CITY OF GERMANTOWN
TENNESSEE

Comprehensive Annual Financial Report

For the Fiscal Year Ended

June 30, 2014

Prepared by the City of Germantown Finance Department

CITY OF GERMANTOWN, TENNESSEE
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, June 30, 2014
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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

November 25, 2014

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, 2014. This document reports the sound financial position of the various funds of the City of Germantown and the financial results for operations during FY14. It also provides information on the economic condition of the City.

GERMANTOWN'S ECONOMIC CONDITION AND OUTLOOK

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

With a sturdy local economy and sound fiscal planning, the City of Germantown maintained a General Fund fund balance of 57.0% against operating expenditures in FY14. The City also maintained a Triple-A debt credit rating with Moody's and Standard & Poor's, one of just 84 municipalities in the nation to merit the highest ranking from both agencies.

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

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

Germantown's municipal services and amenities contribute to the exceptional quality of place its residents enjoy; they also contribute to the attractiveness of the metropolitan area. Quality housing is a major "industry" for Germantown, ranging from single-family subdivisions to zero-lot lines to congregate living for seniors. Newer home construction supplements a housing inventory in both new and well-established neighborhoods that reflects exemplary efforts to preserve and modernize older homes.

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

nature area and a farm park. The Germantown Athletic Club and other programs offer fitness facilities and equipment for a healthy lifestyle. Methodist LeBonheur Germantown Hospital, Baptist Rehabilitation-Germantown, several major medical clinics and numerous physician practices provide top-notch, accessible health care. Both police and fire departments take pride in a five minute-or-less emergency response time. The newly-formed Germantown Municipal School District provides K-12 public education on five campuses, complemented by three private elementary schools, three additional public schools, three special needs learning centers and a university, together offering the broadest spectrum of educational resources.

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

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

November 25, 2014

The Board of Mayor and Aldermen
And Citizens of the City of Germantown:

The Comprehensive Annual Financial Report, (CAFR) of the City of Germantown, Tennessee (The City) for the fiscal year ended June 30, 2014, is hereby submitted. The financial statements are presented in conformity with generally accepted accounting principles (GAAP) as set forth by the Governmental Accounting Standards Board (GASB) and have been audited in accordance with the generally accepted auditing standards.

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

Watkins Uiberall, PLLC, Certified Public Accountants, have issued an unmodified ("clean") opinion on the City of Germantown's financial statements for the year ended June 30, 2014. The independent auditor's report is located at the front of the financial section of this report. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City for the fiscal year ended June 30, 2014 are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements: assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement basis for rendering an unmodified opinion.

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

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

Profile of the Government

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

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

The 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 Light, Gas and Water Division of the City of Memphis provide electrical and natural gas distribution to the Germantown service area. The City of Memphis provides treatment of sewage collected via the City of Germantown sewer system. The Memphis Area Transit Authority provides scheduled bus service throughout the City. These entities do not meet established criteria for inclusion in the reporting entity and therefore are not included in this report.

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

Factors Affecting Financial Conditions

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

Local Economy

The City has shown stabilization and improvement in the last year. Property values have stabilized within the City and construction of new properties has begun. Property tax remains the most stable source of revenue at approximately 61.7% of total general fund revenue with collections remaining very strong. The City approved a tax increase in fiscal year 2014. The new tax rate is $1.93 per $100 of assessed value. Real and personal property are assessed by the Shelby County Assessor. Sales tax is the second largest revenue source to the City. Sales tax increased by 3.0% over the past year. With the economy improving, the Halls Income tax decreased $453,143. However the Halls Income tax remains higher than in previous years. The City of Germantown has a strong retail climate although the City is primarily a bedroom community. Emphasis is being placed on bring more retail into the City.

During Fiscal Year 2014 the City issued 51 permits for new single family residence structures with a value of $23,278,435 or average value of $456,440. During Fiscal Year 2014, the focus began with our Western border, with business agreeing to participate in the redevelopment processes. Smart growth is beginning to find momentum within the City limits as business expect growth within the community in the future. During FY15 new developments projects began with Whole Foods developing a store. Saddle Creek South has began to remodel the outside of stores and new develops have begun in Saddle Creek South. A four story hotel is planned within the Heart of the City of Germantown and a 5,000 square foot jewelry store and mixed used businesses. As can be seen within the center of the City, businesses are beginning to apply for building permits. The Smart Code initiative and development must apply to all future buildings. This will begin the revitalization of the center of the City. There is a planned development with 43 new homes having an average price of $500,000.

State Legislation was changed to allow the City to have a municipal school system. Elections were held for a five member school board in November 2014. A superintendent was hired in January 2015 to operate the Germantown Municipal School District which will begin operations in August 2015.

Long Term Financial Planning

Since the adoption of Vision 2020 in 2005, the Board of Mayor and Aldermen have conducted semi-annual retreats in January and August to review and revisit the strategic planning process to ensure the City maintains its focus on the vision, mission and core values. The results from the retreat are used to direct the strategic objectives, departmental business plans, the annual budget, five-year financial plan and five-year CIP. These plans are based on the triple bottom line (Economic, Environmental, and Social Sustainability) and are driven by key indicators with progress measured by the achievement of performance measures.

The City's fiscal year spending plan emphasizes a long-term goal of maintaining financial stability. As a result, the City quickly embraced the practice of managed competition and applied those principles to build-out scenario for our community. Managed competition focused on cost control and reductions when appropriate, reengineering procedures or outsourcing.

Annual budget are now driven by cost saving with emphasis on City departments operating as a business with focus on customer and quality of service. All expenditures reflect the spending priorities established by the Board of Mayor and Aldermen and strict adherence to the financial policies that provide a framework for allocating resources. The business planning approach is outcome based and results oriented, with process in place to deliver services in the most effective way. With the proper deployment of these activities now and in the future the City is able to address long term financial obligations of the City, maintain a stable tax base and move closer to sustainability.

The City was reaffirmed as Triple-A by Moody's and Standard & Poor's in September 2013. On September 23, 2013 the City refunded its 2005 bonds for a better interest rate and issued new bonds in the amount of $3.5 million. The refunding of the 2005 bond had a present value saving to taxpayers of $360,412. These bonds are to fund capital improvements which include, but are not limited to improvements to and stabilization of various drainage laterals, construction of a new roadway to the Farm Park, and the extension of the Greenway along Wolf River Blvd.

Awards and Acknowledgement

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Germantown for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2013. This was the 32nd consecutive year that the government has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

The Government Finance Officers Association of the United States and Canada (GFOA) has given an Award for Outstanding Achievement in Popular Annual Financial Reporting to the City of Germantown for its Popular Annual Financial Report for the fiscal year ended June 30, 2013. The Award for Outstanding Achievement in Popular Annual Financial Reporting is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government popular reports.

In order to receive an Award for Outstanding Achievement in Popular Annual Financial Reporting, a government unit must publish a Popular Annual Financial Report, whose contents conform to program standards of creativity, presentation, understanding and reader appeal. An Award for Outstanding Achievement in Popular Annual Financial Reporting is valid for a period of one year only. The City of Germantown has received a Popular Award for the last six consecutive years (fiscal years ended 2008-2013). We believe our current report continues to

conform to the Popular Annual Financial Reporting requirements, and we are submitting it to the GFOA.

The City received the GFOA's Distinguished Budget Presentation Award for its annual operating budget for the year ended June 30, 2013. The City has received the Award for each of the 29 years since the program was instituted in 1984. N order to qualify for the Distinguished Budget Presentation Award, the city budget document was judged to be proficient and/or outstanding in several categories including policy documentation, financial planning, operations and communications.

The preparation of this report could not be accomplished without the skill, effort and dedication of the entire staff of the Departments of Budget & Performance throughout the fiscal year. I would like to express my appreciation to all the members of the departments who have assisted and contributed to this report, in addition to the city's independent certified public accountants, Watkins Uiberall, PLLC. In addition, I appreciate the Board of Mayor and Aldermen's interest, support and leadership in planning and conducting the financial operations of the City in a responsible and progressive manner.

Respectfully submitted,

Ralph J. Gabb, CPA
Finance Director

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

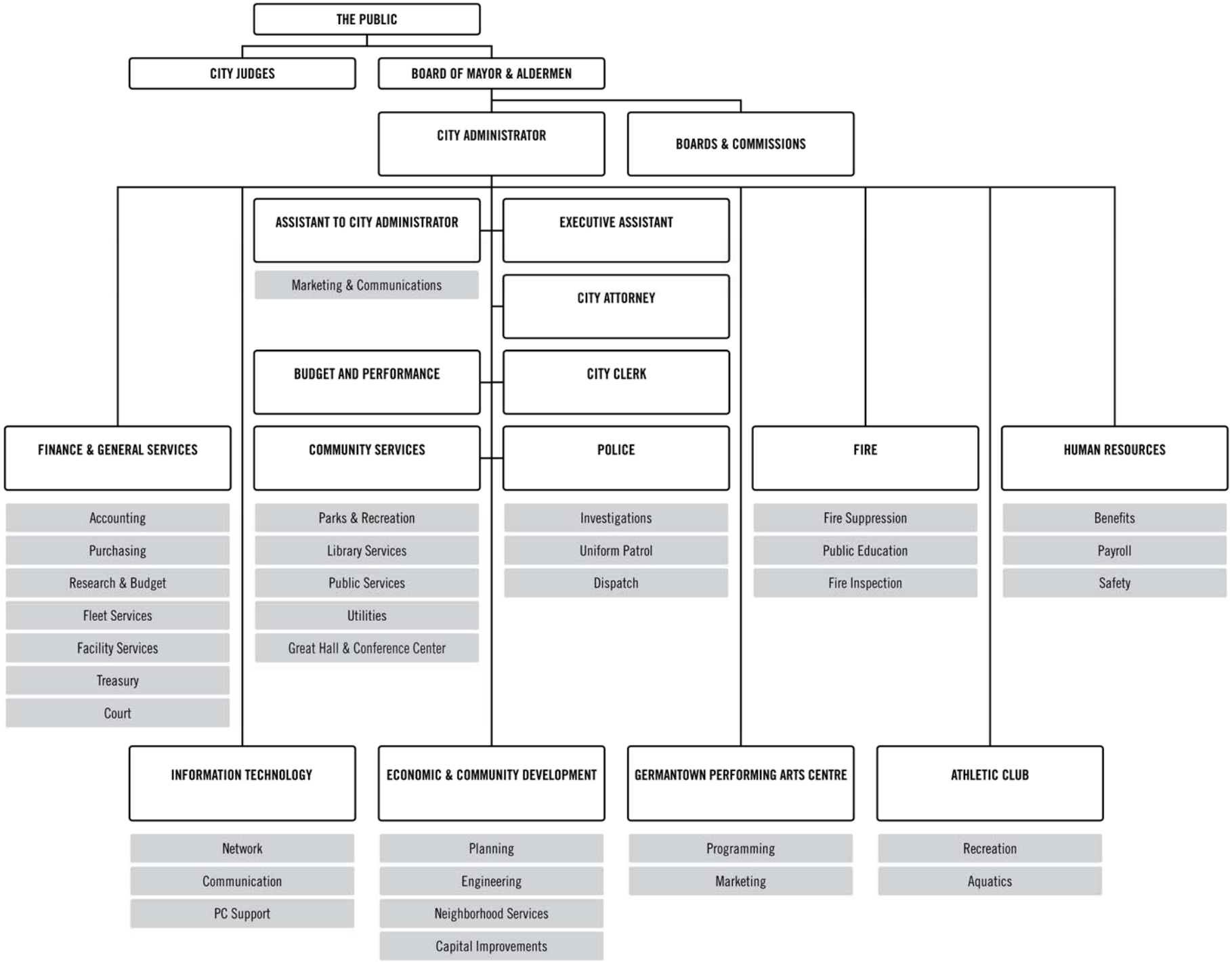
Presented to

City of Germantown
Tennessee

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2013

Executive Director/CEO


THE PUBLIC
CITY JUDGES
BOARD OF MAYOR & ALDERMEN
CITY ADMINISTRATOR
BOARDS & COMMISSIONS
ASSISTANT TO CITY ADMINISTRATOR
Marketing & Communications
EXECUTIVE ASSISTANT
CITY ATTORNEY
BUDGET AND PERFORMANCE
CITY CLERK
FINANCE & GENERAL SERVICES
Accounting
Purchasing
Research & Budget
Fleet Services
Facility Services
Treasury
Court
COMMUNITY SERVICES
Parks & Recreation
Library Services
Public Services
Utilities
Great Hall & Conference Center
POLICE
Investigations
Uniform Patrol
Dispatch
FIRE
Fire Suppression
Public Education
Fire Inspection
HUMAN RESOURCES
Benefits
Payroll
Safety
INFORMATION TECHNOLOGY
Network
Communication
PC Support
ECONOMIC & COMMUNITY DEVELOPMENT
Planning
Engineering
Neighborhood Services
Capital Improvements
GERMANTOWN PERFORMING ARTS CENTRE
Programming
Marketing
ATHLETIC CLUB
Recreation
Aquatics

CITY OF GERMANTOWN
CITY OFFICIALS

MAYOR

Honorable Sharon Goldsworthy (2014*)

ALDERMEN

Mike Palazzolo (Vice Mayor – 2016*)

John Drinnon (2014*)
Greg Marcom (2014*)
Forest Owens (2016*)
Rocky Janda (2016*)

CITY ADMINISTRATOR

Patrick J. Lawton

CITY ATTORNEY

Debra A. Wiles

CITY JUDGES

Raymond S. Clift
Robert M. Brannon, Jr.

EXECUTIVES

Economic and Community Development Services Director	Cameron Ross
Community Services Division Director	George Brogdon
Finance Director	Ralph J. Gabb
Fire Chief	John M. Selberg
Germantown Athletic Club Director	Phil Rogers
Germantown Performing Arts Center	Paul Chandler
General Services Director	Reynold Douglas
Human Resources Director	Susan Hopson
Information Technology Director	Tony Fischer
Parks and Recreation Director	Pam Beasley
Police Chief.	Richard Hall
Procurement Director	Lisa Piefer
Public Services Director	Bo Mills

*(Date elected term expires)

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, the 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, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of Germantown Performing Arts Center ("GPAC"), a component unit of the City of Germantown, Tennessee, which represent 0.4 percent, 0.4 percent, and 2.0 percent, respectively, of the assets, net position, and revenues of the City. Those statements were audited by other auditors, whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for GPAC, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Germantown, Tennessee, as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof, and the respective budgetary comparison for the general fund, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Germantown, Tennessee's basic financial statements. The introductory section, combining and individual fund statements and schedules, supplementary schedules, and statistical section are presented for purposes of additional analysis and are not a required part of the financial statements. The schedule of expenditures of federal and state awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements.

The combining and individual fund statements and schedules, supplementary schedules, and the schedule of expenditures of federal and state awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund statements and schedules, the supplementary schedules, and the schedule of expenditures of federal and state awards are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 25, 2014, on our consideration of the City of Germantown, Tennessee's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Germantown, Tennessee's internal control over financial reporting and compliance.

Watkins Uiberall, PLLC

Memphis, Tennessee
November 25, 2014

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, 2014. 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 and deferred inflows of resources at June 30, 2014 by $219,192,686 (net position). Of this amount, $34,091,672 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
- At June 30, 2014, the City's governmental funds reported total fund balances of $31,057,937. Of this amount, $6,295,396 (unassigned fund balances) may be used to meet the general governments spending requirements. The unassigned fund balance represents 14.9% of total General Fund expenditures.
- During the fiscal year, the City's total debt increased by $4,125,436. The City paid down its bonded debt but incurred debt due to settlement with Shelby County Board of Education.

Overview of the Financial Statements

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

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

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

The statement of activities presents information showing how the government's net position changed during the year ended June 30, 2014. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

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

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

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

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 fifteen individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General Fund and other Governmental Funds. Data from the other fourteen governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

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

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

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

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

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

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

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

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

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

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 53-87 of this report.

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

Other Information. In addition to the basic financial statements and accompanying notes, this report presents certain required supplementary information concerning the City's progress in

funding its obligation to provide pension benefits to its employees and Other Post Employment Benefits. Required supplementary information is presented as Note 5 and Note 10 of this report.

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

Combining and Individual Fund Statements and Schedules are presented as Exhibits C-1 through D-7 of this report.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities and deferred outflows of resources by $219,192,686 at June 30, 2014.

	Governmental Activities		Business-Type Activities		Totals	
	2014	2013	2014	2013	2014	2013
Current & Other Assets	$ 65,279,769	$ 60,085,896	$ 8,221,439	$ 7,472,323	$ 73,501,208	$ 67,558,219
Capital Assets	155,835,804	101,202,191	59,493,298	60,835,277	215,329,102	162,037,468
Total Assets	221,115,573	161,288,087	67,714,737	68,307,600	288,830,310	229,595,687
Long-term Liabilities	27,589,088	23,008,768	3,953,197	4,732,281	31,542,285	27,741,049
Other Liabilities	8,369,973	8,688,452	2,677,538	2,625,095	11,047,511	11,313,547
Total Liabilities	35,959,061	31,697,220	6,630,735	7,357,376	42,589,796	39,054,596
Deferred Inflows of Resources	27,047,828	27,074,716	-	-	27,047,828	27,074,716
Net Asset:						
Invested Capital Assets	129,976,697	79,702,880	54,777,680	55,092,513	184,754,377	134,795,393
Restricted	346,637	1,218,763	-	-	346,637	1,218,763
Unrestricted	27,785,350	21,594,508	6,306,322	5,857,711	34,091,672	27,452,219
Total Net Position	$ 158,108,684	$ 102,516,151	$ 61,084,002	$ 60,950,224	$ 219,192,686	$ 163,466,375

By far the largest portion of the City's net position (84.3%) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens. Consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net position (.2%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position ($34,091,672) may be used to meet the government's ongoing obligations to citizens and creditors.

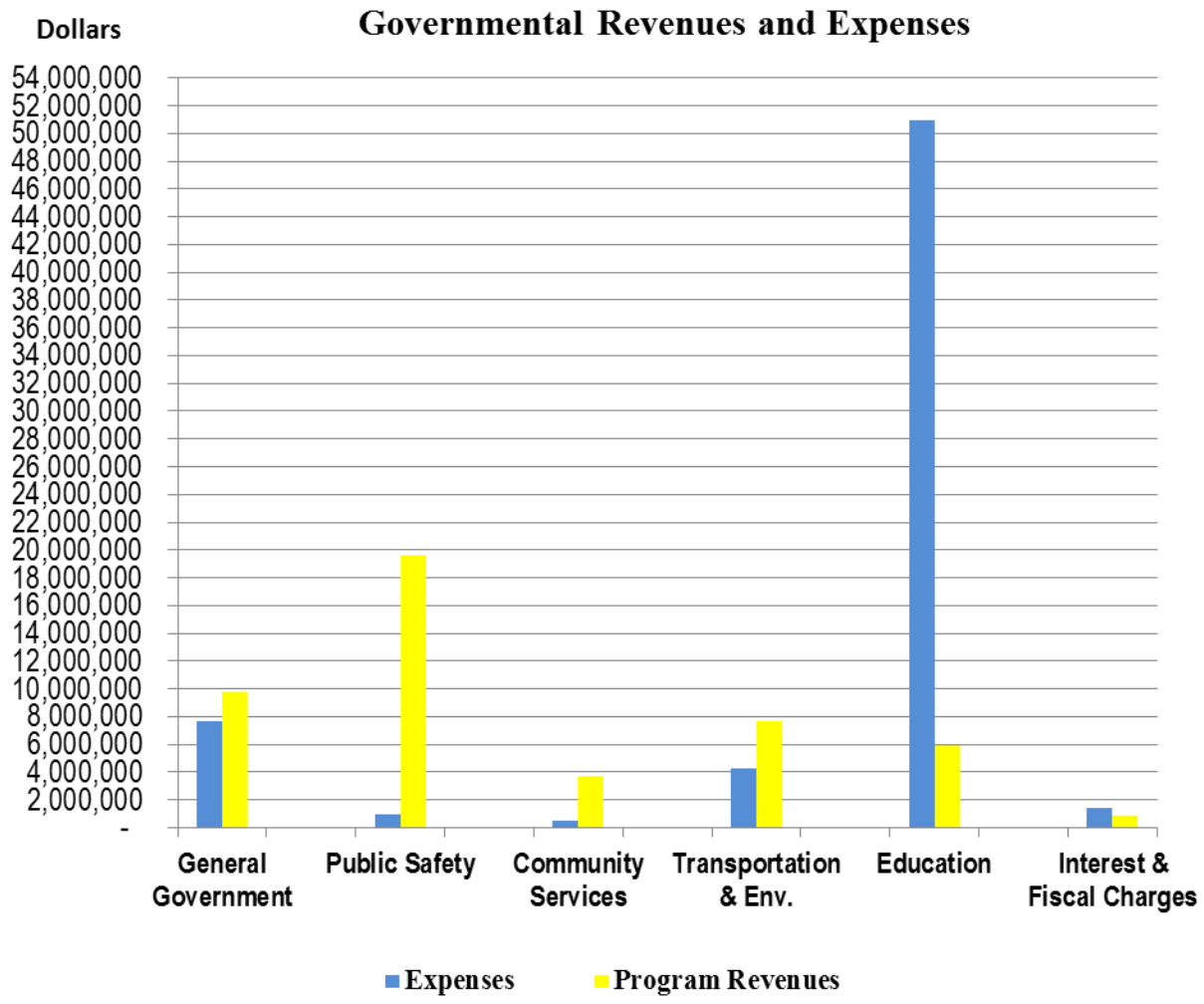
At the end of the current fiscal year, the City is able to report positive balances in both categories of net position, both for the government as a whole, as well as for its separate governmental and business-type activities. The positive unrestricted net position for governmental activities are

reflective of the City's practice of maintaining adequate reserves for payment of debt service and capital projects, while funding current operations with current revenue sources.

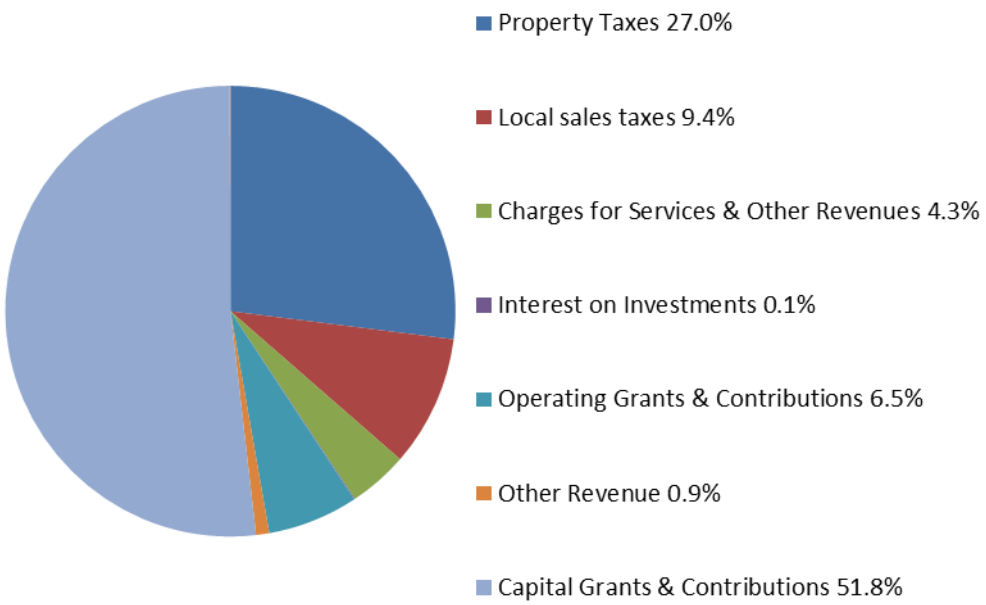
Governmental activities. Governmental activities increased the City's net position by $55,592,533 from the prior fiscal year for an ending balance of $158,108,684. Key elements of this increase are as follows:

	Governmental Activities		Business-Type Activities		Totals	
	2014	2013	2014	2013	2014	2013
Program Revenues						
Charges for Services	$ 4,374,550	$ 2,768,546	$ 15,573,898	$ 15,548,159	$ 19,948,448	$ 18,316,705
Operating Grants & Contributions	6,703,431	7,103,351	-	-	6,703,431	7,103,351
Capital Grants & Contributions	53,265,528	10,316,156	259,000	86,243	53,524,528	10,402,399
General Revenues						
Property taxes	27,775,154	22,185,722	-	-	27,775,154	22,185,722
Local sales taxes	9,684,656	8,844,583	-	-	9,684,656	8,844,583
Interest on investments	65,482	82,582	11,997	19,795	77,479	102,377
Other revenue	970,816	2,730,051	-	-	970,816	2,730,051
Total Revenues	102,839,617	54,030,991	15,844,895	15,654,197	118,684,512	69,685,188
Expenses						
General Government	9,815,248	15,085,014	-	-	9,815,248	15,085,014
Public Safety	19,605,811	18,283,716	-	-	19,605,811	18,283,716
Community Service	3,757,032	4,286,244	-	-	3,757,032	4,286,244
Transportation and Environment	7,696,305	5,436,003	-	-	7,696,305	5,436,003
Education	5,918,915	-	-	-	5,918,915	-
Interest and Fiscal Charges	831,623	1,415,478	-	-	831,623	1,415,478
Utilities	-	-	7,279,545	7,309,861	7,279,545	7,309,861
Athletic Club	-	-	3,257,518	3,404,771	3,257,518	3,404,771
Nonmajor Enterprise Funds	-	-	4,851,474	4,587,955	4,851,474	4,587,955
Total Expenses	47,624,934	44,506,455	15,388,537	15,302,587	63,013,471	59,809,042
Increase/ (Decrease) in Net Position before Transfers	55,214,683	9,524,536	456,358	351,610	55,671,041	9,876,146
Gain/(Loss) on Disposal of Capital Assets	50,649	-	4,621	-	55,270	-
Transfers	327,201	1,166,609	(327,201)	(1,166,609)	-	-
Increase/ (Decrease) in Net Position	55,592,533	10,691,145	133,778	(814,999)	55,726,311	9,876,146
Net Position - July 1, 2013	102,516,151	91,825,006	60,950,224	61,765,223	163,466,375	153,590,229
Net Position - June 30, 2014	$ 158,108,684	$ 102,516,151	$ 61,084,002	$ 60,950,224	$ 219,192,686	$ 163,466,375

- Property Taxes increased to $27,775,154, which is $5,589,432 greater than FY13. Public Safety and Transportation and Environment increased by $3,582,397 over the prior years. General Government decreased by $5,269,766, Community Service decreased by $529,212 and Interest and Fiscal Charges decreased by $583,855. The Education line item is new as the City began the Germantown Municipal School District in FY14. The decrease in the General Government was due to a reallocation of the depreciation to Transportation and Environment. The net change in total expense is due to the decrease in the elimination of capital projects and the increase in allocation of internal service funds to the governmental funds.


