

CITY OF MILLINGTON, TENNESSEE
FINANCIAL STATEMENTS

June 30, 2013



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

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

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

210 East Main Street • Suite 2C
Tupelo, Mississippi 38804
662.269.4014 • Fax: 662.269.4016

1941 Citrona Drive
Fernandina Beach, Florida 32034
904.432.2028 • Fax: 901.683.1120

www.wucpas.com

INDEPENDENT AUDITOR'S REPORT

To the Mayor and Board of Aldermen of the
City of Millington, Tennessee:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, the statement of budgetary comparison for the general fund, and the aggregate remaining fund information of the City of Millington, Tennessee, (the "City") as of and for the year ended June 30, 2013, 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 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 controls relevant to the City'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 City'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, each major fund, the statements of budgetary comparison for the general fund, and the aggregate remaining fund information of the City, as of June 30, 2013, and the respective changes in financial position, and, where applicable, cash flows thereof 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 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's basic financial statements. The introductory section and supplementary information as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal 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 basic financial statements.

The supplementary information on pages 40 to 65 and the schedule of expenditures of federal awards on pages 66 to 67 are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. 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 financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary

information on pages 40 to 65 and the schedule of expenditures of federal awards on pages 66 to 67 is fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory section and supplementary information on pages 68 to 75 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 December 19, 2013, on our consideration of the City'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's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Watkins Mikusall, PLLC". The signature is written in a cursive, flowing style.

Memphis, Tennessee
December 19, 2013

Management's Discussion and Analysis

As management of the City of Millington (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, 2013. 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, 2013 by \$54,054,719 (net position). Of this amount, \$6,606,739 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
- At June 30, 2013, the City's governmental funds reported total fund balances of \$10,455,002. Of this amount, \$2,025,206 (unassigned fund balances) may be used to meet the general governments spending requirements.
- At the end of the current fiscal year, fund balance of the General Fund was \$6,879,771. This included a commitment of \$ 3,265,456 for financial stabilization, \$1,000,000 for emergencies and \$174,226 for library construction. The unassigned fund balance of \$2,227,096 represents 20.69% of total General Fund budgeted expenditures and transfers for FY14.
- During the fiscal year, the City's issued \$1,150,000 in Notes Payable for completion of Veterans Parkway and \$260,526 in notes payable for the continuation of the renovation of the sewer plant. The City retired \$446,805 of principal in notes payable previously issued.

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 and liabilities, with the difference between the two 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 assets changed during the year ended June 30, 2013. All changes in net assets are reported as soon as the

underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

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

The government-wide financial statements can be found on pages 12 through 13 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 two categories: governmental funds and proprietary 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 ten individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General Fund and Capital Projects Fund, which are considered to be major funds. Data from the other eight 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 all of its governmental funds. A summary budgetary comparison statement is included in the basic financial statements for the General Fund.

Budgetary comparison statements have been provided for each department of the General Fund and the Capital Projects Fund on pages 43 through 54 and for all other governmental funds on pages 59 through 68 to demonstrate compliance with the annual appropriated budget.

The basic governmental fund financial statements are presented as pages 14 through 17.

Proprietary Funds. The City maintains one type of proprietary fund – an Enterprise fund. Such 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 Water and Sewer Funds operations.

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 Water and Sewer Funds, both of which are considered to be major funds of the City.

The basic proprietary fund financial statements are presented on pages 19 through 21.

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 22 through 41 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 City’s case, assets exceeded liabilities by \$54,054,719 at June 30, 2013.

Condensed Statement of Net Position
(dollars expressed in thousands)

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Current and other assets	\$ 14,175	\$ 16,737	\$ 1,905	\$ 537	\$ 16,080	\$ 17,274
Capital assets	40,067	29,477	14,976	15,362	55,043	44,839
Total assets	<u>54,242</u>	<u>46,214</u>	<u>16,881</u>	<u>15,899</u>	<u>71,123</u>	<u>62,113</u>
Long-term liabilities	11,675	10,390	1,011	576	12,686	10,966
Other liabilities	1,617	5,387	153	201	1,770	5,588
Total liabilities	<u>13,292</u>	<u>15,777</u>	<u>1,164</u>	<u>777</u>	<u>14,456</u>	<u>16,554</u>
Deferred Inflows of Resources	2,612	-	-	-	2,612	-
Net position:						
Invested in capital assets, net of related debt	32,228	22,524	14,976	15,362	47,204	37,886
Restricted	245	259	-	-	245	259
Unrestricted	5,865	7,654	741	(240)	6,606	7,414
Total net position	<u>\$ 38,338</u>	<u>\$ 30,437</u>	<u>\$ 15,717</u>	<u>\$ 15,122</u>	<u>\$54,055</u>	<u>\$45,559</u>

By far the largest portion of the City's net position (87.3%) 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 (.5%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position (\$6,606,739) 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 assets for governmental activities are reflective of the City's practice of maintaining adequate reserves for payment of debt service and capital projects, while funding current operations with current revenue sources.

Condensed Statement of Changes in Net Position
(dollars expressed in thousands)

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Revenues :						
Program Revenues :						
Charges for Services	\$ 3,070	\$ 3,438	\$ 3,194	\$ 3,118	\$ 6,264	\$ 6,556
Operating Grants and Contributions	227	518	-	-	227	518
Capital Grants and Contributions	8,619	9,969	10	15	8,629	9,984
General Revenues :						
Local Taxes	6,221	6,346	-	-	6,221	6,346
Intergovernmental revenues	3,501	2,300	-	-	3,501	2,300
Interest on Investments	35	49	3	3	38	52
Other Revenue	157	438	5	130	162	568
Total Revenues	\$ 21,830	\$ 23,058	\$ 3,212	\$ 3,266	\$ 25,042	\$ 26,324
Expenses :						
General Government	1,713	2,577	-	-	1,713	2,577
Education	171	-	-	-	171	-
Public Safety	7,085	7,022	-	-	7,085	7,022
Community Services	2,295	1,576	-	-	2,295	1,576
Transportation and Environment	2,400	3,446	-	-	2,400	3,446
Interest on long-term debt	265	220	-	-	265	220
Water	-	-	1,218	1,221	1,218	1,221
Sewer	-	-	1,399	1,445	1,399	1,445
Total Expenses	13,929	14,841	2,617	2,666	16,546	17,507
Increase/(Decrease) in Net Position	7,901	8,217	595	600	8,496	8,817
Net Position - July 1, 2012	30,437	22,220	15,122	14,522	45,559	36,742
Net Position - June 30, 2013	\$ 38,338	\$ 30,437	\$ 15,717	\$ 15,122	\$ 54,055	\$ 45,559

Governmental activities. Governmental activities increased the City's net position by \$7,900,408, thereby accounting for a 17% increase in total assets. The dollar amount of the increase is not as great as seen in FY12. All categories of revenue were lower except intergovernmental revenues while expenditures in total did not decline by a similar amount.

Business-type activities. Business-type activities increased the City's net position by \$595,505. The Water Fund increased by \$39,013. The Sewer Fund increased by \$556,492 in net assets due to an increase in rates and a controlling of expenditures.

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, 2013, the City's governmental funds reported combined ending fund balances of \$10,455,002, a decrease of \$579,497 in comparison with the prior year. Approximately 19% of this total amount (\$2,025,206) 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, \$247,287, restricted, \$244,731, committed, \$5,367,434, assigned \$2,570,344. The General Fund is the chief operating fund of the City.

At June 30, 2013, unassigned fund balance of the General Fund was \$2,227,096, while the total fund balance reached \$6,879,771. 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 22.3% of total General Fund Expenditures, while total fund balance represents 68.9% of that same amount.

The fund balance of the City's General Fund increased by \$439,681 during the fiscal year ended June 30, 2013. This change consisted of two major components. Fund balance increased from a prior period adjustment of \$460,184 for compensated absences that are not due and payable in the current period and therefore should not be a fund liability. That increase was offset by expenditures in excess of revenues of \$20,503.

The decrease in the fund balance for Capital Improvements Fund was primarily the result of expending the City's 20% share of ongoing construction costs for Veterans Parkway.

The increase in the fund balance for Other Governmental Funds was \$400,519. The most significant portion is \$606,572 from collections from a new local option sales tax committed for a planned municipal school system and an increase from a prior period adjustment of \$53,103 for

compensated absences that are not due and payable in the current period and therefore should not be a fund liability. These components of increase were offset by several items, including expenditures exceeding revenues by \$13,542 in the Sanitation Fund and planned uses of fund balance for operations in five of the other funds totaling \$215,764.

Proprietary funds. The City's Water and Sewer Funds both had a positive change in net position for FY13. User fees support these funds.

General Fund Budgetary Highlights

The General Fund revenues were lower than budgeted by \$542,545, including a \$58,409 budgeted as planned use of fund balance. The shortfall was a combination of the following categories:

- Taxes under budget by \$103,134 with property taxes being lower than budgeted while local sales taxes were higher.
- Charges for services were under budget by \$30,359.
- Fines, forfeitures and penalties were under budget by \$306,894 with city court collections being the most significant shortage by \$251,000.
- Grant revenue was \$32,139 less than expected
- Miscellaneous other revenues were \$18,793 lower than expected.

General Fund expenditures were lower than budgeted by \$376,242 and transfers to other funds were lower by \$145,800 for a combined amount of \$522,042. The variances were due to the lower costs associated concerted effort of City government to control costs. The largest positive variance was in Arts and Recreation in the amount of \$141,442. Savings were also achieved in General Government of \$121,001 and Public Safety of \$106,190 and in transfers to the Capital Improvements Fund of \$98,309.

Capital Asset and Debt Administration

Capital Asset. The City's investment in capital assets for its governmental and business-type activities as of June 30, 2013 amounts to \$55,042,939 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements other than building, machinery, equipment, and construction in progress. The City's total investment in capital assets for the current fiscal year increased \$10,204,041. Governmental activities increased \$10,590,622 or 35.9% and business activities decreased \$386,581 or 2.5%.

Additional information on the City's capital assets can be found in Note 4-C.

Condensed Statement of Capital Assets
(dollars expressed in thousands)

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Land	\$ 5,246	\$ 5,246	\$ 727	\$ 727	\$ 5,973	\$ 5,973
Buildings and improvements	8,797	8,721	25,057	25,037	33,854	33,758
Furnishing and equipment	1,117	1,074	3,898	3,898	5,015	4,972
Vehicles	4,029	4,107	665	419	4,694	4,526
Construction in process	28,285	17,353	138	112	28,423	17,465
	47,474	36,501	30,485	30,193	77,959	66,694
Less accumulated depreciation	(7,407)	(7,024)	(15,509)	(14,831)	(22,916)	(21,855)
Total capital assets	\$ 40,067	\$ 29,477	\$ 14,976	\$ 15,362	\$ 55,043	\$ 44,839

Long-term debt. At June 30, 2013 the City had total debt outstanding of \$13,200,024. Of this amount \$12,188,758 comprises debt for governmental activities and \$1,011,266 represents debt for business-type activities.

Condensed Statement of Outstanding Debt
(dollars expressed in thousands)

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
YMCA commitment	\$ -	\$ 368	\$ -	\$ -	\$ -	\$ 368
General obligation loans	7,423	6,309	-	-	7,423	6,309
Notes payable - construction	-	-	365	104	365	104
Net post employment benefit obligation	4,095	3,041	646	472	4,741	3,513
Millington library exchange	671	671	-	-	671	671
Total long-term liabilities	\$ 12,189	\$ 10,389	\$ 1,011	\$ 576	\$ 13,200	\$ 10,965

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

Economic Factors and Next Year's Budgets and Rates

Factors considered in preparing the City's Budget for the 2014 fiscal year are more fully discussed in the Budget document and include:

- The County Assessor reappraised all real property in the county, including all property in Millington. Under State law, the City had to establish an "equalized" tax rate, which was set at \$1.34 per \$100 of assessed value. The Board of Mayor and Aldermen then approved a tax rate to fund FY14 expenditures of \$1.53 per \$100 of assessed value.
- City service rates for water, sewer, sanitation and stormwater remain the same.
- Due to a trend of declining revenues and deficit annual operating results, the City implemented a series of cost reduction measures. This included a work force reduction of thirteen (13) full time positions in the General Fund effective July 1, 2013.

- The City began a process to repave all streets in the City over an extended period of years. The FY14 budget includes \$250,000 for the initial year of this program.
- The City continues to look at new sources of revenues and grants to supplement the property tax rate and sales taxes. The City will continue to reengineer the systems and processes in the delivery of its services and thereby control operating expenses.

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 Millington, 7930 Nelson Road, Millington, Tennessee 38053. The Comprehensive Annual Financial Report as of June 30, 2013, Fiscal Year 2014 Approved Budget Document and other information about the City may be found on the City's website www.Millingtontn.gov.

CITY OF MILLINGTON, TENNESSEE

STATEMENT OF NET POSITION

June 30, 2013

	Primary Government		Total
	Governmental Activities	Business-type Activities	
ASSETS			
Cash and cash equivalents	\$ 6,726,250	\$ 3,782,103	\$ 10,508,353
Receivables			
Property taxes	2,953,866	-	2,953,866
City taxes and fees	53,925	-	53,925
Accounts	226,297	431,212	657,509
Other	47,649	189	47,838
Less allowance for doubtful accounts	(297,891)	(138,688)	(436,579)
Internal balances	2,284,563	(2,284,563)	-
Due from other governments	1,932,940	60,294	1,993,234
Inventory	41,944	-	41,944
Restricted cash	-	530	530
Prepaid Items	205,343	53,832	259,175
Capital assets, not being depreciated	33,531,431	864,979	34,396,410
Capital assets, being depreciated, net	6,535,794	14,110,735	20,646,529
Total assets	<u>54,242,111</u>	<u>16,880,623</u>	<u>71,122,734</u>
LIABILITIES			
Accounts payable	150,902	10,876	161,778
Accrued expenses	827,096	140,830	967,926
Customer deposits	-	530	530
Due to other governments	125,232	-	125,232
Noncurrent liabilities:			
Due within one year	513,420	-	513,420
Due in more than one year	11,675,338	1,011,266	12,686,604
Total liabilities	<u>13,291,988</u>	<u>1,163,502</u>	<u>14,455,490</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - property taxes	2,612,525	-	2,612,525
NET POSITION			
Net investment in capital assets	32,227,535	14,975,714	47,203,249
Restricted for:			
Capital outlays	24,571	-	24,571
Public safety	220,160	-	220,160
Unrestricted	5,865,332	741,407	6,606,739
Total net position	<u>\$ 38,337,598</u>	<u>\$ 15,717,121</u>	<u>\$ 54,054,719</u>

The accompanying notes are an integral part of the financial statements.

CITY OF MILLINGTON, TENNESSEE

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2013

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Primary government:							
Governmental Activities:							
General government	\$ 1,713,251	\$ 666,344	\$ 227,009	\$ -	\$ (819,898)	\$ -	\$ (819,898)
Education	171,122	-	-	-	(171,122)	-	(171,122)
Public safety	7,084,584	839,232	-	-	(6,245,352)	-	(6,245,352)
Community services	2,294,899	386,951	-	-	(1,907,948)	-	(1,907,948)
Transportation and environment	2,399,339	1,177,202	-	8,618,500	7,396,363	-	7,396,363
Interest on long-term debt	265,296	-	-	-	(265,296)	-	(265,296)
Total governmental activities	<u>13,928,491</u>	<u>3,069,729</u>	<u>227,009</u>	<u>8,618,500</u>	<u>(2,013,253)</u>	<u>-</u>	<u>(2,013,253)</u>
Business-type activities:							
Water	1,218,281	1,247,747	-	6,700	-	36,166	36,166
Sewer	1,398,832	1,945,892	-	3,680	-	550,740	550,740
Total business-type activities:	<u>2,617,113</u>	<u>3,193,639</u>	<u>-</u>	<u>10,380</u>	<u>-</u>	<u>586,906</u>	<u>586,906</u>
Total primary government	<u>\$ 16,545,604</u>	<u>\$ 6,263,368</u>	<u>\$ 227,009</u>	<u>\$ 8,628,880</u>	<u>(2,013,253)</u>	<u>586,906</u>	<u>(1,426,347)</u>
General revenues:							
Local taxes					6,220,962	-	6,220,962
Intergovernmental					3,501,239	-	3,501,239
Interest on investments					34,954	2,800	37,754
Other					156,506	5,799	162,305
Total general revenues and transfers					<u>9,913,661</u>	<u>8,599</u>	<u>9,922,260</u>
Change in net position					<u>7,900,408</u>	<u>595,505</u>	<u>8,495,913</u>
Net position - beginning					<u>30,437,190</u>	<u>15,121,616</u>	<u>45,558,806</u>
Net position - ending					<u>\$ 38,337,598</u>	<u>\$ 15,717,121</u>	<u>\$ 54,054,719</u>

The accompanying notes are an integral part of the financial statements.

