulated depreciation	<u>(74,883,725)</u>	<u>(4,224,547)</u>	<u>151,295</u>	<u>(78,956,977)</u>
Total capital assets, being depreciated, net	<u>52,059,383</u>	<u>1,245,995</u>	<u>(7,870)</u>	<u>53,297,508</u>
Governmental activities capital assets, net	<u>\$ 67,098,564</u>	<u>\$ 11,639,356</u>	<u>\$ (3,816,254)</u>	<u>\$ 74,921,666</u>

CITY OF GERMANTOWN, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2011

	<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	\$ 70,881	\$ -	\$ 2,772,593
Construction in progress	682,228	1,408,124	-	2,090,352
Total capital assets, not being depreciated	<u>3,383,940</u>	<u>1,479,005</u>	-	<u>4,862,945</u>
Capital assets, being depreciated:				
Buildings	17,911,637		-	17,911,637
Improvements other than buildings	65,756,299	245,451	-	66,001,750
Machinery and equipment	3,076,845	33,356	(34,288)	3,075,913
Total capital assets being depreciated	<u>86,744,781</u>	<u>278,807</u>	<u>(34,288)</u>	<u>86,989,300</u>
Less accumulated depreciation for:				
Buildings	(5,406,446)	(567,807)	-	(5,974,253)
Improvements other than building	(22,229,731)	(1,356,850)	-	(23,586,581)
Machinery and equipment	(1,777,022)	(302,975)	34,288	(2,045,709)
Total accumulated depreciation	<u>(29,413,199)</u>	<u>(2,227,632)</u>	<u>34,288</u>	<u>(31,606,543)</u>
Total capital assets, being depreciated, net	<u>57,331,582</u>	<u>(1,948,825)</u>	-	<u>55,382,757</u>
Business-type activities capital assets, net	<u>\$ 60,715,522</u>	<u>\$ (469,820)</u>	<u>\$ -</u>	<u>\$ 60,245,702</u>

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

Governmental activities:	
General government	\$ 4,144,217
Public safety	43,764
Community service	1,874
Transportation	2,697
Capital assets held by the City's internal service funds are charged to the various functions based on their usage of the assets	<u>31,995</u>
Total depreciation expense - government activities	<u>\$ 4,224,547</u>
Business-type activities:	
Utility	\$ 1,650,288
Athletic Club	573,440
Great Hall	<u>3,904</u>
Total depreciation expense - business-type activities	<u>\$ 2,227,632</u>

CITY OF GERMANTOWN, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2011

Construction commitments

The government has active construction projects as of June 30, 2011. At year end the government's commitments with contractors are as follows:

<u>Function / Activity</u>	<u>Commitment</u>
Major Roads	\$ 20,660,318
Intersections	3,255
Drainage	515,106
Parks & Recreation	22,546
General Government	219,043
Utility	2,754,169
Fire	1,243,076
	<u>\$ 25,417,513</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>\$ 1,250,000</u>

CITY OF GERMANTOWN, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2011

The composition of interfund transfers for the year ended June 30, 2011, is as follows:

Transfer out:	Transfer In:					Total
	General Fund	Major Roads Fund	Nonmajor Governmental	Athletic Club Fund	Nonmajor Enterprise	
General Fund	\$ -	\$ 309,590	\$ 2,668,309	\$ 1,110,000	\$ 915,101	\$ 5,003,000
Utility Fund	366,159	-	-	-	-	366,159
	<u>\$ 366,159</u>	<u>\$ 309,590</u>	<u>\$ 2,668,309</u>	<u>\$ 1,110,000</u>	<u>\$ 915,101</u>	<u>\$ 5,369,159</u>

Transfers from the general fund were made to provide sufficient positive fund balance within the special revenue, capital projects, and enterprise funds. Transfers from the utility fund to the general fund are payment in lieu of taxes.

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, 2011

Changes in long-term liabilities

Long-term liability activity for the year ended June 30, 2011, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities:					
Bonds payable - general obligation	\$ 24,000,000	\$ -	\$(2,175,000)	\$ 21,825,000	\$ 2,200,000
Plus (less) deferred amounts:					
For issuance premium	213,434	-	(17,542)	195,892	-
For issuance costs	(668,318)	-	50,362	(617,956)	-
Compensated absences	706,120	186,760	(96,158)	796,722	96,158
Governmental activity long-term liabilities	<u>\$ 24,251,236</u>	<u>\$ 186,760</u>	<u>\$(2,238,338)</u>	<u>\$ 22,199,658</u>	<u>\$ 2,296,158</u>
Business-type activities:					
Revenue bonds	\$ 8,125,000	\$ -	\$ (825,000)	\$ 7,300,000	\$ 855,000
Plus (less) deferred amounts:					
For issuance premium	133,313	-	(16,649)	116,664	-
For issuance cost	(121,256)	-	15,147	(106,109)	-
Business-type activity long-term liabilities	<u>\$ 8,137,057</u>	<u>\$ -</u>	<u>\$ (826,502)</u>	<u>\$ 7,310,555</u>	<u>\$ 855,000</u>

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

CITY OF GERMANTOWN, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2011

Bonds and similar debt payable at June 30, 2011, are comprised of the following individual issues:

	Interest <u>Rates</u>	Original <u>Issue</u>	Balance Outstanding <u>at Year End</u>
Governmental activities:			
Bonds payable:			
2002 Serial Bonds	1.5-4.85	\$ 7,845,000	\$ 540,000
2005 Serial Bonds	2.7-3.85	9,695,000	8,095,000
2006 Serial Bonds	4.00	5,555,000	4,385,000
2009 Serial Bonds	3.0-4.2	9,635,000	8,805,000
		\$ 32,730,000	21,825,000
 Business-type activities:			
Bonds payable:			
2006 Revenue Bond	4.00	\$ 4,255,000	3,155,000
2008 Revenue Bond	3.0-4.0	5,000,000	4,145,000
		\$ 9,255,000	7,300,000
			\$ 29,125,000

Annual debt service requirements to maturity are as follows:

Years Ending June 30	Government Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
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	1,830,000	451,932	990,000	137,200
2017 - 2021	6,300,000	1,464,550	2,700,000	164,200
2022 - 2026	3,565,000	621,949	-	-
2027 - 2029	1,200,000	101,371	-	-
	\$ 21,825,000	\$ 5,199,452	\$ 7,300,000	\$ 1,198,550

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, 2011

G. Fund Balances by Purpose

Following is more detailed information on the governmental fund balances:

	General Fund	Capital Projects - Major Roads	Other Governmental Funds	Total
Nonspendable for:				
Inventory	\$ 67,317	\$ -	\$ -	\$ 67,317
Long-term portion of advances	1,125,000			1,125,000
Restricted for:				
Drug enforcement	-	-	91,532	91,532
Committed to:				
Infrastructure replacement	828,000	-	-	828,000
Emergency & catastrophies	900,000	-	-	900,000
Contingencies	50,000	-	-	50,000
Taxes	7,328,090	-	-	7,328,090
Debt service	3,921,149	-	-	3,921,149
Contractual obligations	-	-	3,430,423	3,430,423
Automated enforcement	-	-	26,869	26,869
Pickering center	-	-	193,367	193,367
Recreation	-	-	243,817	243,817
Assigned to:				
Transfers to other funds	900,000	-	-	900,000
Halls tax CIP designation	1,683,000	-	-	1,683,000
Capital projects	-	3,606,404	2,260,959	5,867,363
Special revenue activities	-	-	1,521,545	1,521,545
Unassigned	3,024,170	-	-	3,024,170
Total fund balances	<u>\$ 19,826,726</u>	<u>\$ 3,606,404</u>	<u>\$ 7,768,512</u>	<u>\$ 31,201,642</u>

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

CITY OF GERMANTOWN, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2011

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, 2011, PERS membership consisted of:

Retirees and beneficiaries currently receiving benefits	121
Terminated employees entitled to benefits	116
Current employees:	
Vested	211
Nonvested	146
Total	<u>594</u>

B. Funding Policy

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

C. Basis of Accounting

PERS financial statements are prepared using the accrual basis of accounting. Employer contributions are recognized as revenues when due based upon the period in which employee services

CITY OF GERMANTOWN, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2011

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, 2011, the actuarial accrued liability for benefits was \$63,306,400 of which \$15,606,577 was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$18,449,784, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 85%.

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, 2011, the City's annual pension cost of \$2,297,580 was equal to the required and actual contributions. The required contribution was determined as part of the July 1, 2011 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 \$18,449,784.

CITY OF GERMANTOWN, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2011

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

Annual required contribution	\$ 2,297,580
Interest on net pension obligation	-
Adjustments to annual required contribution	-
Annual pension cost	2,297,580
Contributions made	2,297,580
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:

	2011	2010	2009
Annual Pension Cost	\$ 2,297,580	\$ 2,269,772	\$ 1,803,515
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, 2011

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>
7/1/2006	\$ 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%
7/1/2011	47,699,823	15,606,577	71%	18,449,784	85%

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, 2011, was \$454,765. There are no non-cancelable leases as of June 30, 2011.

Construction contract commitments at June 30, 2011, totaled \$25,417,513.

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, 2011

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, 2011

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

	Year ended June 30, 2011	Year ended June 30, 2010
Unpaid claims, beginning of fiscal year*	\$ 88,800	\$ 73,900
Incurring claims*	199,578	308,522
Claim payments	(215,978)	(293,622)
Unpaid claims, end of fiscal year*	\$ 72,400	\$ 88,800

*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:

2012	\$ 308,161
2013	311,252
2014	318,082
2015	321,568
2016	324,548
Thereafter	1,685,957
	\$ 3,269,568

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, 2011, 60 retirees met the requirement for participation and participated in the plan. The City Trust paid \$421,747 in claims under the plan for the year-ended June 30, 2011.