Governmental Revenues and Expenses
Dollars
54,000,000
52,000,000
50,000,000
48,000,000
46,000,000
44,000,000
42,000,000
40,000,000
38,000,000
36,000,000
34,000,000
32,000,000
30,000,000
28,000,000
26,000,000
24,000,000
22,000,000
20,000,000
18,000,000
16,000,000
14,000,000
12,000,000
10,000,000
8,000,000
6,000,000
4,000,000
2,000,000
-
General Government
Public Safety
Community Services
Transportation & Env.
Education
Interest & Fiscal Charges
Expenses
Program Revenues

Governmental Revenues by Source

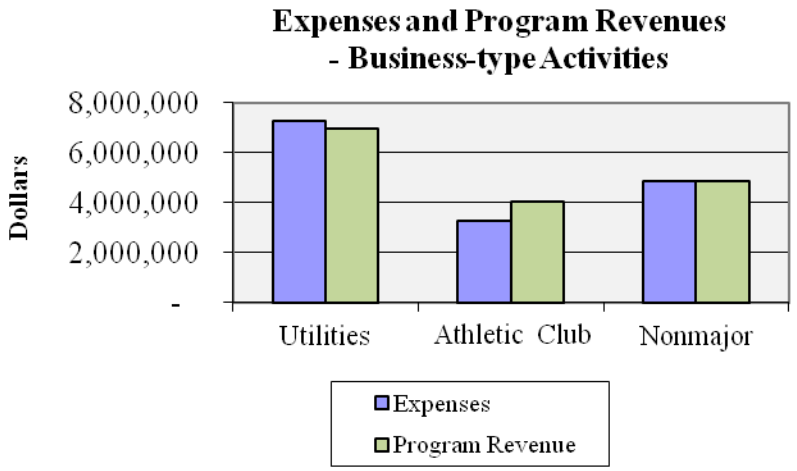


Business-type activities. Business-type activities increased the City's net position by $133,778. The business-type activities are Utility, Athletic Club, and the Nonmajor Enterprise Funds.

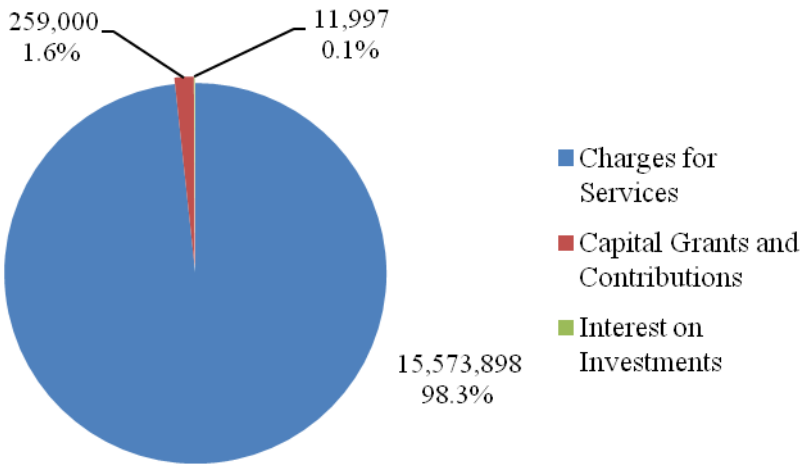
- The Germantown Utility Fund decreased by $885,743, due to lower revenues in water and sewer and increases in personnel cost, and sewer treatment fees.

- The Germantown Athletic Club net position increased by $772,526 due to increased membership and controlling cost.

- The Nonmajor Enterprise Fund's net position increased by $193,032 due to a transfer of $175,000 to the Great Hall which had a loss of $124,539. The Sanitation Fund had a positive net position of $45,174. The Stormwater Fund fund had a positive net position of $97,397.



Business-type Activities Revenue by Source



Financial Analysis of the Government's Funds

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

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

As of June 30, 2014, the City's governmental funds reported combined ending fund balances of $31,057,937, an increase of $6,195,200 in comparison with the prior year. Approximately 20.1% of this total amount of $6,228,799 constitutes unassigned fund balance, which is available for spending at the government's discretion. The remainder of the fund balance is made up of nonspendable ($899,172), restricted ($346,637), committed ($19,634,138), and assigned ($3,949,191) amounts. The General Fund is the chief operating fund of the City.

At June 30, 2014, unassigned fund balance of the General Fund was $6,295,396 while the total fund balance reached $24,069,837. As a measure of the General Fund's liquidity, it may be useful to compare the unassigned fund balance and the total fund balance to total fund expenditures. Unassigned fund balance represents 14.9% of total General Fund Expenditures, while total fund balance represents 57.0% of that same amount.

The fund balance of the City's General Fund increased by $4,849,663 during the fiscal year ended June 30, 2014. Key factors are as follows:

- Property tax increased $5,297,878
- Local sales tax increased $690,197
- Intergovermental taxes decreased $251,442
- Fines and Forfeitures decreased $33,913
- Licenses and Permits decreased $10,238
- Fees for services decreased $6,876
- Investment income decreased $15,068
- Grants decreased $161,275
- Other revenue increased $121,889
- Total expenditures increased $3,382,313

Property tax increased due to an increase in the tax rate of $0.445 cents per $100 of assessed value. Local sales tax increased due to local sales tax increase of .5%. Intergovernmental taxes decreased due to lower than anticipated Halls taxes from dividends and interest paid to the state by citizens. Fines and forfeitures decreased due to city court cost and other court cost decreasing. This is due to fewer fines being assessed and collected. Licenses and permits decreased from the prior year in all categories. The largest decrease was automobile registration. Fees for services

decreased due to engineering fees and library fees. The decrease was very moderate. Investment income decreased due to fewer investments and low interest rates. Grants decreased as there were fewer grants for the City to apply. The City has hired an individual to seek out grants.

Total expenses increased due to the increase of debt service payment. The City did a refunding issued of the 2005 Serial Bonds in the amount of $5,670,000, thereby obtaining a better interest rate. The various departments within the City reduced their spending from the prior year.

The increase in fund balance is due to an increase in the tax rate of $.445 per 100 dollars of assessed value and the increase in the local sales tax of 0.5%. In addition, the departments controlled their cost. Also, the City issued General Obligation Bond Series A and General Obligation Refunding Bonds Series B.

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

Unrestricted net position of $6,250,790 is comprised of, $3,074,608 for the Utility Fund, $1,869,606 for the Athletic Club Fund, and $1,306,576 for the nonmajor enterprise funds. User fees support these funds.

General Fund Budgetary Highlights

The General Fund revenues were higher than budget by $1,562,548. The increase was due to higher property tax which had a rate increase of $.445. The property tax came in higher than budget by $347,130. Also, local sales tax came in higher than anticipated by $368,614. The largest increase was the intergovernmental taxes of $620,241. The Halls Income tax came in higher than anticipated. Halls Income tax is projected a year in advance and represents the interests and dividends paid to the state and remitted to the City. Fines and forfeitures exceed budget moderately at $87,295. Licenses and permits as well as Fees for services exceeded budget by $11,751 and $32,204 respectively. Interest on investments and grants were under budget by $14,056 and $185,935 respectively. Investments were lower due to interest rates and the amount invested. Grants were lower as the City received fewer grants. Other revenue was up due to higher cable fees and miscellaneous revenue being received.

General Fund expenditures were lower than budget by $2,234,310. The variances were due to the lower costs associated with concerted effort of City government to control cost. 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 $963,173. Savings were also achieved in Public Safety of $745,772, Community Services $250,963, Transportation and Environment of $225,555 and Debt Service of $48,847.

Capital Asset and Debt Administration

Capital Assets. The City investment in capital assets for its governmental and business-type activities as of June 30, 2014 amounts to $215,329,102 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements other than building, machinery, equipment and construction in progress. The investment in capital assets for the current fiscal years increased $53,291,634. Governmental activities increased $54,633,613 or 54.0% and business activities decreased $1,341,979 or 2.2%.

	Governmental Activities		Business-Type Activities		Totals	
	2014	2013	2014	2013	2014	2013
Land and Buildings	$ 79,812,235	$ 30,764,510	$ 13,436,559	$ 13,973,852	$ 93,248,794	$ 44,738,362
Improvements Other Than Buildings	38,157,746	34,174,804	45,222,354	44,944,258	83,380,100	79,119,062
Equipment	8,690,589	7,756,348	463,740	582,026	9,154,329	8,338,374
Construction in Progress	29,175,234	28,506,529	370,645	1,335,141	29,545,879	29,841,670
Total Capital Assets	$ 155,835,804	$ 101,202,191	$ 59,493,298	$ 60,835,277	$ 215,329,102	$ 162,037,468

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

Long-term debt. At June 30, 2014 the City had total bonded debt outstanding of $28,530,000. Of this amount $23,885,000 comprises debt backed by the full faith and credit of the government and $4,645,000 represents bonds secured by specified revenue sources (i.e., revenue bonds).

	Governmental Activities		Business-Type Activities		Totals	
	2014	2013	2014	2013	2014	2013
General Obligation Bonds	$ 23,885,000	$ 23,105,000	$ -	$ -	$ 23,885,000	$ 23,105,000
Revenue Bonds	-	-	4,645,000	5,565,000	4,645,000	5,565,000
Total Revenues	$ 23,885,000	$ 23,105,000	$ 4,645,000	$ 5,565,000	$ 28,530,000	$ 28,670,000

During FY14, the City's total debt decreased by $140,000. Total debt includes general obligation bonds and revenue bonds. Total debt for governmental activities increased by 3.4%. The increase was due to the issuance of General Obligation Bonds Series 2013A and General Obligation Refunding Bonds, Series 2013B. The City continues to pay down its new and existing debt. Business-type activities' debt decreased by 16.5%, due to the City not issuing Revenue bonds. Various construction programs were still in progress at the end of the current fiscal year.

The City has long held the highest bond rating on indebtedness from the major credit rating agencies. Factors most commonly cited by these agencies in support of its general obligation earned a 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.

Although the City is not subject to any state debt limits, the City has developed a debt policy that limits the amount of debt it may obtain: (1) net debt service may not exceed 12% of general fund expenditures; (2) direct debt may not exceed 4% of assessed property value; (3) direct debt may not exceed $1,500 per capital income; and (4) per capital debt may not exceed 3% of per capita

income. The City's full faith, credit and taxing power are pledged to the repayment of all general obligation bond principal and interest and the City is contingently liable for the repayment of revenue bond principal and interest.

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

Economic Factors and Next Year's Budget and Rates

Factors considered in preparing the City's Budget for the 2015 fiscal year are more fully discussed in the Budget document and included:

- The property tax is the most stable source of revenue for the City. There was no tax rate increase in the FY15 Budget. Other revenue sources are subject to some degree of fluctuation in economic cycles, and with the inclusion of a half cent sales tax increase, FY15 general fund revenues increased by 8.5% over FY14 estimate.

- The City initiated Managed Competition during FY07 with an emphasis on creating greater efficiency and cost control. The FY15 Budget reflects the continued emphasis on Managed Competition. A new tool being used in the strategic planning process to assess the community priorities is the Annual City Survey. This survey measures the citizens' satisfaction and importance for City functions.

- The City continues to look at new sources of revenue and grants to supplement the property tax values. The City will continue to review the systems and process in the delivery of its services and thereby control operating expenses.

- As economic times appear to be improving and new developments are on the horizon the City revised the FY15 budget. The City reviewed its expenses as it related to the growth and proving operating services levels to the business community and homeowners. Fire and emergency medical services, Police service, City Parks, Maintenance of streets and managing traffic flow continue to be of greatest importance to our citizens.

- The inclusion of a Germantown Municipal Schools System which had previously been a part of the Shelby County Schools System. The Germantown Municipal School System operates 5 schools with approximately 5,751students.

During FY12 the City implemented GASB 54. The unassigned fund balance in the General Fund is $6,295,396. The City has a total approved budget of $120,146,722 in expenditures for FY15. The large increase over the past year is due to the inclusion of the Germantown Municipal Schools. The City tax rate for FY15 remains the same as in FY14 at $1.93.

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, 2014, Fiscal Year 2014 and FY15 Budget Reports and other information about the City may be found on the City's website www.germantown-tn.gov, as part of our continuing usage of advancing technology and e-commerce.

Exhibit A-1

CITY OF GERMANTOWN, TENNESSEE

STATEMENT OF NET POSITION

June 30, 2014

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	GPAC
ASSETS				
Cash and cash equivalents	$ 27,692,156	$ 6,988,351	$ 34,680,507	$ 596,945
Investments	2,992,348	1,006,487	3,998,835	-
Receivables				
Property taxes	27,757,707	-	27,757,707	-
Customer and developers receivables	-	277,941	277,941	170,004
Other	7,090,737	830,401	7,921,138	26,032
Less: allowance for doubtful accounts	(1,699,767)	(133,064)	(1,832,831)	-
Internal balances	819,468	(819,468)	-	-
Inventories	199,829	46,589	246,418	317
Prepaid expenditures	69,811	24,202	94,013	95,401
Restricted assets:				
Cash and cash equivalents	357,480	-	357,480	144,530
Capital assets, not being depreciated	43,721,400	3,143,238	46,864,638	-
Capital assets, being depreciated, net	112,114,404	56,350,060	168,464,464	76,670
Total assets	221,115,573	67,714,737	288,830,310	1,109,899
LIABILITIES				
Accounts payable and accrued liabilities	3,746,996	806,650	4,553,646	32,229
Accrued interest	116,918	26,073	142,991	-
Customer deposits	-	611,946	611,946	29,330
Contracts payable	297,557	-	297,557	-
Unearned revenue	1,354,120	277,869	1,631,989	93,711
Noncurrent liabilities:				
Due within one year	2,854,382	955,000	3,809,382	-
Due in more than one year	27,589,088	3,953,197	31,542,285	-
Total liabilities	35,959,061	6,630,735	42,589,796	155,270
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - taxes	27,047,828	-	27,047,828	-
NET POSITION				
Net investment in capital assets	129,976,697	54,777,680	184,754,377	76,670
Restricted for:				
Drug Enforcement	78,746	-	78,746	-
Library Endowment	267,891	-	267,891	-
Unrestricted	27,785,350	6,306,322	34,091,672	877,959
Total net position	$ 158,108,684	$ 61,084,002	$ 219,192,686	$ 954,629

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

Exhibit A-2

CITY OF GERMANTOWN, TENNESSEE

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2014

		Program Revenues		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Functions/Programs				
Primary government:				
Governmental Activities:				
General government	$ 9,815,248	$ 2,006,017	$ 5,657,937	$ -
Public safety	19,605,811	943,545	-	-
Community services	3,757,032	455,041	-	-
Transportation and environment	7,696,305	969,947	1,038,066	2,297,528
Education	5,918,915	-	7,428	50,968,000
Interest and fiscal charges	831,623	-	-	-
Total governmental activities	47,624,934	4,374,550	6,703,431	53,265,528
Business-type activities:				
Utilities	7,279,545	6,681,013	-	259,000
Athletic Club	3,257,518	4,026,672	-	-
Nonmajor Enterprise Fund	4,851,474	4,866,213	-	-
Total business-type activities	15,388,537	15,573,898	-	259,000
Total primary government	$ 63,013,471	$ 19,948,448	$ 6,703,431	$ 53,524,528
Component unit:				
GPAC	$ 2,398,086	$ 527,485	$ 1,884,906	$ -

General revenues:
- Property taxes
- Local sales taxes
- Interest on investments
- Gain on sale of capital assets
- Other revenues

Transfers

Total general revenues and transfers

Change in net position

Net position - beginning

Net position - ending

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

Net (Expense) Revenue and Changes in Net Position			
Primary Government			Component Unit
Governmental Activities	Business-Type Activities	Total	GPAC
$ (2,151,294)	$ -	$ (2,151,294)	$ -
(18,662,266)	-	(18,662,266)	-
(3,301,991)	-	(3,301,991)	-
(3,390,764)	-	(3,390,764)	-
45,056,513	-	45,056,513	-
(831,623)	-	(831,623)	-
16,718,575	-	16,718,575	-
-	(339,532)	(339,532)	-
-	769,154	769,154	-
-	14,739	14,739	-
-	444,361	444,361	-
16,718,575	444,361	17,162,936	-
-	-	-	14,305
27,775,154	-	27,775,154	-
9,684,656	-	9,684,656	-
65,482	11,997	77,479	-
50,649	4,621	55,270	-
970,816	-	970,816	-
327,201	(327,201)	-	-
38,873,958	(310,583)	38,563,375	-
55,592,533	133,778	55,726,311	14,305
102,516,151	60,950,224	163,466,375	940,324
$ 158,108,684	$ 61,084,002	$ 219,192,686	$ 954,629

Exhibit A-3

CITY OF GERMANTOWN, TENNESSEE

BALANCE SHEET – GOVERNMENTAL FUNDS

June 30, 2014

	General	Other Governmental Funds	Total Governmental Funds
ASSETS			
Cash and cash equivalents	$ 18,056,524	$ 8,047,631	$ 26,104,155
Investments	2,922,873	69,475	2,992,348
Receivables			
Property taxes	27,757,707	-	27,757,707
Other	6,575,439	511,760	7,087,199
Less: allowance for doubtful accounts	(1,699,767)	-	(1,699,767)
Advances to other funds	875,000	-	875,000
Due from other funds	-	5,201	5,201
Inventories	79,361	-	79,361
Prepaid expenditures	-	69,811	69,811
Restricted assets:			
Cash and cash equivalents	15,475	342,005	357,480
Total assets	$ 54,582,612	$ 9,045,883	$ 63,628,495
LIABILITIES			
Liabilities:			
Accounts payable	$ 1,667,479	$ 1,574,276	$ 3,241,755
Contracts payable	-	297,557	297,557
Due to other funds	5,201	-	5,201
Unearned revenue	1,342,947	11,173	1,354,120
Total liabilities	3,015,627	1,883,006	4,898,633
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - taxes	27,497,148	-	27,497,148
Unavailable revenue - grants	-	174,777	174,777
Total deferred inflows of resources	27,497,148	174,777	27,671,925
Fund Balances:			
Nonspendable	829,361	69,811	899,172
Restricted	-	346,637	346,637
Committed	15,121,607	4,512,531	19,634,138
Assigned	1,823,473	2,125,718	3,949,191
Unassigned	6,295,396	(66,597)	6,228,799
Total fund balances	24,069,837	6,988,100	31,057,937
Total liabilities, deferred inflows of resources, and fund balances	$ 54,582,612	$ 9,045,883	$ 63,628,495

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

Exhibit A-4

CITY OF GERMANTOWN, TENNESSEE

RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS TO THE GOVERNMENT-WIDE STATEMENT OF NET POSITION

June 30, 2014

Amounts reported for governmental activities in the statement of net position are different because:	
Total fund balances - total governmental funds	$ 31,057,937
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	155,711,476
Other long-term assets are not available to pay for current-period expenditures and, therefore, are reported as unavailable revenue in the funds.	624,097
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 in the governmental activities in the statement of net position.	1,275,562
Long-term liabilities, including bonds payable, settlement liability, and compensated absences, are not due and payable in the current period and therefore are not reported in the funds.	(30,560,388)
Net position of governmental activities	$ 158,108,684

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

Exhibit A-5

CITY OF GERMANTOWN, TENNESSEE

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

For the Year Ended June 30, 2014

	General	Other Governmental Funds	Total
REVENUES			
Taxes:			
Property taxes	$ 27,806,758	$ -	$ 27,806,758
Local sales taxes	7,755,752	1,928,904	9,684,656
Intergovernmental	5,582,502	1,045,494	6,627,996
Fines and forfeitures	778,541	100	778,641
Licenses and permits	1,026,260	-	1,026,260
Fees for services	154,570	958,014	1,112,584
Interest on investments	64,904	578	65,482
Grants	75,435	3,119,939	3,195,374
Other revenues	1,812,375	615,506	2,427,881
Total revenues	45,057,097	7,668,535	52,725,632
EXPENDITURES			
Current:			
General government	9,505,519	-	9,505,519
Public safety	17,160,125	1,690,393	18,850,518
Community services	2,826,202	202,879	3,029,081
Transportation and environment	3,673,168	2,151,999	5,825,167
Education	-	2,603,341	2,603,341
Debt services			
Principal	2,620,000	-	2,620,000
Interest and fiscal charges	762,645	-	762,645
Capital projects	-	7,214,238	7,214,238
Total expenditures	36,547,659	13,862,850	50,410,509
Excess (deficiency) of revenues over (under) expenditures	8,509,438	(6,194,315)	2,315,123
OTHER FINANCING SOURCES (USES)			
Issuance of general obligation bonds	-	3,500,000	3,500,000
Issuance of refunding bonds	5,570,000	-	5,570,000
Premium on general obligation bonds issued	-	222,803	222,803
General obligation bond issuance costs	-	(120,576)	(120,576)
Payment to refunding bond escrow agent	(5,670,000)	-	(5,670,000)
Sale of capital assets	43,024	7,625	50,649
Transfers in	502,201	4,045,000	4,547,201
Transfers out	(4,105,000)	(115,000)	(4,220,000)
Total other financing sources	(3,659,775)	7,539,852	3,880,077
Net change in fund balances	4,849,663	1,345,537	6,195,200
Fund balances - beginning	19,220,174	5,642,563	24,862,737
Fund balances - ending	$ 24,069,837	$ 6,988,100	$ 31,057,937

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

Exhibit A-6

CITY OF GERMANTOWN, TENNESSEE

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

For the Year Ended June 30, 2014

Amounts reported for governmental activities in the statement of activities are different because:	
Net change in fund balance - total governmental funds	$ 6,195,200
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.	3,674,433
The net affect of various miscellaneous transactions involving capital assets (i.e., donations) is to increase net position.	50,968,000
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(854,015)
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 position. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	(4,477,939)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. This is the change in compensated absences, including unpaid vacation and sick time.	(279,992)
Internal service funds are used by management to charge the costs of health insurance and vehicle maintenance to individual funds. The net cost of certain activities of internal service funds is reported with governmental activities.	366,846
Change in net position of governmental activities	$55,592,533

