

# **CITY OF GERMANTOWN TENNESSEE**

## **Comprehensive Annual Financial Report For the Fiscal Year Ended June 30, 2008**

Prepared by the City of Germantown Finance Department

**CITY OF GERMANTOWN, TENNESSEE  
 COMPREHENSIVE ANNUAL FINANCIAL REPORT  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

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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](http://www.germantown-tn.gov)

December 1, 2008

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, 2008. This document reports the sound financial position of the various funds of the City of Germantown and the financial results for operations during FY08. It also provides information on the economic condition of the City.

## GERMANTOWN'S ECONOMIC CONDITION AND OUTLOOK

Germantown is a growing community whose citizens enjoy per capita income more than twice the average across Tennessee. Although it is predominantly, preferably and historically residential in character, it is experiencing growth in employment opportunities, especially in the significant relocation and expansion of healthcare facilities to the city. Additionally, Germantown benefits from its proximity to the transportation, industrial and commercial sectors of the Memphis metropolitan area, all on positive employment growth trends.

With a strong local economy and sound fiscal planning, the City of Germantown maintained a General Fund fund balance of 73.4% against operating expenditures in FY08. The City also maintained a Triple-A debt credit rating with Moody's and Standard & Poor's, the only such city in Tennessee and one of just 49 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. A steady stream of new housing, ranging from single-family subdivisions to zero-lot lines to congregate living for seniors, supplements a housing inventory in well-established neighborhoods and exemplary efforts to preserve and improve older homes.

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

city nature area. The Germantown Athletic Club and other programs offer fitness facilities and equipment for a healthy lifestyle. Methodist LeBonheur Germantown Hospital, Baptist Rehabilitation-Germantown, several major medical clinics and numerous physician practices provide top-notch, accessible health care. Both police and fire departments take pride in a five minute-or-less emergency response time. Eight public schools, three private elementary schools, three special needs learning centers and two universities offer the broadest spectrum of educational resources.

## OUR POLICY AGENDA

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

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

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

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

Respectfully submitted,

Sharon Goldsworthy  
Mayor

Patrick J. Lawton  
City Administrator



# CITY OF GERMANTOWN

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Phone (901) 757-7200 Fax (901) 757-7292 [www.germantown-tn.gov](http://www.germantown-tn.gov)

December 1, 2008

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, 2008, 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, 2008, 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, 2008 are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

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

The Board of Mayor and Aldermen  
City of Germantown, Tennessee:  
December 1, 2008

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

### **Profile of the Government**

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

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

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

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

### **Long-range planning**

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

The Board of Mayor and Aldermen  
City of Germantown, Tennessee:  
December 1, 2008

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

These areas are:

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

### **Fiduciary Operations**

The City continues to fund the Employees' Retirement Plan annually at actuarially recommended levels. In 1995 the City amended the retirement plan. Under the amended plan, emergency service employees are required to contribute to the Public Employee Retirement Systems (PERS). Employee contributions in FY08 totaled \$604,310 for emergency services personnel. The 2008 City contribution was \$1,727,367. Net Assets of the Plan, which are under professional management, declined by \$836,450.

In addition, the City implemented and funded Other Postemployment Benefits as required under Governmental Accounting Board Standard (GASB) 45. This is the first year implementation of GASB 45 with the funding requirement \$1,213,184. Retirees contributed \$88,684 to the plan. Net assets of the Plan are \$913,765.

### **Debt Management**

The City had total bonded debt of \$26,185,000 that is made up of \$21,935,000 from the general government and \$4,250,000 secured by revenue sources. During the Fiscal Year 2008 the City did not issue any debt, but was able to pay down its current debt. The City of Germantown in Fiscal Year 2008 was issued a Triple-A credit rating by Moody's and Standard & Poor's. The City is among an elite group of municipalities nationwide to achieve such a rating.

### **Cash Management**

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

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

### **Risk Management**

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

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

### **Awards and Acknowledgement**

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its Comprehensive Annual Financial Report for the year ended June 30, 2007. The City has received this prestigious award for 26 consecutive years. In order to be awarded a Certificate of Achievement, the City published an easily readable and efficiently organized Comprehensive Annual Financial Report. That report satisfied both generally accepted accounting principles and applicable legal requirements.

The Board of Mayor and Aldermen  
City of Germantown, Tennessee:  
December 1, 2008

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

The City also received the GFOA's Distinguished Budget Presentation Award for its annual operating budget for the year ended June 30, 2008. The City has received the Award for each of the 23 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 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, 2007

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.



*Oliver S. Cox*

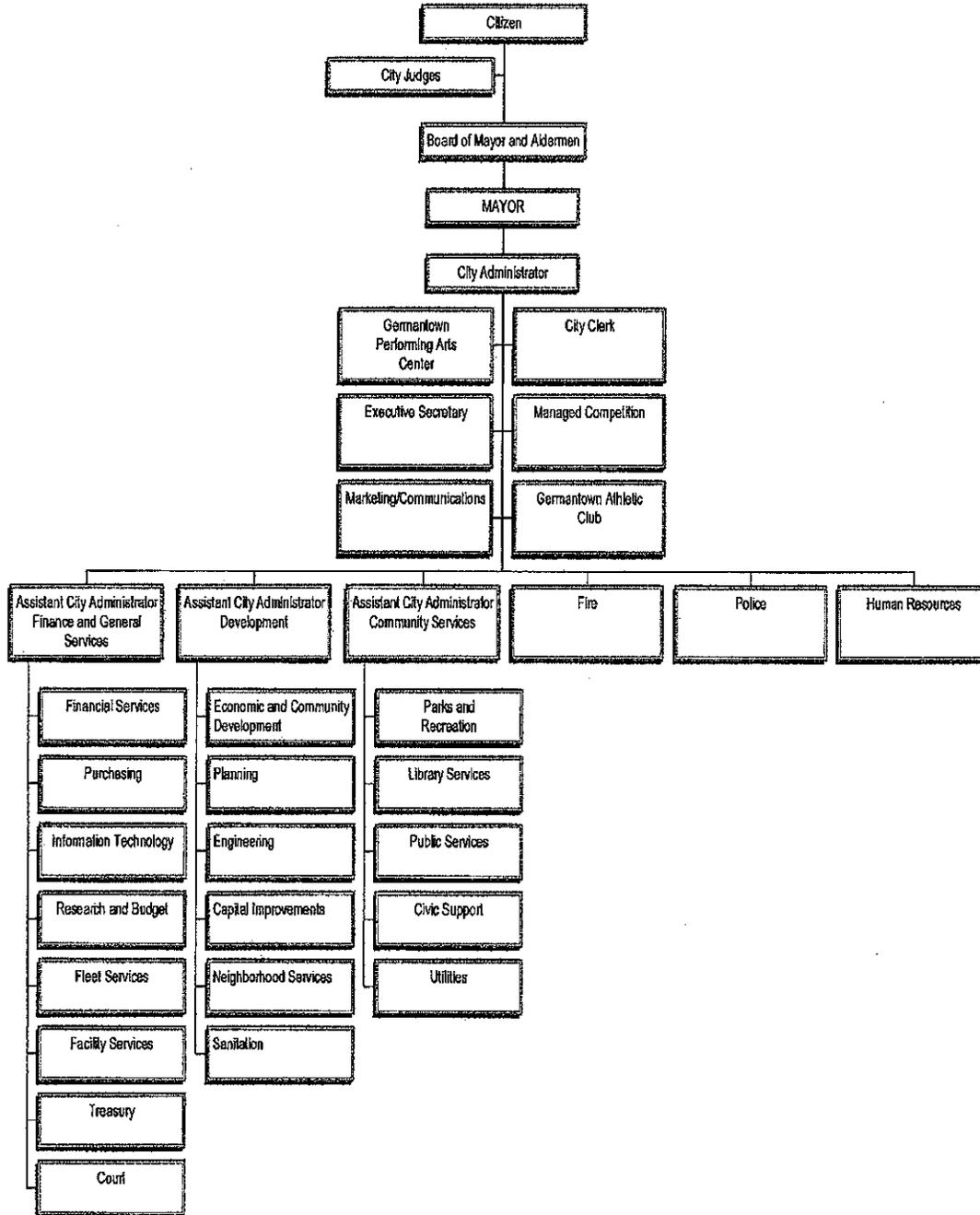
President

*Jeffrey R. Emer*

Executive Director

# CITY OF GERMANTOWN, TENNESSEE

## Organization Chart



**CITY OF GERMANTOWN  
CITY OFFICIALS**

**MAYOR**

Honorable Sharon Goldsworthy (2010\*)

**ALDERMEN**

Ernest Chism (Vice Mayor – 2008\*)

John Drimmon (2010\*)  
Mike Palazzolo (2008\*)

Carol Hinely (2010\*)  
Frank Uhlhorn (2008\*)

**CITY ADMINISTRATOR**

Patrick J. Lawton

**CITY ATTORNEY**

C. Thomas Cates

**CITY JUDGES**

Bob Brannon  
Raymond S. Clift

**EXECUTIVES**

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

\*(Date elected term expires)



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

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## INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, the statement of budgetary comparison for the general fund, and the aggregate remaining fund information of the City of Germantown, Tennessee, (the "City") as of and for the year ended June 30, 2008, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Germantown, Tennessee, as of June 30, 2008, and the respective changes in financial position and cash flows, where applicable, thereof, and the budgetary comparison for the general fund, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 25, 2008, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant

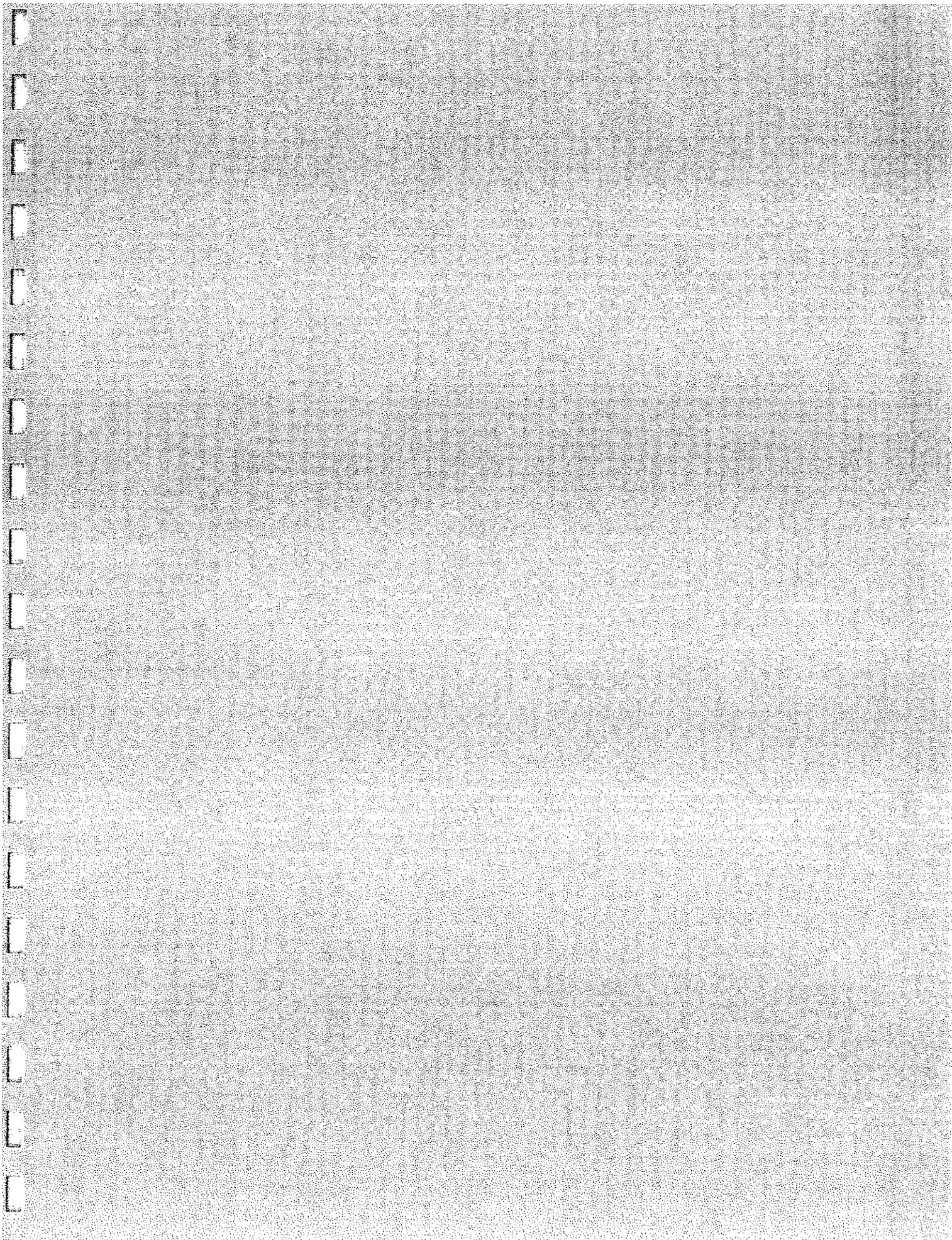
agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is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

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

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

*Watkins Liberal, PLLC*

Memphis, Tennessee  
November 25, 2008



## 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, 2008. 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, 2008 by \$138,173,128 (net assets). Of this amount, \$46,195,934 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- At June 30, 2008, the City's governmental funds reported total fund balances of \$36,386,926. Of this amount, \$10,757,305 (undesignated fund balances) may be used to meet the general governments spending requirements. The undesignated fund balance represents 30.7% of total General Fund expenditures.
- During the fiscal year, the City's total debt decreased by \$2,285,000. The decrease was due to the payment of existing debt.

### Overview of the Financial Statements

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

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

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

The statement of activities presents information showing how the government's net assets changed during the year ended June 30, 2008. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

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

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

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

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

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

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

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

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

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

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

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

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

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

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

**Notes to the Financial Statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 39-62 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 and Statement of Changes in Assets and Liabilities are presented as Exhibits D-1 through D-4 of this report.

### Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$138,173,128 at June 30, 2008.

### Condensed Statement of Net Assets

	Governmental Activities		Business-type Activities		Total	
	2008	2007	2008	2007	2008	2007
Current and Other Assets	\$ 63,199,314	\$ 61,332,909	8,474,005	8,065,342	71,673,319	69,398,251
Capital Assets	65,509,594	63,540,346	55,179,261	52,907,168	120,688,855	116,447,514
Total Assets	<u>128,708,908</u>	<u>124,873,255</u>	<u>63,653,266</u>	<u>60,972,510</u>	<u>192,362,174</u>	<u>185,845,765</u>
Long-term liabilities outstanding	19,960,155	21,937,435	3,903,025	5,889,514	23,863,180	27,826,949
Other liabilities	27,758,278	26,971,428	2,567,588	2,310,011	30,325,866	29,281,439
Total Liabilities	<u>47,718,433</u>	<u>48,908,863</u>	<u>6,470,613</u>	<u>8,199,525</u>	<u>54,189,046</u>	<u>57,108,388</u>
Net Assets:						
Invested in Capital Assets, net of related debt	39,655,346	39,655,346	50,914,976	46,556,454	90,570,322	86,211,800
Restricted	1,406,872	1,288,885	-	-	1,406,872	1,288,885
Unrestricted	39,928,257	35,020,161	6,267,677	6,216,531	46,195,934	41,236,692
Total Net Assets	<u>\$ 80,990,475</u>	<u>\$ 75,964,392</u>	<u>57,182,653</u>	<u>52,772,985</u>	<u>138,173,128</u>	<u>128,737,377</u>

By far the largest portion of the City's net assets (65.5 %) 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 (1.0%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (\$46,195,934) 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.

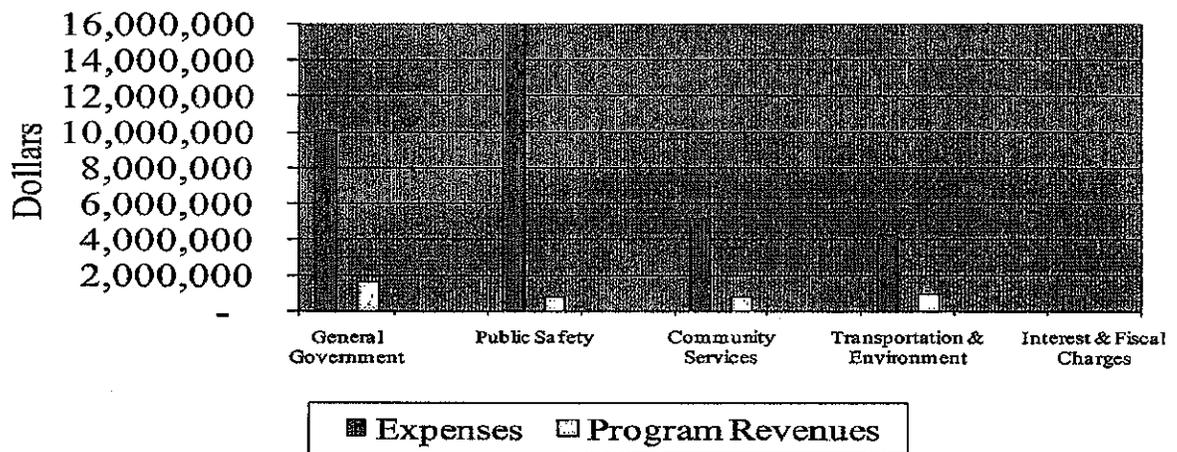
**Governmental activities.** Governmental activities increased the City's net assets by \$5,026,083, thereby accounting for a 6.6% increase in total assets. Key elements of this increase are as follows:

**Condensed Statement of Changes in Net Assets**

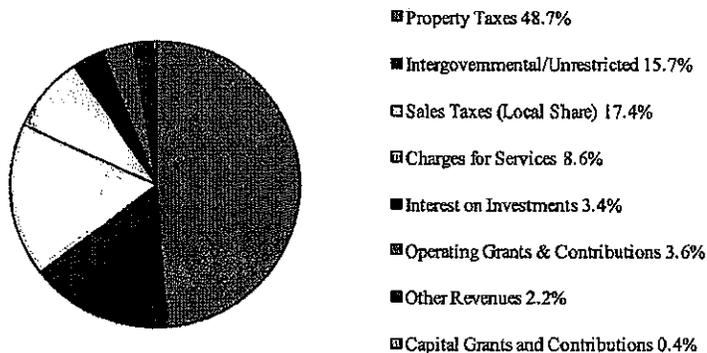
	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Revenues:						
Program Revenues:						
Charges for Services	\$ 3,739,613	\$ 4,424,565	13,873,079	14,307,535	17,612,692	18,732,100
Operating Grants and Contributions	1,547,919	450,883	-	-	1,547,919	450,883
Capital Grants and Contributions	162,546	733,382	1,475,640	1,320,633	1,638,186	2,054,015
General Revenues:						
Property Taxes	21,192,804	20,551,945	-	-	21,192,804	20,551,945
State Taxes (local share)	7,578,275	7,161,274	-	-	7,578,275	7,161,274
Intergovernmental/Unrestricted	6,840,979	6,759,894	-	-	6,840,979	6,759,894
Interest on Investments	1,484,404	1,838,031	449,147	406,427	1,933,551	2,244,458
Other Revenue	951,038	848,085	-	-	951,038	848,085
<b>Total Revenues</b>	<b>43,497,578</b>	<b>42,768,059</b>	<b>15,797,866</b>	<b>16,034,595</b>	<b>59,295,444</b>	<b>58,802,654</b>
Expenses:						
General Government	10,074,368	11,172,137	-	-	10,074,368	11,172,137
Public Safety	16,918,305	15,186,485	-	-	16,918,305	15,186,485
Community Services	5,201,066	5,329,489	-	-	5,201,066	5,329,489
Transportation and Environment	4,279,001	2,891,573	-	-	4,279,001	2,891,573
Interest and Fiscal Charges	878,503	1,062,319	-	-	878,503	1,062,319
Utilities	-	-	6,100,526	5,928,575	6,100,526	5,928,575
Athletic Club	-	-	2,992,340	2,673,695	2,992,340	2,673,695
Sanitation	-	-	3,706,306	3,609,186	3,706,306	3,609,186
<b>Total Expenses</b>	<b>37,351,243</b>	<b>35,642,003</b>	<b>12,799,172</b>	<b>12,211,456</b>	<b>50,150,415</b>	<b>47,853,459</b>
Increase/(Decrease) in Net Assets before transfers	6,146,335	7,126,056	2,998,694	3,823,139	9,145,029	10,949,195
Gain (Loss) on Disposal of Capital Assets	(95,252)	-	385,974	-	290,722	-
Transfers	(1,025,000)	(860,000)	1,025,000	860,000	-	-
Increase/(Decrease) in Net Assets	5,026,083	6,266,056	4,409,668	4,683,139	9,435,751	10,949,195
Net Assets - July 1, 2007	75,964,392	69,698,336	52,772,985	48,089,846	128,737,377	117,788,182
<b>Net Assets - June 30, 2008</b>	<b>\$80,990,475</b>	<b>\$75,964,392</b>	<b>57,182,653</b>	<b>52,772,985</b>	<b>138,173,128</b>	<b>128,737,377</b>

- Property Taxes increased to \$21,192,804, which is \$640,859 greater than FY07.
- The cost of providing General Government, Public Safety, Community Services, Transportation and Environment, Interest and Fiscal Charges, increased by \$1,709,240 during FY08. General Government decreased by \$1,097,769, while Public Safety increased by \$1,731,820. Transportation and Environment increased by \$1,387,428. Community Services and Interest and Fiscal Charges decreased by \$128,423, and \$183,816, respectively. General Government's decrease was due to a reduction in personnel costs in Information Technology and Community Development. Public Safety increased due to the purchase of new vehicles. Community Services decreased due to a reduction in materials and supplies and capital outlay. Transportation and Environment's increase was due to an increase in capital projects from the prior year. The decrease in Interest and Fiscal Charges was due to the refinancing of the Series 1996 and Series 2000 Bonds.