CITY OF GERMANTOWN, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2011

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, 2011

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, 2011:

Annual Required Contribution	\$ 923,696
Interest on net OPEB Obligation	-
Adjustment to Annual Required Contribution	-
Annual OPEB Expense	<u>923,696</u>
Contributions made	<u>923,696</u>
Increase (decrease) in net OPEB obligation	-
Net OPEB obligation - beginning of year	-
Net OPEB obligation - end of year	<u><u>\$ -</u></u>
Percent of expense contributed	100%

E. Funded Status and Funding Progress

As of June 30, 2011, the actuarial accrued liability for benefits was \$10,876,356 of which \$7,763,774 was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$18,449,784, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 42%. The actuarial value of the assets for other post employment benefits as of July 1, 2011, is \$3,112,582.

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, 2011

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, 2011

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, 2011

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, 2011

x. Retirement Rates

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

<u>Age</u>	<u>General Services Employees</u>	<u>Emergency Services Employees</u>
50	0%	5%
51	0%	5%
52	0%	5%
53	0%	5%
54	0%	5%
55	10%	10%
56	10%	10%
57	10%	10%
58	10%	10%
59	10%	10%
60	10%	10%
61	10%	10%
62	20%	100%
63	20%	
64	20%	
65	100%	

xi. Change in Assumptions

None.

xii. Change in Plan provisions

Prior to January 1, 2008, the City's insurance became secondary to Medicare Insurance. After January 1, 2008, the plan was changed whereby future retirees 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, 2011

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	\$ 217,538
Public safety	503,021
Community services	21,034
Transportation and environment	<u>91,969</u>
 Total governmental activities OPEB expense	 <u><u>\$ 833,563</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>	
	2011	2010
Incurring Claims But Not Reported at Beginning of Fiscal Year	\$ 355,597	\$ 262,576
Claims Submitted for Fiscal Year	<u>5,558,718</u>	<u>4,122,563</u>
Total Available for Claims Payments	5,914,315	4,385,139
Claims Paid During Fiscal Year	<u>5,500,286</u>	<u>4,029,542</u>
Incurring Claims But Not Reported at End of Fiscal Year	<u><u>\$ 414,029</u></u>	<u><u>\$ 355,597</u></u>

The City maintains a liability in the Group Health Insurance Fund in the amount of \$414,029 which is incurred but not reported and was estimated by a third party administrator and is included in accounts payable.

NOTE 12 - SUBSEQUENT EVENT

Subsequent to June 30, 2011, the City issued \$6,025,000 in General Obligation Bonds. The purpose of the bonds is for the construction and improvements of various capital projects within the City.

**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, 2011

Year Ended June 30	Annual Required Contribution	Percent Contributed
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%
2011	2,297,580	100%

CITY OF GERMANTOWN, TENNESSEE

SCHEDULE OF OTHER POST EMPLOYMENT BENEFITS FUNDING PROGRESS

For the Year Ended June 30, 2011

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%
7/1/2011	3,112,582	7,763,774	28.6%	18,449,784	42%

CITY OF GERMANTOWN, TENNESSEE

COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS

June 30, 2011

	Special Revenue					Capital Projects					Total
	State Street Aid	Automated Enforcement	Drug Enforcement	Pickering	Recreation	Intersections	General Government	Fire Dept	Parks Improvement	Drainage Projects	
ASSETS											
Cash and cash equivalents	\$ 2,118,854	\$ 62,142	\$ 92,313	\$ 200,952	\$ 269,579	\$ 500,721	\$ 1,342,938	\$ 1,704,276	\$ 824,547	\$ 945,272	\$ 8,061,594
Investments	205,388	-	-	-	-	-	-	-	-	-	205,388
Receivables - other	188,035	-	-	-	-	6,975	-	-	38,867	-	233,877
Restricted assets:											
Cash and cash equivalents	-	-	-	-	-	-	-	96,122	-	87,826	183,948
Total assets	\$ 2,512,277	\$ 62,142	\$ 92,313	\$ 200,952	\$ 269,579	\$ 507,696	\$ 1,342,938	\$ 1,800,398	\$ 863,414	\$ 1,033,098	\$ 8,684,807
LIABILITIES											
Accounts payable	\$ 91,961	\$ 35,273	781	\$ 7,585	\$ 25,762	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 161,362
Contracts payable	-	-	-	-	-	6,729	44,931	588,122	-	105,628	745,410
Deferred revenue	-	-	-	-	-	9,523	-	-	-	-	9,523
Total Liabilities	91,961	35,273	781	7,585	25,762	16,252	44,931	588,122	-	105,628	916,295
FUND BALANCES											
Restricted	-	-	91,532	-	-	-	-	-	-	-	91,532
Committed	898,771	26,869	-	193,367	243,817	491,444	300,574	1,051,772	58,483	629,379	3,894,476
Assigned	1,521,545	-	-	-	-	-	997,433	160,504	804,931	298,091	3,782,504
Total fund balances	2,420,316	26,869	91,532	193,367	243,817	491,444	1,298,007	1,212,276	863,414	927,470	7,768,512
Total liabilities and fund balances	\$ 2,512,277	\$ 62,142	\$ 92,313	\$ 200,952	\$ 269,579	\$ 507,696	\$ 1,342,938	\$ 1,800,398	\$ 863,414	\$ 1,033,098	\$ 8,684,807

CITY OF GERMANTOWN, TENNESSEE

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

For the Year Ended June 30, 2011

	Special Revenue					Capital Projects					Total
	State Street Aid	Automated Enforcement	Drug Enforcement	Pickering	Recreation	Intersections	General Government	Fire Dept	Parks Improvement	Drainage Projects	
REVENUES											
State gasoline taxes	\$ 1,108,185	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,108,185
Fees for services	-	-	-	25,640	367,700	-	-	-	-	-	393,340
Interest on investments	(857)	-	-	-	-	-	-	-	-	-	(857)
Grants	-	-	-	-	-	18,065	224,333	396,649	78,621	-	717,668
Other revenues	-	380,210	203,064	36,962	-	18,657	-	88,650	313,427	125,685	1,166,655
Total revenues	1,107,328	380,210	203,064	62,602	367,700	36,722	224,333	485,299	392,048	125,685	3,384,991
EXPENDITURES											
Personnel services	-	129,463	58,543	-	19,501	-	-	-	-	-	207,507
Material and supplies	1,391,451	8,032	97,903	1,305	75,217	-	-	-	-	-	1,573,908
Other services and charges	-	195,365	4,831	29,019	242,153	-	-	-	-	-	471,368
Architectural and engineering	-	-	-	-	-	15,488	54,335	16,836	84,958	22,688	194,305
Construction contracts	-	-	-	-	-	324,909	643,586	2,602,903	389,301	1,623,063	5,583,762
Capital outlay	-	-	38,106	-	48,785	-	-	-	-	-	86,891
Total expenditures	1,391,451	332,860	199,383	30,324	385,656	340,397	697,921	2,619,739	474,259	1,645,751	8,117,741
Excess (deficiency) of revenues over (under) expenditures	(284,123)	47,350	3,681	32,278	(17,956)	(303,675)	(473,588)	(2,134,440)	(82,211)	(1,520,066)	(4,732,750)
OTHER FINANCING SOURCES (USES)											
Transfers in(out)	1,100,000	3,000	-	-	-	200,000	805,830	200,880	200,000	158,599	2,668,309
Net change in fund balance	815,877	50,350	3,681	32,278	(17,956)	(103,675)	332,242	(1,933,560)	117,789	(1,361,467)	(2,064,441)
Fund balances - beginning	1,604,439	(23,481)	87,851	161,089	261,773	595,119	965,765	3,145,836	745,625	2,288,937	9,832,953
Fund balances - ending	\$ 2,420,316	\$ 26,869	\$ 91,532	\$ 193,367	\$ 243,817	\$ 491,444	\$ 1,298,007	\$ 1,212,276	\$ 863,414	\$ 927,470	\$ 7,768,512

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, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive(Negative)
	Original	Final		
STATE STREET AID				
REVENUES				
State gasoline taxes	\$ 1,200,000	\$ 1,200,000	\$ 1,108,185	\$ (91,815)
Interest on investments	7,800	7,800	(857)	(8,657)
Total revenues	1,207,800	1,207,800	1,107,328	(100,472)
EXPENDITURES				
Material and supplies	1,860,000	2,192,551	1,391,451	801,100
Excess (deficiency) of revenues over (under) expenditures	(652,200)	(984,751)	(284,123)	700,628
OTHER FINANCING SOURCES (USES)				
Transfers in	600,000	1,100,000	1,100,000	-
Net change in fund balances	(52,200)	115,249	815,877	700,628
Fund balance - beginning	1,604,439	1,604,439	1,604,439	-
Fund balance - ending	\$ 1,552,239	\$ 1,719,688	\$ 2,420,316	\$ 700,628
AUTOMATED ENFORCEMENT				
REVENUES				
Other revenue	\$ 246,000	\$ 249,300	\$ 380,210	\$ 130,910
EXPENDITURES				
Personnel services	111,965	130,340	129,463	877
Material and supplies	6,000	9,300	8,032	1,268
Other services and charges	219,800	217,825	195,365	22,460
Total expenditures	337,765	357,465	332,860	24,605
Excess (deficiency) of revenues over (under) expenditures	(91,765)	(108,165)	47,350	155,515
OTHER FINANCING SOURCES (USES)				
Transfers in	92,000	6,000	3,000	(3,000)
Net change in fund balances	235	(102,165)	50,350	152,515
Fund balance - beginning	(23,481)	(23,481)	(23,481)	-
Fund balance - ending	\$ (23,246)	\$ (125,646)	\$ 26,869	\$ 152,515