CITY OF MILLINGTON, TENNESSEE

**BALANCE SHEET
GOVERNMENTAL FUNDS**

June 30, 2013

	General Fund	Capital Improvements Fund	Nonmajor Governmental Funds	Total Governmental Funds
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
ASSETS				
Cash and cash equivalents	\$ 5,262,851	\$ 433,152	\$ 1,030,247	\$ 6,726,250
Receivables				
Property taxes	2,953,866	-	-	2,953,866
City taxes and fees	53,925	-	-	53,925
Accounts	-	-	226,297	226,297
Other	47,649	-	-	47,649
Less allowance for doubtful accounts	(206,497)	-	(91,394)	(297,891)
Due from other funds	896,803	2,290,243	5,774	3,192,820
Due from other governments	860,879	747,517	324,544	1,932,940
Inventory	41,944	-	-	41,944
Prepaid items	171,049	-	34,294	205,343
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 10,082,469</u>	<u>\$ 3,470,912</u>	<u>\$ 1,529,762</u>	<u>\$ 15,083,143</u>
LIABILITIES				
Liabilities:				
Accounts payable	\$ 19,702	\$ 115,848	\$ 15,352	\$ 150,902
Accrued liabilities	359,346	4,569	44,245	408,160
Due to other governments	88,753	-	36,479	125,232
Due to other funds	-	513,523	394,734	908,257
Total liabilities	<u>467,801</u>	<u>633,940</u>	<u>490,810</u>	<u>1,592,551</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - property taxes	2,711,523	-	-	2,711,523
Unavailable revenue - grants	23,374	266,965	33,728	324,067
Total deferred inflows of resources	<u>2,734,897</u>	<u>266,965</u>	<u>33,728</u>	<u>3,035,590</u>
FUND BALANCES				
Nonspendable	212,993	-	34,294	247,287
Restricted	-	-	244,731	244,731
Committed	4,439,682	-	927,752	5,367,434
Assigned	-	2,570,007	337	2,570,344
Unassigned	2,227,096	-	(201,890)	2,025,206
Total fund balances	<u>6,879,771</u>	<u>2,570,007</u>	<u>1,005,224</u>	<u>10,455,002</u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 10,082,469</u>	<u>\$ 3,470,912</u>	<u>\$ 1,529,762</u>	<u>\$ 15,083,143</u>

The accompanying notes are an integral part of the financial statements.

CITY OF MILLINGTON, TENNESSEE

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

June 30, 2013

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

Total governmental fund balances	\$ 10,455,002
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	40,067,225
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	423,065
Interest on long-term debt is not payable with current financial resources and, therefore, is not reported in the funds.	(16,831)
Long-term liabilities, including notes payable, are not due and payable in the current period and, therefore, are not reported in the funds.	(12,188,758)
Compensated absences, included in accrued expenses, are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(402,105)</u>
Net position of governmental activities	<u>\$ 38,337,598</u>

The accompanying notes are an integral part of the financial statements.

CITY OF MILLINGTON, TENNESSEE

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

For the Year Ended June 30, 2013

	General Fund	Capital Improvements Fund	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES				
Taxes	\$ 6,200,240	\$ -	\$ -	\$ 6,200,240
Licenses and permits	290,394	-	-	290,394
Intergovernmental	2,377,793	-	1,123,446	3,501,239
Charges for services	762,901	-	1,177,202	1,940,103
Fines, forfeitures, and penalties	754,006	-	85,226	839,232
Federal, state and local grants	227,009	8,534,224	15,000	8,776,233
Interest on investments	3,833	30,201	920	34,954
Other	99,439	-	57,067	156,506
Total revenues	<u>10,715,615</u>	<u>8,564,425</u>	<u>2,458,861</u>	<u>21,738,901</u>
EXPENDITURES				
Current				
General government	1,544,148	-	-	1,544,148
Education	-	-	171,122	171,122
Public safety	6,395,609	-	120,217	6,515,826
Community services	1,789,928	-	-	1,789,928
Transportation and environment	261,844	-	2,062,147	2,323,991
Capital improvements	-	10,962,224	3,910	10,966,134
Debt Service				
Principal	-	-	446,805	446,805
Interest and fiscal charges	-	-	216,833	216,833
Debt issuance costs	-	6,898	-	6,898
Total expenditures	<u>9,991,529</u>	<u>10,969,122</u>	<u>3,021,034</u>	<u>23,981,685</u>
Excess (deficiency) of revenues over (under) expenditures	724,086	(2,404,697)	(562,173)	(2,242,784)
OTHER FINANCING SOURCES (USES)				
Issuance of debt	-	1,150,000	-	1,150,000
Transfers in	63,000	-	972,589	1,035,589
Transfers out	<u>(807,589)</u>	<u>(165,000)</u>	<u>(63,000)</u>	<u>(1,035,589)</u>
Total other financing sources and uses	<u>(744,589)</u>	<u>985,000</u>	<u>909,589</u>	<u>1,150,000</u>
Net change in fund balances	(20,503)	(1,419,697)	347,416	(1,092,784)
Fund balances - beginning, as previously reported	6,440,090	3,989,704	604,705	11,034,499
Prior period adjustment	<u>460,184</u>	<u>-</u>	<u>53,103</u>	<u>513,287</u>
Fund balances - beginning, as restated	<u>6,900,274</u>	<u>3,989,704</u>	<u>657,808</u>	<u>11,547,786</u>
Fund balances - ending	<u>\$ 6,879,771</u>	<u>\$ 2,570,007</u>	<u>\$ 1,005,224</u>	<u>\$ 10,455,002</u>

The accompanying notes are an integral part of the financial statements.

CITY OF MILLINGTON, TENNESSEE

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

For the Year Ended June 30, 2013

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

Net change in fund balance - total governmental funds \$ (1,092,784)

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 depreciation and losses on retirement exceeded capital outlays in the current period. 10,590,622

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. 89,998

Changes in interest payable on long-term debt 651

The issuance of long-term debt (e.g. notes payable) provides current financial resources to governmental funds, while the repayment of the principal of long-term debts consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. (1,799,261)

Compensated absence expenses are reported in the government-wide statement of activities, but do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. 111,182

Change in net position of governmental activities \$ 7,900,408

The accompanying notes are an integral part of the financial statements.

CITY OF MILLINGTON, TENNESSEE

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

For the Year Ended June 30, 2013

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$6,303,374	\$ 6,303,374	\$ 6,200,240	\$ (103,134)
Licenses and permits	286,950	286,950	290,394	3,444
Intergovernmental	2,374,054	2,374,054	2,377,793	3,739
Charges for services	793,260	793,260	762,901	(30,359)
Fines, forfeitures, and penalties	1,060,900	1,060,900	754,006	(306,894)
Federal, state and local grants	78,177	259,148	227,009	(32,139)
Interest on investments	10,000	10,000	3,833	(6,167)
Other	112,065	112,065	99,439	(12,626)
Planned use of prior year funds	574,826	58,409	-	(58,409)
Total revenues	11,593,606	11,258,160	10,715,615	(542,545)
EXPENDITURES				
General Government				
General government	808,591	808,283	775,039	33,244
Courts	250,925	250,925	248,278	2,647
Codes & economic development	409,171	459,171	388,471	70,700
Personnel	146,770	146,770	132,360	14,410
Public Safety				
Police department	3,125,604	3,200,950	3,111,530	89,420
Fire department	3,244,724	3,300,849	3,284,079	16,770
Community Services				
Library	293,408	298,925	295,243	3,682
Arts and recreation	1,639,627	1,636,127	1,494,685	141,442
Public Works	252,771	265,771	261,844	3,927
Total expenditures	10,171,591	10,367,771	9,991,529	376,242
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES	1,422,015	890,389	724,086	(166,303)
OTHER FINANCING SOURCES (USES)				
Transfers in	-	63,000	63,000	-
Transfers out	(1,422,015)	(953,389)	(807,589)	145,800
Total other financing sources (uses)	(1,422,015)	(890,389)	(744,589)	145,800
Net change in fund balances	\$ -	\$ -	(20,503)	\$ (20,503)
Fund balance - beginning, as previously reported			6,440,090	
Prior period adjustment			460,184	
Fund balances - beginning, as restated			6,900,274	
Fund balance - ending			\$ 6,879,771	

The accompanying notes are an integral part of the financial statements.

CITY OF MILLINGTON, TENNESSEE

**STATEMENT OF NET POSITION
PROPRIETARY FUNDS**

June 30, 2013

ASSETS	Water Fund	Sewer Fund	Total Proprietary Funds
Current assets:			
Cash and cash equivalents	\$ 114,168	\$ 3,667,935	\$ 3,782,103
Receivables			
Customers	241,626	189,586	431,212
Other	189	-	189
Less allowance for doubtful accounts	(78,761)	(59,927)	(138,688)
Prepaid expenses	29,034	24,798	53,832
Due from other funds	-	20,224	20,224
Due from other governments	-	60,294	60,294
Total current assets	<u>306,256</u>	<u>3,902,910</u>	<u>4,209,166</u>
Noncurrent assets:			
Restricted cash	335	195	530
Capital assets:			
Land	2,407	724,542	726,949
Buildings and improvements	11,120,406	13,936,522	25,056,928
Furnishings and equipment	771,440	3,126,606	3,898,046
Vehicles	167,542	497,551	665,093
Construction in progress	5,330	132,700	138,030
Less accumulated depreciation	<u>(5,264,757)</u>	<u>(10,244,575)</u>	<u>(15,509,332)</u>
Total capital assets	<u>6,802,368</u>	<u>8,173,346</u>	<u>14,975,714</u>
Total noncurrent assets	<u>6,802,703</u>	<u>8,173,541</u>	<u>14,976,244</u>
Total assets	<u>7,108,959</u>	<u>12,076,451</u>	<u>19,185,410</u>
LIABILITIES			
Current liabilities:			
Accounts payable	1,230	9,646	10,876
Accrued expenses	85,138	55,692	140,830
Due to other funds	2,300,198	4,589	2,304,787
Due to other governments	-	-	-
Customer deposits	335	195	530
Total current liabilities	<u>2,386,901</u>	<u>70,122</u>	<u>2,457,023</u>
Noncurrent liabilities			
Net post employment benefit obligations	265,568	380,672	646,240
State revolving fund loan	-	365,026	365,026
Total noncurrent liabilities	<u>265,568</u>	<u>745,698</u>	<u>1,011,266</u>
Total liabilities	<u>2,652,469</u>	<u>815,820</u>	<u>3,468,289</u>
NET POSITION			
Net investment in capital assets	6,802,368	8,173,346	14,975,714
Unrestricted	<u>(2,345,878)</u>	<u>3,087,285</u>	<u>741,407</u>
Total net position	<u>\$ 4,456,490</u>	<u>\$ 11,260,631</u>	<u>\$ 15,717,121</u>

The accompanying notes are an integral part of the financial statements.

CITY OF MILLINGTON, TENNESSEE

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS**

For the Year Ended June 30, 2013

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Proprietary Funds</u>
Operating revenues:			
Metered water sales	\$ 1,193,173	\$ -	\$ 1,193,173
Sewer service fee	-	1,911,796	1,911,796
Service connection fees	29,650	9,725	39,375
Forfeited discounts	24,924	24,371	49,295
Other	2,064	3,735	5,799
Total operating revenues	<u>1,249,811</u>	<u>1,949,627</u>	<u>3,199,438</u>
Operating expenses:			
Administrative and general	60,208	86,667	146,875
Pumping and filtering	581,092	716,171	1,297,263
Distribution system	262,348	176,346	438,694
Depreciation	285,084	418,051	703,135
Total operating expenses	<u>1,188,732</u>	<u>1,397,235</u>	<u>2,585,967</u>
Operating income (loss)	61,079	552,392	613,471
Nonoperating revenues (expenses):			
Interest income	783	2,017	2,800
Interest expense	(29,549)	(1,597)	(31,146)
Total non-operating revenues (expenses)	<u>(28,766)</u>	<u>420</u>	<u>(28,346)</u>
Income (loss) before contributions	32,313	552,812	585,125
Capital contributions - tap fees	3,700	2,000	5,700
Capital contributions - development fees	3,000	1,680	4,680
Total capital contributions	<u>6,700</u>	<u>3,680</u>	<u>10,380</u>
Change in net position	39,013	556,492	595,505
Net position - beginning	<u>4,417,477</u>	<u>10,704,139</u>	<u>15,121,616</u>
Net position - ending	<u>\$ 4,456,490</u>	<u>\$ 11,260,631</u>	<u>\$ 15,717,121</u>

The accompanying notes are an integral part of the financial statements.

CITY OF MILLINGTON, TENNESSEE

**STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS**

For the Year Ended June 30, 2013

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total Proprietary Funds</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers and users	\$ 1,252,086	\$ 1,945,744	\$ 3,197,830
Payments to suppliers	(356,601)	(420,461)	(777,062)
Payments to employees	(482,967)	(497,774)	(980,741)
Other receipts	<u>(2,180)</u>	<u>(1,390)</u>	<u>(3,570)</u>
Net cash provided by operating activities	410,338	1,026,119	1,436,457
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers to (from) other funds	(863,294)	210,714	(652,580)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Proceeds from capital debt	-	260,526	260,526
Capital contributions	6,700	3,680	10,380
Acquisition and construction of capital assets	(47,537)	(269,017)	(316,554)
Interest paid on capital debt	-	<u>(1,597)</u>	<u>(1,597)</u>
Net cash used by capital and related financing activities	(40,837)	(6,408)	(47,245)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest income received	<u>783</u>	<u>2,017</u>	<u>2,800</u>
Net increase (decrease) in cash and cash equivalents	(493,010)	1,232,442	739,432
Cash and cash equivalents - beginning of the year	<u>607,178</u>	<u>2,435,493</u>	<u>3,042,671</u>
Cash and cash equivalents - end of the year	<u>\$ 114,168</u>	<u>\$ 3,667,935</u>	<u>\$ 3,782,103</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income	\$ 61,079	\$ 552,392	\$ 613,471
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation	285,084	418,051	703,135
Change in assets and liabilities			
Receivables			
Customers	3,327	(406)	2,921
Other	1,012	-	1,012
Prepaid expenses	(5,434)	(4,487)	(9,921)
Due from other governments	-	258	258
Accounts payable	(17,042)	(18,981)	(36,023)
Accrued expenses	7,772	(11,140)	(3,368)
Due to other governments	(4,244)	(5,125)	(9,369)
Net post employment benefit obligations	78,784	95,557	174,341
Net cash provided by operating activities	<u>\$ 410,338</u>	<u>\$ 1,026,119</u>	<u>\$ 1,436,457</u>

The accompanying notes are an integral part of the financial statements.

CITY OF MILLINGTON, TENNESSEE

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The City of Millington, Tennessee (the City) was incorporated in 1903 and operates under a City Charter enacted in 1903 with various amendments ending in 1977. The City operates under a Mayor and Alderman form of government and provides the following services as authorized by its charter: public health and safety, streets, sanitation, water and sewage, recreation and general administrative services.

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

B. Governmental Accounting Standards

The financial statements of the City have been prepared in accordance with *generally accepted accounting principles* (GAAP) followed in the United States of America. In the United States the Governmental Accounting Standards Board (GASB) is the established and recognized standard-setting body for governmental accounting and financial reporting. The GASB periodically issues new or revised standards that are implemented by the City.

The City has elected early implementation of *GASB Statement No. 65, Items Previously Reported as Assets and Liabilities*. This statement evaluates and reclassifies various financial statement items that have been previously reported as either assets or liabilities, and evaluates them against the definitions provided for deferred outflows and deferred inflows of resources. In implementation of this standard the City reported as an expense in the current fiscal year the previously deferred debt issuance costs; the impact of this expense was considered immaterial.