### Expenses and Program Revenues Governmental Activities



### Revenues By Source - Governmental Activities



**Business-type activities.** Business-type activities increased the City's net assets by \$4,409,668. The business-type activities are Utility, Athletic Club and Sanitation Funds.

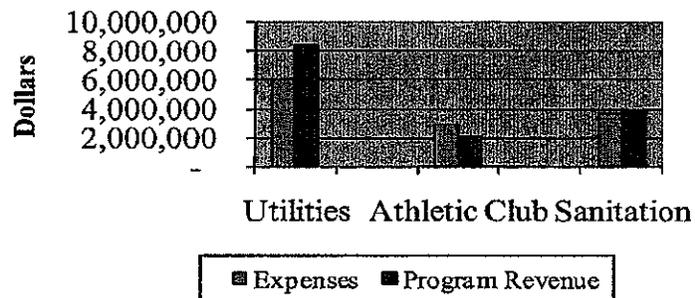
- The Germantown Utility Fund increased by \$4,098,363, due to a rate increase implemented at the beginning of FY07. The rate increase was planned to sustain the fund for the next five years and provide for needed funding of its infrastructure.
- The Germantown Athletic Club net assets increased by \$160,788 due to a City operating transfer. The Athletic Club revenue increased by \$40,957, however, the operating expenses grew by \$365,838.
- The Germantown Sanitation net assets increased by \$69,355, due to a new sanitation contract. In the second year, the contract revenue increased by \$19,790, due to additional garbage collection. Expenses increased by \$101,353, due to the new cost of providing service to residences. This is the second year of a three year contract.

### Financial Analysis of the Government's Funds

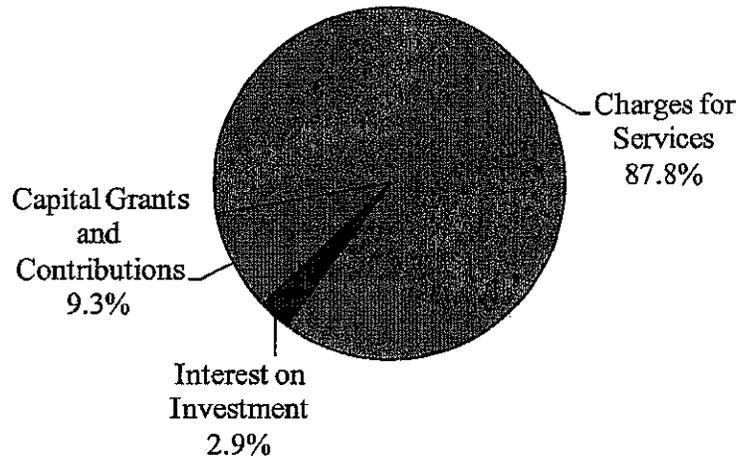
As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

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

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



### Revenues by Source - Business-type Activities



As of June 30, 2008, the City's governmental funds reported combined ending fund balances of \$36,386,926, an increase of \$1,352,824 in comparison with the prior year. Approximately 29.6% of this total amount or \$10,757,305 constitutes undesignated fund balance, which is available for spending at the government's discretion. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed 1) to liquidate contracts and purchase orders of the prior period - \$3,690,743, 2) to provide a reserve to pay debt service - \$2,855,976, 3) to provide a reserve for tax anticipation - \$7,069,342, 4) Germantown Athletic Club advance - \$1,625,000, 5) Capital Projects - \$5,619,174, 6) Special Revenue - \$1,791,386, 7) to provide a reserve for Emergencies and Catastrophes- \$900,000 and 8) Capital Asset Replacement - \$2,078,000.

The General Fund is the chief operating fund of the City. At June 30, 2008, undesignated fund balance of the General Fund was \$10,757,305, while total fund balance reached \$25,751,349. As a measure of the General Fund's liquidity, it may be useful to compare both undesignated fund balance and total fund balance to total fund expenditures. Undesignated fund balance represents 30.7% of total General Fund expenditures, while total fund balance represents 73.4% of that same amount.

The fund balance of the City's General Fund decreased by \$286,635 during the fiscal year ended June 30, 2008. Key factors are as follows:

- Property tax increased \$632,892
- Local sales tax increased \$818,381
- State taxes (local share) increased \$834,182
- Fines and Forfeitures decreased \$220,065
- License and Permits increased \$6,748

- Fees for services decreased \$7,690
- Investment income decreased \$351,284
- Grants decreased \$199,237
- Other revenue increased \$294,853
- Total expenditures increased \$2,105,957.

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

Unrestricted net assets of \$6,277,736 are comprised of, \$7,803,295 for the Utility Fund, (\$1,819,606) for the Athletic Club Fund and \$294,047 for the Sanitation Fund. User fees support these funds.

### **General Fund Budgetary Highlights**

The General Fund revenues were higher than budgeted by \$3,810,662. The increase was due to increases in Property Tax of \$420,826, State Taxes (Local Share) of \$2,130,879, Local Sales Taxes of \$610,975 Fines and Forfeitures of \$88,955, Interest on Investments of \$176,340, Other Revenue of \$331,627 and Grants of \$82,651. There were moderate decreases between budget and actual revenues in Licenses and Permits and Fees for Services of \$25,652 and \$5,939, respectively.

General Fund expenditures were less than budgeted by \$1,200,308. 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 \$520,569, Public Safety of \$345,932, and Community Services of \$235,604. Savings were also achieved in Transportation and Environment of \$67,512 and in Debt Services of \$30,691.

### **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, 2008 amounts to \$120,688,855 (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 \$4,241,341. Governmental activities increased \$1,969,248 or 3.1% and business activities increased \$2,272,093 or 4.3%.

**Condensed Statement of Capital Assets**

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Land and Buildings	\$ 27,073,368	\$ 26,607,971	13,505,311	13,188,015	40,578,679	39,795,986
Improvements Other Than Buildings	29,332,747	28,920,960	39,609,384	38,626,328	68,942,131	67,547,288
Equipment	4,590,235	4,649,412	540,327	262,860	5,130,562	4,912,272
Construction in Progress	4,513,244	3,362,003	1,524,239	829,965	6,037,483	4,191,968
<b>Total</b>	<b>\$ 65,509,594</b>	<b>63,540,346</b>	<b>55,179,261</b>	<b>52,907,168</b>	<b>120,688,855</b>	<b>116,447,514</b>

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

**Long-term debt.** At June 30, 2008 the City had total bonded debt outstanding of \$26,185,000. Of this amount \$21,935,000 comprises debt backed by the full faith and credit of the government and \$4,250,000 represents bonds secured by specified revenue sources (i.e., revenue bonds).

**Condensed Statement of Outstanding Debt**

**General Obligation and Revenue Bonds**

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
General Obligation Bonds	\$ 21,935,000	\$ 23,885,000	-	-	21,935,000	23,885,000
Revenue Bonds	-	-	4,250,000	4,585,000	4,250,000	4,585,000
<b>Total</b>	<b>\$ 21,935,000</b>	<b>\$ 23,885,000</b>	<b>4,250,000</b>	<b>4,585,000</b>	<b>26,185,000</b>	<b>28,470,000</b>

During FY08, the City's total debt decreased by \$2,285,000. Total debt includes general obligation bonds and revenue bonds. Total debt for governmental activities decreased by 8.2%, due to paying down of existing debt. Also, business-type activities' debt decreased by 7.3%, due to the paying down of existing debt.

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 2008 fiscal year are more fully discussed in the Budget document and include:

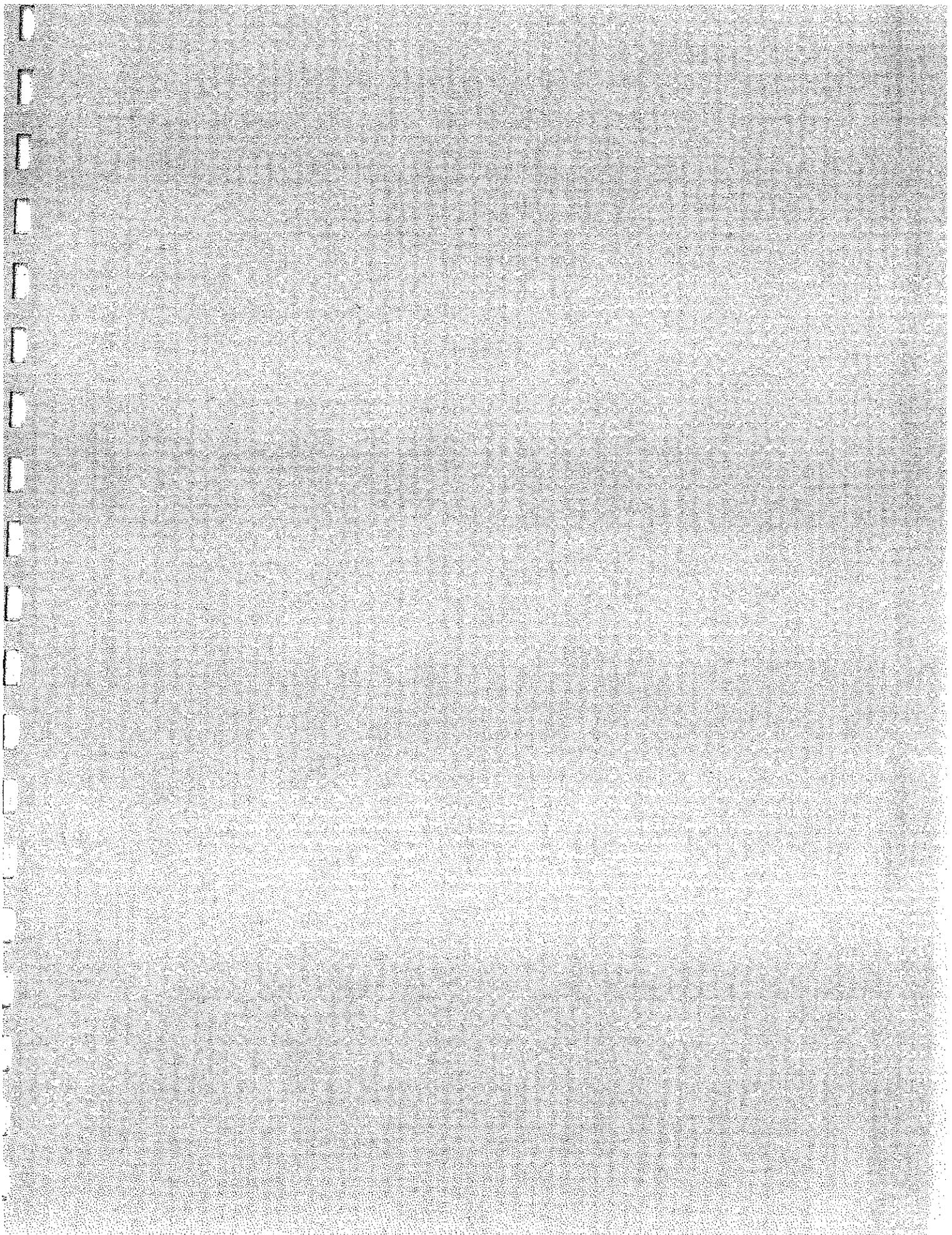
- The FY09 Budget does not require an increase to the City's property tax rate. A 40-cent tax rate increase was implemented in FY04 with the intention of sustaining the City's fiscal needs over a five-year planning period. Due to aggressive cost containment measures, the tax rate will remain the same for the sixth consecutive year.
- The City initiated Managed Competition during FY07 with an emphasis on creating greater efficiency and cost control. The FY09 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 and growth. 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 FY09 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 FY08 undesignated fund balance in the General Fund increased to \$10,757,305. The City has a total approved budget of \$69,292,724 in expenditures for FY09. The City's tax rate for FY09 has been set at \$1.54 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, 2008, Fiscal Year 2008 Budget Report and other information about the City may be found on the City's website [www.germantown-tn.gov](http://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, 2008

	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 25,443,663	\$ 6,343,417	\$ 31,787,080
Investments	8,664,009	2,372,993	11,037,002
Prepaid expenses		129,830	129,830
Receivables			
Property taxes	21,491,204	-	21,491,204
Interest	65,005	-	65,005
Customer and developers receivables	-	1,313,748	1,313,748
Other	5,608,505	17,682	5,626,187
Less allowance for doubtful accounts	(453,186)	(110,612)	(563,798)
Internal balances	1,635,060	(1,635,060)	-
Inventories	165,165	42,007	207,172
Restricted assets:			
Cash and cash equivalents	579,889	-	579,889
Capital assets, not being depreciated	13,214,531	4,225,951	17,440,482
Capital assets, being depreciated, net	52,295,063	50,953,310	103,248,373
Total assets	<u>128,708,908</u>	<u>63,653,266</u>	<u>192,362,174</u>
<b>LIABILITIES</b>			
Accounts payable	1,914,062	931,466	2,845,528
Accrued interest	245,253	34,644	279,897
Accrued vacation benefits	937,087	-	937,087
Customer deposits	-	409,048	409,048
Contracts payable	214,301	-	214,301
Unearned revenue	22,333,775	831,171	23,164,946
Noncurrent liabilities:			
Due within one year	2,113,800	361,259	2,475,059
Due in more than one year	19,960,155	3,903,025	23,863,180
Total liabilities	<u>47,718,433</u>	<u>6,470,613</u>	<u>54,189,046</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	39,655,346	50,914,976	90,570,322
Restricted for:			
State Street Aid	1,243,342	-	1,243,342
Drug Enforcement	163,530	-	163,530
Unrestricted	39,928,257	6,267,677	46,195,934
Total net assets	<u>\$ 80,990,475</u>	<u>\$ 57,182,653</u>	<u>\$ 138,173,128</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, 2008

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
<b>Primary government:</b>							
Governmental Activities:							
General government	\$ 10,074,368	\$ 1,581,629	\$ 2,000	\$ -	\$ (8,490,739)	\$ -	\$ (8,490,739)
Public safety	16,918,305	630,712	189,926	-	(16,097,667)	-	(16,097,667)
Community services	5,201,066	554,945	100,653	162,546	(4,382,922)	-	(4,382,922)
Transportation and environment	4,279,001	972,327	1,255,340	-	(2,051,334)	-	(2,051,334)
Interest and fiscal charges	878,503	-	-	-	(878,503)	-	(878,503)
Total governmental activities	37,351,243	3,739,613	1,547,919	162,546	(31,901,165)	-	(31,901,165)
Business-type activities:							
Utilities	6,100,526	7,991,054	-	1,475,640	-	3,366,168	3,366,168
Centre	2,992,340	2,131,190	-	-	-	(861,150)	(861,150)
Sanitation	3,706,306	3,750,835	-	-	-	44,529	44,529
Total business-type activities	12,799,172	13,873,079	-	1,475,640	-	2,549,547	2,549,547
<b>Total primary government</b>	<b>\$ 50,150,415</b>	<b>\$ 17,612,692</b>	<b>\$ 1,547,919</b>	<b>\$ 1,638,186</b>	<b>(31,901,165)</b>	<b>2,549,547</b>	<b>(29,351,618)</b>
General revenues							
Property taxes					21,192,804	-	21,192,804
Local sales taxes					7,578,275	-	7,578,275
Intergovernmental / unrestricted					6,840,979	-	6,840,979
Interest on investments					1,484,404	449,147	1,933,551
Other revenues					951,038	-	951,038
Gain (Loss) on disposal of capital assets					(95,252)	385,974	290,722
Transfers					(1,025,000)	1,025,000	-
Total general revenues					36,927,248	1,860,121	38,787,369
Change in net assets					5,026,083	4,409,668	9,435,751
Net assets - beginning					75,964,392	52,772,985	128,737,377
Net assets - ending					\$ 80,990,475	\$ 57,182,653	\$ 138,173,128

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

## CITY OF GERMANTOWN, TENNESSEE

## BALANCE SHEET – GOVERNMENTAL FUNDS

June 30, 2008

	General	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>			
Cash and cash equivalents	\$ 16,314,317	\$ 8,014,686	\$ 24,329,003
Investments	6,132,390	2,531,619	8,664,009
Receivables			
Property taxes	21,491,204	-	21,491,204
Interest	65,005	-	65,005
Other	5,409,841	192,504	5,602,345
Less allowance for doubtful accounts	(453,186)	-	(453,186)
Advances to other funds	1,625,000	-	1,625,000
Inventories	50,343	-	50,343
Restricted assets:			
Cash and cash equivalents	-	579,889	579,889
Total assets	<u>\$ 50,634,914</u>	<u>\$ 11,318,698</u>	<u>\$ 61,953,612</u>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Accounts payable	\$ 2,211,799	\$ 300,872	\$ 2,512,671
Contracts payable	-	214,301	214,301
Deferred revenue	22,671,766	167,948	22,839,714
Total liabilities	<u>24,883,565</u>	<u>683,121</u>	<u>25,566,686</u>
Fund Balances:			
Reserved for:			
Encumbrances	465,726	3,225,017	3,690,743
Advances	1,625,000	-	1,625,000
Unreserved, reported in:			
General fund			
Designated for emergencies	900,000	-	900,000
Designated for capital asset replacement	2,078,000	-	2,078,000
Designated for tax anticipation	7,069,342	-	7,069,342
Designated for debt service	2,855,976	-	2,855,976
Undesignated	10,757,305	-	10,757,305
Special revenue funds	-	1,791,386	1,791,386
Capital projects funds	-	5,619,174	5,619,174
Total fund balances	<u>25,751,349</u>	<u>10,635,577</u>	<u>36,386,926</u>
Total liabilities and fund balances	<u>\$ 50,634,914</u>	<u>\$ 11,318,698</u>	<u>\$ 61,953,612</u>

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

CITY OF GERMANTOWN, TENNESSEE

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

June 30, 2008

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

Total fund balances - total governmental funds	\$ 36,386,926
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	65,322,712
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	505,939
Internal service funds are used by management to charge the costs of health insurance, and vehicle maintenance to other funds. The assets and liabilities of the internal service funds are included governmental activities in the statement of net assets.	1,094,106
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	<u>(22,319,208)</u>
Net assets of governmental activities	<u><u>\$ 80,990,475</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, 2008

	General	Other Governmental Funds	Total
<b>REVENUES</b>			
Taxes:			
Property taxes	\$ 21,208,026	\$ -	\$ 21,208,026
Local sales taxes	7,578,275	-	7,578,275
State taxes (local share)	6,840,979	1,255,340	8,096,319
Fines and forfeitures	1,107,391	-	1,107,391
Licenses and permits	1,059,548	-	1,059,548
Fees for services	212,301	257,660	469,961
Interest on investments	1,405,090	79,314	1,484,404
Grants	244,501	-	244,501
Other revenues	1,516,422	839,173	2,355,595
Total revenues	41,172,533	2,431,487	43,604,020
<b>EXPENDITURES</b>			
Current:			
General government	9,742,760	-	9,742,760
Public safety	15,754,328	945,917	16,700,245
Community services	4,746,450	249,427	4,995,877
Transportation and environment	1,971,577	2,168,760	4,140,337
Debt services			
Principal	1,950,000	-	1,950,000
Interest and fiscal charges	900,535	-	900,535
Capital projects	-	2,827,924	2,827,924
Total expenditures	35,065,650	6,192,028	41,257,678
Excess (deficiency) of revenues over (under) expenditures	6,106,883	(3,760,541)	2,346,342
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	-	5,400,000	5,400,000
Transfers out	(6,425,000)	-	(6,425,000)
Disposal of capital assets	31,482	-	31,482
Total other financing sources (uses)	(6,393,518)	5,400,000	(993,518)
Net change in fund balances	(286,635)	1,639,459	1,352,824
Fund balances - beginning	26,037,984	8,996,118	35,034,102
Fund balances - ending	\$ 25,751,349	\$ 10,635,577	\$ 36,386,926

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

## CITY OF GERMANTOWN, TENNESSEE

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

For the Year Ended June 30, 2008

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

Net change in fund balance - total governmental funds	\$ 1,352,824
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	1,984,721
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(15,222)
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.	1,929,538
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.	(48,465)
Internal service funds are used by management to charge the costs of health insurance and vehicle maintenance to individual funds. The net cost of certain activities of of internal service funds is reported with governmental activities.	<u>(177,313)</u>
Change in net assets of governmental activities	<u><u>\$ 5,026,083</u></u>