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

Exhibit A-7

CITY OF GERMANTOWN, TENNESSEE

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

For the Year Ended June 30, 2014

	Budgeted Amounts		Actual	Variance with Final Budget - Positive
	Original	Final	Amounts	(Negative)
REVENUES				
PROPERTY TAXES				
Real property taxes	$ 26,123,058	$ 26,123,058	$ 26,203,181	$ 80,123
Personal property taxes	535,235	535,235	756,948	221,713
Penalties and interest - property taxes	130,889	130,889	110,779	(20,110)
Receipt in lieu of taxes - TVA	466,140	466,140	443,906	(22,234)
Receipt in lieu of taxes - MLGW	204,306	204,306	291,944	87,638
Total property taxes	27,459,628	27,459,628	27,806,758	347,130
LOCAL SALES TAXES				
Sales taxes	5,368,000	5,613,640	5,874,756	261,116
Beer and liquor taxes	675,367	675,367	625,923	(49,444)
Gross receipts tax	501,734	501,734	490,108	(11,626)
Penalties and interest - gross receipts tax	1,737	1,737	80	(1,657)
Room occupancy tax	594,660	594,660	764,885	170,225
Total local sales taxes	7,141,498	7,387,138	7,755,752	368,614
INTERGOVERNMENTAL				
Sales taxes	2,723,148	2,723,148	2,866,627	143,479
Income taxes	2,072,799	2,072,799	2,381,862	309,063
Excise taxes	-	-	119,213	119,213
Beer taxes	20,062	20,062	18,985	(1,077)
Liquor taxes	64,000	64,000	109,572	45,572
Telecommunications taxes	-	-	4,104	4,104
Petroleum special taxes	82,252	82,252	82,139	(113)
Total intergovernmental	4,962,261	4,962,261	5,582,502	620,241
FINES AND FORFEITURES				
Traffic and other violations	143,170	143,170	124,330	(18,840)
City court costs	268,456	268,456	164,140	(104,316)
Other court costs	276,420	276,420	481,845	205,425
Animal impoundment fees	3,200	3,200	8,226	5,026
Total fines and forfeitures	691,246	691,246	778,541	87,295

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

Exhibit A-7

CITY OF GERMANTOWN, TENNESSEE

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

For the Year Ended June 30, 2014

	Budgeted Amounts		Actual	Variance with Final Budget - Positive
	Original	Final	Amounts	(Negative)
LICENSES AND PERMITS				
Automobile registrations	876,027	876,027	885,302	9,275
Building permits	34,000	34,000	38,647	4,647
Animal licenses	79,500	79,500	76,419	(3,081)
Fence & sign permits	3,800	3,800	4,580	780
Liquor permits	21,182	21,182	21,312	130
Total licenses and permits	1,014,509	1,014,509	1,026,260	11,751
FEES FOR SERVICES				
Engineering fees	10,900	10,900	17,290	6,390
Fire inspection fees	-	-	12,325	12,325
Zoning applications	15,391	15,391	28,715	13,324
Library fees	95,000	96,075	96,240	165
Total fees for services	121,291	122,366	154,570	32,204
INTEREST ON INVESTMENTS	78,960	78,960	64,904	(14,056)
GRANTS	250,000	261,370	75,435	(185,935)
OTHER REVENUES				
Cable television fees	564,434	564,434	744,218	179,784
Miscellaneous	790,882	952,637	1,068,157	115,520
Total other revenues	1,355,316	1,517,071	1,812,375	295,304
Total revenues	$ 43,074,709	$ 43,494,549	$ 45,057,097	$ 1,562,548

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

Exhibit A-7

CITY OF GERMANTOWN, TENNESSEE

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

For the Year Ended June 30, 2014

	Budgeted Amounts		Actual	Variance with Final Budget - Positive
	Original	Final	Amounts	(Negative)
EXPENDITURES				
GENERAL GOVERNMENT				
Alderman				
Personnel services	$ 128,390	$ 128,537	$ 119,184	$ 9,353
Materials and supplies	50,500	16,400	14,094	2,306
Other services and charges	50,800	54,903	54,008	895
Administration				
Personnel services	639,381	630,866	613,252	17,614
Materials and supplies	21,800	24,577	20,951	3,626
Other services and charges	494,716	521,808	480,631	41,177
Capital outlay	-	7,909	-	7,909
Expense reimbursement	(40,405)	(40,403)	(40,405)	2
Personnel				
Personnel services	575,913	595,301	588,376	6,925
Materials and supplies	9,000	10,470	10,203	267
Other services and charges	71,578	88,582	79,676	8,906
Expense reimbursement	(46,138)	(46,138)	(46,138)	-
Information Technology				
Personnel services	534,699	542,214	532,301	9,913
Materials and supplies	120,500	100,319	61,413	38,906
Other services and charges	847,300	827,195	740,877	86,318
Capital outlay	104,000	87,920	87,480	440
Expense reimbursement	(80,960)	(80,960)	(80,960)	-
Finance				
Personnel services	1,225,320	1,272,223	1,201,703	70,520
Materials and supplies	50,300	52,142	37,131	15,011
Other services and charges	321,697	305,369	278,914	26,455
Expense reimbursement	(211,352)	(211,352)	(211,352)	-
City Court				
Personnel services	608,392	609,313	514,807	94,506
Materials and supplies	6,600	7,269	3,489	3,780
Other services and charges	46,357	44,544	32,430	12,114
GPAC				
Personnel services	920,118	831,537	833,798	(2,261)
Materials and supplies	17,100	25,646	25,642	4
Other services and charges	161,289	248,103	248,092	11
Capital outlay	10,000	15,816	15,814	2

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

CITY OF GERMANTOWN, TENNESSEE

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

For the Year Ended June 30, 2014

	Budgeted Amounts		Actual	Variance with Final Budget - Positive
	Original	Final	Amounts	(Negative)
GENERAL GOVERNMENT (CONTINUED)				
Development				
Personnel services	1,679,080	1,591,133	1,426,732	164,401
Materials and supplies	32,715	39,042	30,984	8,058
Other services and charges	427,134	436,392	305,050	131,342
Expense reimbursement	(70,509)	(70,509)	(70,509)	-
Research and Budget				
Personnel services	245,635	275,730	275,910	(180)
Materials and supplies	7,150	14,549	14,546	3
Other services and charges	13,375	8,513	8,506	7
Expense reimbursement	(16,627)	(16,627)	(16,627)	-
Building Maintenance				
Personnel services	891,622	911,568	839,941	71,627
Materials and supplies	84,200	95,789	78,809	16,980
Other services and charges	633,447	563,413	450,067	113,346
Capital outlay	25,000	23,675	20,785	2,890
Expense reimbursement	(74,084)	(74,086)	(74,086)	-
Total General Government	10,515,033	10,468,692	9,505,519	963,173
PUBLIC SAFETY				
Police Department				
Personnel services	9,439,382	9,453,852	9,032,212	421,640
Materials and supplies	523,452	481,117	375,319	105,798
Other services and charges	576,009	583,895	534,689	49,206
Capital outlay	323,000	275,402	242,051	33,351
Total Police Department	10,861,843	10,794,266	10,184,271	609,995
Fire Department				
Personnel services	6,194,248	6,292,826	6,214,032	78,794
Materials and supplies	202,800	199,084	182,881	16,203
Other services and charges	506,525	507,862	467,421	40,441
Capital outlay	141,000	111,859	111,520	339
Total Fire Department	7,044,573	7,111,631	6,975,854	135,777
Total Public Safety	17,906,416	17,905,897	17,160,125	745,772

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

Exhibit A-7

CITY OF GERMANTOWN, TENNESSEE

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

For the Year Ended June 30, 2014

	Budgeted Amounts		Actual	Variance with Final Budget - Positive
	Original	Final	Amounts	(Negative)
COMMUNITY SERVICES				
Parks and Recreation				
Personnel services	762,367	772,704	717,301	55,403
Materials and supplies	25,600	25,600	19,174	6,426
Other services and charges	566,215	551,203	447,331	103,872
Capital outlay	24,000	24,000	15,729	8,271
Total Parks and Recreation	1,378,182	1,373,507	1,199,535	173,972
Cultural Arts Program				
Materials and supplies	41,606	43,405	34,462	8,943
Other services and charges	36,220	38,220	37,057	1,163
Total Cultural Arts Program	77,826	81,625	71,519	10,106
Library				
Personnel services	2,000	180	165	15
Materials and supplies	27,250	32,193	30,335	1,858
Other services and charges	1,381,964	1,389,780	1,363,207	26,573
Total Library	1,411,214	1,422,153	1,393,707	28,446
Genealogical Library				
Personnel services	200	50	-	50
Materials and supplies	8,500	9,525	9,464	61
Other services and charges	58,989	58,599	58,458	141
Total Genealogical Library	67,689	68,174	67,922	252
Farm				
Personnel services	64,171	64,148	51,396	12,752
Materials and supplies	17,260	22,865	11,630	11,235
Other services and charges	27,500	44,693	30,493	14,200
Total Farm	108,931	131,706	93,519	38,187
Total Community Services	3,043,842	3,077,165	2,826,202	250,963

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

Exhibit A-7

CITY OF GERMANTOWN, TENNESSEE

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

For the Year Ended June 30, 2014

	Budgeted Amounts		Actual	Variance with Final Budget - Positive
	Original	Final	Amounts	(Negative)
TRANSPORTATION AND ENVIRONMENT				
Public Services:				
Personnel services	2,565,741	2,606,086	2,572,536	33,550
Materials and supplies	154,000	151,774	147,314	4,460
Other services and charges	1,022,127	1,049,154	917,534	131,620
Capital outlay	187,000	121,945	95,369	26,576
Expense reimbursement	(409,482)	(409,482)	(409,482)	-
Total public works	3,519,386	3,519,477	3,323,271	196,206
Animal Control:				
Personnel services	298,585	283,098	271,954	11,144
Materials and supplies	53,400	68,689	52,711	15,978
Other services and charges	27,261	27,459	25,232	2,227
Total Animal Control	379,246	379,246	349,897	29,349
Total Transportation and Environment	3,898,632	3,898,723	3,673,168	225,555
DEBT SERVICE				
Bond and note principal	2,620,000	8,290,000	8,290,000	-
Interest and fiscal charges	811,492	811,492	762,645	48,847
Total Debt Service	3,431,492	9,101,492	9,052,645	48,847
Total Expenditures	38,795,415	44,451,969	42,217,659	2,234,310
Excess (deficiency) of revenues over (under) expenditures	4,279,294	(957,420)	2,839,438	3,796,858
OTHER FINANCING SOURCES (USES)				
GO Bonds issued	-	5,570,000	5,570,000	-
Transfers in	694,291	694,291	502,201	(192,090)
Transfers out	(3,870,000)	(4,105,000)	(4,105,000)	-
GO bonds issued				-
Premium on GO bonds issued				-
Sale of capital assets	20,000	20,000	43,024	23,024
Total other financing sources (uses)	(3,155,709)	2,179,291	2,010,225	(169,066)
Net change in fund balances	1,123,585	1,221,871	4,849,663	3,627,792
Fund balance - beginning	19,220,174	19,220,174	19,220,174	-
Fund balance - ending	$ 20,343,759	$ 20,442,045	$ 24,069,837	$ 3,627,792

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

Exhibit A-8

CITY OF GERMANTOWN, TENNESSEE

STATEMENT OF NET POSITION - ENTERPRISE FUNDS

June 30, 2014

	Business Type Activities -Enterprise Funds				Governmental Activities - Internal Service Funds
ASSETS	**Utility Fund**	**Athletic Club Fund**	**Nonmajor Enterprise Funds**	**Total**	
Current assets:					
Cash and cash equivalents	$ 2,875,820	$ 2,643,688	$ 1,468,843	$ 6,988,351	$ 1,588,001
Investments	449,036	414,826	142,625	1,006,487	-
Receivables:					
Customers and developers	-	-	277,941	277,941	-
Others	788,617	22,725	19,059	830,401	3,538
Less: allowance for doubtful accounts	(35,764)	(18,909)	(78,391)	(133,064)	-
Net receivables	752,853	3,816	218,609	975,278	3,538
Inventories	42,572	4,017	-	46,589	120,468
Prepaid expenses	-	24,202	-	24,202	-
Total current assets	4,120,281	3,090,549	1,830,077	9,040,907	1,712,007
Noncurrent assets:					
Capital assets, not being depreciated					
Land	381,013	2,391,580	-	2,772,593	-
Construction in progress	314,645	56,000	-	370,645	-
Total non-depreciable assets	695,658	2,447,580	-	3,143,238	-
Capital assets, being depreciated					
Buildings and improvements	284,521	18,603,765	427,793	19,316,079	319,511
Water treatment plant	21,554,844	-	-	21,554,844	-
Water mains and laterals	23,359,924	-	-	23,359,924	-
Sewer mains and laterals	27,216,771	-	-	27,216,771	-
Machinery and equipment	2,492,856	548,512	289,933	3,331,301	435,980
Less accumulated depreciation	(29,178,329)	(8,941,134)	(309,396)	(38,428,859)	(631,163)
Total depreciable assets, net	45,730,587	10,211,143	408,330	56,350,060	124,328
Total noncurrent assets	46,426,245	12,658,723	408,330	59,493,298	124,328
Total assets	$ 50,546,526	$ 15,749,272	$ 2,238,407	$ 68,534,205	$ 1,836,335

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

Exhibit A-8

CITY OF GERMANTOWN, TENNESSEE

STATEMENT OF NET POSITION – ENTERPRISE FUNDS (CONTINUED)

June 30, 2014

	Business Type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
LIABILITIES	**Utility Fund**	**Athletic Club Fund**	**Nonmajor Enterprise Funds**	**Total**	
Current liabilities:					
Accounts payable	$ 378,470	$ 88,338	$ 339,842	$ 806,650	$ 505,241
Accrued interest payable	8,873	17,200	-	26,073	-
Unearned revenue	-	206,342	71,527	277,869	-
Customer deposits payable	-	-	78,032	78,032	-
Advances from other funds - current	-	125,000	-	125,000	-
Bonds payable - current	955,000	-	-	955,000	-
Total current liabilities	1,342,343	436,880	489,401	2,268,624	505,241
Noncurrent liabilities:					
Customer deposits payable	533,914	-	-	533,914	-
Advances from other funds - net of current	-	750,000	-	750,000	-
Compensated absences	124,416	34,063	34,100	192,579	23,887
Bonds payable - net of current	3,760,618	-	-	3,760,618	-
Total noncurrent liabilities	4,418,948	784,063	34,100	5,237,111	23,887
Total liabilities	5,761,291	1,220,943	523,501	7,505,735	529,128
NET POSITION					
Net investment in capital assets	41,710,627	12,658,723	408,330	54,777,680	124,328
Unrestricted	3,074,608	1,869,606	1,306,576	6,250,790	1,182,879
Total net position	$ 44,785,235	$ 14,528,329	$ 1,714,906	61,028,470	$ 1,307,207
Adjustment to reflect the consolidation of internal service funds related to enterprise funds				55,532	
Net position of business-type activities				$ 61,084,002	

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

Exhibit A-9

CITY OF GERMANTOWN, TENNESSEE

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND EQUITY - ENTERPRISE FUNDS

For the Year Ended June 30, 2014

	Business Type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	Utility Fund	Athletic Club Fund	Nonmajor Enterprise Funds	Total	
Operating Revenues:					
Water sales	$ 3,995,880	$ -	$ -	$ 3,995,880	$ -
Sewer service charges	2,441,350	-	-	2,441,350	-
Connection and other fees	138,561	-	-	138,561	-
Forfeited discounts	58,989	-	35,488	94,477	-
Sanitation fees	-	-	3,406,413	3,406,413	-
Membership fees	-	3,349,452	-	3,349,452	-
Class fees	-	550,787	-	550,787	-
Daily admissions	-	15,726	-	15,726	-
Stormwater fees	-	-	997,799	997,799	-
Internal charges	-	-	-	-	5,019,427
Other income	46,233	110,707	426,513	583,453	-
Total operating revenues	6,681,013	4,026,672	4,866,213	15,573,898	5,019,427
Operating Expenses:					
Personnel services	1,822,828	1,432,437	821,576	4,076,841	583,503
Materials and supplies	198,388	180,665	48,963	428,016	22,643
Utilities	665,555	-	41,429	706,984	-
Sewage treatment fees	1,241,703	-	-	1,241,703	-
Landfill fees	-	-	375,812	375,812	-
Garbage collection fees	-	-	2,977,653	2,977,653	-
Other services and charges	1,457,532	1,095,457	522,531	3,075,520	3,957,226
Depreciation	1,764,894	522,261	53,128	2,340,283	35,246
Total operating expenses	7,150,900	3,230,820	4,841,092	15,222,812	4,598,618
Operating income (loss)	(469,887)	795,852	25,121	351,086	420,809
Nonoperating Revenues (Expenses):					
Interest on investments	5,332	3,372	3,293	11,997	-
Interest and fiscal charges	(182,608)	(26,698)	(10,382)	(219,688)	-
Gain on disposal of capital assets	4,621		-	4,621	-
Total nonoperating expenses	(172,655)	(23,326)	(7,089)	(203,070)	-
Income (loss) before contributions and transfers	(642,542)	772,526	18,032	148,016	420,809
Contributions from developers	259,000		-	259,000	-
Transfers in	-	-	175,000	175,000	-
Transfers out	(502,201)	-	-	(502,201)	-
Change in net position	(885,743)	772,526	193,032	79,815	420,809
Total net position - beginning	45,670,978	13,755,803	1,521,874		886,398
Total net position - ending	$ 44,785,235	$ 14,528,329	$ 1,714,906		$ 1,307,207
Adjustment to reflect the consolidation of internal service funds related to enterprise funds				53,963	
Change in net position of business-type activities				$ 133,778	

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

Exhibit A-10

CITY OF GERMANTOWN, TENNESSEE

STATEMENT OF CASH FLOWS - ENTERPRISE FUNDS

For the Year Ended June 30, 2014

	Business-Type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	Utility Fund	Athletic Club Fund	Nonmajor Enterprise Funds	Total	
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash received from customers	$ 6,866,805	$ 4,027,084	$ 4,960,018	$ 15,853,907	$ 5,019,779
Cash paid to suppliers	(3,490,676)	(1,317,459)	(3,974,917)	(8,783,052)	(3,963,898)
Cash paid to employees	(1,753,040)	(1,405,469)	(776,621)	(3,935,130)	(606,452)
Net cash provided by operating activities	1,623,089	1,304,156	208,480	3,135,725	449,429
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITES					
Transfer (to) from other fund	(502,201)	-	175,000	(327,201)	-
Advances from other funds	-	(125,000)	-	(125,000)	-
Net cash provided (used) by noncapital and related financing activities	(502,201)	(125,000)	175,000	(452,201)	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Bond and loan principal payments	(920,000)	-	-	(920,000)	-
Acquisition of capital assets	(621,613)	(70,523)	(47,168)	(739,304)	(26,426)
Proceeds from disposal of capital assets	4,621	-	-	4,621	-
Interest paid	(200,700)	(29,378)	(10,382)	(240,460)	-
Net cash used for capital and related financing activities	(1,737,692)	(99,901)	(57,550)	(1,895,143)	(26,426)
CASH FLOWS FROM INVESTING ACTIVITIES					
Proceeds from sales and maturities of investments	364,141	-	-	364,141	-
Purchase of investments	-	(207,920)	(64,717)	(272,637)	-
Interest received	5,332	3,372	3,293	11,997	-
Net cash provided (used) by investing activities	369,473	(204,548)	(61,424)	103,501	-
Net increase (decrease) in cash and cash equivalents	(247,331)	874,707	264,506	891,882	423,003
Cash and cash equivalents - beginning	3,123,151	1,768,981	1,204,337	6,096,469	1,164,998
Cash and cash equivalents - ending	$ 2,875,820	$ 2,643,688	$ 1,468,843	$ 6,988,351	$ 1,588,001

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

CITY OF GERMANTOWN, TENNESSEE

STATEMENT OF CASH FLOWS – ENTERPRISE FUNDS (CONTINUED)

For the Year Ended June 30, 2014

	Business-Type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	Utility Fund	Athletic Club Fund	Nonmajor Enterprise Funds	Total	
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) By Operating Activities					
Operating income (loss)	$ (469,887)	$ 795,852	$ 25,121	$ 351,086	$ 420,809
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities					
Depreciation expense	1,764,894	522,261	53,128	2,340,283	35,246
(Increase) decrease in assets:					
Accounts receivable	178,406	(1,066)	70,182	247,522	352
Prepaid expenses	-	(24,202)	-	(24,202)	-
Inventories	6,016	889	-	6,905	(10,136)
Increase (decrease) in liabilities:		-	-	-	-
Accounts payable	69,426	(1,755)	14,843	82,514	14,490
Compensated absences	66,848	10,699	21,583	99,130	(11,332)
Customer deposits	7,386	-	21,615	29,001	-
Unearned revenue	-	1,478	2,008	3,486	-
Total adjustments	2,092,976	508,304	183,359	2,784,639	28,620
Net cash provided by operating activities	$ 1,623,089	$ 1,304,156	$ 208,480	$ 3,135,725	$ 449,429
Noncash investing, capital, and financing activities:					
Contributions of capital assets from developers	$ 259,000	$ -	$ -	$ 259,000	$ -

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

Exhibit A-11

CITY OF GERMANTOWN, TENNESSEE

STATEMENT OF FIDUCIARY NET POSITION – FIDUCIARY FUNDS

June 30, 2014

	Pension Fund	OPEB Fund	Bail Deposit Fund
ASSETS			
Cash and cash equivalents	$ 1,381,475	$ 424,301	$ 70,245
Investments, at fair value			-
Common stock	7,497,755	-	-
Foreign stock	332,966	-	-
Mutual funds - equity	21,212,108	3,170,293	-
Mutual funds - fixed income	6,134,602	537,854	-
Mutual funds - balanced	-	376,801	-
Collective investment funds	1,593,865	-	-
Partnerships/joint ventures	26,488,799	1,676,127	-
Receivables:			
Accounts receivable	38,074	-	-
Contributions	-	-	-
Interest	12,945	5	-
Total assets	$ 64,692,589	$ 6,185,381	$ 70,245
LIABILITIES			
Accounts payable	20,150	50,707	-
Deposits held in trust	-	-	70,245
Total liabilities	20,150	50,707	$ 70,245
NET POSITION			
Held in trust for pension benefits and OPEB	$ 64,672,439	$ 6,134,674	

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

Exhibit A-12

CITY OF GERMANTOWN, TENNESSEE

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION – FIDUCIARY FUNDS

For the Year Ended June 30, 2014

	Pension Fund	OPEB Fund
ADDITIONS		
Contributions:		
Employer	$ 2,384,385	$ 725,264
Plan members	709,395	130,804
Total contributions	3,093,780	856,068
Investment Income:		
Net appreciation in fair value of investments	9,343,983	759,791
Interest and dividends	822,697	62,949
Total investment earnings	10,166,680	822,740
Total additions	13,260,460	1,678,808
DEDUCTIONS		
Benefits paid	2,643,055	610,284
Administrative expense	304,628	19,385
Total deductions	2,947,683	629,669
Change in net position	10,312,777	1,049,139
Net position - beginning	54,359,662	5,085,535
Net position - ending	$ 64,672,439	$ 6,134,674

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting entity

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

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

Discretely Presented Component Unit:

Germantown Performing Arts Center (GPAC) – GPAC has a cooperative agreement with the City to carry out a performing arts program that will foster and promote theatrical and musical performances to the community at the Germantown Performing Arts Center. GPAC is dependent upon the City for providing payroll, utilities, and other expenses as well as the building used by GPAC, which is owned by the City. In-kind contributions made to GPAC by the City during 2013 totaled $1,123,346. Upon termination of this agreement, the City shall receive all assets and assume all liabilities of GPAC. GPAC is a 501(c)3 organization with separately issued financial statements which may be obtained from the Germantown Performing Arts Center, 1801 Exeter Road, Germantown, Tennessee 38138, (901)757-7500.

B. Government-wide and fund financial statements

The government-wide financial statements (i.e., the statements of net postion and the statement of activities) are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business. 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 net position presents information on all of the City's assets, liabilities, and deferred inflows of resources, with the differences presented as net position. Net position is reported as one of three categories: net investment in capital assets; restricted; or unrestricted. Restricted net position is further classified as either net position restricted by enabling legislation or net position that is otherwise restricted.

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

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. The City has one component unit, the Germantown Performing Arts Center, for which the financial information is reported separately from the information presented for the primary government.

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

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

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

accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

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

The City reports the following major governmental funds:

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

The City reports the following major proprietary funds:

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

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

The City reports the following fund types:

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

Fiduciary Fund Types include Pension and Other Employee Benefit Trust Funds and Agency Funds. The Pension and Other Employee Benefit Trust Funds and Agency Funds are used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations and other governments.
Pension and Other Employee Benefit Trust Funds are accounted for on the accrual basis. Agency Funds are custodial in nature (assets equal liabilities) and generally are accounted for on the cash basis, which approximates the modified accrual basis of accounting.