(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, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive(Negative)
	Original	Final		
DRUG ENFORCEMENT				
REVENUES				
Other revenues	\$ 450,000	\$ 450,000	\$ 203,064	\$ (246,936)
EXPENDITURES				
Personnel services	95,000	80,563	58,543	22,020
Material and supplies	151,000	126,000	97,903	28,097
Other services and charges	31,750	32,187	4,831	27,356
Capital outlay	-	39,000	38,106	894
Total expenditures	277,750	277,750	199,383	78,367
Net change in fund balances	172,250	172,250	3,681	(168,569)
Fund balance - beginning	87,851	87,851	87,851	-
Fund balance - ending	\$ 260,101	\$ 260,101	\$ 91,532	\$ (168,569)
PICKERING				
REVENUES				
Fees for services	\$ 27,000	\$ 27,000	\$ 25,640	\$ (1,360)
Other revenues	41,500	41,500	36,962	(4,538)
Total revenues	68,500	68,500	62,602	(5,898)
EXPENDITURES				
Material and supplies	4,500	4,500	1,305	3,195
Other services and charges	37,000	37,185	29,019	8,166
Total expenditures	41,500	41,685	30,324	11,361
Net change in fund balances	27,000	26,815	32,278	5,463
Fund balance - beginning	161,089	161,089	161,089	-
Fund balance - ending	\$ 188,089	\$ 187,904	\$ 193,367	\$ 5,463

(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, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive(Negative)
	Original	Final		
RECREATION				
REVENUES				
Fees for services	\$ 480,940	\$ 482,539	\$ 367,700	\$ (114,839)
EXPENDITURES				
Personnel Services	20,489	27,047	19,501	7,546
Material and supplies	94,758	111,998	75,217	36,781
Other services and charges	299,227	299,996	242,153	57,843
Capital outlay	-	54,649	48,785	5,864
Total expenditures	414,474	493,690	385,656	108,034
Net change in fund balances	66,466	(11,151)	(17,956)	(6,805)
Fund balance - beginning	261,773	261,773	261,773	-
Fund balance - ending	\$ 328,239	\$ 250,622	\$ 243,817	\$ (6,805)
INTERSECTIONS				
REVENUES				
Grants	\$ -	\$ -	\$ 18,065	\$ 18,065
Other revenues	-	18,658	18,657	(1)
Total revenues	-	18,658	36,722	18,064
EXPENDITURES				
Architectural and engineering	37,000	119,141	15,488	103,653
Construction contracts	1,568,000	1,827,237	324,909	1,502,328
Total expenditures	1,605,000	1,946,378	340,397	1,605,981
Excess (deficiency) of revenues over (under) expenditures	(1,605,000)	(1,927,720)	(303,675)	1,624,045
OTHER FINANCING SOURCES (USES)				
Transfers in	200,000	200,000	200,000	-
Net change in fund balances	(1,405,000)	(1,727,720)	(103,675)	1,624,045
Fund balance - beginning	595,119	595,119	595,119	-
Fund balance - ending	\$ (809,881)	\$ (1,132,601)	\$ 491,444	\$ 1,624,045

(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, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive(Negative)
	Original	Final		
GENERAL GOVERNMENT PROJECTS				
REVENUES				
Grants	\$ -	\$ -	\$ 224,333	\$ 224,333
EXPENDITURES				
Architectural and engineering	90,000	164,605	54,335	110,270
Construction contracts	980,000	1,356,782	643,586	713,196
Total expenditures	1,070,000	1,521,387	697,921	823,466
Excess (deficiency) of revenues over (under) expenditures	(1,070,000)	(1,521,387)	(473,588)	1,047,799
OTHER FINANCING SOURCES (USES)				
Transfers in	600,000	805,830	805,830	-
Net change in fund balances	(470,000)	(715,557)	332,242	1,047,799
Fund balance - beginning	965,765	965,765	965,765	-
Fund balance - ending	\$ 495,765	\$ 250,208	\$ 1,298,007	\$ 1,047,799
FIRE DEPT				
REVENUES				
Grants	\$ -	\$ -	\$ 396,649	\$ 396,649
Other revenues	-	88,650	88,650	-
Total revenues	-	88,650	485,299	396,649
EXPENDITURES				
Architectural and engineering	-	24,960	16,836	8,124
Construction contracts	550,000	3,514,625	2,602,903	911,722
Total expenditures	550,000	3,539,585	2,619,739	919,846
Excess (deficiency) of revenues over (under) expenditures	(550,000)	(3,450,935)	(2,134,440)	1,316,495
OTHER FINANCING SOURCES (USES)				
Transfers in	250,000	200,880	200,880	-
Net change in fund balances	(300,000)	(3,250,055)	(1,933,560)	1,316,495
Fund balance - beginning	3,145,836	3,145,836	3,145,836	-
Fund balance - ending	\$ 2,845,836	\$ (104,219)	\$ 1,212,276	\$ 1,316,495

(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, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive(Negative)
	Original	Final		
PARKS IMPROVEMENTS				
REVENUES				
Grants	\$ -	\$ -	\$ 78,621	\$ 78,621
Other revenues	-	153,933	313,427	159,494
Total revenues	-	153,933	392,048	238,115
EXPENDITURES				
Architectural and engineering	123,000	152,173	84,958	67,215
Construction contracts	716,000	1,020,923	389,301	631,622
Total expenditures	839,000	1,173,096	474,259	698,837
Excess (deficiency) of revenues over (under) expenditures	(839,000)	(1,019,163)	(82,211)	858,331
OTHER FINANCING SOURCES (USES)				
Transfers in	200,000	200,000	200,000	-
Net change in fund balances	(639,000)	(819,163)	117,789	858,331
Fund balance - beginning	745,625	745,625	745,625	-
Fund balance - ending	\$ 106,625	\$ (73,538)	\$ 863,414	\$ 858,331
DRAINAGE PROJECTS				
REVENUES				
Other revenues	\$ -	\$ 125,679	\$ 125,685	\$ 6
EXPENDITURES				
Architectural and engineering	67,000	123,138	22,688	100,450
Construction contracts	361,000	2,297,767	1,623,063	674,704
Contingency	-	19,799	-	19,799
Total expenditures	428,000	2,440,704	1,645,751	794,953
Excess (deficiency) of revenues over (under) expenditures	(428,000)	(2,315,025)	(1,520,066)	794,959
OTHER FINANCING SOURCES (USES)				
Transfers in	315,000	158,599	158,599	-
Net change in fund balances	(113,000)	(2,156,426)	(1,361,467)	794,959
Fund balance - beginning	2,288,937	2,288,937	2,288,937	-
Fund balance - ending	\$ 2,175,937	\$ 132,511	\$ 927,470	\$ 794,959

CITY OF GERMANTOWN, TENNESSEE

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL – CAPITAL PROJECTS – MAJOR ROADS

For the Year Ended June 30, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive(Negative)
	Original	Final		
MAJOR ROADS				
REVENUES				
Interest on investments	\$ -	\$ -	\$ 103	\$ 103
Grants	-	361,582	4,532,217	4,170,635
Total revenues	-	361,582	4,532,320	4,170,738
EXPENDITURES				
Architectural and engineering	-	4,045,436	657,010	3,388,426
Construction contracts	-	28,557,539	4,639,424	23,918,115
Other costs	-	2,578	2,572	6
Total expenditures	-	32,605,553	5,299,006	27,306,547
Excess (deficiency) of revenues over (under) expenditures	-	(32,243,971)	(766,686)	31,477,285
OTHER FINANCING SOURCES (USES)				
Transfers in	-	309,590	309,590	-
Net change in fund balances	-	(31,934,381)	(457,096)	31,477,285
Fund balance - beginning	4,063,500	4,063,500	4,063,500	-
Fund balance - ending	\$ 4,063,500	\$ (27,870,881)	\$ 3,606,404	\$ 31,477,285

CITY OF GERMANTOWN, TENNESSEE

COMBINING STATEMENT OF NET ASSETS – NONMAJOR PROPRIETARY FUNDS

June 30, 2011

	Great Hall Fund	Stormwater Fund	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 553,573	\$ 99,137	\$ 652,710
Receivables:			
Customers and developers	3,399	119,979	123,378
Less allowance for doubtful accounts	-	(38,921)	(38,921)
Net receivables	<u>3,399</u>	<u>81,058</u>	<u>84,457</u>
Total current assets	<u>556,972</u>	<u>180,195</u>	<u>737,167</u>
Noncurrent assets:			
Capital assets, not being depreciated			
Construction in progress	280,815	-	280,815
Capital assets, being depreciated			
Machinery and equipment	181,331	-	181,331
Less accumulated depreciation	(176,958)	-	(176,958)
Total depreciable assets, net	<u>4,373</u>	<u>-</u>	<u>4,373</u>
Total noncurrent assets	<u>285,188</u>	<u>-</u>	<u>285,188</u>
Total assets	<u>842,160</u>	<u>180,195</u>	<u>1,022,355</u>
LIABILITIES			
Current liabilities:			
Accounts payable	113,555	39,798	153,353
Customer deposits payable	<u>28,466</u>	<u>-</u>	<u>28,466</u>
Total liabilities	<u>142,021</u>	<u>39,798</u>	<u>181,819</u>
NET ASSETS			
Invested in capital assets, net of related debt	285,188	-	285,188
Unrestricted	<u>414,951</u>	<u>140,397</u>	<u>555,348</u>
Total net assets	<u>\$ 700,139</u>	<u>\$ 140,397</u>	<u>\$ 840,536</u>