C. Government-wide and fund financial statements

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

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital

requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental 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 Capital Improvements Fund accounts for the financing of major governmental fund capital asset purchases.

The City reports the following non-major governmental funds:

The Sanitation Fund accounts for the receipts and expenditures related to sanitation services.

The Debt Service Fund accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

The State Street Aid Fund accounts for the receipts and expenditures of the City's share of the proceeds from the state gasoline tax and gasoline inspection fees collected by the State of Tennessee.

The Drug Fund accounts for the receipts and expenditures related to the City's share of proceeds from state imposed drug fines and confiscations.

The DEA Drug Fund accounts for the receipts and expenditures related to the City's share of proceeds from federal imposed drug fines and confiscations.

The Storm Water Fund accounts for the receipts and expenditures related to the collection, transportation, treatment, and disposition of storm water.

The General Obligation Capital Outlay Notes, Series 2010 Project Fund ("CON Project Fund") accounts for the financing of specific major governmental fund capital asset purchases.

The City reports the following major proprietary funds:

The Water Fund accounts for the activities of the City's production, storage and transportation of potable water.

The Sewer Fund accounts for the activities of the City's collection, transportation, treatment and disposition of wastewater.

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

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

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the utility fund are charges to customers for sales and services. The utility fund also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

E - Assets, liabilities and fund equity

1. Deposits

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

All property values are assessed on January 1 of each year. Property taxes receivable are recorded at this lien date. All real and personal property taxes are levied in October of each year, at which time the receivable is recognized as revenue. All unpaid property taxes become delinquent on February 28. Penalties and interest are assessed on unpaid property taxes after the delinquent date.

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. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

4. Restricted assets

Certain cash and cash equivalents of the City are classified as restricted assets on the balance sheet because they are maintained in separate accounts and/or their use is limited by certain agreements and contracts with third parties. Restricted balances include escrow for construction contractors established to fund retainages of outstanding construction projects, customer deposits for water and sewer services and outstanding court bonds payable.

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. Capital assets are defined by the City as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of three years for property, plant and equipment. Capital assets for infrastructure are defined as those

assets with an initial individual cost of more than \$100,000. Such assets 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. Infrastructure assets purchased or received prior to July 1, 2003 have not been recorded.

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. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Property, plant and equipment of the primary government is depreciated using the straight-line method over the following estimated useful lives:

Roads and bridges	50 years
Buildings and building improvements	15-50 years
Land improvements	20 years
Machinery, equipment and heavy vehicles	7-10 years
Automobiles	5 years

6. *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.

7. *Compensated absences and overtime*

Accumulated unpaid vacation is accrued when incurred in the proprietary funds and in the government-wide financial statements. Employees earn ten or more days of vacation each year depending on length of service. Vacation leave is to be taken following the period in which it is earned and up to one year's vacation may be carried forward into the next year.

Upon retirement, unused sick leave will not be paid but will be credited toward service years in calculating pension benefits.

Accumulated compensatory overtime is accrued when incurred in all funds. Hourly employees can choose to be paid the overtime worked or to accrue compensatory overtime. Employees earn 1.5 hours of compensatory time for every hour of overtime worked in excess of minimum hours worked requirement according to the Fair Labor Standards Act. Compensatory time must be used by the end of the year except police can carry over 480 hours and fire can carry over 120 hours.

All unpaid vacation and accumulated compensatory overtime is accrued when incurred in the government-wide and proprietary fund financial statements. 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.

8. *Long-term obligations*

In the government-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.

In the fund financial statements, the face amount of debt issued is reported as other financing sources.

9. *Fund balance*

Governmental funds utilize a fund balance presentation for fund equity. Fund balance is categorized as non-spendable, restricted, committed, assigned or unassigned. A description of each category is provided below.

Non-Spendable Fund Balance – amounts that cannot be spent because they are either (a) in a non-spendable form, including items not expected to be converted to cash (i.e. inventories, prepaid amounts, long-term portion of loans and notes receivable), or (b) legally or contractually required to be maintained intact (i.e. the principal of a permanent fund).

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

Committed Fund Balance – amounts constrained to be used for specific purposes by formal action by 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 reviews or changes the commitment by taking the same action it employed to impose the commitment.

Assigned Fund Balance – amounts intended to be used by the City for a specific purpose, but are neither restricted nor committed. The intent shall be expressed 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. This is a residual classification for all governmental funds other than the general fund.

Unassigned Fund Balance – represents the residual balance available for any purpose in the general fund or deficit balances in other funds.

When an expenditure is incurred for purposes for which both restricted and unrestricted (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 assigned amounts would be reduced first 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.

10. Fund Balance Committed for General Fund

The Board of Mayor and Aldermen adopted an Ordinance in June 2012 that established a financial stabilization account and an emergency account as committed parts of the fund balance for the General Fund. The financial stabilization account is established as 30% of the appropriations for the next fiscal year in order to have a method of dealing with revenue shortages or other unanticipated budgetary needs. The emergency account is established at \$1,000,000 for use in covering catastrophic losses, including natural and man-made disasters. The balances of these accounts at June 30, 2013 are \$3,265,456 and \$1,000,000, respectively.

11. Use of Estimates

The presentation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

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 "capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds." The details of this \$40,067,225 difference are as follows:

Governmental funds capital assets	\$ 47,474,459
Less: accumulated depreciation	<u>(7,407,234)</u>
Net adjustment to increase fund balance - total governmental funds to arrive at net position - governmental funds	<u>\$ 40,067,225</u>

Another element of that reconciliation explains that "long-term liabilities, including notes payable, are not due and payable in the current period and, therefore, are not reported in the funds." The details of this \$12,188,758 difference are as follows:

Notes payable	\$ (7,422,765)
Less: Deferred charge for issuance costs (to be amortized over life of debt)	-
Millington library exchange liability	(671,261)
Net post employment benefit obligation	<u>(4,094,732)</u>
Net adjustment to reduce fund balance - total governmental funds to arrive at net position - governmental activities	<u><u>\$ (12,188,758)</u></u>

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

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a 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." The details of the \$10,590,622 difference are as follows:

Capital outlay	\$ 11,385,485
Depreciation expense	(672,280)
Loss on disposal of capital assets	<u>(122,583)</u>
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net position of governmental activities	<u><u>\$ 10,590,622</u></u>

Another element of that reconciliation states that "long-term liabilities, including notes payable, are not due and payable in the current period and, therefore, are not reported in the funds" The details of the \$1,799,261 difference are as follows:

Debt issued or incurred:	
Issuance of capital outlay note	\$ (1,150,000)
Amortization of bond issuance costs	(42,216)
Principal repayment on bonds payable	446,805
Increase in net post employment benefit obligation	<u>(1,053,850)</u>
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net position of governmental activities	<u><u>\$ (1,799,261)</u></u>

NOTE 3 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary information

The Board of Mayor and Aldermen annually approves the operating budgets for all governmental funds. The budget is adopted at the level presented in the basic financial statements. The schedules with budgetary comparison information shown in the supplementary information are the support required in preparing the budget at the adopted level.

The Mayor is required by charter to present to the Board of Mayor and Alderman a preliminary budget for the upcoming fiscal year by May 15th. The preliminary budget is compiled from revenue and expense projections as well as requests submitted by each department. The Board of Mayor and Aldermen must pass the preliminary budget on three readings before it is adopted and becomes the approved spending plan for the City.

The Mayor has the authority to transfer the unused portion of any item within the same department. Any revisions that alter the total expenditures of any fund must be approved by the Board of Mayor and Aldermen. Expenditures may not exceed appropriations at the fund level. Supplemental appropriations may be authorized by the Board of Mayor and Aldermen through the adoption of appropriate ordinances during the year.

Formal budgetary accounting is employed as a management control for all funds of the City. Annual operating budgets are adopted each fiscal year through passage of an annual budget ordinance and amended as required for the general fund, special revenue funds, debt service fund, and the proprietary funds. Budgets for the capital projects funds are made on a project basis, spanning more than one fiscal year.

B. Excess of expenditures over appropriations

For the year ended June 30, 2013, no fund's expenditures exceeded appropriations.

C. Budgetary basis of accounting

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

D. Deficit fund equity

As of June 30, 2013, the sanitation fund had a deficit fund balance of \$168,417.

NOTE 4 - DETAILED NOTES ON ALL FUNDS

A. Deposits and investments

At year end, the City's carrying amount of deposits was \$10,508,353 and the bank balance was \$10,792,920. Of the bank balance, \$508,070 was covered by the Federal Deposit Insurance Corporation with the remaining balance of \$10,284,850 being collateralized with the State of

Tennessee Bank Collateral Pool with securities held by the pledging financial institution's trust department or agent in the City's name.

State statutes authorize the City to invest in bonds, notes or treasury bills of the United States of America or any of its agencies, certificates of deposit, repurchase agreements utilizing obligations of the United States of America or its agencies as the underlying securities, state pooled investment funds, and mortgage-backed securities. Statutes require that (1) deposits have securities as collateral whose market value is equal to 105 percent of the value of the deposits, less so much of such amount as is insured by federal deposit insurances and (2) securities underlying repurchase agreements must have a market value of at least equal to the amount of funds invested in the repurchase agreement. Tennessee Code Annotated Sections 9-4-105 and 9-4-404 state that collateralization coverage for cash deposits may be computed based on average daily balances of the preceding month. City deposit policies follow the State statutes.

B. Receivables

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

	General Fund	Water Fund	Sewer Fund	Nonmajor Governmental Funds	Total
Receivables:					
Property taxes	\$ 2,953,866	\$ -	\$ -	\$ -	\$ 2,953,866
City taxes and fees	53,925	-	-	-	53,925
Accounts receivable	-	241,626	189,586	226,297	657,509
Other	47,649	189	-	-	47,838
Gross receivables	<u>3,055,440</u>	<u>241,815</u>	<u>189,586</u>	<u>226,297</u>	<u>3,713,138</u>
Less: allowance for doubtful accounts	<u>(206,497)</u>	<u>(78,761)</u>	<u>(59,927)</u>	<u>(91,394)</u>	<u>(436,579)</u>
Net total receivables	<u><u>\$ 2,848,943</u></u>	<u><u>\$ 163,054</u></u>	<u><u>\$ 129,659</u></u>	<u><u>\$ 134,903</u></u>	<u><u>\$ 3,276,559</u></u>

Property tax revenues in the general fund are reported net of uncollectible amounts. The allowance for uncollectible property taxes increased for the current year resulting in a decrease in reported revenues of \$24,514.

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. At the end of the current fiscal year, unavailable revenue of \$2,711,523 for property taxes receivable, \$30,599 for TEMA reimbursements from flood damage, and \$293,468 for grants was reported in governmental funds.

Unavailable revenues included in property taxes receivable result primarily from the pro-rata share of 2013 property taxes which are unearned and unavailable, but are recorded as receivable on the levy date, as described in Note 1.

C. Capital assets

Capital asset activity for the year ended June 30, 2013 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 5,245,989	\$ -	\$ -	\$ 5,245,989
Construction in progress	17,352,355	10,933,087	-	28,285,442
Total capital assets, not being depreciated	<u>22,598,344</u>	<u>10,933,087</u>	<u>-</u>	<u>33,531,431</u>
Capital assets, being depreciated:				
Buildings and improvements	8,721,245	76,055	-	8,797,300
Furnishings and equipment	1,074,143	42,896	-	1,117,039
Vehicles	4,107,042	333,447	(411,800)	4,028,689
Total capital assets, being depreciated	<u>13,902,430</u>	<u>452,398</u>	<u>(411,800)</u>	<u>13,943,028</u>
Less accumulated depreciation for:				
Buildings and improvements	(3,594,723)	(282,331)	-	(3,877,054)
Furnishings and equipment	(751,873)	(59,749)	-	(811,622)
Vehicles	(2,677,575)	(330,200)	289,217	(2,718,558)
Total accumulated depreciation	<u>(7,024,171)</u>	<u>(672,280)</u>	<u>289,217</u>	<u>(7,407,234)</u>
Total capital assets, being depreciated, net	<u>6,878,259</u>	<u>(219,882)</u>	<u>(122,583)</u>	<u>6,535,794</u>
Governmental activities capital assets, net	<u>\$ 29,476,603</u>	<u>\$ 10,713,205</u>	<u>\$ (122,583)</u>	<u>\$ 40,067,225</u>
	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activity:				
Capital assets, not being depreciated:				
Land	\$ 726,949	\$ -	\$ -	\$ 726,949
Construction in progress	112,560	25,470	-	138,030
Total capital assets, not being depreciated	<u>839,509</u>	<u>25,470</u>	<u>-</u>	<u>864,979</u>
Capital assets, being depreciated:				
Buildings and improvements	25,036,827	20,101	-	25,056,928
Furnishings and equipment	3,898,046	-	-	3,898,046
Vehicles	419,068	270,983	(24,958)	665,093
Total capital assets, being depreciated	<u>29,353,941</u>	<u>291,084</u>	<u>(24,958)</u>	<u>29,620,067</u>
Less accumulated depreciation for:				
Buildings and improvements	(11,128,426)	(594,136)	-	(11,722,562)
Furnishings and equipment	(3,292,078)	(92,319)	-	(3,384,397)
Vehicles	(410,651)	(16,680)	24,958	(402,373)
Total accumulated depreciation	<u>(14,831,155)</u>	<u>(703,135)</u>	<u>24,958</u>	<u>(15,509,332)</u>
Total capital assets, being depreciated, net	<u>14,522,786</u>	<u>(412,051)</u>	<u>-</u>	<u>14,110,735</u>
Business-type activity capital assets, net	<u>\$ 15,362,295</u>	<u>\$ (386,581)</u>	<u>\$ -</u>	<u>\$ 14,975,714</u>

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

Governmental Activities:	
General government	\$ 41,910
Public safety	257,321
Community services	115,207
Transportation and environment	257,842
Total depreciation expense - governmental activities	<u><u>\$ 672,280</u></u>
Business-Type Activities:	
Water	\$ 285,084
Sewer	418,051
Total depreciation expense - business-type activities	<u><u>\$ 703,135</u></u>

During the fiscal year 2010, the City entered into an exchange transaction with Millington Telephone Company in which the City gave Millington East Elementary and a promise to give the Millington Library land and building within the next ten years in exchange for the USA Baseball Stadium. The Library land and building and the corresponding payable is recorded in the governmental activities. Subsequent to year end, the City reached an agreement with Millington Telephone Company in which the City is allowed to keep the Millington Library and the debt is forgiven.

D. Interfund receivables, payables, and transfers

At June 30, 2013, amounts to be received or paid with current available resources are reported as receivable and payable to other funds. The outstanding balances between funds include construction loans made to proprietary funds that the capital projects fund expects to collect in subsequent years. Other outstanding balances result from the time lag between the dates reimbursable expenditures occur and payments between funds are made. The composition of interfund balances as of June 30, 2013, is as follows:

Due to:	Due from:				Total
	General Fund	Capital Improvements Fund	Sewer Fund	Nonmajor Governmental Funds	
Capital improvements fund	\$ 513,523	\$ -	\$ -	\$ -	\$ 513,523
Water fund	4,466	2,290,243	5,224	265	2,300,198
Sewer fund	4,589	-	-	-	4,589
Nonmajor governmental funds	374,225	-	15,000	5,509	394,734
	<u><u>\$ 896,803</u></u>	<u><u>\$ 2,290,243</u></u>	<u><u>\$ 20,224</u></u>	<u><u>\$ 5,774</u></u>	<u><u>\$ 3,213,044</u></u>

Transfers are used to move revenues from the fund with collection authorization to the debt service fund as debt service principal and interest payments become due and to move unrestricted general fund revenues to finance various programs that the government must account for in other funds in accordance with budgetary authorizations. Interfund transfers for the City during the year ended June 30, 2013, are as follows:

	Transfer In:		
	General Fund	Nonmajor Governmental Funds	Total
Transfer out:			
General fund	\$ -	\$ (807,589)	\$ (807,589)
Capital improvements fund	-	(165,000)	(165,000)
Nonmajor governmental funds	(63,000)	-	(63,000)
	<u>\$ (63,000)</u>	<u>\$ (972,589)</u>	<u>\$ (1,035,589)</u>

E. Long Term Debt

General obligation loans payable

In November 2000, the City entered into a 15 year loan agreement to borrow \$1,800,000 from the Clarksville PBA through the League. The principal on this loan is paid annually while the interest is paid monthly based on a variable interest rate determined monthly by the remarketing agent. The average interest rate on this loan for 2013 was 0.66%.