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

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

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

Additionally, the City makes mention of these details on the following special revenue funds:

The Automated Enforcement Fund accounts for all expenditures and receipts associated with traffic camera fines and forfeitures. The City has conducted a study to see where the traffic cameras are best utilized. The City has conducted a study for the location of the traffic cameras. The final phase is the selection of a vendor. The City fully expects this revenue stream to increase and be sufficient to support the fund.

The Municipal Schools Fund accounts for all expenditures and receipts associated with the City's public school system. Fiscal year 2015 will be the first year of operations for the school system.

The Ambulance Fund accounts for all expenditures and revenues associated with ambulance fees and services. Fiscal year 2014 is the first year of operations. The City expects revenue to continue to increase and be sufficient to support the fund.

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

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

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

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

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

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

The City has implemented GASB 54, *Fund Balance Reporting and Governmental Fund Type Definitions.* In the fund financial statements, governmental funds report the following classifications of fund balance:

- Nonspendable – amounts that cannot be spent either because they are either in a (a) nonspendable form, including items not expected to be converted to cash, or (b) legally or contractually required to be maintained intact.

- Restricted – amounts constrained to be used for a specific purpose as per external parties, constitutional provision, or enabling legislation.

- Committed – amounts constrained to be used for specific purposes as per formal ordinance adopted by the Board of Mayor and Aldermen. Amounts classified as committed are not subject to legal enforceability like restricted resources; however,

they cannot be used for any other purpose unless the Board removes or changes the commitment by taking the same action it employed to impose the commitment.

- Assigned – amounts intended to be used by the City for specific purposes, but are neither restricted nor committed. The intent shall be expressed by the Board of Mayor and Aldermen or an official delegated the authority to assign by the Board of Mayor and Aldermen for a specific purpose in accordance with the policy established by the Board of Mayor and Aldermen. The nature of the actions necessary to remove or modify an assignment is not as rigid as required under a committed fund balance classification.

- Unassigned – amounts available for any purpose in the General Fund.

D - Assets, liabilities and fund balances/net position

1. Deposits and investments

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

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

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

2. Receivables and payables

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

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

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

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 and prepaid items

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.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

4. Restricted assets

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

5. Capital assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., streets, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Such assets in excess of $5,000 are recorded at historical cost or estimated historical cost if purchased or constructed. Contributed capital assets are recorded at estimated fair market value at the date received.The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

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

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

6. Compensated absences

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

Accumulated unpaid overtime is also accrued when incurred in the government-wide financial statements.

7. Post Employment Benefits

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

8. Long-term obligations

In the governmental-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. 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 life of the related debt in the governmental activities and reported as a reduction of long-term debt in the proprietary funds.

In governmental fund financial statements, bond premiums, discounts, and issuance costs are recognized in the current period. The face amount of the debt is reported as other financing sources. Premiums received on debt issuance are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt issuance expenditures.

9. Deferred inflows of resources

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an increase to net position that applies to a future period and is not

recognized as an inflow of resources (revenue) until that time. The City only has one type of item that qualifies for reporting in this category. The item is amounts in the governmental funds that were receivable and measurable at year-end but were not available to finance expenditures for the current year. This includes unavailable revenues from property taxes.

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 of net position

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

One element of that reconciliation explains that "long-term liabilities, including bonds payable, settlement liability, and compensated absences, are not due and payable in the current period and therefore are not reported in the funds." The details of this $30,560,388 difference are as follows:

Bonds payable	$ (23,885,000)
Shelby County Board of Education settlement liability	(4,265,436)
Deferred amount for issuance premium	(468,584)
Deferred amount for issuance discount	738,702
Accrued interest payable	(116,918)
Compensated absences - accumulated unpaid vacation	(1,208,302)
Compensated absences - accumulated unpaid sick time	(1,354,850)
Net adjustment to reduce fund balance - total governmental funds to arrive at net position - governmental activities	$ (30,560,388)

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

The governmental fund statement of revenues, expenditures, and changes in fund balances includes reconciliation between net changes in fund balances - total governmental funds and changes in net position 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. This is the amount by which capital outlays exceeded depreciation in the current period." The details of the $3,674,433 difference are as follows:

Capital outlay	$ 8,681,236
Depreciation expense	(5,006,803)
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net position of governmental activities	$ 3,674,433

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 position. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items." The details of this $4,477,939 difference are as follows:

Debt issued or incurred:	
General obligation bonds	$ (9,070,000)
Settlement liability	(4,265,436)
Premium on current year issuance	(222,803)
Principal repayments:	
General obligation debt	2,620,000
Payment to escrow agent for refunding	5,670,000
Decrease in accrued interest payable	15,061
Amortization of issuance costs and bond premiums	36,537
Amortization of issuance discount	738,702
Net adjustment to decrease net changes in fund balance - total governmental funds to arrive at changes in net position of governmental activities	$ (4,477,939)

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.

B. Excess of expenditures over appropriations

For the year ended June 30, 2014, expenditures did not exceed appropriations in any fund.

C. Deficit fund balance

As of June 30, 2014, no fund had a deficit fund balance.

D. Budgetary basis of accounting

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

NOTE 4 - DETAILED NOTES ON ALL FUNDS

A. Deposits and investments

The City’s cash and cash equivalents at June 30, 2014 were held by financial institutions which participate in the bank collateral pool administered by the Treasurer of the State of Tennessee. Participating banks determine the aggregate balance of their public funds

accounts for the City. The amount of collateral required to secure these public deposits must be at least 105% of the average daily balance of public deposits held. Collateral securities required to be pledged by the participating banks to protect their public fund accounts are pledged to the State Treasurer on behalf of the bank collateral pool. The securities pledged to protect these accounts are pledged in the aggregate rather than against each individual account. The members of the pool may be required by agreement to pay an assessment to cover any deficiency. Under this additional assessment agreement, public fund accounts covered by the pool are considered to be insured for purposes of custodial credit risk disclosure.

As of June 30, 2014, the City had the following investments:

Investment Type	Fair Value	Weighted Average Maturities (Years)
Domestic Common Stock	$ 7,497,755	
Foreign Stocks	332,966	
Mutual Funds - Equity	24,382,401	
Mutual Funds - Fixed Income	6,672,456	
Mutual Funds - Balanced	376,801	
Miscellaneous	29,758,791	
U.S. Government Obligations	3,998,835	1.9
Total fair value	$ 73,020,005	

The City invests in a diversified core fixed income mutual fund comprised of predominantly investment grade securities. These fixed income debt securities all fall within Level 1 of the hierarchy for valuation purposes under generally accepted accounting principles. Credit quality distributions for investments in fixed income debt securities, with credit risk as a percentage of total investments are approximately as follows at June 30:

U.S. Government Obligations			
Moody's	Amount	S&P	Amount
Aaa	$ 3,998,835	AA+	$ 3,998,835

Interest Rate Risk – The City manages its exposure to declines in fair values by:

a. Structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity.

b. Investing operating funds primarily in shorter-term securities or the Tennessee Local Government Investment Pool (LGIP), and limiting the average maturity of the portfolio to those established by TCA 6-5-106 for commercial paper and repurchase agreement and four years for investments in securities of the U.S. Treasury, Federal

Government sponsored agencies, or certificates of deposit. However, the weighted average maturity value of the overall investment portfolio will not exceed twenty-four months.

Credit Risk – The City has adopted the investment policy established by TCA 6-5-106 for investments other than those held for Pension or OPEB benefits. This policy limits the City's investment options as follows:

- Investments in commercial paper are limited to the highest rating issued by at least two rating services and have a remaining mature of ninety days or less.
- Nonconvertible debt securities of the following federal government sponsored enterprises: the federal home loan bank, the federal national mortgage association, the federal farm credit bank, and the federal home loan mortgage corporation.
- Investments in bonds are limited to obligations that are guaranteed as to principal and interest by the United States or any of its agencies.
- Investments in the local government investment pool.

As of June 30, 2014, the City's investments consisted of investments in Tennessee's local government investment pool and nonconvertible debt securities rated Aaa by Moody's Investors Service.

Concentration of Credit Risk – The City diversifies its investment portfolio so that the impact of potential losses from any one type of security or from any one individual issuer will be minimized. The City had investments in the following entities that comprised more than 5% of its total investments at June 30:

Federal Home Loan Bank	$ 2,998,383	4.1%
Federal Farm Credit Bank	1,000,452	1.4%

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

B. Receivables

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

	General	Other Governmental Funds	Utility Fund	Athletic Club Fund	Nonmajor Enterprise Funds	Total
Receivables:						
Property taxes	$ 27,757,707	$ -	$ -	$ -	$ -	$ 27,757,707
Customers and developers	-	-	-	-	277,941	277,941
Other	6,575,439	511,760	788,617	22,725	19,059	7,917,600
Gross receivables	34,333,146	511,760	788,617	22,725	297,000	35,953,248
Less: allowance for doubtful accounts	(1,699,767)	-	(35,764)	(18,909)	(78,391)	(1,832,831)
Net total receivables	$ 32,633,379	$ 511,760	$ 752,853	$ 3,816	$ 218,609	$ 34,120,417

Governmental funds report unavailable revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned as unearned revenue. At the end of the current fiscal year, unavailable revenue principally represents: 1) amounts relating to property taxes as described above and 2) reimbursable grant amounts received more than sixty days after year end for grant related expenditures made prior to year end.

C. Property Taxes

The City levies property taxes each November 1 based upon assessed valuations provided by the Shelby County Tax Assessor. Taxes are due by the last day of February following the November 1 levy date. 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%	$ 1,086,542,975
Farm real property	25%	1,630,500
Commercial real property	40%	294,463,130
Public utilities real property	55%	12,946,203
Commercial personal property	30%	26,852,980
		$ 1,422,435,788

The estimated actual value was $5,292,064,151 making the overall assessed value 26.9% 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, 2014 were 98.5% 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, 2014 was $1.93 per $100 of assessed value.

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

Year	Taxes Receivable June 30, 2013	Taxes Levied And Accrued	Collections And Adjustments	Taxes Receivable June 30, 2014
2004 & Prior	$ 9,428	$ -	$ -	$ 9,428
2005	17,606	-	-	17,606
2006	15,234	-	1,303	13,931
2007	13,488	-	121	13,367
2008	24,595	-	1,013	23,582
2009	39,279	-	10,828	28,451
2010	56,193	-	12,731	43,462
2011	91,282	-	36,773	54,509
2012	319,699	-	212,069	107,630
2013	27,203,149	-	26,805,236	397,913
2014	-	27,047,828	-	27,047,828
	$ 27,789,953	$ 27,047,828	$ 27,080,074	$ 27,757,707

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

D. Capital assets

Capital asset activity for the year ended June 30, 2014, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital assets, not being depreciated:				
Land	$ 11,407,566	$ 3,138,600	$ -	$ 14,546,166
Construction in progress	28,506,529	6,559,015	(5,890,310)	29,175,234
Total capital assets, not being depreciated	39,914,095	9,697,615	(5,890,310)	43,721,400
Capital assets, being depreciated:				
Buildings	33,918,268	46,861,365	-	80,779,633
Improvements other than buildings	86,625,480	6,417,168	-	93,042,648
Machinery and equipment	26,267,420	2,589,824	(195,835)	28,661,409
Total capital assets being depreciated	146,811,168	55,868,357	(195,835)	202,483,690
Less accumulated depreciation for:				
Buildings	(14,561,324)	(952,240)	-	(15,513,564)
Improvements other than building	(52,450,676)	(2,434,226)	-	(54,884,902)
Machinery and equipment	(18,511,072)	(1,655,583)	195,835	(19,970,820)
Total accumulated depreciation	(85,523,072)	(5,042,049)	195,835	(90,369,286)
Total capital assets, being depreciated, net	61,288,096	50,826,308	-	112,114,404
Governmental activities capital assets, net	$ 101,202,191	$ 60,523,923	$ (5,890,310)	$ 155,835,804

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type Activities:				
Capital assets, not being depreciated:				
Land	$ 2,772,593	$ -	$ -	$ 2,772,593
Construction in progress	1,335,141	308,647	(1,273,143)	370,645
Total capital assets, not being depreciated	4,107,734	308,647	(1,273,143)	3,143,238
Capital assets, being depreciated:				
Buildings	19,289,049	27,030	-	19,316,079
Improvements other than buildings	70,365,285	1,766,253	-	72,131,538
Machinery and equipment	3,187,902	169,517	(26,117)	3,331,302
Total capital assets being depreciated	92,842,236	1,962,800	(26,117)	94,778,919
Less accumulated depreciation for:				
Buildings	(8,087,790)	(564,323)	-	(8,652,113)
Improvements other than building	(25,421,027)	(1,488,157)	-	(26,909,184)
Machinery and equipment	(2,605,876)	(287,803)	26,117	(2,867,562)
Total accumulated depreciation	(36,114,693)	(2,340,283)	26,117	(38,428,859)
Total capital assets, being depreciated, net	56,727,543	(377,483)	-	56,350,060
Business-type activities capital assets, net	$ 60,835,277	$ (68,836)	$ (1,273,143)	$ 59,493,298

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

Governmental activities:	
General government	$ 1,048,623
Public safety	1,272,082
Community service	748,120
Transportation	1,928,387
Municipal school	9,591
Capital assets held by the City's internal service funds are charged to the various functions based on their usage of the assets	35,246
Total depreciation expense - government activities	$ 5,042,049
Business-type activities:	
Utility	$ 1,764,894
Athletic Club	522,261
Nonmajor Enterprise Funds	53,128
Total depreciation expense - business-type activities	$ 2,340,283

Shelby County Board of Education donated education assets totaling $3,138,600 in land, $46,463,100 in buildings, $293,300 in improvements other than buildings, and $823,000 in machinery and equipment to the City during the year. The assets were valued at fair market value and were capitalized.

The Germantown Charity Horse Show made an in-kind contribution to the City totaling $250,000 for all major upgrades completed at the stable at Farm Park. The improvements were valued at fair market value and were capitalized as buildings.

E. Construction commitments

The government has active construction projects as of June 30, 2014. At year end the government's commitments with contractors are as follows:

Function / Activity	Commitment
Major Roads	$ 544,717
Intersections	112,299
Drainage	1,470,526
Parks & Recreation	120,000
General Government	408,825
Utility	1,060,315
	$ 3,716,682

F. 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

Receivable Fund	Payable Fund	Amount
General	Athletic Club	$ 875,000

The composition of interfund transfers for the year ended June 30, 2014, is as follows:

	Transfer In:				
Transfer out:	General Fund	Nonmajor Governmental	Utility Fund	Nonmajor Enterprise	Total
General Fund	$ -	$ (4,045,000)	$ 502,201	$ (175,000)	$ (3,717,799)
Nonmajor Governmental	3,930,000	115,000	-	-	4,045,000
Utility Fund	(502,201)	-	-	-	(502,201)
Nonmajor Enterprise	175,000	-	-	-	175,000
	$ 3,602,799	$ (3,930,000)	$ 502,201	$ (175,000)	$ -

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

G. 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.

Settlement liability

The City entered into a settlement agreement with the Board of Commissioners of Shelby County, Shelby County, Tennessee, and the Shelby County Board of Education. The Germantown Board of Education agreed to pay the Shelby County Board of Education $355,453 per year for twelve years with the first payment due by November 1, 2014 and the remaining payments due by November 1 of each year following. The City elected to establish the liability incurred through the settlement agreement at its present value with a discount rate of 3.33%. For the year ended June 30, 2014, the City recorded a net liability of $3,526,734 and education legal expense for the same amount in the government-wide financial statements.

Revenue bonds

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

Advance and current refunding

The City issued $9,070,000 of General Obligation Series 2013A and B. The Series 2013B obligation was a refunding of bonds to provide resources to purchase U.S. Government securities that were place in an irrevocable trust for the purposes of generating resources for all future debt service payments of $5,670,000, Series 2005. As a result, the refunded bonds were considered to be defeased and the liability has been removed from the governmental activities column of the statement of net position. The par amount of the refunded bonds was $5,670,000 and the issue of the new bonds at par $5,570,000. The new bonds were issued at a premium. The net present value savings for the new bonds is $360,413. The advance refunding was undertaken to reduce total debt service payment over the next several years.

Changes in long-term liabilities

Long-term liability activity for the year ended June 30, 2014, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Bonds payable - general obligation	$ 23,105,000	$ 9,070,000	$ (8,290,000)	$ 23,885,000	$ 2,480,000
Shelby County Board of Education settlement liability	-	4,265,436	-	4,265,436	355,453
Plus (less) deferred amounts:					
For issuance premium	282,318	222,803	(36,537)	468,584	-
For issuance discount	-	(738,702)	-	(738,702)	-
Compensated Absences					
Accumulated unpaid vacation	1,178,205	30,097	-	1,208,302	-
Accumulated unpaid sick time	1,116,287	257,492	(18,929)	1,354,850	18,929
Governmental activity long-term liabilities	$ 25,681,810	$ 13,107,126	$ (8,345,466)	$ 30,443,470	$ 2,854,382
Business-type activities:					
Revenue bonds	$ 5,565,000	$ -	$ (920,000)	$ 4,645,000	$ 955,000
Plus (less) deferred amounts:					
For issuance premium	87,281	-	(16,663)	70,618	-
Compensated Absences					
Accumulated unpaid vacation	93,449	30,024		123,473	-
Accumulated unpaid sick time	46,540	22,566	-	69,106	-
Business-type activity long-term liabilities	$ 5,792,270	$ 52,590	$ (936,663)	$ 4,908,197	$ 955,000

For the governmental activities, compensated absences are generally liquidated by the general fund. No interest was capitalized for the year ended June 30, 2014; interest incurred and charged to expense totaled $831,623. For the governmental activities, $2,021,211 of bond proceeds were not spent as of June 30, 2014. As such, these proceeds were not included in the calculation of investments in capital assets, net of related debt.

Bonds and similar debt payable at June 30, 2014, are comprised of the following individual issues:

	Interest Rates	Original Issue	Outstanding at Year End
Governmental activities:			
Bonds payable:			
2005 Serial Bonds	2.7% - 3.85%	$ 9,695,000	$ 130,000
2006 Serial Bonds	4.0%	5,555,000	2,245,000
2009 Serial Bonds	3.0% - 4.2%	9,635,000	6,900,000
2011 Serial Bonds	2.0% - 3.25%	6,025,000	5,540,000
2013 Serial Bonds (Series A)	2.25% - 4.0%	3,500,000	3,500,000
2013 Serial Bonds (Seried B)	2.25% - 4.0%	5,570,000	5,570,000
		$ 39,980,000	23,885,000
Business-type activities:			
Bonds payable:			
2006 Revenue Bond	4.0%	$ 4,255,000	1,920,000
2008 Revenue Bond	3.0% - 4.0%	5,000,000	2,725,000
		$ 9,255,000	4,645,000
			$ 28,530,000

Annual debt service requirements to maturity are as follows:

Years Ending	Government Activities		Business-type Activities	
June 30	Principal	Interest	Principal	Interest
2015	$ 2,480,000	$ 686,986	$ 955,000	$ 174,437
2016	2,250,000	626,033	990,000	137,200
2017	2,300,000	565,833	1,035,000	97,100
2018	1,970,000	510,608	1,075,000	55,300
2019	1,335,000	464,883	590,000	11,800
2020 - 2024	6,280,000	1,695,689	-	-
2025 - 2029	5,080,000	822,227	-	-
2030 - 2034	2,190,000	153,444	-	-
	$ 23,885,000	$ 5,525,703	$ 4,645,000	$ 475,837

Although the City is not subject to any state debt limits, the City has developed a debt policy that limits the amount of debt it may obtain: (1) net debt service may not exceed 12% of

general fund expenditures; (2) direct debt may not exceed 4% of assessed property value; (3) direct debt may not exceed $1,500 per capita income; and (4) per capita debt may not exceed 3% of per capita income. The City's full faith, credit and taxing power are pledged to the repayment of all general obligation bond principal and interest and the City is contingently liable for the repayment of revenue bond principal and interest.

H. Fund Balances by Purpose

Following is more detailed information on the governmental fund balances:

	General Fund	Other Governmental Funds	Total
Nonspendable for:			
Inventory	$ 79,361	$ -	$ 79,361
Prepaid expenditures	-	69,811	69,811
Long-term portion of advances	750,000	-	750,000
Restricted for:			
Drug enforcement	-	78,746	78,746
Library	-	267,891	267,891
Committed to:			
Infrastructure replacement	1,782,000	-	1,782,000
Emergency & catastrophies	900,000	-	900,000
Taxes	9,047,847	-	9,047,847
Debt service	3,036,307	-	3,036,307
Contractual obligations	355,453	3,291,700	3,647,153
Automated enforcement	-	78,780	78,780
Pickering	-	182,900	182,900
Ambulance	-	395,998	395,998
Recreation	-	169,047	169,047
State Street Aid	-	394,106	394,106
Assigned to:			
Contractual obligations	639,058	-	639,058
Accrued vacation	1,184,415	2,125,718	3,310,133
Unassigned	6,295,396	(66,597)	6,228,799
Total fund balances	$ 24,069,837	$ 6,988,100	$ 31,057,937

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

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. Plan benefits and other provisions are established by City and state statutes. The City's Board of Mayor and Aldermen is responsible for establishing benefits and approving all plan amendments.

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 (age 21 for Emergency Services Employees) 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.

The City froze any new entrances to the existing retirement plan and established a new plan for new hires on or after July 1, 2013. Under the new plan there is a six month wait to enter the plan and must be 21 years of age. Under the new plan the employee must contribute 5% of their pay. The City matches the 5% and guarantees a 5% return. The vesting is 10 years of service. The new plan is portable and may be taken with the employee after vesting. Currently, there are no vested employees in the new plan.

At June 30, 2014, PERS membership consisted of:

Retirees and beneficiaries currently receiving benefits	141
Terminated employees entitled to benefits	113
Current employees:	
Vested	211
Nonvested	134
Total	599

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's annual contribution is based on the actuarially determined contribution amount. Benefits and contributions are established by the City and may be amended only by the Board of Mayor and Aldermen.

C. Basis of Accounting

PERS financial statements are prepared using the accrual basis of accounting. Employer contributions are recognized as revenues when due, pursuant to formal commitments, as well as statutory or contractual requirements. Benefit payments and refunds to participants are recognized when due and payable in accordance with the terms of the plan.

D. Funded Status and Funding Progress

As of July 1, 2014, the actuarial accrued liability for benefits was $73,227,257 of which $8,583,256 was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was $19,209,705 and the ratio of the unfunded actuarial accrued liability to the covered payroll was 45%.

E. Plan Expenses

Administrative expenses of the Plan, which include investment fees, trustee fees and actuary fees, are financed through both the plan and the general fund. Certain administrative functions are performed by City employees and are not reimbursed by the Plan.

F. Investments

Investment policy. The PERS's policy in regards to the allocation of invested assets is established and may be amended by the Board of Mayor and Aldermen. The following is the Board of Mayor and Aldermen's adopted asset allocation policy as of June 30, 2014:

Asset Class	Target Allocation
Common stock - core	44%
Government securities	30%
Treasury bills	10%
Money market accounts	10%
Insurance contracts	6%
	100%

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.

Rate of return. For the year ended June 30, 2014, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 18.3%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

G. Net Pension Liability

The components of the net pension liability of the City at June 30, 2014, were as follows:

	Increase/(Decrease		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balances at June 30, 2013	$ 67,707,355	$ 54,362,762	$ 13,344,593
Changes for the year:			
Service cost	1,267,271	-	1,267,271
Interest	5,416,588	-	5,416,588
Experience	810,017	-	810,017
Contributions - employee	-	2,238,029	(2,238,029)
Contributions - employer	-	698,881	(698,881)
Net investment income	-	10,166,680	(10,166,680)
Benefit payments	(2,643,055)	(2,643,055)	-
Administrative expense	-	(179,296)	179,296
*Other changes	669,081	-	669,081
Net changes	5,519,902	10,281,239	(4,761,337)
Balances at June 30, 2014	$ 73,227,257	$ 64,644,001	$ 8,583,256
Plan fiduciary net position as a percentage of the total pension liability		88.28%	

*Ad Hoc Cost of Living Adjustment

Actuarial assumptions. The total pension liability was determined by an actuarial valuation as of July 1, 2014, using the aggregate actuarial cost method. Because the aggregate actuarial cost method does not identify or separately amortize unfunded actuarial accrued liabilities, information about the Plan's funded status and funding progress has been prepared using the entry age normal actuarial cost method for that purpose, and the information presented is intended to serve as a surrogate for the funded status and funding progress of the Plan. 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 4.0% per year, (c) no post-retirement benefit increases, and (d) RP 2000 Mortality Table. The inflationary rate is 2.5%. Payroll for employees covered by this plan was $19,209,705. For financial reporting purposes, the projection of benefits does not explicitly incorporate the potential effects of the legal limit on employer contributions.