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

## CITY OF GERMANTOWN, TENNESSEE

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

For the Year Ended June 30, 2008

	Budgeted Amounts		Actual Amounts	Variance with Final Budget-
	Original	Final		Positive(Negative)
<b>REVENUES</b>				
Property taxes	\$ 20,787,200	\$ 20,787,200	\$ 21,208,026	\$ 420,826
Local sales taxes	6,967,300	6,967,300	7,578,275	610,975
State taxes (local share)	4,710,100	4,710,100	6,840,979	2,130,879
Fines and forfeitures	1,018,436	1,018,436	1,107,391	88,955
Licenses and permits	1,085,200	1,085,200	1,059,548	(25,652)
Fees for services	177,750	218,240	212,301	(5,939)
Interest on investments	1,228,750	1,228,750	1,405,090	176,340
Grants	66,000	161,850	244,501	82,651
Other revenues	1,163,579	1,184,795	1,516,422	331,627
Total revenues	<u>37,204,315</u>	<u>37,361,871</u>	<u>41,172,533</u>	<u>3,810,662</u>
<b>EXPENDITURES</b>				
General government				
Aldermen	123,912	137,617	130,034	7,583
Administration	1,240,852	1,282,582	1,266,830	15,752
Personnel	624,573	637,761	631,873	5,888
Information Technology	1,150,694	1,238,350	1,061,196	177,154
Finance	1,223,321	1,201,316	1,203,051	(1,735)
Research and Budget	237,545	218,984	215,759	3,225
City Court	411,719	450,036	447,625	2,411
Civic Support	444,000	474,445	438,520	35,925
Germantown Performing Arts Centre	873,344	966,158	914,887	51,271
Development	2,203,763	2,247,292	2,122,555	124,737
Building Maintenance	1,175,844	1,408,788	1,310,430	98,358
Total general government	<u>9,709,567</u>	<u>10,263,329</u>	<u>9,742,760</u>	<u>520,569</u>
Public safety				
Police	8,994,049	9,013,334	8,697,532	315,802
Fire	6,943,100	7,086,926	7,056,796	30,130
Total public safety	<u>15,937,149</u>	<u>16,100,260</u>	<u>15,754,328</u>	<u>345,932</u>

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

## CITY OF GERMANTOWN, TENNESSEE

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

For the Year Ended June 30, 2008

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget- Positive(Negative)</u>
	<u>Original</u>	<u>Final</u>		
Community services				
Parks & Recreation	3,386,034	3,371,147	3,237,765	133,382
Cultural Arts Programs	69,175	78,025	65,754	12,271
Library	1,438,595	1,532,882	1,442,931	89,951
Total community services	4,893,804	4,982,054	4,746,450	235,604
Transportation and environment				
Public services	1,758,686	1,768,556	1,700,944	67,612
Animal control	260,398	270,533	270,633	(100)
Total transportation and environment	2,019,084	2,039,089	1,971,577	67,512
Debt service				
Bond and note principal	1,950,000	1,950,000	1,950,000	-
Interest and fiscal charges	931,226	931,226	900,535	30,691
Total debt service	2,881,226	2,881,226	2,850,535	30,691
Total expenditures	35,440,830	36,265,958	35,065,650	1,200,308
Excess (deficiency) of revenues over (under) expenditures	1,763,485	1,095,913	6,106,883	5,010,970
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	(2,450,000)	(6,431,750)	(6,425,000)	6,750
Sale of capital assets	-	-	31,482	31,482
Total other financing sources (uses)	(2,450,000)	(6,431,750)	(6,393,518)	38,232
Net change in fund balances	(686,515)	(5,335,837)	(286,635)	5,049,202
Fund balance - beginning	26,037,984	26,037,984	26,037,984	-
Fund balance - ending	\$ 25,351,469	\$ 20,702,147	\$ 25,751,349	\$ 5,049,202

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, 2008

ASSETS	Business Type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	Utility Fund	Athletic Club Fund	Sanitation Fund	Total	
Current assets:					
Cash and cash equivalents	\$ 5,507,139	\$ 472,233	\$ 364,045	\$ 6,343,417	\$ 1,114,660
Investments	2,059,757	176,879	136,357	2,372,993	-
Prepaid expenses	-	129,830	-	129,830	-
Receivables:					
Customers and developers	1,112,494	-	201,254	1,313,748	-
Others	568	17,114	-	17,682	6,160
Less allowance for doubtful accounts	(67,126)	(14,211)	(29,275)	(110,612)	-
Net receivables	1,045,936	2,903	171,979	1,220,818	6,160
Inventories	42,007	-	-	42,007	114,822
Total current assets	8,654,839	781,845	672,381	10,109,065	1,235,642
Noncurrent assets:					
Capital assets, not being depreciated					
Land	310,132	2,391,580	-	2,701,712	-
Construction in progress	1,524,239	-	-	1,524,239	-
Total non-depreciable assets	1,834,371	2,391,580	-	4,225,951	-
Capital assets, being depreciated					
Buildings and improvements	171,321	16,742,915	-	16,914,236	319,511
Water treatment plant	12,040,832	-	-	12,040,832	-
Water mains and laterals	22,116,412	-	-	22,116,412	-
Sewer mains and laterals	23,473,885	-	-	23,473,885	-
Machinery and equipment	1,752,037	670,254	17,572	2,439,863	306,146
Less accumulated depreciation	(20,242,632)	(5,771,714)	(17,572)	(26,031,918)	(438,775)
Total depreciable assets, net	39,311,855	11,641,455	-	50,953,310	186,882
Total noncurrent assets	41,146,226	14,033,035	-	55,179,261	186,882
Total assets	\$49,801,065	\$ 14,814,880	\$ 672,381	\$ 65,288,326	\$ 1,422,524

(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, 2008

	Business Type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	Utility Fund	Athletic Club Fund	Sanitation Fund	Total	
<b>LIABILITIES</b>					
Current liabilities:					
Accounts payable	\$ 460,113	\$ 165,592	\$ 305,761	\$ 931,466	\$ 338,478
Accrued interest payable	-	34,644	-	34,644	-
Unearned revenue	-	758,598	72,573	831,171	-
Advances from other funds - current	-	125,000	-	125,000	-
Bonds payable - current	351,200	-	-	351,200	-
Total current liabilities	<u>811,313</u>	<u>1,083,834</u>	<u>378,334</u>	<u>2,273,481</u>	<u>338,478</u>
Noncurrent liabilities:					
Customer deposits payable	391,431	17,617	-	409,048	-
Advances from other funds - net of current	-	1,500,000	-	1,500,000	-
Bonds payable - net of current	3,913,085	-	-	3,913,085	-
Total noncurrent liabilities	<u>4,304,516</u>	<u>1,517,617</u>	<u>-</u>	<u>5,822,133</u>	<u>-</u>
Total liabilities	<u>5,115,829</u>	<u>2,601,451</u>	<u>378,334</u>	<u>8,095,614</u>	<u>338,478</u>
<b>NET ASSETS</b>					
Invested in capital assets, net of related debt	36,881,941	14,033,035	-	50,914,976	186,882
Unrestricted	<u>7,803,295</u>	<u>(1,819,606)</u>	<u>294,047</u>	<u>6,277,736</u>	<u>897,164</u>
Total net assets	<u>\$44,685,236</u>	<u>\$ 12,213,429</u>	<u>\$ 294,047</u>	<u>57,192,712</u>	<u>\$ 1,084,046</u>
Adjustment to reflect the consolidation of internal service funds related to enterprise funds				(10,059)	
Net assets of business-type activities				<u>\$ 57,182,653</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, 2008

	Business Type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	Utility Fund	Athletic Club Fund	Sanitation Fund	Total	
Operating Revenues:					
Water sales	\$ 4,949,228	\$ -	\$ -	\$ 4,949,228	\$ -
Sewer service charges	2,731,643	-	-	2,731,643	-
Connection and other fees	205,707	-	-	205,707	-
Forfeited discounts	70,393	-	36,379	106,772	-
Sanitation fees	-	-	3,714,456	3,714,456	-
Membership fees	-	1,559,404	-	1,559,404	-
Class fees	-	332,585	-	332,585	-
Daily admissions	-	13,463	-	13,463	-
Internal charges	-	-	-	-	4,278,170
Other income	34,083	225,738	-	259,821	-
Total operating revenues	7,991,054	2,131,190	3,750,835	13,873,079	4,278,170
Operating Expenses:					
Personnel services	1,494,715	1,271,577	30,216	2,796,508	670,501
Materials and supplies	131,846	245,512	-	377,358	11,920
Utilities	611,360	-	-	611,360	-
Sewage treatment fees	815,322	-	-	815,322	-
Landfill fees	-	-	507,215	507,215	-
Garbage collection fees	-	-	3,144,735	3,144,735	-
Other services and charges	1,772,941	939,035	26,185	2,738,161	3,660,755
Bad debt expense	-	3,459	-	3,459	-
Depreciation	1,207,059	490,538	-	1,697,597	31,147
Total operating expenses	6,033,243	2,950,121	3,708,351	12,691,715	4,374,323
Operating income (loss)	1,957,811	(818,931)	42,484	1,181,364	(96,153)
Nonoperating Revenues (Expenses):					
Interest on investments	395,234	27,042	26,871	449,147	-
Interest and fiscal charges	(116,296)	(72,323)	-	(188,619)	-
Gain on disposal of capital assets	385,974	-	-	385,974	-
Total nonoperating revenues (expenses)	664,912	(45,281)	26,871	646,502	-
Income (loss) before contributions and transfer	2,622,723	(864,212)	69,355	1,827,866	(96,153)
Contributions from developers	1,475,640	-	-	1,475,640	-
Transfers in	-	1,025,000	-	1,025,000	-
Change in net assets	4,098,363	160,788	69,355	4,328,506	(96,153)
Total net assets - beginning	40,586,873	12,052,641	224,692		1,180,199
Total net assets - ending	\$ 44,685,236	\$ 12,213,429	\$ 294,047		\$ 1,084,046
Adjustment to reflect the consolidation of internal service funds related to enterprise funds				81,162	
Change in net assets of business-type activities				\$ 4,409,668	

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, 2008

	Business-Type Activities - Enterprise Funds			Totals	Governmental Activities - Internal Service Funds
	Utility Fund	Athletic Club Fund	Sanitation Fund		
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Cash rec'd from customers	\$ 8,348,475	\$ 2,223,324	\$ 3,764,924	\$ 14,336,723	\$ 4,289,106
Cash paid to suppliers	(3,261,728)	(1,240,345)	(3,417,702)	(7,919,775)	(3,670,755)
Cash paid to employees	(1,491,117)	(1,259,449)	(31,313)	(2,781,879)	(664,627)
Net cash provided (used) by operating activities	3,595,630	(276,470)	315,909	3,635,069	(46,276)
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>					
Transfer from other fund	-	1,025,000	-	1,025,000	-
Advances from other funds	-	(125,000)	-	(125,000)	-
Net cash provided (used) by noncapital and related financing activities	-	900,000	-	900,000	-
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>					
Bond and loan principal payments	(335,000)	-	-	(335,000)	-
Acquisition of capital assets	(1,833,827)	(683,749)	-	(2,517,576)	(15,674)
Proceeds from disposal of capital assets	409,500	-	-	409,500	-
Interest paid	(184,540)	(79,684)	-	(264,224)	-
Net cash provided (used) by capital and related financing activities	(1,943,867)	(763,433)	-	(2,707,300)	(15,674)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Purchase of investments	(1,565,247)	(108,619)	(122,237)	(1,796,103)	-
Interest received	395,234	27,042	26,869	449,145	-
Net cash provided (used) by investing activities	(1,170,013)	(81,577)	(95,368)	(1,346,958)	-
Net increase (decrease) in cash and cash equivalents	481,750	(221,480)	220,541	480,811	(61,950)
Cash and cash equivalents - beginning	5,025,389	693,713	143,504	5,862,606	1,176,610
Cash and cash equivalents - ending	\$ 5,507,139	\$ 472,233	\$ 364,045	\$ 6,343,417	\$ 1,114,660

(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, 2008

	Business-Type Activities - Enterprise Funds			Totals	Governmental Activities - Internal Service Funds
	Utility Fund	Athletic Club Fund	Sanitation Fund		
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) By Operating Activities					
Operating income (loss)	\$ 1,957,811	\$ (818,931)	\$ 42,484	\$ 1,181,364	\$ (96,153)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities					
Depreciation expense	1,207,059	490,538	-	1,697,597	31,147
(Increase) decrease in assets:					
Accounts receivable	348,095	556	6,302	354,953	10,936
Prepaid expenses	-	(129,830)	-	(129,830)	-
Inventories	8,068	-	-	8,068	(41,681)
Increase (decrease) in liabilities:					
Accounts payable	65,271	86,160	260,433	411,864	49,475
Accrued expenses	-	-	(1,097)	(1,097)	-
Customer deposits	9,326	238	-	9,564	-
Deferred revenue	-	94,799	7,787	102,586	-
Total adjustments	1,637,819	542,461	273,425	2,453,705	49,877
Net cash provided (used) by operating activities	<u>\$ 3,595,630</u>	<u>\$ (276,470)</u>	<u>\$ 315,909</u>	<u>\$ 3,635,069</u>	<u>\$ (46,276)</u>
Noncash investing, capital, and financing activities:					
Contributions of capital assets from developers	<u>\$ 1,475,640</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,475,640</u>	<u>\$ -</u>

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

## CITY OF GERMANTOWN, TENNESSEE

## STATEMENT OF FIDUCIARY NET ASSETS

June 30, 2008

	<u>Pension Fund</u>	<u>OPEB Fund</u>	<u>Bail Deposit Fund</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 1,683,837	\$ 326,120	\$ 112,514
Investments, at fair value			
Common stock	8,848,418	-	-
Foreign stock	1,742,968	-	-
U.S. government obligations	845,691	-	-
U.S. government mortgage backed securities	5,709,259	-	-
Collateralized mortgage obligation	801,498	-	-
State and municipal bonds	2,393,512	-	-
Mutual funds - equity	7,372,475	304,504	-
Mutual funds - fixed income	-	177,896	-
Mutual funds - international	7,418,607	126,284	-
Corporate bonds	1,740,583	-	-
Receivables:			
Accounts receivable	40,945	-	-
Contributions	-	8,493	-
Interest	130,163	2,946	-
Total assets	<u>38,727,956</u>	<u>946,243</u>	<u>\$ 112,514</u>
<b>LIABILITIES</b>			
Accounts payable	84,934	32,478	\$ -
Deposits held in trust	-	-	112,514
Total liabilities	<u>84,934</u>	<u>32,478</u>	<u>\$ 112,514</u>
<b>NET ASSETS</b>			
Held in trust for pension benefits and other purposes	<u>\$ 38,643,022</u>	<u>\$ 913,765</u>	

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

## CITY OF GERMANTOWN, TENNESSEE

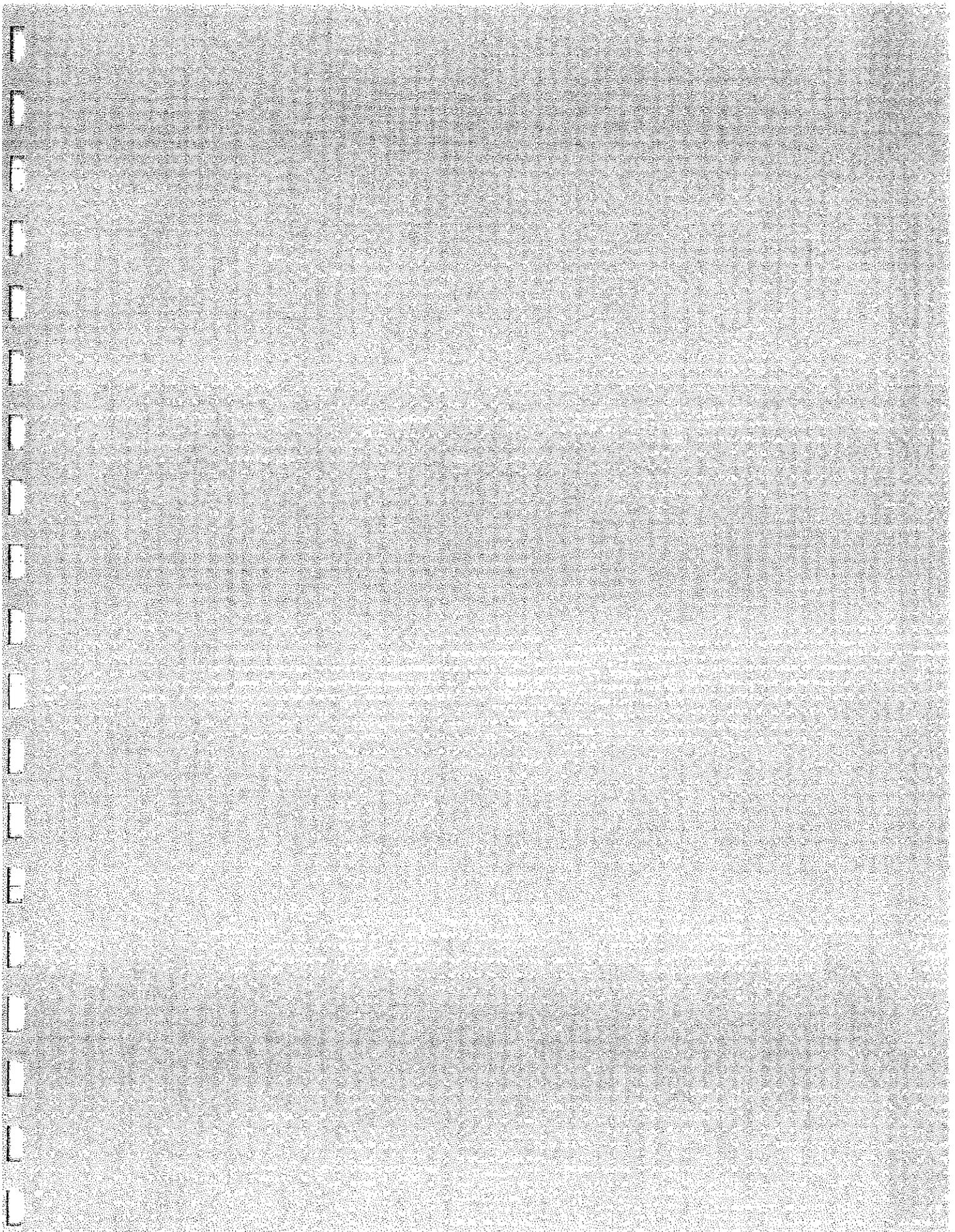
## STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS

For the Year Ended June 30, 2008

	<b>Pension Fund</b>	<b>OPEB Fund</b>
<b>ADDITIONS</b>		
Contributions:		
Employer	\$ 1,727,367	\$ 1,213,184
Plan members	604,310	88,684
Total contributions	<u>2,331,677</u>	<u>1,301,868</u>
Investment Income:		
Net depreciation in fair value of investments	(2,991,224)	(821)
Interest and dividends	1,446,999	12,659
Total investment earnings (loss)	<u>(1,544,225)</u>	<u>11,838</u>
Total additions	787,452	1,313,706
<b>DEDUCTIONS</b>		
Benefits paid	1,393,525	397,989
Administrative expense	230,377	1,952
Total deductions	1,623,902	399,941
Change in net assets	(836,450)	913,765
Net assets - beginning	<u>39,479,472</u>	<u>-</u>
Net assets - ending	<u><u>\$ 38,643,022</u></u>	<u><u>\$ 913,765</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, 2008

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Reporting entity**

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

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

**B. Government-wide and fund financial statements**

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

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

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

## CITY OF GERMANTOWN, TENNESSEE

### NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2008

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#### **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, charges for services, fines and forfeitures, and miscellaneous revenues (except for investment earnings) are considered to be measurable and available only when cash is received by the City.

The City reports the following major governmental funds:

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

The City reports the following major proprietary funds:

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

## CITY OF GERMANTOWN, TENNESSEE

### NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2008

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

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

Additionally, the City reports the following fund types:

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

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

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

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

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

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

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

## CITY OF GERMANTOWN, TENNESSEE

### NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2008

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

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

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

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

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

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

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

#### **D - Assets, liabilities and fund equity**

##### *1. Deposits and investments*

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

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

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

**CITY OF GERMANTOWN, TENNESSEE**

**NOTES TO THE FINANCIAL STATEMENTS**

For the Year Ended June 30, 2008

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*2. Receivables and payables*

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

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

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

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

*3. Inventories*

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

*4. Restricted assets*

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

*5. Capital assets*

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

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

**CITY OF GERMANTOWN, TENNESSEE**

**NOTES TO THE FINANCIAL STATEMENTS**

For the Year Ended June 30, 2008

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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 a normal year's accumulation. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements. Compensated absences are paid out of the employee's cost center

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

*7. Post Employment Benefits*

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

*8. Long-term obligations*

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

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

**CITY OF GERMANTOWN, TENNESSEE**

**NOTES TO THE FINANCIAL STATEMENTS**

For the Year Ended June 30, 2008

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*9. Fund equity*

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

**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 \$22,319,208 difference are as follows:

Bonds payable	\$ 21,935,000
Deferred amount for issuance costs	(323,986)
Accrued interest payable	245,253
Compensated absences	<u>462,941</u>
Net adjustment to reduce - fund balance - total governmental funds to arrive at net assets - governmental activities	<u><u>\$ 22,319,208</u></u>

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

CITY OF GERMANTOWN, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2008

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The details of the \$1,984,721 difference are as follows:

Capital outlay	\$ 5,741,121
Depreciation expense	<u>(3,756,400)</u>
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ 1,984,721</u>

Another element of that reconciliation states that "the issuance of long-term debt (e.g. bond, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities." The details of this \$1,929,538 difference are as follows:

Interest and issuance costs	\$ (20,462)
Principal repayments of general obligation debt	<u>1,950,000</u>
Net adjustment to increase net changes in fund balance - total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ 1,929,538</u>

Another element of that reconciliation states that "some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds." The details of this (\$48,465) difference are as follows:

Accrued interest	\$ 22,032
Compensated absences	<u>(70,497)</u>
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ (48,465)</u>

**CITY OF GERMANTOWN, TENNESSEE**

**NOTES TO THE FINANCIAL STATEMENTS**

For the Year Ended June 30, 2008

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**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.