CITY OF GERMANTOWN, TENNESSEE

COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND
NET ASSETS – NONMAJOR PROPRIETARY FUNDS

For the Year Ended June 30, 2011

	Great Hall Fund	Stormwater Fund	Total
Operating Revenues:			
Stormwater fees	\$ -	\$ 904,378	\$ 904,378
Other income	169,886	-	169,886
Total operating revenues	<u>169,886</u>	<u>904,378</u>	<u>1,074,264</u>
Operating Expenses:			
Personnel services	150,642	479,898	630,540
Materials and supplies	10,250	13,735	23,985
Other services and charges	308,549	270,348	578,897
Depreciation	3,904	-	3,904
Total operating expenses	<u>473,345</u>	<u>763,981</u>	<u>1,237,326</u>
Operating income (loss)	(303,459)	140,397	(163,062)
Nonoperating Revenues (Expenses):			
Interest and fiscal charges	<u>(15,926)</u>	<u>-</u>	<u>(15,926)</u>
Income (loss) before transfers	(319,385)	140,397	(178,988)
Transfers in	<u>915,101</u>	<u>-</u>	<u>915,101</u>
Change in net assets	595,716	140,397	736,113
Total net assets - beginning	<u>104,423</u>	<u>-</u>	<u>104,423</u>
Total net assets - ending	<u>\$ 700,139</u>	<u>\$ 140,397</u>	<u>\$ 840,536</u>

CITY OF GERMANTOWN, TENNESSEE

COMBINING STATEMENT OF CASH FLOWS – NONMAJOR PROPRIETARY FUNDS

For the Year Ended June 30, 2011

	<u>Great Hall Fund</u>	<u>Stormwater Fund</u>	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers	\$ 189,368	\$ 823,320	\$ 1,012,688
Cash paid to suppliers	(223,142)	(269,746)	(492,888)
Cash paid to employees	(149,913)	(454,437)	(604,350)
Net cash provided (used) by operating activities	(183,687)	99,137	(84,550)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfer from other fund	915,101	-	915,101
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition of capital assets	(262,717)	-	(262,717)
Interest paid	(15,926)	-	(15,926)
Net cash provided (used) by capital and related financing activities	(278,643)	-	(278,643)
CASH FLOWS FROM INVESTING ACTIVITIES			
Sale of investments	28,543	-	28,543
Net increase (decrease) in cash and cash equivalents	481,314	99,137	580,451
Cash and cash equivalents - beginning	72,259	-	72,259
Cash and cash equivalents - ending	<u>\$ 553,573</u>	<u>\$ 99,137</u>	<u>\$ 652,710</u>
Reconciliation of Operating			
Income (Loss) to Net Cash Provided (Used) By			
Operating Activities			
Operating income (loss)	\$ (303,459)	\$ 140,397	\$ (163,062)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities			
Depreciation expense	3,904	-	3,904
(Increase) decrease in assets:			
Accounts receivable	841	(81,058)	(80,217)
Increase (decrease) in liabilities:			
Accounts payable	96,386	39,798	136,184
Customer deposits	18,641	-	18,641
Total adjustments	<u>119,772</u>	<u>(41,260)</u>	<u>78,512</u>
Net cash provided (used) by operating activities	<u>\$ (183,687)</u>	<u>\$ 99,137</u>	<u>\$ (84,550)</u>

CITY OF GERMANTOWN, TENNESSEE

COMBINING STATEMENT OF NET ASSETS - INTERNAL SERVICE FUNDS

June 30, 2011

	<u>Health Insurance</u>	<u>Vehicle Maintenance</u>	<u>Total</u>
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 909,177	\$ 243,503	\$ 1,152,680
Accounts receivable - other	3,532	-	3,532
Inventory	-	133,229	133,229
Total current assets	<u>912,709</u>	<u>376,732</u>	<u>1,289,441</u>
Noncurrent assets:			
Capital assets:			
Buildings	-	319,511	319,511
Machinery and equipment	-	326,617	326,617
	-	<u>646,128</u>	<u>646,128</u>
Less accumulated depreciation	-	(534,635)	(534,635)
Total capital assets	<u>-</u>	<u>111,493</u>	<u>111,493</u>
Total assets	<u>912,709</u>	<u>488,225</u>	<u>1,400,934</u>
LIABILITIES			
Current liabilities:			
Accounts payable	<u>414,029</u>	<u>114,021</u>	<u>528,050</u>
NET ASSETS			
Invested in capital assets	-	111,493	111,493
Unrestricted	498,680	262,711	761,391
Total net assets	<u>\$ 498,680</u>	<u>\$ 374,204</u>	<u>\$ 872,884</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, 2011

	<u>Health Insurance</u>	<u>Vehicle Maintenance</u>	<u>Total</u>
Operating Revenues:			
Charges for services	\$ 4,944,961	\$ 980,516	\$ 5,925,477
Operating Expenses:			
Personnel services	-	629,262	629,262
Materials and supplies	-	15,166	15,166
Other services and charges	5,558,718	304,093	5,862,811
Depreciation	-	31,995	31,995
Total operating expenses	<u>5,558,718</u>	<u>980,516</u>	<u>6,539,234</u>
Change in net assets	(613,757)	-	(613,757)
Total net assets - beginning	<u>1,112,437</u>	<u>374,204</u>	<u>1,486,641</u>
Total net assets - ending	<u>\$ 498,680</u>	<u>\$ 374,204</u>	<u>\$ 872,884</u>

CITY OF GERMANTOWN, TENNESSEE

COMBINING STATEMENT OF CASH FLOWS - INTERNAL SERVICE FUNDS

For the Year Ended June 30, 2011

	Health Insurance	Vehicle Maintenance	Totals
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers and users	\$ 4,944,718	\$ 980,516	\$ 5,925,234
Cash paid to suppliers	(5,500,286)	(329,147)	(5,829,433)
Cash paid to employees	-	(623,591)	(623,591)
Net cash provided (used) by operating activities	<u>(555,568)</u>	<u>27,778</u>	<u>(527,790)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchases of capital assets	-	-	-
Net increase (decrease) in cash and cash equivalents	(555,568)	27,778	(527,790)
Cash and cash equivalents - beginning of the year	<u>1,464,745</u>	<u>215,725</u>	<u>1,680,470</u>
Cash and cash equivalents - end of the year	<u>\$ 909,177</u>	<u>\$ 243,503</u>	<u>\$ 1,152,680</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) By Operating Activities:			
Operating income (loss)	\$ (613,757)	\$ -	\$ (613,757)
Adjustment to reconcile operating income (loss) to net cash provided (used) by operating activities			
Depreciation expense	-	31,995	31,995
(Increase) decrease in accounts receivable	(243)	-	(243)
(Increase) decrease in inventories	-	(51,754)	(51,754)
Increase (decrease) in accounts payable	58,432	47,537	105,969
Total adjustments	<u>58,189</u>	<u>27,778</u>	<u>85,967</u>
Net cash provided (used) by operating activities	<u>\$ (555,568)</u>	<u>\$ 27,778</u>	<u>\$ (527,790)</u>

CITY OF GERMANTOWN, TENNESSEE

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

For the Year Ended June 30, 2011

	Balance July 1, 2010	Additions	Deletions	Balance June 30, 2011
Assets				
Cash and cash equivalents	\$ 142,049	\$ 263,978	\$ 276,949	\$ 129,078
Liabilities				
Deposits held in trust	\$ 142,049	\$ 263,032	\$ 276,003	\$ 129,078



CITY OF GERMANTOWN, TENNESSEE

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

June 30, 2011

	Series 02 Bonds		Series 05 Bonds		Series 06 Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
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>\$ 540,000</u>	<u>\$ 21,870</u>	<u>\$ 8,095,000</u>	<u>\$ 1,699,115</u>	<u>\$ 4,385,000</u>	<u>\$ 593,500</u>

(Continued)

CITY OF GERMANTOWN, TENNESSEE

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

June 30, 2011

	Series 09 Bonds		Total Series Bonds	
	Principal	Interest	Principal	Interest
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>\$ 8,805,000</u>	<u>\$ 2,884,967</u>	<u>\$ 21,825,000</u>	<u>\$ 5,199,452</u>

(Continued)

CITY OF GERMANTOWN, TENNESSEE

SCHEDULE OF PRINCIPAL AND INTEREST MATURITIES
SERIAL BONDS

June 30, 2011

	Series 06 Bonds		Series 08 Bonds		Total Series Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
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>\$ 3,155,000</u>	<u>\$ 526,600</u>	<u>\$ 4,145,000</u>	<u>\$ 671,950</u>	<u>\$ 7,300,000</u>	<u>\$ 1,198,550</u>

CITY OF GERMANTOWN, TENNESSEE

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

For the Year Ended June 30, 2011

Federal Grantor/ Pass-Through Grantor	CFDA Number	Contract Number	Beginning Accrued (Deferred)	Cash Receipts	Expenditures	Ending Accrued (Deferred)
<u>Federal Awards</u>						
US Dept of Transportation/TN Dept of Transportation						
Highway Planning and Construction	20.205	090166	\$ -	\$ 7,720	\$ 30,827	\$ 23,107
Highway Planning and Construction	20.205	100199	-	50,718	50,718	-
Highway Planning and Construction	20.205	2000278	-	1,562,270	2,612,717	1,050,447
Highway Planning and Construction	20.205 - ARRA	090084	-	1,861,062	1,861,062	-
Highway Planning and Construction	20.205	090165	-	15,559	21,159	5,600
Highway Planning and Construction	20.205	090229	-	-	1,375	1,375
Highway Planning and Construction	20.205	090170	-	39,754	78,621	38,867
Total Program 20.205			-	3,537,083	4,656,479	1,119,396
US Department of Energy						
Energy Efficiency & Conservation Block Grant	81.128 - ARRA	DE-FOA-0000013	-	169,600	169,600	-
US Department of Homeland Security						
Disaster Grants - Public Assistance/thru State of TN	97.036	34101-09511	-	17,518	17,518	-
Assistance to Firefighters Grant	97.044	EMW-2009-FO-09214	-	266,747	266,747	-
Homeland Security Grant/thru Shelby County, TN	97.067	08UASI-GERM	-	73,686	80,586	6,900
TOTAL FEDERAL AWARDS			-	4,064,634	5,190,930	1,126,296
<u>State Financial Assistance</u>						
Tennessee Emergency Management Agency						
Disaster Grants - Public Assistance	N/A	34101-09511	-	-	973	973
TOTAL FEDERAL AND STATE AWARDS			\$ -	\$ 4,064,634	\$ 5,191,903	\$ 1,127,269

See accompanying notes to the schedule.