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period January 1, 2013 through June 30, 2014.

Discount rate. The discount rate used to measure the total pension liability was 8.0 percent. The projection of cash flows used to determine the discount rate assumed that contributions from the City will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plans' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the net pension liability to changes in the discount rate. The following presents the net pension liability of the City calculated using the discount rate of 8%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (7%) or 1-percentage-point higher (9%) than the current rate:

	1% Decrease (7%)	**Current Discount Rate (8%)**	**1% Increase (9%)**
City's net pension liability	$ 17,307,328	$ 8,583,256	$ 1,403,079

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, 2014, was $508,276**.** There are no non-cancelable leases as of June 30, 2014.

Construction contract commitments at June 30, 2014, totaled $3,716,682.

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.

NOTE 8 - RISK MANAGEMENT

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

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

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

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

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

	Year ended June 30, 2014	Year ended June 30, 2013
Unpaid claims, beginning of fiscal year*	$ 85,900	$ 80,200
Incurred claims*	167,700	151,826
Claim payments	(178,500)	(146,126)
Unpaid claims, end of fiscal year*	$ 75,100	$ 85,900

*All amounts include "Incurred But Not Reported"

NOTE 9 - LEASE REVENUE

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

2015	$ 338,707
2016	340,619
2017	346,337
2018	333,726
2019	232,495
Thereafter	2,932,877
	$ 4,524,761

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

In addition to the pension benefits described in Note 5, the City provides certain post-retirement health care benefits to employees who retire from the City under the provisions of PERS. The City, in conjunction with PERS, has established benefit provisions and contribution obligations. The premium charged retirees is a percentage of the group rate. Prior to January 1, 2008, the City's insurance became secondary to Medicare Insurance. After January 1, 2008, the plan was changed whereby future retirees could only obtain the City's dental and prescription drugs. The plan was changed on January 1, 2014, whereby employees who retire on or after January 1, 2014, cannot obtain the City's dental and

prescription drug. At year-ended June 30, 2014, 71 retirees met the requirement for participation and participated in the plan. The City Trust paid $610,283 in claims under the plan for the year-ended June 30, 2014.

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

A. Plan Description

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

B. Funding Policy

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

C. Basis of Accounting

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

D. Annual OPEB Cost and Net OPEB Obligation

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

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, 2014:

Annual Required Contribution	$ 684,360
Interest on net OPEB Obligation	-
Adjustment to Annual Required Contribution	-
Annual OPEB Expense	684,360
Contributions made	684,360
Increase (decrease) in net OPEB obligation	-
Net OPEB obligation - beginning of year	-
Net OPEB obligation - end of year	$ -
Percent of expense contributed	100%

The City's annual OPEB cost, the percentage of the annual OPEB cost contributed to the plan, and the net OPEB obligation is as follows:

Fiscal Year Ending	Annual OPEB Cost	Percentage of ARC Contributed	Net OPEB Obligation
6/30/2012	$ 923,696	100%	$ -
6/30/2013	1,423,007	100%	-
6/30/2014	684,360	100%	-

E. Funded Status and Funding Progress

As of June 30, 2014, the actuarial accrued liability for benefits was $10,247,083 of which $4,086,884 was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was $19,209,705, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 54%. The actuarial value of the assets for other post employment benefits as of July 1, 2014 is $6,160,199.

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

i. Measurement Date

July 1, 2008

ii. Discount Rate as of June 30, 2014

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

Age	Male	Female
25	0.376	0.207
35	0.773	0.475
45	1.508	1.124
55	3.624	2.717
65	12.737	9.706

iv. Withdrawal From Service

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

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

Health Care Cost 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.

x. Retirement Rates

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

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

xi. Change in Assumptions

None.

xii. Change in Plan provisions

Prior to January 1, 2008, the City's insurance became secondary to Medicare Insurance. After January 1, 2008, the plan was changed whereby future retirees reaching age 65 could only obtain the City's dental and prescription drugs. The City will offer a subsidy to Medicare eligible retirees in the amount of $200 for single coverage and $300 for family coverage.

As of May 1, 2009 employees taking early retirement are no longer eligible to participate in the City's Health Care Plan. This was amended July 1, 2012 to allow early retirement employees to participate in the City's Health Care Plan, provided they have been a member in the Plan for a minimum of 15 years immediately prior to their retirement date.

Effective January 1, 2012, any retiree or dependent who becomes eligible for Medicare at any age will no longer participate in the City's Health Care Plan.

Effective January 1, 2014, any employee who retires after January 1, 2014 and obtains the age of 65 will no longer be eligible to receive the City's dental or prescription drug. Also, the subsidy to Medicare eligible retirees is limited to the retiree at $200.

G. Allocation of Post Employment Benefits

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

Government Activites:	
General government	$ 138,004
Public safety	371,159
Community services	15,950
Transportation and environment	67,701
Total governmental activities OPEB expense	$ 592,814

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.

	2014	2013
Incurred Claims But Not Reported at Beginning of Fiscal Year	$ 401,776	$ 400,645
Claims Submitted for Fiscal Year	3,687,030	4,678,740
Total Available for Claims Payments	4,088,806	5,079,385
Claims Paid During Fiscal Year	3,608,675	4,677,609
Incurred Claims But Not Reported at End of Fiscal Year	$ 480,131	$ 401,776

The City maintains a liability in the Group Health Insurance Fund in the amount of $480,131 which is comprised of medical claims incurred prior to June 30, 2014 but not reported until after June 30, 2014, and was estimated by a third party administrator and is included in accounts payable of the governmental activities internal service funds.

NOTE 12 – DONOR-RESTRICTED ENDOWMENT

Library Endowment Fund. In December 2006 the City received $250,000 as a Library Endowment, the earnings and corpus of which are to be used to support the function of the Library relative to the collection, preservation and presentation of materials and to promote greater appreciation and understanding of the history of the City and surrounding areas and their inhabitants. The corpus and earnings are held in Tennessee's Local Government Investment Pool and earmarked for use as directed by the Library Endowment Committee. For the year ended June 30, 2014, the net amount of appreciation on investments of the endowment was $246.

NOTE 13 – SUBSEQUENT EVENTS

The City acquired a short-term Revenue Anticipation Note, series 2014, on July 10, 2014 in the amount of $8.6 million to be used to fund the cash needs of the Germantown Municipal School District. The short-term note will be retired before June 30, 2015.

CITY OF GERMANTOWN
TENNESSEE

REQUIRED SUPPLEMENTARY INFORMATION

Exhibit B-1

CITY OF GERMANTOWN, TENNESSEE

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATE RATIOS
PUBLIC EMPLOYEE RETIREMENT SYSTEM

Last Ten Fiscal Years

	2014	2013	2012	2011	2010
Total Pension Liability					
Service costs	$ 1,267,271	$ 1,190,521	$ 1,389,808	$ 1,470,322	$ 1,399,997
Interest	5,416,588	5,131,943	5,126,758	4,846,960	4,510,043
Changes of benefit items	669,081	-	-	-	-
Difference between expected and actual experienc	810,017	(382,255)	1,439,079	(862,794)	43,575
Changes of assumptions	-	-	(5,630,135)	-	-
Benefits payments	(2,643,055)	(2,382,147)	(2,260,687)	(1,957,022)	(1,742,152)
Net change in total pension liability	5,519,902	3,558,062	64,823	3,497,466	4,211,463
Total pension liability - beginning	67,707,355	64,149,293	64,084,470	60,587,004	56,375,541
Total pension liability - ending (a)	73,227,257	67,707,355	64,149,293	64,084,470	60,587,004
Plan Fiduciary Net Position					
Contributions - employer	2,238,029	2,287,758	2,306,853	2,297,580	2,269,772
Contributions - employee	698,881	683,344	665,402	639,112	654,129
Net investment income	10,166,680	6,824,377	(975,521)	7,407,973	4,636,664
Benefit payments	(2,643,055)	(2,382,147)	(2,260,687)	(1,957,022)	(1,742,152)
Administrative expense	(179,296)	(166,195)	(149,086)	(222,560)	(225,674)
Net change in plan fiduciary net postion	10,281,239	7,247,137	(413,039)	8,165,083	5,592,739
Plan fiduciary net position	54,362,762	47,115,625	47,528,664	39,363,581	33,770,842
Plan fiduciary net position (b)	64,644,001	54,362,762	47,115,625	47,528,664	39,363,581
City's net pension liability - ending (a) - (b)	$ 8,583,256	$ 13,344,593	$ 17,033,668	$ 16,555,806	$ 21,223,423
Plan's fiduciary net postion as a percentage of the total pension liability	88.28%	80.29%	73.45%	74.17%	64.97%
Covered employee payroll	$ 19,209,705	$ 20,187,727	$ 19,214,167	$ 18,449,784	$ 18,998,306
City's net pension liability as a percentage of covered employee payroll	44.68%	66.10%	88.65%	89.73%	111.71%

*Only five years of information was available from the actuarial valuation.

Exhibit B-2

CITY OF GERMANTOWN, TENNESSEE

SCHEDULE OF CITY CONTRIBUTIONS
PUBLIC EMPLOYEE RETIREMENT SYSTEM

Last Ten Fiscal Years

	2014	2013	2012	2011	2010	2009	2008
Actuarially determined contribution	$ 2,238,029	$ 2,287,758	$ 2,306,853	$ 2,297,580	$ 2,269,772	$ 1,803,515	$ 1,653,220
Contributions	2,238,029	2,287,758	2,306,853	2,297,580	2,269,772	1,803,515	1,653,220
Contribution deficiency	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Covered employee payroll	$ 20,187,727	$ 19,214,167	$ 18,449,784	$ 18,998,306	$ 18,846,765	$ 18,172,732	$ 16,594,653
Contributions as a percentage of covered employee payroll	11.09%	11.91%	12.50%	12.09%	12.04%	9.92%	9.96%

*Only seven years of information was available from the actuarial valuation.

CITY OF GERMANTOWN, TENNESSEE

SCHEDULE OF CITY CONTRIBUTIONS
PUBLIC EMPLOYEE RETIREMENT SYSTEM (CONTINUED)

For the Year Ended June 30, 2014

NOTE 1 – VALUATION DATE

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

NOTE 2 – METHODS AND ASSUMPTIONS USED TO DETERMINE CONTRIBUTIONS RATE

Actuarial cost method	Frozen Initial Liability
Amortization method	Level Dollar, closed
Remaining amortization period	25 Years
Asset valuation method	Market Value
Inflation	2.50%
Salary increases	4.0%, including inflation
Investment rate or return	8.0%, net plan of investment expense, including inflation
Retirement age	General Service Employees age 65 Emergency Service Employee age 58
Mortality	T-3 The Actuary's Pension Handbook
Other information	Closed to new employees after June 30, 2013

Exhibit B-3

CITY OF GERMANTOWN, TENNESSEE

SCHEDULE OF INVESTMENT RETURNS
PUBLIC EMPLOYEE RETIREMENT SYSTEM

Last Ten Fiscal Years

	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Annual money-weighted rate of return, net of investement expense	18.3%	14.0%	-2.4%	18.6%	13.3%	-14.5%	-4.4%	16.2%	9.7%	9.9%

Exhibit B-4

CITY OF GERMANTOWN, TENNESSEE

SCHEDULE OF OTHER POST EMPLOYMENT BENEFITS FUNDING PROGRESS

For the Year Ended June 30, 2014

Actuarial Valuaion Date	Actuarial Value of Assets	Actuarial Accrued Liability-PUC	Unfunded Actuarial Accrued Liability-PUC	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
7/1/2009	1,455,484	9,754,566	8,299,082	14.9%	18,846,765	44%
7/1/2010	2,093,918	9,887,913	7,793,995	21.2%	18,998,306	41%
7/1/2011	3,112,582	10,876,356	7,763,774	28.6%	18,449,784	42%
7/1/2012	3,718,914	14,717,598	10,998,684	25.3%	19,214,167	57%
7/1/2013	5,141,813	16,043,657	10,901,844	32.0%	20,187,727	54%
7/1/2014	6,160,199	10,247,083	4,086,884	60.1%	19,209,705	21%

Exhibit C-1

CITY OF GERMANTOWN, TENNESSEE

COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS

June 30, 2014

	Special Revenue							
ASSETS	State Street Aid	Automated Enforcement	Drug Enforcement	Pickering	Municipal Schools	Ambulance	Recreation	Library Endowment
Cash and cash equivalents	$ 594,949	$ 101,738	$ 104,883	$ 195,777	$ 892,463	$ 362,164	$ 177,189	$ -
Investments	69,475	-	-	-	-	-	-	-
Receivables - other	188,143	-	7,053	-	17,633	90,316	-	-
Due from other funds	-	-	-	-	5,201	-	-	-
Prepaid expenses	-	-	-	-	69,811	-	-	-
Restricted Assets:								
Cash and cash equivalents	-	-	-	-	-	-	-	268,163
Total assets	$ 852,567	$ 101,738	$ 111,936	$ 195,777	$ 985,108	$ 452,480	$ 177,189	$ 268,163
LIABILITIES								
Accounts payable	$ 458,461	$ 22,958	$ 33,190	$ 12,877	$ 981,894	$ 56,482	$ 8,142	$ 272
Contracts payable	-	-	-	-	-	-	-	-
Unearned revenue	-	-	-	-	-	-	-	-
Total Liabilities	458,461	22,958	33,190	12,877	981,894	56,482	8,142	272
DEFERRED INFLOWS OF RESOURCES								
Unavilable revenue - grants	-	-	-	-	-	-	-	-
FUND BALANCES								
Nonspendable	-	-	-	-	69,811	-	-	-
Restricted	-	-	78,746	-	-	-	-	267,891
Committed	394,106	78,780	-	182,900	-	395,998	169,047	-
Assigned	-	-	-	-	-	-	-	-
Unassigned	-	-	-	-	(66,597)	-	-	-
Total fund balances	394,106	78,780	78,746	182,900	3,214	395,998	169,047	267,891
Total liabilities, deferred outflows of resources, and fund balances	$ 852,567	$ 101,738	$ 111,936	$ 195,777	$ 985,108	$ 452,480	$ 177,189	$ 268,163

Capital Projects						
Major Roads	Intersections	General Government	Fire Dept	Parks Improvement	Drainage Projects	Total
1,701,390	$ 376,925	$ 1,386,946	$ 520	$ 457,697	$ 1,694,990	$ 8,047,631
-	-	-	-	-	-	69,475
202,641	5,974	-	-	-	-	511,760
-	-	-	-	-	-	5,201
-	-	-	-	-	-	69,811
-	-	73,842	-	-	-	342,005
$ 1,904,031	$ 382,899	$ 1,460,788	$ 520	$ 457,697	$ 1,694,990	$ 9,045,883
$ -	$ -	$ -	$ -	$ -	$ -	$ 1,574,276
90,752	591	146,002	-	57,705	2,507	297,557
-	11,173	-	-	-	-	11,173
90,752	11,764	146,002	-	57,705	2,507	1,883,006
174,777	-	-	-	-	-	174,777
-	-	-	-	-	-	69,811
-	-	-	-	-	-	346,637
949,817	112,299	639,058	-	120,000	1,470,526	4,512,531
688,685	258,836	675,728	520	279,992	221,957	2,125,718
-	-	-	-	-	-	(66,597)
1,638,502	371,135	1,314,786	520	399,992	1,692,483	6,988,100
$ 1,904,031	$ 382,899	$ 1,460,788	$ 520	$ 457,697	$ 1,694,990	$ 9,045,883

Exhibit C-2

CITY OF GERMANTOWN, TENNESSEE

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

For the Year Ended June 30, 2014

	Special Revenue							
	State Street Aid	Automated Enforcement	Drug Enforcement	Pickering	Municipal Schools	Ambulance	Recreation	Library Endowment
REVENUES								
Intergovernmental								
Gasoline & motor fuel tax	$ 711,813	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Three cent tax	212,019	-	-	-	-	-	-	-
Gas 1989 tax	114,234	-	-	-	-	-	-	-
Liquor tax	-	-	-	-	7,428	-	-	-
Local option sales taxes	-	-	-	-	1,928,904	-	-	-
Fines and forfeitures		100						
Fees for services	-	-	-	28,974	-	756,638	172,402	-
Interest on investments	239	-	-	-	66	-	-	246
Grants	-	-	-	-	-	-	-	-
Other revenues	-	-	174,482	42,674	8,157	42	-	-
Total revenues	1,038,305	100	174,482	71,648	1,944,555	756,680	172,402	246
EXPENDITURES								
Public safety	-	124,923	204,788	-	-	1,360,682	-	-
Community services	-	-	-	42,291	-	-	156,753	3,835
Transportation and environment	2,151,999	-	-	-	-	-	-	-
Education					2,603,341			
Capital projects	-	-	-	-	-	-	-	-
Total expenditures	2,151,999	124,923	204,788	42,291	2,603,341	1,360,682	156,753	3,835
Excess (deficiency) of revenues over (under) expenditures	(1,113,694)	(124,823)	(30,306)	29,357	(658,786)	(604,002)	15,649	(3,589)
OTHER FINANCING SOURCES (USES)								
GO Bonds issued	-	-	-	-	-	-	-	-
GO Bond premium	-	-	-	-	-	-	-	-
GO Bond costs	-	-	-	-	-	-	-	-
Sale of capital assets	-	-	7,625	-	-	-	-	-
Transfers in	900,000	150,000	-	-	130,000	1,000,000	-	-
Transfers out	-	-	-	-	-	-	-	-
Total other financing sources	900,000	150,000	7,625	-	130,000	1,000,000	-	-
Net change in fund balance	(213,694)	25,177	(22,681)	29,357	(528,786)	395,998	15,649	(3,589)
Fund balances - beginning	607,800	53,603	101,427	153,543	532,000	-	153,398	271,480
Fund balances - ending	$ 394,106	$ 78,780	$ 78,746	$ 182,900	$ 3,214	$ 395,998	$ 169,047	$ 267,891

Capital Projects						
Major Roads	Intersections	General Government	Fire Dept	Parks Improvement	Drainage Projects	Total
$ -	$ -	$ -	$ -	$ -	$ -	$ 711,813
-	-	-	-	-	-	212,019
-	-	-	-	-	-	114,234
-	-	-	-	-	-	7,428
-	-	-	-	-	-	1,928,904
						100
-	-	-	-	-	-	958,014
27	-	-	-	-	-	578
3,008,816	103,375	-	-	7,748	-	3,119,939
-	2,500	196,014	-	191,637	-	615,506
3,008,843	105,875	196,014	-	199,385	-	7,668,535
-	-	-	-	-	-	1,690,393
-	-	-	-	-	-	202,879
-	-	-	-	-	-	2,151,999
						2,603,341
2,895,617	166,585	1,750,910	642,480	320,819	1,437,827	7,214,238
2,895,617	166,585	1,750,910	642,480	320,819	1,437,827	13,862,850
113,226	(60,710)	(1,554,896)	(642,480)	(121,434)	(1,437,827)	(6,194,315)
205,000	-	-	-	456,337	2,838,663	3,500,000
13,145	-	-	-	28,964	180,694	222,803
(7,114)	-	-	-	(15,675)	(97,787)	(120,576)
-	-	-	-	-	-	7,625
-	280,000	942,000	643,000	-	-	4,045,000
-	-	-	-	(115,000)	-	(115,000)
211,031	280,000	942,000	643,000	354,626	2,921,570	7,539,852
324,257	219,290	(612,896)	520	233,192	1,483,743	1,345,537
1,314,245	151,845	1,927,682	-	166,800	208,740	5,642,563
$ 1,638,502	$ 371,135	$ 1,314,786	$ 520	$ 399,992	$ 1,692,483	$ 6,988,100

Exhibit C-3

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, 2014

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final	Amounts	Positive(Negative)
STATE STREET AID				
REVENUES				
State gasoline taxes	$ 1,054,031	$ 1,054,031	$ 1,038,066	$ (15,965)
Interest on investments	3,500	3,500	239	(3,261)
Total revenues	1,057,531	1,057,531	1,038,305	(19,226)
EXPENDITURES				
Transportation and Environment				
Material and supplies	1,809,000	2,338,811	2,151,999	186,812
Excess (deficiency) of revenues over (under) expenditures	(751,469)	(1,281,280)	(1,113,694)	167,586
OTHER FINANCING SOURCES (USES)				
Transfers in	750,000	900,000	900,000	-
Net change in fund balances	(1,469)	(381,280)	(213,694)	167,586
Fund balance - beginning	607,800	607,800	607,800	-
Fund balance - ending	$ 606,331	$ 226,520	$ 394,106	$ 167,586
AUTOMATED ENFORCEMENT				
REVENUES				
Other revenue	$ 225,000	$ 225,000	$ 100	$ (224,900)
EXPENDITURES				
Public Safety				
Personnel services	103,195	103,195	78,633	24,562
Materials and supplies	5,000	5,000	-	5,000
Other services and charges	200,500	177,925	46,290	131,635
Total expenditures	308,695	286,120	124,923	161,197
Excess (deficiency) of revenues over (under) expenditures	(83,695)	(61,120)	(124,823)	(63,703)
OTHER FINANCING SOURCES (USES)				
Transfers in	150,000	150,000	150,000	-
Net change in fund balances	66,305	88,880	25,177	(63,703)
Fund balance - beginning	53,603	53,603	53,603	-
Fund balance - ending	$ 119,908	$ 142,483	$ 78,780	$ (63,703)

Exhibit C-3

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, 2014

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final	Amounts	Positive(Negative)
DRUG ENFORCEMENT				
REVENUES				
Other revenues	$ 400,000	$ 400,000	$ 182,107	$ (217,893)
EXPENDITURES				
Public Safety				
Personnel Services	101,000	101,000	70,460	30,540
Materials and supplies	162,000	80,219	50,423	29,796
Other services and charges	32,750	36,242	6,063	30,179
Capital outlay	-	78,289	77,842	447
Total expenditures	295,750	295,750	204,788	90,962
Net change in fund balances	104,250	104,250	(22,681)	(308,855)
Fund balance - beginning	101,427	101,427	101,427	-
Fund balance - ending	$ 205,677	$ 205,677	$ 78,746	$ (308,855)
PICKERING				
REVENUES				
Fees for services	$ 18,000	$ 18,000	$ 28,974	$ 10,974
Other revenues	47,000	47,000	42,674	(4,326)
Total revenues	65,000	65,000	71,648	6,648
EXPENDITURES				
Community Services				
Materials and supplies	4,500	509	479	30
Other services and charges	33,875	37,866	35,202	2,664
Capital outlay	-	6,610	6,610	-
Total expenditures	38,375	44,985	42,291	2,694
Net change in fund balances	26,625	20,015	29,357	3,954
Fund balance - beginning	153,543	153,543	153,543	-
Fund balance - ending	$ 180,168	$ 173,558	$ 182,900	$ 3,954

Exhibit C-3

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, 2014

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final	Amounts	Positive(Negative)
MUNICIPAL SCHOOLS				
REVENUES				
State liquor tax	$ -	$ -	$ 7,428	$ 7,428
Local option sales tax	2,269,000	2,023,360	1,928,904	(94,456)
Interest on invenstments	-	-	66	66
Other revenue	-	-	8,157	8,157
Total revenues	2,269,000	2,023,360	1,944,555	(78,805)
EXPENDITURES				
Community Services				
Personnel Services	1,306,453	1,307,059	700,531	606,528
Materials and supplies	169,236	169,236	259,990	(90,754)
Other services and charges	465,937	570,024	736,855	(166,831)
Capital outlay	640,000	639,054	905,965	(266,911)
Total expenditures	2,581,626	2,685,373	2,603,341	82,032
Excess (deficiency) of revenues over (under) expenditures	(312,626)	(662,013)	(658,786)	3,227
OTHER FINANCING SOURCES (USES)				
Transfers in	100,000	130,000	130,000	-
Net change in fund balances	(212,626)	(532,013)	(528,786)	3,227
Fund balance - beginning	532,000	532,000	532,000	-
Fund balance - ending	$ 319,374	$ (13)	$ 3,214	$ 3,227