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

**B. Excess of expenditures over appropriations**

For the year ended June 30, 2008, expenditures did not exceed appropriations in any fund.

**C. Budgetary basis of accounting**

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

**CITY OF GERMANTOWN, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**

For the Year Ended June 30, 2008

**NOTE 4 - DETAILED NOTES ON ALL FUNDS**

**A. Deposits and investments**

As of June 30, 2008, the City had the following investments:

Investment Type	Fair Value	Weighted Average Maturities (Years)
Common Stock	\$ 8,848,418	-
Foreign Stock	1,742,968	
U.S. Treasuries	845,691	5.8
U.S. Government Mortgage Backed Securities	17,547,759	5.2
State and Municipal Bonds	2,393,512	6.4
Corporate Bonds	1,740,583	9.2
Mutual Funds - Equity	7,676,979	
Mutual Funds - Fixed Income	177,896	
Mutual Funds - International	7,544,891	
Total fair value	<u>\$ 48,518,697</u>	
Portfolio weighted average maturity		6.2

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. 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	\$ 845,691	AAA	\$ 845,691	Aaa	\$ 441,691	AAA	\$ 441,691
				A1	274,091	AA	490,180
				A2	81,602	A+	249,765
				Aa2	297,776	AA-	183,925
				A3	115,337	A	297,407
				Aa3	452,471	A-	77,615
				Baa2	77,615		
State and Municipal Bonds							
Moody's	Amount	S&P	Amount				
Aaa	\$ 733,058	AA-	\$ 170,879				
A1	51,795	AA	1,017,856				
A2	170,350	AAA	1,204,777				
Aa2	331,007						
Aa3	865,724						
NR	241,578						

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:

## CITY OF GERMANTOWN, TENNESSEE

### NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2008

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

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

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

Federal Home Loan Bank	\$ 7,042,500	14.5%
Federal National Mortgage Association	2,575,285	5.3%
Federal Home Loan Mortgage Corporation	7,039,058	14.5%
Government National Mortgage Association	890,916	1.8%

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

**CITY OF GERMANTOWN, TENNESSEE**

**NOTES TO THE FINANCIAL STATEMENTS**

For the Year Ended June 30, 2008

**B. Receivables**

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

	General	Nonmajor and Other Funds	Utility Fund	Athletic Club Fund	Sanitation Fund	Total
Receivables:						
Property taxes	\$ 21,491,204	\$ -	\$ -	\$ -	\$ -	\$ 21,491,204
Interest	65,005	-	-	-	-	65,005
Sales and income taxes	5,409,841	-	-	-	-	5,409,841
Accounts receivable	-	-	1,112,494	-	201,254	1,313,748
Other	-	192,504	568	17,114	-	210,186
Gross receivables	26,966,050	192,504	1,113,062	17,114	201,254	28,489,984
Less: allowance for uncollectibles	(453,186)	-	(67,126)	(14,211)	(29,275)	(563,798)
Net total receivables	<u>\$ 26,512,864</u>	<u>\$ 192,504</u>	<u>\$ 1,045,936</u>	<u>\$ 2,903</u>	<u>\$ 171,979</u>	<u>\$ 27,926,186</u>

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

**C. Property Taxes**

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

	Assessment Rate	Assessed Value
Residential real property	25%	\$ 1,032,906,875
Farm real property	25%	3,096,525
Commercial real property	40%	256,651,090
Public utilities real property	55%	14,500,493
Commercial personal property	30%	25,959,580
		<u>\$ 1,333,114,563</u>

**CITY OF GERMANTOWN, TENNESSEE**

**NOTES TO THE FINANCIAL STATEMENTS**

For the Year Ended June 30, 2008

The estimated actual value was \$4,936,751,633 making the overall assessed value 27.0% 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, 2008 were 97.9% 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, 2008, was \$1.54 per \$100 of assessed value.

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

<b>Year</b>	<b>Taxes Receivable June 30, 2007</b>	<b>Taxes Levied And Accrued</b>	<b>Collections And Adjustments</b>	<b>Taxes Receivable June 30, 2008</b>
1998 & Prior	\$ 20,478	\$ -	\$ 15,935	\$ 4,543
1999	12,859	-	7,298	5,561
2000	16,190	-	4,079	12,111
2001	15,891	-	3,915	11,976
2002	21,752	-	6,524	15,228
2003	31,238	-	4,049	27,189
2004	45,746	-	15,843	29,903
2005	80,452	-	45,475	34,977
2006	365,536	-	271,755	93,781
2007	20,306,657	-	19,883,309	423,348
2008	-	20,832,727	-	20,832,727
Credit	(1,751)	-	(1,611)	(140)
	<u>\$ 20,915,048</u>	<u>\$ 20,832,727</u>	<u>\$ 20,256,571</u>	<u>\$ 21,491,204</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, 2008

**D. Capital assets**

Capital asset activity for the year ended June 30, 2008 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Governmental Activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 8,187,765	\$ 513,700	\$ (178)	\$ 8,701,287
Construction in progress	3,362,003	1,950,158	(798,917)	4,513,244
Total capital assets, not being depreciated	<u>11,549,768</u>	<u>2,463,858</u>	<u>(799,095)</u>	<u>13,214,531</u>
Capital assets, being depreciated:				
Buildings	28,105,781	786,481	(135,642)	28,756,620
Improvements other than buildings	68,324,683	2,561,898	(253,046)	70,633,535
Machinery and equipment	21,326,120	871,258	(1,408,075)	20,789,303
Total capital assets being depreciated	<u>117,756,584</u>	<u>4,219,637</u>	<u>(1,796,763)</u>	<u>120,179,458</u>
Less accumulated depreciation for:				
Buildings	(9,685,575)	(753,969)	55,005	(10,384,539)
Improvements other than building	(39,403,723)	(2,111,508)	214,443	(41,300,788)
Machinery and equipment	(16,676,708)	(922,070)	1,399,710	(16,199,068)
Total accumulated depreciation	<u>(65,766,006)</u>	<u>(3,787,547)</u>	<u>1,669,158</u>	<u>(67,884,395)</u>
Total capital assets, being depreciated, net	<u>51,990,578</u>	<u>432,090</u>	<u>(127,605)</u>	<u>52,295,063</u>
Governmental activities capital assets, net	<u>\$ 63,540,346</u>	<u>\$ 2,895,948</u>	<u>\$ (926,700)</u>	<u>\$ 65,509,594</u>

**CITY OF GERMANTOWN, TENNESSEE**

**NOTES TO THE FINANCIAL STATEMENTS**

For the Year Ended June 30, 2008

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Business-type Activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 2,709,285	\$ -	\$ (7,573)	\$ 2,701,712
Construction in progress	829,965	1,200,725	(506,451)	1,524,239
Total capital assets, not being depreciated	<u>3,539,250</u>	<u>1,200,725</u>	<u>(514,024)</u>	<u>4,225,951</u>
Capital assets, being depreciated:				
Buildings	14,692,633	686,200	(48,163)	15,330,670
Improvements other than buildings	56,981,317	2,233,378	-	59,214,695
Machinery and equipment	2,228,025	379,327	(167,489)	2,439,863
Total capital assets being depreciated	<u>73,901,975</u>	<u>3,298,905</u>	<u>(215,652)</u>	<u>76,985,228</u>
Less accumulated depreciation for:				
Buildings	(4,213,903)	(350,941)	37,773	(4,527,071)
Improvements other than building	(18,354,989)	(1,250,322)	-	(19,605,311)
Machinery and equipment	(1,965,165)	(96,334)	161,963	(1,899,536)
Total accumulated depreciation	<u>(24,534,057)</u>	<u>(1,697,597)</u>	<u>199,736</u>	<u>(26,031,918)</u>
Total capital assets, being depreciated, net	<u>49,367,918</u>	<u>1,601,308</u>	<u>(15,916)</u>	<u>50,953,310</u>
Business-type activities capital assets, net	<u>\$ 52,907,168</u>	<u>\$ 2,802,033</u>	<u>\$ (529,940)</u>	<u>\$ 55,179,261</u>

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

Governmental activities:		
General government		\$ 2,213,462
Public safety		642,463
Community service		720,295
Transportation		180,180
Capital assets held by the City's internal service funds are charged to the various functions based on their usage of the assets		<u>31,147</u>
Total depreciation expense - government activities		<u>\$ 3,787,547</u>
Business-type activities:		
Utility		\$ 1,207,059
Centre		<u>490,538</u>
Total depreciation expense - business-type activities		<u>\$ 1,697,597</u>

**CITY OF GERMANTOWN, TENNESSEE**

**NOTES TO THE FINANCIAL STATEMENTS**

For the Year Ended June 30, 2008

**Construction commitments**

The government has active construction projects as of June 30, 2008. At year end the government's commitments with contractors are as follows:

<u>Function / Activity</u>	<u>Commitment</u>
Intersections	\$ 1,377,688
Drainage	221,448
Parks and recreation	138,308
General government	1,321,516
Utility	5,476,001
	<u>\$ 8,534,961</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>\$ 1,625,000</u>

The composition of interfund transfers for the year ended June 30, 2008, is as follows:

	<u>Transfer In:</u>		
	<u>Non-major Governmental</u>	<u>Athletic Club Fund</u>	<u>Total</u>
<b>Transfer out:</b>			
General Fund	<u>\$ 5,400,000</u>	<u>\$ 1,025,000</u>	<u>\$ 6,425,000</u>

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

**CITY OF GERMANTOWN, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**

For the Year Ended June 30, 2008

**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.

*Changes in long-term liabilities*

Long-term liability activity for the year ended June 30, 2008, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Governmental activities:</b>					
Bonds payable - general obligation	\$ 23,885,000	\$ -	\$ (1,950,000)	\$ 21,935,000	\$ 2,025,000
Plus (less) deferred amounts:					
For issuance premium	123,207	-	(8,800)	114,407	8,800
For issuance costs	(467,655)	-	29,262	(438,393)	25,000
Compensated absences	392,444	118,688	(48,191)	462,941	55,000
Governmental activity long-term liabilities	<u>\$ 23,932,996</u>	<u>\$ 118,688</u>	<u>\$ (1,977,729)</u>	<u>\$ 22,073,955</u>	<u>\$ 2,113,800</u>
<b>Business-type activities:</b>					
Revenue bonds	\$ 4,585,000	\$ -	\$ (335,000)	\$ 4,250,000	\$ 350,000
Plus (less) deferred amounts:					
For issuance premium <sup>96</sup>	,016	-	(8,730)	87,286	18,559
For issuance cost	(80,302)	-	7,300	(73,002)	(7,300)
Business-type activity long-term liabilities	<u>\$ 4,600,714</u>	<u>\$ -</u>	<u>\$ (336,430)</u>	<u>\$ 4,264,284</u>	<u>\$ 361,259</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, 2008

Bonds and similar debt payable at June 30, 2008, are comprised of the following individual issues:

	<u>Interest Rates</u>	<u>Original Issue</u>	<u>Balance Outstanding at Year End</u>
<b>Governmental activities:</b>			
Bonds payable:			
1997 Serial Bonds	4.5-4.75	\$ 9,800,000	\$ 1,130,000
2000 Serial Bonds	4.6-4.8	5,590,000	1,070,000
2002 Serial Bonds	1.5-4.85	7,845,000	5,175,000
2005 Serial Bonds	2.7-3.85	9,695,000	9,280,000
2006 Serial Bonds	4.00	5,555,000	5,280,000
		<u>\$ 38,485,000</u>	<u>21,935,000</u>
<b>Business-type activities:</b>			
2006 Revenue Bond	4.00	\$ 4,255,000	4,250,000
		<u>\$ 4,255,000</u>	<u>4,250,000</u>
			<u>\$ 26,185,000</u>

Annual debt service requirements to maturity are as follows:

<u>Years Ending June 30</u>	<u>Government Activities</u>		<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2009	\$ 2,025,000	\$ 830,976	\$ 350,000	\$ 170,000
2010	1,850,000	751,469	365,000	156,000
2011	1,915,000	678,211	380,000	141,400
2012	1,970,000	605,591	395,000	126,200
2013	2,040,000	532,972	410,000	110,400
2014 - 2018	8,315,000	1,572,266	2,350,000	290,000
2019 - 2023	2,850,000	479,216	-	-
2024 - 2026	970,000	56,574	-	-
	<u>\$ 21,935,000</u>	<u>\$ 5,507,275</u>	<u>\$ 4,250,000</u>	<u>\$ 994,000</u>

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

**CITY OF GERMANTOWN, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**

For the Year Ended June 30, 2008

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**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, 2008, PERS membership consisted of:

Retirees and beneficiaries currently receiving benefits	89
Terminated employees entitled to benefits	125
Current employees:	
Vested	241
Nonvested	<u>131</u>
Total	<u><u>586</u></u>

**B. Funding Policy**

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

**CITY OF GERMANTOWN, TENNESSEE**

**NOTES TO THE FINANCIAL STATEMENTS**

For the Year Ended June 30, 2008

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**C. Basis of Accounting**

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

**D. Plan Expenses**

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

**E. Method Used to Value Investments**

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

**F. Annual Pension Cost**

For the year ended June 30, 2008, the City's annual pension cost of \$1,653,220 was equal to the required and actual contributions. The required contribution was determined as part of the July 1, 2008 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 \$18,172,732.

**CITY OF GERMANTOWN, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**

For the Year Ended June 30, 2008

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

Annual required contribution	\$	1,653,220
Interest on net pension obligation		-
Adjustments to annual required contribution		-
Annual pension cost		1,653,220
Contributions made		1,653,220
Increase (decrease) in net pension obligation		-
Net pension obligation - beginning of year		-
Net pension obligation - end of year	\$	-

**G. Trend Information**

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

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

	2008	2007	2006
Annual Pension Cost	\$ 1,653,220	\$ 1,721,066	\$ 1,541,065
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, 2008

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:

<u>Actuarial</u> <u>Valuation</u> <u>Date</u>	<u>Actuarial</u> <u>Value of</u> <u>Assets</u>	<u>Unfunded</u> <u>Actuarial</u> <u>Accrued</u> <u>Liability-PUC</u>	<u>Funded</u> <u>Ratio</u>	<u>Covered</u> <u>Payroll</u>	<u>UAAL as a</u> <u>Percentage of</u> <u>Covered</u> <u>Payroll</u>
7/1/2003	\$21,918,937	\$ 7,527,365	74%	\$ 16,047,926	47%
7/1/2004	24,647,166	7,964,485	76%	16,467,341	48%
7/1/2005	28,068,919	8,103,029	78%	15,884,991	51%
7/1/2006	31,718,460	9,892,642	76%	16,834,212	59%
7/1/2007	36,456,572	8,993,694	80%	16,594,653	54%
7/1/2008	40,668,198	9,615,201	81%	18,172,732	53%

**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, 2008 was \$236,638. There are no non-cancelable leases as of June 30, 2008.

Construction contract commitments at June 30, 2008 totaled \$8,534,961.

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, 2008

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**NOTE 8 - RISK MANAGEMENT**

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

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

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

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

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

**CITY OF GERMANTOWN, TENNESSEE**

**NOTES TO THE FINANCIAL STATEMENTS**

For the Year Ended June 30, 2008

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

	Year ended June 30, 2008	Year ended June 30, 2007
Unpaid claims, beginning of fiscal year*	\$ 38,000	\$ 33,317
Incurred claims*	243,832	219,168
Claim payments	(223,932)	(214,485)
Unpaid claims, end of fiscal year*	<u>\$ 57,900</u>	<u>\$ 38,000</u>

\*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:

2009	\$ 305,193
2010	308,414
2011	311,220
2012	308,161
2013	311,252
Thereafter	<u>2,650,156</u>
	<u>\$ 4,194,396</u>

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

In addition, to the pension benefits described in Note 6, 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, 2008, 45 retirees met the requirement for participation and participated in the plan. The City paid \$397,989 in claims under the plan for the year-ended June 30, 2008.

## CITY OF GERMANTOWN, TENNESSEE

### NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2008

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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.

#### **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

**CITY OF GERMANTOWN, TENNESSEE**

**NOTES TO THE FINANCIAL STATEMENTS**

For the Year Ended June 30, 2008

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, 2008:

<u>Annual OPEB Cost</u>	Fiscal Year Ending <u>6/30/2008</u>
Annual Required Contribution	\$ 1,213,184
Interest on net OPEB Obligation	-
Adjustment to Annual Required Contribution	-
Annual OPEB Expense	<u>1,213,184</u>
Net OPEB Contributions Made During the Fiscal Year	<u>1,213,184</u>
Net OPEB Obligation at End of Year	<u>\$ -</u>
Percent of Expense Contributed	100%

**E. Funded Status and Funding Progress**

As of June 30, 2008, the actuarial accrued liability for benefits was \$11,207,650 all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$18,172,732, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 62 percent.

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, 2008

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value of assets, consistent with the long-term perspective of the calculations. The following assumptions were made:

*i. Measurement Date*

July 1, 2006

*ii. Discount Rate as of June 30, 2008*

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	0.464	0.253
35	0.860	0.476
45	2.183	1.010
55	6.131	2.541
65	15.592	7.064

*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, 2008

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*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, 2008

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*x. Retirement Rates*

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

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

*xi. Change in Assumptions*

This is the first year for which these calculations have been made.

*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, 2008

**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	\$ 298,706
Public safety	631,498
Community services	89,116
Transportation and environment	<u>88,310</u>
 Total governmental activities OPEB expense	 <u><u>\$ 1,107,630</u></u>

**NOTE 11 - SELF-INSURED GROUP HEALTH INSURANCE BENEFITS**

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

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

<u>Group Health Insurance Fund</u>	<u>2008</u>	<u>2007</u>
Incurred Claims But Not Reported at Beginning of Fiscal Year	\$ 305,262	\$ 146,781
Claims Submitted for Fiscal Year	3,917,194	2,697,215
Increase in Incurred Claims	-	-
Total Available for Claims Payments	<u>4,222,456</u>	<u>2,843,996</u>
Claims Paid During Fiscal Year	4,018,162	2,538,734
Incurred Claims But Not Reported at End of Fiscal Year	<u><u>\$ 204,294</u></u>	<u><u>\$ 305,262</u></u>

The City maintains a liability in the Group Health Insurance Fund in the amount of \$204,294 which is incurred but not reported and was estimated by a third party administrator and is included in accounts payable.