CITY OF GERMANTOWN, TENNESSEE

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

For the Year Ended June 30, 2011

NOTE 1 – BASIS OF PRESENTATION

The schedule of expenditures of federal and state awards is presented on the modified accrual basis of accounting, consistent with accounting for governmental type funds. Under this basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they are “measurable and available”), which is generally when the allowable program expenditures are incurred. Expenditures are recorded when the related program liability is incurred, except for certain compensated absences.

NOTE 2 – RECONCILIATION OF THE SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS TO THE FINANCIAL STATEMENTS

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

Total grant revenue per governmental funds financial statements	\$ 5,524,638
Less: Deferred revenue at the fund level	(27,576)
Less: Non-federal and non-state grants	<u>(305,159)</u>
Total federal and state awards	<u><u>\$ 5,191,903</u></u>



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

	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
Governmental activities								
Invested in capital assets, net of related debt	\$ 52,900,774	\$ 45,980,201	\$ 45,178,360	\$ 39,655,346	\$ 39,655,346	\$ 34,419,127	\$ 35,229,522	\$ 31,205,296
Restricted	2,511,848	1,692,290	1,661,780	1,406,872	1,288,885	1,556,120	1,642,569	1,449,453
Unrestricted	30,107,655	33,132,833	33,988,429	39,928,257	35,020,161	33,723,089	28,236,735	30,762,875
Total governmental activities net assets	<u>\$ 85,520,277</u>	<u>\$ 80,805,324</u>	<u>\$ 80,828,569</u>	<u>\$ 80,990,475</u>	<u>\$ 75,964,392</u>	<u>\$ 69,698,336</u>	<u>\$ 65,108,826</u>	<u>\$ 63,417,624</u>
Business-type activities								
Invested in capital assets, net of related debt	\$ 52,829,038	\$ 52,457,209	\$ 49,924,751	\$ 50,914,976	\$ 46,556,454	\$ 45,205,036	\$ 44,982,477	\$ 43,838,752
Unrestricted	8,447,174	6,523,107	8,680,195	6,267,677	6,216,531	2,884,810	763,811	2,144,791
Total business-type activities net assets	<u>\$ 61,276,212</u>	<u>\$ 58,980,316</u>	<u>\$ 58,604,946</u>	<u>\$ 57,182,653</u>	<u>\$ 52,772,985</u>	<u>\$ 48,089,846</u>	<u>\$ 45,746,288</u>	<u>\$ 45,983,543</u>
Primary government								
Invested in capital assets, net of related debt	\$ 105,729,812	\$ 98,437,410	\$ 95,103,111	\$ 90,570,322	\$ 86,211,800	\$ 79,624,163	\$ 80,211,999	\$ 75,044,048
Restricted	2,511,848	1,692,290	1,661,780	1,406,872	1,288,885	1,556,120	1,642,569	1,449,453
Unrestricted	38,554,829	39,655,940	42,668,624	46,195,934	41,236,692	36,607,899	29,000,546	32,907,666
Total primary government net assets	<u>\$ 146,796,489</u>	<u>\$ 139,785,640</u>	<u>\$ 139,433,515</u>	<u>\$ 138,173,128</u>	<u>\$ 128,737,377</u>	<u>\$ 117,788,182</u>	<u>\$ 110,855,114</u>	<u>\$ 109,401,167</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)

**General Revenues and Other Changes in
Net Assets**

Governmental activities:

Taxes

Property taxes	\$ 22,424,281	\$ 22,212,886	\$ 21,586,250	\$ 21,192,804	\$ 20,551,945	\$ 20,102,440	\$ 19,270,811	\$ 18,934,190
Local sales taxes	7,144,712	6,570,006	6,546,302	7,578,275	6,759,894	7,103,233	7,289,531	7,235,582
State sales taxes	2,707,249	2,699,584	2,688,079	3,202,143	3,023,906	2,473,465	2,374,844	2,332,367
Income and excise taxes	2,126,533	1,718,973	2,514,017	3,449,132	2,787,869	1,839,858	1,215,765	741,357
Beer taxes	21,377	20,307	21,374	22,414	21,997	22,245	19,712	19,951
Liquor taxes	67,424	62,982	33,543	77,808	82,743	85,303	69,906	72,145
Property tax stabilization	87,952	87,993	88,155	89,482	90,282	89,558	90,549	91,081
Interest on investments	128,522	244,182	783,049	1,484,404	1,838,031	1,229,713	773,585	289,272
Other revenues	1,534,824	1,074,330	1,055,248	951,038	848,085	811,136	785,743	602,277
Gain (Loss) on disposal of capital assets	29,735	-	-	(95,252)	-	-	-	-
Transfer	(1,658,942)	(777,656)	(1,120,000)	(1,025,000)	(860,000)	(167,370)	-	-

Total governmental activities

	<u>34,613,667</u>	<u>33,913,587</u>	<u>34,196,017</u>	<u>36,927,248</u>	<u>35,144,752</u>	<u>33,589,581</u>	<u>31,890,446</u>	<u>30,318,222</u>
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Business-type activities:

Interest on investments	37,035	73,394	246,017	449,147	406,427	113,173	38,364	(550)
Gain on disposal of capital assets	-	51,349	29,760	385,974	-	-	-	88,000
Transfers	1,658,942	777,656	1,120,000	1,025,000	860,000	167,370	-	-

Total business-type activities

	<u>1,695,977</u>	<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>
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Total primary government

	<u>\$ 36,309,644</u>	<u>\$ 34,815,986</u>	<u>\$ 35,591,794</u>	<u>\$ 38,787,369</u>	<u>\$ 36,411,179</u>	<u>\$ 33,870,124</u>	<u>\$ 31,928,810</u>	<u>\$ 30,405,672</u>
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Change in Net Assets

Governmental activities	\$ 4,714,953	\$ (23,245)	\$ (161,906)	\$ 5,026,083	\$ 5,111,579	\$ 3,850,426	\$ 555,561	\$ 3,471,350
Business-type activities	2,295,896	375,370	1,422,293	4,409,668	4,683,139	2,343,558	(3,810,183)	(3,432,696)
Total primary government	<u>\$ 7,010,849</u>	<u>\$ 352,125</u>	<u>\$ 1,260,387</u>	<u>\$ 9,435,751</u>	<u>\$ 9,794,718</u>	<u>\$ 6,193,984</u>	<u>\$ (3,254,622)</u>	<u>\$ 38,654</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)