Exhibit C-3

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, 2014

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final	Amounts	Positive(Negative)
AMBULANCE				
REVENUES				
Fees for services	$ 728,396	$ 728,396	$ 756,638	$ 28,242
Other revenue	34,066	34,066	42	(34,024)
Total revenues	762,462	762,462	756,680	(5,782)
EXPENDITURES				
Public Safety				
Personnel Services	1,114,428	1,112,634	1,077,188	35,446
Materials and supplies	102,539	95,867	93,936	1,931
Other services and charges	154,320	153,486	127,598	25,888
Capital outlay	62,000	62,000	61,960	40
Total expenditures	1,433,287	1,423,987	1,360,682	63,305
Excess (deficiency) of revenues over (under) expenditures	(670,825)	(661,525)	(604,002)	(69,087)
OTHER FINANCING SOURCES (USES)				
Transfers in	1,000,000	1,000,000	1,000,000	-
Net change in fund balances	329,175	338,475	395,998	(69,087)
Fund balance - beginning	-	-	-	-
Fund balance - ending	$ 329,175	$ 338,475	$ 395,998	$ (69,087)
RECREATION				
REVENUES				
Fees for services	$ 225,199	$ 225,199	$ 172,402	$ (52,797)
EXPENDITURES				
Community Services				
Materials and supplies	53,270	57,569	47,023	10,546
Other services and charges	149,508	147,209	109,730	37,479
Total expenditures	202,778	204,778	156,753	48,025
Net change in fund balances	22,421	20,421	15,649	(4,772)
Fund balance - beginning	153,398	153,398	153,398	-
Fund balance - ending	$ 175,819	$ 173,819	$ 169,047	$ (4,772)

Exhibit C-3

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, 2014

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final	Amounts	Positive(Negative)
LIBRARY ENDOWMENT				
REVENUES				
Interest on investments	$ -	$ -	$ 246	$ 246
EXPENDITURES				
Community Services				
Other services and charges	15,000	15,000	3,835	11,165
Net change in fund balances	(15,000)	(15,000)	(3,589)	11,411
Fund balance - beginning	271,480	271,480	271,480	-
Fund balance - ending	$ 256,480	$ 256,480	$ 267,891	$ 11,411
MAJOR ROADS				
REVENUES				
Interest on investments	$ -	$ -	$ 27	$ 27
Grants	-	-	3,008,816	3,008,816
Total revenues	-	-	3,008,843	3,008,843
EXPENDITURES				
Capital Projects				
Architectural and engineering	169,000	225,163	226,542	(1,379)
Construction contracts	2,204,267	3,940,867	2,595,315	1,345,552
Personnel services	-	67,852	73,760	(5,908)
Total expenditures	2,373,267	4,233,882	2,895,617	1,338,265
Excess (deficiency) of revenues over (under) expenditures	(2,373,267)	(4,233,882)	113,226	4,347,108
OTHER FINANCING SOURCES (USES)				
GO Bonds issued	-	-	205,000	205,000
GO Bonds premium	-	-	13,145	(13,145)
GO Bonds costs	-	(7,115)	(7,114)	(1)
Total other financing sources (uses)	-	(7,115)	211,031	191,854
Net change in fund balances	(2,373,267)	(4,240,997)	324,257	4,538,962
Fund balance - beginning	1,314,245	1,314,245	1,314,245	-
Fund balance - ending	$ (1,059,022)	$ (2,926,752)	$ 1,638,502	$ 4,538,962

Exhibit C-3

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, 2014

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final	Amounts	Positive(Negative)
INTERSECTIONS				
REVENUES				
Grants	$ -	$ -	$ 103,375	$ 103,375
Other revenues	-	2,500	2,500	-
Total revenues	-	2,500	105,875	103,375
EXPENDITURES				
Capital Projects				
Architectural and engineering	123,000	160,776	87,689	73,087
Construction contracts	131,000	175,690	78,896	96,794
Total expenditures	254,000	336,466	166,585	169,881
Excess (deficiency) of revenues over (under) expenditures	(254,000)	(333,966)	(60,710)	273,256
OTHER FINANCING SOURCES (USES)				
Transfers in	280,000	280,000	280,000	-
Net change in fund balances	26,000	(53,966)	219,290	273,256
Fund balance - beginning	151,845	151,845	151,845	-
Fund balance - ending	$ 177,845	$ 97,879	$ 371,135	$ 273,256
GENERAL GOVERNMENT PROJECTS				
REVENUES				
Other revenues	$ -	$ -	$ 196,014	$ 196,014
EXPENDITURES				
Capital Projects				
Architectural and engineering	30,000	68,180	65,394	2,786
Construction contracts	862,000	1,746,624	1,685,516	61,108
Total expenditures	892,000	1,814,804	1,750,910	63,894
Excess (deficiency) of revenues over (under) expenditures	(892,000)	(1,814,804)	(1,554,896)	132,120
OTHER FINANCING SOURCES (USES)				
Transfers in	1,470,000	942,000	942,000	-
Net change in fund balances	578,000	(872,804)	(612,896)	132,120
Fund balance - beginning	1,927,682	1,927,682	1,927,682	-
Fund balance - ending	$ 2,505,682	$ 1,054,878	$ 1,314,786	$ 132,120

Exhibit C-3

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, 2014

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final	Amounts	Positive(Negative)
FIRE DEPT				
EXPENDITURES				
Capital Projects				
Architectural and engineering	$ 5,000	$ 5,000	$ -	$ 5,000
Construction contracts	573,000	642,841	642,480	361
Total expenditures	578,000	647,841	642,480	5,361
OTHER FINANCING SOURCES (USES)				
Transfers in	-	643,000	643,000	-
Net change in fund balances	(578,000)	(4,841)	520	(5,361)
Fund balance - beginning	-	-	-	-
Fund balance - ending	$ (578,000)	$ (4,841)	$ 520	$ (5,361)
PARKS IMPROVEMENTS				
REVENUES				
Grants	$ -	$ -	$ 7,748	$ 7,748
Other revenues	-	-	191,637	191,637
Total revenues	-	-	199,385	199,385
EXPENDITURES				
Capital Projects				
Architectural and engineering	25,000	75,874	56,865	19,009
Construction contracts	230,000	267,955	263,954	4,001
Total expenditures	255,000	343,829	320,819	23,010
Excess (deficiency) of revenues over (under) expenditures	(255,000)	(343,829)	(121,434)	214,647
OTHER FINANCING SOURCES (USES)				
GO Bonds issued	-	-	456,337	456,337
GO Bonds premium	-	-	28,964	28,964
GO Bonds costs	-	(15,676)	(15,675)	1
Transfers out	-	(115,000)	(115,000)	-
Total other financing sources (uses)	-	(130,676)	354,626	485,302
Net change in fund balances	(255,000)	(474,505)	233,192	699,949
Fund balance - beginnning	166,800	166,800	166,800	-
Fund balance - ending	$ (88,200)	$ (307,705)	$ 399,992	$ 699,949

Exhibit C-3

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, 2014

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final	Amounts	Positive(Negative)
DRAINAGE PROJECTS				
EXPENDITURES				
Capital Projects				
Architectural and engineering	$ 340,000	$ 217,479	$ 179,190	$ 38,289
Construction contracts	1,679,000	1,626,260	1,258,637	367,623
Contingency	250,000	138,986	-	138,986
Total expenditures	2,269,000	1,982,725	1,437,827	544,898
OTHER FINANCING SOURCES (USES)				
GO Bonds issued	-	-	2,838,663	(2,838,663)
GO Bonds premium	-	-	180,694	(180,694)
GO Bonds costs	-	(97,788)	(97,787)	(1)
Total other financing sources (uses)	-	(97,788)	2,921,570	(3,019,358)
Net change in fund balances	(2,269,000)	(2,080,513)	1,483,743	(2,474,460)
Fund balance - beginning	208,740	208,740	208,740	-
Fund balance - ending	$ (2,060,260)	$ (1,871,773)	$ 1,692,483	$ (2,474,460)

Exhibit D-1

CITY OF GERMANTOWN, TENNESSEE

COMBINING STATEMENT OF NET POSITION – NONMAJOR ENTERPRISE FUNDS

June 30, 2014

	Sanitation Fund	Great Hall Fund	Stormwater Fund	Total
ASSETS				
Current assets:				
Cash and cash equivalents	$ 913,863	$ 130,504	$ 424,476	$1,468,843
Investments	142,625	-	-	142,625
Receivables:				
Customers and developers	169,379	-	108,562	277,941
Other	-	19,059	-	19,059
Less: allowance for doubtful accounts	(17,436)	(19,059)	(41,896)	(78,391)
Net receivables	151,943	-	66,666	218,609
Total current assets	1,208,431	130,504	491,142	1,830,077
Capital assets, being depreciated				
Buildings and improvements	-	427,793	-	427,793
Machinery and equipment	17,572	201,764	70,597	289,933
Less accumulated depreciation	(17,572)	(283,291)	(8,533)	(309,396)
Total depreciable assets, net	-	346,266	62,064	408,330
Total noncurrent assets	-	346,266	62,064	408,330
Total assets	$1,208,431	$ 476,770	$ 553,206	$2,238,407
LIABILITIES				
Current liabilities:				
Accounts payable	$ 278,930	$ 11,188	$ 49,724	$ 339,842
Unearned revenue	71,527	-	-	71,527
Customer deposits payable	-	78,032	-	78,032
Total current liabilities	350,457	89,220	49,724	489,401
Noncurrent liabilities:				
Compensated absences	2,830	2,239	29,031	34,100
Total liabilities	353,287	91,459	78,755	523,501
NET POSITION				
Net investment in capital assets	-	346,266	62,064	408,330
Unrestricted	855,144	39,045	412,387	1,306,576
Total net position	$ 855,144	$ 385,311	$ 474,451	$1,714,906

Exhibit D-2

CITY OF GERMANTOWN, TENNESSEE

COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION – NONMAJOR ENTERPRISE FUNDS

For the Year Ended June 30, 2014

	Sanitation Fund	Great Hall Fund	Stormwater Fund	Total
Operating Revenues:				
Sanitation fees	$ 3,406,413	$ -	$ -	$3,406,413
Stormwater fees	-	-	997,799	997,799
Forfeited discounts	35,488	-	-	35,488
Other income	67,185	358,902	426	426,513
Total operating revenues	3,509,086	358,902	998,225	4,866,213
Operating Expenses:				
Personnel services	90,859	145,703	585,014	821,576
Materials and supplies	20,539	10,196	18,228	48,963
Utilities	-	41,429	-	41,429
Landfill fees	375,812	-	-	375,812
Garbage collection fees	2,977,653	-	-	2,977,653
Other charges and services	1,018	230,676	290,837	522,531
Depreciation	-	45,148	7,980	53,128
Total operating expenses	3,465,881	473,152	902,059	4,841,092
Operating income (loss)	43,205	(114,250)	96,166	25,121
Nonoperating Revenues (Expenses):				
Interest on investments	1,969	93	1,231	3,293
Interest and fiscal charges	-	(10,382)	-	(10,382)
Total nonoperating revenues (expenses)	1,969	(10,289)	1,231	(7,089)
Income (loss) before transfers	45,174	(124,539)	97,397	18,032
Transfers in	-	175,000	-	175,000
Change in net position	45,174	50,461	97,397	193,032
Total net position - beginning	809,970	334,850	377,054	1,521,874
Total net position - ending	$ 855,144	$ 385,311	$ 474,451	$1,714,906

Exhibit D-3

CITY OF GERMANTOWN, TENNESSEE

COMBINING STATEMENT OF CASH FLOWS – NONMAJOR ENTERPRISE FUNDS

For the Year Ended June 30, 2014

	Sanitation Fund	Great Hall Fund	Stormwater Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from customers	$ 3,530,502	$ 404,122	$ 1,025,394	$ 4,960,018
Cash paid to suppliers	(3,358,679)	(290,866)	(325,372)	(3,974,917)
Cash paid to employees	(86,114)	(139,169)	(551,338)	(776,621)
Net cash provided (used) by operating activities	85,709	(25,913)	148,684	208,480
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITES				
Transfer from other fund	-	175,000	-	175,000
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition of capital assets	-	(9,711)	(37,457)	(47,168)
Interest paid	-	(10,382)	-	(10,382)
Net cash used for capital and related financing activities	-	(20,093)	(37,457)	(57,550)
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of investments	(64,717)	-	-	(64,717)
Interest received	1,969	93	1,231	3,293
Net cash provided (used) by investing activities	(62,748)	93	1,231	(61,424)
Net increase in cash and cash equivalents	22,961	129,087	112,458	264,506
Cash and cash equivalents - beginning	890,902	1,417	312,018	1,204,337
Cash and cash equivalents - ending	$ 913,863	$ 130,504	$ 424,476	$ 1,468,843

Exhibit D-3

CITY OF GERMANTOWN, TENNESSEE

COMBINING STATEMENT OF CASH FLOWS – NONMAJOR ENTERPRISE FUNDS (CONTINUED)

For the Year Ended June 30, 2014

	Sanitation Fund	Great Hall Fund	Stormwater Fund	Total
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) By Operating Activities				
Operating income (loss)	$ 43,205	$ (114,250)	$ 96,166	$ 25,121
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities				
Depreciation expense	-	45,148	7,980	53,128
(Increase) decrease in assets:				
Accounts receivable	19,408	23,605	27,169	70,182
Increase (decrease) in liabilities:				
Accounts payable	18,910	(4,270)	203	14,843
Compensated absences	2,178	2,239	17,166	21,583
Customer deposits	-	21,615	-	21,615
Unearned revenue	2,008	-	-	2,008
Total adjustments	42,504	88,337	52,518	183,359
Net cash provided (used) by operating activities	$ 85,709	$ (25,913)	$ 148,684	$ 208,480

Exhibit D-4

CITY OF GERMANTOWN, TENNESSEE

COMBINING STATEMENT OF NET POSITION - INTERNAL SERVICE FUNDS

June 30, 2014

	Health Insurance	Vehicle Maintenance	Total
ASSETS			
Current assets:			
Cash and cash equivalents	$1,409,402	$ 178,599	$ 1,588,001
Accounts receivable - other	3,538	-	3,538
Inventory	-	120,468	120,468
Total current assets	1,412,940	299,067	1,712,007
Noncurrent assets:			
Capital assets:			
Buildings	-	319,511	319,511
Machinery and equipment	-	435,980	435,980
	-	755,491	755,491
Less accumulated depreciation	-	(631,163)	(631,163)
Total capital assets	-	124,328	124,328
Total assets	1,412,940	423,395	1,836,335
LIABILITIES			
Current liabilities:			
Accounts payable	480,131	25,110	505,241
Noncurrent liabilities:			
Compensated absences	-	23,887	23,887
Total liabilities	480,131	48,997	529,128
NET POSITION			
Invested in capital assets	-	124,328	124,328
Unrestricted	932,809	250,070	1,182,879
Total net position	$ 932,809	$ 374,398	$ 1,307,207

Exhibit D-5

CITY OF GERMANTOWN, TENNESSEE

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

For the Year Ended June 30, 2014

	Health Insurance	Vehicle Maintenance	Total
Operating Revenues:			
Charges for services	$ 4,107,839	$ 911,588	$ 5,019,427
Operating Expenses:			
Personnel services	-	583,503	583,503
Materials and supplies	-	22,643	22,643
Other services and charges	3,687,030	270,196	3,957,226
Depreciation	-	35,246	35,246
Total operating expenses	3,687,030	911,588	4,598,618
Change in net position	420,809	-	420,809
Total net position - beginning	512,000	374,398	886,398
Total net position - ending	$ 932,809	$ 374,398	$ 1,307,207

Exhibit D-6

CITY OF GERMANTOWN, TENNESSEE

COMBINING STATEMENT OF CASH FLOWS - INTERNAL SERVICE FUNDS

For the Year Ended June 30, 2014

	Health Insurance	Vehicle Maintenance	Totals
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers and users	$ 4,108,191	$ 911,588	$ 5,019,779
Cash paid to suppliers	(3,660,163)	(303,735)	(3,963,898)
Cash paid to employees	-	(606,452)	(606,452)
Net cash provided by operating activities	448,028	1,401	449,429
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchases of capital assets	-	(26,426)	(26,426)
Net increase (decrease) in cash and cash equivalents	448,028	(25,025)	423,003
Cash and cash equivalents - beginning of the year	961,374	203,624	1,164,998
Cash and cash equivalents - end of the year	$ 1,409,402	$ 178,599	$ 1,588,001
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) By Operating Activities:			
Operating income (loss)	$ 420,809	$ -	$ 420,809
Adjustment to reconcile operating income (loss) to net cash provided (used) by operating activities			
Depreciation expense	-	35,246	35,246
(Increase) decrease in accounts receivable	352	-	352
(Increase) decrease in inventories	-	(10,136)	(10,136)
Increase (decrease) in accounts payable	26,867	(12,377)	14,490
Increase (decrease) in compensated absences	-	(11,332)	(11,332)
Total adjustments	27,219	1,401	28,620
Net cash provided by operating activities	$ 448,028	$ 1,401	$ 449,429

Exhibit D-7

CITY OF GERMANTOWN, TENNESSEE

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES – AGENCY FUND

For the Year Ended June 30, 2014

	Balance July 1, 2013	Additions	Deletions	Balance June 30, 2014
Assets				
Cash and cash equivalents	$ 103,090	$120,151	$152,996	$ 70,245
Liabilities				
Deposits held in trust	$ 103,090	$115,637	$148,482	$ 70,245

Exhibit E-1

CITY OF GERMANTOWN, TENNESSEE

SCHEDULE OF PRINCIPAL AND INTEREST MATURITIES
SERIAL GENERAL OBLIGATION BONDS

June 30, 2014

	Series 05 Bonds		Series 06 Bonds		Series 09 Bonds		Series 11 Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2015	$ 130,000	$ 2,178	$ 755,000	$ 74,700	$ 480,000	$ 252,074	$ 250,000	$ 139,775
2016	-	-	490,000	49,800	495,000	237,674	255,000	134,725
2017	-	-	500,000	30,000	510,000	222,824	265,000	129,525
2018	-	-	130,000	17,400	525,000	206,249	270,000	124,175
2019	-	-	125,000	12,300	540,000	187,874	275,000	118,725
2020	-	-	125,000	7,300	565,000	168,974	280,000	113,175
2021	-	-	120,000	2,400	580,000	149,199	285,000	107,525
2022	-	-	-	-	610,000	128,174	290,000	101,775
2023	-	-	-	-	330,000	105,299	295,000	95,188
2024	-	-	-	-	340,000	92,511	305,000	87,688
2025	-	-	-	-	355,000	78,911	310,000	79,613
2026	-	-	-	-	370,000	64,711	320,000	70,950
2027	-	-	-	-	385,000	49,911	330,000	61,600
2028	-	-	-	-	400,000	34,030	340,000	51,550
2029	-	-	-	-	415,000	17,430	350,000	41,200
2030	-	-	-	-	-	-	360,000	30,325
2031	-	-	-	-	-	-	375,000	18,606
2032	-	-	-	-	-	-	385,000	6,256
2033	-	-	-	-	-	-	-	-
2034	-	-	-	-	-	-	-	-
	$ 130,000	$ 2,178	$ 2,245,000	$ 193,900	$ 6,900,000	$ 1,995,845	$ 5,540,000	$ 1,512,376

CITY OF GERMANTOWN, TENNESSEE

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

June 30, 2014

	Series 13 Bonds (Series A)		Series 13 Bonds (Series B)		Total Series Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2015	$ 115,000	$ 93,169	$ 750,000	$ 125,090	$ 2,480,000	$ 686,986
2016	145,000	91,144	865,000	112,690	2,250,000	626,033
2017	145,000	88,244	880,000	95,240	2,300,000	565,833
2018	150,000	85,294	895,000	77,490	1,970,000	510,608
2019	155,000	82,244	240,000	63,740	1,335,000	464,883
2020	155,000	79,144	250,000	53,940	1,375,000	422,533
2021	160,000	75,994	260,000	43,740	1,405,000	378,858
2022	160,000	72,794	270,000	33,140	1,330,000	335,883
2023	165,000	69,337	280,000	24,590	1,070,000	294,414
2024	170,000	65,568	285,000	18,234	1,100,000	264,001
2025	175,000	61,381	295,000	11,413	1,135,000	231,318
2026	175,000	56,831	300,000	3,900	1,165,000	196,392
2027	180,000	51,856	-	-	895,000	163,367
2028	185,000	46,381	-	-	925,000	131,961
2029	195,000	40,559	-	-	960,000	99,189
2030	200,000	34,263	-	-	560,000	64,588
2031	205,000	27,425	-	-	580,000	46,031
2032	215,000	20,075	-	-	600,000	26,331
2033	220,000	12,325	-	-	220,000	12,325
2034	230,000	4,169	-	-	230,000	4,169
	$ 3,500,000	$ 1,158,197	$ 5,570,000	$ 663,207	$ 23,885,000	$ 5,525,703

Exhibit E-2

CITY OF GERMANTOWN, TENNESSEE

SCHEDULE OF PRINCIPAL AND INTEREST MATURITIES
SETTLEMENT LIABILITY

June 30, 2014

	Settlement Liability		
	Principal	Interest	Total
2015	$ 306,247	$ 49,206	$ 355,453
2016	246,559	108,894	355,453
2017	254,896	100,557	355,453
2018	263,514	91,939	355,453
2019	272,425	83,028	355,453
2020	281,636	73,817	355,453
2016	291,159	64,294	355,453
2017	301,004	54,449	355,453
2018	311,182	44,271	355,453
2019	321,704	33,749	355,453
2020	332,582	22,871	355,453
2021	343,827	11,626	355,453
	$ 3,526,735	$ 738,701	$ 4,265,436

Exhibit E-3

CITY OF GERMANTOWN, TENNESSEE

SCHEDULE OF PRINCIPAL AND INTEREST MATURITIES
SERIAL BONDS

June 30, 2014

	Series 06 Bonds		Series 08 Bonds		Total Series Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2014	$ 450,000	$ 76,800	$ 505,000	$ 97,637	$ 955,000	$ 174,437
2015	470,000	58,800	520,000	78,400	990,000	137,200
2016	490,000	40,000	545,000	57,100	1,035,000	97,100
2017	510,000	20,400	565,000	34,900	1,075,000	55,300
2018	-	-	590,000	11,800	590,000	11,800
	$ 1,920,000	$ 196,000	$ 2,725,000	$ 279,837	$ 4,645,000	$ 475,837

Exhibit E-4

CITY OF GERMANTOWN, TENNESSEE

SCHEDULE OF OFFICIAL BONDS OF PRINCIPAL OFFICIALS

June 30, 2014

	Amount of Bond/Insurance*
Mayor	
Honorable Sharon Goldsworthy	$ 500,000
Five Aldermen (each) *	
Rocky Janda	500,000
Forrest Owens	500,000
Mike Palazzolo	500,000
Greg Marcom	500,000
John Drinnon	500,000
City Administrator *	
Patrick J. Lawton	500,000
City Clerk Recorder *	
Dotty Johnson	500,000
Community Services Division Director *	
George Brogdon	500,000
Economic and Community Development Director *	
Cameron Ross	500,000
Finance Director *	
Ralph J. Gabb	500,000
Fire Chief *	
John M. Selberg	500,000
Germantown Performing Arts Centre Executive Director *	
Paul Chandler	500,000
Germantown Athletic Club Director *	
Phil Rogers	500,000
Human Resources Director *	
Susan Hopson	500,000
Information Technology Director *	
Tony Fischer	500,000
Library Services Director *	
Daniel Page	500,000
Parks and Recreation Director *	
Pam Beasley	500,000
Police Chief *	
Richard Hall	500,000
Public Service Director *	
Bo Mills	500,000
Procurement Director *	
Lisa Piefer	500,000
General Services Director *	
Reynold Douglas	500,000

* Employees are covered under the City's insurance policy for dishonesty, forgery, alterations, theft, disappearance or destruction, and computer fraud for the amounts listed, subject to a $1,000 deductible.