**CITY OF GERMANTOWN  
TENNESSEE**

**REQUIRED SUPPLEMENTARY INFORMATION**

## CITY OF GERMANTOWN, TENNESSEE

SCHEDULE OF PUBLIC EMPLOYEE RETIREMENT SYSTEM  
EMPLOYER CONTRIBUTIONS

For the Year Ended June 30, 2008

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<u>Year Ended June 30</u>	<u>Annual Required Contribution</u>	<u>Percent Contributed</u>
2003	\$ 1,322,153	100%
2004	1,443,145	100%
2005	1,502,285	100%
2006	1,541,065	100%
2007	1,721,066	100%
2008	1,653,220	100%

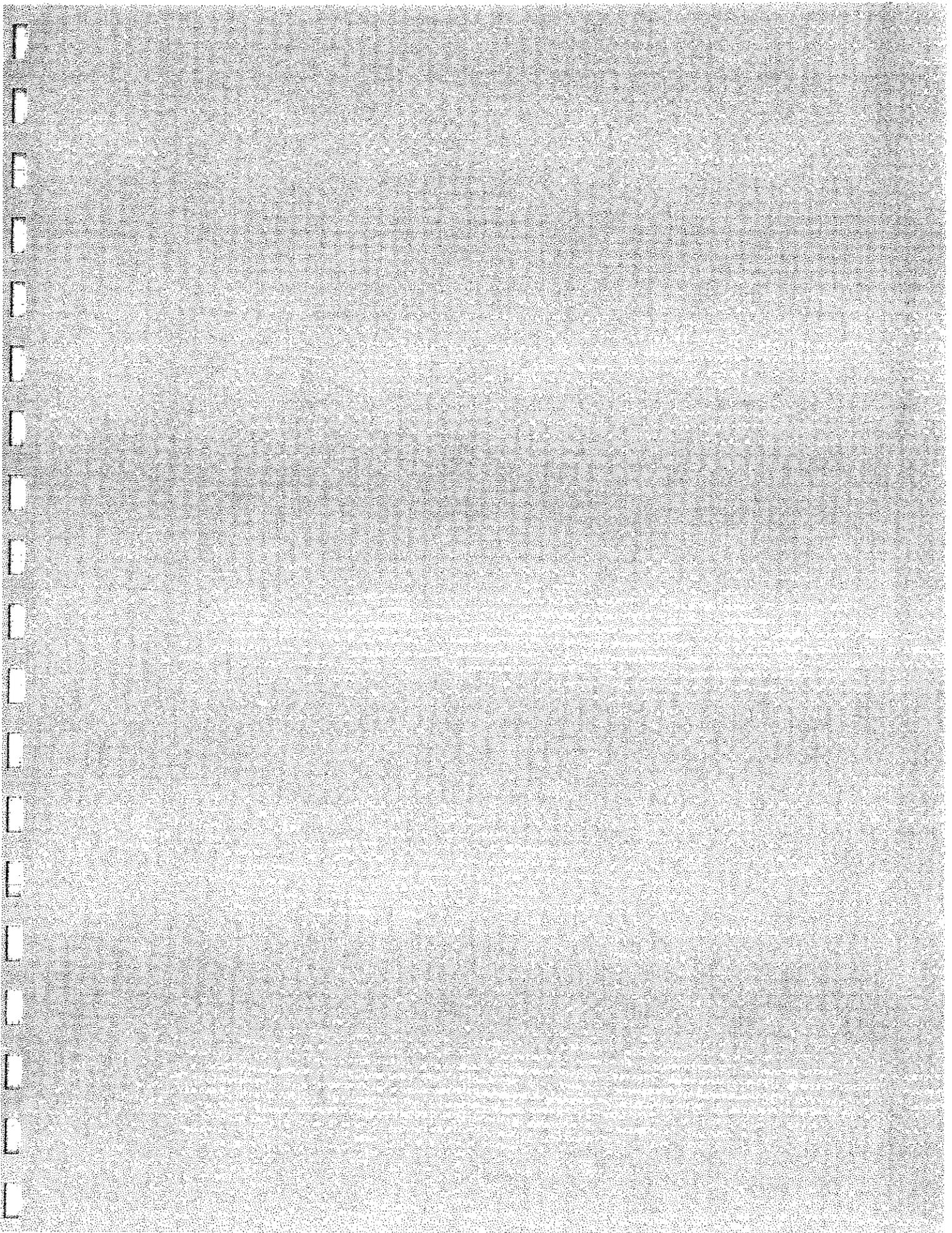
CITY OF GERMANTOWN, TENNESSEE

SCHEDULE OF OTHER POST EMPLOYMENT BENEFITS FUNDING PROGRESS

For the Year Ended June 30, 2008

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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 o: Covered <u>Payroll</u>
7/1/2008	\$937,896	\$ 11,207,650	7.7%	\$18,172,732	62%



CITY OF GERMANTOWN, TENNESSEE

COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS

June 30, 2008

	Special Revenue					Capital Projects					Total Nonmajor Governmental Funds	
	State Street Aid	Automated Enforcement	Drug Enforcement	Pickering	Recreation	Major Roads	Intersections	General Government	Fire Dept	Parks Improvement		Drainage Projects
<b>ASSETS</b>												
Cash and cash equivalents	\$ 1,057,586	\$ 308,170	\$ 163,717	\$ 84,673	\$ 240,435	\$ 1,089,167	\$ 623,562	\$ 1,063,617	\$ 1,091,968	\$ 1,269,782	\$ 1,022,009	\$ 8,014,686
Investments	396,129	115,428	-	31,681	90,058	407,959	233,562	398,389	-	475,609	382,804	2,531,619
Receivables - other	192,504	-	-	-	-	-	-	-	-	-	-	192,504
Restricted assets:												
Cash and cash equivalents	-	-	-	-	-	579,889	-	-	-	-	-	579,889
<b>Total assets</b>	<b>\$ 1,646,219</b>	<b>\$ 423,598</b>	<b>\$ 163,717</b>	<b>\$ 116,354</b>	<b>\$ 330,493</b>	<b>\$ 2,077,015</b>	<b>\$ 857,124</b>	<b>\$ 1,462,006</b>	<b>\$ 1,091,968</b>	<b>\$ 1,745,391</b>	<b>\$ 1,404,813</b>	<b>\$ 11,318,698</b>
<b>LIABILITIES</b>												
Accounts payable	\$ 246,929	\$ 32,449	187	\$ 6,492	\$ 14,815	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 300,872
Contracts payable	-	-	-	-	-	34,775	-	134,777	-	44,749	-	214,301
Deferred revenue	155,948	-	-	-	-	-	12,000	-	-	-	-	167,948
<b>Total Liabilities</b>	<b>402,877</b>	<b>32,449</b>	<b>187</b>	<b>6,492</b>	<b>14,815</b>	<b>34,775</b>	<b>12,000</b>	<b>134,777</b>	<b>-</b>	<b>44,749</b>	<b>-</b>	<b>683,121</b>
<b>FUND BALANCES</b>												
Reserved for encumbrances	262,916	169,100	-	159	-	1,377,733	197,800	1,075,537	-	141,772	-	3,225,017
Undesignated	980,426	222,049	163,530	109,703	315,678	664,507	647,324	251,692	1,091,968	1,558,870	1,404,813	7,410,560
<b>Total fund balances</b>	<b>1,243,342</b>	<b>391,149</b>	<b>163,530</b>	<b>109,862</b>	<b>315,678</b>	<b>2,042,240</b>	<b>845,124</b>	<b>1,327,229</b>	<b>1,091,968</b>	<b>1,700,642</b>	<b>1,404,813</b>	<b>10,635,577</b>
<b>Total liabilities and fund balances</b>	<b>\$ 1,646,219</b>	<b>\$ 423,598</b>	<b>\$ 163,717</b>	<b>\$ 116,354</b>	<b>\$ 330,493</b>	<b>\$ 2,077,015</b>	<b>\$ 857,124</b>	<b>\$ 1,462,006</b>	<b>\$ 1,091,968</b>	<b>\$ 1,745,391</b>	<b>\$ 1,404,813</b>	<b>\$ 11,318,698</b>

CITY OF GERMANTOWN, TENNESSEE

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

For the Year Ended June 30, 2008

	Special Revenue					Capital Projects						Total Nonmajor Governmental Funds
	State Street Aid	Automated Enforcement	Drug Enforcement	Pickering	Recreation	Major Roads	Intersections	General Government	Fire Dept	Parks Improvement	Drainage Projects	
<b>REVENUES</b>												
State gasoline taxes	\$ 1,255,340	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,255,340
Fees for services	-	-	-	26,251	231,409	-	-	-	-	-	-	257,660
Interest on investments	49,986	-	-	-	-	29,328	-	-	-	-	-	79,314
Other revenues	-	474,750	136,460	51,557	-	-	13,630	-	-	162,776	-	839,173
Total revenues	1,305,326	474,750	136,460	77,808	231,409	29,328	13,630	-	-	162,776	-	2,431,487
<b>EXPENDITURES</b>												
Material and supplies	2,168,760	-	401,827	2,711	24,296	-	-	-	-	-	-	2,597,594
Personnel services	-	305,575	53,212	-	-	-	-	-	-	-	-	358,787
Other services and charges	-	185,303	-	39,106	183,314	-	-	-	-	-	-	407,723
Architectural and engineering	-	-	-	-	-	140,540	-	161,520	-	29,650	197,902	529,612
Construction contracts	-	-	-	-	-	89,164	-	493,668	-	1,316,118	74,199	1,973,149
Other costs	-	-	-	-	-	318,751	-	-	6,412	-	-	325,163
Total expenditures	2,168,760	490,878	455,039	41,817	207,610	548,455	-	655,188	6,412	1,345,768	272,101	6,192,028
Excess (deficiency) of revenues over (under) expenditures	(863,434)	(16,128)	(318,579)	35,991	23,799	(519,127)	13,630	(655,188)	(6,412)	(1,182,992)	(272,101)	(3,760,541)
<b>OTHER FINANCING SOURCES (USES)</b>												
Transfers in(out)	1,300,000	-	-	-	-	700,000	500,000	1,200,000	700,000	1,000,000	-	5,400,000
Total other financing sources (uses)	1,300,000	-	-	-	-	700,000	500,000	1,200,000	700,000	1,000,000	-	5,400,000
Net change in fund balance	436,566	(16,128)	(318,579)	35,991	23,799	180,873	513,630	544,812	693,588	(182,992)	(272,101)	1,639,459
Fund balances - beginning	806,776	407,277	482,109	73,871	291,879	1,861,367	331,494	782,417	398,380	1,883,634	1,676,914	8,996,118
Fund balances - ending	\$ 1,243,342	\$ 391,149	\$ 163,530	\$ 109,862	\$ 315,678	\$ 2,042,240	\$ 845,124	\$ 1,327,229	\$ 1,091,968	\$ 1,700,642	\$ 1,404,813	\$ 10,635,577

## CITY OF GERMANTOWN, TENNESSEE

SCHEDULE OF REVENUES – BUDGET AND ACTUAL –  
GENERAL FUND

For the Year Ended June 30, 2008

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>PROPERTY TAXES</b>				
Real property taxes	\$ 19,501,000	\$ 19,501,000	\$ 19,860,920	\$ 359,920
Personal property taxes	617,000	617,000	660,280	43,280
Penalties and interest- property taxes	99,000	99,000	96,963	(2,037)
Receipt in lieu of taxes - TVA	350,200	350,200	380,411	30,211
Receipt in lieu of taxes - MLGW	220,000	220,000	209,452	(10,548)
Total property taxes	20,787,200	20,787,200	21,208,026	420,826
<b>LOCAL SALES TAXES</b>				
Sales taxes	5,511,000	5,511,000	6,060,226	549,226
Beer and liquor taxes	570,600	570,600	600,757	30,157
Gross receipts tax	358,700	358,700	389,263	30,563
Penalties and interest - gross receipts tax	7,000	7,000	7,718	718
Room occupancy tax	520,000	520,000	520,311	311
Total local sales taxes	6,967,300	6,967,300	7,578,275	610,975
<b>STATE TAXES (LOCAL SHARE)</b>				
Sales taxes	2,905,900	2,905,900	3,202,143	296,243
Income taxes	1,600,000	1,600,000	3,449,132	1,849,132
Beer taxes	24,700	24,700	22,414	(2,286)
Liquor taxes	88,000	88,000	77,808	(10,192)
Property tax stabilization	91,500	91,500	89,482	(2,018)
Total state taxes (local share)	4,710,100	4,710,100	6,840,979	2,130,879
<b>FINES AND FORFEITURES</b>				
Traffic and other violations	262,730	262,730	272,663	9,933
City court costs	474,186	474,186	692,878	218,692
Other court costs	275,520	275,520	136,258	(139,262)
Animal impoundment fees	6,000	6,000	5,592	(408)
Total fines and forfeitures	1,018,436	1,018,436	1,107,391	88,955
<b>LICENSES AND PERMITS</b>				
Automobile registrations	927,000	927,000	887,054	(39,946)
Building permits	50,000	50,000	70,598	20,598
Animal licenses	80,000	80,000	79,681	(319)
Fence & sign permits	4,500	4,500	4,148	(352)
Liquor permits	23,700	23,700	18,067	(5,633)
Total licenses and permits	\$ 1,085,200	\$ 1,085,200	\$ 1,059,548	\$ (25,652)

(continued)

## CITY OF GERMANTOWN, TENNESSEE

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

For the Year Ended June 30, 2008

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>FEES FOR SERVICES</b>				
Engineering fees	\$ 40,000	\$ 40,000	\$ 34,847	\$ (5,153)
Fire inspection fees	3,000	3,000	1,295	(1,705)
Zoning applications	30,000	30,000	37,960	7,960
Library fees	104,750	145,240	138,199	(7,041)
Total fees for services	177,750	218,240	212,301	(5,939)
<b>INTEREST ON INVESTMENTS</b>	1,228,750	1,228,750	1,405,090	176,340
<b>GRANTS</b>	66,000	161,850	244,501	82,651
<b>OTHER REVENUES</b>				
Cable television fees	488,800	488,800	505,278	16,478
Miscellaneous	674,779	695,995	1,011,144	315,149
Total other revenues	1,163,579	1,184,795	1,516,422	331,627
Total revenues	\$ 37,204,315	\$ 37,361,871	\$ 41,172,533	\$ 3,810,662

## CITY OF GERMANTOWN, TENNESSEE

SCHEDULE OF EXPENDITURES – BUDGET AND ACTUAL –  
GENERAL FUND

For the Year Ended June 30, 2008

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>GENERAL GOVERNMENT</b>				
Aldermen:				
Personnel services	\$ 69,238	\$ 69,355	\$ 62,125	\$ 7,230
Materials and supplies	18,474	17,540	17,187	353
Other services and charges	36,200	50,722	50,722	-
Total Aldermen	123,912	137,617	130,034	7,583
Administration:				
Personnel services	829,161	830,757	835,648	(4,891)
Materials and supplies	13,400	27,153	12,189	14,964
Other services and charges	445,833	472,214	466,535	5,679
Expense reimbursement	(47,542)	(47,542)	(47,542)	-
Total Administration	1,240,852	1,282,582	1,266,830	15,752
Personnel:				
Personnel services	540,439	565,954	568,996	(3,042)
Materials and supplies	12,000	6,993	4,366	2,627
Other Services and charges	114,100	106,780	100,477	6,303
Expense reimbursement	(41,966)	(41,966)	(41,966)	-
Total Personnel	624,573	637,761	631,873	5,888
Information Technology:				
Personnel services	371,069	261,669	206,480	55,189
Materials and supplies	228,450	223,032	200,253	22,779
Other services and charges	465,520	473,348	393,510	79,838
Capital outlay	132,200	326,846	307,498	19,348
Expense reimbursement	(46,545)	(46,545)	(46,545)	-
Total Information Technology	1,150,694	1,238,350	1,061,196	177,154
Finance:				
Personnel services	1,106,258	1,111,690	1,117,776	(6,086)
Materials and supplies	52,800	53,289	52,799	490
Other services and charges	249,539	221,613	217,752	3,861
Expense reimbursement	(185,276)	(185,276)	(185,276)	-
Total Finance	\$ 1,223,321	\$ 1,201,316	\$ 1,203,051	\$ (1,735)

(continued)

## CITY OF GERMANTOWN, TENNESSEE

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

For the Year Ended June 30, 2008

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Research and Budget:				
Personnel services	\$ 227,789	\$ 209,112	\$ 210,288	\$ (1,176)
Materials and supplies	15,250	15,250	13,516	1,734
Other services and charges	10,315	10,431	7,764	2,667
Expense reimbursement	(15,809)	(15,809)	(15,809)	-
Total Research and Budget	237,545	218,984	215,759	3,225
City Court:				
Personnel services	361,332	389,409	390,589	(1,180)
Materials and supplies	4,800	4,950	3,983	967
Other services and charges	45,587	55,677	53,053	2,624
Total City Court	411,719	450,036	447,625	2,411
Civic Support:				
Grants	444,000	474,445	438,520	35,925
Total Civic Support	444,000	474,445	438,520	35,925
Germantown Performing Arts Centre:				
Personnel services	568,401	647,444	636,708	10,736
Materials and supplies	29,600	30,788	22,602	8,186
Other services and charges	275,343	248,639	216,290	32,349
Capital outlay	-	39,287	39,287	-
Total Germantown Performing Arts Centre	873,344	966,158	914,887	51,271
Development:				
Personnel services	2,134,206	2,098,484	2,043,122	55,362
Materials and supplies	26,300	32,736	31,740	996
Other services and charges	244,652	324,549	309,088	15,461
Capital outlay	60,000	52,918	-	52,918
Expense reimbursement	(261,395)	(261,395)	(261,395)	-
Total Development	2,203,763	2,247,292	2,122,555	124,737
Building Maintenance:				
Personnel services	552,333	635,017	634,489	528
Materials and supplies	61,275	79,426	65,413	14,013
Other services and charges	380,736	482,314	492,237	(9,923)
Capital outlay	181,500	212,031	118,291	93,740
Total Building Maintenance	1,175,844	1,408,788	1,310,430	98,358
Total General Government	\$ 9,709,567	\$ 10,263,329	\$ 9,742,760	\$ 520,569

(continued)

## CITY OF GERMANTOWN, TENNESSEE

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

For the Year Ended June 30, 2008

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>PUBLIC SAFETY</b>				
Police:				
Personnel services	\$ 7,850,599	\$ 7,841,389	\$ 7,724,326	\$ 117,063
Materials and supplies	390,725	418,350	353,583	64,767
Other services and charges	591,725	604,833	565,801	39,032
Capital outlay	161,000	148,762	53,822	94,940
Total Police	8,994,049	9,013,334	8,697,532	315,802
Fire:				
Personnel services	5,894,880	5,916,585	5,947,793	(31,208)
Materials and supplies	189,400	217,335	201,206	16,129
Other services and charges	798,820	808,528	771,874	36,654
Capital outlay	60,000	144,478	135,923	8,555
Total Fire	6,943,100	7,086,926	7,056,796	30,130
Total Public Safety	15,937,149	16,100,260	15,754,328	345,932
<b>COMMUNITY SERVICES</b>				
Parks & Recreation:				
Personnel services	2,068,739	1,957,739	1,965,175	(7,436)
Materials and supplies	170,010	177,268	156,905	20,363
Other services and charges	1,115,285	1,189,810	1,115,685	74,125
Capital outlay	32,000	46,330	-	46,330
Total Parks & Recreation	3,386,034	3,371,147	3,237,765	133,382
Cultural Arts Programs:				
Materials and supplies	42,730	45,830	38,437	7,393
Other services	26,445	32,195	27,317	4,878
Total Cultural Arts Program	69,175	78,025	65,754	12,271
Library:				
Materials and supplies	52,600	105,151	49,505	55,646
Other services	1,385,995	1,412,461	1,388,157	24,304
Capital outlay	-	15,270	5,269	10,001
Total Library	1,438,595	1,532,882	1,442,931	89,951
Total Community Services	\$ 4,893,804	\$ 4,982,054	\$ 4,746,450	\$ 235,604

(continued)

## CITY OF GERMANTOWN, TENNESSEE

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

For the Year Ended June 30, 2008

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>TRANSPORTATION AND ENVIRONMENT</b>				
Public Services:				
Personnel services	\$ 1,730,471	\$ 1,752,421	\$ 1,737,509	\$ 14,912
Materials and supplies	95,000	94,750	80,342	14,408
Other services and charges	314,038	302,208	269,549	32,659
Capital outlay	56,000	56,000	50,367	5,633
Expense reimbursement	(436,823)	(436,823)	(436,823)	-
Total Environmental Services	1,758,686	1,768,556	1,700,944	67,612
Animal Control:				
Personnel services	201,783	207,856	208,954	(1,098)
Materials and supplies	32,200	35,518	35,517	1
Other services and charges	26,415	27,159	26,162	997
Total Animal Control	260,398	270,533	270,633	(100)
Total Transportation and Environment	2,019,084	2,039,089	1,971,577	67,512
<b>DEBT SERVICE</b>				
Bond and note principal	1,950,000	1,950,000	1,950,000	-
Interest and fiscal charges	931,226	931,226	900,535	30,691
Total Debt Service	2,881,226	2,881,226	2,850,535	30,691
Total Expenditures	\$ 35,440,830	\$ 36,265,958	\$ 35,065,650	\$ 1,200,308

## 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, 2008

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive(Negative)
	Original	Final		
<b>STATE STREET AID</b>				
<b>REVENUES</b>				
State gasoline taxes	\$ 1,287,000	\$ 1,287,000	\$ 1,255,340	\$ (31,660)
Interest on investments	30,000	30,000	49,986	19,986
Total revenues	1,317,000	1,317,000	1,305,326	(11,674)
<b>EXPENDITURES</b>				
Material and supplies	2,265,800	2,486,631	2,168,760	317,871
Excess (deficiency) of revenues over (under) expenditures	(948,800)	(1,169,631)	(863,434)	306,197
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	800,000	1,300,000	1,300,000	-
Net change in fund balances	(148,800)	130,369	436,566	306,197
Fund balance - beginning	806,776	806,776	806,776	-
Fund balance - ending	\$ 657,976	\$ 937,145	\$ 1,243,342	\$ 306,197
<b>AUTOMATED ENFORCEMENT</b>				
<b>REVENUES</b>				
Red lights	\$ 605,000	\$ 605,000	\$ 474,750	\$ (130,250)
<b>EXPENDITURES</b>				
Other services and charges	363,500	373,986	185,303	188,683
Personnel services	282,647	304,053	305,575	(1,522)
Total expenditures	646,147	678,039	490,878	187,161
Net change in fund balances	(41,147)	(73,039)	(16,128)	56,911
Fund balance - beginning	407,277	407,277	407,277	-
Fund balance - ending	\$ 366,130	\$ 334,238	\$ 391,149	\$ 56,911

(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, 2008

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive(Negative)
	Original	Final		
<b>DRUG ENFORCEMENT</b>				
<b>REVENUES</b>				
Other revenues	\$ 249,000	\$ 249,000	\$ 136,460	\$ (112,540)
<b>EXPENDITURES</b>				
Material and supplies	112,250	417,686	401,827	15,859
Personnel services	85,000	53,215	53,212	3
Total expenditures	197,250	470,901	455,039	15,862
Net change in fund balances	51,750	(221,901)	(318,579)	(96,678)
Fund balance - beginning	482,109	482,109	482,109	-
Fund balance - ending	\$ 533,859	\$ 260,208	\$ 163,530	\$ (96,678)
<b>PICKERING</b>				
<b>REVENUES</b>				
Fees for services	\$ 29,000	\$ 29,000	\$ 26,251	\$ (2,749)
Other revenues	42,000	42,000	51,557	9,557
Total revenues	71,000	71,000	77,808	6,808
<b>EXPENDITURES</b>				
Material and supplies	3,500	3,500	2,711	789
Other services and charges	41,205	44,980	39,106	5,874
Total expenditures	44,705	48,480	41,817	6,663
Net change in fund balances	26,295	22,520	35,991	13,471
Fund balance - beginning	73,871	73,871	73,871	-
Fund balance - ending	\$ 100,166	\$ 96,391	\$ 109,862	\$ 13,471