	2011	2010	2009	2008	2007	2006	2005	2004
Expenses								
Governmental activities:								
General government	\$ 13,883,051	\$ 14,126,482	\$ 12,165,467	\$ 10,074,368	\$ 11,172,137	\$ 9,638,679	\$ 10,777,667	\$ 8,706,578
Public safety	17,670,477	16,746,970	16,687,140	16,918,305	15,186,485	14,231,653	13,496,390	12,586,245
Community services	3,013,028	2,768,856	4,775,897	5,201,066	5,329,489	5,897,428	5,516,813	4,307,917
Transportation and environment	4,792,033	5,434,148	5,088,019	4,279,001	2,891,573	3,868,498	4,620,915	4,412,537
Interest and fiscal charges	798,410	877,138	786,612	878,503	1,062,319	1,078,349	1,174,147	1,121,354
Total governmental activities expenses	<u>40,156,999</u>	<u>39,953,594</u>	<u>39,503,135</u>	<u>37,351,243</u>	<u>35,642,003</u>	<u>34,714,607</u>	<u>35,585,932</u>	<u>31,134,631</u>
Business-type activities:								
Utilities	7,230,379	7,046,258	6,502,565	6,100,526	5,928,575	5,581,195	5,065,689	5,063,642
Athletic Club	3,523,561	3,486,381	3,588,475	2,992,340	2,673,695	2,659,614	2,614,365	2,586,537
Sanitation	3,997,349	3,886,086	3,824,101	3,706,306	3,609,186	3,900,496	3,686,616	3,637,643
Nonmajor Enterprise Fund	1,253,252	366,376	-	-	-	-	-	-
Total business-type activities expenses	<u>16,004,541</u>	<u>14,785,101</u>	<u>13,915,141</u>	<u>12,799,172</u>	<u>12,211,456</u>	<u>12,141,305</u>	<u>11,366,670</u>	<u>11,287,822</u>
Total primary government expenses	<u><u>56,161,540</u></u>	<u><u>54,738,695</u></u>	<u><u>53,418,276</u></u>	<u><u>50,150,415</u></u>	<u><u>\$ 47,853,459</u></u>	<u><u>\$ 46,855,912</u></u>	<u><u>46,952,602</u></u>	<u><u>\$ 42,422,453</u></u>
Program Revenues								
Governmental activities:								
Charges for services:								
General government	\$ 1,517,274	\$ 1,736,391	\$ 1,497,312	\$ 1,581,629	\$ 1,824,188	\$ 1,552,140	\$ 1,407,862	\$ 1,421,717
Public safety	590,284	431,689	446,496	630,712	1,050,389	638,670	434,272	980,025
Community services	546,195	694,866	610,060	554,945	567,634	483,461	385,687	287,806
Transportation and environment	971,709	1,142,344	953,711	972,327	982,354	980,535	978,076	939,080
Operating grants and contributions	1,607,271	1,731,228	1,237,633	1,547,919	450,883	513,490	743,749	521,318
Capital grants and contributions	5,025,552	280,244	400,000	162,546	733,382	807,156	301,401	137,813
Total governmental activities program revenues	<u>10,258,285</u>	<u>6,016,762</u>	<u>5,145,212</u>	<u>5,450,078</u>	<u>5,608,830</u>	<u>4,975,452</u>	<u>4,251,047</u>	<u>4,287,759</u>
Business-type activities:								
Charges for services:								
Utilities	7,896,551	6,598,459	7,030,835	7,991,054	8,486,257	7,628,554	4,458,056	4,061,994
Athletic Club	3,517,289	3,221,736	3,003,894	2,131,190	2,090,233	2,207,882	2,714,056	2,211,128
Sanitation	3,944,499	3,905,442	3,810,426	3,750,835	3,731,045	3,608,470	-	-
Nonmajor Enterprise Fund	1,074,264	114,998	-	-	-	-	-	-
Capital grants and contributions	171,857	417,437	96,502	1,475,640	1,320,633	759,414	346,011	1,494,554
Total business-type activities program revenues	<u>16,604,460</u>	<u>14,258,072</u>	<u>13,941,657</u>	<u>15,348,719</u>	<u>15,628,168</u>	<u>14,204,320</u>	<u>7,518,123</u>	<u>7,767,676</u>
Total primary government program revenues	<u><u>\$ 26,862,745</u></u>	<u><u>\$ 20,274,834</u></u>	<u><u>\$ 19,086,869</u></u>	<u><u>\$ 20,798,797</u></u>	<u><u>\$ 21,236,998</u></u>	<u><u>\$ 19,179,772</u></u>	<u><u>\$ 11,769,170</u></u>	<u><u>\$ 12,055,435</u></u>
Net (expense)/revenue								
Governmental activities	\$ (29,898,714)	\$ (33,936,832)	\$ (34,357,923)	\$ (31,901,165)	\$ (30,033,173)	\$ (29,739,155)	\$ (31,334,885)	\$ (26,846,872)
Business-type activities	599,919	(527,029)	26,516	2,549,547	3,416,712	2,063,015	(3,848,547)	(3,520,146)
Total primary government net expense	<u><u>\$ (29,298,795)</u></u>	<u><u>\$ (34,463,861)</u></u>	<u><u>\$ (34,331,407)</u></u>	<u><u>\$ (29,351,618)</u></u>	<u><u>\$ (26,616,461)</u></u>	<u><u>\$ (27,676,140)</u></u>	<u><u>\$ (35,183,432)</u></u>	<u><u>\$ (30,367,018)</u></u>

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

Function/Program	2011	2010	2009	2008	2007	2006	2005	2004
Governmental activities:								
General government	\$ 1,517,274	\$ 1,736,391	\$ 1,497,312	\$ 1,581,629	\$ 2,187,448	\$ 1,552,140	\$ 1,407,862	\$ 2,004,846
Public safety	590,284	431,689	446,496	630,712	1,588,031	1,155,561	622,282	997,725
Community services	546,195	694,866	610,060	554,945	850,997	1,287,216	1,217,966	346,108
Transportation and environment	971,709	1,142,344	953,711	972,327	982,354	980,535	1,002,937	939,080
Total governmental activities	3,625,462	4,005,290	3,507,579	3,739,613	5,608,830	4,975,452	4,251,047	4,287,759
Business-type activities:								
Utilities	7,896,551	6,598,459	7,030,835	7,991,054	9,806,890	8,387,968	4,804,067	5,556,548
Athletic Club	3,517,289	3,221,736	3,003,894	2,131,190	2,090,233	2,207,882	2,714,056	2,211,128
Sanitation	3,944,499	3,905,442	3,810,426	3,750,835	3,731,045	3,608,470	3,572,928	3,529,878
Nonmajor Enterprise Fund	1,074,264	114,998	-	-	-	-	-	-
Total business-type activities	16,432,603	13,840,635	13,845,155	13,873,079	15,628,168	14,204,320	11,091,051	11,297,554
Total primary government	\$ 20,058,065	\$ 17,845,925	\$ 17,352,734	\$ 17,612,692	\$ 21,236,998	\$ 19,179,772	\$ 15,342,098	\$ 15,585,313

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)

	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
General fund										
Reserved	\$ 1,736,842	\$ 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
Unreserved	18,089,884	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
Total general fund	<u>\$ 19,826,726</u>	<u>\$ 22,409,653</u>	<u>\$ 24,066,622</u>	<u>\$ 25,751,349</u>	<u>\$ 26,037,984</u>	<u>\$ 23,297,659</u>	<u>\$ 22,420,042</u>	<u>\$ 22,782,083</u>	<u>\$ 19,425,364</u>	<u>\$ 18,914,980</u>
Major Roads										
Reserved	\$ 3,606,404	-	-	-	-	-	-	-	-	-
Unreserved	-	-	-	-	-	-	-	-	-	-
Total major roads	<u>\$ 3,606,404</u>									
All other governmental funds										
Reserved	\$ 3,402,008	\$ 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
Unreserved, reported in:										
Special revenue funds	2,057,416	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
Capital projects funds	2,309,088	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
Total all other governmental funds	<u>\$ 7,768,512</u>	<u>\$ 13,896,453</u>	<u>\$ 13,454,590</u>	<u>\$ 10,635,577</u>	<u>\$ 8,996,118</u>	<u>\$ 10,161,941</u>	<u>\$ 5,529,709</u>	<u>\$ 7,608,660</u>	<u>\$ 6,639,642</u>	<u>\$ 8,851,532</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)

	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
Revenues										
Taxes	\$ 35,306,525	\$ 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
Fines and forfeitures	1,126,108	1,321,613	1,059,200	1,107,391	1,327,456	1,080,416	896,692	904,842	872,559	896,665
Licenses and permits	1,029,855	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
Fees for services	532,018	559,298	468,260	469,961	439,648	732,136	1,071,380	268,319	219,817	183,965
Interest on investments	128,522	244,182	783,049	1,484,404	1,838,031	1,229,713	773,585	289,272	820,781	1,280,395
Grants	5,524,638	923,104	157,319	244,501	1,107,120	988,963	236,871	659,131	316,441	282,930
Other revenues	2,506,910	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
Total revenues	46,154,576	41,018,316	40,120,424	43,604,020	42,777,252	39,878,896	37,515,017	35,747,298	31,393,189	30,596,908
Expenditures										
General government	9,868,644	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
Public safety	17,788,685	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
Community services	3,047,641	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
Transportation and Environment	4,803,913	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
Debt service										
Principal	2,175,000	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
Interest	842,142	897,181	810,284	900,535	1,086,395	1,076,192	1,506,532	1,563,275	1,694,940	1,765,290
Bond issuance cost	-	-	109,525	-	62,078	106,327	-	-	-	-
Capital outlay	11,077,073	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
Total expenditures	49,603,098	41,455,766	43,957,763	41,257,678	40,417,015	38,648,820	39,956,009	32,606,520	33,186,722	35,468,170
Excess of revenues over (under) expenditures	(3,448,522)	(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)
Other financing sources (uses)										
Transfers in	3,344,058	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
Transfers out	(5,003,000)	(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)
Debt Proceeds - General Obligation	-	-	9,635,000	-	-	4,800,000	-	-	-	7,845,000
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	3,000	-	(1,967)	-	-	-	-	-	-	-
Disposal of Capital Assets	-	-	-	31,482	8,372	-	-	-	-	-
Contingency	-	-	(311)	-	-	-	-	-	-	-
Total other financing sources (uses)	(1,655,942)	(777,656)	4,971,625	(993,518)	(785,735)	4,746,364	-	(88,000)	92,025	7,845,000
Net change in fund balances	\$ (5,104,464)	\$ (1,215,106)	\$ 1,134,286	\$ 1,352,824	\$ 1,574,502	\$ 5,976,440	\$ (2,440,992)	\$ 3,052,778	\$ (1,701,508)	\$ 2,973,738
Debt service as a percentage of noncapital expenditures	7.8%	7.6%	7.3%	8.0%	9.1%	8.7%	9.9%	11.5%	14.0%	23.9%