Exhibit E-5

CITY OF GERMANTOWN, TENNESSEE

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

For the Year Ended June 30, 2014

Grantor/Pass-through Grantor	CFDA #	Grant Number	Receivable (Deferral) June 30, 2013	Receipts 2014	Expenditures 2014	Receivable (Deferral) June 30, 2014
Federal Awards						
US Dept of Transportation/						
TN Dept of Transportation						
Department of Transportation	20.205	Fed Proj #STP-M-NHE-57(46)	$ 1,125	$ 387,905	$ 501,486	$ 114,706
Department of Transportation	20.205	Fed Proj #STP-M-5161(2)	37,918	37,918	-	-
Department of Transportation	20.205	Fed Proj #STP-M-9420(1) & 9420(5)	2,643,551	4,151,587	1,533,902	25,866
Department of Transportation	20.205	Fed Proj #STP-M-NHE-57(48)	5,560	102,962	103,375	5,973
Department of Transportation	20.205	Fed Proj #STP-M-NH-177(37)	-	-	916	916
Department of Transportation	20.205	Fed Proj #STO-M-NH-177(36)	-	-	900	900
Department of Transportation	20.205	Fed Proj #STP-M-9420(7)	-	-	17,055	17,055
Department of Transportation	20.205	Fed Proj #STP-M-5431(10)	-	-	14,182	14,182
TOTAL FEDERAL AWARDS			2,688,154	4,680,372	2,171,816	179,598
State Financial Assistance						
Department of Transportation	20.205	Fed Proj #STP-M-NHE-57(46)	-	96,696	125,371	28,675
Department of Transportation	20.205	Fed Proj #STP-M-NH-177(37)	-	-	115	115
Department of Transportation	20.205	Fed Proj #STO-M-NH-177(36)	-	-	225	225
TOTAL FEDERAL AND STATE AWARDS			$ 2,688,154	$ 4,777,068	$ 2,297,527	$ 208,613

See accompanying notes to the schedule.

CITY OF GERMANTOWN, TENNESSEE

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

For the Year Ended June 30, 2014

NOTE 1 – BASIS OF PRESENTATION

The schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of the City of Germantown, TN (the City) under programs of the federal government for the year ended June 30, 2012. The information in this Schedule is presented in accordance with the requirement of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organization*. Because the Schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in net postion, or cash flows of the city.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(1) Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the OMB Circular A-122, *Cost Principles for Non-profit Organization*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

(2) Pass-through entity contract numbers are presented where available.

NOTE 3 – RECONCILIATION OF THE SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS TO THE FINANCIAL STATEMENTS

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

Total grant revenue per governmental funds financial statements	$	3,195,374
Change in deferred revenue at the fund level		(822,412)
Non-federal and non-state grants		(75,435)
Total federal and state awards	$	2,297,527

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.

Contents **Page**

Financial Trends **121**

These exhibits contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.

Revenue Capacity **126**

These exhibits contain information to help the reader assess the factors affecting the City's ability to generate its property and sales taxes.

Debt Capacity **134**

These exhibits present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.

Demographic and Economic Information **138**

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.

Exhibit F-1

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

	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Governmental activities										
Net investment in capital assets	$ 129,976,697	$ 79,702,940	$ 64,381,386	$ 52,900,774	$ 45,980,201	$ 45,178,360	$ 39,655,346	$ 39,655,346	$ 34,419,127	$ 35,229,522
Restricted	346,637	1,218,763	1,768,896	2,511,848	1,692,290	1,661,780	1,406,872	1,288,885	1,556,120	1,642,569
Unrestricted	27,785,350	2,868,826	25,674,724	30,107,655	33,132,833	33,988,429	39,928,257	35,020,161	33,723,089	28,236,735
Total governmental activities net position	$ 158,108,684	$ 83,790,529	$ 91,825,006	$ 85,520,277	$ 80,805,324	$ 80,828,569	$ 80,990,475	$ 75,964,392	$ 69,698,336	$ 65,108,826
Business-type activities										
Net investment in capital assets	$ 54,777,680	$ 55,092,513	$ 54,753,414	$ 52,829,038	$ 52,457,209	$ 49,924,751	$ 50,914,976	$ 46,556,454	$ 45,205,036	$ 44,982,477
Unrestricted	6,306,322	5,857,711	7,011,809	8,447,174	6,523,107	8,680,195	6,267,677	6,216,531	2,884,810	763,811
Total business-type activities net position	$ 61,084,002	$ 60,950,224	$ 61,765,223	$ 61,276,212	$ 58,980,316	$ 58,604,946	$ 57,182,653	$ 52,772,985	$ 48,089,846	$ 45,746,288
Primary government										
Net investment in capital assets	$ 184,754,377	$ 134,795,453	$ 119,134,800	$ 105,729,812	$ 98,437,410	$ 95,103,111	$ 90,570,322	$ 86,211,800	$ 79,624,163	$ 80,211,999
Restricted	346,637	1,218,763	1,768,896	2,511,848	1,692,290	1,661,780	1,406,872	1,288,885	1,556,120	1,642,569
Unrestricted	34,091,672	26,726,537	32,686,533	38,554,829	39,655,940	42,668,624	46,195,934	41,236,692	36,607,899	29,000,546
Total primary government net position	$ 219,192,686	$ 162,740,753	$ 153,590,229	$ 146,796,489	$ 139,785,640	$ 139,433,515	$ 138,173,128	$ 128,737,377	$ 117,788,182	$ 110,855,114

Exhibit F-2

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

	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Expenses										
Governmental activities:										
General government	$ 9,815,248	$ 15,085,014	$ 14,455,690	$ 13,883,051	$ 14,126,482	$ 12,165,467	$ 10,074,368	$ 11,172,137	$ 9,638,679	$ 10,777,667
Public safety	19,605,811	18,283,716	18,714,470	17,670,477	16,746,970	16,687,140	16,918,305	15,186,485	14,231,653	13,496,390
Community services	3,757,032	4,286,244	3,038,987	3,013,028	2,768,856	4,775,897	5,201,066	5,329,489	5,897,428	5,516,813
Transportation and environment	7,696,305	5,436,003	5,969,305	4,792,033	5,434,148	5,088,019	4,279,001	2,891,573	3,868,498	4,620,915
Education	5,918,915	-	-	-	-	-	-	-	-	-
Interest and fiscal charges	831,623	1,415,478	950,133	798,410	877,138	786,612	878,503	1,062,319	1,078,349	1,174,147
Total governmental activities expenses	47,624,934	44,506,455	43,128,585	40,156,999	39,953,594	39,503,135	37,351,243	35,642,003	34,714,607	35,585,932
Business-type activities:										
Utilities	7,279,545	7,309,861	6,884,307	7,230,379	7,046,258	6,502,565	6,100,526	5,928,575	5,581,195	5,065,689
Athletic Club	3,257,518	3,404,771	3,579,023	3,523,561	3,486,381	3,588,475	2,992,340	2,673,695	2,659,614	2,614,365
Sanitation	-	-	3,409,532	3,997,349	3,886,086	3,824,101	3,706,306	3,609,186	3,900,496	3,686,616
Nonmajor Enterprise Fund	4,851,474	4,587,955	1,387,559	1,253,252	366,376	-	-	-	-	-
Total business-type activities expenses	15,388,537	15,302,587	15,260,421	16,004,541	14,785,101	13,915,141	12,799,172	12,211,456	12,141,305	11,366,670
Total primary government expenses	$ 63,013,471	$ 59,809,042	$ 58,389,006	$ 56,161,540	$ 54,738,695	$ 53,418,276	$ 50,150,415	$ 47,853,459	$ 46,855,912	$ 46,952,602
Program Revenues										
Governmental activities:										
Charges for services:										
General government	2,006,017	$ 1,266,206	$ 1,156,280	$ 1,517,274	$ 1,736,391	$ 1,497,312	$ 1,581,629	$ 1,824,188	$ 1,552,140	$ 1,407,862
Public safety	943,545	175,474	484,006	590,284	431,689	446,496	630,712	1,050,389	638,670	434,272
Community services	455,041	348,865	600,909	546,195	694,866	610,060	554,945	567,634	483,461	385,687
Transportation and environment	969,947	978,001	956,379	971,709	1,142,344	953,711	972,327	982,354	980,535	978,076
Operating grants and contributions	6,703,431	7,103,351	1,401,676	1,607,271	1,731,228	1,237,633	1,547,919	450,883	513,490	743,749
Capital grants and contributions	53,265,528	10,316,156	8,269,611	5,025,552	280,244	400,000	162,546	733,382	807,156	301,401
Total governmental activities program revenues	64,343,509	20,188,053	12,868,861	10,258,285	6,016,762	5,145,212	5,450,078	5,608,830	4,975,452	4,251,047
Business-type activities:										
Charges for services:										
Utilities	6,681,013	6,793,703	7,471,805	7,896,551	6,598,459	7,030,835	7,991,054	8,486,257	7,628,554	4,458,056
Athletic Club	4,026,672	3,900,935	3,709,915	3,517,289	3,221,736	3,003,894	2,131,190	2,090,233	2,207,882	2,714,056
Sanitation	-	-	3,530,418	3,944,499	3,905,442	3,810,426	3,750,835	3,731,045	3,608,470	-
Nonmajor Enterprise Fund	4,866,213	4,853,521	1,280,333	1,074,264	114,998	-	-	-	-	-
Operating grants and contributions	-	-	-	-	-	-	-	-	-	-
Capital grants and contributions	259,000	86,243	116,797	171,857	417,437	96,502	1,475,640	1,320,633	759,414	346,011
Total business-type activities program revenues	15,832,898	15,634,402	16,109,268	16,604,460	14,258,072	13,941,657	15,348,719	15,628,168	14,204,320	7,518,123
Total primary government program revenues	$ 80,176,407	$ 35,822,455	$ 28,978,129	$ 26,862,745	$ 20,274,834	$ 19,086,869	$ 20,798,797	$ 21,236,998	$ 19,179,772	$ 11,769,170
Net (expense)/revenue										
Governmental activities	$ (16,718,575)	$ (24,318,402)	$ (30,259,724)	$ (29,898,714)	$ (33,936,832)	$ (34,357,923)	$ (31,901,165)	$ (30,033,173)	$ (29,739,155)	$ (31,334,885)
Business-type activities	(444,361)	331,815	848,847	599,919	(527,029)	26,516	2,549,547	3,416,712	2,063,015	(3,848,547)
Total primary government net expense	$ (17,162,936)	$ (23,986,587)	$ (29,410,877)	$ (29,298,795)	$ (34,463,861)	$ (34,331,407)	$ (29,351,618)	$ (26,616,461)	$ (27,676,140)	$ (35,183,432)

Exhibit F-3

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

Function/Program	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Governmental activities:										
General government	$ 2,006,017	$ 1,266,206	$ 1,156,280	$ 1,517,274	$ 1,736,391	$ 1,497,312	$ 1,581,629	$ 2,187,448	$ 1,552,140	$ 1,407,862
Public safety	943,545	175,474	484,006	590,284	431,689	446,496	630,712	1,588,031	1,155,561	622,282
Community services	455,041	348,865	600,909	546,195	694,866	610,060	554,945	850,997	1,287,216	1,217,966
Transportation and environment	969,947	978,001	956,379	971,709	1,142,344	953,711	972,327	982,354	980,535	1,002,937
Total governmental activities	4,374,550	2,768,546	3,197,574	3,625,462	4,005,290	3,507,579	3,739,613	5,608,830	4,975,452	4,251,047
Business-type activities:										
Utilities	$ 6,681,013	6,793,703	7,471,805	7,896,551	6,598,459	7,030,835	7,991,054	9,806,890	8,387,968	4,804,067
Athletic Club	4,026,672	3,900,935	3,709,915	3,517,289	3,221,736	3,003,894	2,131,190	2,090,233	2,207,882	2,714,056
Sanitation	-	-	3,530,418	3,944,499	3,905,442	3,810,426	3,750,835	3,731,045	3,608,470	3,572,928
Nonmajor Enterprise Fund	4,866,213	4,853,521	1,280,333	1,074,264	114,998	-	-	-	-	-
Total business-type activities	15,573,898	15,548,159	15,992,471	16,432,603	13,840,635	13,845,155	13,873,079	15,628,168	14,204,320	11,091,051
Total primary government	$ 19,948,448	$ 18,316,705	$ 19,190,045	$ 20,058,065	$ 17,845,925	$ 17,352,734	$ 17,612,692	$ 21,236,998	$ 19,179,772	$ 15,342,098

Exhibit F-4

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

	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
General fund										
Reserved	$ -	$ -	$ -	$ -	$ 1,783,367	$ 2,824,036	$ 2,090,726	$ 2,296,984	$ 2,210,255	$ 2,335,255
Unreserved			-	-	20,626,286	21,242,586	23,660,623	23,741,000	21,087,404	20,084,787
Nonspendable	829,361	953,837	1,073,255	1,192,317	-	-	-	-	-	-
Restricted	-	-	-	-	-	-	-	-	-	-
Committed	15,121,607	14,031,590	12,828,407	13,027,239	-	-	-	-	-	-
Assigned	1,823,473	1,358,669	325,000	2,583,000	-	-	-	-	-	-
Unassigned	6,295,396	2,876,078	2,483,836	3,024,170	-	-	-	-	-	-
Total general fund	$ 24,069,837	$19,220,174	$16,710,498	$ 19,826,726	$ 22,409,653	$ 24,066,622	$ 25,751,349	$ 26,037,984	$ 23,297,659	$ 22,420,042
Major Roads										
Reserved	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Unreserved	-	-	-	-	-	-	-	-	-	-
Nonspendable	-	-	-	-	-	-	-	-	-	-
Restricted	-	313,856	1,375,033	-	-	-	-	-	-	-
Committed	-	1,000,389	3,848,651	-	-	-	-	-	-	-
Assigned	-	-	-	3,606,404	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-	-	-	-	-
Total major roads	$ -	$ 1,314,245	$ 5,223,684	$ 3,606,404	$ -	$ -	$ -	$ -	$ -	$ -
All other governmental funds										
Reserved	$ -	$ -	$ -	$ -	$ 7,188,121	$ 3,649,714	$ 3,225,017	$ 2,514,591	$ 4,603,913	$ 4,603,913
Unreserved, reported in:										
Special revenue funds	-	-	-	-	1,643,192	1,821,642	1,791,386	1,526,765	1,342,842	1,240,148
Capital projects funds	-	-	-	-	5,065,140	7,983,234	5,619,174	4,954,762	4,215,186	(314,352)
Nonspendable	69,811	-	-	-	-	-	-	-	-	-
Restricted	346,637	904,907	393,863	91,532	-	-	-	-	-	-
Committed	4,512,531	2,214,284	1,582,384	3,894,476	-	-	-	-	-	-
Assigned	2,125,718	1,209,127	6,454,853	3,782,504	-	-	-	-	-	-
Unassigned	(66,597)	-	-	-	-	-	-	-	-	-
Total all other governmental funds	$ 6,988,100	$ 4,328,318	$ 8,431,100	$ 7,768,512	$ 13,896,453	$ 13,454,590	$ 10,635,577	$ 8,996,118	$ 10,161,941	$ 5,529,709

Note: (1) Any increase/decrease in fund balance is explained in the Management's Discussion and Analysis for the current year.
(2) Fund Balance presentation change per GASB 54 in 2011.

Exhibit F-5

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

	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Revenues										
Taxes	$ 44,119,410	$38,220,104	$35,571,416	$ 35,306,525	$ 34,829,681	$ 34,606,858	$ 36,882,620	$ 34,496,302	$ 32,878,675	$ 31,626,486
Fines and forfeitures	778,641	812,454	766,110	1,126,108	1,321,613	1,059,200	1,107,391	1,327,456	1,080,416	896,692
Licenses and permits	1,026,260	1,036,498	1,004,480	1,029,855	1,037,046	1,038,469	1,059,548	1,052,800	1,050,238	1,037,867
Fees for services	1,112,584	377,852	338,750	532,018	559,298	468,260	469,961	439,648	732,136	1,071,380
Interest on investments	65,482	82,582	109,193	128,522	244,182	783,049	1,484,404	1,838,031	1,229,713	773,585
Grants	3,195,374	9,555,678	8,661,249	5,524,638	923,104	157,319	244,501	1,107,120	988,963	236,871
Other revenues	2,427,881	3,271,793	2,755,933	2,506,910	2,103,392	2,007,269	2,355,595	2,515,895	1,918,755	1,872,136
Total revenues	$ 52,725,632	53,356,961	49,207,131	46,154,576	41,018,316	40,120,424	43,604,020	42,777,252	39,878,896	37,515,017
Expenditures										
General government	9,505,519	10,121,258	10,214,400	9,868,644	9,731,390	9,746,932	9,742,760	8,940,800	9,084,807	10,265,237
Public safety	18,850,518	18,984,883	19,213,459	17,788,685	17,499,614	16,917,276	16,700,245	14,826,704	14,271,995	13,787,738
Community services	3,029,081	4,410,517	3,204,284	3,047,641	3,115,601	4,202,211	4,995,877	4,753,135	4,775,028	4,622,165
Transportation and Environment	5,825,167	6,043,143	6,144,103	4,803,913	5,528,735	5,030,665	4,140,337	4,583,977	3,986,024	3,507,403
Education	2,603,341									
Debt service										
Principal	8,290,000	2,545,000	2,200,000	2,175,000	2,055,000	2,025,000	1,950,000	2,250,000	1,985,005	2,028,175
Interest	762,645	830,248	863,525	842,142	897,181	810,284	900,535	1,086,395	1,076,192	1,506,532
Bond issuance cost	-	-	-	-	-	109,525	-	62,078	106,327	-
Capital outlay	7,214,238	18,168,534	14,650,580	11,077,073	2,628,245	5,115,870	2,827,924	3,913,926	3,363,442	4,238,759
Total expenditures	56,080,509	61,103,583	56,490,351	49,603,098	41,455,766	43,957,763	41,257,678	40,417,015	38,648,820	39,956,009
Excess of revenues over (under) expenditures	(3,354,877)	(7,746,622)	(7,283,220)	(3,448,522)	(437,450)	(3,837,339)	2,346,342	2,360,237	1,230,076	(2,440,992)
Other financing sources (uses)										
Transfers in	4,547,201	2,582,496	3,684,323	3,344,058	3,646,994	3,300,000	5,400,000	3,978,000	3,512,630	2,148,000
Transfers out	(4,220,000)	(1,415,887)	(3,308,000)	(5,003,000)	(4,424,650)	(4,420,000)	(6,425,000)	(4,838,000)	(3,680,000)	(2,148,000)
Debt Proceeds - General Obligation	9,070,000	-	6,025,000	-	-	9,635,000	-	-	4,800,000	-
Refunding bond issued	-	-	-	-	-	-	-	5,555,000	4,895,000	-
Discount on bond issued	-	-	-			-	-		(28,685)	-
Premium on bonds issued	222,803	-	130,456	-	-	124,951	-	123,207	-	-
Payment to refunded bond escrow agent	-	-	-	-	-	(3,666,048)	-	(5,612,314)	(4,752,581)	-
Contribution from developers	-	-	-	-	-	-	-	-	-	-
Sale of Capital Assets	50,649	38,985	6,000	3,000	-	(1,967)	-	-	-	-
Disposal of Capital Assets	-	-	-	-	-	-	31,482	8,372	-	-
Bond Issuance Costs	(120,576)	-	(90,919)	-	-	-	-	-	-	-
Contingency	-	-	-	-	-	(311)	-	-	-	-
Total other financing sources (uses)	9,550,077	1,205,594	6,446,860	(1,655,942)	(777,656)	4,971,625	(993,518)	(785,735)	4,746,364	-
Net change in fund balances	$ 6,195,200	$ (6,541,028)	$ (836,360)	$ (5,104,464)	$ (1,215,106)	$ 1,134,286	$ 1,352,824	$ 1,574,502	$ 5,976,440	$ (2,440,992)
Debt service as a percentage of noncapital expenditures	18.5%	7.9%	7.3%	7.8%	7.6%	7.3%	8.0%	9.1%	8.7%	9.9%

Exhibit F-6

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

	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Property Taxes	$ 27,806,758	$ 22,508,880	$ 22,580,235	$ 22,409,252	$ 22,581,468	$ 21,635,074	$ 21,208,026	$ 20,575,134	$ 20,059,338	$ 19,430,538
Local Sales Taxes	9,684,656	8,844,583	7,245,188	7,144,712	6,570,006	6,546,302	7,578,275	6,759,894	7,103,233	7,289,531
State Taxes (Local Share)	6,627,996	6,866,641	5,745,993	6,118,720	5,678,207	6,425,482	8,096,319	7,161,274	5,716,104	4,906,417
Total	$ 44,119,410	$ 38,220,104	$ 35,571,416	$ 35,672,684	$ 34,829,681	$ 34,606,858	$ 36,882,620	$ 34,496,302	$ 32,878,675	$ 31,626,486

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.

Exhibit F-7

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					
2014	$1,086,542,975	$ 1,630,500	$ 294,463,130	$ 12,946,203	$ 26,852,980	$ 1,422,435,788	1.930	$ 5,292,064,151	26.88%
2013	1,165,625,600	1,878,200	271,361,220	13,671,353	26,621,560	1,479,157,933	1.485	5,552,753,505	26.64%
2012	1,171,535,200	2,166,525	280,629,910	12,655,926	25,962,880	1,492,950,441	1.485	5,594,910,275	26.68%
2011	1,179,127,275	2,555,975	289,658,450	14,049,120	25,877,620	1,511,268,440	1.425	5,651,738,255	26.74%
2010	1,197,849,725	3,248,850	298,456,105	14,652,167	29,641,640	1,543,848,487	1.425	5,735,373,604	26.92%
2009	1,057,734,155	3,034,575	263,523,140	14,652,167	28,482,630	1,367,426,667	1.54	5,082,693,103	26.90%
2008	1,032,906,875	3,096,525	256,651,090	14,500,493	25,959,580	1,333,114,563	1.54	4,936,751,633	27.00%
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%

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 utilites is assessed at 55.0%,
Commercial personal property is assessed at 30.0%

Exhibit F-8

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

Property Tax Rates
(Per $100 of Assessed Valuation)

	City	County				
Fiscal Year	**Direct Rate**	**General Fund**	**Education**	**Debt Service**	**Rural School Bonds**	**Total Direct & Overlapping Rates**
2014	$ 1.930	$ 1.45	$ 2.14	$ 0.78	$ -	$ 6.30
2013	1.485	1.36	1.91	0.75	0.04	5.55
2012	1.485	1.36	1.91	0.75	0.04	5.55
2011	1.425	1.36	1.91	0.75	0.04	5.49
2010	1.425	1.33	1.90	0.79	0.04	5.49
2009	1.54	1.23	1.98	0.81	0.04	5.60
2008	1.54	1.22	2.02	0.80	0.05	5.63
2007	1.54	1.22	2.02	0.80	0.05	5.63
2006	1.54	1.22	2.02	0.80	0.05	5.63
2005	1.70	1.22	2.02	0.80	0.05	5.79

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.