(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, 2008

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive(Negative)
	Original	Final		
<b>RECREATION</b>				
<b>REVENUES</b>				
Fees for services	\$ 248,875	\$ 248,875	\$ 231,409	\$ (17,466)
<b>EXPENDITURES</b>				
Material and supplies	34,524	30,582	24,296	6,286
Other services and charges	194,501	198,443	183,314	15,129
Total expenditures	229,025	229,025	207,610	21,415
Net change in fund balances	19,850	19,850	23,799	3,949
Fund balance - beginning	291,879	291,879	291,879	-
Fund balance - ending	\$ 311,729	\$ 311,729	\$ 315,678	\$ 3,949
<b>MAJOR ROADS</b>				
<b>REVENUES</b>				
Interest on investments	\$ -	\$ -	\$ 29,328	\$ 29,328
<b>EXPENDITURES</b>				
Architectural and engineering	140,000	626,853	140,540	486,313
Construction contracts	-	573,471	89,164	484,307
Other costs	600,000	461,537	318,751	142,786
Total expenditures	740,000	1,661,861	548,455	1,113,406
Excess (deficiency) of revenues over (under) expenditures	(740,000)	(1,661,861)	(519,127)	1,142,734
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	700,000	700,000	-
Net change in fund balances	(740,000)	(961,861)	180,873	1,142,734
Fund balance - beginning	1,861,367	1,861,367	1,861,367	-
Fund balance - ending	\$ 1,121,367	\$ 899,506	\$ 2,042,240	\$ 1,142,734

(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, 2008

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive(Negative)
	Original	Final		
<b>INTERSECTIONS</b>				
<b>REVENUES</b>				
Other revenues	\$ -	\$ -	\$ 13,630	\$ 13,630
<b>EXPENDITURES</b>				
Construction contracts	410,000	418,255	-	418,255
Excess (deficiency) of revenues over (under) expenditures	(410,000)	(418,255)	13,630	431,885
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	300,000	500,000	500,000	-
Net change in fund balances	(110,000)	81,745	513,630	431,885
Fund balance - beginning	331,494	331,494	331,494	-
Fund balance - ending	\$ 221,494	\$ 413,239	\$ 845,124	\$ 431,885
<b>GENERAL GOVERNMENT PROJECTS</b>				
<b>EXPENDITURES</b>				
Architectural and engineering	\$ 361,000	\$ 392,655	\$ 161,520	\$ 231,135
Construction contracts	2,280,000	2,761,768	493,668	2,268,100
Total expenditures	2,641,000	3,154,423	655,188	2,499,235
Excess (deficiency) of revenues over (under) expenditures	(2,641,000)	(3,154,423)	(655,188)	2,499,235
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	918,000	1,200,000	1,200,000	-
Net change in fund balances	(1,723,000)	(1,954,423)	544,812	2,499,235
Fund balance - beginning	782,417	782,417	782,417	-
Fund balance - ending	\$ (940,583)	\$ (1,172,006)	\$ 1,327,229	\$ 2,499,235

(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, 2008

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive(Negative)
	Original	Final		
<b>FIRE DEPT</b>				
<b>EXPENDITURES</b>				
Other costs	\$ -	\$ 6,814	\$ 6,412	\$ 402
Excess (deficiency) of revenues over (under) expenditures	-	(6,814)	(6,412)	402
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	700,000	700,000	-
Net change in fund balances	-	693,186	693,588	402
Fund balance - beginning	398,380	398,380	398,380	-
Fund balance - ending	\$ 398,380	\$ 1,091,566	\$ 1,091,968	\$ 402
<b>PARKS IMPROVEMENTS</b>				
<b>REVENUES</b>				
Other revenues	\$ -	\$ -	\$ 162,776	\$ 162,776
<b>EXPENDITURES</b>				
Architectural and engineering	85,000	210,360	29,650	180,710
Construction contracts	1,327,000	1,651,610	1,316,118	335,492
Total expenditures	1,412,000	1,861,970	1,345,768	516,202
Excess (deficiency) of revenues over (under) expenditures	(1,412,000)	(1,861,970)	(1,182,992)	678,978
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	297,000	1,000,000	1,000,000	-
Net change in fund balances	(1,115,000)	(861,970)	(182,992)	678,978
Fund balance - beginning	1,883,634	1,883,634	1,883,634	-
Fund balance - ending	\$ 768,634	\$ 1,021,664	\$ 1,700,642	\$ 678,978

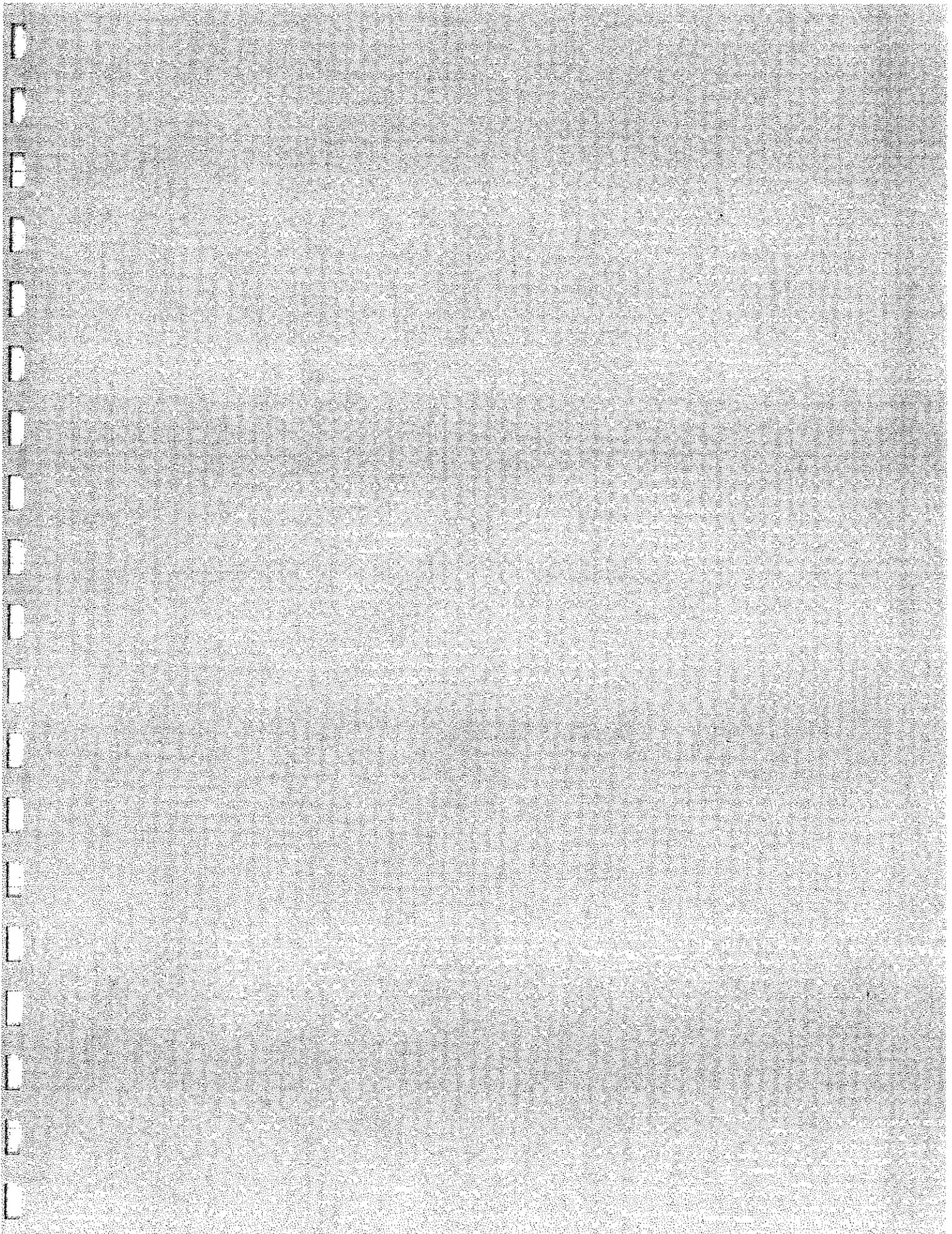
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## CITY OF GERMANTOWN, TENNESSEE

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

For the year ended June 30, 2008

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive(Negative)
	Original	Final		
<b>DRAINAGE PROJECTS</b>				
<b>EXPENDITURES</b>				
Architectural and engineering	\$ 285,000	\$ 585,224	\$ 197,902	\$ 387,322
Construction contracts	3,650,000	3,595,900	74,199	3,521,701
Contingency	200,000	32,996	-	32,996
Total expenditures	4,135,000	4,214,120	272,101	3,942,019
Excess (deficiency) of revenues over (under) expenditures	(4,135,000)	(4,214,120)	(272,101)	3,942,019
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	85,000	-	-	-
Net change in fund balances	(4,050,000)	(4,214,120)	(272,101)	3,942,019
Fund balance - beginning	1,676,914	1,676,914	1,676,914	-
Fund balance - ending	\$ (2,373,086)	\$ (2,537,206)	\$ 1,404,813	\$ 3,942,019



## CITY OF GERMANTOWN, TENNESSEE

## COMBINING STATEMENT OF NET ASSETS - INTERNAL SERVICE FUNDS

June 30, 2008

	Health Insurance	Vehicle Maintenance	Totals
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 918,571	\$ 196,089	\$ 1,114,660
Accounts receivable - other	6,160	-	6,160
Inventory	-	114,822	114,822
Total current assets	<u>924,731</u>	<u>310,911</u>	<u>1,235,642</u>
Noncurrent assets:			
Capital assets:			
Buildings	-	319,511	319,511
Machinery and equipment	-	306,146	306,146
	<u>-</u>	<u>625,657</u>	<u>625,657</u>
Less accumulated depreciation	-	(438,775)	(438,775)
Total capital assets	<u>-</u>	<u>186,882</u>	<u>186,882</u>
Total assets	<u>924,731</u>	<u>497,793</u>	<u>1,422,524</u>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	<u>204,294</u>	<u>134,184</u>	<u>338,478</u>
<b>NET ASSETS</b>			
Invested in capital assets	-	186,882	186,882
Unrestricted	720,437	176,727	897,164
Total net assets	<u>\$ 720,437</u>	<u>\$ 363,609</u>	<u>\$ 1,084,046</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, 2008

	Health Insurance	Vehicle Maintenance	Total
Operating Revenues:			
Charges for services	\$ 3,337,921	\$ 940,249	\$ 4,278,170
Operating Expenses:			
Personnel services	-	670,501	670,501
Materials and supplies	-	11,920	11,920
Other services and charges	3,426,663	234,092	3,660,755
Depreciation	-	31,147	31,147
Total operating expenses	<u>3,426,663</u>	<u>947,660</u>	<u>4,374,323</u>
Change in net assets	(88,742)	(7,411)	(96,153)
Total net assets - beginning	<u>809,179</u>	<u>371,020</u>	<u>1,180,199</u>
Total net assets - ending	<u>\$ 720,437</u>	<u>\$ 363,609</u>	<u>\$ 1,084,046</u>

## CITY OF GERMANTOWN, TENNESSEE

## COMBINING STATEMENT OF CASH FLOWS - INTERNAL SERVICE FUNDS

For the Year Ended June 30, 2008

	Health Insurance	Vehicle Maintenance	Totals
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash received from customers and users	\$ 3,348,857	\$ 940,249	\$ 4,289,106
Cash paid to suppliers	(3,449,037)	(221,718)	(3,670,755)
Cash paid to employees	-	(664,627)	(664,627)
Net cash provided (used) by operating activities	(100,180)	53,904	(46,276)
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Purchases of capital assets	-	(15,674)	(15,674)
Net increase (decrease) in cash and cash equivalents	(100,180)	38,230	(61,950)
Cash and cash equivalents - beginning of the year	1,018,751	157,859	1,176,610
Cash and cash equivalents - end of the year	\$ 918,571	\$ 196,089	\$ 1,114,660
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) By Operating Activities:</b>			
Operating income (loss)	\$ (88,742)	\$ (7,411)	\$ (96,153)
Adjustment to reconcile operating income (loss) to net cash provided (used) by operating activities			
Depreciation expense	-	31,147	31,147
(Increase) decrease in accounts receivable	10,936	-	10,936
(Increase) decrease in inventories	-	(41,681)	(41,681)
Increase (decrease) in accounts payable	(22,374)	71,849	49,475
Total adjustments	(11,438)	61,315	49,877
Net cash provided (used) by operating activities	\$ (100,180)	\$ 53,904	\$ (46,276)

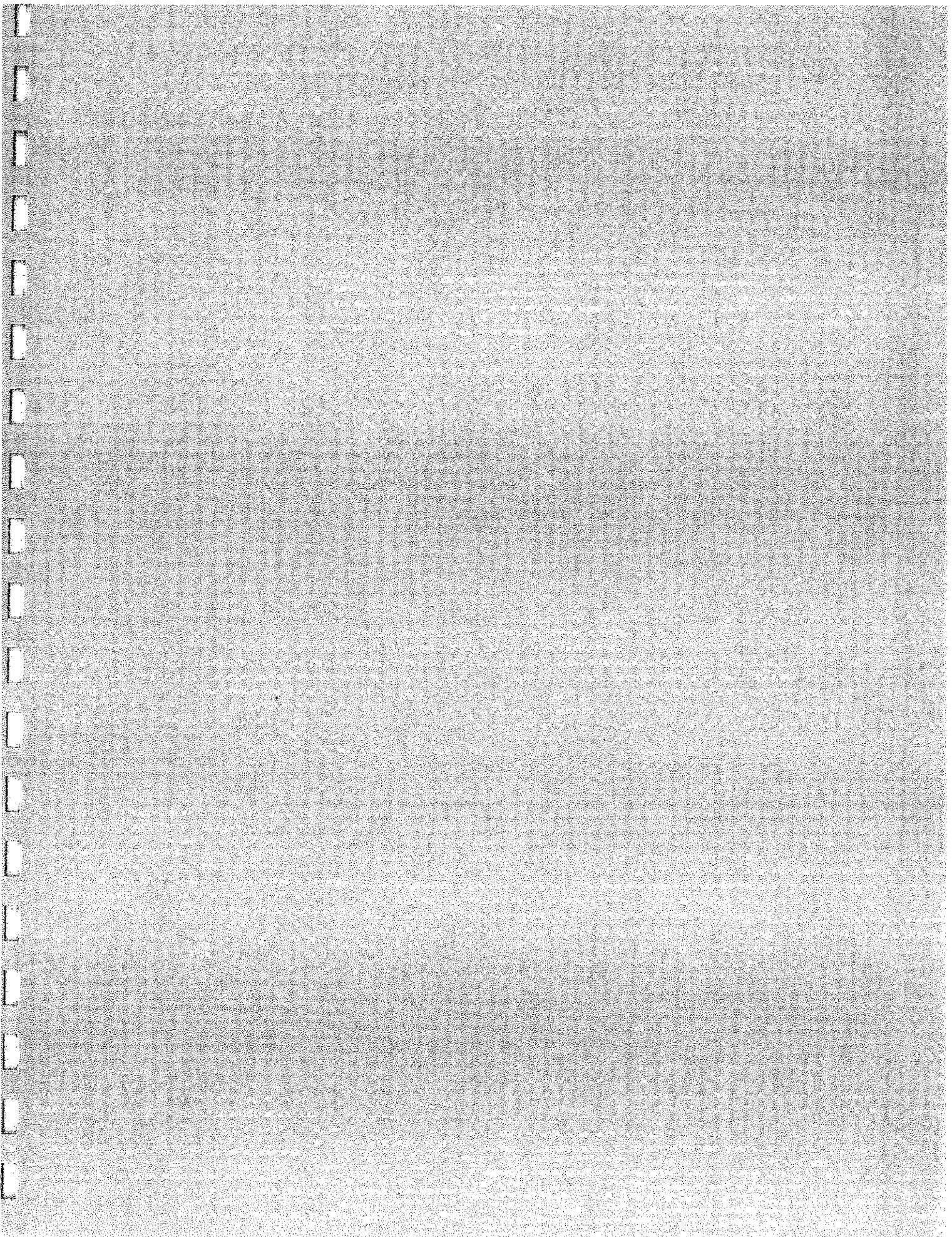
CITY OF GERMANTOWN, TENNESSEE

BAIL DEPOSIT AGENCY FUND  
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

For the Year Ended June 30, 2008

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	Balance July 1, 2007	Additions	Deletions	Balance June 30, 2008
<b>ASSETS</b>				
Cash and cash equivalents	<u>\$ 90,653</u>	<u>\$ 240,090</u>	<u>\$ 218,229</u>	<u>\$ 112,514</u>
<b>LIABILITIES</b>				
Deposits held in trust	<u>\$ 90,653</u>	<u>\$ 240,090</u>	<u>\$ 218,229</u>	<u>\$ 112,514</u>



## CITY OF GERMANTOWN, TENNESSEE

SCHEDULE OF PRINCIPAL AND INTEREST MATURITIES  
SERIAL GENERAL OBLIGATION BONDS

June 30, 2008

	Series 97 Bonds		Series 00 Bonds		Series 02 Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2009	\$ 675,000	\$ 37,475	\$ 350,000	\$ 50,480	\$ 485,000	\$ 221,623
2010	455,000	10,806	355,000	34,205	505,000	203,435
2011	-	-	365,000	17,520	520,000	183,993
2012	-	-	-	-	540,000	163,193
2013	-	-	-	-	560,000	141,323
2014	-	-	-	-	585,000	117,523
2015	-	-	-	-	210,000	92,368
2016	-	-	-	-	220,000	83,128
2017	-	-	-	-	230,000	73,228
2018	-	-	-	-	240,000	62,763
2019	-	-	-	-	250,000	51,603
2020	-	-	-	-	265,000	39,853
2021	-	-	-	-	275,000	27,265
2022	-	-	-	-	290,000	14,065
2023	-	-	-	-	-	-
2024	-	-	-	-	-	-
2025	-	-	-	-	-	-
2026	-	-	-	-	-	-
	<u>\$ 1,130,000</u>	<u>\$ 48,281</u>	<u>\$ 1,070,000</u>	<u>\$ 102,205</u>	<u>\$ 5,175,000</u>	<u>\$ 1,475,363</u>

(Continued)

## CITY OF GERMANTOWN, TENNESSEE

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

June 30, 2008

	Series 05 Bonds		Series 06 Bonds		Total Series Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2009	\$ 230,000	\$ 310,198	\$ 285,000	\$ 211,200	\$ 2,025,000	\$ 830,976
2010	235,000	303,223	300,000	199,800	1,850,000	751,469
2011	720,000	288,898	310,000	187,800	1,915,000	678,211
2012	740,000	266,998	690,000	175,400	1,970,000	605,591
2013	765,000	243,849	715,000	147,800	2,040,000	532,972
2014	790,000	218,963	735,000	119,200	2,110,000	455,686
2015	815,000	192,474	755,000	89,800	1,780,000	374,642
2016	845,000	164,458	490,000	59,600	1,555,000	307,186
2017	870,000	134,868	500,000	40,000	1,600,000	248,096
2018	900,000	103,893	130,000	20,000	1,270,000	186,656
2019	260,000	83,463	125,000	14,800	635,000	149,866
2020	270,000	73,923	125,000	9,800	660,000	123,576
2021	280,000	63,883	120,000	4,800	675,000	95,948
2022	290,000	53,338	-	-	580,000	67,403
2023	300,000	42,423	-	-	300,000	42,423
2024	310,000	31,060	-	-	310,000	31,060
2025	325,000	19,073	-	-	325,000	19,073
2026	335,000	6,441	-	-	335,000	6,441
	<u>\$ 9,280,000</u>	<u>\$ 2,601,426</u>	<u>\$5,280,000</u>	<u>\$1,280,000</u>	<u>\$21,935,000</u>	<u>\$ 5,507,275</u>

## CITY OF GERMANTOWN, TENNESSEE

SCHEDULE OF PRINCIPAL AND INTEREST MATURITIES  
SERIAL BONDS

June 30, 2008

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	Series 06 Bonds		Total Series Bonds	
	Principal	Interest	Principal	Interest
2009	\$ 350,000	\$ 170,000	\$ 350,000	\$ 170,000
2010	365,000	156,000	365,000	156,000
2011	380,000	141,400	380,000	141,400
2012	395,000	126,200	395,000	126,200
2013	410,000	110,400	410,000	110,400
2014	430,000	94,000	430,000	94,000
2015	450,000	76,800	450,000	76,800
2016	470,000	58,800	470,000	58,800
2017	490,000	40,000	490,000	40,000
2018	510,000	20,400	510,000	20,400
	<u>\$4,250,000</u>	<u>\$ 994,000</u>	<u>\$4,250,000</u>	<u>\$ 994,000</u>