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

	<u>2011</u>	<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>
Property Taxes	\$ 22,409,252	\$ 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
Local Sales Taxes	7,144,712	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
State Taxes (Local Share)	<u>6,118,720</u>	<u>5,678,207</u>	<u>6,425,482</u>	<u>8,096,319</u>	<u>7,161,274</u>	<u>5,716,104</u>	<u>4,906,417</u>	<u>4,392,636</u>	<u>5,403,228</u>	<u>5,440,209</u>
Total	<u>\$ 35,672,684</u>	<u>\$ 34,829,681</u>	<u>\$ 34,606,858</u>	<u>\$ 36,882,620</u>	<u>\$ 34,496,302</u>	<u>\$ 32,878,675</u>	<u>\$ 31,626,486</u>	<u>\$ 30,465,931</u>	<u>\$ 26,407,532</u>	<u>\$ 25,695,180</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					
2011	\$1,179,127,275	\$ 2,555,975	\$ 289,658,450	\$ 14,049,120	\$ 25,877,620	\$1,511,268,440	\$1.425	\$ 5,651,738,255	26.74%
2010	1,197,849,725	3,248,850	298,456,105	14,652,167	29,641,640	1,543,848,487	1.425	5,735,373,604	26.92%
2009	1,057,734,155	3,034,575	263,523,140	14,652,167	28,482,630	1,367,426,667	1.54	5,082,693,103	26.90%
2008	1,032,906,875	3,096,525	256,651,090	14,500,493	25,959,580	1,333,114,563	1.54	4,936,751,633	27.00%
2007	1,010,925,200	3,817,725	248,191,850	15,073,276	25,036,090	1,303,044,141	1.54	4,812,012,156	27.08%
2006	986,502,650	3,224,050	244,805,450	14,500,278	25,378,780	1,274,411,208	1.54	4,703,993,042	27.09%
2005	865,853,775	2,531,400	193,242,850	13,569,564	24,394,450	1,099,592,039	1.70	4,079,819,735	26.95%
2004	850,046,225	2,586,975	193,993,995	13,158,662	24,715,700	1,084,501,557	1.70	4,006,706,149	27.07%
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%

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
2011	\$ 1.425	\$ 4.02	\$ 5.445	\$ 21,335,375	\$ 661,547,350	\$ 682,882,725
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

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	2011			2002		
	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.	\$ 11,600,000	1	0.77%			
Belz Investment Company (PSO)	9,046,960	2	0.60%	7,727,480	3	0.75%
UT Medical Group Inc.	7,494,760	3	0.50%	6,682,640	5	0.65%
Empirian Colonneade LLC 75%/Bushreal	7,482,480	4	0.50%			
Vinyards Apartments Inc.	6,398,880	5	0.42%	6,270,440	6	0.61%
Senter Crook Taylor Et Al	5,808,360	6	0.38%	3,965,320	10	0.39%
Sherriff LLC	5,200,000	7	0.34%	5,844,240	7	0.57%
BIC-MTS Partners (PSO)	5,167,040	8	0.34%	10,992,960	1	1.07%
SWC Poplar FHI Partners LLC	4,696,640	9	0.31%			
Lightman Exeter Village CO G P	4,249,200	10	0.28%			
Brook Chase Apartments LL				8,117,840	2	0.79%
Tennessee Germantown LP				6,688,040	4	0.65%
Methodist Hospital of Memphis				5,808,155	8	0.57%
Cary R. Califf (Tr)				5,312,075	9	0.52%
Totals	<u>\$ 67,144,320</u>		<u>4.44%</u>	<u>\$ 67,409,190</u>		<u>6.58%</u>

Source: Shelby County Board of Assessments

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

<u>Fiscal Year</u>	<u>Total Tax Levy</u>	<u>Current Tax Collections</u>	<u>Percent of Levy Collected</u>	<u>Collections in Subsequent Years</u>	<u>Total Tax Collections</u>	<u>Percent of Tax Collections to Tax Levy</u>	<u>Outstanding Delinquent Taxes</u>	<u>Percent of Outstanding Delinquent Taxes to Tax Levy</u>
2011	\$ 21,335,375	\$ 21,028,288	98.6%	\$ 554,336	\$ 21,582,624	101.2%	\$ 614,348	2.9%
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%

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

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

	<u>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>
Building Materials	\$ 5,751,382	\$ 5,026,853	\$ 5,821,268	\$ 6,135,150	\$ 6,275,280	\$ 6,160,411	\$ 6,058,189	\$ 5,894,979	\$ 5,242,496	\$ 5,448,522
General Merchandise	39,730,828	37,640,466	38,507,812	39,133,168	32,921,730	34,469,245	37,522,667	41,954,537	41,506,465	74,712,012
Food Stores	74,471,623	73,914,195	78,156,102	75,996,649	71,903,573	67,752,633	65,343,661	62,348,830	63,239,854	59,681,773
MV Dealers/Service Stations	11,307,651	11,206,377	10,453,608	10,286,392	10,302,064	10,766,590	8,830,661	8,131,042	8,649,799	5,342,156
Apparel & Accessories	59,103,823	55,002,845	58,064,064	65,690,412	69,010,888	75,397,435	73,683,104	69,569,801	66,097,398	63,081,423
Furniture & Home Décor	33,635,931	26,561,300	30,232,779	28,835,577	25,103,179	24,046,293	14,100,870	10,724,433	10,486,188	9,468,895
Eating & Drinking	58,885,084	53,820,045	54,040,756	53,590,618	54,146,824	54,329,183	53,126,259	50,175,236	50,685,736	49,662,075
Other Retail	54,315,420	55,272,420	57,354,174	57,804,063	64,786,132	61,721,161	58,961,427	57,059,440	58,633,120	58,320,548
Other	70,191,347	63,581,646	70,223,203	83,615,875	82,036,950	82,668,416	69,335,103	80,534,498	89,630,457	90,573,686
	<u>\$ 407,393,089</u>	<u>\$ 382,026,147</u>	<u>\$ 402,853,766</u>	<u>\$ 421,087,904</u>	<u>\$ 416,486,620</u>	<u>\$ 417,311,367</u>	<u>\$ 386,961,941</u>	<u>\$ 386,392,796</u>	<u>\$ 394,171,513</u>	<u>\$ 416,291,090</u>

Source: Tennessee Department of Revenue, Research Division

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

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

	2011				2001			
	Number of Filers	Percentage of Total	Tax Liability	Percentage of Total	Number of Filers	Percentage of Total	Tax Liability	Percentage of Total
Retail Trade	472	55.20%	\$ 7,738,620	82.92%	581	59.23%	7,434,855	83.73%
Services	219	25.61%	1,123,408	12.04%	254	25.89%	1,065,837	12.00%
Manufacturing	35	4.09%	69,432	0.74%	43	4.38%	66,975	0.75%
Wholesale Trade	62	7.25%	23,668	0.25%	63	6.42%	30,892	0.35%
Construction	12	1.40%	3,152	0.03%	10	1.02%	17,145	0.19%
Agriculture	10	1.17%	25,079	0.27%	13	1.33%	70,253	0.79%
Other, Non Classified	45	5.26%	349,665	3.75%	17	1.73%	193,080	2.17%
Total	855	100.00%	\$ 9,333,024	100.00%	981	100.00%	\$8,879,037	100.00%

Source: Tennessee Department of Revenue, Research Division.

Notes:

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

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

<u>Fiscal Year</u>	<u>City Direct Rate</u>	<u>Shelby County</u>	<u>State of Tennessee</u>
2011	1.125 %	1.125 %	7.00 %
2010	1.125	1.125	7.00
2009	1.125	1.125	7.00
2008	1.125	1.125	7.00
2007	1.125	1.125	7.00
2006	1.125	1.125	7.00
2005	1.125	1.125	7.00
2004	1.125	1.125	7.00
2003	1.125	1.125	7.00
2002	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			
2011	\$ 21,825,000	\$ -	\$ -	\$ -	\$ 7,300,000	\$ -	\$ 29,125,000	18.43%	\$ 750
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%	638
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%	688
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

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

Governmental Activities						Percentage of Actual Taxable Value of Property	Per Capita
Fiscal Years	General Obligation Bonds	Demand Bonds	Capital Lease	Capital Note	Total		
2011	\$ 21,825,000	\$ -	\$ -	\$ -	\$ 21,825,000	0.39%	\$ 561.86
2010	24,000,000	-	-	-	24,000,000	0.42%	585.21
2009	26,055,000	-	-	-	26,055,000	0.51%	635.84
2008	21,935,000	-	-	-	21,935,000	0.44%	535.30
2007	23,885,000	-	-	-	23,885,000	0.50%	582.89
2006	26,000,000	-	-	-	26,000,000	0.55%	646.72
2005	22,885,000	-	-	-	22,885,000	0.56%	569.24
2004	24,913,175	-	-	-	24,913,175	0.62%	619.68
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

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, 2011

	<u>Net Outstanding Debt</u>	<u>Percentage Applicable City of Germantown</u>	<u>Overlapping Debt</u>
City Net General Obligation Debt	\$ 21,825,000	100.00%	\$ 21,825,000
Shelby County (including School Board)	<u>1,615,107,698</u>	8.43%	<u>136,132,369</u>
Direct, Overlapping, and Short-term Debt	<u>\$ 1,636,932,698</u>		<u>\$ 157,957,369</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
PLEGGED-REVENUE COVERAGE
Last Ten Fiscal Years

Fiscal Year	Utility Service Charges	Less: Operating Expenses	Net Available Revenue	Debt Service		Coverage
				Principal	Interest	
2011	\$ 7,896,551	\$ 5,543,197	\$ 2,353,354	\$ 825,000	\$ 290,810	2.11
2010	6,598,459	5,215,958	1,382,501	775,000	318,623	1.26
2009	7,030,835	4,996,003	2,034,832	350,000	255,419	3.36
2008	7,991,054	4,826,184	3,164,870	335,000	116,296	7.01
2007	8,486,257	4,406,062	4,080,195	315,000	282,167	6.83
2006	7,628,554	4,183,328	3,445,226	387,887	230,104	5.57
2005	4,458,056	3,723,103	734,953	1,716,417	313,771	0.36
2004	4,061,994	3,560,778	501,216	1,694,629	337,650	0.25
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