In June 2011, the City entered into a 25 year loan agreement to borrow \$5,000,000 from First Tennessee Bank National Association through the League. The principal on this loan is due on June 1, 2036, while the interest is paid semi-annually at an interest rate of 3.29%.

In October 2010, the City entered into a 10 year General Obligation Capital Outlay Note to borrow \$1,000,000 from First Tennessee Bank National Association. The principal on this note is due on October 1, 2020, while the interest is paid semi-annually at an interest rate of 3.78%.

In May 2013, the City entered into a 20 year loan agreement to borrow \$1,150,000 from the Clarksville PBA through the League. The principal on this loan is paid annually while the interest is paid semi-annually at an interest rate of 2.73%.

Other Long-term Liabilities

In March 2000, the City entered into a 15 year agreement with the YMCA. The agreement calls for the City to pay \$150,000 per year for 15 years and obligated the YMCA to build a complex in the City for the use of City residents. An incremental borrowing rate of 4% has been imputed on the balance.

In March 2009, the City entered into an exchange transaction as described above in Note 4, Section C. As part of this transaction, the City has a long-term liability to transfer the Millington library to Millington Telephone Company within the next ten years for a total liability of \$671,261. Subsequent to year end, the City reached an agreement with Millington Telephone Company in which the City is allowed to keep the Millington Library and the debt is forgiven.

In August 2011, the City entered into a construction loan agreement to borrow up to \$2,827,400 from the TN State Revolving Fund Loan. Money is drawn as needed for the construction project. Repayments of principal will begin ninety days after the Project is completed. At June 30, 2013, the balance outstanding was \$365,026 and the interest rate on this loan was 1.41%. Until the project is within a year of completion, the full balance is considered long-term and there are no future maturities.

Changes in long-term liabilities

Long-term liability activity for the year ended June 30, 2013, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Notes payable	\$ 6,719,570	\$ 1,150,000	\$ (446,805)	\$ 7,422,765	\$ 513,420
Less deferred amounts:					
For issuance costs	(42,216)	-	42,216	-	-
Total notes payable	6,677,354	1,150,000	(404,589)	7,422,765	513,420
Net post employment benefit obligation	3,040,882	1,053,850	-	4,094,732	-
Millington library exchange liability	671,261	-	-	671,261	-
Total long-term liabilities	<u>\$ 10,389,497</u>	<u>\$ 2,203,850</u>	<u>\$ (404,589)</u>	<u>\$ 12,188,758</u>	<u>\$ 513,420</u>
	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Business-type activities:					
Notes payable - construction	\$ 104,500	\$ 260,526	\$ -	\$ 365,026	\$ -
Net post employment benefit obligation	471,899	174,341	-	646,240	-
	<u>\$ 576,399</u>	<u>\$ 434,867</u>	<u>\$ -</u>	<u>\$ 1,011,266</u>	<u>\$ -</u>

Annual debt service requirements for notes payable to maturity based on current interest rates are as follows:

Years Ending June 30	Principal	Interest	Total
2014	\$ 513,420	\$ 227,800	\$ 741,220
2015	470,345	216,728	687,073
2016	334,000	207,205	541,205
2017	346,000	195,938	541,938
2018	358,000	184,252	542,252
2019-2023	1,633,000	742,324	2,375,324
2024-2028	1,350,000	518,801	1,868,801
2029-2033	1,578,000	291,178	1,869,178
2034-2036	840,000	55,864	895,864
	<u>\$ 7,422,765</u>	<u>\$ 2,640,090</u>	<u>\$ 10,062,855</u>

F. FUND BALANCES BY PURPOSE

Following is more detailed information on the governmental fund balances:

	General Fund	Capital Improvements Fund	Other Governmental Funds	Total
Nonspendable for:				
Inventory	\$ 41,944	\$ -	\$ -	\$ 41,944
Prepaid expenses	171,049	-	34,294	205,343
Total nonspendable	<u>212,993</u>	<u>-</u>	<u>34,294</u>	<u>247,287</u>
Restricted for:				
Capital improvements	-	-	24,571	24,571
Drug enforcement	-	-	220,160	220,160
Total restricted	<u>-</u>	<u>-</u>	<u>244,731</u>	<u>244,731</u>
Committed to:				
Financial stabilization	3,265,456	-	-	3,265,456
Emergency	1,000,000	-	-	1,000,000
Library construction	174,226	-	-	174,226
Education & libraries	-	-	606,572	606,572
Drainage control	-	-	321,180	321,180
Total committed	<u>4,439,682</u>	<u>-</u>	<u>927,752</u>	<u>5,367,434</u>
Assigned to:				
Debt service	-	-	337	337
Capital improvements	-	2,570,007	-	2,570,007
Total assigned	<u>-</u>	<u>2,570,007</u>	<u>337</u>	<u>2,570,344</u>
Unassigned	<u>2,227,096</u>	<u>-</u>	<u>(201,890)</u>	<u>2,025,206</u>
Total fund balances	<u>\$ 6,879,771</u>	<u>\$ 2,570,007</u>	<u>\$ 1,005,224</u>	<u>\$ 10,455,002</u>

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

NOTE 5 – EMPLOYEE RETIREMENT SYSTEM

A. Plan Description

Employees of Millington are members of the Political Subdivision Pension Plan (PSPP), an agent multiple-employer defined benefit pension plan administered by the Tennessee Consolidated Retirement System (TCRS). TCRS provides retirement benefits as well as death and disability benefits. Benefits are determined by a formula using the member's high five-year average salary and years of service. Members become eligible to retire at the age of 60 with five years of service or at any age with 30 years of service. A reduced retirement benefit is available to vested members at the age of 55. Disability benefits are available to active members with five years of service who become disabled and cannot engage in gainful employment. There is no service requirement for disability that is the result of an accident or injury occurring while the member was in the performance of duty.

Members joining the system after July 1, 1979 become vested after five years of service and members joining prior to July 1, 1979 were vested after four years of service. Benefit provisions are established in the state statute found in Title 8, Chapter 34-37 of the Tennessee Code Annotated (TCA). State statutes are amended by the Tennessee General Assembly. Political subdivisions such as Millington participate in the TCRS as individual entities and are liable for all costs associated with the operation and administration of their plan. Benefit improvements are not applicable to a political subdivision unless approved by the chief governing body.

The TCRS issues a publicly available financial report that includes financial statements and required supplementary information for the PSPP. That report may be obtained by writing to Tennessee Treasury Department, Consolidated Retirement System, 10th Floor Andrew Jackson Building, Nashville, Tennessee 37243-0230 or can be accessed at www.tn.gov/treasury/tcrs/PS/.

B. Funding Policy

Millington has adopted a noncontributory retirement plan for its employees by assuming employee contributions up to 5% of annual covered payroll.

Millington is required to contribute at an actuarially determined rate; the rate for the fiscal year ending June 30, 2013 was 8.07% of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for Millington is established and may be amended by the TCRS Board of Trustees.

C. Annual Pension Cost

For the year ending June 30, 2013, Millington's annual pension cost of \$551,312 to TCRS was equal to Millington's required and actual contributions. The required contribution was determined as part of the July 1, 2011 actuarial valuation using the frozen entry age actuarial cost method. Significant actuarial assumptions used in the valuation include (a) rate of return on investment of present and future assets of 7.5% a year compounded annually, (b) projected 3.0% annual rate of inflation, (c) projected salary increases of 4.75% (graded) annual rate (no explicit assumption is made regarding the portion attributable to the effects of inflation on salaries), (d) projected 3.5% annual increase in the Social Security wage base, and (e) projected post retirement increases of 2.5% annually. The actuarial value of assets was determined using techniques that smooth the effect of short-term volatility in the market value of total investments over a ten-year period. Millington's unfunded actuarial accrued liability is being amortized as a level dollar amount on a closed basis. The remaining amortization period at July 1, 2011 was 1 year. An actuarial valuation was performed as of July 1, 2011, which established contribution rates effective July 1, 2012.

D. Trend Information

Fiscal Year Ending	Annual Pension Cost	Percentage of APC Contributed	Net Pension Obligation
June 30, 2013	\$ 551,312	100%	\$ -
June 30, 2012	\$ 814,888	100%	\$ -
June 30, 2011	\$ 767,536	100%	\$ -

E. Funded Status and Funding Progress

As of July 1, 2011, the most recent actuarial valuation date, the plan was 99.84% funded. The actuarial accrued liability for benefits was \$18.74 million, and the actuarial value of assets was \$18.71 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$0.03 million. The covered payroll (annual payroll of active employees covered by the plan) was \$6.34 million, and the ratio of the UAAL to the covered payroll was 0.46%.

The schedules of funding progress, presented as required supplementary information (RSI) following the notes to the financial statements, present multiyear trend information about whether the actuarial values of the plan assets are increasing or decreasing over time relative to the AALs for benefits.

Required Supplementary Information Schedule of Funding Progress for Millington

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) - Entry age	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
	(a)	(b)	(b) - (a)	(a/b)	(c)	((b-a)/c)
July 1, 2011	\$ 18,706,000	\$ 18,736,000	\$ 30,000	99.84%	\$ 6,343,000	0.46%
July 1, 2009	\$ 15,313,000	\$ 15,354,000	\$ 41,000	99.73%	\$ 6,218,000	0.66%
July 1, 2007	\$ 14,439,000	\$ 14,490,000	\$ 51,000	99.65%	\$ 6,050,000	0.84%

NOTE 6 - COMMITMENTS AND CONTINGENCIES

The City has contracted with the Shelby County Trustee to collect real and personal property taxes on behalf of the City. A 2.5% commission is paid to the Trustee plus 90% of the salary, fringe benefits, and authorized expenses of one full time employee of the Trustee. This employee works in City Hall and provides other receipting and administrative functions for the City. Collection fees paid to the Trustee totaled \$104,563 for the year ended June 30, 2013.

The City has entered into lease agreements with various governmental units and organizations. The terms of these leases vary and require only nominal token payments, if any. Annual lease payments are not material.

Under the terms of service agreements with the Naval Support Activity - Millington and Shelby County, the City provides service from the sewer treatment plant at a cost of \$3.42 per thousand gallons.

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the Federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the City expects such amounts, if any, to be immaterial.

From time to time, several lawsuits against the City are ongoing. 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 general purpose financial statements.

The City is a common paymaster for the Millington Municipal Airport Authority and Millington Industrial Development Board. This arrangement allows these employees to participate in all City employee benefits such as retirement, health insurance, life insurance, and worker's compensation insurance. The City is reimbursed for all disbursements by the respective entities.

NOTE 7 - RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the City carries commercial insurance. The City has not incurred any losses in excess of commercial insurance coverage for the past three fiscal years.

NOTE 8 - POST EMPLOYMENT BENEFITS OTHER THAN PENSION (OPEB)

In addition to the pension benefits described in Note 5, the City provides post-retirement health care and life insurance benefits to all employees who retire from the City under the provisions of the TCRS. Benefit provisions and contribution obligations have been established by the City. The City provides certain healthcare and life insurance coverage at nominal cost to retirees. Currently, 26 retirees and spouses are participating in post-retirement benefits. Expenses for post-retirement healthcare benefits are recognized when premiums are due. The City pays 65% of the premium for health care benefits for retirees and their dependents.

A. Plan Description

The City is the administrator of a single-employer Other Post Employment Benefit plan (OPEB). The plan provides for healthcare and life benefits for retirees through the City's health insurance plans, which covers active and retired participants. The plan does not issue a stand-alone financial report.

B. Funding Policy

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 provision of GASB Statement 45 for employers in plans with more than 100 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 liability over thirty years, actuarial gains/losses over ten years, and plan amendments over fifteen years. For fiscal year 2013, the City made no contributions and instead elected to continue funding on a *pay-as-you-go* basis, which amounted to \$146,588 for 2013. These costs are recognized as an expense when claims or premiums are paid.

C. Annual OPEB Cost and Net OPEB Obligation

For the current fiscal year, 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 were as follows:

Annual required contribution	\$ 1,325,451
Interest on net OPEB obligation	49,325
Adjustment to annual required contribution	-
Annual OPEB cost	<u>1,374,776</u>
Contributions or payments made	<u>(146,588)</u>
Increase in net OPEB obligation	1,228,188
Net OPEB obligation, beginning of year	<u>3,512,784</u>
Net OPEB obligation, end of year	<u><u>\$ 4,740,972</u></u>
Percentage of expense contributed	<u><u>10.66%</u></u>

D. Funded Status and Funding Progress

The funded status of the plan as of July 1, 2011, the date of the most recent actuarial valuation, is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b) - (a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b-a)/c)
July 1, 2011	\$ -	\$ 10,558,534	\$ 10,558,534	0.00%	\$ 6,428,037	164.26%
July 1, 2009	\$ -	\$ 9,042,099	\$ 9,042,099	0.00%	N/A	N/A

E. Actuarial Methods and Assumptions

Actual valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of potential occurrences of certain events in the future. Examples include assumption about future employment, mortality, healthcare costs trends, inflation, etc. Amounts determined regarding the funded status of the plan and the annual required contributions of the City are subject to constant changes and modifications as actual results are compared with past expectations and new estimates and assumptions are formed regarding the future. Projections of retiree benefits for financial reporting purposes are based on current plan activities and it is handled by

the City and the benefits are received by the eligible plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the City and plan members. The actuarial 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 annual required contribution for the current year was determined as part of the July 1, 2011, actuarial valuation using the Projected Unit Credit actuarial cost method. The actuarial assumptions include a 4% a year rate of investment return. Per the actuarial study the assumed rate ranges from 7.5% in the short-term to 6.0% in the long-term for health care related costs.

NOTE 9 – DEFERRED COMPENSATION PLAN

The City offers its employees a deferred compensation plan created in accordance with the Internal Revenue Code Section 457. The plan is available to all City employees and permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. The plan must hold all assets for the benefit of participants and their beneficiaries. The plan assets remain the property of the City until paid, subject only to claims of the City's general creditors.

NOTE 10 – PRIOR PERIOD ADJUSTMENT

A prior period adjustment was made on the statement of revenues, expenditures, and changes in fund balances – governmental funds in the amount of \$513,483. In the governmental funds, vacation leave is to be accrued as an expenditure only if there are pending payouts of unused leave owed to employees who left active service by the end of the fiscal period. The City has previously recorded all unused vacation in the governmental funds, which resulted in an overstatement of liabilities and expense in the governmental funds.