## CITY OF GERMANTOWN, TENNESSEE

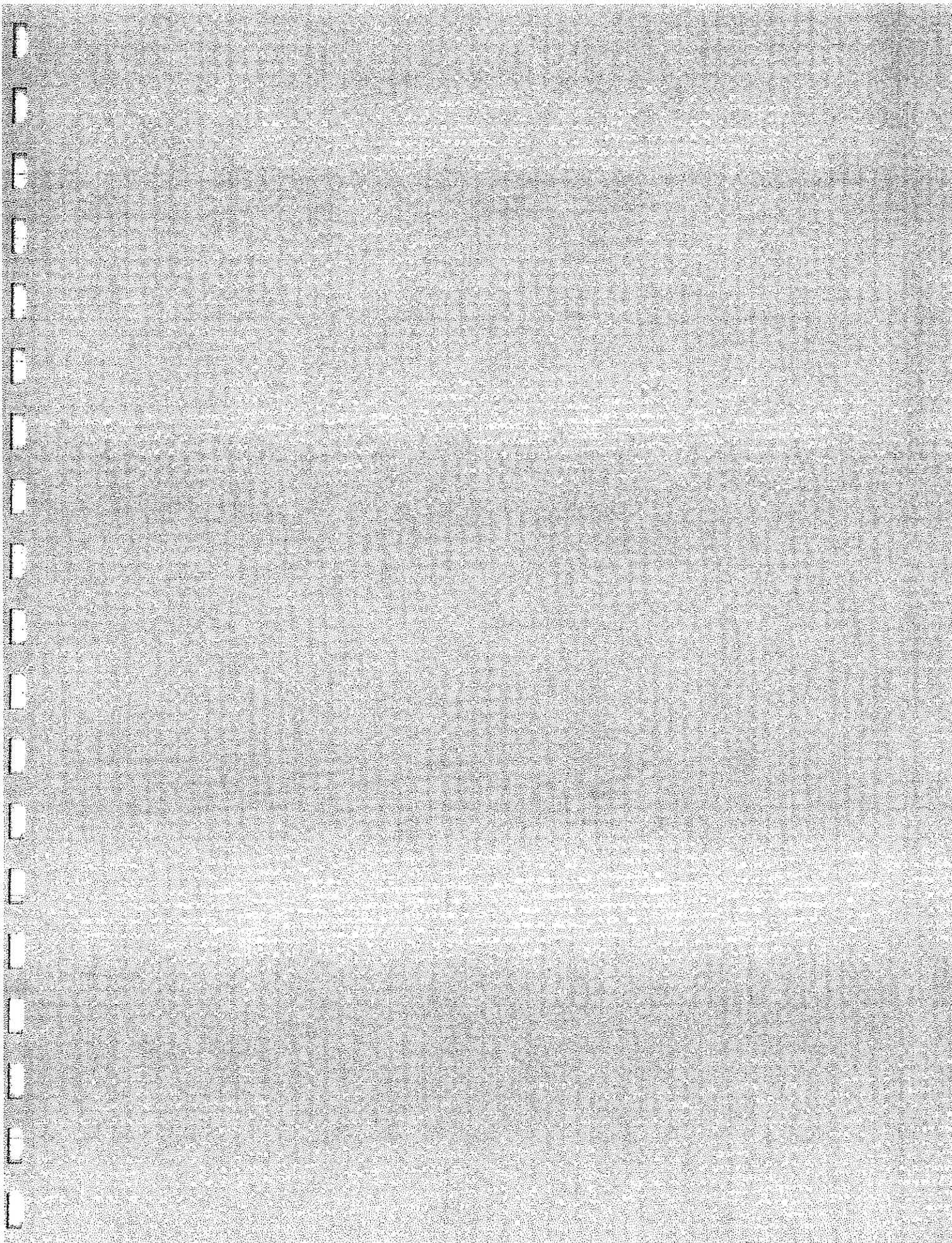
## SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

For the Year Ended June 30, 2008

	Grant Number	Receivable (Deferral) 6/30/07	Receipts FY' 08	Expenditures FY' 08	Receivable (Deferral) 6/30/08
State Government Awards					
Department of Transportation	Z07035807	\$ -	\$ 1,456	\$ 1,456	\$ -
Department of State - Community Development	4944345	-	15,000	15,000	-
Department of State - Community Development	4785150	-	21,400	21,400	-
Department of State - Community Development	4785151	-	48,600	48,600	-
Department of State - Library and Archives	Z07-20148.00	3,975	3,975	-	-
		<u>\$ 3,975</u>	<u>\$ 90,431</u>	<u>\$ 86,456</u>	<u>\$ -</u>

**BASIS OF PRESENTATION**

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



**CITY OF GERMANTOWN, TENNESSEE  
STATISTICAL SECTION**

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

<u>Contents</u>	<u>Page</u>
<b>Financial Trends</b>	<b>95</b>
These exhibits contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	
<b>Revenue Capacity</b>	<b>100</b>
These exhibits contain information to help the reader assess the factors affecting the City's ability to generate its property and sales taxes.	
<b>Debt Capacity</b>	<b>109</b>
These exhibits present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.	
<b>Demographic and Economic Information</b>	<b>113</b>
These exhibits offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place, to help make comparisons over time and with other governments.	

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

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

	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
Governmental activities					
Invested in capital assets, net of related debt	\$ 39,655,346	\$ 39,655,346	\$ 34,419,127	\$ 35,229,522	\$ 31,205,296
Restricted	1,406,872	1,288,885	1,556,120	1,642,569	1,449,453
Unrestricted	39,928,257	35,020,161	33,723,089	28,236,735	30,762,875
Total governmental activities net assets	<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	\$ 50,914,976	\$ 46,556,454	\$ 45,205,036	\$ 44,982,477	\$ 43,838,752
Restricted	-	-	-	-	-
Unrestricted	6,267,677	6,216,531	2,884,810	763,811	2,144,791
Total business-type activities net assets	<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	\$ 90,570,322	\$ 86,211,800	\$ 79,624,163	\$ 80,211,999	\$ 75,044,048
Restricted	1,406,872	1,288,885	1,556,120	1,642,569	1,449,453
Unrestricted	46,195,934	41,236,692	36,607,899	29,000,546	32,907,666
Total primary government net assets	<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 Five Fiscal Years**  
**(accrual basis of accounting)**

	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
<b>General Revenues and Other Changes in Net Assets</b>					
Governmental activities:					
Taxes					
Property taxes	\$ 21,192,804	\$ 20,551,945	\$ 20,102,440	\$ 19,270,811	\$ 18,934,190
Sales taxes (local share)	7,578,275	6,759,894	7,103,233	7,289,531	7,235,582
Intergovernmental/Unrestricted	6,840,979	7,161,274	5,716,104	4,906,417	4,392,636
Interest on investments	1,484,404	1,838,031	1,229,713	773,585	289,272
Other revenues	951,038	848,085	811,136	785,743	602,277
Loss on sale of capital assets	(95,252)	-	-	-	-
Transfer	(1,025,000)	(860,000)	(167,370)	-	-
Total governmental activities	<u>36,927,248</u>	<u>36,299,229</u>	<u>34,795,256</u>	<u>33,026,087</u>	<u>31,453,957</u>
Business-type activities:					
Interest on investments	449,147	406,427	113,173	38,364	(550)
Other revenues	385,974	-	-	-	88,000
Transfer	1,025,000	860,000	167,370	-	-
Total business-type activities	<u>1,860,121</u>	<u>1,266,427</u>	<u>280,543</u>	<u>38,364</u>	<u>87,450</u>
Total primary government	<u>\$ 38,787,369</u>	<u>\$ 37,565,656</u>	<u>\$ 35,075,799</u>	<u>\$ 33,064,451</u>	<u>\$ 31,541,407</u>
<b>Change in Net Assets</b>					
Governmental activities	\$ 5,026,083	\$ 6,266,056	\$ 5,056,101	\$ 1,691,202	\$ 4,607,085
Business-type activities	4,409,668	4,683,139	2,343,558	(237,255)	97,182
Total primary government	<u>\$ 9,435,751</u>	<u>\$ 10,949,195</u>	<u>\$ 7,399,659</u>	<u>\$ 1,453,947</u>	<u>\$ 4,704,267</u>

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

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

	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
<b>Expenses</b>					
<b>Governmental activities:</b>					
General government	\$ 10,074,368	\$ 11,172,137	\$ 9,638,679	\$ 10,777,667	\$ 8,706,578
Public safety	16,918,305	15,186,485	14,231,653	13,496,390	12,586,245
Community services	5,201,066	5,329,489	5,897,428	5,516,813	4,307,917
Transportation and environment	4,279,001	2,891,573	3,868,498	4,620,915	4,412,537
Interest and fiscal charges	878,503	1,062,319	1,078,349	1,174,147	1,121,354
<b>Total governmental activities expenses</b>	<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>
<b>Business-type activities:</b>					
Utilities	6,100,526	5,928,575	5,581,195	5,065,689	5,063,642
Centre	2,992,340	2,673,695	2,659,614	2,614,365	2,586,537
Sanitation	3,706,306	3,609,186	3,900,496	3,686,616	3,637,643
<b>Total business-type activities expenses</b>	<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>
<b>Total primary government expenses</b>	<u>50,150,415</u>	<u>\$ 47,853,459</u>	<u>\$ 46,855,912</u>	<u>\$ 46,952,602</u>	<u>\$ 42,422,453</u>
<b>Program Revenues</b>					
<b>Governmental activities:</b>					
<b>Charges for services:</b>					
General government	\$ 1,581,629	\$ 1,824,188	\$ 1,552,140	\$ 1,407,862	\$ 1,421,717
Public safety	630,712	1,050,389	638,670	434,272	980,025
Community services	554,945	567,634	483,461	385,687	287,806
Transportation and environment	972,327	982,354	980,535	978,076	939,080
Operating grants and contributions	1,547,919	450,883	513,490	743,749	521,318
Capital grants and contributions	162,546	733,382	807,156	301,401	137,813
<b>Total governmental activities program revenues</b>	<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>
<b>Business-type activities:</b>					
<b>Charges for services:</b>					
Utilities	7,991,054	8,486,257	7,628,554	4,458,056	4,061,994
Centre	2,131,190	2,090,233	2,207,882	2,714,056	2,211,128
Sanitation	3,750,835	3,731,045	3,608,470	3,572,928	3,529,878
Operating grants and contributions	-	-	-	-	-
Capital grants and contributions	1,475,640	1,320,633	759,414	346,011	1,494,554
<b>Total business-type activities program revenues</b>	<u>15,348,719</u>	<u>15,628,168</u>	<u>14,204,320</u>	<u>11,091,051</u>	<u>11,297,554</u>
<b>Total primary government program revenues</b>	<u>\$ 20,798,797</u>	<u>\$ 21,236,998</u>	<u>\$ 19,179,772</u>	<u>\$ 15,342,098</u>	<u>\$ 15,585,313</u>
<b>Net (expense)/revenue</b>					
Governmental activities	\$ (31,901,165)	\$ (30,033,173)	\$ (29,739,155)	\$ (31,334,885)	\$ (26,846,872)
Business-type activities	2,549,547	3,416,712	2,063,015	(275,619)	9,732
<b>Total primary government net expense</b>	<u>\$ (29,351,618)</u>	<u>\$ (26,616,461)</u>	<u>\$ (27,676,140)</u>	<u>\$ (31,610,504)</u>	<u>\$ (26,837,140)</u>

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

Function/Program	2008	2007	2006	2005	2004
Governmental activities:					
General government	\$ 1,581,629	\$ 2,187,448	\$ 1,552,140	\$ 1,407,862	\$ 2,004,846
Public safety	630,712	1,588,031	1,155,561	622,282	997,725
Community services	554,945	850,997	1,287,216	1,217,966	346,108
Transportation and environment	972,327	982,354	980,535	1,002,937	939,080
Total governmental activities	<u>3,739,613</u>	<u>5,608,830</u>	<u>4,975,452</u>	<u>4,251,047</u>	<u>4,287,759</u>
Business-type activities:					
Utilities	7,991,054	9,806,890	8,387,968	4,804,067	5,556,548
Centre	2,131,190	2,090,233	2,207,882	2,714,056	2,211,128
Sanitation	3,750,835	3,731,045	3,608,470	3,572,928	3,529,878
Total business-type activities	<u>13,873,079</u>	<u>15,628,168</u>	<u>14,204,320</u>	<u>11,091,051</u>	<u>11,297,554</u>
Total primary government	<u>\$ 17,612,692</u>	<u>\$ 21,236,998</u>	<u>\$ 19,179,772</u>	<u>\$ 15,342,098</u>	<u>\$ 15,585,313</u>

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)

	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
General fund										
Reserved	\$ 2,090,726	\$ 2,296,984	\$ 2,210,255	\$ 2,335,255	\$ 2,573,220	\$ 2,361,270	\$ 2,905,145	\$ 419,703	\$ 585,793	\$ 562,714
Unreserved	23,660,623	23,741,000	21,087,404	20,084,787	20,208,863	17,064,094	16,009,835	17,939,925	14,956,715	10,914,943
Total general fund	<u>\$ 25,751,349</u>	<u>\$ 26,037,984</u>	<u>\$ 23,297,659</u>	<u>\$ 22,420,042</u>	<u>\$ 22,782,083</u>	<u>\$ 19,425,364</u>	<u>18,914,980</u>	<u>\$ 18,359,628</u>	<u>\$ 15,542,508</u>	<u>\$ 11,477,657</u>
All other governmental funds										
Reserved	\$ 3,225,017	\$ 2,514,591	\$ 4,603,913	\$ 4,603,913	\$ 2,121,201	\$ 1,734,128	\$ 2,421,687	\$ 531,762	\$ 4,362,648	\$ 2,758,233
Unreserve, reported in:										
Special revenue funds	1,791,386	1,526,765	1,342,842	1,240,148	1,177,503	499,248	426,677	660,895	726,384	417,764
Capital projects funds	5,619,174	4,954,762	4,215,186	(314,352)	4,309,956	4,406,266	6,003,168	5,241,118	4,989,952	7,249,128
Total all other governmental funds	<u>\$ 10,635,577</u>	<u>\$ 8,996,118</u>	<u>\$ 10,161,941</u>	<u>\$ 5,529,709</u>	<u>\$ 7,608,660</u>	<u>\$ 6,639,642</u>	<u>\$ 8,851,532</u>	<u>\$ 6,433,775</u>	<u>\$ 10,078,984</u>	<u>\$ 10,425,125</u>

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

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

	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
<b>Revenues</b>										
Taxes	\$ 36,882,620	\$ 34,496,302	\$ 32,878,675	\$ 31,626,486	\$ 30,465,931	\$ 26,407,532	\$ 25,695,180	\$ 24,970,386	\$ 23,845,490	\$ 22,950,611
Fines and forfeitures	1,107,391	1,327,456	1,080,416	896,692	904,842	872,559	896,665	813,432	822,182	847,146
Licenses and permits	1,059,548	1,052,800	1,050,238	1,037,867	1,050,742	954,481	963,150	938,942	959,182	931,060
Fees for services	469,961	439,648	732,136	1,071,380	268,319	219,817	183,965	167,397	148,521	163,499
Interest on investments	1,484,404	1,838,031	1,229,713	773,585	289,272	820,781	1,280,395	1,832,126	1,752,329	1,886,026
Grants	244,501	1,107,120	988,963	236,871	659,131	316,441	282,930	238,131	511,239	471,884
Other revenues	2,355,595	2,515,895	1,918,755	1,872,136	2,109,061	1,801,578	1,294,623	1,628,409	1,987,195	3,164,773
Total revenues	<u>43,604,020</u>	<u>42,777,252</u>	<u>39,878,896</u>	<u>37,515,017</u>	<u>35,747,298</u>	<u>31,393,189</u>	<u>30,596,908</u>	<u>30,588,823</u>	<u>30,026,138</u>	<u>30,414,999</u>
<b>Expenditures</b>										
General government	9,742,760	8,940,800	9,084,807	10,265,237	7,797,540	7,951,982	7,970,375	7,355,476	6,724,938	5,861,290
Public safety	16,700,245	14,826,704	14,271,995	13,787,738	12,514,362	11,565,916	11,370,365	10,807,308	10,360,560	9,923,978
Community services	4,995,877	4,753,135	4,775,028	4,622,165	3,949,855	3,758,999	3,293,349	3,030,186	2,697,316	2,445,024
Transportation and environment	4,140,337	4,583,977	3,986,024	3,507,403	3,444,064	3,454,248	3,316,889	3,448,270	2,663,166	2,666,816
Debt service										
Principal	1,950,000	2,250,000	1,985,005	2,028,175	2,029,132	2,666,624	6,369,700	5,706,309	2,771,897	2,555,444
Interest	900,535	1,086,395	1,076,192	1,506,532	1,563,275	1,694,940	1,765,290	2,215,471	2,141,456	2,150,491
Bond issuance cost	-	62,078	106,327	-	-	-	-	-	-	-
Capital outlay	2,827,924	3,913,926	3,363,442	4,238,759	1,308,292	2,094,013	1,382,202	3,811,765	6,009,828	6,717,537
Total expenditures	<u>41,257,678</u>	<u>40,417,015</u>	<u>38,648,820</u>	<u>39,956,009</u>	<u>32,606,520</u>	<u>33,186,722</u>	<u>35,468,170</u>	<u>36,374,785</u>	<u>33,369,161</u>	<u>32,320,580</u>
Excess of revenues over (under) expenditures	2,346,342	2,360,237	1,230,076	(2,440,992)	3,140,778	(1,793,533)	(4,871,262)	(5,785,962)	(3,343,023)	(1,905,581)
<b>Other financing sources (uses)</b>										
Transfers in	5,400,000	3,978,000	3,512,630	2,148,000	4,931,543	617,557	560,205	1,214,000	5,867,621	26,890,494
Transfers out	(6,425,000)	(4,838,000)	(3,680,000)	(2,148,000)	(5,019,543)	(617,557)	(560,205)	(1,861,200)	(6,020,621)	(27,239,493)
Debt Proceeds - General Obligation	-	-	4,800,000	-	-	-	7,845,000	5,590,000	-	1,662
Refunding bond issued	-	5,555,000	4,895,000	-	-	-	-	-	-	-
Discount on bond issued	-	-	(28,685)	-	-	-	-	-	-	-
Premium on bonds issued	-	123,207	-	-	-	-	-	-	-	-
Payment to refunded bond escrow agent	-	(5,612,314)	(4,752,581)	-	-	-	-	-	-	-
Contribution from developers	-	-	-	-	-	92,025	-	-	-	-
Disposal of Capital Assets	31,482	8,372	-	-	-	-	-	-	-	-
Total other financing sources (uses)	<u>(993,518)</u>	<u>(785,735)</u>	<u>4,746,364</u>	<u>-</u>	<u>(88,000)</u>	<u>92,025</u>	<u>7,845,000</u>	<u>4,942,800</u>	<u>(153,000)</u>	<u>(347,337)</u>
Net change in fund balances	<u>\$ 1,352,824</u>	<u>\$ 1,574,502</u>	<u>\$ 5,976,440</u>	<u>\$ (2,440,992)</u>	<u>\$ 3,052,778</u>	<u>\$ (1,701,508)</u>	<u>\$ 2,973,738</u>	<u>\$ (843,162)</u>	<u>\$ (3,496,023)</u>	<u>\$ (2,252,918)</u>
Debt service as a percentage of noncapital expenditures	7.4%	9.1%	8.7%	9.9%	11.5%	14.0%	23.9%	24.3%	18.0%	18.4%

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

	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>	<u>1999</u>
Property Taxes	\$ 21,208,026	\$ 20,575,134	\$ 20,059,338	\$ 19,430,538	\$ 18,837,713	\$ 14,293,406	\$ 13,905,209	\$ 13,109,908	\$ 12,765,780	\$ 11,969,749
Local Sales Taxes	7,578,275	6,759,894	7,103,233	7,289,531	7,235,582	6,710,898	6,349,762	6,441,675	5,977,470	6,000,629
State Taxes (Local Share)	8,096,319	7,161,274	5,716,104	4,906,417	4,392,636	5,403,228	5,440,209	5,418,803	5,102,240	4,980,233
<b>Total</b>	<u>\$ 36,882,620</u>	<u>\$ 34,496,302</u>	<u>\$ 32,878,675</u>	<u>\$ 31,626,486</u>	<u>\$ 30,465,931</u>	<u>\$ 26,407,532</u>	<u>\$ 25,695,180</u>	<u>\$ 24,970,386</u>	<u>\$ 23,845,490</u>	<u>\$ 22,950,611</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					
2008	1,032,906,875	3,096,525	256,651,090	14,500,493	25,959,580	1,333,114,563	1.54	4,936,751,633	27.00%
2007	1,010,925,200	3,817,725	248,191,850	15,073,276	25,036,090	1,303,044,141	1.54	4,812,012,156	27.08%
2006	986,502,650	3,224,050	244,805,450	14,500,278	25,378,780	1,274,411,208	1.54	4,703,993,042	27.09%
2005	865,853,775	2,531,400	193,242,850	13,569,564	24,394,450	1,099,592,039	1.70	4,079,819,735	26.95%
2004	850,046,225	2,586,975	193,993,995	13,158,662	24,715,700	1,084,501,557	1.70	4,006,706,149	27.07%
2003	836,979,200	2,578,025	188,845,035	15,061,817	23,570,420	1,067,034,497	1.30	3,941,450,922	27.07%
2002	821,754,975	3,304,675	184,752,050	14,932,615	21,751,350	1,046,495,665	1.30	3,863,671,009	27.09%
2001	680,905,200	1,769,075	137,887,360	13,324,876	17,928,410	851,814,921	1.47	3,162,240,847	26.94%
2000	656,986,575	2,341,650	133,541,160	14,829,804	18,276,920	825,976,109	1.47	3,034,411,700	27.22%
1999	619,151,550	4,097,425	130,476,040	14,649,884	16,896,150	785,271,049	1.47	2,876,660,900	27.30%