Exhibit F-9

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

	2014			2004		
Taxpayer	**Assessed Value**	**Rank**	**Percentage of Total City Taxable Assessed Value**	**Assessed Value**	**Rank**	**Percentage of Total City Taxable Assessed Value**
The Village at Germantown Inc.	$ 12,777,160	1	0.90%	$ -	-	-
VA Germantown LLC	8,310,400	2	0.58%	-	-	-
Germantown Village Square Joint Venture	6,807,400	3	0.48%	-	-	-
Vineyards Apartments, Inc.	6,664,520	4	0.47%	6,270,440	7	0.60%
BIC-MTS Partners (PSO)	5,953,240	5	0.42%	10,715,600	1	1.03%
Taylor Sentor Crook, et. al	5,772,040	6	0.41%	-	-	-
UT Medical Group	5,438,920	7	0.38%	6,682,640	6	0.64%
SWC Poplar FHI Partners LLC	5,428,520	8	0.38%	-	-	-
LMP Wolf River. I LLC	4,913,880	9	0.35%	-	-	-
Wolf River Medical Center LTD LP	4,843,320	10	0.34%	8,117,840	2	0.78%
Belz Investment Company (PSO)	-	-	-	7,207,120	3	0.69%
Sheriff LLC	-	-	-	6,825,680	4	0.65%
Tennessee Germantown LP	-	-	-	6,688,040	5	0.64%
Methodist Hospital of Memphis	-	-	-	5,808,155	8	0.56%
Cary R. Califf (TR)	-	-	-	4,354,575	9	0.42%
Senter Crook Taylor Et Al	-	-	-	3,965,320	10	0.38%
Totals	$ 66,909,400		4.71%	$ 66,635,410		6.39%

Source: Shelby County Board of Assessments

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

Levy Year	Total Tax Levy	Current Tax Collections	Percent of Levy Collected	Collections in Subsequent Years	Total Tax Collections	Percent of Tax Collections to Tax Levy	Outstanding Delinquent Taxes	Percent of Outstanding Delinquent Taxes to Tax Levy
2013	$ 27,203,149	$ 26,805,236	98.5%	$ -	26,805,236	98.5%	$ 397,913	1.5%
2012	21,762,476	21,442,774	98.5%	243,349	21,686,123	99.6%	319,699	1.5%
2011	21,982,373	21,579,284	98.2%	36,773	21,616,057	98.3%	403,089	1.8%
2010	21,335,375	21,028,288	98.6%	2,869,683	21,317,971	99.9%	119,648	0.6%
2009	21,291,084	20,724,774	97.3%	139,518	20,864,292	98.0%	66,527	0.3%
2008	20,832,727	20,368,950	97.8%	13,863	20,382,813	97.8%	26,486	0.1%
2007	20,306,656	19,883,309	97.9%	1,388	19,884,697	97.9%	13,574	0.1%
2006	19,770,408	19,404,872	98.2%	2,083	19,406,955	98.2%	15,277	0.1%
2005	19,402,628	19,145,169	98.7%	20	19,145,189	98.7%	18,571	0.1%
2004	18,462,382	18,210,131	98.6%	1,120	18,624,212	100.9%	19,685	0.1%

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

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

	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Building Materials	$ 7,587,962	$ 7,230,598	$ 58,918,876	$ 5,751,382	$ 5,026,853	$ 5,821,268	$ 6,135,150	$ 6,275,280	$ 6,160,411	$ 6,058,189
General Merchandise	45,515,254	43,883,755	41,511,127	39,730,828	37,640,466	38,507,812	39,133,168	32,921,730	34,469,245	37,522,667
Food Stores	70,966,313	69,706,380	74,747,953	74,471,623	73,914,195	78,156,102	75,996,649	71,903,573	67,752,633	65,343,661
MV Dealers/Service Stations	10,660,232	10,821,656	59,272,044	11,307,651	11,206,377	10,453,608	10,286,392	10,302,064	10,766,590	8,830,661
Apparel & Accessories	61,458,112	59,929,794	37,993,292	59,103,823	55,002,845	58,064,064	65,690,412	69,010,888	75,397,435	73,683,104
Furniture & Home Décor	29,080,559	34,617,549	6,241,411	33,635,931	26,561,300	30,232,779	28,835,577	25,103,179	24,046,293	14,100,870
Eating & Drinking	63,427,005	61,948,792	10,994,725	58,885,084	53,820,045	54,040,756	53,590,618	54,146,824	54,329,183	53,126,259
Other Retail	52,328,190	51,790,156	55,074,728	54,315,420	55,272,420	57,354,174	57,804,063	64,786,132	61,721,161	58,961,427
Other	62,604,962	64,872,951	73,337,760	70,191,347	63,581,646	70,223,203	83,615,875	82,036,950	82,668,416	69,335,103
	$ 403,628,589	$ 404,801,631	$ 418,091,916	$ 407,393,089	$ 382,026,147	$ 402,853,766	$ 421,087,904	$ 416,486,620	$ 417,311,367	$ 386,961,941

Source: Tennessee Department of Revenue, Research Division

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

Exhibit F-12

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

	2014				2005			
	Number of Filers	Percentage of Total	Tax Liability	Percentage of Total	Number of Filers	Percentage of Total	Tax Liability	Percentage of Total
Retail Trade	420	52.50%	$ 9,487,728	84.81%	531	60.00%	$ 9,210,513	87.98%
Services	207	25.00%	1,087,944	9.73%	217	25.00%	925,468	8.84%
Manufacturing	29	4.00%	106,340	0.95%	32	3.61%	90,159	0.86%
Wholesale Trade	53	7.00%	65,651	0.59%	60	7.00%	33,172	0.32%
Construction	11	1.38%	3,843	0.03%	13	1.46%	38,699	0.37%
Finance Insurance Real Estate/ Transportation and Utilities				0.00%				
Agriculture	9	1.12%	30,042	0.27%	12	1.35%	53,419	0.51%
Other, Non Classified	68	9.00%	405,351	3.62%	14	1.58%	117,550	1.12%
Total	797	100.00%	$ 11,186,899	100.00%	879	100.00%	$ 10,468,980	100.00%

Source: Tennessee Department of Revenue, Research Division.

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

Exhibit F-13

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

Fiscal Year	City Direct Rate	Shelby County	State of Tennessee
2014	1.625 %	1.125 %	7.00 %
2013	1.625	1.125	7.00
2012	1.125	1.125	7.00
2011	1.125	1.125	7.00
2010	1.125	1.125	7.00
2009	1.125	1.125	7.00
2008	1.125	1.125	7.00
2007	1.125	1.125	7.00
2006	1.125	1.125	7.00
2005	1.125	1.125	7.00

Source: State of Tennessee Financial Control

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

Exhibit F-14

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

	Governmental Activities				Business-type Activities				
Fiscal Years	General Obligation Bonds	Demand Bonds	Capital Lease	Capital Note	Bonds	Intergovernmental Loans	Total Primary Government	Percentage of Personal Income	Per Capita
2014	23,614,882	$ -	$ -	$ -	4,715,618	$ -	28,330,500	22.45%	$ 706
2013	23,337,318	-	-	-	5,652,281	-	28,989,599	22.97%	723
2012	25,954,333	-	-	-	6,454,052	-	32,408,385	24.40%	834
2011	21,402,936	-	-	-	7,310,555	-	28,713,491	18.17%	739
2010	25,466,025	-	-	-	8,137,057	-	33,603,082	23.60%	783
2009	25,585,254	-	-	-	8,913,560	-	34,498,814	20.26%	841
2008	21,611,014	-	-	-	4,264,284	-	25,875,298	15.81%	631
2007	23,540,552	-	-	-	4,600,714	-	28,141,266	17.37%	687
2006	26,000,000	-	-	-	4,905,000	-	30,905,000	21.00%	754
2005	22,885,000	-	-	-	5,205,000	87,887	28,177,887	19.40%	688

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

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

	Governmental Activities						
Fiscal Years	**General Obligation Bonds**	**Demand Bonds**	**Capital Lease**	**Capital Note**	**Total**	**Percentage of Actual Taxable Value of Property**	**Per Capita**
2014	23,614,882	-	-	-	23,614,882	0.45%	$588.56
2013	23,337,318	-	-	-	23,337,318	0.42%	581.64
2012	25,954,333	-	-	-	25,954,333	0.46%	668.17
2011	21,402,936	-	-	-	21,402,936	0.38%	551.00
2010	25,466,025	-	-	-	25,466,025	0.44%	620.96
2009	25,585,254	-	-	-	25,585,254	0.50%	624.38
2008	21,611,014	-	-	-	21,611,014	0.44%	535.30
2007	23,540,552	-	-	-	23,540,552	0.49%	582.89
2006	26,000,000	-	-	-	26,000,000	0.55%	646.72
2005	22,885,000	-	-	-	22,885,000	0.56%	569.24

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, 2014

	Net Outstanding Debt	Percentage Applicable City of Germantown	Overlapping Debt
City Net General Obligation Debt	$ 23,614,882	100.00%	$ 23,614,882
Shelby County (including School Board)	1,291,562,191	8.40%	108,491,224
Direct, Overlapping, and Short-term Debt	$ 1,315,177,073		$ 132,106,106

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

Exhibit F-17

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

Fiscal Year	Utility Service Charges	Less: Operating Expenses	Net Available Revenue	Debt Service Principal	Debt Service Interest	Coverage
2014	$ 6,681,013	$ 5,386,006	$ 1,295,007	$ 920,000	$ 182,608	1.17
2013	6,793,703	5,326,971	1,466,732	880,000	232,190	1.32
2012	7,471,805	5,069,893	2,401,912	855,000	261,698	2.15
2011	7,896,551	5,543,197	2,353,354	825,000	290,810	2.11
2010	6,598,459	5,215,958	1,382,501	775,000	318,623	1.26
2009	7,030,835	4,996,003	2,034,832	350,000	255,419	3.36
2008	7,991,054	4,826,184	3,164,870	335,000	116,296	7.01
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

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.

Exhibit F-18

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

Function/Program	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol units	37	37	37	37	37	37	39	38	37	37
Fire Stations	4	4	4	4	4	4	4	4	4	4
Other public works										
Streets (miles)	210	210	206	206	200	200	198.5	196.5	195.5	193.5
Highways (miles)	10.5	10.5	10.5	10.5	10.5	10.5	10.5	10.5	10.5	10.5
Streetlights	5,097	5,258	5,135	5,122	5,115	5,102	5,095	4,936	4,896	4,863
Parks and recreation										
Acreage	748	748	748	748	748	748	748	748	722	722
Playgrounds	30	30	30	30	26	26	26	26	27	27
Baseball/softball diamonds	15	15	15	15	21	21	21	21	21	22
Sopccer/football fields	11	21	21	21	14	14	14	14	13	12
Community center	0	1	1	1	1	1	1	1	1	1
Water										
Water mains (miles)	235	213	209	208	208	207	206	205	200	199
Fire hydrants	2,559	2,419	2,384	2,373	2,365	2,357	2,351	2,334	2,317	2,290
Storage capacity (million gallons)	7.9	8.1	8.1	8.1	8.1	6.375	6.375	6.375	6.375	6.375
Wastewater*										
Sanitary sewers (miles)	232	213	211	211	211	210	209	208	200	195

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.

Exhibit F-19

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

Function/Program	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Police										
Physical arrests	1,227	1,009	2,354	2,738	2,881	2,938	2,840	2,461	2,352	2,571
Parking violations	83	101	140	164	338	132	95	55	179	n/a
Traffic violations	6,758	5,318	12,411	14,475	16,423	17,995	17,271	15,362	13,868	15,363
Fire										
Emergency responses	3,354	3,300	3,109	2,924	2,806	2,789	2,703	2,790	2,685	2,574
Fires extinguished	44	82	102	89	111	114	119	152	141	117
Inspections	1,613	1,585	1,803	1,210	1,193	1,233	1,272	1,096	1,295	1,239
Other public works										
Street resurfacing (miles)	7.5	7	8	7	5	8	8	8	9	10
Parks and recreation										
Athletic field permits issued	2		n/a	n/a	68	159	178	153	205	n/a
Germantown Athletic Club										
*Admissions - per day	1,233	1,232	1,132	1,029	1,004	957	779	860	800	850
*Admissions - per year	443,855	443,686	407,476	370,497	361,422	344,763	284,404	301,000	288,000	306,000
**Library										
Volumes in collection	143,618	146,819	158,689	152,129	149,974	146,141	144,090	140,337	152,384	134,623
Total volumes borrowed	333,227	356,314	351,997	367,495	372,622	367,844	323,333	289,225	326,744	300,361
Water										
New connections	56	69	42	59	51	40	101	111	258	361
Water main breaks	22	19	12	8	18	7	6	8	15	15
Average daily consumption (TGL)	7.2047	8.658	8.600	8326.000	7.038	7.518	7.779	7.650	7.632	5.500
Peak daily consumption (TGL)	13.969	15.818	17.200	15.120	15.722	15.668	21.328	21.300	18.930	17.475

Sources: Various city departments.
Notes: TGL=thousand gallons; n/a=information not available
*The Germantown Athletic Club is open 360 days per year. Per day is an average and is rounded to the nearest even number. Children 11 and under are not included in these numbers.
**The Library was part of Memphis/Shelby County Library System until July 2004 when it came under the direction of the City of Germantown. Also, includes collections from the Germantown Regional History and Genealogy Center beginning in 2006.

Exhibit F-20

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)	**2014**		**2013**		**2012**		**2011**		**2010**		**2009**		**2008**		**2007**		**2006**		**2005**	
	Full Time	Part Time	Full Time	Part Time	Full Time	Part Time	Full Time	Part Time	Full Time	Part Time	Full Time	Part Time	Full Time	Part Time	Full Time	Part Time	Full Time	Part Time	Full Time	Part Time
General Government																				
City Court	7	3	7	1	7	-	7	-	6	-	6	-	5	-	5	-	6	-	6	3
Administration	5	0.5	5	-	4	1	5	1	5	1	5	2	9	2	9	2	7	1	7	1
Human Resources	6	-	6	-	6	-	6	-	6	-	6	-	6	-	6	-	6	-	6	-
Morgan Woods Theatre	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1	-
Information Technology	5	-	5	-	5	-	4	-	3	1	2	1	2	-	5		5	-	5	-
GPAC	9	4.5	9	36	9	5	9	5	9	5	9	4	10	5	9	5	9	5	10	5
Finance	16	0.5	9	1	15	1	14	1	15	1	15	1	16	-	15	1	17	-	17	-
Economic and Community Development	20	-	22	-	21	-	21	-	26	-	27	-	27	-	27	-	30	-	30	1
Facility Services	12	-	12	-	13	-	15	-	15	-	16	-	10	3	10	3	10	3	10	2
Office of Budget & Performance	2	-	2	-	2	-	2	-	2	-	2	-	2	1	3	1	3	1	3	1
Public Safety																				
Police	107	-	107	-	110	1	109	1	109	1	108	1	108	1	106	1	102	1	102	2
Fire	70	1	79	1	69	1	69	1	68	1	68	1	69	1	69	1	69	1	69	1
Transportation & Environment																				
Public Services	38.5	1	44	2	39	1	38	-	44	-	29	-	29	-	29	-	29	-	31	-
Fleet Services	10	-	10	-	10	-	10	-	10	-	10	-	10	-	11	-	11	-	11	-
Animal Control	5	-	4	-	4	-	4	-	4	-	4	-	4	-	4	-	4	-	4	-
Community Services																				
Parks & Recreation	6.5	4.5	5	21	7	4	6	5	9	4	32	4	33	3	37	3	39	3	39	4
The Farm	-	1	-	4	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Germantown Athletic Club																				
Recreation	11	11.9	9	69	10	12	10	12	11	11	10	12	8	15	15	15	12	15	12	18
Aquatics	2	13.5	2	78	2	14	2	14	2	13	2	13	2	13	3	13	3	14	3	15
Personal Training	1	1	-	-	-	-	-	-	-	-	2	-	2	-	-	-	3	1	3	1
Great Hall	2	1	-	3	2	1	2	1	2	1	-	-	-	-	-	-	-	-	-	-
Utilities																				
Water	20	-	20	-	20	-	20	-	20	-	20	-	20	-	21	-	21	-	21	-
Sewer	6	-	6	-	6	-	6	-	6	-	6	-	6	-	6	-	6	-	7	-
Stormwater	7	-	-	-	7	-	8	-	-	-	-	-	-	-	-	-	-	-	-	-
Recreation	-	-	-	-	-	-	-	1	6	-	6	-	6	-	6	-	6	-	7	-
Total	368	43.4	363	216	368	41	367	42	378	39	385	39	384	44	396	45	398	45	404	54

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 Five Years Ago

	2014			2009		
Employer	**Employees**	**Rank**	***Percentage of Total County Employment**	**Employees**	**Rank**	**Percentage of Total County Employment**
Methodist LeBonhuer Hospital - Germantown	1,291	1	0.21%	1,913	1	0.48%
Shelby County School System – Germantown Schools	49	10	0.01%	758	2	0.19%
Baptist Rehabilitation – Germantown	184	8	0.03%	526	3	0.13%
City of Germantown	465	3	0.07%	379	4	0.10%
Campbell Clinic	400	4	0.06%	300	5	0.08%
Orgill, Inc.	319	2	0.05%	287	6	0.07%
ThyssenKrupp Elevator Manufacturing, Inc.	260	5	0.04%	n/a		--
Stern Cardiovascular	240	7	0.04%	186	10	0.05%
Villages of Germantown	249	6	0.04%	--	--	--
Kroger	107	9	0.02%	--	--	--
O.R. Nurses	--	--	--	280	7	0.07%
El Porton	--	--	--	200	9	0.05%
Schnuck's	--	--	--	191	8	0.05%

*Approximately 6,270 Personnel Staff per Shelby County Official Website

CITY OF GERMANTOWN, TENNESSEE
DEMOGRAPHIC AND ECONOMIC STATISTICS

Last Ten Calendar Years

	Population	1	Median Income (thousands of dollars) 4	1	Per Capita Personal Income 4		School Enrollment 5		Unemployment Rate 6
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	40,944		163,643	4	59,017		8,558		3.4
2008	40,977		170,252	4	61,275		8,363		4.5
2009	41,011		154,292	4	55,632		8,099		8.6
2010	41,011		142,358	4	51,215		7,927		6.9
2011	38,844		158,011		53,043		8,499		6.2
2012	38,844		132,795	4	50,429		8,580		6.4
2013	40,123	3	126,196	3	51,701	3	8,571		5.4
2014	40,123	3	113,294	3	49,857	3	8,551	7	5.6

Sources:
(1) Estimated unless otherwise noted
(2) Federal Census
(3) Special Local Census
(4) Memphis Business Journal
(5) Shelby County Board of Education
(6) U.S. Census Bureau * 2006 Unemployment rate not available by document deadline.
2008, 2011and 2013 Unemployment rate derived from Sperling's Best Places. 2010 Unemployment rate derived from The Commercial Appeal. 2012 unemployment rate derived from the Department of Labor and Workforce Development.
(7) Homefacts.com
Note: U.S. Census Bureau and Memphis Business Journal information is reported on a calendar basis.

CITY OF GERMANTON, TENNESSEE
SCHEDULE OF UNACCOUNTED FOR WATER
June 30, 2014

? Click to access definition
+ Click to add a comment

Water Audit Report for: City of Germantown (0000262)
Reporting Year: 2014 | 7/2013 - 6/2014

Please enter data in the white cells below. Where available, metered values should be used; if metered values are unavailable please estimate a value. Indicate your confidence in the accuracy of the input data by grading each component (n/a or 1-10) using the drop-down list to the left of the input cell. Hover the mouse over the cell to obtain a description of the grades

All volumes to be entered as: MILLION GALLONS (US) PER YEAR

To select the correct data grading for each input, determine the highest grade where the utility meets or exceeds all criteria for that grade and all grades below

Master Meter and Supply Error Adjustments

WATER SUPPLIED

<---------- Enter grading in column 'E' and 'J' ---------->

							Pcnt:		Value:
Volume from own sources:	+ ?	8	2,630.909	MG/Yr	+ ?	7	6.00%		MG/Yr
Water imported:	+ ?	9	13.867	MG/Yr	+ ?	8	1.00%		MG/Yr
Water exported:	+ ?	n/a		MG/Yr	+ ?				MG/Yr

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

WATER SUPPLIED: 2,495.719 MG/Yr

AUTHORIZED CONSUMPTION

Click here: ? for help using option buttons below

					Pcnt:		Value:	
Billed metered:	+ ?	7	1,920.876	MG/Yr				
Billed unmetered:	+ ?	n/a		MG/Yr				
Unbilled metered:	+ ?	n/a		MG/Yr				
Unbilled unmetered:	+ ?	8	89.574	MG/Yr	1.25%		89.574	MG/Yr

Unbilled Unmetered volume entered is greater than the recommended default value

Use buttons to select percentage of water supplied **OR** value

AUTHORIZED CONSUMPTION: ? 2,010.450 MG/Yr

WATER LOSSES (Water Supplied - Authorized Consumption) 485.269 MG/Yr

Apparent Losses

					Pcnt:		Value:	
Unauthorized consumption:	+ ?	10	12.840	MG/Yr	0.25%		12.840	MG/Yr

Unauthorized consumption volume entered is greater than the recommended default value

Customer metering inaccuracies:	+ ?	7	19.403	MG/Yr	1.00%			MG/Yr
Systematic data handling errors:	+ ?	7	4.802	MG/Yr	0.25%			MG/Yr

Default option selected for Systematic data handling errors - a grading of 5 is applied but not displayed

Apparent Losses: ? 37.045 MG/Yr

Real Losses (Current Annual Real Losses or CARL)

Real Losses = Water Losses - Apparent Losses: ? 448.224 MG/Yr

WATER LOSSES: 485.269 MG/Yr

NON-REVENUE WATER

NON-REVENUE WATER: ? 574.843 MG/Yr

= Water Losses + Unbilled Metered + Unbilled Unmetered

SYSTEM DATA

Length of mains:	+ ?	8	223.0	miles
Number of active AND inactive service connections:	+ ?	8	14,018	
Service connection density:	?		63	conn./mile main
Are customer meters typically located at the curbstop or property line?			No	
Average length of customer service line:	+ ?	8	15.0	ft
Average operating pressure:	+ ?	8	60.0	psi

(length of service line, beyond the property boundary, that is the responsibility of the utility)

COST DATA

Total annual cost of operating water system:	+ ?	10	$4,769,566	$/Year
Customer retail unit cost (applied to Apparent Losses):	+ ?	8	$3.64	$/1000 gallons (US)
Variable production cost (applied to Real Losses):	+ ?	9		$/Million gallons

☑ Use Customer Retail Unit Cost to value real losses

WATER AUDIT DATA VALIDITY SCORE:

*** YOUR SCORE IS: 80 out of 100 ***

A weighted scale for the components of consumption and water loss is included in the calculation of the Water Audit Data Validity Score

Exhibit F-23

CITY OF GERMANTON, TENNESSEE
SCHEDULE OF UNACCOUNTED FOR WATER
June 30, 2014

Water Audit Report for: City of Germantown (0000262)
Reporting Year: 2014 | 7/2013 - 6/2014

*** YOUR WATER AUDIT DATA VALIDITY SCORE IS: 80 out of 100 ***

System Attributes:

	Apparent Losses:	37.045	MG/Yr
+	Real Losses:	448.224	MG/Yr
=	Water Losses:	485.269	MG/Yr
?	Unavoidable Annual Real Losses (UARL):	79.01	MG/Yr
	Annual cost of Apparent Losses:	$134,844	
	Annual cost of Real Losses:		Valued at Customer Retail Unit Cost

Return to Reporting Worksheet to change this assumpiton

Performance Indicators:

Financial:	Non-revenue water as percent by volume of Water Supplied:	23.0%	
	Non-revenue water as percent by cost of operating system:	43.9%	Real Losses valued at Customer Retail Unit Cost
Operational Efficiency:	Apparent Losses per service connection per day:	7.24	gallons/connection/day
	Real Losses per service connection per day:	87.60	gallons/connection/day
	Real Losses per length of main per day*:	N/A	
	Real Losses per service connection per day per psi pressure:	1.46	gallons/connection/day/psi
	From Above, Real Losses = Current Annual Real Losses (CARL):	448.22	million gallons/year
?	Infrastructure Leakage Index (ILI) [CARL/UARL]:	5.67	

* This performance indicator applies for systems with a low service connection density of less than 32 service connections/mile of pipeline

CITY OF GERMANTOWN, TENNESSEE
SCHEDULE OF UTILITY RATE STRUCTURE AND NUMBER OF CUSTOMERS
June 30, 2014

As of June 30, 2014, City of Germantown, Tennessee served approximately 13,516 water customers and had the following rate structure in place:

Water Rates		Amount	(TGL=Thousand Gallons)
Residential	Minimum (5 TGL)	$ 6.75	per TGL
	6 TGL - 15 TGL	1.65	per TGL
	16 TGL - 50 TGL	1.90	per TGL
	51 to 999,999	2.40	per TGL
Commercial	Minimum (5 TGL)	10.13	per TGL
	6 TGL - 15 TGL	2.63	per TGL
	16 - 50 TGL	3.00	per TGL
	51 to 999,999	3.75	per TGL

WATKINS UIBERALL
Watkins Uiberall, PLLC
Certified Public Accountants
Independent Member of BKR International

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, the 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, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated November 25, 2014. Our report includes a reference to other auditors who audited the financial statements of GPAC, as described in our report on the City's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material*

weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses, or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Watkins Uiberall, PLLC

Memphis, Tennessee
November 25, 2014

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

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

Report on Compliance for Each Major Federal Program

We have audited the City of Germantown, Tennessee (the "City")'s compliance with the types of compliance requirements described in *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on the City's major federal program for the year ended June 30, 2014. The City's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City's compliance.

Opinion on Each Major Federal Program

In our opinion, the City complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2014.

Report on Internal Control Over Compliance

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

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Watkins Uiberall, PLLC

Memphis Tennessee
November 25, 2014

CITY OF GERMANTOWN, TENNESSEE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2014

A. SUMMARY OF AUDITOR'S RESULTS

1. The auditor's report expresses an unmodified opinion on the financial statements of the City of Germantown, Tennessee.

2. No significant deficiencies related to the financial statements of the City of Germantown, Tennessee were disclosed during the audit.

3. No instances of noncompliance material to the financial statements of the City of Germantown, Tennessee, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.

4. No significant deficiencies in internal control over major federal award programs are reported.

5. The auditor's report on compliance for the major federal award program for the City of Germantown, Tennessee expresses an unmodified opinion on the major federal program.

6. There were no audit findings required to be reported in accordance with Section 510(a) of OMB Circular A-133.

7. The program tested as a major program included:

   20.205 – Highway Planning and Construction

8. The threshold for distinguishing between Type A and B programs was $300,000.

9. The City of Germantown, Tennessee qualifies as a low risk auditee.

B. FINDINGS – FINANCIAL STATEMENTS AUDIT

None reported

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

None reported