SUPPLEMENTARY INFORMATION

CITY OF MILLINGTON, TENNESSEE

SCHEDULE OF REVENUES – BUDGET AND ACTUAL – GENERAL FUND

For the Year Ended June 30, 2013

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
TAXES				
Property taxes	\$ 2,525,774	\$ 2,525,774	\$ 2,340,233	\$ (185,541)
Beer tax	450,000	450,000	449,822	(178)
Business tax	1,500	1,500	1,040	(460)
Local sales tax	3,150,000	3,150,000	3,213,142	63,142
Hotel/Motel tax	130,000	130,000	118,992	(11,008)
Interest and penalties	21,100	21,100	48,780	27,680
CATV franchise tax	25,000	25,000	28,231	3,231
Total taxes	6,303,374	6,303,374	6,200,240	(103,134)
LICENSES AND PERMITS				
Automobile stickers	160,000	160,000	174,885	14,885
Building and related permits	53,600	53,600	39,273	(14,327)
Planning and subdivision fees	5,000	5,000	1,585	(3,415)
Beer application and solicitors	3,350	3,350	2,490	(860)
Liquor inspection fee	65,000	65,000	72,161	7,161
Total licenses and permits	286,950	286,950	290,394	3,444
INTERGOVERNMENTAL				
State of Tennessee shared taxes				
Business tax	315,000	315,000	402,885	87,885
Sales tax	690,000	690,000	703,385	13,385
Beer tax	5,400	5,400	5,031	(369)
Income tax	17,100	17,100	24,816	7,716
Excise tax	16,000	16,000	14,183	(1,817)
Mixed drink tax	27,000	27,000	29,918	2,918
Telecommunications sales tax	500	500	909	409
TVA In-Lieu of Tax	117,412	117,412	116,045	(1,367)
Receipts in lieu of tax - MHA	19,773	19,773	19,402	(371)
Receipts in lieu of tax - MLGW	100,000	100,000	99,216	(784)
Beer privilege tax	4,400	4,400	3,690	(710)
Fire fees	1,032,469	1,032,469	956,846	(75,623)
Shelby County - "911"	12,000	12,000	-	(12,000)
U.S. Department of Justice DEA overtime	17,000	17,000	1,467	(15,533)
Total intergovernmental	2,374,054	2,374,054	2,377,793	3,739

CITY OF MILLINGTON, TENNESSEE

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

For the Year Ended June 30, 2013

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
CHARGES FOR SERVICES				
Airport authority	375,950	375,950	375,950	-
Recreation	417,310	417,310	386,951	(30,359)
Total charges for services	<u>793,260</u>	<u>793,260</u>	<u>762,901</u>	<u>(30,359)</u>
FINES FORFEITURES AND PENALTIES	<u>1,060,900</u>	<u>1,060,900</u>	<u>754,006</u>	<u>(306,894)</u>
FEDERAL, STATE AND LOCAL GRANTS	<u>78,177</u>	<u>259,148</u>	<u>227,009</u>	<u>(32,139)</u>
INTEREST ON INVESTMENTS	<u>10,000</u>	<u>10,000</u>	<u>3,833</u>	<u>(6,167)</u>
OTHER REVENUE				
Planned use of prior year funds	574,826	58,409	-	(58,409)
Miscellaneous	112,065	112,065	99,439	(12,626)
Total other revenue	<u>686,891</u>	<u>170,474</u>	<u>99,439</u>	<u>(71,035)</u>
TOTAL GENERAL FUND REVENUES	<u>\$ 11,593,606</u>	<u>\$ 11,258,160</u>	<u>\$ 10,715,615</u>	<u>\$ (542,545)</u>

CITY OF MILLINGTON, TENNESSEE

SCHEDULE OF EXPENDITURES – BUDGET AND ACTUAL – GENERAL FUND

For the Year Ended June 30, 2013

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
GENERAL GOVERNMENT				
General Government				
Salaries	\$ 445,379	\$ 394,000	\$ 393,463	\$ 537
Overtime	1,000	1,000	479	521
Part time	5,800	5,735	2,982	2,753
Vacation pay at retirement	-	5,742	5,742	-
Reimbursement for billing by City Hall	(157,056)	(157,056)	(157,056)	-
Health insurance	38,583	25,500	25,246	254
Life insurance	2,151	2,151	2,142	9
FICA	28,035	28,035	23,760	4,275
Medicare	6,557	5,557	5,557	-
Retirement	35,978	27,000	26,849	151
Workers compensation insurance	1,900	1,900	1,335	565
Unemployment compensation	2,000	3,355	3,053	302
Medical testing	2,000	2,000	741	1,259
Retiree insurance	13,250	13,472	13,472	-
Travel expense (Mayor)	2,000	1,394	255	1,139
Travel and training	15,000	11,700	9,667	2,033
City Beautiful	6,000	6,000	5,387	613
Special census	10,000	10,000	-	10,000
Chamber of Commerce	18,000	18,000	18,000	-
Publications and flags	2,000	2,300	2,247	53
Memberships and dues	6,000	6,080	6,079	1
Public relations	5,000	3,325	3,325	-
Advertising	1,000	3,200	2,951	249
Economic and development promotions	3,000	-	-	-
Tax collection expense	100,000	105,712	104,563	1,149
Utilities	28,000	25,000	24,481	519
Telephone	27,000	20,818	18,908	1,910
Legal and professional	60,018	90,380	89,968	412
Audit	26,000	26,470	26,470	-
City reappraisal	-	40,133	40,133	-
Repairs and maintenance - equipment	1,500	970	98	872
Repairs and maintenance - vehicle	1,000	1,000	197	803
Building maintenance	8,000	13,241	13,241	-
Maintenance agreement	21,258	9,750	9,750	-
Fuel billed by public works	5,000	472	303	169
Repairs by public works shop	200	200	178	22
Operational supplies	17,000	16,675	15,493	1,182
Equipment purchases	5,000	300	298	2
Administration charges	400	400	-	400
Gas and oil	87	87	-	87
Expendable furnishings and equipment	5,000	3,300	3,199	101
Building insurance	3,650	2,860	2,860	-
Liability insurance	1,170	1,632	1,031	601

CITY OF MILLINGTON, TENNESSEE

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

For the Year Ended June 30, 2013

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
General Government (continued)				
Errors and omissions insurance	1,410	1,473	1,172	301
Auto liability insurance	321	314	314	-
Miscellaneous	3,000	3,606	3,606	-
Car purchases	-	23,100	23,100	-
Total general government	808,591	808,283	775,039	33,244
Courts				
Salaries	146,478	153,000	152,865	135
Overtime	3,829	2,338	2,338	-
Part time staff	7,415	3,645	3,497	148
Part time staff - Prosecutor	16,000	16,000	15,996	4
Health insurance	12,861	12,862	12,861	1
Life insurance	816	784	555	229
FICA	9,779	8,507	8,450	57
Medicare	2,287	2,287	1,976	311
Retirement	12,115	12,605	12,604	1
Workers compensation insurance	951	781	309	472
Unemployment compensation	-	1,801	1,800	1
Medical testing	100	202	202	-
Retirees insurance	100	-	-	-
Training and travel	1,000	2,500	2,341	159
Publications	200	200	30	170
Memberships	75	75	16	59
Utilities	2,400	3,725	3,725	-
Telephone expense	5,000	6,300	6,271	29
Contract labor	3,500	1,050	1,050	-
Repairs and maintenance - equipment	2,000	75	-	75
Building maintenance	2,000	2,900	2,871	29
Maintenance agreement	10,000	11,550	11,116	434
Operational supplies	8,000	5,419	5,197	222
Expendable furnishings and equipment	2,000	200	164	36
Building insurance	1,084	1,184	1,183	1
General liability insurance	637	637	580	57
Errors and omissions insurance	298	298	281	17
Total courts	250,925	250,925	248,278	2,647

CITY OF MILLINGTON, TENNESSEE

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

For the Year Ended June 30, 2013

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Codes & Economic Development				
Salaries	259,384	253,025	227,900	25,125
Overtime	300	300	136	164
Part time staff	20,000	20,000	13,244	6,756
Vacation pay at retirement	-	3,908	3,907	1
Reimbursement for services by City engineer	(74,450)	(74,450)	(74,450)	-
Health insurance	17,292	17,053	13,690	3,363
Life insurance	1,442	1,442	1,132	310
FICA	17,340	17,340	14,640	2,700
Medicare	4,055	4,055	3,424	631
Retirement	20,931	20,931	18,576	2,355
Workers compensation insurance	3,681	4,124	4,123	1
Medical testing	200	500	456	44
Retiree insurances	5,600	5,600	5,212	388
Training and travel	3,800	2,050	1,915	135
Postage/printing	200	200	-	200
Planning study	50,000	100,000	75,000	25,000
Publications	95	181	181	-
Memberships and dues	500	500	250	250
Advertising	500	500	350	150
Phone expense	6,000	9,113	9,113	-
Legal and professional	16,000	22,162	22,162	-
Engineering	1,000	1,000	785	215
Contract labor	5,000	7,415	7,415	-
Repairs and maintenance - vehicle	500	623	622	1
Building maintenance	3,000	9,000	8,431	569
Maintenance agreement	9,413	9,413	9,142	271
Fuel billed by public works	4,500	5,352	5,352	-
Repairs by public works shop	5,000	2,024	1,125	899
Mapping and recording fees	500	400	-	400
Operational supplies	4,500	4,414	4,068	346
Uniforms	1,900	2,650	2,637	13
Expendable furnishings and equipment	1,500	4,585	4,585	-
Demolitions	8,000	124	-	124
Building insurance	1,100	1,199	1,198	1
General liability insurance	1,274	1,274	1,010	264
Errors and omissions insurance	283	333	332	1
Auto liability insurance	831	831	808	23
Computer hardware and software	8,000	-	-	-
Total codes & economic development	409,171	459,171	388,471	70,700

CITY OF MILLINGTON, TENNESSEE

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

For the Year Ended June 30, 2013

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Personnel				
Salaries	91,275	91,275	85,416	5,859
Part time	-	44	44	-
Vacation pay at retirement	-	3,860	3,860	-
Health insurance	4,215	4,189	3,512	677
Life insurance	507	507	494	13
FICA	5,659	5,665	5,665	-
Medicare	1,323	1,325	1,325	-
Retirement	7,357	7,357	7,188	169
Workers compensation insurance	371	389	388	1
Medical testing	490	490	318	172
Retirees insurance	9,800	9,800	9,654	146
Training and travel	4,000	96	40	56
Publications	500	500	-	500
Memberships	600	600	364	236
Public relations	2,000	2,000	134	1,866
Telephone	6,600	6,600	3,467	3,133
Repairs and maintenance - equipment	500	500	-	500
Building maintenance	300	300	60	240
Maintenance agreement	8,000	8,000	7,670	330
Operational supplies	2,000	2,000	1,838	162
Expendable furnishings and equipment	500	500	309	191
General liability insurance	637	632	474	158
Errors and omissions insurance	136	141	140	1
Total personnel	146,770	146,770	132,360	14,410
Total general government	1,615,457	1,665,149	1,544,148	121,001
PUBLIC SAFETY				
Police Department				
Salaries	1,852,004	1,848,514	1,820,363	28,151
Overtime	80,000	74,000	62,501	11,499
Part time - speed van	15,000	15,000	9,880	5,120
Part time - dispatchers	6,100	1,050	668	382
School crossing guards	45,320	39,320	38,581	739
Holiday Pay	52,700	55,493	55,492	1
Vacation pay at retirement	-	3,490	3,489	1
Police supplement pay	-	18,600	18,600	-
Health insurance	185,133	185,133	176,002	9,131
Life insurance	10,322	10,322	8,995	1,327
FICA	127,170	124,509	117,584	6,925
Medicare	29,741	29,741	27,499	2,242
Retirement	159,967	159,967	157,107	2,860
Workers compensation insurance	41,015	48,872	48,871	1

CITY OF MILLINGTON, TENNESSEE

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

For the Year Ended June 30, 2013

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Police Department (continued)				
Unemployment compensation	5,000	5,000	3,535	1,465
Medical testing	9,000	9,000	8,730	270
Retiree insurance	25,700	20,504	17,103	3,401
Training and travel	6,100	9,100	8,929	171
Membership	500	500	425	75
Advertising	100	120	120	-
Utilities	10,000	13,042	13,042	-
Telephone	38,000	41,968	41,967	1
Repairs and maintenance - equipment	6,000	3,396	1,946	1,450
Repairs and maintenance - vehicle	25,000	11,227	9,677	1,550
Building maintenance	18,000	18,000	16,723	1,277
Maintenance agreement	76,175	89,895	89,895	-
Fuel billed by public works	115,000	105,000	103,974	1,026
Repairs by public works shop	2,000	16,846	16,846	-
Operational supplies	5,000	15,550	15,414	136
Equipment purchases	12,000	33,787	32,756	1,031
Jail expense	13,000	10,172	10,077	95
Dog expense	500	800	608	192
Uniforms	25,000	25,000	23,863	1,137
Ammunition	10,000	9,125	4,053	5,072
Police supplies	4,500	1,561	820	741
Gas and oil	100	100	65	35
Expendable furnishings and equipment	-	3,542	3,542	-
Vehicle towing	-	1,000	937	63
TBI - sex offender fee	100	150	150	-
Claims paid direct	-	204	204	-
Building insurance	4,343	4,738	4,737	1
General liability insurance	35,370	35,370	33,661	1,709
Errors and omissions insurance	3,515	3,515	3,374	141
Auto liability insurance	13,129	15,399	15,398	1
Auto purchases	58,000	83,328	83,327	1
Total police department	3,125,604	3,200,950	3,111,530	89,420
Fire Department				
Salaries	1,649,962	1,669,000	1,668,919	81
Salaries - value added	9,360	9,360	9,280	80
Overtime	140,000	130,120	130,120	-
Part time	50,000	56,847	56,846	1
Holiday pay	52,500	50,154	50,154	-
Vacation pay at retirement	-	18,032	18,031	1
Fire supplement pay	-	17,400	17,400	-
Health insurance	266,946	267,271	267,270	1
Life insurance	9,053	9,053	8,910	143

CITY OF MILLINGTON, TENNESSEE

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

For the Year Ended June 30, 2013

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Fire Department (continued)				
FICA	117,913	108,850	108,850	-
Medicare	27,576	25,457	25,457	-
Retirement	149,257	149,547	149,546	1
Workers compensation insurance	34,445	39,654	39,653	1
Unemployment compensation	-	118	117	1
Medical testing	5,000	5,000	4,698	302
Retiree insurance	15,000	27,389	27,388	1
Training and travel	16,500	22,000	21,432	568
Volunteer expense	3,000	3,000	1,636	1,364
Ambulance service	361,843	361,843	361,843	-
Office supplies	2,500	2,500	1,635	865
Membership	1,225	1,557	1,556	1
Utilities	60,000	48,000	47,741	259
Telephone	17,000	17,000	16,682	318
Repairs and maintenance - equipment	26,000	8,900	8,858	42
Repairs and maintenance - vehicle	26,500	21,900	21,830	70
Building maintenance	27,000	28,045	28,045	-
Maintenance agreement	4,000	8,700	8,608	92
Fire prevention	2,500	2,500	2,103	397
Tires	7,000	4,245	1,546	2,699
Fuel billed by public works	40,500	35,100	35,066	34
Repairs by public works shop	4,000	4,000	3,730	270
Operational supplies	11,825	10,605	8,065	2,540
Safety equipment	15,000	24,428	23,346	1,082
Medical supplies	5,000	5,000	3,345	1,655
Fire hose	5,000	5,000	4,509	491
Uniforms	15,000	15,000	13,558	1,442
Gas and oil	150	179	179	-
Expendable furnishings and equipment	13,000	34,009	32,991	1,018
Building insurance	2,323	2,533	2,533	-
General liability insurance	9,100	10,327	9,377	950
Errors and omissions insurance	2,871	3,021	3,021	-
Auto liability insurance	8,975	9,267	9,267	-
Auto purchases	29,900	28,938	28,938	-
Total fire department	3,244,724	3,300,849	3,284,079	16,770
Total public safety	6,370,328	6,501,799	6,395,609	106,190

CITY OF MILLINGTON, TENNESSEE

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

For the Year Ended June 30, 2013

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
COMMUNITY SERVICES				
Library				
Travel and training	2,256	-	-	-
Membership	504	-	-	-
Advertising	1,500	-	-	-
Utilities	25,000	599	488	111
Telephone	18,780	-	-	-
Contracts	183,880	285,036	285,036	-
Repairs and maintenance - equipment	1,500	-	-	-
Building maintenance	7,000	4,113	2,865	1,248
Operational supplies	7,000	2,200	1,455	745
Automation	13,500	-	-	-
Janitor supplies	500	2,182	605	1,577
Program materials, books, and supplies	27,492	-	-	-
Building insurance	3,996	4,327	4,326	1
Liability insurance	500	468	468	-
Total library	293,408	298,925	295,243	3,682
Arts, Recreation, & Parks				
Salaries	583,644	570,039	567,183	2,856
Field supervisors	5,750	5,750	2,052	3,698
Umpires/officials	20,360	18,860	13,832	5,028
Scorekeepers/press box/gate	14,500	12,117	10,586	1,531
Overtime	-	122	121	1
Sports instructor	1,000	608	608	-
Part time labor/staff	80,500	82,736	75,058	7,678
Part time concessions	12,000	11,000	7,826	3,174
Part time staff field maintenance	20,000	20,000	19,666	334
Vacation pay at retirement	-	15,713	15,711	2
Health insurance	68,736	84,296	81,973	2,323
Life insurance	2,902	3,078	2,872	206
FICA	45,740	43,629	41,028	2,601
Medicare	10,698	10,383	9,595	788
Retirement	47,042	46,234	46,123	111
Workers compensation insurance	9,043	14,710	12,703	2,007
Unemployment compensation	1,000	7,947	5,484	2,463
Medical testing	600	3,185	3,171	14
Retirees insurance	29,000	40,687	39,330	1,357
Travel and training	4,000	7,510	7,341	169
Trophies	1,900	1,575	1,239	336
Umpires	22,000	25,552	25,552	-
Printing publications	500	80	80	-
Munford youth registration	200	-	-	-
Publications	100	100	93	7