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
2008	\$ 1.54	\$ 4.09	\$ 5.63	\$ 20,306,656	\$ 717,010,251	\$ 737,316,907
2007	1.54	4.09	5.63	19,770,408	704,279,575	724,049,983
2006	1.54	4.09	5.63	19,402,628	685,406,723	704,809,351
2005	1.70	4.09	5.79	18,462,382	683,544,849	702,007,231
2004	1.70	4.09	5.79	18,436,441	582,130,399	600,566,840
2003	1.30	3.79	5.09	13,675,645	561,971,390	575,647,035
2002	1.30	3.79	5.09	13,871,449	560,109,358	573,980,807
2001	1.47	3.54	5.01	12,325,804	454,523,923	466,849,727
2000	1.47	3.54	5.01	12,141,849	453,536,640	465,678,489
1999	1.47	3.16	4.63	11,674,518	355,212,756	366,887,274

**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	2008			1999		
	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.	\$ 13,966,880	1	1.07%			
Belz Investment Company (PSO)	9,046,960	2	0.69%	7,034,120	3	0.91%
Empirian Colonneade LLC 75%/Bushreal	7,825,360	3	0.60%			
BIC-MTS Partners (PSO)	7,238,720	4	0.55%	7,929,680	1	1.03%
UT Medical Group Inc.	6,835,080	5	0.52%			
Vinyards Apartments Inc.	6,219,440	6	0.48%	5,598,080	4	0.73%
Senter Crook Taylor Et Al	5,668,000	7	0.43%	3,219,840	7	0.42%
Sherriff LLC	5,188,000	8	0.40%	4,121,440	5	0.53%
Lightman Exeter Village Co G P	4,889,640	9	0.37%			
CH Realty III/Germantown LLC	4,845,760	10	0.37%			
Methodist Hospital of Memphis				2,951,480	10	0.38%
Wolf River Medical Center LTD				2,989,760	9	0.39%
Acorn Hill Company						
Lightman, Michael A.						
Gables - Tennessee Properties				7,400,680	2	0.96%
Northwestern Mutual Life Insurance				3,555,680	6	0.46%
Wal-Mart Stores, Inc.				3,206,920	8	0.42%
<b>Totals</b>	<b>\$ 71,723,840</b>		<b>5.48%</b>	<b>\$ 48,007,680</b>		<b>6.23%</b>

Source: Shelby County Board of Assessments

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

<u>Fiscal Year</u>	<u>Total Tax Levy</u>	<u>Current Tax Collections</u>	<u>Percent of Levy Collected</u>	<u>Tax Collections</u>	<u>Total Tax Collections</u>	<u>Percent of Tax Collections to Tax Levy</u>	<u>Outstanding Delinquent Taxes</u>	<u>Percent of Outstanding Delinquent Taxes to Tax Levy</u>
2008	\$ 20,306,656	\$ 19,883,309	97.9%	\$ 374,873	\$ 20,258,182	99.8%	\$ 658,477	3.2%
2007	19,770,408	19,404,872	98.2%	351,506	19,756,378	99.9%	608,526	3.1%
2006	19,402,628	19,145,169	98.7%	225,092	19,370,261	99.8%	588,945	3.0%
2005	18,462,382	18,210,131	98.6%	414,081	18,624,212	100.9%	563,222	3.1%
2004	18,436,441	18,041,574	97.9%	312,653	18,354,227	99.6%	725,574	3.9%
2003	13,871,449	13,358,252	96.3%	394,144	13,752,396	99.1%	643,361	4.6%
2002	13,604,444	13,184,705	96.9%	313,916	13,498,621	99.2%	659,154	4.8%
2001	12,325,804	12,030,689	97.6%	536,865	12,567,554	102.0%	598,199	4.9%
2000	12,141,849	11,546,933	95.1%	674,890	12,221,823	100.7%	684,263	5.6%
1999	11,674,518	11,253,644	96.4%	199,904	11,453,548	98.1%	718,075	6.2%

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

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

	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>
Building Materials	\$ 6,135,150	\$ 6,275,280	\$ 6,160,411	\$ 6,058,189	\$ 5,894,979	\$ 5,242,496	\$ 5,448,522	\$ 5,564,066
General Merchandise	39,133,168	32,921,730	34,469,245	37,522,667	41,954,537	41,506,465	74,712,012	77,419,211
Food Stores	75,996,649	71,903,573	67,752,633	65,343,661	62,348,830	63,239,854	59,681,773	64,183,808
MV Dealers/Service Stations	10,286,392	10,302,064	10,766,590	8,830,661	8,131,042	8,649,799	5,342,156	5,615,838
Apparel & Accessories	65,690,412	69,010,888	75,397,435	73,683,104	69,569,801	66,097,398	63,081,423	61,662,742
Furniture & Home Décor	28,835,577	25,103,179	24,046,293	14,100,870	10,724,433	10,486,188	9,468,895	13,485,172
Eating & Drinking	53,590,618	54,146,824	54,329,183	53,126,259	50,175,236	50,685,736	49,662,075	47,732,804
Other Retail	57,804,063	64,786,132	61,721,161	58,961,427	57,059,440	58,633,120	58,320,548	57,349,200
Other	83,615,875	82,036,950	82,668,416	69,335,103	80,534,498	89,630,457	90,573,686	86,631,618
	<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>	<u>\$ 419,644,459</u>

Source: Tennessee Department of Revenue, Research Division

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

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

	2008				2000			
	<u>Number of Filers</u>	<u>Percentage of Total</u>	<u>Tax Liability</u>	<u>Percentage of Total</u>	<u>Number of Filers</u>	<u>Percentage of Total</u>	<u>Tax Liability</u>	<u>Percentage of Total</u>
Retail Trade	523	57.22%	\$ 7,218,085	80.75%	516	58.24%	\$7,575,570	80.37%
Services	236	25.82%	1,058,132	11.84%	206	23.25%	1,239,799	13.15%
Manufacturing	41	4.49%	84,723	0.95%	32	3.61%	98,879	1.05%
Wholesale Trade	70	7.66%	43,464	0.49%	62	7.00%	66,126	0.70%
Construction	10	1.09%	15,745	0.18%	11	1.24%	37,673	0.40%
Agriculture	12	1.31%	63,401	0.71%	14	1.58%	57,494	0.61%
Other, Non Classified	22	2.41%	455,084	5.09%	45	5.08%	350,005	3.71%
<b>Total</b>	<u>914</u>	<u>100.00%</u>	<u>\$ 8,938,634</u>	<u>100.00%</u>	<u>886</u>	<u>100.00%</u>	<u>\$9,425,546</u>	<u>100.00%</u>

Source: Tennessee Department of Revenue, Research Division.

Notes:

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

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

<u>Fiscal Year</u>	<u>City Direct Rate</u>	<u>Shelby County</u>	<u>State of Tennessee</u>
2008	1.125 %	1.125 %	7.00 %
2007	1.125	1.125	7.00
2006	1.125	1.125	7.00
2005	1.125	1.125	7.00
2004	1.125	1.125	7.00
2003	1.125	1.125	7.00
2002	1.125	1.125	6.00
2001	1.125	1.125	6.00
2000	1.125	1.125	6.00
1999	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			
2008	\$ 21,935,000	-	-	-	4,250,000	-	26,185,000	16.00%	\$ 9,443
2007	23,885,000	-	-	-	4,585,000	-	28,470,000	17.57%	\$ 10,118
2006	26,000,000	-	-	-	4,905,000	-	30,905,000	21.00%	\$ 11,165
2005	22,885,000	-	-	-	5,205,000	87,887	28,177,887	19.40%	\$ 10,148
2004	24,913,175	-	-	-	5,680,000	213,945	30,807,120	22.80%	\$ 11,087
2003	26,901,860	-	39,158	-	6,140,000	333,215	33,414,233	27.30%	\$ 12,018
2002	29,389,580	-	219,351	-	6,575,000	446,703	36,630,634	32.50%	\$ 13,196
2001	27,365,000	-	589,493	180,000	6,990,000	554,362	35,678,855	29.50%	\$ 12,833
2000	26,505,000	321,342	855,433	360,000	7,395,000	656,516	36,093,291	30.00%	\$ 12,990
1999	28,300,000	671,911	719,967	-	7,790,000	755,491	38,237,369	33.40%	\$ 13,761

**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**

<u>Governmental Activities</u>							
Fiscal Years	General Obligation Bonds	Demand Bonds	Capital Lease	Capital Note	Total	Percentage of Actual Taxable Value of Property	Per Capita
2008	\$ 21,935,000	-	-	-	\$ 21,935,000	0.44%	\$ 535.30
2007	23,885,000	-	-	-	23,885,000	0.50%	582.89
2006	26,000,000	-	-	-	26,000,000	0.55%	646.72
2005	22,885,000	-	-	-	22,885,000	0.56%	569.24
2004	24,913,175	-	-	-	24,913,175	0.62%	619.68
2003	26,901,860	-	39,158	-	26,941,018	0.68%	670.12
2002	29,389,580	-	219,351	-	29,608,931	0.77%	783.35
2001	27,365,000	-	589,493	180,000	28,134,493	0.89%	716.27
2000	26,505,000	321,342	855,433	360,000	28,041,775	0.92%	713.91
1999	28,300,000	671,911	719,967	-	29,691,878	1.03%	775.24

**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, 2008

	<u>Net Outstanding Debt</u>	<u>Percentage Applicable City of Germantown</u>	<u>Overlapping Debt</u>
City Net General Obligation Debt	\$ 21,935,000	100.00%	\$ 21,935,000
Shelby County (including School Board)	<u>1,695,408,631</u>	8.36%	<u>141,771,830</u>
Direct, Overlapping, and Short-term Debt	<u>\$ 1,717,343,631</u>		<u>\$ 163,706,830</u>

**Note:** The City has no direct or contingent liability for the Shelby County debt.

**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	
2008	7,991,054	4,826,184	3,164,870	335,000	116,296	7.01
2007	8,486,257	4,406,062	4,080,195	315,000	282,167	6.83
2006	7,628,554	4,183,328	3,445,226	387,887	230,104	5.57
2005	4,458,056	3,723,103	734,953	1,716,417	313,771	0.36
2004	4,061,994	3,560,778	501,216	1,694,629	337,650	0.25
2003	3,779,536	3,677,697	101,839	548,488	313,717	0.12
2002	4,015,844	3,502,537	513,307	522,659	335,973	0.60
2001	4,843,049	3,255,089	1,587,960	507,154	357,414	1.84
2000	4,747,863	2,951,923	1,795,940	493,975	377,338	2.06
1999	4,482,986	2,717,418	1,765,568	468,844	417,261	1.99

**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	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
<b>Police</b>										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol units	39	38	37	37	37	37	37	37	33	31
Fire Stations	4	4	4	4	4	4	4	4	4	4
<b>Other public works</b>										
Streets (miles)	198.5	196.5	195.5	193.5	192.5	189.5	189.5	181.5	181.5	172.5
Highways (miles)	10.5	10.5	10.5	10.5	10.5	10.5	10.5	10.5	10.5	10.5
Streetlights	5,095	4,936	4,896	4,863	4,749	4,685	4,681	4,603	4,458	4,465
<b>Parks and recreation</b>										
Acreage	748	748	722	722	722	722	722	722	722	722
Playgrounds	26	26	27	27	25	23	23	23	22	19
Baseball/softball diamonds	21	21	21	22	22	22	22	22	22	22
Soccer/football fields	14	14	13	12	12	12	12	12	12	10
Community center	1	1	1	1	1	1	1	1	1	1
<b>Water</b>										
Water mains (miles)	206	205	200	199	199	194	194	190	180	170
Fire hydrants	2,351	2,334	2,317	2,290	2,254	2,248	2,247	2,230	2,189	1,959
Storage capacity (million gallons)	6.375	6.375	6.375	6.375	6.375	6.375	6.375	6.375	6.375	6.375
<b>Wastewater*</b>										
Sanitary sewers (miles)	209	208	200	195	186	181	181	175	175	170

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	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
<b>Police</b>										
Physical arrests	2,840	2,461	2,352	2,571	2,554	2,400	2,355	2,289	2,039	2,507
Parking violations	95	55	179	N/A						
Traffic violations	17,271	15,362	13,868	15,363	15,703	13,803	13,921	14,515	18,985	18,179
<b>Fire</b>										
Emergency responses	2,703	2,790	2,685	2,574	2,435	2,193	2,304	2,228	1,971	1,978
Fires extinguished	119	152	141	117	166	203	198	214	188	256
Inspections	1,272	1,096	1,295	1,239	1,210	1,138	1,061	944	N/A	N/A
<b>Other public works</b>										
Street resurfacing (miles)	8.1	8.0	8.6	10.0	10.0	10.0	10.0	10.0	10.0	10.0
<b>Parks and recreation</b>										
Athletic field permits issued	178	153	205	N/A						
*Community centre admissions - per day	779	860	800	850	830	810	800	700	650	600
per year	284,404	301,000	288,000	306,000	298,000	291,600	288,000	252,000	234,000	216,000
<b>**Library</b>										
Volumes in collection	130,805	127,875	141,229	134,623	139,603	136,663	131,516	124,153	118,136	105,911
Total volumes borrowed	323,333	289,225	326,744	300,361	N/A	N/A	N/A	N/A	N/A	N/A
<b>Water</b>										
New connections	101	111	258	361	(6)	-	-	495	513	249
Water main breaks	6	8	15	15	15	15	15	15	15	15
Average daily consumption (TGL)	7.779	7.650	7.632	5.500	5.400	6.500	6.500	6.500	6.500	6.000
Peak daily consumption (TGL)	21.328	21.300	18.930	17.475	11.080	13.327	10.532	12.386	16.879	14.714

Sources: Various City departments.

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

\*The Germantown Centre (community center) is open 360 days per year. 1997-99 are estimates because the computer system did not track total attendance.

Per day is an average and is rounded to the nearest even number.

\*\*The Library was part of Memphis/Shelby County Library System until July 2004 when it came under the direction of the City of Germantown.

**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)	2008		2007		2006		2005		2004		2003		2002		2001		2000		1999	
	Full Time	Part Time																		
<b>General Government</b>																				
City Court	5	0	5	0	6	-	6	3	6	-	6	-	6	-	5	1	5	1	5	1
Administration	9	2	9	2	7	1	7	1	8	1	8	1	9	1	8	1	9	1	9	1
Personnel	6	-	6	-	6	-	6	-	6	-	6	-	6	-	6	-	5	-	5	-
Morgan Woods Theatre	-	-	-	-	-	-	1	-	1	-	1	-	1	-	1	-	1	-	1	-
Information Technology	2	-	5	-	5	-	5	-	5	-	5	-	5	-	5	-	5	-	5	-
GPAC	10	5	9	5	9	5	10	5	10	4	10	4	12	1	10	1	10	1	10	1
Financial Services	16	-	15	1	17	-	17	-	17	-	18	-	21	-	20	-	19	1	19	1
Community Development	27	-	27	-	30	-	30	1	29	0	29	0	29	0	24	-	28	1	28	1
Research & Budget	2	1	3	1	3	1	3	1	3	-	3	-	-	-	-	-	-	-	-	-
<b>Public Safety</b>																				
Police	108	1	106	2	102	2	102	2	101	3	101	3	102	3	99	2	99	2	99	2
Fire	69	1	69	1	69	1	69	1	69	1	69	1	69	1	69	1	69	1	69	1
<b>Transportation &amp; Environment</b>																				
Public Services	29	-	29	-	29	-	31	-	31	-	31	-	31	-	31	-	27	-	27	-
Fleet Services	10	-	11	-	11	-	11	-	11	-	11	-	11	-	11	-	11	-	11	-
Animal Control	4	-	4	-	4	-	4	-	2	-	4	-	4	-	4	-	3	-	3	-
<b>Community Services</b>																				
Parks & Recreation	33	3	37	3	39	3	39	4	39	2	42	2	40	2	39	6	38	7	37	7
Facility Services	10	3	10	3	10	3	10	2	10	2	10	2	12	-	10	-	10	-	11	-
<b>Germantown Athletic Club</b>																				
Recreation	8	16	15	15	13	15	12	19	12	15	12	18	15	30	11	22	10	22	10	22
Aquatics	2	14	3	14	3	14	3	16	3	13	3	15	-	-	-	-	-	-	-	-
Business	2	-	-	-	3	1	3	1	-	-	-	-	-	-	-	-	-	-	-	-
<b>Utilities</b>																				
Water	20	-	21	-	21	-	21	-	21	-	21	-	21	-	21	-	16	-	15	-
Sewer	6	-	6	-	6	-	7	-	7	-	7	-	7	-	7	-	7	-	7	-
<b>Total</b>	<b>378</b>	<b>44</b>	<b>390</b>	<b>45</b>	<b>392</b>	<b>45</b>	<b>397</b>	<b>54</b>	<b>391</b>	<b>40</b>	<b>397</b>	<b>46</b>	<b>401</b>	<b>38</b>	<b>381</b>	<b>33</b>	<b>372</b>	<b>35</b>	<b>371</b>	<b>35</b>

Source: City of Germantown

Notes:

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

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

Employer	2008			1999		
	Employees	Rank	Percentage of Total County Employment	Employees	Rank	Percentage of Total County Employment
Methodist Le Bonheur Hospital - Germantown	1,885	1	0.45%	N/A	N/A	N/A
Shelby County School System - Germantown Schools	708	2	0.17%	N/A	N/A	N/A
Baptist Rehabilitation - Germantown	504	3	0.12%	N/A	N/A	N/A
City of Germantown	379	4	0.09%	N/A	N/A	N/A
Campbell Clinic	340	5	0.08%	N/A	N/A	N/A
Orgill, Inc.	287	6	0.07%	N/A	N/A	N/A
O.R. Nurses	280	7	0.07%	N/A	N/A	N/A
Schnucks	208	10	0.05%	N/A	N/A	N/A
Stern Cardiovascular	204	8	0.05%	N/A	N/A	N/A
El Porton	200	9	0.05%	N/A	N/A	N/A

Note: Information from prior years not available.

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

	Population	1	Personal Income (thousands of dollars) 4	1	Per Capita Personal Income 4	School Enrollment 5	Unemployment Rate 6
1999	39,279		120,278		43,300	10,399	1.2
2000	39,279		120,833		43,500	9,582	1.1
2001	37,798	2	112,786		40,603	8,915	1.3
2002	40,203	3	122,281		44,021	8,635	1.6
2003	40,203		135,081		48,629	8,659	1.8
2004	40,203		145,306		52,310	9,073	1.8
2005	40,203		147,394	4	53,165	8,914	4.1
2006	40,977	3	162,055	4	57,591	9,117	N/A*
2007	40,977		163,643	4	59,017	8,558	3.4
2008	40,977		170,252	4	61,275	8,363	4.5

## Sources:

- (1) Estimated unless otherwise noted
- (2) Federal Census
- (3) Special Local Census
- (4) Memphis Business Journal
- (5) Shelby County Board of Education
- (6) U.S. Census Bureau \* 2006 Unemployment rate not available by document deadline.  
2008 Unemployment rate derived from Sperlings BestPlaces.

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

**CITY OF GERMANTOWN, TENNESSEE**  
**SCHEDULE OF UNACCOUNTED FOR WATER**  
**June 30, 2008**

*(All amounts in 1,000 gallons)*

Water Treated and Purchased:		
Water Pumped (potable)	2,839,223	
Water Purchased	13,116	
Total Water Treated and Purchased		2,852,339
Accounted for Water:		
Water Sold	2,484,412	
Fire Department usage & flushing	304,234	
Water Bill Adjustments	(17,139)	
Total Accounted for Water	2,771,507	2,771,507
Unaccounted for Water		80,832
Percent Unaccounted for Water		2.83%
Cost per 1,000 gallons of Water	\$	1.30
Cost of Unaccounted for Water	\$	105,081.60

**CITY OF GERMANTOWN, TENNESSEE**  
**SCHEDULE OF UTILITY RATE STRUCTURE AND NUMBER OF CUSTOMERS**  
**June 30, 2008**

As of June 30, 2008, City of Germantown, Tennessee served approximately 13,268 water customers and had the following rate structure in place:

<u>Water Rates</u>		<u>Amount</u> (TGL=thousand Gallons)
Residential	Minimum (5 TGL)	\$ 6.75 per TGL
	6 TGL - 15 TGL	1.75 per TGL
	16 TGL - 50 TGL	2.00 per TGL
	51 to 99,9999	2.50 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 99,9999	3.75 per TGL





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

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, the statement of budgetary comparison for the general fund, and the aggregate remaining fund information of the City of Germantown, Tennessee, (the "City") as of and for the year ended June 30, 2008, which collectively comprise the City's basic financial statements and have issued our report thereon dated November 25, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combinations of control deficiencies, that adversely affects the City's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City's financial statements that is more than inconsequential will not be prevented or detected by the City's internal control.

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

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

Memphis, Tennessee  
November 25, 2008