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	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
Police											
Stations	1	1	1	1	1	1	1	1	1	1	1
Patrol units	37	37	37	39	38	37	37	37	37	37	37
Fire Stations	4	4	4	4	4	4	4	4	4	4	4
Other public works											
Streets (miles)	206	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	10.5
Streetlights	5,122	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	748	722	722	722	722	722	722
Playgrounds	30	26	26	26	26	27	27	25	23	23	23
Baseball/softball diamonds	15	21	21	21	21	21	22	22	22	22	22
Soccer/football fields	21	14	14	14	14	13	12	12	12	12	12
Community center	1	1	1	1	1	1	1	1	1	1	1
Water											
Water mains (miles)	208	208	207	206	205	200	199	199	194	194	190
Fire hydrants	2,373	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	8.1	6375	6.375	6.375	6.375	6.375	6.375	6.375	6.375	6.375
Wastewater*											
Sanitary sewers (miles)	211	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	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
Police										
Physical arrests	2,738	2,881	2,938	2,840	2,461	2,352	2,571	2,554	2,400	2,355
Parking violations	164	338	132	95	55	179	N/A	N/A	N/A	N/A
Traffic violations	14,475	16,423	17,995	17,271	15,362	13,868	15,363	15,703	13,803	13,921
Fire										
Emergency responses	2,924	2,806	2,789	2,703	2,790	2,685	2,574	2,435	2,193	2,304
Fires extinguished	89	111	114	119	152	141	117	166	203	198
Inspections	1,210	1,193	1,233	1,272	1,096	1,295	1,239	1,210	1,138	1,061
Other public works										
Street resurfacing (miles)	6.5	5.0	7.5	8.1	8.0	8.6	10.0	10.0	10.0	10.0
Parks and recreation										
Athletic field permits issued	N/A	68	159	178	153	205	N/A	N/A	N/A	N/A
Germantown Athletic Club										
*Admissions - per day	1,029	1,004	957	779	860	800	850	830	810	800
*Admissions - per year	370,497	361,422	344,763	284,404	301,000	288,000	306,000	298,000	291,600	288,000
**Library										
Volumes in collection	152,129	149,974	146,141	144,090	140,337	152,384	134,623	139,603	136,663	131,516
Total volumes borrowed	367,495	372,622	367,844	323,333	289,225	326,744	300,361	N/A	N/A	N/A
Water										
New connections	59	51	40	101	111	258	361	(6)	-	-
Water main breaks	8	18	7	6	8	15	15	15	15	15
Average daily consumption (TGL)	8326.000	7.038	7.518	7.779	7.650	7.632	5.500	5.400	6.500	6.500
Peak daily consumption (TGL)	15.120	15.722	15.668	21.328	21.300	18.930	17.475	11.080	13.327	10.532

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)	2011		2010		2009		2008		2007		2006		2005		2004		2003		2002	
	Full Time	Part Time	Full Time	Part Time	Full Time	Part Time	Full Time	Part Time	Full Time	Part Time	Full Time	Part Time	Full Time	Part Time	Full Time	Part Time	Full Time	Part Time	Full Time	Part Time
General Government																				
City Court	7	0	6	0	6	-	5	-	5	-	6	-	6	3	6	-	6	-	6	-
Administration	5	1	5	1	5	2	9	2	9	2	7	1	7	1	8	1	8	1	9	1
Human Resources	6	-	6	-	6	-	6	-	6	-	6	-	6	-	6	-	6	-	6	-
Morgan Woods Theatre	-	-	-	-	-	-	-	-	-	-	-	-	1	-	1	-	1	-	1	-
Information Technology	4	-	3	1	2	1	2	-	5	-	5	-	5	-	5	-	5	-	5	-
GPAC	9	5	9	5	9	4	10	5	9	5	9	5	10	5	10	4	10	4	12	1
Finance	14	1	15	1	15	1	16	-	15	1	17	-	17	-	17	-	18	-	21	-
Economic and Community Development	21	-	26	-	27	-	27	-	27	-	30	-	30	1	29	-	29	0	29	-
Research & Budget	2	-	2	-	2	-	2	1	3	1	3	1	3	1	3	-	3	-	-	-
Public Safety																				
Police	109	1	109	1	108	1	108	1	106	1	102	1	102	2	101	3	101	3	102	3
Fire	69	1	68	1	68	1	69	1	69	1	69	1	69	1	69	1	69	1	69	1
Transportation & Environment																				
Public Services	38	-	44	-	29	-	29	-	29	-	29	-	31	-	31	-	31	-	31	-
Fleet Services	10	-	10	-	10	-	10	-	11	-	11	-	11	-	11	-	11	-	11	-
Animal Control	4	-	4	-	4	-	4	-	4	-	4	-	4	-	2	-	4	-	4	-
Community Services																				
Parks & Recreation	6	5	9	4	32	4	33	3	37	3	39	3	39	4	39	2	42	2	40	2
Facility Services	15	-	15	-	16	-	10	3	10	3	10	3	10	2	10	2	10	2	12	-
Germantown Athletic Club																				
Recreation	10	12	11	11	10	12	8	15	15	15	12	15	12	18	12	15	12	18	15	30
Aquatics	2	14	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	2	1	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Utilities																				
Water	20	-	20	-	20	-	20	-	21	-	21	-	21	-	21	-	21	-	21	-
Sewer	6	-	6	-	6	-	6	-	6	-	6	-	7	-	7	-	7	-	7	-
STORMWATER	8	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
RECREATION	-	1	6	-	6	-	6	-	6	-	6	-	7	-	7	-	7	-	7	-
Total	368	41	378	39	385	39	384	44	396	45	398	45	404	54	398	40	404	46	408	38

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	2011			2007		
	Employees	Rank	Percentage of Total County Employment	Employees	Rank	Percentage of Total County Employment
Methodist Le Bonheur Hospital - Germantown	1,299	1	0.28%	1,302	1	0.31%
Shelby County School System - Germantown Schools	759	2	0.17%	702	2	0.17%
City of Germantown	368	3	0.08%	390	5	0.09%
Campbell Clinic	350	4	0.08%	400	4	0.10%
Baptist Rehabilitation - Germantown	305	5	0.07%	673	3	0.16%
Orgill, Inc.	303	6	0.07%	282	6	0.07%
ThyssenKrupp Elevator Manufacturing Inc.	300	7	0.07%			
O.R. Nurses	228	8	0.05%	155	10	0.04%
El Porton	200	9	0.04%	200	8	0.05%
Schnucks				186	9	0.04%
Stern Cardiovascular	150	10	0.03%	204	7	0.05%
Ezon, Inc.						

Note: Information from prior years not available.

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

	<u>Population</u>		<u>Personal Income (thousands of dollars) 4</u>		<u>Per Capita Personal Income 4</u>		<u>School Enrollment 5</u>		<u>Unemployment Rate 6</u>
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
2011	38,844		158,011		53,043		8,499		6.2

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 and 2011 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, 2011

(All amounts in 1,000 gallons)

A	Water Treated and Purchased:		
B	Water Pumped (potable)	3,038,962	
C	Water Purchased	0	
D	Total Water Treated and Purchased		3,038,962
	(Sum Line B and C)		
E	Accounted for Water:		
F	Water Sold	2,216,557	
G	Metered for Consumption (in-house usage)	33,715	
H	Fire Department(s) usage	7,000	
I	Flushing	5,000	
J	Tank Cleaning/Filling	1,500	
K	Street Cleaning	250	
L	Bulk Sales	0	
M	Water Bill Adjustments	(22,410)	
N	Total Accounted for Water		2,241,612
	(Sum Line F thru M)		
O	Unaccounted for Water		797,350
	(Line D minus Line N)		
P	Percent Unaccounted for Water		26.238%
	(Line O divided by Line D times 100)		
Q	Other (explain)		343,073

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, 2011

As of June 30, 2011, 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 ON COMPLIANCE AND OTHER MATTERS BASED
ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS***

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

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, the statement of budgetary comparison for the general fund, and the aggregate remaining fund information of the City of Germantown, Tennessee, (the "City") as of and for the year ended June 30, 2011, which collectively comprise the City's basic financial statements and have issued our report thereon dated December 9, 2011. 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. Other auditors audited the financial statements of the Germantown Performing Arts Center (GPAC), which is the City's component unit, as described in our report on the City's financial statements. The financial statements of GPAC were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, 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 9, 2011



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**INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE WITH REQUIREMENTS
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE
WITH OMB CIRCULAR A-133**

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

Compliance

We have audited the City of Germantown, Tennessee (the “City”)’s compliance with the types of compliance requirements described in *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on the City’s major federal program for the year ended June 30, 2011. The City’s major federal program is identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each its major federal program is the responsibility of the City’s management. Our responsibility is to express an opinion on the City’s compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City’s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the City’s compliance with those requirements.

In our opinion, the City complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2011.

Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

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

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 9, 2011

CITY OF GERMANTOWN, TENNESSEE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2011

A. SUMMARY OF AUDITOR'S RESULTS

1. The auditor's report expresses an unqualified opinion on the financial statements of the City of Germantown, Tennessee.
2. No significant deficiencies related to the financial statements of the City of Germantown, Tennessee were disclosed during the audit.
3. No instances of noncompliance material to the financial statements of the City of Germantown, Tennessee were disclosed during the audit.
4. No significant deficiencies in internal control over major federal award programs are reported.
5. The auditor's report on compliance for the major federal award program for the City of Germantown, Tennessee expresses an unqualified opinion on the major federal program.
6. There were no audit findings required to be reported in accordance with Section 510(a) of OMB Circular A-133.
7. The program tested as a major program included:
 - 20.205 – Highway Planning and Construction
8. The threshold for distinguishing between Type A and B programs was \$300,000.
9. The City of Germantown, Tennessee did not qualify as a low risk auditee.

B. FINDINGS – FINANCIAL STATEMENTS AUDIT

None reported

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

None reported