CITY OF MILLINGTON, TENNESSEE

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

For the Year Ended June 30, 2013

	Budgeted Amounts		Actual Amounts	Final Budget - Positive (Negative)
	Original	Final		
Arts, Recreation, & Parks (continued)				
Memberships	1,050	1,404	1,288	116
Advertising	6,750	5,350	4,678	672
Utilities - electric	178,006	157,816	135,176	22,640
Utilities - water	18,000	17,400	17,014	386
Utilities - sewer	14,698	16,894	16,893	1
Telephone expense	23,400	21,912	21,240	672
Contract labor - goat days	6,000	4,684	4,684	-
Repairs and maintenance - equipment	20,500	13,804	6,683	7,121
Repairs and maintenance - vehicle	4,500	2,649	1,426	1,223
Building maintenance	42,100	40,463	33,182	7,281
Maintenance agreements	7,500	8,541	7,838	703
Halloween	750	750	702	48
Annual Parade	300	300	295	5
Other special events	3,500	6,000	5,290	710
Senior citizens	10,500	10,500	9,322	1,178
Fuel billed by public works	42,000	29,708	20,980	8,728
Repairs by public works shop	13,500	13,034	6,770	6,264
Operational supplies	55,000	47,441	34,871	12,570
Concessions	15,000	13,918	12,417	1,501
Rugby field expenses	500	100	60	40
Equipment rentals - goat days	1,800	3,365	3,365	-
Uniforms	16,800	17,917	14,484	3,433
Program materials and supplies	9,700	7,806	6,084	1,722
Gas and oil	900	400	107	293
Expendable furnishings and equipment	36,000	27,732	24,735	2,997
Tools	5,000	4,794	4,794	-
Entertainment - goat days	7,500	7,440	7,440	-
Hospitality room - goat days	250	-	-	-
Grounds maintenance	45,000	58,959	36,314	22,645
Supplies - gift shop	12,500	11,008	10,217	791
SVC - Doyle baseball	2,500	1,396	1,275	121
Lease agreements	4,000	4,000	4,000	-
Building insurance	16,037	17,572	17,535	37
Liability insurance	8,200	9,189	8,453	736
Errors and omissions insurance	1,222	1,430	1,358	72
Auto liability insurance	2,449	3,346	3,294	52
Equipment purchases	25,000	21,194	21,194	-
Total arts & recreation	1,639,627	1,636,127	1,494,685	141,442
Total community services	1,933,035	1,935,052	1,789,928	145,124

CITY OF MILLINGTON, TENNESSEE

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

For the Year Ended June 30, 2013

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
PUBLIC WORKS				
Salaries	122,612	128,279	128,279	-
Part time staff	-	11,750	11,750	-
Health insurance	17,292	17,820	17,820	-
Life insurance	684	737	737	-
FICA	7,602	7,736	7,735	1
Medicare	1,778	1,810	1,809	1
Retirement	9,883	8,733	8,725	8
Workers compensation insurance	5,673	5,563	5,556	7
Medical testing	800	250	244	6
Retiree insurance	5,585	10,967	10,967	-
Training and travel	1,000	200	80	120
Publications	500	-	-	-
Advertising	100	-	-	-
Utilities	16,000	17,300	17,117	183
Telephone	12,200	6,524	6,523	1
Repairs and maintenance - equipment	2,000	800	292	508
Repairs and maintenance - vehicle	4,500	2,521	2,085	436
Building maintenance	6,000	6,000	5,275	725
Maintenance agreement	2,700	3,600	3,296	304
Fuel billed by public works	(331,550)	(302,485)	(302,485)	-
Gas purchases	231,550	178,084	178,084	-
Diesel purchases	100,000	112,712	112,712	-
Inventory purchases	78,750	85,638	85,638	-
Repairs by public works shop	(78,750)	(67,521)	(67,521)	-
Operational supplies	7,000	9,600	9,356	244
Animal control	2,500	964	964	-
Uniforms	2,700	1,881	1,852	29
Gas and oil	5,000	3,650	3,650	-
Shop supplies	8,000	2,230	2,230	-
Expendable furnishings and equipment	2,200	1,000	370	630
Tools	4,000	4,880	4,880	-
Building insurance	929	1,015	1,014	1
General liability insurance	1,274	1,274	926	348
Errors and omissions insurance	533	533	427	106
Auto liability insurance	1,726	1,726	1,457	269
Total public works	<u>252,771</u>	<u>265,771</u>	<u>261,844</u>	<u>3,927</u>
TOTAL GENERAL FUND EXPENDITURES	<u><u>\$ 10,171,591</u></u>	<u><u>\$ 10,367,771</u></u>	<u><u>\$ 9,991,529</u></u>	<u><u>\$ 376,242</u></u>

CITY OF MILLINGTON, TENNESSEE

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL – CAPITAL IMPROVEMENTS FUND**

For the Year Ended June 30, 2013

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
CAPITAL IMPROVEMENTS FUND				
Revenues:				
Federal Grants				
Veterans Parkway South	\$ 2,520,000	\$ 2,264,401	\$ 1,329,804	\$ (934,597)
Veterans Parkway West	3,000,000	7,073,266	7,138,087	64,821
CDBG - Library handicap doors	-	-	10,180	10,180
CDBG - Navy/Nelson ADA signal	-	56,153	56,153	-
Interest on investments	-	-	30,201	30,201
Planned use of fund balance	1,380,000	1,386,900	-	(1,386,900)
Total revenues	<u>6,900,000</u>	<u>10,780,720</u>	<u>8,564,425</u>	<u>(2,216,295)</u>
Expenditures:				
Capital Improvements				
Air packs	15,000	15,000	11,800	3,200
Veterans Parkway - South	3,000,000	2,614,516	1,794,632	819,884
Veterans Parkway - West	3,900,000	9,078,484	9,078,484	-
Raleigh Millington Road realignment	250,000	20,150	20,150	-
Navy/Nelson ADA signal	-	56,153	56,137	16
Navy/Church Street intersection	59,000	59,000	1,021	57,979
Street lighting expansion	40,000	40,000	-	40,000
Station 2 shingle replacement	8,000	8,000	-	8,000
MHA/Greenhills drainage project	72,000	-	-	-
Debt Service				
Debt issuance costs	-	6,900	6,898	2
Total expenditures	<u>7,344,000</u>	<u>11,898,203</u>	<u>10,969,122</u>	<u>929,081</u>
Excess (deficiency) of revenues over expenditures	(444,000)	(1,117,483)	(2,404,697)	(1,287,214)
Other financing sources (uses):				
Issuance of debt	-	1,150,000	1,150,000	-
Transfers in	574,826	98,309	-	(98,309)
Transfers out	(130,826)	(130,826)	(165,000)	(34,174)
Total other financing sources (uses)	<u>444,000</u>	<u>1,117,483</u>	<u>985,000</u>	<u>(132,483)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	(1,419,697)	<u>\$ (1,419,697)</u>
Fund balance - beginning			<u>3,989,704</u>	
Fund balance - ending			<u>\$ 2,570,007</u>	

CITY OF MILLINGTON, TENNESSEE

COMBINING BALANCE SHEET – NONMAJOR GOVERNMENTAL FUNDS

June 30, 2013

	Special Revenue Funds				
	State Street Aid Fund	City Sales Tax Fund	Sanitation Fund	Drug Fund	DEA Drug Fund
ASSETS					
Cash and cash equivalents	\$ 7,477	\$ 372,263	\$ 2,322	\$ 94,584	\$ 126,187
Receivables					
Accounts	-	-	210,026	-	-
Less: allowance	-	-	(75,123)	-	-
Due from other funds	5,509	-	237	-	-
Due from other governments	51,335	239,721	16,066	-	-
Prepays and other assets	14,587	-	18,992	-	-
Total assets	\$ 78,908	\$ 611,984	\$ 172,520	\$ 94,584	\$ 126,187
LIABILITIES					
Accounts payable	\$ 1,299	\$ 5,412	\$ 3,197	\$ 87	\$ -
Accrued payroll and vacation	22,569	-	21,676	-	-
Due from other governments	-	-	-	-	-
Due to other funds	54,694	-	299,998	-	524
Total liabilities	78,562	5,412	324,871	87	524
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue - grants	240	-	16,066	-	-
FUND BALANCES					
Nonspendable	14,587	-	18,992	-	-
Restricted	-	-	-	94,497	125,663
Committed	-	606,572	-	-	-
Assigned	-	-	-	-	-
Unassigned	(14,481)	-	(187,409)	-	-
Total fund balances	106	606,572	(168,417)	94,497	125,663
Total liabilities, deferred inflows of resources, and fund balances	\$ 78,908	\$ 611,984	\$ 172,520	\$ 94,584	\$ 126,187

CITY OF MILLINGTON, TENNESSEE

COMBINING BALANCE SHEET – NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)

June 30, 2013

Storm Water Fund	CON Project Fund	Debt Service Fund	Total Nonmajor Governmental Funds
\$ 393,006	\$ 24,571	\$ 9,837	\$ 1,030,247
16,271	-	-	226,297
(16,271)	-	-	(91,394)
28	-	-	5,774
17,422	-	-	324,544
715	-	-	34,294
\$ 411,171	\$ 24,571	\$ 9,837	\$ 1,529,762
\$ 5,357	\$ -	\$ -	\$ 15,352
-	-	-	44,245
36,479	-	-	36,479
30,018	-	9,500	394,734
71,854	-	9,500	490,810
17,422	-	-	33,728
715	-	-	34,294
-	24,571	-	244,731
321,180	-	-	927,752
-	-	337	337
-	-	-	(201,890)
321,895	24,571	337	1,005,224
\$ 411,171	\$ 24,571	\$ 9,837	\$ 1,529,762

CITY OF MILLINGTON, TENNESSEE

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

For the Year Ended June 30, 2013

	Special Revenue Funds				
	State Street Aid Fund	City Sales Tax Fund	Sanitation Fund	Drug Fund	DEA Drug Fund
REVENUES					
Intergovernmental	\$ 282,763	\$ 840,683	\$ -	\$ -	\$ -
Charges for services	-	-	935,847	-	-
Fines, forfeitures, and penalties	-	-	-	8,483	76,743
Federal, state, and local grants	-	-	-	-	-
Interest on investments	38	11	147	138	228
Other	2,719	-	24,620	20,862	3,201
Total revenues	<u>285,520</u>	<u>840,694</u>	<u>960,614</u>	<u>29,483</u>	<u>80,172</u>
EXPENDITURES					
Education	-	171,122	-	-	-
Public Safety					
Drug abuse	-	-	-	43,306	-
DEA Drug	-	-	-	-	76,911
Transportation and Environment					
Street department	705,129	-	-	-	-
Storm water control	-	-	-	-	-
Solid waste control	-	-	974,156	-	-
Capital outlays	-	-	-	-	-
Debt service - principal	-	-	-	-	-
Debt service - interest and fiscal charges	-	-	-	-	-
Total expenditures	<u>705,129</u>	<u>171,122</u>	<u>974,156</u>	<u>43,306</u>	<u>76,911</u>
Excess (deficiency) of revenues over expenditures	(419,609)	669,572	(13,542)	(13,823)	3,261
OTHER FINANCING SOURCES (USES)					
Transfers in	387,106	-	-	-	-
Transfers out	-	(63,000)	-	-	-
Net change in fund balances	<u>(32,503)</u>	<u>606,572</u>	<u>(13,542)</u>	<u>(13,823)</u>	<u>3,261</u>
Fund balances - beginning					
as previously reported	11,554	-	(186,923)	108,320	122,402
Prior period adjustment	21,055	-	32,048	-	-
Fund balances - beginning, as restated	<u>32,609</u>	<u>-</u>	<u>(154,875)</u>	<u>108,320</u>	<u>122,402</u>
Fund balances - ending	<u>\$ 106</u>	<u>\$ 606,572</u>	<u>\$ (168,417)</u>	<u>\$ 94,497</u>	<u>\$ 125,663</u>

CITY OF MILLINGTON, TENNESSEE

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES – NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)**

For the Year Ended June 30, 2013

Storm Water Fund	CON Project Fund	Debt Service Fund	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ 1,123,446
241,355	-	-	1,177,202
-	-	-	85,226
15,000	-	-	15,000
304	-	54	920
5,646	19	-	57,067
262,305	19	54	2,458,861
-	-	-	171,122
-	-	-	43,306
-	-	-	76,911
-	-	-	705,129
382,862	-	-	382,862
-	-	-	974,156
-	3,910	-	3,910
-	-	446,805	446,805
-	-	216,833	216,833
382,862	3,910	663,638	3,021,034
(120,557)	(3,891)	(663,584)	(562,173)
-	-	585,483	972,589
-	-	-	(63,000)
(120,557)	(3,891)	(78,101)	347,416
442,452	28,462	78,438	604,705
-	-	-	53,103
442,452	28,462	78,438	657,808
\$ 321,895	\$ 24,571	\$ 337	\$ 1,005,224

CITY OF MILLINGTON, TENNESSEE

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

For the Year Ended June 30, 2013

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
STATE STREET AID FUND				
Revenues:				
Intergovernmental				
Gasoline and motor fuel tax	\$ 179,000	\$ 179,000	\$ 179,166	\$ 166
Gas three cent tax	52,400	52,400	53,774	1,374
Gas 1989 tax	28,200	28,200	28,973	773
Petroleum special tax	21,000	21,000	20,850	(150)
Interest on investments	50	50	38	(12)
Other	-	-	2,719	2,719
Total revenues	280,650	280,650	285,520	4,870
Expenditures:				
Street Department				
Salaries	304,229	303,085	302,661	424
Overtime	5,000	691	690	1
Part time labor	5,000	4,733	4,732	1
Vacation pay at retirement	-	6,095	6,095	-
Reimbursement for drain cleaning for Storm Water	(66,111)	(66,111)	(66,111)	-
Health insurance	47,229	55,157	55,057	100
Life insurance	1,702	1,702	1,658	44
FICA	19,482	17,474	17,474	-
Medicare	4,557	4,088	4,087	1
Retirement	24,924	24,452	24,450	2
Workers compensation insurance	12,218	14,822	14,821	1
Unemployment compensation	400	703	703	-
Medical testing	1,500	1,191	1,190	1
Insurance - retirees	14,500	9,708	9,706	2
Travel and training	-	280	267	13
Street lights	180,000	210,848	210,848	-
Telephone	600	2,537	2,537	-
Audit	1,417	1,417	1,417	-
ROW maintenance	6,000	3,949	3,947	2
Repair and maintenance equipment	14,000	13,540	13,538	2
Repair and maintenance vehicle	9,000	3,198	3,196	2
Maintenance agreement	-	630	630	-
Street and traffic light repair	19,000	17,663	17,662	1
Street repair and maintenance	10,000	2,394	2,393	1
Sign materials	25,000	7,616	7,614	2
Fuel billed by public works	32,000	34,772	34,771	1
Repairs by public works shop	10,000	12,646	12,646	-
Operational supplies	6,000	5,008	5,007	1
Uniforms	4,000	4,150	4,149	1

CITY OF MILLINGTON, TENNESSEE

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

For the Year Ended June 30, 2013

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
STATE STREET AID FUND (continued)				
Expendable furnishings and equipment	-	1,200	1,197	3
Building insurance	236	341	340	1
General liability	1,349	1,377	1,376	1
Errors and omissions	765	750	740	10
Auto liability insurance	3,759	3,641	3,641	-
Total expenditures	<u>697,856</u>	<u>705,747</u>	<u>705,129</u>	<u>618</u>
Excess (deficiency) of revenues over expenditures	(417,206)	(425,097)	(419,609)	5,488
Other financing sources (uses):				
Transfers in	<u>417,206</u>	<u>425,097</u>	<u>387,106</u>	<u>(37,991)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	(32,503)	<u>\$ (32,503)</u>
Fund balance - beginning, as previously reported			11,554	
Prior period adjustment			<u>21,055</u>	
Fund balance - beginning, as restated			<u>32,609</u>	
Fund balance - ending			<u>\$ 106</u>	

CITY OF MILLINGTON, TENNESSEE

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

For the Year Ended June 30, 2013

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
CITY SALES TAX				
Revenues:				
Intergovernmental - local option sales tax	\$ -	\$ 600,000	\$ 840,683	\$ 240,683
Interest on investments	-	-	11	11
Total revenues	-	600,000	840,694	240,694
Expenditures:				
Education				
Advertising	-	12,000	11,311	689
Legal and professional	-	300,000	159,811	140,189
Contingency	-	225,000	-	225,000
Total expenditures	-	537,000	171,122	365,878
Excess (deficiency) of revenues over expenditures	-	63,000	669,572	606,572
Other financing sources (uses):				
Transfers out	-	63,000	63,000	-
Net change in fund balance	\$ -	\$ -	606,572	\$ 606,572
Fund balance - beginning			-	
Fund balance - ending			\$ 606,572	

CITY OF MILLINGTON, TENNESSEE

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

For the Year Ended June 30, 2013

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
SANITATION FUND				
Revenues:				
Charges for services				
Commercial fees	\$ 217,000	\$ 217,000	\$ 240,173	\$ 23,173
Residential fees	678,132	678,132	695,674	17,542
Interest on investments	500	500	147	(353)
Other	17,000	17,000	24,620	7,620
Planned use of prior year funds	-	62,998	-	(62,998)
Total revenues	912,632	975,630	960,614	(15,016)
Expenditures:				
Solid Water Control				
Salaries	387,509	379,759	379,759	-
Overtime	2,000	-	-	-
Vacation pay at retirement	-	318	317	1
Reimbursement for billing by City Hall	39,263	39,263	39,263	-
Health insurance	73,167	81,053	81,052	1
Life insurance	2,167	1,970	1,963	7
FICA	24,149	20,428	20,355	73
Medicare	5,648	4,849	4,761	88
Retirement	31,394	30,610	30,608	2
Workers compensation insurance	17,287	18,986	18,731	255
Unemployment compensation insurance	-	6,641	6,640	1
Medical testing	1,850	1,152	1,150	2
Insurance for retirees	4,400	4,419	4,418	1
Travel and training	500	295	294	1
Advertising	400	100	50	50
Telephone expense	300	650	649	1
Audit	1,417	1,417	1,417	-
Repairs and maintenance equipment	14,000	11,794	11,687	107
Repairs and maintenance vehicle	33,782	31,524	31,353	171
Maintenance agreement	5,200	5,675	5,656	19
Fuel billed by public works	35,000	57,613	57,613	-
Repairs by public works shop	32,000	21,940	21,940	-
Solid waste disposal	32,251	31,432	31,432	-
Operational supplies	8,000	7,074	7,072	2
Equipment purchases	-	47,628	47,628	-
Uniforms	4,300	4,651	4,648	3
Building insurance	236	258	257	1
General liability insurance	3,254	3,492	3,305	187
Errors and omissions insurance	907	923	911	12

CITY OF MILLINGTON, TENNESSEE

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

For the Year Ended June 30, 2013

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
SANITATION FUND (continued)				
Auto liability insurance	5,387	6,113	6,112	1
Tipping Fee	13,000	11,369	10,931	438
Truck purchases	-	142,184	142,184	-
Gas and oil	133,814	-	-	-
Reserve to fund deficit	50	50	-	50
Total expenditures	<u>912,632</u>	<u>975,630</u>	<u>974,156</u>	<u>1,474</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	(13,542)	<u>\$ (13,542)</u>
Fund balance - beginning, as previously reported			(186,923)	
Prior period adjustment			<u>32,048</u>	
Fund balance - beginning, as restated			<u>(154,875)</u>	
Fund balance - ending			<u>\$ (168,417)</u>	

CITY OF MILLINGTON, TENNESSEE

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

For the Year Ended June 30, 2013

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
DRUG FUND				
Revenues:				
Fines, forfeitures, and penalties				
Fines and confiscations	\$ 74,467	\$ 74,467	\$ 4,779	\$ (69,688)
Drug fines	10,000	10,000	3,704	(6,296)
Interest on investments	100	100	138	38
Other	-	-	20,862	20,862
Planned use of prior year funds	30,000	30,000	-	(30,000)
Total revenues	<u>114,567</u>	<u>114,567</u>	<u>29,483</u>	<u>(85,084)</u>
Expenditures:				
Drug Abuse				
Training and travel	12,000	11,998	737	11,261
Educational material	7,000	7,000	2,245	4,755
Confidential undercover expense	12,000	12,000	2,151	9,849
Phone expense	150	150	144	6
Audit fees	1,417	1,417	1,417	-
Repair and maintenance vehicle	1,000	1,000	535	465
Maintenance agreement	6,140	6,142	6,141	1
Fuel billed by public works	6,000	6,000	-	6,000
Equipment	10,000	10,000	2,360	7,640
Dog expense	6,000	6,000	2,713	3,287
Police supplies	5,000	5,000	667	4,333
Expendable furnishings and equipment	24,000	24,000	1,096	22,904
Car purchases	-	23,100	23,100	-
Contingency	23,860	760	-	760
Total expenditures	<u>114,567</u>	<u>114,567</u>	<u>43,306</u>	<u>71,261</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	(13,823)	<u>\$ (13,823)</u>
Fund balance - beginning			<u>108,320</u>	
Fund balance - ending			<u>\$ 94,497</u>	

CITY OF MILLINGTON, TENNESSEE

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

For the Year Ended June 30, 2013

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
DEA DRUG FUND				
Revenues:				
Fines, forfeitures, and penalties				
DEA federal shared proceeds	\$ 121,017	\$ 121,017	\$ 76,743	\$ (44,274)
Interest on investments	100	100	228	128
Other	-	-	3,201	3,201
Planned use of prior year funds	25,000	25,000	-	(25,000)
Total revenues	<u>146,117</u>	<u>146,117</u>	<u>80,172</u>	<u>(65,945)</u>
Expenditures:				
DEA Drug				
Travel and training	13,000	13,000	4,876	8,124
Special investigation expense	-	100	100	-
Audit fees	1,417	1,417	1,417	-
Repair and maintenance vehicle	1,500	1,500	798	702
Fuel billed by public works	18,700	18,700	10,303	8,397
Repairs by public works shop	2,000	2,000	1,216	784
Supplies	22,500	22,400	5,832	16,568
Equipment purchase	38,000	38,000	22,758	15,242
Gas and oil	5,000	5,000	-	5,000
Expendable furnishings and equipment	5,000	5,000	137	4,863
Vehicle towing	9,000	9,000	1,536	7,464
Equipment for cars	5,000	5,000	3,197	1,803
Car purchases	-	24,741	24,741	-
Contingency	25,000	259	-	259
Total expenditures	<u>146,117</u>	<u>146,117</u>	<u>76,911</u>	<u>69,206</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	3,261	<u>\$ 3,261</u>
Fund balance - beginning			<u>122,402</u>	
Fund balance - ending			<u>\$ 125,663</u>	

CITY OF MILLINGTON, TENNESSEE

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

For the Year Ended June 30, 2013

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
STORM WATER FUND				
Revenues:				
Charges for services				
Commercial fees	\$ 164,000	\$ 164,000	\$ 160,815	\$ (3,185)
Residential fees	78,000	78,000	80,540	2,540
Federal grants	-	47,600	15,000	(32,600)
Interest on investments	750	750	304	(446)
Other	3,600	3,600	5,646	2,046
Planned use of prior year funds	96,082	172,137	-	(172,137)
Total revenues	<u>342,432</u>	<u>466,087</u>	<u>262,305</u>	<u>(203,782)</u>
Expenditures:				
Storm Water Control				
Reimbursement for billing by City Hall	39,263	39,263	39,263	-
Reimbursement for service by City Engineer	74,450	74,450	74,450	-
Reimbursement for drain cleaning by Streets	66,111	66,111	66,111	-
Workers compensation insurance	59	59	40	19
Education/outreach	1,500	335	-	335
Drainage control	58,870	182,525	158,361	24,164
Advertising	500	500	-	500
Telephone	2,000	2,000	1,075	925
Audit	1,417	1,417	1,417	-
Repair and maintenance vehicle	467	467	114	353
Maintenance agreement	16,671	15,426	10,025	5,401
Levee maintenance	50,000	50,000	-	50,000
Fuel billed by public works	1,000	1,000	426	574
Repairs by public works shop	100	100	18	82
Operational supplies	4,000	4,000	3,204	796
Expendable furnishings and equipment	1,500	3,810	3,808	2
State permits and fees	3,460	3,460	3,460	-
General liability insurance	637	637	579	58
Errors and omissions insurance	265	295	295	-
Auto liability insurance	162	216	216	-
Vehicle	20,000	19,916	19,900	16
Membership/dues	-	100	100	-
Total expenditures	<u>342,432</u>	<u>466,087</u>	<u>382,862</u>	<u>83,225</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>(120,557)</u>	<u>\$ (120,557)</u>
Fund balance - beginning			<u>442,452</u>	
Fund balance - ending			<u>\$ 321,895</u>	

CITY OF MILLINGTON, TENNESSEE

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

For the Year Ended June 30, 2013

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive - (Negative)
	Original	Final		
CON Project Fund				
Revenues:				
Interest on investments	\$ -	\$ -	\$ 19	\$ 19
Planned use of prior year funds	20,887	25,087	-	(25,087)
Total revenues	<u>20,887</u>	<u>25,087</u>	<u>19</u>	<u>(25,068)</u>
Expenditures:				
Capital improvements	<u>20,887</u>	<u>25,087</u>	<u>3,910</u>	<u>21,177</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>(3,891)</u>	<u>\$ (3,891)</u>
Fund balance - beginning			<u>28,462</u>	
Fund balance - ending			<u>\$ 24,571</u>	

CITY OF MILLINGTON, TENNESSEE

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

For the Year Ended June 30, 2013

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
DEBT SERVICE FUND				
Revenues:				
Interest on investments	\$ 50	\$ 50	\$ 54	\$ (4)
Planned use of prior year funds	77,493	77,493	-	77,493
Total revenues	<u>77,543</u>	<u>77,543</u>	<u>54</u>	<u>77,489</u>
Expenditures:				
Principal retirement				
BNY 1997 loan	157,000	157,000	157,000	-
First TN 2010 CON	88,000	88,000	88,000	-
First TN 2011 loan	64,000	64,000	64,000	-
YMCA agreement	150,000	137,806	137,805	1
Interest expense	205,526	217,720	216,833	887
Administrative charges	10,000	10,000	-	10,000
Total expenditures	<u>674,526</u>	<u>674,526</u>	<u>663,638</u>	<u>10,888</u>
Other Financing Sources:				
Transfers in	<u>596,983</u>	<u>596,983</u>	<u>585,483</u>	<u>10,884</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>(78,101)</u>	<u>\$ 77,485</u>
Fund balance - beginning			<u>78,438</u>	
Fund balance - ending			<u>\$ 337</u>	

CITY OF MILLINGTON, TENNESSEE

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

For the Year Ended June 30, 2013

<u>CFDA Number</u>	<u>Pass-through Entity Identifying Number</u>	<u>Grantor Agency</u>	<u>Balance June 30, 2012</u>	<u>Cash Receipts</u>	<u>Expenditures</u>	<u>Balance June 30, 2013</u>
		U.S. Department of Housing and Urban Development				
14.218	N/A	Community Development Block Grant	\$ 10,180	\$ 10,180	\$ -	\$ -
14.218	N/A	Shelby County Department of Housing Pass-Through	-	56,153	56,153	-
14.218	N/A	Shelby County Department of Housing Pass-Through	-	7,500	15,000	7,500
14.218	N/A		-	7,500	15,000	7,500
		Total U.S. Department of Housing and Urban Development	<u>10,180</u>	<u>81,333</u>	<u>86,153</u>	<u>15,000</u>
		U.S. Department of Transportation				
20.205	090009	Highway Planning and Construction	683,107	1,494,497	1,435,706	624,316
20.205	090010	State of Tennessee Pass-Through	2,967,148	9,989,845	7,078,445	55,748
		Total U.S. Department of Transportation	<u>3,650,255</u>	<u>11,484,342</u>	<u>8,514,151</u>	<u>680,064</u>
		U.S. Department of Homeland Security				
97.036	FEMA-1909-DR-TN	Public Assistance Grant FEMA	60,759	-	-	60,759
97.067	10UASI-MILL	Urban Areas Security Initiative	10,999	10,999	-	-
97.067	10MILL-UASI-2	Shelby County Pass-Through	-	22,830	22,830	-
97.067	10MILL-UASI-3		-	12,889	12,889	-
97.025	N/A	Task Force ONE	-	3,165	3,165	-
		Total U.S. Department of Homeland Security	<u>71,758</u>	<u>49,883</u>	<u>38,884</u>	<u>60,759</u>
		U.S. Department of Justice				
16.738	N/A	Justice Assistance Grant	-	-	18,197	18,197
	N/A	Shelby County Pass-Through	-	25,398	25,398	-
16.710	2011UMWX0174	Community Oriented Policing Services	16,537	54,533	80,629	42,633
		Total U.S. Department of Justice	<u>16,537</u>	<u>79,931</u>	<u>124,224</u>	<u>60,830</u>
		Total Federal Awards	<u>3,748,730</u>	<u>11,695,489</u>	<u>8,763,412</u>	<u>816,653</u>
		TN Department of Agriculture				
N/A	N/A	TN Agricultural Enhancement Program	-	1,500	1,500	-
N/A	N/A	Tennessee Emergency Management Agency Grant	30,160	-	-	30,160
		Total Federal and State Awards	<u>\$ 3,778,890</u>	<u>\$ 11,696,989</u>	<u>\$ 8,764,912</u>	<u>\$ 846,813</u>

See accompanying notes to schedule of expenditures of federal and state awards.

CITY OF MILLINGTON, TENNESSEE

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

For the Year Ended June 30, 2013

NOTE 1 – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal and State Awards (the Schedule) includes the federal grant activity of the City of Millington, Tennessee under programs of the federal government for the year ended June 30, 2013. The information in this Schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the Schedule presents only a selected portion of the operations of the City of Millington, Tennessee, it is not intended to and does not present the financial position, changes in net position, or cash flows of the City of Millington, Tennessee.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Pass-through entity identifying numbers are presented where available.

CITY OF MILLINGTON, TENNESSEE

SCHEDULE OF FIDELITY BONDS OF PRINCIPAL OFFICIALS

For the Year Ended June 30, 2013

	Amount of Bond	Surety
Mayor	\$ 150,000	TML Risk Management
City Clerk	\$ 150,000	TML Risk Management
City Court Clerk	\$ 150,000	TML Risk Management
Police Chief	\$ 150,000	TML Risk Management
Fire Chief	\$ 150,000	TML Risk Management
Seven Alderman (each)	\$ 150,000	TML Risk Management

CITY OF MILLINGTON, TENNESSEE
GOVERNMENTAL FUNDS REVENUES BY SOURCE

For the Last Ten Fiscal Years Ended June 30

	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Revenues										
Taxes	\$ 6,200,240	\$ 6,351,200	\$ 6,465,856	\$ 6,279,618	\$ 6,036,013	\$ 5,945,932	\$ 5,812,756	\$ 5,722,804	\$ 5,252,553	\$ 4,738,424
Intergovernmental	3,501,239	2,299,555	2,345,421	2,278,698	2,319,850	2,184,958	1,929,801	1,518,384	1,160,520	1,290,071
Federal, state, and local grants	8,776,233	11,269,191	4,653,741	805,763	180,119	161,624	39,754	89,150	250,743	236,027
Fines, forfeitures, and penalties	839,232	1,117,138	1,004,927	788,423	619,930	663,055	706,943	375,089	342,517	195,092
Licenses, permits, and fees	1,843,546	1,932,305	1,668,104	1,659,488	1,646,805	1,744,600	1,629,845	1,122,546	984,916	956,290
Interest on investments	34,954	49,343	107,286	154,129	156,067	361,304	476,430	420,477	313,033	332,647
Increase (decrease) in fair value of investments	-	-	-	-	1,168	26,323	10,322	(22,727)	(3,538)	(165,281)
Recreation	386,951	389,020	303,377	273,334	142,315	110,872	89,659	76,669	61,774	52,300
Other	156,506	438,376	545,405	531,308	397,272	369,820	388,255	631,286	573,257	613,572
Total	21,738,901	23,846,128	17,094,117	12,770,761	11,499,539	11,568,488	11,083,765	9,933,678	8,935,775	8,249,142
Other Financing Sources										
Loan proceeds	1,150,000	-	6,000,000	-	5,000,000	-	-	-	-	2,596,399
Operating transfers in	1,035,589	786,511	1,240,955	1,181,314	1,170,577	1,220,631	1,053,660	900,206	5,572,381	1,101,047
Total revenues and other financing sources	\$ 23,924,490	\$ 24,632,639	\$ 24,335,072	\$ 13,952,075	\$ 17,670,116	\$ 12,789,119	\$ 12,137,425	\$ 10,833,884	\$ 14,508,156	\$ 11,946,588

CITY OF MILLINGTON, TENNESSEE
GOVERNMENTAL FUNDS EXPENDITURES BY FUNCTION

For the Last Ten Fiscal Years Ended June 30

	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
General government	\$ 1,544,148	\$ 1,886,636	\$ 1,971,869	\$ 1,857,509	\$ 1,914,036	\$ 1,958,214	\$ 1,825,299	\$ 1,767,307	\$ 1,540,366	\$ 1,670,169
Education	171,122	-	-	-	-	-	-	-	-	-
Public Safety										
Police	3,111,530	3,291,353	3,246,625	3,198,797	3,135,905	3,461,523	2,962,084	2,635,609	2,400,435	2,073,244
Fire	3,284,079	3,173,985	3,163,826	3,117,054	3,126,272	3,157,058	2,674,949	2,092,261	1,709,324	1,473,416
Drug control	120,217	-	-	-	-	-	-	-	-	-
Total public safety	<u>6,515,826</u>	<u>6,465,338</u>	<u>6,410,451</u>	<u>6,315,851</u>	<u>6,262,177</u>	<u>6,618,581</u>	<u>5,637,033</u>	<u>4,727,870</u>	<u>4,109,759</u>	<u>3,546,660</u>
Community Services										
Library	295,243									
Arts, recreation, and parks	1,494,685									
Recreation	-	591,476	577,727	630,004	715,966	819,612	705,379	636,819	687,980	716,733
Baker Community Center	-	230,886	216,451	182,780	269,150	204,168	157,561	145,542	119,011	47,470
Sports Authority	-	368,468	419,202	299,911	-	-	-	-	-	-
Total community services	<u>1,789,928</u>	<u>1,190,830</u>	<u>1,213,380</u>	<u>1,112,695</u>	<u>985,116</u>	<u>1,023,780</u>	<u>862,940</u>	<u>782,361</u>	<u>806,991</u>	<u>764,203</u>
Transportation and Environment										
Public works	261,844	487,700	590,251	880,943	583,121	585,403	578,401	570,436	567,304	594,410
Sanitation	974,156	1,000,186	854,490	1,015,824	827,205	1,219,855	764,141	758,659	682,730	556,737
Storm Water	382,862	-	-	-	-	-	-	-	-	-
Highways and streets	705,129	1,367,258	946,176	816,981	765,789	785,327	675,986	641,280	598,980	504,205
Total transportation and environment	<u>2,323,991</u>	<u>2,855,144</u>	<u>2,390,917</u>	<u>2,713,748</u>	<u>2,176,115</u>	<u>2,590,585</u>	<u>2,018,528</u>	<u>1,970,375</u>	<u>1,849,014</u>	<u>1,655,352</u>
Capital projects	10,966,134	13,216,764	6,476,889	1,245,844	276,215	335,423	555,731	456,129	1,074,553	2,966,097
Debt service	670,536	650,454	5,835,245	745,604	641,076	639,631	653,660	629,006	5,347,381	736,281
Total expenditures	<u>23,981,685</u>	<u>26,265,166</u>	<u>24,298,751</u>	<u>13,991,251</u>	<u>12,254,735</u>	<u>13,166,214</u>	<u>11,553,191</u>	<u>10,333,048</u>	<u>14,728,064</u>	<u>11,338,762</u>

CITY OF MILLINGTON, TENNESSEE

ANALYSIS OF TAX RATES AND ASSESSMENTS

For the Last Ten Fiscal Years Ended June 30

	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Property tax rate	<u>\$ 1.53</u>	<u>\$ 1.23</u>	<u>\$ 1.23</u>	<u>\$ 1.23</u>	<u>\$ 1.23</u>
Assessed Valuation					
Realty and personalty	\$ 168,185,180	\$ 166,983,760	\$ 169,234,480	\$ 182,557,550	\$ 174,747,779
Public utility	<u>9,682,797</u>	<u>9,017,800</u>	<u>9,043,000</u>	<u>9,490,000</u>	<u>9,357,031</u>
	<u>\$ 177,867,977</u>	<u>\$ 176,001,560</u>	<u>\$ 178,277,480</u>	<u>\$ 192,047,550</u>	<u>\$ 184,104,810</u>
	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
Property tax rate	<u>\$ 1.23</u>				
Assessed Valuation					
Realty and personalty	\$ 155,641,650	\$ 139,290,570	\$ 132,991,630	\$ 112,662,855	\$ 100,752,280
Public utility	<u>8,534,562</u>	<u>8,178,224</u>	<u>7,210,450</u>	<u>7,247,640</u>	<u>7,247,640</u>
	<u>\$ 164,176,212</u>	<u>\$ 147,468,794</u>	<u>\$ 140,202,080</u>	<u>\$ 119,910,495</u>	<u>\$ 107,999,920</u>

CITY OF MILLINGTON, TENNESSEE
SCHEDULE OF WATER, SEWER AND SANITATION RATES

June 30, 2013

Water Rates:

Gallons Used	Rate
First 2,000 gallons	\$ 10.00
Each additional 1,000 gallons	\$ 3.35

Sewer Rates:

Based on Gallons of Water Used	Rate
First 2,000 gallons	\$ 7.10
Each additional 1,000 gallons	\$ 3.42

Sanitation Rates:

Type	Monthly Charge
Residential	\$ 21.00
Commercial	
1/3 dumpster or less pickup per week	\$ 24.00
1/3 to 2/3 dumpster pickup per week	\$ 48.00
Per full dumpster and per pickup in week	\$ 60.00

CITY OF MILLINGTON, TENNESSEE

SCHEDULE OF UNCOLLECTED DELINQUENT TAXES FILED

June 30, 2013

As discussed in Note 6 to the financial statements, the Shelby County Trustee collects real and personal property taxes on behalf of the City. In that capacity, the Trustee has filed suit on behalf of the City for unpaid taxes. Total amounts filed by year for the last ten years are as follows:

<u>Year of Levy</u>	<u>Amount</u>
2012	\$ 72,910
2011	\$ 58,601
2010	\$ 69,565
2009	\$ 64,564
2008	\$ 51,080
2007	\$ 24,107
2006	\$ 33,080
2005	\$ 24,635
2004	\$ 17,117
2003	\$ 22,094

CITY OF MILLINGTON, TENNESSEE

SCHEDULE OF CHANGES IN PROPERTY TAXES RECEIVABLE – BY LEVY YEAR

June 30, 2013

	Total	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004 and prior
Property taxes receivable - beginning of year	\$ 2,391,783		\$ 2,164,823	\$ 130,949	\$ 56,986	\$ 18,182	\$ 9,219	\$ 2,542	\$ 2,153	\$ 1,486	\$ 5,443
ADD:											
Tax levied:	2,721,385	2,721,385						-	-	-	-
Adjustments	57,555		46,339	3,270	7,946	-	-	-	-	-	-
Total Additions	<u>2,778,940</u>	<u>2,721,385</u>	<u>46,339</u>	<u>3,270</u>	<u>7,946</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
DEDUCT:											
Collections - Net of Refunds	2,156,658		2,062,937	54,606	28,627	6,008	1,945	874	851	491	318
Releases	60,199		32,730	7,373	19,429	34	474	30	24	19	86
Total Deductions	<u>2,216,857</u>	<u>-</u>	<u>2,095,667</u>	<u>61,979</u>	<u>48,056</u>	<u>6,042</u>	<u>2,420</u>	<u>904</u>	<u>876</u>	<u>510</u>	<u>404</u>
Property taxes receivable - end of year	2,953,866	2,721,385	115,495	72,241	16,876	12,140	6,799	1,638	1,277	976	5,039
Less: Allowance for uncollectibles	(206,497)	(108,855)	(48,508)	(30,341)	(7,088)	(5,099)	(2,856)	(688)	(536)	(410)	(2,116)
Property taxes receivable, net	<u>\$ 2,747,369</u>	<u>\$ 2,612,530</u>	<u>\$ 66,987</u>	<u>\$ 41,900</u>	<u>\$ 9,788</u>	<u>\$ 7,041</u>	<u>\$ 3,943</u>	<u>\$ 950</u>	<u>\$ 741</u>	<u>\$ 566</u>	<u>\$ 2,923</u>

CITY OF MILLINGTON, TENNESSEE

SCHEDULE OF UNACCOUNTED FOR WATER

June 30, 2013

AWWA WLCC Free Water Audit Software: Reporting Worksheet									
Copyright © 2010, American Water Works Association. All Rights Reserved. WAS v4.2									
<input type="button" value="Click to access definition"/>		Water Audit Report for: City of Millington							
<input type="button" value="Back to Instructions"/>		Reporting Year: 2013 / 7/2012 - 6/2013							
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 (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									
<< Enter grading in column 'E'									
WATER SUPPLIED									
		Volume from own sources:	<input type="button" value="5"/>	<input type="text" value="335.027"/>	Million gallons (US)/yr (MG/Yr)				
		Master meter error adjustment (enter positive value):	<input type="button" value="3"/>	<input type="text" value="20.100"/>	under-registered	MG/Yr			
		Water imported:	<input type="button" value="5"/>	<input type="text" value="4.281"/>	MG/Yr				
		Water exported:	<input type="button" value="n/a"/>	<input type="text" value="0.000"/>	MG/Yr				
		WATER SUPPLIED:		359.408	MG/Yr				
AUTHORIZED CONSUMPTION									
		Billed metered:	<input type="button" value="7"/>	<input type="text" value="310.892"/>	MG/Yr				
		Billed unmetered:	<input type="button" value="n/a"/>	<input type="text" value="0.000"/>	MG/Yr				
		Unbilled metered:	<input type="button" value="n/a"/>	<input type="text" value="0.000"/>	MG/Yr				
		Unbilled unmetered:	<input type="button" value="9"/>	<input type="text" value="21.793"/>	MG/Yr				
		AUTHORIZED CONSUMPTION:		332.685	MG/Yr				
WATER LOSSES (Water Supplied - Authorized Consumption)									
				26.723	MG/Yr				
Apparent Losses									
		Unauthorized consumption:	<input type="button" value="5"/>	<input type="text" value="0.899"/>	MG/Yr				
Default option selected for unauthorized consumption - a grading of 5 is applied but not displayed									
		Customer metering inaccuracies:	<input type="button" value="6"/>	<input type="text" value="0.311"/>	MG/Yr				
		Systematic data handling errors:	<input type="button" value="7"/>	<input type="text" value="0.000"/>	MG/Yr				
		Apparent Losses:		1.210	MG/Yr				
Real Losses (Current Annual Real Losses or CARL)									
		Real Losses = Water Losses - Apparent Losses:	<input type="button" value="7"/>	<input type="text" value="25.513"/>	MG/Yr				
		WATER LOSSES:		26.723	MG/Yr				
NON-REVENUE WATER									
		NON-REVENUE WATER:	<input type="button" value="7"/>	<input type="text" value="48.516"/>	MG/Yr				
= Total Water Loss + Unbilled Metered + Unbilled Unmetered									
SYSTEM DATA									
		Length of mains:	<input type="button" value="5"/>	<input type="text" value="55.7"/>	miles				
		Number of active AND inactive service connections:	<input type="button" value="7"/>	<input type="text" value="4,677"/>					
		Connection density:		<input type="text" value="84"/>	conn./mile main				
		Average length of customer service line:	<input type="button" value="10"/>	<input type="text" value="0.0"/>	ft	(pipe length between curbstop and customer meter or property boundary)			
		Average operating pressure:	<input type="button" value="1"/>	<input type="text" value="67.0"/>	psi				
COST DATA									
		Total annual cost of operating water system:	<input type="button" value="9"/>	<input type="text" value="\$1,256,069"/>	\$/Year				
		Customer retail unit cost (applied to Apparent Losses):	<input type="button" value="8"/>	<input type="text" value="\$3.35"/>	\$/1000 gallons (US)				
		Variable production cost (applied to Real Losses):	<input type="button" value="10"/>	<input type="text" value="\$486.40"/>	\$/Million gallons				
PERFORMANCE INDICATORS									
Financial Indicators									
		Non-revenue water as percent by volume of Water Supplied:		13.5%					
		Non-revenue water as percent by cost of operating system:		2.2%					
		Annual cost of Apparent Losses:		\$4,053					
		Annual cost of Real Losses:		\$12,410					
Operational Efficiency Indicators									
		Apparent Losses per service connection per day:		0.71	gallons/connection/day				
		Real Losses per service connection per day*:		14.95	gallons/connection/day				
		Real Losses per length of main per day*:		N/A					
		Real Losses per service connection per day per psi pressure:		0.22	gallons/connection/day/psi				
		Unavoidable Annual Real Losses (UARL):		24.53	million gallons/year				
		From Above, Real Losses = Current Annual Real Losses (CARL):		25.51	million gallons/year				
		Infrastructure Leakage Index (ILI) [CARL/UARL]:		1.04					
* only the most applicable of these two indicators will be calculated									
WATER AUDIT DATA VALIDITY SCORE:									
*** YOUR SCORE IS: 61 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									
PRIORITY AREAS FOR ATTENTION:									
Based on the information provided, audit accuracy can be improved by addressing the following components:									
		1: Volume from own sources							
		2: Master meter error adjustment							
		3: Water imported							
					For more information, click here to see the Grading Matrix worksheet				



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

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

210 East Main Street • Suite 2C
Tupelo, Mississippi 38804
662.269.4014 • Fax: 662.269.4016

1941 Citrona Drive
Fernandina Beach, Florida 32034
904.432.2028 • Fax: 901.683.1120

www.wucpas.com

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 Mayor and Board of Aldermen of the
City of Millington, 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, each major fund, the statement of budgetary comparison for the general fund, and the aggregate remaining fund information of the City of Millington, Tennessee (the "City") as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 19, 2013.

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 from 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 Mikusall, PLLC

Memphis, Tennessee
December 19, 2013



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Certified Public Accountants & Financial Advisors
Independent Member of BKR International

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

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www.wucpas.com

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

To the Mayor and Board of Aldermen of the
City of Millington, Tennessee:

Report on Compliance for Each Major Federal Program

We have audited the City of Millington, Tennessee's (the "City") 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, 2013. 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 federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the City's major federal program 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 the 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 types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2012.

Report on Internal Control Over Compliance

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



Memphis Tennessee
December 19, 2013

CITY OF MILLINGTON, TENNESSEE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2013

A. SUMMARY OF AUDITOR'S RESULTS

1. The auditor's report expresses an unmodified opinion on the financial statements of the City of Millington, Tennessee (the "City").
2. No significant deficiencies or material weaknesses relating to the audit of the financial statements are reported in the 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*.
3. No instances of noncompliance material to the financial statements of the City were disclosed during the audit.
4. No significant deficiencies or material weaknesses relating to the audit of the major federal award programs are reported in the Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by OMB Circular A-133.
5. The auditors' report on compliance for the major federal award programs for the City expresses an unmodified opinion on all major federal programs.
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 used for distinguishing between Type A and B programs was \$300,000.
9. The City qualifies as a low risk auditee.

B. FINDINGS – FINANCIAL STATEMENTS AUDIT

None

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

None reported